

MSC Scandinavia Holding A/S

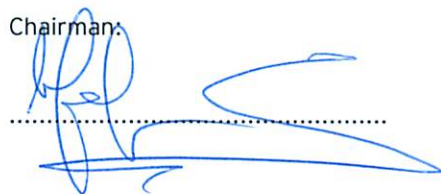
Laustrupsgade 7, 6 th, 2100 Copenhagen Ø

CVR no. 19 95 08 75

Annual report 2017

Approved at the Company's annual general meeting on 16 May 2018

Chairman:

A handwritten signature in blue ink is written over a horizontal dotted line. The signature is stylized and appears to be the name of the Chairman.



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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of MSC Scandinavia Holding A/S for the financial year 1 January - 31 December 2017.

The annual report is prepared in accordance with 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 of the Group and the Company at 31 December 2017 and of the results of the Group's and the Company's operations and of the consolidated cash flows for the financial year 1 January - 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 16 May 2018
Executive Board:



Lars Funding

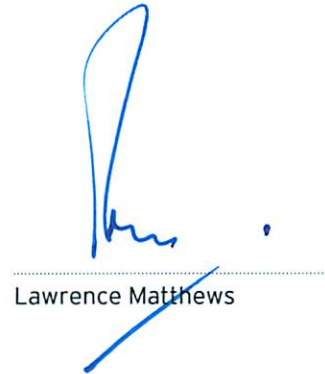
Board of Directors:



Maurizio Aponte
Chairman



Claudio Bozzo



Lawrence Matthews

Independent auditor's report

To the shareholder of MSC Scandinavia Holding A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of MSC Scandinavia Holding A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with 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 of the Group and the Parent Company at 31 December 2017, and of the results of the Group's and Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

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 consolidated financial statements and the parent Company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 rules and requirements.

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 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 as to 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 the financial statements.

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

Independent auditor's report

- ▶ 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 16 May 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Jens Thordahl Nøhr
State Authorised Public Accountant
MNE no.: mne32212



Thomas Bruun Kofoed
State Authorised Public Accountant
MNE no.: mne28677



Management's review

Company details

Name	MSC Scandinavia Holding A/S
Address, Postal code, City	Lastrupsgade 7, 6 th, 2100 Copenhagen Ø
CVR no.	19 95 08 75
Established	15 December 1996
Registered office	Copenhagen
Financial year	1 January - 31 December
Board of Directors	Maurizio Aponte, Chairman Claudio Bozzo Lawrence Matthews
Executive Board	Lars Funding
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmutsh Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights for the Group

DKK'000	2017	2016	2015	2014	2013
Key figures					
Revenue	3,855,449	2,826,406	3,269,682	2,980,385	3,051,670
Gross margin	170,353	149,334	150,018	151,658	138,745
Operating profit/loss	55,059	45,401	44,309	50,187	34,833
Net financials	-807	-1,156	17,617	-14,874	-16,852
Profit/loss for the year	36,106	26,169	43,322	24,511	12,999
Total assets					
Total assets	363,174	523,502	481,301	538,454	562,395
Investment in property, plant and equipment	-3,345	-1,354	-3,934	-3,372	-5,585
Equity	101,175	165,212	35,255	-6,858	45,675
Financial ratios					
Gross margin	4.4%	5.3%	4.6%	5.1%	4.5%
Solvency ratio	27.8%	31.6%	7.3%	-1.3%	8.1%
Return on equity	26.9%	26.1%	0.0%	0.0%	0.0%
Average number of employees	389	395	400	389	358

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios. For terms and definitions, please see the accounting policies.

The key figures for the years 2012-2015 have been restated following the divestment of subsidiaries during 2016.

Management's review

Business review

The Group's core activities mainly include sea freight and shipping agency services.

The Group represents the container activities and shared service operation of Mediterranean Shipping Company S.A. in Scandinavia, the Baltic countries, Russia, the Balkans as well as Eastern and Central Europe. The Group's headquarters are located in Copenhagen.

Financial review

The Group

In general, the Group has been affected by the strong competition. Taking the present market conditions into consideration, the performance for 2017 is considered very satisfactory.

Parent

The Group has finalised streamlining of accounting processes by moving to direct accounting with Principal as at the end of 2016. In 2017, the parent turnover comprised mainly payments for administrative services provided to the Baltic countries, Russia, the Balkans as well as Eastern and Central Europe. The Board of Directors considers the performance for the year very satisfactory.

Subsidiaries

The performance improved significantly in 2017 due to better market conditions.

Performance

The year ended with anticipated positive results. Profit for the year is DKK 54,250 thousand before tax and DKK 36,105 thousand after tax. Equity amounts to DKK 101,176 thousand after recognition of the exchange rate adjustment of investments in subsidiaries of DKK 4,143 thousand. The exchange rate adjustment mainly relates to the volatile RUB exchange rate in 2017.

Special risks

Operating and price risks

To a certain extent, the Group depends on the development in ocean freight rates on the global market.

Interest rate exposure

Reasonable changes in the interest level will have no material impact on the Group. Consequently, no agreements are made on hedging of interest rate exposure.

Currency exposure

Foreign activities lead to the fact that results, cash flows and equity are affected by the exchange rate movements in a number of foreign currencies. Exchange rate adjustments of investments in subsidiaries are recognised directly in equity. To a wide extent, acquisition and sale of shipping services take place in the same foreign currency.

Management's review

Statutory CSR report

MSC Scandinavia Holding A/S complies with all statutory requirements for social considerations, environmental issues, climate changes, human rights and fight against corruption, but the Group has no separate CSR policies, including policies for human rights, environment and climate, for which reason this management commentary does not give a separate account of our involvement in corporate social responsibility.

Account of the gender composition of Management

It is the policy of MSC Scandinavia Holding A/S to secure the best professional competence possible at all levels in the Company. The members of Management are solely appointed based on their qualifications and not their gender. By doing so equal opportunities for both genders are secured if the candidates applying for the management positions possess the professional skills required.

At the other management levels in the Company, female executives constitute 46% and male executive constitute 54%, and the gender distribution is therefore considered even. A similar gender distribution is expected maintained in future.

Target figures for the Board of Directors

At the time of presentation of the annual report, the Board of Directors of MSC Scandinavia Holding A/S consists of 3 members, of whom none are female.

Based on specific assessment of the Company's situation, including competences to be present on the Board of Directors, the target is to identify at least one female candidate for the Board of Directors of MSC Scandinavia Holding A/S before 2019. This is considered an achievable and ambitious target figure.

No suitable candidates have been found in 2017.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Outlook

Positive results are also expected in 2018 at level with 2017.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Income statement

Note	DKK'000	Group		Parent company	
		2017	2016	2017	2016
2	Revenue	3,855,449	2,826,406	43,237	39,816
	Cost of sales	-3,644,963	-2,637,414	0	0
	Other operating income	210	432	0	220
	Other external expenses	-40,343	-40,090	-29,083	-24,102
	Gross margin	170,353	149,334	14,154	15,934
3	Staff costs	-110,097	-98,316	-11,454	-12,889
4	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-5,197	-5,617	-514	-1,341
	Profit before net financials	55,059	45,401	2,186	1,704
	Income from investments in group entities	0	0	36,536	92,670
5	Financial income	2,475	179	204	232
	Write-down on investments	0	-60	0	-60
	Financial expenses	-3,282	-1,335	-2,265	-472
	Profit before tax	54,252	44,185	36,661	94,074
6	Tax for the year	-18,146	-18,016	-555	229
	Profit for the year	36,106	26,169	36,106	94,303
	Specification of the Group's results of operations:				
	Shareholder in MSC Scandinavia Holding A/S	35,743	26,169		
	Non-controlling interests	363	0		
		36,106	26,169		

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	Group		Parent company	
		2017	2016	2017	2016
	ASSETS				
	Non-current assets				
7	Intangible assets				
	Acquired intangible assets	2,076	3,040	50	85
		<u>2,076</u>	<u>3,040</u>	<u>50</u>	<u>85</u>
8	Property, plant and equipment				
	Land and buildings	36,043	40,742	0	0
	Fixtures and fittings, other plant and equipment	5,105	4,781	322	684
		<u>41,148</u>	<u>45,523</u>	<u>322</u>	<u>684</u>
9	Financial assets				
	Investments in group entities	0	0	62,282	34,392
	Receivables from group entities	0	0	14,808	13,113
	Investments in associates	0	0	20	20
	Other securities and investments	20	20	0	0
	Other receivables	218	175	0	0
10,13	Deferred tax assets	2,486	2,524	543	644
		<u>2,724</u>	<u>2,719</u>	<u>77,653</u>	<u>48,169</u>
	Total non-current assets	<u>45,948</u>	<u>51,282</u>	<u>78,025</u>	<u>48,938</u>
	Current assets				
	Receivables				
	Trade receivables	227,468	200,108	0	0
	Receivables from group entities	47,509	227,537	25,518	192,955
	Corporation tax receivable	8,969	8,838	0	0
	Other receivables	12,909	13,781	570	2,698
	Prepayments	6,086	8,653	915	1,584
		<u>302,941</u>	<u>458,917</u>	<u>27,003</u>	<u>197,237</u>
	Cash	<u>14,285</u>	<u>13,303</u>	<u>3,394</u>	<u>5</u>
	Total current assets	<u>317,226</u>	<u>472,220</u>	<u>30,397</u>	<u>197,242</u>
	TOTAL ASSETS	<u>363,174</u>	<u>523,502</u>	<u>108,422</u>	<u>246,180</u>

Consolidated financial statements and parent company financial statements 1 January - 31 December

Statement of changes in equity (continued)

		Parent company				
Note	DKK'000	Share capital	Net revaluation reserve according to the equity method	Retained earnings	Dividend proposed	Total
	Equity at 1 January 2016	5,000	31,757	24,271	40,000	101,028
20	Transfer, see "Appropriation of profit"	0	-510	-1,187	96,000	94,303
	Adjustment of investments through foreign exchange adjustments	0	0	9,881	0	9,881
	Dividend distributed	0	0	0	-40,000	-40,000
	Equity at 1 January 2017	5,000	31,247	32,965	96,000	165,212
20	Transfer, see "Appropriation of profit"	0	32,034	4,072	0	36,106
	Adjustment of investments through foreign exchange adjustments	0	-4,143	0	0	-4,143
	Dividend distributed	0	0	0	-96,000	-96,000
	Equity at 31 December 2017	5,000	59,138	37,037	0	101,175

Consolidated financial statements and parent company financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	Group	
		2017	2016
	Profit for the year	36,106	26,169
21	Adjustments	26,934	24,210
	Cash generated from operations (operating activities)	63,040	50,379
22	Changes in working capital	-15,437	-80,988
	Cash generated from operations (operating activities)	47,603	-30,609
	Interest received, etc.	348	179
	Interest paid, etc.	-6	-24
	Income taxes paid	-22,079	-14,533
	Cash flows from operating activities	25,866	-44,987
	Additions of intangible assets	0	-185
	Additions of property, plant and equipment	-3,345	-1,354
	Disposals of property, plant and equipment	247	111
	Proceeds from disposal of entities	76,262	0
	Cash flows to investing activities	73,164	-1,428
	Dividends paid	-96,000	-40,000
	Dividends received from disposed entities	0	56,317
	Cash flows from financing activities	-96,000	16,317
	Net cash flow	3,030	-30,098
	Cash and cash equivalents at 1 January	13,303	36,810
	Foreign exchange adjustments	-2,048	6,591
	Cash and cash equivalents at 31 December	14,285	13,303

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of MSC Scandinavia Holding A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Consolidated financial statements

Non-controlling interests

On initial recognition, non-controlling interests are measured at the fair value of the non-controlling interests' equity interest or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

In the former scenario, goodwill relating to the non-controlling interests' share of the acquiree is thus recognised, whereas, in the latter scenario, goodwill relating to the non-controlling interests' share is not recognised. The measurement scenario is decided transaction by transaction.

Intra-group business combinations

The pooling-of-interest method is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, additions of assets and share conversions, etc. where the combined entities are controlled by the Parent Company, implying that the combination is considered complete at the time of acquisition with restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquired entity are recognised in equity.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Foreign group entities

Foreign subsidiaries are considered separate entities. Items in such entities' income statements are translated at an average exchange rate for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Income statement

Revenue

Revenue is recognised in the income statement if delivery has taken place to the Group's co-operators before year-end and if the income can be calculated reliably.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of non-current assets.

Cost of sales

Cost of sales includes the costs to shipping companies and other direct costs comprise direct and indirect costs incurred to achieve revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The cost net of the expected residual value for completed development projects and acquired IP rights is amortised over the expected useful life. Acquired IP rights include patents, rights and licences.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Acquired intangible assets	5 years
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The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised. In case of changes in the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Land and buildings	50 years
Fixtures and fittings, other plant and equipment	3-8 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Income from investments in subsidiaries and associates

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries and associates are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries. Only proportionate elimination of intra-group gains/losses is made for equity investments in associates.

Shares of profit/loss after tax in associates are recognised in the consolidated income statement after elimination of a proportionate share of unrealised intra-group gains/losses.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities as well as tax relief and tax surcharge under the Danish tax prepayment scheme, etc.

Tax

The parent company is covered by the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The parent company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year, which comprises the current income tax charge, joint taxation contributions and deferred tax adjustments, including adjustments arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Other intangible assets include other acquired intangible rights, including software licences.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Investments in subsidiaries and associates

Equity investments in subsidiaries and associates are measured according to the equity method. Equity investments in joint ventures are also measured according to the equity method in the consolidated financial statements.

On initial recognition, equity investments in subsidiaries and associates are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deducted from the carrying amount.

Equity investments in subsidiaries and associates measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Gains or losses on the disposal of subsidiaries are made up as the difference between the sales price and the carrying amount of net assets at the date of disposal, including non-amortised goodwill and anticipated costs of disposal. Gains or losses are recognised in the income statement as financial income or financial expenses.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other securities and investments

Securities and investments consisting of listed shares and bonds are measured at fair value (market price) at the balance sheet date. Investments not admitted to trading on an active market are measured at cost.

Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash in hand and bank deposits.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Equity

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Uncertain tax positions

Tax on a transaction where the practical application of tax rules is uncertain or whether the specific situation is indeed covered by legislation is recognised as a provision when the tax on the transaction is considered probable.

The provision is measured at net realisable value, which is calculated to an amount corresponding to the single most likely amount in a range of possible outcomes (the most likely amount) in cases where there are few possible outcomes. In cases where there are several possible outcomes, the provision is measured to an amount calculated as the sum of the probability-weighted amounts in a range of possible outcomes (the expected value).

In cases where taxation is not considered probable but not entirely unlikely either, details of the uncertain tax position are included under contingent liabilities.

As management company for all the entities in the joint taxation arrangement, the parent company is liable for payment of the subsidiaries' income taxes vis à vis the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable or receivable are recognised in the balance sheet as income tax receivables or payables.

Other payables

Other payables are measured at net realisable value.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cash flow statement

The cash flow statement shows the Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Segment information

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly in the organisation of sales of goods and services.

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios.

The financial ratios stated under "Financial highlights" have been calculated as follows:

Gross margin ratio	$\frac{\text{Gross margin} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity excl. non-controlling interests, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year excl. non-controlling interests} \times 100}{\text{Average equity excl. non-controlling interests}}$

2 Segment information

The Group carries out freight activities in the global market. There is neither any geographical nor any business segment reporting, as the customers' specific demand for destinations on shipping services is constantly changing.

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Notes to the financial statements

	Group		Parent company	
	2017	2016	2017	2016
DKK'000				
3 Staff costs				
Wages/salaries	92,372	82,886	10,631	11,917
Pensions	10,911	8,676	773	834
Other social security costs	6,814	6,754	50	138
	<u>110,097</u>	<u>98,316</u>	<u>11,454</u>	<u>12,889</u>
Average number of full-time employees	<u>389</u>	<u>395</u>	<u>12</u>	<u>16</u>

Group

By reference to section 98b(3)(ii) of the Danish Financial Statements Act, remuneration to the Group Management is not disclosed.

Parent company

By reference to section 98b(3)(ii) of the Danish Financial Statements Act, remuneration to Management is not disclosed.

	Group		Parent company	
	2017	2016	2017	2016
DKK'000				
4 Amortisation/depreciation of intangible assets and property, plant and equipment				
Amortisation of intangible assets	785	697	35	21
Depreciation of property, plant and equipment	4,412	4,920	479	1,320
	<u>5,197</u>	<u>5,617</u>	<u>514</u>	<u>1,341</u>
5 Financial income				
Interest receivable, group entities	0	0	188	229
Other interest income	2,475	179	16	3
	<u>2,475</u>	<u>179</u>	<u>204</u>	<u>232</u>
6 Tax for the year				
Estimated tax charge for the year	18,045	18,571	454	388
Deferred tax adjustments in the year	101	-544	101	25
Tax adjustments, prior years	0	-11	0	-642
	<u>18,146</u>	<u>18,016</u>	<u>555</u>	<u>-229</u>

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

7 Intangible assets

	<u>Group</u>
	<u>Acquired intangible assets</u>
DKK'000	
Cost at 1 January 2017	9,269
Foreign exchange adjustments	-278
Cost at 31 December 2017	<u>8,991</u>
Impairment losses and amortisation at 1 January 2017	6,229
Foreign exchange adjustments	-99
Amortisation for the year	785
Impairment losses and amortisation at 31 December 2017	<u>6,915</u>
Carrying amount at 31 December 2017	<u><u>2,076</u></u>
	<u>Parent company</u>
	<u>Acquired intangible assets</u>
DKK'000	
Cost at 1 January 2017	5,417
Cost at 31 December 2017	<u>5,417</u>
Impairment losses and amortisation at 1 January 2017	5,332
Amortisation for the year	35
Impairment losses and amortisation at 31 December 2017	<u>5,367</u>
Carrying amount at 31 December 2017	<u><u>50</u></u>

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Notes to the financial statements

8 Property, plant and equipment

DKK'000	Group		
	Land and buildings	Fixtures and fittings, other plant and equipment	Total
Cost at 1 January 2017	55,128	20,249	75,377
Foreign exchange adjustments	-3,811	-678	-4,489
Additions	251	3,094	3,345
Disposals	0	-1,054	-1,054
Cost at 31 December 2017	51,568	21,611	73,179
Revaluations at 1 January 2017	0	0	0
Revaluations at 31 December 2017	0	0	0
Impairment losses and depreciation at 1 January 2017	14,386	15,468	29,854
Foreign exchange adjustments	-988	-440	-1,428
Depreciation	2,127	2,285	4,412
Reversal of accumulated depreciation and impairment of assets disposed	0	-807	-807
Impairment losses and depreciation at 31 December 2017	15,525	16,506	32,031
Carrying amount at 31 December 2017	36,043	5,105	41,148

DKK'000	Parent company
	Fixtures and fittings, other plant and equipment
Cost at 1 January 2017	7,871
Additions	117
Cost at 31 December 2017	7,988
Value adjustments at 1 January 2017	0
Value adjustments at 31 December 2017	0
Impairment losses and depreciation at 1 January 2017	7,187
Depreciation	479
Impairment losses and depreciation at 31 December 2017	7,666
Carrying amount at 31 December 2017	322

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

9 Investments

DKK'000	Group		
	Other securities and investments	Other receivables	Total
Cost at 1 January 2017	80	175	255
Foreign exchange adjustments	0	-2	-2
Additions	0	45	45
Cost at 31 December 2017	80	218	298
Value adjustments at 1 January 2017	-60	0	-60
Value adjustments at 31 December 2017	-60	0	-60
Carrying amount at 31 December 2017	20	218	238

DKK'000	Parent company			
	Investments in group entities	Receivables from group entities	Investments in associates	Total
Cost at 1 January 2017	3,145	19,524	80	22,749
Disposals	0	-172	0	-172
Cost at 31 December 2017	3,145	19,352	80	22,577
Value adjustments at 1 January 2017	31,247	-6,411	-60	24,776
Foreign exchange adjustments	-4,143	0	0	-4,143
Dividend received	-1,131	0	0	-1,131
Profit/loss for the year	36,536	0	0	36,536
Changes in equity	-3,372	0	0	-3,372
Revaluations for the year	0	1,867	0	1,867
Value adjustments at 31 December 2017	59,137	-4,544	-60	54,533
Carrying amount at 31 December 2017	62,282	14,808	20	77,110

Parent company

Name	Legal form	Domicile	Interest
Subsidiaries			
OY MSC Finland AB	AB	Finland	100.00%
MSC Eesti AS	AS	Estonia	100.00%
MSC Belarus private enterprise	Private enterprise	Belarus	100.00%
MSC Rus LLC	LLC	Russia	100.00%
MSC Uzbekistan LLC	LLC	Uzbekistan	100.00%
MSC Eastern Europe SIA	SIA	Latvia	100.00%
MSC SH SIA	SIA	Latvia	100.00%
Eastern Europe Holding ApS	ApS	Denmark	99.00%

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

10 Deferred tax assets

Group

Deferred tax is incumbent on property, plant and equipment, trade receivables, tax losses as well as distributable reserves in group entities.

Parent company

Deferred tax is incumbent on property, plant and equipment and investments in group entities.

DKK'000	Parent company	
	2017	2016
11 Share capital		
Analysis of the share capital:		
5,000,000 shares of DKK 1.00 nominal value each	5,000	5,000
	<u>5,000</u>	<u>5,000</u>

The parent's share capital has remained DKK 5,000 thousand over the past 5 years.

12 Non-current liabilities

DKK'000	Group			
	Total debt at 31/12 2017	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Deferred tax	6,491	0	6,491	0
Other provisions	7,787	0	7,787	0
	<u>14,278</u>	<u>0</u>	<u>14,278</u>	<u>0</u>

Parent company

Of the long-term liabilities, DKK 0 falls due for payment after more than 5 years after the balance sheet date.

DKK'000	Parent company			
	Total debt at 31/12 2017	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Provision, investments in group entities	1,081	0	1,081	0
	<u>1,081</u>	<u>0</u>	<u>1,081</u>	<u>0</u>

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	Group		Parent company	
	2017	2016	2017	2016
13 Deferred tax				
Deferred tax at 1 January	4,551	3,836	-644	231
Adjustment of deferred tax for the year	-309	715	101	-875
Other deferred tax	-237	0	0	0
Deferred tax at 31 December	4,005	4,551	-543	-644
Analysis of the deferred tax				
Deferred tax assets	-2,486	-2,524	-543	-644
Deferred tax liabilities	6,491	7,075	0	0
	4,005	4,551	-543	-644

14 Provisions

Group

Deferred tax is incumbent on property, plant and equipment, trade receivables, tax losses as well as distributable reserves in group entities.

Parent company

Deferred tax is incumbent on property, plant and equipment and investments in group entities.

Provisions relating to investments in group entities comprise the Company's liability for negative investments in subsidiaries in the form of a comfort letter in favour of the subsidiary.

The parent company has issued a letter of indemnity regarding the subsidiary in Belarus.

DKK'000	Group		Parent company	
	2017	2016	2017	2016
15 Other provisions				
Opening balance at 1 January	5,869	0	0	0
Provisions in the year	1,918	5,869	0	0
Other provisions at 31 December	7,787	5,869	0	0

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

16 Contractual obligations and contingencies, etc.

Other contingent liabilities

DKK'000	Group		Parent company	
	2017	2016	2017	2016
Other contingent liabilities	1,638	997	423	528
	<u>1,638</u>	<u>997</u>	<u>423</u>	<u>528</u>

Other financial obligations

Other rent and lease liabilities:

Rent and lease liabilities	<u>3,879</u>	<u>3,227</u>	<u>1,057</u>	<u>304</u>
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Parent company

The parent company has provided a letter of support to provide adequate funds to a subsidiary to enable it to continue operations through until at least 1 January 2019.

The Company is jointly taxed with other Danish jointly taxed group entities. As a jointly taxed group entity, the Company has joint and several unlimited liability, together with the other jointly taxed group entities, for all Danish income taxes and withholding taxes in dividend, interest and royalties within the group of jointly taxed entities. The jointly taxed entities' total known net liability towards SKAT is DKK 4,242 thousand. Any subsequent corrections of income subject to joint taxation and withholding taxes, etc., could entail an increase in the entity's tax liability.

17 Collateral

Group

The Group has not provided any security or other collateral in the assets at 31 December 2017.

Parent company

The Parent Company has not placed any assets or other as security for loans at 31 December 2017.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

18 Related parties

Group

MSC Scandinavia Holding A/S' related parties comprise the following:

Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
United Agencies Limited S.A.	Switzerland	Participating interest

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
United Agencies Limited S.A	Switzerland	Chemin Rieu 12-14, 1208 Geneva
MSC Mediterranean Shipping Company Holding S.A.	Switzerland	Chemin Rieu 12-14, 1208 Geneva

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

Related party transactions

DKK'000	2017	2016
Group		
Sale of services to group entities	3,448,093	2,508,280
Purchase of services from group entities	-3,407,752	-2,445,254
Receivables from group entities	47,508	227,537
Payables to group entities	108,701	209,916
Parent Company		
Sale of services to group entities	43,573	40,336
Purchase of services from group entities	-19,489	-12,977
Interest income from group entities	130	232
Disposal of group entities	0	76,263
Long-term receivables from group entities	14,808	13,113
Short-term receivables from group entities	24,386	192,955
Payables to group entities	2,963	74,765

Parent company

Parties exercising control

Related party	Domicile	Basis for control
United Agencies Limited S.A.	Switzerland	Participating interest

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
United Agencies Limited S.A	Switzerland	Chemin Rieu 12-14, 1208 Geneva
MSC Mediterranean Shipping Company Holding S.A.	Switzerland	Chemin Rieu 12-14, 1208 Geneva

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

		Group	
DKK'000		2017	2016
19	Fee to the auditors appointed by the Company in general meeting		
	Statutory audit	934	859
	Tax assistance	174	18
	Other assistance	98	73
		1,206	950
		Parent company	
DKK'000		2017	2016
20	Appropriation of profit		
	Recommended appropriation of profit		
	Proposed dividend recognised under equity	0	96,000
	Net revaluation reserve according to the equity method	32,034	-510
	Retained earnings/accumulated loss	4,072	-1,187
		36,106	94,303
21	Adjustments		
	Amortisation/depreciation and impairment losses	5,197	5,677
	Gain/loss on the sale of fixed assets	0	-432
	Financial income	-348	-179
	Financial expenses	6	1,128
	Tax for the year	22,079	18,016
		26,934	24,210
22	Changes in working capital		
	Change in receivables	79,802	15,189
	Change in trade and other payables	-95,239	-96,177
		-15,437	-80,988