MSC Scandinavia Holding A/S

Laustrupsgade 7, 6 th, 2100 Copenhagen Ø

CVR no. 19 95 08 75

Annual report 2018

Approved at the Company's annual general meeting on 29 May 2019

Chairman:

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Building a better working world

Contents

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 2018.

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 2018 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 2018.

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, 29 May 2019
Executive Board:

Flemming Nielsen

Board of Directors:

Claudio Bozzo Chairman	Lawrence Christopher Frederick Matthews	Marcin Andrzej Ruszczynski

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 2018, 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 2018, 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 2018 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" (herinafter 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, 29 May 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jens Thordahl Nøhr	Thomas Bruun Kofoed
State Authorised Public Accountant	State Authorised Public Accountant
mne32212	mne28677

Management's review

Company details

Name	MSC Scandinavia Holding A/S
Address, Postal code, City	Laustrupsgade 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	Claudio Bozzo, Chairman Lawrence Christopher Frederick Matthews Marcin Andrzej Ruszczynski
Executive Board	Flemming Nielsen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights for the Group

DKK'000	2018	2017	2016	2015	2014
Key figures					
Revenue	3,067,581	3,028,209	2,186,283	2,700,114	2,693,275
Gross margin	147,355	140,867	126,281	128,677	130,524
Ordinary operating profit/loss	49,454	49,448	46,701	46,833	52,215
Net financials	12,918	2,413	-2,073	14,478	-18,303
Profit/loss for the year	**44,397**	**34,290**	**26,477**	**42,842**	**23,579**
Total assets	317,505	250,870	425,357	467,033	528,771
Investment in property, plant and equipment	-2,991	-3,077	-1,048	-2,827	-3,059
Equity	**161,472**	**105,717**	**171,576**	**96,112**	**53,881**
Financial ratios					
Gross margin	4.8%	4.7%	5.8%	4.8%	4.8%
Equity ratio	50.6%	42.0%	40.3%	20.6%	10.2%
Return on equity	33.0%	24.5%	19.8%	57.1%	47.4%
Average number of employees	**431**	**389**	**381**	**384**	**363**

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 2014-2017 have been restated following the divestment of subsidiaries as described in note 1, Accounting policies.

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 2018 is considered very satisfactory.

Parent

The Group has decided to streamline accounting processes further by moving to external expenses directly under Principal as from 1 September 2018. From this date, the parent turnover comprised mainly commercial services provided to the Baltic countries, Russia, as well as Eastern and Central Europe. The Board of Directors considers the performance for the year satisfactory.

Subsidiaries

In general, the performance of subsidiaries is considered acceptable even though a few countries did not meet the expectations.

In 2018, the Group decided to continue with the transfer of the ownership. By the end of 2018, one more subsidiary was finalised and two are in process.

Performance

The year ended with anticipated positive results. Profit for the year is DKK 62,466 thousand before tax and DKK 44,397 thousand after tax. Equity amounts to DKK 161,472 thousand after recognition of the exchange rate adjustment of investments in subsidiaries of DKK 5,397 thousand. The exchange rate adjustment mainly relates to the volatile RUB exchange rate in 2018.

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 exposoure

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 MSC Scandinavia Holding A/S does not have policies related to human rights, social and labor conditions, anti-corruption, environment and climate. The reason is that it is handled by the MSC. Please find supplementary information related to MSC sustainability performance here: https://www.msc.com/dnk/sustainability.

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 2020. This is considered ambitious target figure.

No suitable candidates have been found in 2018.

Events after the balance sheet date

Two subsidiaries have been sold in May 2019.

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 2019 at level with 2018 for the remaining Group.

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

Income statement

		Group		Parent company	
Note	DKK'000	2018	2017	2018	2017
2	**Revenue**	3,067,581	3,028,209	39,542	43,237
	Cost of sales	-2,880,771	-2,852,145	0	0
	Other operating income	95	121	5	0
	Other external expenses	-39,550	-35,318	-27,653	-29,083
	Gross margin	147,355	140,867	11,894	14,154
3	Staff costs	-93,455	-86,591	-10,519	-11,454
4	Amortisation/depreciation of intangible assets and property, plant and equipment	-4,352	-4,707	-240	-514
	Profit before net financials	49,548	49,569	1,135	2,186
	Income from investments in group entities	0	0	73,008	36,536
5	Financial income	13,677	5,699	440	204
	Financial expenses	-759	-3,286	-751	-2,265
	Profit before tax	62,466	51,982	73,832	36,661
6	Tax for the year	-18,069	-17,692	-2,012	-555
	Profit for the year	44,397	34,290	71,820	36,106
	Specification of the Group's results of operations:				
	Shareholder in MSC Scandinavia Holding A/S	43,959	33,927		
	Non-controlling interests	438	363		
		44,397	34,290		

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

Balance sheet

		Group		Parent company	
Note	DKK'000	2018	2017	2018	2017
	ASSETS				
	Non-current assets				
7	**Intangible assets**				
	Acquired intangible assets	1,206	2,075	38	50
		1,206	2,075	38	50
8	**Property, plant and equipment**				
	Land and buildings	29,908	36,042	0	0
	Fixtures and fittings, other plant and equipment	4,886	4,212	235	322
		34,794	40,254	235	322
9	**Financial assets**				
	Investments in group entities	0	0	101,799	62,283
	Receivables from group entities	0	19,352	0	14,808
	Investments in associates	20	20	20	20
	Deposits, investments	480	218	262	0
10,13	Deferred tax assets	2,233	1,876	435	543
		2,733	21,466	102,516	77,654
	Total non-current assets	38,733	63,795	102,789	78,026
	Current assets				
	Receivables				
	Trade receivables	155,313	144,904	3	0
	Receivables from group entities	59,317	3,591	58,548	25,518
	Corporation tax receivable	5,221	9,074	462	0
	Other receivables	11,345	11,495	263	570
	Prepayments	12,836	4,798	1,612	915
		244,032	173,862	60,888	27,003
	Cash	34,740	13,213	3,071	3,394
	Total current assets	278,772	187,075	63,959	30,397
	TOTAL ASSETS	317,505	250,870	166,748	108,423

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

Balance sheet

		Group		Parent company	
Note	DKK'000	2018	2017	2018	2017
	EQUITY AND LIABILITIES				
	Equity				
11	Share capital	5,000	5,000	5,000	5,000
	Net revaluation reserve according to the equity method	0	0	101,416	59,138
	Retained earnings	103,671	100,354	3,056	37,037
	Dividend proposed	52,000	0	52,000	0
	Shareholders in MSC Scandinavia Holding A/S' share of equity	160,671	105,354	161,472	101,175
	Non-controlling interests	801	363	0	0
	Total equity	161,472	105,717	161,472	101,175
12	**Non-current liabilities**				
13	Deferred tax	10,242	6,492	0	0
14	Other provisions	1,769	7,787	0	0
	Provision, investments in group entities	0	0	740	1,081
	Other payables	262	0	0	0
	Total non-current liabilities	12,273	14,279	740	1,081
	Current liabilities				
	Prepayments received from customers	11,546	12,205	0	0
	Trade payables	95,919	75,909	696	1,515
	Payables to group entities	26,827	25,662	1,832	1,671
	Corporation tax payable	0	0	102	634
	Other payables	9,468	17,098	1,906	2,347
	Total current liabilities	143,760	130,874	4,536	6,167
	Total liabilities	156,033	145,153	5,276	7,248
	TOTAL EQUITY AND LIABILITIES	317,505	250,870	166,748	108,423

1 Accounting policies
15 Contractual obligations and contingencies, etc.
16 Collateral
17 Related parties
18 Fee to the auditors appointed by the Company in general meeting

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

Statement of changes in equity

Note	DKK'000	Group					
		Share capital	Retained earnings	Dividend proposed	Total	Non-controlling interests	Total equity
	Equity at 1 January 2017	5,000	64,213	96,000	165,213	0	165,213
	Net assets of entities disposed	0	6,357	0	6,357	0	6,357
	Transfer through appropriation of profit	0	33,927	0	33,927	363	34,290
	Adjustment of investments through foreign exchange adjustments	0	-4,143	0	-4,143	0	-4,143
	Dividend distributed	0	0	-96,000	-96,000	0	-96,000
	Equity at 1 January 2018	5,000	100,354	0	105,354	363	105,717
	Proceeds from disposal of entities (gross)	0	16,753	0	16,753	0	16,753
	Transfer through appropriation of profit	0	-8,039	52,000	43,961	438	44,399
	Adjustment of investments through foreign exchange adjustments	0	-5,397	0	-5,397	0	-5,397
	Equity at 31 December 2018	5,000	103,671	52,000	160,671	801	161,472

Note	DKK'000	Parent company				
		Share capital	Net revaluation reserve according to the equity method	Retained earnings	Dividend proposed	Total
	Equity at 1 January 2018	5,000	59,138	37,037	0	101,175
19	Transfer, see "Appropriation of profit"	0	53,803	-33,981	52,000	71,822
	Adjustment of investments through foreign exchange adjustments	0	-11,525	0	0	-11,525
	Equity at 31 December 2018	5,000	101,416	3,056	52,000	161,472

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

Cash flow statement

Note	DKK'000	Group 2018	Group 2017
	Profit for the year	44,397	34,290
20	Adjustments	9,505	19,983
	Cash generated from operations (operating activities)	53,902	54,273
21	Changes in working capital	-40,842	-10,003
	Cash generated from operations (operating activities)	13,060	44,270
	Interest received, etc.	546	478
	Interest paid, etc.	-752	-6
	Income taxes paid	-10,823	-22,074
	Cash flows from operating activities	2,031	22,668
	Additions of intangible assets	-34	0
	Additions of property, plant and equipment	-2,991	-3,077
	Disposals of property, plant and equipment	306	180
	Proceeds from disposal of entities	16,753	76,262
	Cash flows to investing activities	14,034	73,365
	Dividends paid	0	-96,000
	Cash flows from financing activities	0	-96,000
	Net cash flow	16,065	33
	Cash and cash equivalents at 1 January	13,213	12,134
	Foreign exchange adjustments	5,462	1,046
	Cash and cash equivalents at 31 December	34,740	13,213

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 2018 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.

Change in the Company's activities, including effect of intra-group business combinations

In 2018, MSC Scandinavia Holding A/S divested a subsidiary to the parent company United Agencies Limited S.A. In the consolidated financial statements, the divestment has been accounted for in accordance with the pooling-of-interest method. Under this method, the disposal is considered to have occurred on 1 January 2017. Net assets, etc. are transferred at their carrying amounts, and the difference compared to the consideration is taken directly to equity. Actual dividends received during 2017 and 2018 from the disposed subsidiary are taken directly to equity. The comparative figures have been restated accordingly to reflect the group structure after the disposals.

Reporting currency

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

Consolidated financial statements

Preparation of consolidated financial statements

The consolidated financial statements are prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements, which are prepared according to the group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains if they do not reflect impairment.

In the consolidated financial statements, the accounting items of subsidiaries are recognised in full. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly-owned are included in the group's profit/loss and equity, respectively, but are disclosed separately.

Acquisitions and disposals of non-controlling interests which are still controlled are recognised directly in equity as a transaction between shareholders.

Investments in associates and joint ventures are recognised in the consolidated financial statements using the equity method.

The group's activities in joint operations are recognised on a line-by-line basis.

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 later scenario, goodwill relating to the non-controlling interests' share is not recognised. The measurement scenario is decided transaction by transaction.

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

Notes to the financial statements

1 Accounting policies (continued)

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.

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 on the sale of non-current assets.

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

Notes to the financial statements

1 Accounting policies (continued)

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

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.

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.

Profit 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.

The proportionate share of the individual subsidiaries' profit/loss after tax after full elimination of internal gains/losses is recognised in the parent company's income statement.

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

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

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

Notes to the financial statements

1 Accounting policies (continued)

Investments in subsidiaries and associates

Equity investments in subsidiaries 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 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 deduced from the carrying amount.

Equity investments in subsidiaries 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.

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.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

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

Notes to the financial statements

1 **Accounting policies (continued)**

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.

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.

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

Notes to the financial statements

1 **Accounting policies (continued)**

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.

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.

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

Notes to the financial statements

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.

	Group		Parent company	
DKK'000	2018	2017	2018	2017
3 Staff costs				
Wages/salaries	78,430	73,729	9,743	10,631
Pensions	6,860	6,158	730	773
Other social security costs	8,165	6,704	46	50
	93,455	86,591	10,519	11,454
Average number of full-time employees	431	389	11	12

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	
DKK'000	2018	2017	2018	2017
4 Amortisation/depreciation of intangible assets and property, plant and equipment				
Amortisation of intangible assets	724	786	46	35
Depreciation of property, plant and equipment	3,628	3,921	194	479
	4,352	4,707	240	514
5 Financial income				
Interest receivable, group entities	132	130	438	188
Other interest income	13,545	5,569	2	16
	13,677	5,699	440	204
6 Tax for the year				
Estimated tax charge for the year	13,201	15,056	217	454
Deferred tax adjustments in the year	3,187	2,636	113	101
Tax adjustments, prior years	1,681	0	1,682	0
	18,069	17,692	2,012	555

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

Notes to the financial statements

7 Intangible assets

DKK'000	Group Acquired intangible assets
Cost at 1 January 2018	8,990
Foreign exchange adjustments	-383
Additions	34
Disposals	-4,413
Cost at 31 December 2018	4,228
Impairment losses and amortisation at 1 January 2018	6,915
Foreign exchange adjustments	-204
Amortisation for the year	724
Amortisation and impairment losses of disposals for the year	-4,413
Impairment losses and amortisation at 31 December 2018	3,022
Carrying amount at 31 December 2018	1,206

DKK'000	Parent company Acquired intangible assets
Cost at 1 January 2018	5,417
Additions	34
Disposals	-3,312
Cost at 31 December 2018	2,139
Impairment losses and amortisation at 1 January 2018	5,367
Amortisation for the year	46
Amortisation and impairment losses of disposals for the year	-3,312
Impairment losses and amortisation at 31 December 2018	2,101
Carrying amount at 31 December 2018	38

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

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 2018	51,568	18,173	69,741
Foreign exchange adjustments	-5,985	-803	-6,788
Additions	105	2,886	2,991
Disposals	0	-3,365	-3,365
Cost at 31 December 2018	45,688	16,891	62,579
Revaluations at 1 January 2018	0	0	0
Revaluations at 31 December 2018	0	0	0
Impairment losses and depreciation at 1 January 2018	15,526	13,961	29,487
Foreign exchange adjustments	-1,717	-537	-2,254
Depreciation	1,971	1,657	3,628
Depreciation and impairment of disposals	0	-3,076	-3,076
Impairment losses and depreciation at 31 December 2018	15,780	12,005	27,785
Carrying amount at 31 December 2018	29,908	4,886	34,794

DKK'000	Parent company Fixtures and fittings, other plant and equipment
Cost at 1 January 2018	7,988
Additions	112
Disposals	-2,512
Cost at 31 December 2018	5,588
Revaluations at 1 January 2018	0
Revaluations at 31 December 2018	0
Impairment losses and depreciation at 1 January 2018	7,666
Depreciation	194
Depreciation and impairment of disposals	-2,507
Impairment losses and depreciation at 31 December 2018	5,353
Carrying amount at 31 December 2018	235

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

Notes to the financial statements

9 Investments

DKK'000	Group			
	Receivables from group entities	Investments in associates	Deposits, investments	Total
Cost at 1 January 2018	19,352	80	218	19,650
Additions	0	0	262	262
Disposals	-19,352	0	0	-19,352
Cost at 31 December 2018	0	80	480	560
Value adjustments at 1 January 2018	0	-60	0	-60
Value adjustments at 31 December 2018	0	-60	0	-60
Carrying amount at 31 December 2018	0	20	480	500

DKK'000	Parent company				
	Investments in group entities	Receivables from group entities	Investments in associates	Deposits, investments	Total
Cost at 1 January 2018	3,145	19,352	80	0	22,577
Additions	0	0	0	262	262
Disposals	-2,762	-19,352	0	0	-22,114
Cost at 31 December 2018	383	0	80	262	725
Value adjustments at 1 January 2018	59,138	-4,544	-60	0	54,534
Foreign exchange adjustments	-11,525	0	0	0	-11,525
Dividend received	-327	0	0	0	-327
Profit/loss for the year	59,254	0	0	0	59,254
Changes in equity	-4,886	0	0	0	-4,886
Reversal of revaluations of assets disposed	-238	0	0	0	-238
Reversal of impairment losses on assets disposed	0	4,544	0	0	4,544
Value adjustments at 31 December 2018	101,416	0	-60	0	101,356
Carrying amount at 31 December 2018	101,799	0	20	262	102,081

In addition, income from investments in group entities comprises gains of DKK 16,753 thousand related to divestments of subsidiaries.

Parent company

Name	Legal form	Domicile	Interest
Subsidiaries			
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 2018	Parent company 2017
11 Share capital		
Analysis of the share capital:		
5,000,000 shares of DKK 1.00 nominal value each	5,000	5,000
	5,000	5,000

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

12 **Non-current liabilities**

	Group			
DKK'000	Total debt at 31/12 2018	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Deferred tax	10,242	0	10,242	0
Other provisions	1,769	0	1,769	0
Other payables	262	0	262	0
	12,273	0	12,273	0

Parent company

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

	Parent company			
DKK'000	Total debt at 31/12 2018	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Provision, investments in group entities	740	0	740	0
	740	0	740	0

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

Notes to the financial statements

DKK'000	Group 2018	Group 2017	Parent company 2018	Parent company 2017
13 Deferred tax				
Deferred tax at 1 January	4,514	5,608	-543	-644
Adjustment of deferred tax for the year	3,327	-794	108	101
Effect of changed tax rates	168	38	0	0
Other deferred tax	0	-236	0	0
Deferred tax at 31 December	8,009	4,616	-435	-543
Analysis of the deferred tax				
Deferred tax assets	-2,233	-1,876	-435	-543
Deferred tax liabililties	10,242	6,492	0	0
	8,009	4,616	-435	-543
14 Other provisions				
Opening balance at 1 January	7,787	5,869	0	0
Provisions in the year	0	1,918	0	0
Other adjustments	-6,018	0	0	0
Other provisions at 31 December	1,769	7,787	0	0

15 Contractual obligations and contingencies, etc.

Other contingent liabilities

DKK'000	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Other contingent liabilities	0	0	127	423
	0	0	127	423

Other financial obligations

Other rent and lease liabilities:

	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Rent and lease liabilities	2,257	1,857	2,178	2,585

Parent company

The parent company has provided a letter of support to provide adequate funds to a subsidiary to enable it to continue operations until at least 1 January 2020.

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 liabilities towards SKAT are DKK 4,247 thousand. Any subsequent corrections of income subject to joint taxation and withholding taxes, etc. could entail an increase in the entity's tax liability.

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

Notes to the financial statements

16 Collateral

Group

The Group has not provided any security or other collateral in the assets at 31 December 2018.

Parent company

The Parent Company has not placed any assets or other as security for loans at 31 December 2018.

17 Related parties

Group

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

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

Related party transactions

DKK'000	2018	2017
Group		
Sale of services to group entities	2,759,077	2,650,800
Purchase of services from group entities	-2,704,679	-2,622,632
Interest income from group entities	131	0
Receivables from group entities	166,202	3,696
Payables to group entities	234,996	25,713
Parent Company		
Sale of services to group entities	39,524	43,573
Purchase of services from group entities	-16,085	-19,489
Interest income from group entities	131	130
Disposed of group entities	16,753	0
Long-term receivables from group entities	0	14,808
Short-term receivables from group entities	58,548	24,386
Payables to group entities	1,935	2,963

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

Notes to the financial statements

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

	DKK'000	Group 2018	Group 2017
18	**Fee to the auditors appointed by the Company in general meeting**		
	Statutory audit	654	830
	Tax assistance	78	186
	Other assistance	41	98
		773	1,114

	DKK'000	Parent company 2018	Parent company 2017
19	**Appropriation of profit**		
	Recommended appropriation of profit		
	Net revaluation reserve according to the equity method	105,801	32,034
	Retained earnings/accumulated loss	-33,981	4,072
		71,820	36,106
20	**Adjustments**		
	Amortisation/depreciation and impairment losses	4,353	4,707
	Financial income	-13,677	-5,699
	Financial expenses	760	3,282
	Tax for the year	18,069	17,693
		9,505	19,983
21	**Changes in working capital**		
	Change in receivables	-58,596	94,783
	Change in trade and other payables	17,754	-104,786
		-40,842	-10,003