MSC Scandinavia Holding A/S

Lautrupsgade 7, 6 th, 2100 Copenhagen Ø

CVR no. 19 95 08 75

Annual report 2019

Approved at the Company's annual general meeting on 28 May 2020

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 2019.

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 2019 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 2019.

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, 28 May 2020
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 2019, 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 2019, 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 2019 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.

Independent auditor's report

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:

- 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.

Independent auditor's report

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, 28 May 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Thomas Bruun Kofoed
State Authorised Public Accountant
mne28677

Management's review

Company details

Name	MSC Scandinavia Holding A/S
Address, Postal code, City	Lautrupsgade 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 Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights for the Group

DKK'000	2019	2018	2017	2016	2015
Key figures					
Revenue	126,621	133,493	146,796	173,927	324,151
Gross profit	11,099	14,753	17,772	18,371	23,556
Operating profit/loss	1,121	1,958	3,894	1,191	2,792
Net financials	751	-357	-541	60	3,425
Profit/loss for the year	**11,837**	**-491**	**1,763**	**1,308**	**3,927**
Total assets	155,187	179,066	149,010	321,200	360,872
Investment in property, plant and equipment	-256	-384	-145	-488	-1,037
Equity	**33,246**	**60,730**	**43,973**	**141,623**	**67,348**
Financial ratios					
Gross margin	8.8%	11.1%	12.1%	10.6%	7.3%
Equity ratio	21.4%	33.5%	29.3%	44.1%	18.7%
Return on equity	25.4%	-1.8%	4.0%	1.0%	6.0%
Average number of employees	18	20	21	27	31

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

The key figures for the years 2015-2018 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

Taking the present market conditions into consideration, the performance for 2019 is considered satisfactory.

Parent

The Group has decided to streamline accounting processes further by tranferring external expenses directly to Principal as from 1 September 2018. From this date further 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 2019, the Group decided to continue with the transfer of the ownership. By the end of 2019, 4 more subsidiaries had been transferred and in 2020, the remaining two are planned to be transferred.

Performance

The year ended with anticipated positive results. Profit for the year is DKK 1,881 thousand before tax and DKK 11,837 thousand after tax. Equity amounts to DKK 33,246 thousand.

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 is providing administrative support to MSC, a global container company servicing 200 trade routes and calling over 340 terminals.

ENVIRONMENT

Policy:

The activities of MSC Scandinavia Holding A/S are limited to administrative support to the principal MSC and the Company has thus not formulated a separate environmental policy.

Material risks:

The activities of MSC Scandinavia Holding A/S are limited to administrative services, and due to the nature of the business, it is Management's assessment that the current business activities of MSC Scandinavia Holding A/S do not pose any risk to the environment.

Actions in 2019:

None

Result in 2019:

None

CLIMATE

Policy:

The activities of MSC Scandinavia Holding A/S are limited to administrative support to the principal MSC and the Company has thus not formulated a separate environmental policy.

Material risks:

The activities of MSC Scandinavia Holding A/S are limited to administrative services, and due to the nature of the business, it is Management's assessment that the current business activities of MSC Scandinavia Holding A/S do not pose any risk to the climate.

Actions in 2019:

None

Result in 2019:

None

HUMAN RIGHTS AND LABOUR STANDARDS

Policy:

MSC supports and strives to continuously improve good corporate governance that contributes to social responsibility and broader sustainable development goals as expected by the international community. To achieve this, MSC complies at a minimum with all applicable laws, rules and regulations of the countries of operation.

Additionally, being part of the international shipping sector, which is one of the most regulated industries at global level, MSC's commitment to promote responsible and fair business practices adheres to and draws upon internationally recognised human rights, labour principles and standards.

In this regard, and in consistency with MSC's core values, the United Nations Global Compact's principles-based approach as well as the United Nations Guiding Principles on Business and Human Rights (UNGPs), MSC supports the respect of relevant principles as contained in the International Bill of Human Rights as well as the respect of relevant provisions and recommendations of International Labour Organization (ILO) Instruments and Conventions. Being an international shipping company, MSC also complies with a wide range of international standards and requirements defined by maritime and labour conventions adopted at international level by the United Nations, including the ILO Maritime Labour Convention, 2006 (MLC, 2006).

Management's review

Material risks:

MSC operates in countries where the risk of forced labour or child labour is present.

Actions in 2019:

To ensure that the policies and laws are followed in all parts of MSC's operations, MSC is in continuous dialogue with all relevant actors in its own operations and in the supply chain.

Result in 2019:

In 2019, MSC did not experience any non-compliance with the policies.

OCCUPATIONAL HEALTH AND SAFETY

Policy:

MSC Scandinavia Holding A/S strives to maintain a positive and healthy working environment for employees with focus on education and personal development. In MSC Scandinavia Holding A/S, we provide training through the MSC Academy as well online training ensuring that employees have the right qualifications. Regular appraisals are conducted with all employees where competencies, personal development, goal setting and ongoing training needs are evaluated. Also in 2019, appraisals with all employees were conducted.

Material risks:

It is essential for MSC Scandinavia Holding A/S that all employees have the necessary competencies and the lack of employees with the required competencies poses a risk.

Actions in 2019:

In 2019, MSC Scandinavia Holding A/S has provided training at the MSC Academy as well facilitated online training courses.

Result in 2019:

In 2019, all new employees have received training and education through the MSC Academy.

ANTI-BRIBERY

Policy:

While conducting business anywhere in the world, MSC is committed to undertake business fairly and to uphold all applicable anti-bribery laws, including, the Swiss Penal Code, and where applicable, the U.S. Foreign Corrupt Practices Act and the UK Bribery Act 2010. MSC strictly prohibits all Corruption, Passive and Active Bribery, and Facilitation Payments. Under most legislations, such conduct can lead to imprisonment for individuals and heavy fines for individuals and entities.

Material risks:

As an international company, MSC has a risk of encountering attempts of corruption or unintentionally engaging in unethical practices.

Actions in 2019:

To ensure that the policies are adhered to by all employees, MSC ensures that all new employees are introduced to the policies at the beginning of their employment. Also e-learning training is mandatory for all, if the policy is changed or updated.

Result in 2019:

In 2019, all new employees were introduced to the anti-corruption policies.

Account of the gender composition of Management

It is the policy of MSC Scandinavia Holding A/S to secure the best professional competencies 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.

Management's review

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 a specific assessment of the Company's situation, including competencies 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 2021. This is considered an ambitious target figure.

No suitable candidates were found in 2018.

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

Covid-19

The impact of Covid-19 has had a minor effect on the overall results during Q1 2020, is however, expected to have negative impact on Q2-Q4 2020.

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

Income statement

Note	DKK'000	Group 2019	Group 2018	Parent company 2019	Parent company 2018
2	**Revenue**	126,621	133,493	16,073	39,542
	Cost of sales	-106,277	-89,120	0	0
	Other operating income	8	30	8	5
	Other external expenses	-9,253	-29,650	-7,693	-27,653
	Gross profit	11,099	14,753	8,388	11,894
3	Staff costs	-9,591	-12,348	-7,462	-10,519
4	Amortisation/depreciation of intangible assets and property, plant and equipment	-378	-417	-107	-240
	Profit before net financials	1,130	1,988	819	1,135
	Income from investments in group entities	0	0	34,757	73,008
5	Financial income	772	391	56	440
	Financial expenses	-21	-748	-28	-751
	Profit before tax	1,881	1,631	35,604	73,832
6	Tax for the year	9,956	-2,122	-200	-2,012
	Profit/loss for the year	11,837	-491	35,404	71,820
	Specification of the Group's results of operations:				
	Shareholder in MSC Scandinavia Holding A/S	11,837	-929		
	Non-controlling interests	0	438		
		11,837	-491		

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

Balance sheet

		Group		Parent company	
Note	DKK'000	2019	2018	2019	2018
	ASSETS				
	Non-current assets				
7	**Intangible assets**				
	Acquired intangible assets	60	142	12	38
		60	142	12	38
8	**Property, plant and equipment**				
	Land and buildings	212	130	0	0
	Fixtures and fittings, other plant and equipment	419	517	178	235
		631	647	178	235
9	**Financial assets**				
	Investments in group entities	0	0	2,285	101,799
	Investments in associates	0	20	0	20
	Other receivables	10	9	0	0
	Deposits, investments	267	262	262	262
10,13	Deferred tax assets	404	486	334	435
		681	777	2,881	102,516
	Total non-current assets	1,372	1,566	3,071	102,789
	Current assets				
	Receivables				
	Trade receivables	103,481	99,958	0	3
	Receivables from group entities	33,340	58,529	32,780	58,548
	Corporation tax receivable	76	1,307	0	462
	Other receivables	253	367	95	263
	Prepayments	338	1,669	271	1,612
		137,488	161,830	33,146	60,888
	Cash	16,327	15,670	223	3,071
	Total current assets	153,815	177,500	33,369	63,959
	TOTAL ASSETS	155,187	179,066	36,440	166,748

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

Balance sheet

Note	DKK'000	Group 2019	Group 2018	Parent company 2019	Parent company 2018
	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	2,258	101,416
	Retained earnings	3,246	2,929	988	3,056
	Dividend proposed	25,000	52,000	25,000	52,000
	Shareholder in MSC Scandinavia Holding A/S' share of equity	33,246	59,929	33,246	161,472
	Non-controlling interests	0	801	0	0
	Total equity	33,246	60,730	33,246	161,472
12	**Non-current liabilities**				
	Provision, investments in group entities	0	0	571	740
	Other payables	284	0	257	0
	Total non-current liabilities	284	0	828	740
	Current liabilities				
	Prepayments received from customers	1,574	2,408	0	0
	Trade payables	2,098	1,957	300	696
	Payables to group entities	115,160	111,706	110	1,832
	Corporation tax payable	98	0	98	102
	Other payables	2,727	2,265	1,858	1,906
	Total current liabilities	121,657	118,336	2,366	4,536
	Total liabilities	121,941	118,336	3,194	5,276
	TOTAL EQUITY AND LIABILITIES	155,187	179,066	36,440	166,748

1 Accounting policies
14 Contractual obligations and contingencies, etc.
15 Collateral
16 Related parties
17 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

		Group					
Note	DKK'000	Share capital	Retained earnings	Dividend proposed	Total	Non-controlling interests	Total equity
	Equity at 1 January 2018	5,000	100,354	0	105,354	363	105,717
	Proceeds from disposal of entities (gross)	0	-61,745	0	-61,745	0	-61,745
	Proceeds from disposal of entities (gross)	0	16,753	0	16,753	0	16,753
	Transfer through appropriation of loss	0	-52,927	52,000	-927	438	-489
	Adjustment of investments through foreign exchange adjustments	0	494	0	494	0	494
	Equity at 1 January 2019	5,000	2,929	52,000	59,929	801	60,730
	Proceeds from disposal of entities (gross)	0	36,424	0	36,424	0	36,424
	Transfer through appropriation of profit	0	-26,984	39,622	12,638	-801	11,837
	Adjustment of investments through foreign exchange adjustments	0	-9,123	0	-9,123	0	-9,123
	Dividends received from disposed entities	0	0	107,326	107,326	0	107,326
	Dividend distributed	0	0	-173,948	-173,948	0	-173,948
	Equity at 31 December 2019	5,000	3,246	25,000	33,246	0	33,246

		Parent company				
Note	DKK'000	Share capital	Net revaluation reserve according to the equity method	Retained earnings	Dividend proposed	Total
	Equity at 1 January 2019	5,000	101,416	3,056	52,000	161,472
18	Transfer, see "Appropriation of profit/loss"	0	-109,478	-2,079	146,948	35,391
	Adjustment of investments through foreign exchange adjustments	0	10,320	11	0	10,331
	Dividend distributed	0	0	0	-173,948	-173,948
	Equity at 31 December 2019	5,000	2,258	988	25,000	33,246

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

Cash flow statement

Note	DKK'000	Group 2019	Group 2018
	Profit/loss for the year	11,837	-491
19	Adjustments	-10,315	2,905
	Cash generated from operations (operating activities)	1,522	2,414
20	Changes in working capital	5,083	-5,087
	Cash generated from operations (operating activities)	6,605	-2,673
	Interest received, etc.	728	611
	Interest paid, etc.	-49	-745
	Income taxes paid	11,368	-2,690
	Cash flows from operating activities	18,652	-5,497
	Additions of intangible assets	0	-34
	Additions of property, plant and equipment	-256	-384
	Disposals of property, plant and equipment	-17	46
	Proceeds from disposal of entities	36,424	16,753
	Dividends received from disposed entities	107,326	0
	Cash flows to investing activities	143,477	16,381
	Dividends paid	-173,948	0
	Cash flows from financing activities	-173,948	0
	Net cash flow	-11,819	10,884
	Cash and cash equivalents at 1 January	15,670	5,529
	Foreign exchange adjustments	12,476	-743
	Cash and cash equivalents at 31 December	16,327	15,670

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 2019 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 2019, MSC Scandinavia Holding A/S divested two subsidiaries 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 2018. 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 2018 and 2019 from the disposed subsidiaries 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.

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

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation 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

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or 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.

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

Notes to the financial statements

1 Accounting policies (continued)

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.

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)

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".

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.

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

Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

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

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.

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

Notes to the financial statements

1 Accounting policies (continued)

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 transactions where the practical application of tax rules is uncertain or where the specific situation is 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 at 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 at 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.

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	2019	2018	2019	2018
3	**Staff costs**				
	Wages/salaries	8,570	11,165	6,903	9,743
	Pensions	527	730	527	730
	Other social security costs	494	453	32	46
		9,591	12,348	7,462	10,519
	Average number of full-time employees	18	20	11	12

Group

By reference to section 98b(3)(ii) of the Danish Financial Statements Act, remuneration to 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	2019	2018	2019	2018
4	**Amortisation/depreciation of intangible assets and property, plant and equipment**				
	Amortisation of intangible assets	26	45	26	45
	Depreciation of property, plant and equipment	352	372	81	195
		378	417	107	240
5	**Financial income**				
	Interest receivable, group entities	55	132	56	132
	Other interest income	717	259	0	308
		772	391	56	440

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

Notes to the financial statements

		Group		Parent company	
	DKK'000	2019	2018	2019	2018
6	**Tax for the year**				
	Estimated tax charge for the year	200	347	-435	217
	Deferred tax adjustments in the year	-10,156	94	102	113
	Tax adjustments, prior years	0	1,681	533	1,682
		-9,956	2,122	200	2,012

7 Intangible assets

DKK'000	Group Acquired intangible assets
Cost at 1 January 2019	2,423
Foreign exchange adjustments	14
Cost at 31 December 2019	2,437
Impairment losses and amortisation at 1 January 2019	2,281
Foreign exchange adjustments	9
Amortisation for the year	87
Impairment losses and amortisation at 31 December 2019	2,377
Carrying amount at 31 December 2019	60

DKK'000	Parent company Acquired intangible assets
Cost at 1 January 2019	2,139
Cost at 31 December 2019	2,139
Impairment losses and amortisation at 1 January 2019	2,101
Amortisation for the year	26
Impairment losses and amortisation at 31 December 2019	2,127
Carrying amount at 31 December 2019	12

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

Notes to the financial statements

8 Property, plant and equipment

	Group		
DKK'000	Land and buildings	Fixtures and fittings, other plant and equipment	Total
Cost at 1 January 2019	260	6,003	6,263
Foreign exchange adjustments	13	20	33
Additions	232	24	256
Disposals	0	-3	-3
Cost at 31 December 2019	505	6,044	6,549
Impairment losses and depreciation at 1 January 2019	130	5,486	5,616
Foreign exchange adjustments	6	6	12
Depreciation	157	133	290
Impairment losses and depreciation at 31 December 2019	293	5,625	5,918
Carrying amount at 31 December 2019	212	419	631

	Parent company
DKK'000	Fixtures and fittings, other plant and equipment
Cost at 1 January 2019	5,588
Additions	24
Cost at 31 December 2019	5,612
Revaluations at 1 January 2019	0
Revaluations at 31 December 2019	0
Impairment losses and depreciation at 1 January 2019	5,353
Depreciation	81
Impairment losses and depreciation at 31 December 2019	5,434
Carrying amount at 31 December 2019	178

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

Notes to the financial statements

9 Investments

DKK'000	Group: Investments in associates	Group: Other receivables	Group: Deposits, investments	Group: Total
Cost at 1 January 2019	80	9	262	351
Additions	0	1	5	6
Disposals	-80	0	0	-80
Cost at 31 December 2019	0	10	267	277
Value adjustments at 1 January 2019	-60	0	0	-60
Impairment losses on assets disposed	60	0	0	60
Carrying amount at 31 December 2019	0	10	267	277

DKK'000	Parent company: Investments in group entities	Parent company: Investments in associates	Parent company: Deposits, investments	Parent company: Total
Cost at 1 January 2019	383	80	262	725
Disposals	-355	-80	0	-435
Cost at 31 December 2019	28	0	262	290
Value adjustments at 1 January 2019	101,416	-60	0	101,356
Foreign exchange adjustments	10,320	0	0	10,320
Dividend received	-107,326	0	0	-107,326
Profit/loss for the year	10,515	0	0	10,515
Changes in equity	-174	0	0	-174
Impairment losses on assets disposed	-12,494	60	0	-12,434
Value adjustments at 31 December 2019	2,257	0	0	2,257
Carrying amount at 31 December 2019	2,285	0	262	2,547

In addition, income from investments in group entities comprises gains of DKK 36,350 thousand related to divestments of subsidiaries.

Parent company

Name	Legal form	Domicile	Interest
MSC Belarus private enterprise	Private enterprise	Belarus	100.00%
MSC Eastern Europe SIA	SIA	Latvia	100.00%

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.

	Parent company	
DKK'000	2019	2018
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 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Other payables	284	0	284	0
	284	0	284	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 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Provision, investments in group entities	571	0	571	0
Other payables	257	0	257	0
	828	0	828	0

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

Notes to the financial statements

DKK'000	Group 2019	Group 2018	Parent company 2019	Parent company 2018
13 Deferred tax				
Deferred tax at 1 January	-486	-582	-435	-548
Adjustment of deferred tax for the year	-10,156	94	101	113
Effect of changed tax rates	-3	2	0	0
Other deferred tax	10,241	0	0	0
Deferred tax at 31 December	-404	-486	-334	-435
Analysis of the deferred tax				
Deferred tax assets	-404	-486	-334	-435
	-404	-486	-334	-435

14 Contractual obligations and contingencies, etc.

Other contingent liabilities

DKK'000	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Other contingent liabilities	415	127	415	127
	415	127	415	127

Other financial obligations

Other rent and lease liabilities:	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Rent and lease liabilities	2,059	2,187	2,049	2,178

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 2021.

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

Notes to the financial statements

15 Collateral

Group

The Group has not provided any security or other collateral in the assets at 31 December 2019.

Parent company

The Parent Company has not placed any assets or other items as security for loans at 31 December 2019.

16 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

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

Notes to the financial statements

Related party transactions

DKK'000	2019	2018
Group		
Sale of services to group entities	45,252	68,224
Purchase of services from group entities	-105,746	-106,069
Interest income from group entities	55	131
Receivables from group entities	33,342	59,643
Payables to group entities	115,160	111,706
Parent Company		
Sale of services to group entities	15,983	39,524
Purchase of services from group entities	0	-16,085
Interest income from group entities	55	131
Disposed of group entities	36,424	16,753
Short-term receivables from group entities	32,779	58,548
Payables to group entities	120	3,465

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

		Group	
	DKK'000	2019	2018
17	**Fee to the auditors appointed by the Company in general meeting**		
	Statutory audit	307	325
	Tax assistance	24	78
	Other assistance	56	41
		387	444

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

Notes to the financial statements

	DKK'000	Parent company 2019	Parent company 2018
18	**Appropriation of profit/loss**		
	Recommended appropriation of profit/loss		
	Net revaluation reserve according to the equity method	37,483	105,801
	Retained earnings/accumulated loss	-2,079	-33,981
		35,404	71,820
19	**Adjustments**		
	Amortisation/depreciation and impairment losses	378	424
	Financial income	-772	-391
	Financial expenses	35	749
	Tax for the year	-9,956	2,123
		-10,315	2,905
20	**Changes in working capital**		
	Change in receivables	1,538	-18,125
	Change in trade and other payables	3,545	13,038
		5,083	-5,087