Maersk Line A/S

Esplanaden 50, DK-1263 Copenhagen K
CVR-nr. 32 34 57 94

# Annual report 2015

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 9 May 2016.

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Chairman

## Contents

# MANAGEMENT'S REVIEW

## COMPANY DETAILS

| | |
|---|---|
| Name | Maersk Line A/S |
| Address | Esplanaden 50, 1263 Copenhagen K., Denmark |
| CVR no. | 32 34 57 94 |
| Established | 4 December 2013 |
| Registered office | Copenhagen |
| Financial year | 1 January – 31 December |
| Website | www.maerskline.com |
| Board of Directors | Nils S. Andersen, Chairman<br>Trond Westlie<br>Søren Skou<br>Caroline Sundorph Pontoppidan |
| Executive Board | Søren Skou, CEO |
| Auditors | PricewaterhouseCoopers<br>Statsautoriseret Revisionspartnerselskab<br>Strandvejen 44, Hellerup, Denmark |
| Annual General Meeting | Annual general meeting will be held on 9 May 2016 |

# FINANCIAL HIGHLIGHTS AND KEY FIGURES

| USD million | 2015** | 2014 | 2013* |
|---|---|---|---|
| **Key figures*** ** | | | |
| Revenue | 19,729 | - | - |
| Profit before depreciation, amortisation and impairment | 1,891 | - | - |
| **Profit for the year** | **770** | **-** | **-** |
| Non-current assets | 19,287 | - | - |
| Current assets | 3,100 | - | - |
| **Total assets** | **22,387** | **-** | **-** |
| Share capital | 82 | - | - |
| **Equity** | **5,603** | **-** | **-** |
| Provisions | 432 | - | - |
| Non-current liabilities other than provisions | 44 | - | - |
| Current liabilities other than provisions | 3,428 | - | - |
| Cash flows from operating activities | 2,367 | - | - |
| Net cash flows from investing activities | -3,849 | - | - |
| Portion relating to investment in property, plant and equipment | -1,767 | - | - |
| Cash flows from financing activities | 1,512 | - | - |
| **Total cash flows** | **30** | **-** | **-** |
| **Financial ratios** | | | |
| Operating margin | 4% | - | - |
| Gross margin | 10% | - | - |
| Current ratio | 0,5 | - | - |
| Solvency ratio | 25% | - | - |
| Return on equity | 15% | - | - |
| **Average number of full-time employees** | - | - | - |

*The company's first financial year covers the period 4 December – 31 December 2013.
**As of 1 February 2015 Maersk Line activities from A.P. Møller – Mærsk A/S, including related subsidiaries, were contributed to Maersk Line A/S. The period is therefore not comparable to prior financial years.
***Above key figures are not consolidated figures.

## INTRODUCTION TO THE MAERSK LINE A/S' ANNUAL REPORTING

The Annual Report for 2015 of Maersk Line A/S has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by EU and additional disclosure requirements of the Danish Financial Statements Act.

In accordance with the Danish Financial Statements Act, the company does not prepare a consolidated report as the company and its subsidiaries are included in the consolidated reports of A.P. Møller - Mærsk A/S (Maersk Group). The Annual Report for A.P. Møller - Mærsk A/S is available electronically in English on: http://investor.maersk.com/da/financials.cfm

**Contribution of Maersk Line activities**
As of 1 February 2015 the Maersk Line activities, including the related subsidiaries, were contributed from A.P. Møller - Mærsk A/S to Maersk Line A/S. As remuneration for the contribution, A.P. Møller - Mærsk A/S received shares in Maersk Line A/S at a price of DKK 15,610.12 (USD 2,550.09), corresponding to a premium of DKK 77,473 million (USD 12,656 million). Prior to the contribution the company had no activities.

As the contribution was made on 1 February 2015 the income statement for 2015 reflects transactions in the Maersk Line activity for the 11-month period of 1 February to 31 December.

## MAERSK LINE A/S' MAIN ACTIVITIES

Maersk Line A/S and the subsidiaries' primary activities are to perform shipping, chartering, other transport business, trade and service and industrial activities at home and abroad, investment in fixed assets and financing, as well as other related activities. The Maersk Line group is the world's largest container shipping company, known for reliable, flexible and eco-efficient services. The Maersk Line group provide ocean transportation in all parts of the world and serve customers through 324 offices in 115 countries and employ 7,600 seafarers and 23,200 land-based employees and operate 590 container vessels.

Maersk Line's services are marketed through the Maersk Line, Safmarine and SeaLand (Intra-Americas) brands. Maersk Line is further the holding company for MCC Transport (Intra-Asia), Seago Line (Intra-Europe) and Mercosul (Brazil). Maersk Line is part of the Maersk Group, headquartered in Copenhagen, Denmark. The Maersk Group employs more than 88,000 people in some 130 countries and in 2015 the group revenue was USD 40.3 billion.

## FINANCIAL REVIEW

Maersk Line A/S made a profit of USD 770 million (consolidated numbers of Maersk Line group for the full year 2015 is USD 1,303 million) which was lower than expected, and revenue of USD 19,729 million (consolidated numbers for the Maersk Line group full year USD 23,729 million).

The result was mainly impacted by poor market conditions leading to significantly lower freight rates, in particular in the second half of the year, only partially offset by lower bunker prices, USD appreciation and cost efficiencies.

To minimise the impact of declining freight rates, Maersk Line initiated network rationalisations and operating cost reduction programmes. In response to the weakening demand, Maersk Line also reduced capacity by closing down four services and adjusted the network over the course of 2015.

**Events during the year**

In the beginning of 2015 Maersk Line A/S started up the new vessel shared agreement contract (VSA) with Mediterranean Shipping Company (MSC) on the Asia-Europe, Transatlantic and Transpacific trades. The VSA includes 193 vessels with an estimated capacity of 2,1 million TEU, deployed on 21 strings. The overall purpose of the cooperation is to share infrastructure (network) and Maersk Line and MSC are now able to provide their customers with more stable and frequent services, cover more ports with direct services. The VSA will improve the efficiency of the Maersk Line and MSC networks through better utilisation of vessel capacity and economies of scale. The duration of the contract is 10 years.

Maersk Line placed three new-building orders for a total of 27 vessels with a capacity of 367k TEU. Further investments have been postponed due to the weak market conditions.

## OUTLOOK

Maersk Line A/S and its subsidiaries expects a significantly lower underlying result[1] than for 2015 as a consequence of the significantly lower freight rates going into 2016 and the continued low growth with expected global demand for seaborne container transportation to increase by 1-3%. Maersk Line aims to grow at least with the market. Maersk Line aims to improve competitiveness through network capacity adjustments and through the implementation of organisational changes announced on 4 November 2015.

## RISKS

**Market risks**

The main risk to Maersk Line's performance and strategy execution relate to operational performance, cost inflation as well as a larger than expected downturn in the container market. In particular a structural supply/demand gap, coupled with the significant exposure that Maersk Line has to the Asia-Europe trade where the larger vessels are increasingly deployed, leave the company vulnerable to substantial fluctuations in freight rates and the risk of sustaining commercial losses.

Maersk Line is mitigating this risk by designing a competitive network, being a cost leader in the industry, continuing to simplify the organisation and optimising the network utilisation through alliances and vessel sharing agreements.

**Financial risks**

Financial risks are described in note 13.

[1] Underlying result is defined as profit before tax adjusted for gain/losses on sale of non-current assets, impairment losses (net) and related tax adjustments.

## OUR PEOPLE

During 2015, the Maersk Group introduced a new job levelling structure applying to all business units. MyCareer means that all parts of the Group have a single, consistent approach to both job grading and career principles. It creates transparency and visibility of different job opportunities and is a platform for career development.

Maersk Line is progressing with the transformation to reduce transactional work through standardisation and digitisation of key processes. This transformation will result in a leaner, more agile and more focused organisation.

At the same time, Maersk Line continues to invest in developing our employees' world-class leadership capabilities by bringing Maersk Line leaders together to align on strategic direction and vision and to accelerate personal development and help our leaders to become more effective in driving the Maersk Line strategy.

Investing in our employees' professional development ensures that we continue to have the competitive advantage to navigate and adapt to continuously changing industry and market conditions.

## INNOVATION

During 2015 Maersk Line finalised the roll out of its Remote Container Management (RCM) solution. Over 250,000 reefer containers have now been equipped with a dedicated GPS unit, 3G high temperature SIM card and 2 GSM antennas and terminals have been trained in the new RCM processes. With near-real time visibility into the conditions of each reefer container at almost any part of the journey, RCM will optimise the operational processes leading to improved tracking and control of high value reefer cargo.

Maersk Line also further invested in its data analytics and digital capabilities. This will enable Maersk Line to optimise and modernise its processes and improve the usage of the vast amount of data generated. Maersk Line continues to invest in improving the quality and transparency of operational vessel data. Improved fuel efficiency, voyage planning and operational efficiency continue to be an important innovation focus area.

Maersk Line continued its retrofit programme to upgrade its fleet with the latest energy efficiency technologies. Based on a technology screening, each vessel (class) is retrofitted with a tailored package of technology improvements. Maersk Line is working together with key partners to prepare for upcoming regulations such as ballast water and air emission abatement technologies. Maersk Line is also working with the industry and regulators to find technologies to ensure effective enforcement of recent sulphur regulations. Effective enforcement of current and future sulphur regulations is an important prerequisite to ensure a level playing field in the maritime industry.

## SUSTAINABILITY AND GENDER COMPOSITION OF MANAGEMENT

An independently assured Sustainability Report for 2015 is published which provides detailed information on the Maersk Group's sustainability performance and new sustainability strategy. The report serves as the Group's Communication on Progress as required by the UN Global Compact, and ensures compliance with the requirements of Section 99a of the Danish Financial Statements Act (Årsregnskabsloven) on corporate social responsibility and reporting on the gender composition of management. The report is available on:

http://www.maersk.com/~/media/the%20maersk%20group/sustainability/files/publications/2016/files/maersk_group_sustainability_report_2015_a3_final.pdf

**Account and gender composition of Board of Directors**
The Board of Directors consists of three men and one woman, thus the gender split is therefore considered to be balanced, and is expected to be maintained in the future.

## EVENTS AFTER THE BALANCESHEET DATE

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

## FOREIGN BRANCHES

The company has shipping activities in USA, Canada, New Zealand, Australia, Japan and United Kingdom through the branches names Sea Land Branch U.S.A, Maersk Line Branch Canada, Maersk Line Branch New Zealand, Maersk Line Branch Australia, Maersk Line Branch Japan and Maersk Line Branch UK.

# **Income** statement

**Amounts in USD million**

| Note | | **2015** | 2014 |
|---|---|---|---|
| | Revenue | 19,729 | - |
| 1 | Operating costs | 17,838 | 0 |
| | **Profit before depreciation, amortisation and impairment losses** | **1,891** | **0** |
| 4, 5 | Depreciation and impairment losses, net | 1,218 | - |
| | Gain/loss on sale of companies and non-current assets, etc., net | 19 | - |
| | **Profit before financial items** | **692** | **0** |
| 2 | Dividends | 329 | - |
| 2 | Financial income | 38 | - |
| 2 | Financial expenses | 277 | - |
| | **Profit before tax** | **782** | **0** |
| 3 | Tax | 12 | 0 |
| | **Profit for the year** | **770** | **0** |
| | | | |
| | **Appropriation:** | | |
| | Retained earnings | 770 | 0 |
| | | **770** | **0** |

# **Statement** of comprehensive income

**Amounts in USD million**

| Note | | 2015 | 2014 |
|---|---|---|---|
| | **Profit for the year** | **770** | **0** |
| | **Cash flow hedges** | | |
| | Value adjustment of hedges for the year | -32 | - |
| 11 | Reclassified to income statement: | 80 | - |
| 3 | Tax on other comprehensive income | -2 | - |
| | **Total items that are or may be reclassified subsequently to the income statement** | **48** | **0** |
| | **Other comprehensive income, net of tax** | **48** | **0** |
| | **Total comprehensive income for the year** | **818** | **0** |

# **Balance** sheet 31 December

**Amounts in USD million**

| Note | | 2015 | 2014 |
|---|---|---|---|
| 4 | **Property, plant and equipment** | **14,452** | **-** |
| 5 | Investments in subsidiaries | 4,816 | - |
| 12 | Derivatives | 1 | - |
| | **Financial non-current assets** | **4,817** | **-** |
| 6 | **Deferred tax** | **18** | **-** |
| | **Total non-current assets** | **19,287** | **-** |
| 7 | **Inventories** | **211** | **-** |
| 13 | Trade receivables | 1,642 | - |
| | Tax receivables | 44 | - |
| 12 | Interest bearing receivables from subsidiaries | 670 | - |
| 11 | Derivatives | - | - |
| | Other receivables | 319 | - |
| | Other receivables from subsidiaries | 87 | 0 |
| | Prepayments | 101 | - |
| | **Receivables** | **2,863** | **0** |
| | **Cash and bank balances** | **26** | **-** |
| | **Total current assets** | **3,100** | **0** |
| | **Total assets** | **22,387** | **0** |

# **Balance** sheet 31 December

**Amounts in USD million**

| Note | | 2015 | 2014 |
|---|---|---|---|
| 8 | Share capital | 82 | 0 |
| | Reserves | 5,521 | 0 |
| | **Total equity** | **5,603** | **0** |
| 9 | **Borrowings, non-current** | **877** | **-** |
| 9 | **Interest bearing debt to subsidiaries, etc.** | **9,033** | **-** |
| 10 | Provisions | 220 | - |
| 11 | Derivatives | 44 | - |
| | **Other non-current liabilities** | **264** | **-** |
| | **Total non-current liabilities** | **10,174** | **-** |
| 9 | **Borrowings, current** | **88** | **-** |
| 9 | **Interest bearing debt to subsidiaries, etc.** | **2,882** | **-** |
| 10 | Provisions | 212 | - |
| | Trade payables | 2,742 | - |
| | Tax payables | 3 | - |
| 11 | Derivatives | 26 | - |
| | Other payables | 308 | 0 |
| | Other payables to subsidiaries | 349 | - |
| | **Other current liabilities** | **3,640** | **0** |
| | **Total current liabilities** | **6,610** | **0** |
| | **Total liabilities** | **16,784** | **0** |
| | **Total equity and liabilities** | **22,387** | **0** |

# **Cash** flow statement

**Amounts in USD million**

| Note | | 2015 | 2014 |
|---|---|---|---|
| | Profit before financial items | 692 | 0 |
| 4 | Depreciation, amortisation and impairment losses, net | 1,218 | - |
| | Gain on sale of companies and non-current assets, etc., net | 19 | - |
| 16 | Change in working capital | 382 | - |
| 16 | Other non-cash items | 23 | - |
| | Cash from operating activities before financial items and tax | 2,334 | 0 |
| | Dividends received | 329 | - |
| | Financial income received | 3 | - |
| | Financial expenses paid | -222 | 0 |
| | Taxes paid | -77 | - |
| | **Cash flow from operating activities** | **2,367** | **0** |
| 16 | Purchase of property, plant and equipment | -1,767 | - |
| | Sale of property, plant and equipment | 58 | - |
| | Acquisition of and capital increases in subsidiaries and activities | -2,140 | - |
| | **Cash flow used for investing activities** | **-3,849** | **-** |
| | Cash balance from contribution 1st February 2015 | 14 | - |
| | Repayment of borrowings | -272 | - |
| | Proceeds from borrowings | 9,770 | - |
| | Dividends distributed | -8,000 | - |
| | **Cash flow from financing activities** | **1,512** | **-** |
| | **Net cash flow for the year** | **30** | **0** |
| | Cash and cash equivalents 1 January | 0 | 0 |
| | Currency translation effect on cash and cash equivalents | -4 | - |
| | Cash and cash equivalents 31 December | 26 | 0 |
| | **Cash and cash equivalents 31 December** | **26** | **0** |

| Cash and cash equivalents | 2015 | 2014 |
|---|---|---|
| Cash and bank balances | 26 | - |
| **Cash and cash equivalents 31 December** | **26** | **-** |

## **Statement** of changes in equity

**Amounts in USD million**

| Note | | Share capital | Proposed dividend | Reserve for hedges | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| | Equity at 1 January 2014 | 0 | - | - | 0 | 0 |
| | Profit for the year | 0 | - | - | 0 | 0 |
| | **Total comprehensive income for the year** | **0** | - | - | **0** | **0** |
| | **Equity 31 December 2014** | **0** | - | - | **0** | **0** |
| | **2015** | | | | | |
| | Other comprehensive income, net of tax | - | - | 48 | - | 48 |
| | Profit for the year | - | - | - | 770 | 770 |
| | **Total comprehensive income for the year** | - | - | **48** | **770** | **818** |
| | Contribution on 1st February[1] | 82 | - | -63 | 12,766 | 12,785 |
| | Extraordinary dividends proposed | - | 8,000 | - | -8,000 | - |
| | Pay out dividend | - | -8,000 | - | - | -8,000 |
| | **Total transactions with shareholders** | **82** | - | **-63** | **4,766** | **4,785** |
| | **Equity 31 December 2015** | **82** | - | **-15** | **5,536** | **5,603** |

Opening balance of share capital as per 1 January 2014 amount to USD 91.000 and total equity as per 1 January 2014 also amount to USD 91.000.
Opening balance of share capital as per January 2105 was USD 91.000 and retained earnings was negative of USD 11.000, giving a total equity at 1 January 2015 amounting to USD 80.000.

[1] The capital increase consists of the contribution of the Maersk Liner Business as per 1 February 2015, which is described in note 18 accounting policies.
Shares were issued to the parent at a premium comprising of the net of share capital and total injected equity in Maersk Liner Business on 1 February 2015.

# **Notes** to the financial statements

# **Notes** to the financial statements

**Amounts in USD million**

## 1 Operating costs

| | 2015 | 2014 |
|---|---|---|
| Bunker costs | 2,191 | - |
| Terminal costs | 5,710 | - |
| Intermodal costs | 2,179 | - |
| Port costs | 1,483 | - |
| Rent and lease costs | 3,094 | - |
| Staff costs reimbursed to related parties | 365 | - |
| Other | 2,816 | 0 |
| **Total operating costs** | **17,838** | **0** |

During 2015 and 2014 no staff members were employed by Maersk Line A/S. Staff service has been purchased from affiliates in the A.P Moller - Maersk Group. The Board of Directors and Executive Board have not been remunerated by Maersk Line A/S. For disclosure of remuneration to management please see the Maersk Group Annual report 2015.

**Staff costs reimbursed to related parties** consists of wages and salaries USD 331m, pension plan contributions USD 29m, other social security costs USD 5m.

# Notes to the financial statements

**Amounts in USD million**

## 2 Financial income and expenses

| | 2015 | 2014 |
|---|---|---|
| Interest expenses on liabilities | 172 | - |
| Of which borrowing costs capitalised on assets [1] | 9 | - |
| Interest income on loans and receivables | 2 | - |
| **Net interest expenses** | **170** | **-** |
| Exchange rate gains on bank balances, borrowings and working capital | 26 | - |
| Exchange rate losses on bank balances, borrowings and working capital | 85 | - |
| **Net foreign exchange gains/losses** | **58** | **-** |
| Fair value losses from derivatives | 8 | - |
| **Net fair value gains/losses** | **8** | **-** |
| Dividends received from subsidiaries and associated companies | 329 | - |
| **Total dividends income** | **329** | **-** |
| **Financial net** | **93** | **-** |
| **Of which:** | | |
| Dividends | 329 | - |
| Financial income | 38 | - |
| Financial expenses | 277 | - |

[1] The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 3.8% p.a.

# Notes to the financial statements

Amounts in USD million

## 3 Tax

| | 2015 | 2014 |
|---|---|---|
| **Tax recognised in the income statement** | | |
| Current tax on profit for the year | -31 | 0 |
| Adjustment for current tax of prior periods | -5 | - |
| **Total current tax** | **-36** | **0** |
| | | |
| Origination and reversal of temporary differences | -18 | - |
| **Total deferred tax** | **-18** | **-** |
| **Total Income Tax** | **-54** | |
| Tonnage and freight tax | 66 | - |
| **Total tax expense** | **12** | **-** |
| | | |
| **Average effective tax rate:** | | |
| Profit before tax | 782 | 0 |
| Income subject to Danish and foreign tonnage taxation, etc. | -711 | - |
| **Profit before tax, adjusted** | **71** | **0** |
| | | |
| Tax using the Danish corporation tax rate (2015: 23.5%, 2014: 24.5%) | 17 | 0 |
| Adjustment to previous years' taxes | -5 | - |
| Change in recoverability of deferred tax assets | -3 | - |
| Other differences, net | -63 | - |
| **Total income tax** | **-54** | **0** |
| | | |
| **Tax recognised in other comprehensive income and equity** | | |
| Interest rate hedges | 2 | - |
| **Tax recognised in other comprehensive income, net** | **2** | **-** |
| **Total** | **2** | **0** |
| | | |
| Of which: | | |
| Current tax | **2** | **0** |

# **Notes** to the financial statements

**Amounts in USD million**

## 4 Property, plant and equipment

| | Ships, containers, etc. | Production facilities and equipment, etc. | Construction work in progress and payment on accoount | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| 1 January 2014 | - | - | - | - |
| Addition | - | - | - | - |
| Disposal | - | - | - | - |
| **31 December 2014** | **-** | **-** | **-** | **-** |
| Contribution on 1st February | 21,565 | 565 | 421 | 22,551 |
| Additions | 1,387 | 256 | 1,122 | 2,765 |
| Disposal | -290 | - | - | -290 |
| Transfer | 965 | - | -965 | - |
| **31 December 2015** | **23,627** | **821** | **578** | **25,026** |
| **Depreciation and impairment losses** | | | | |
| 1 January 2014 | - | - | - | - |
| Depreciation | - | - | - | - |
| Disposal | - | - | - | - |
| **31 December 2014** | **-** | **-** | **-** | **-** |
| Contribution on 1st February | 9,566 | 59 | - | 9,625 |
| Depreciation | 1,133 | 65 | - | 1,198 |
| Disposal | -249 | - | - | -249 |
| **31 December 2015** | **10,450** | **124** | **-** | **10,574** |
| **Carrying amount:** | | | | |
| **31 December 2014** | **-** | | **-** | **-** |
| **31 December 2015** | **13,177** | **697** | **578** | **14,452** |
| **Of which carrying amount of finance leased assets:** | | | | |
| **31 December 2014** | **-** | **-** | **-** | **-** |
| **31 December 2015** | **937** | **697** | **-** | **1,634** |

**Finance leases**
As part of the company's activities, customary leasing agreements are entered into, especially with regard to the chartering of vessels and lease of containers and other equipment. In some cases, the leasing agreements comprise purchase options for the company and options for extension of the lease term. In the financial statements, assets held under finance leases are recognised in the same way as owned assets.

## **Notes** to the financial statements

**Amounts in USD million**

### 4 Property, plant and equipment - continued

**Operating leases as lessor**
Property, plant and equipment include assets which are leased out as part of the Company's activities, and mainly relates to container vessels.

The future lease income is USD 87m of which USD 45m is receivable within one year, and USD 42m between one and five years.

**Pledges**
Ships, containers, etc. with a carrying amount of USD 1,450m have been pledged as security for loans of USD 1,162m.

# **Notes** to the financial statements

**Amounts in USD million**

## 5 Investments in subsidiaries

| | Investments in subsidiaries |
|---|---|
| **Cost** | |
| 1 January 2014 | - |
| Addition | - |
| Disposal | - |
| **31 December 2014** | **-** |
| Contribution on 1st February | 4,805 |
| Acquisition and capital injection | 30 |
| **31 December 2015** | **4,835** |
| | |
| **Impairment losses** | |
| 1 January 2014 | - |
| Impairment losses | - |
| **31 December 2014** | **-** |
| Impairment losses | 19 |
| Disposal | - |
| **31 December 2015** | **19** |
| | |
| **Carrying amount:** | |
| **31 December 2014** | **-** |
| **31 December 2015** | **4,816** |

The list of directly owned subsidiaries is available in note 22.

# **Notes** to the financial statements

**Amounts in USD million**

## 6 Deferred tax

Recognised deferred tax assets and liabilities are attributable to the following:

| | | Assets | | Liabilities | | Net assets |
|---|---|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| Tax loss carry forwards | 18 | - | - | - | 18 | - |
| **Total** | **18** | **-** | **-** | **-** | **18** | **-** |

| **Change in deferred tax, net during the year:** | **2015** | 2014 |
|---|---|---|
| **1 January** | | |
| Recognised in the income statement | 18 | - |
| **31 December** | **18** | **-** |

# **Notes** to the financial statements

**Amounts in USD million**

## 7 Inventories

| | 2015 | 2014 |
|---|---|---|
| Bunker | 211 | - |
| **Total** | **211** | **-** |

# **Notes** to the financial statements

**Amounts in USD and DKK where so indicated**

## 8 Share capital

Development in the number of shares:

| | No. of shares | Nominal DKK per share | Nominal USD per share | Nominal DKK | Nominal USD |
|---|---|---|---|---|---|
| 1 January 2014 | 500 | 1,000 | 182 | 500,000 | 91,000 |
| **31 December 2014** | **500** | **1,000** | **182** | **500,000** | **91,000** |
| Issue of shares | 499,500 | 1,000 | 163 | 499,500,000 | 81,598,320 |
| **31 December 2015** | **500,000** | **2,000** | | **500,000,000** | **81,689,320** |

All shares are fully issued and paid up. All shares carry same rights.
The ultimate controlling party is A.P. Møller Holding A/S, Copenhagen, Denmark through 51.23% of the voting rights in A.P. Møller - Mærsk A/S.

Shareholder disclosure subject to section 104 in the Danish Financial Statements Act:

| | Share capital | Votes |
|---|---|---|
| A.P. Møller - Mærsk A/S, Copenhagen, Denmark | 100% | 100% |

# **Notes** to the financial statements

**Amounts in USD million**

## 9 Borrowings and interest bearing debt to group related entities

| | 2015 | 2014 |
|---|---|---|
| Interest bearing debt to group related entities | 11,915 | - |
| Financial leasing liability | 965 | - |
| **Total** | **12,880** | **-** |
| Of which: | | |
| Classified as non-current | 9,910 | - |
| Classified as current | 2,970 | - |

# **Notes** to the financial statements

**Amounts in USD million**

## 10 Provisions

| | Restructuring | Legal disputes, etc. | Other | Total |
|---|---|---|---|---|
| 1 January 2015 | - | - | - | - |
| Addition - contribution of 1st february | 31 | 336 | 99 | 466 |
| Provision made | 35 | 178 | 23 | 236 |
| Amount used | -24 | -85 | -3 | -112 |
| Amount reversed | -2 | -89 | -52 | -143 |
| Exchange rate adjustment | - | -15 | - | -15 |
| **31 December 2015** | **40** | **325** | **67** | **432** |
| | | | | |
| Classified as non-current | - | 175 | 45 | 220 |
| Classified as current | 40 | 150 | 22 | 212 |
| | **40** | **325** | **67** | **432** |

Restructuring includes provisions for decided and publicly announced restructurings. Legal disputes, etc. include tax and duty disputes among other things. Other includes provisions for guarantees, onerous contracts, and risk under certain self-insurance programmes. The provisions are subject to considerable uncertainty.

Reversals of provisions primarily relate to legal disputes, tax and duty disputes and contractual disagreements, which are recognised in the income statement under operating costs and tax.

The difference between nominal amount and discounted amount is considered immaterial

**Amounts in USD million**

## 11 Derivatives

The company's activities expose it primarily to the financial risks of changes in foreign currency exchanges rates and interests rates. The company enters into a variety if derivative financial instruments to manage its exposure to foreign currency and interest rate risk, including:
- Currency risks related to recognised and unrecognised transactions.
- Interest rate exposures on borrowings

| Fair values 31 December: | 2015 | 2014 |
|---|---|---|
| Non-current liabilities | 44 | - |
| Current liabilities | 26 | - |
| **Liabilities, net** | **70** | **-** |

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

| | Cash flow hedges 2015 | Fair value hedges 2015 | Held for trading 2015 | Cash flow hedges 2014 | Fair value hedges 2014 | Held for trading 2014 |
|---|---|---|---|---|---|---|
| Currency derivatives | 64 | - | - | - | - | - |
| Interest rate derivatives | 6 | - | - | - | - | - |
| **Total** | **70** | **-** | **-** | **-** | **-** | **-** |

Majority of the hedges recognised in equity are realised within one year.

# **Notes** to the financial statements

**Amounts in USD million**

## 11 Derivatives

The gains/losses, including realised transactions, are recognised as follows:

| | 2015 | 2014 |
|---|---|---|
| Hedging foreign exchange risk on operating costs | -63 | - |
| Hedging interest rate risk | -9 | - |
| **Total effective hedging** | **-72** | **-** |
| Ineffectiveness of unrealised currency derivatives recognised in financial expenses | -8 | - |
| **Total reclassifed from equity reserve for hedges** | **-80** | **-** |
| **Net gains/losses recognised directly in the income statement** | **-** | **-** |
| **Total** | **-80** | **-** |

Currency derivatives hedging operating costs are recognised in the income statement when realised.

Interest rate derivatives primarily swap floating to fixed rates on borrowings and are recognised in the income statement concurrently with the hedged interest expenses.

**Amounts in USD million**

### 12 Financial instruments by category

Financial instruments measured at fair value
Financial instruments measured at fair value can be divided into three levels:
Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);.
Level 3 - Inputs for the asset or liability that are not based on observable market data.

| | Carrying amount 2015 | Fair value 2015 | Carrying amount 2014 | Fair value 2014 |
|---|---|---|---|---|
| **Carried at amortised cost** | | | | |
| Interests bearing receivables from subsidiaries, etc. | 670 | 670 | - | - |
| **Total interest-bearing receivables** | **670** | **670** | **-** | **-** |
| Trade receivables | 1,642 | | - | |
| Other receivables (non-interest-bearing) | 464 | | - | |
| Other receivables from subsidiaries, etc. | 87 | | 0 | |
| Cash and bank balances | 26 | | - | |
| **Total loans and receivables** | **2,889** | | **0** | |
| **Carried at fair value** | | | | |
| Derivatives | 1 | 1 | - | - |
| **Other financial assets** | **1** | **1** | **-** | **-** |
| **Total financial assets** | **2,890** | | **-** | |
| **Carried at amortised cost** | | | | |
| Interest bearing debt to group related entities | 11,915 | 11,915 | - | - |
| Financial leasing liability | 965 | 965 | - | - |
| **Total borrowings** | **12,880** | **12,880** | **-** | **-** |
| Trade payables | 2,742 | | - | |
| Other payables | 311 | | 0 | |
| Other payables to subsidiaries and associated companies, etc. | 349 | | - | |
| **Total borrowings and payables** | **16,282** | | **0** | **-** |
| **Carried at fair value** | | | | |
| Derivatives | 70 | 70 | - | - |
| **Other financial liablities** | **70** | **70** | **-** | **-** |
| **Total financial liabilities** | **16,352** | | **-** | |

The fair value of interest bearing loans and receivables is equal to the carrying amount due to a floating interest rate.

**Financial instruments measured at fair value**
Fair value of derivatives fall within level 2 of the fair value hierarchy and are calculated on the basis of observable market data as of the end of the reporting period.

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

**Amounts in USD million**

## 13 Financial risks, etc.

The Company's activities expose it to a variety of financial risks: market risks, i.e. currency risk and interest rate risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central finance department under policies approved by the Board of Directors. The finance department identifies, evaluates and hedges financial risks in accordance with the policies.

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's profit or the value of its holdings of financial instruments. Below sensitivity analyses relate to the position of financial instruments at 31 December 2015.
The sensitivity analyses for currency risk and interest rate risk have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies remain unchanged from hedge designations in place at 31 December 2015. Furthermore, it is assumed that the exchange rate and interest rate sensitivities have a symmetric impact, i.e. an increase in rates results in the same absolute movement as a decrease in rates.
The sensitivity analyses show the effect on profit or loss and equity of a reasonably possible change in exchange rates and interest rate.

### Currency risk

The Company's currency risk arises due to income from shipping activities are denominated mainly in USD, while the related expenses are incurred in both USD and a wide range of other currencies such as DKK, CAD, EUR, GBP, HKD, INR, JPY, MXN and MYR. Overall the Company has net income in USD and net expenses in most other currencies. As the net income is in USD, this is also the primary financing currency. The majority of the Company's borrowings is thus in USD.
The main purpose of hedging the Company's currency risk is to hedge the USD value of the Company's net cash flow and reduce fluctuations in the Company's profit. The Company uses FX Contracts in each and cross-currency swaps, to hedge these risks. The key aspects of the currency hedging policy are as follows:

- Net cash flows in other significant currencies than USD are hedged using a layered model with a 12-months horizon;
- Significant capital commitments in other currencies than USD are hedged

Under the assumption of the effectiveness of the currency hedges, we assess the exposure of a change in the currency rates to be insignificant.

### Interest rate risk

The Company has most of its debt denominated in USD, but part of the debt is in other currencies such as EUR, GBP and SEK. Some loans are at fixed interest rates, while others are at floating interest rates.

The Company strives to maintain a combination of fixed and floating interest rates on its net debt, reflecting expectations and risks. The hedging of the interest rate risk is governed by a duration range and is primarily obtained through the use of interest rate swaps.

A general increase in interest rates by one percentage point is estimated, all other things being equal, to affect profit before tax negatively by approximately USD 1m. The effect on equity, excluding tax effect, of an increase in interest rates as mentioned above is estimated to be positive by approximately USD 0.2m.

The analysis is made under the assumption that all other variables, in particular foreign currency rates, remain constant.

| Borrowings and interest bearing debt to group related entities by interest rate levels inclusive of interest rate swaps | Carrying amount | 0-1 year | Next interest rate fixing<br>1-5 years | 5- years |
|---|---|---|---|---|
| **2015** | | | | |
| 0-3% | 187 | 187 | - | - |
| 3-6% | 11,234 | 11,234 | - | - |
| 6%- | 1,459 | 680 | 336 | 443 |
| **Total** | **12,880** | **12,101** | **336** | **443** |
| **Of which:** | | | | |
| Bearing fixed interest | 187 | | | |
| Bearing floating interest | 12,693 | | | |
| **2014** | | | | |
| 0-3% | - | - | - | - |
| 3-6% | - | - | - | - |
| 6%- | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** |
| **Of which:** | | | | |
| Bearing fixed interest | - | | | |
| Bearing floating interest | - | | | |

# Notes to the financial statements

**Amounts in USD million**

## 13 Financial risks, etc. - continued

The table below shows the derivatives the company has contracted to hedge currency exposure on financial assets and liabilities that give rise to currency adjustment in the income statement

| Forward exchange contracts | Contract amount* | Fair value |
|---|---|---|
| CAD | 67 | 2 |
| DKK | 245 | 7 |
| EUR | 254 | 3 |
| GBP | 166 | 6 |
| HKD | 101 | - |
| INR | -10 | - |
| JPY | 39 | - |
| MXN | 32 | 1 |
| MYR | 71 | 2 |
| SEK | 181 | 43 |
| **Total** | **1,147** | **64** |

* Amounts are based on agreed rates. Positive contracts amounts represent a sale of the respective currency, and negative amount represents a purchase

The forward exchange contracts fall due in period January 2016 to December 2016.

# Notes to the financial statements

Amounts in USD million

## 13 Financial risks, etc. - continued

**Credit risk**
The Company has substantial exposure to financial and commercial counterparties but has no particular concentration of customers or suppliers. To minimise the credit risk, financial vetting is undertaken for all major customers and financial institutions, adequate security is required for commercial counterparties and credit limits are set for financial institutions and key commercial counterparties.

| Maturity analysis of trade receivables | 2015 | 2014 |
|---|---|---|
| Receivables not due | 1,012 | - |
| Less than 90 days overdue | 479 | - |
| More than 90 days overdue | 315 | - |
| Receivables, gross | **1,806** | - |
| Provision for bad debt | 164 | - |
| **Carrying amount** | **1,642** | - |

# **Notes** to the financial statements

**Amounts in USD million**

## 13 Financial risks, etc. - continued

**Liquidity risk**
It is of great importance for the Company to maintain a financial reserve to cover the Company's obligations and investment opportunities and to provide the capital necessary to offset changes in the Company's liquidity due to changes in the cash flow from operating activities.
The flexibility of the financial reserve is subject to ongoing prioritisation and optimisation, among other things, by focusing on release of capital and following up on the development in working capital.

| Maturities of liabilities and commitments | Carrying amount | Cash flows including interest 0-1 year | 1-5 years | 5- years | Total |
|---|---|---|---|---|---|
| **2015** | | | | | |
| Interest bearing debt to group related entities | 11,915 | 3,288 | 9,523 | 441 | 13,252 |
| Financial leasing liability | 965 | 135 | 540 | 290 | 965 |
| Trade payables | 2,742 | 2,742 | - | - | 2,742 |
| Other payables (incl. Provisions and Tax payables) | 743 | 523 | 220 | - | 743 |
| Other payables to group related entities | 349 | 349 | - | - | 349 |
| **Non-derivative financial liabilities** | **16,714** | **7,037** | **10,283** | **731** | **18,051** |
| Derivatives | 70 | 26 | 44 | - | 70 |
| **Total recognised in balance sheet** | **16,784** | **7,063** | **10,327** | **731** | **18,121** |
| Operating lease commitments | | 1,946 | 3,432 | 124 | 5,502 |
| Capital commitments | | 658 | 1,875 | 480 | 3,013 |
| **Total** | | **9,668** | **15,633** | **1,335** | **26,636** |
| **2014** | | | | | |
| Bank and other credit institutions | - | - | - | - | - |
| Issued bonds | - | - | - | - | - |
| Interest bearing loans from subsidiaries, etc. | - | - | - | - | - |
| Trade payables | - | - | - | - | - |
| Other payables | 0 | 0 | - | - | 0 |
| Other payables to subsidiaries, etc. | - | - | - | - | - |
| **Non-derivative financial liabilities** | **0** | **0** | **-** | **-** | **0** |
| Derivatives | - | - | - | - | - |
| **Total recognised in balance sheet** | **0** | **0** | **-** | **-** | **0** |
| Operating lease commitments | | - | - | - | - |
| Capital commitments | | - | - | - | - |
| **Total** | | **-** | **-** | **-** | **-** |

**Amounts in USD million**

## 14 Commitments

As part of the Company's activities, customary agreements are entered into regarding charter and operating leases of ships, port facilities, etc.

| | 2015 | 2014 |
|---|---|---|
| Within one year | 1,946 | - |
| Between one and two years | 1,297 | - |
| Between two and three years | 907 | - |
| Between three and four years | 769 | - |
| Between four and five years | 460 | - |
| After five years | 124 | - |
| **Total** | **5,502** | **-** |
| Net present value [1] | 4,790 | - |

[1] The net present value has been calculated using a discount rate of 6% p.a. (6% p.a.).

Total operating lease costs incurred are presented in note 2.

**Capital commitments**
At the end of 2015, capital commitments amount to USD 3.0bn, primarily related to acquisitions of container vessel new buildings.

**Operating leases**
As part of the company's activities, customary leasing agreements are entered into, especially with regard to the chartering of vessels and lease of containers and other equipment. In some cases, the leasing agreements comprise purchase options for the company and options for extension of the lease term.

**Amounts in USD million**

## 15 Contingent liabilities

Except for customary agreements within the Company's activities, no material agreements have been entered into that will take effect, change or expire upon changes of the control over the Company.

The company has furthermore entered into certain agreements with terminals containing volume commitments including an extra payment in case minimum volumes are not met.

The Company is involved in a number of legal disputes. The Company is also involved in tax disputes in certain countries. Some of these involve significant amounts and are subject to considerable uncertainty.

Tax may crystallise if the companies leave the tonnage tax regimes and on repatriation of dividends.

Through participation in joint taxation scheme with A.P. Møller Holding A/S, the Company is jointly and severally liable for taxes payable, etc. in Denmark.

# Notes to the financial statements

**Amounts in USD million**

## 16 Cash flow specifications

| | 2015 | 2014 |
|---|---|---|
| **Change in working capital** | | |
| Inventories | 133 | - |
| Trade receivables | 84 | - |
| Other receivables and prepayments | -294 | - |
| Trade payables and other payables, etc. | 498 | - |
| Exchange rate adjustment of working capital | -39 | - |
| **Total** | **382** | **-** |
| **Purchase of property, plant and equipment** | | |
| Addition | 2,765 | - |
| Of which borrowing costs capitalized on assets | -9 | - |
| Change in payables to suppliers regarding purchase of assets | -989 | - |
| **Total** | **1,767** | **-** |

**Other non-cash items** are primarily related to adjustment of provision for bad debt regarding trade receivables.

# **Notes** to the financial statements

**Amounts in USD million**

## 17 Related parties

| | Subsidiaries & other related companies | | Parent company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| **Continuing operations** | | | | |
| **Income statement** | | | | |
| Revenue | 525 | - | - | - |
| Operating costs | 6,898 | - | 170 | - |
| Dividends | 329 | - | - | - |
| Financial income | 71 | - | - | - |
| Financial expenses | 79 | - | 47 | - |
| **Assets** | | | | |
| Tax receivables | 44 | - | 44 | - |
| Interest bearing receivables, current | 670 | - | - | - |
| Other receivables, current | 117 | - | 10 | - |
| **Liabilities** | | | - | |
| Interest bearing debt, non-current | 8,400 | - | - | - |
| Interest bearing debt, current | 2,889 | - | - | - |
| Trade payables | 713 | - | 24 | - |
| Other liabilities, current | 349 | - | 339 | - |
| Capital increases and purchase of shares | 1,994 | - | - | - |
| Distribution of retained earnings to parent | - | - | -8,000 | - |

**Contribution of Maersk Line activities**

As of 1 February 2015 the Maersk Line activities, including the related subsidiaries, were contributed from A.P. Møller - Mærsk A/S to Maersk Line A/S at booked values. As remuneration for the contribution, A.P. Møller - Mærsk A/S received shares in Maersk Line A/S at a price of DKK 15,610.12 (USD 2,550.09), corresponding to a premium of DKK 77,473,053k (USD 12,656,100k).

A.P. Møller - Mærsk A/S, Copenhagen owns 100% of the share capital.
The Company is included in the consolidated financial statements of A.P. Møller - Mærsk A/S, Copenhagen and A.P. Møller Holding A/S.

# Notes to the financial statements

**Amounts in USD million**

## 18 Accounting policies

**Basis of preparation**

The financial statements of 2015 for Maersk Line A/S have been prepared on a going concern basis and in accordance with the International Financial Reporting Standards (IFRS) as adopted by EU and additional disclosure requirements of the Danish Financial Statements Act.

The exemption from preparing consolidated financial statements has been used, and the financial statements are separate financial statements.

The parent company A.P. Møller - Mærsk A/S, Copenhagen, has prepared consolidated financial statements that comply with International Financial Reporting Standards, which can be obtained here:

http://files.shareholder.com/downloads/ABEA-3GG91Y/1653588889x8078344x874219/9643DB80-2142-4D2F-8FCE-F5DB67E26B70/Maersk_Group_Annual_Report_2015.pdf

New financial reporting requirements coming into effect after 31 December 2015 are outlined in note 20.

**Foreign currency translation**

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at 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 rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Due to the contribution of the Maersk Line activities from A.P. Møller - Mærsk A/S, the company has changed its functional currency from DKK to USD, which is also in line with the Group's functional currency and the presentation currency in the 2014 financial statements. The change has had an insignificant impact.

Share capital denominated in DKK is translated to USD at the rate of transaction day and is therefor not revalued subsequently.

**Contribution of activities**

The contribution of the Maersk Line activities from A.P. Møller - Mærsk A/S to Maersk Line A/S consists of certain assets and liabilities related to the activity at booked values as of the date of transaction (February 1st 2015). Therefor the contribution adds to several items in the balance sheet and this is also reflected, when applicable, in related notes. Also, as a consequnce of the contribution taking place on 1 February 2015 the income statement for 2015 reflects 11 months of Maersk Line activity.

**Income statement**

**Revenue** from shipping activities is recognised as the service is provided, including a share of revenue from incomplete voyages at the balance sheet date. Invoiced revenue related to an estimated proportion of remaining voyage time and activities at the destination port is deferred. Any detention and demurrage fees are recognised at the time of customers' late return or pick-up of containers. Revenue is recognised net of discounts and rebates, some of which are estimated based on volume incentives and other factors. Dividends received from subsidiaries are recognised when distribution has been formally decided.Lease income from operating leases is recognised over the lease term.

Revenue consists mainly of shipping activities.

**Financial items** include dividends from investments in subsidiaries, interest income and expenses and exchange rate gains and losses. Furthermore, realised and unrealised gains and losses on derivative financial instruments that cannot be classified as hedging contracts are included.

**Tax** comprises of current and deferred tax as well as adjustments to previous years of those. Income tax is tax on taxable profits and consists of corporation tax and withholding tax of dividends, etc. In addition, tax comprises tonnage tax. Tonnage tax is classified as tax when creditable in, or paid in lieu of, income tax.

Tax is recognised in income statement to the extent it arises from items recognised in the income statement.

**Statement of comprehensive income**

**Other comprehensive income** consists of income and costs not recognised in the income statement, including exchange rate adjust-ments arising from the translation from functional currency to presentation currency, adjustment of other equity investments and cash flow hedges to fair value as well as actuarial gains or losses on defined benefit plans, etc.

Other comprehensive income includes current and deferred tax to the extent the income and costs recognised in other comprehensive income are taxable or deductible.

# Notes to the financial statements

**Amounts in USD million**

## 18 Accounting policies - continued

### Balance sheet

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

| | |
|---|---|
| Ships | 20-25 years |
| Containers etc. | 12 years |
| Buildings | 10-50 years |
| Terminal infrastructure | over lease or concession period |
| Plant and machinery, cranes and other terminal equipment | 5-20 years |
| Other operating equipment, fixtures, etc. | 3-7 years |

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

The cost of an asset is divided into separate components which are depreciated separately if the useful lives of the individual components differ. Dry-docking costs are recognised in the carrying amount of ships when incurred and depreciated over the period until the next dry-docking.

The cost of assets constructed by the Company includes direct and indirect expenses. For assets with a long construction period, borrowing costs during the construction period from specific as well as general borrowings are attributed to cost. In addition, the cost includes the net present value of estimated costs of abandonment, removal and restoration.

**Impairment losses** are recognised when the carrying amount of an asset or a cash-generating unit exceeds the higher of the estimated value in use and fair value less costs to sell.

Intangible assets and property, plant and equipment are tested for impairment, if there is an indication of impairment. However, annual impairment tests are carried out for assets, if any, with indefinite useful lives.

**Lease contracts** are classified as operating or finance leases at the inception of the lease. Once determined, the classification is not subsequently reassessed unless there are changes to the contract conditions. Contracts which transfer all significant risks and benefits associated with the underlying asset to the lessee are classified as finance leases. Assets held under finance leases are treated as property, plant and equipment.

**Investments in subsidiaries** are recognised at cost price less any impairment losses. When tested for impairment, the cost price of investment is compared to the equity value as well as the enterprise value.

**Inventories** mainly consist of bunkers, spare parts not qualifying as property, plant and equipment and other consumables. Inventories are measured at cost, primarily according to the FIFO method.

**Loans and receivables** are initially recognised at fair value plus any direct transaction costs and subsequently measured at amortised cost using the effective interest method. Write-down is made for anticipated losses based on specific individual or group assessments.

**Equity** includes total comprehensive income for the year comprising the profit or loss for the year and other comprehensive income.

The reserve for hedges includes the accumulated net change in the fair value of hedging transactions qualifying for cash flow hedge accounting.

**Provisions** are recognised when the Company has a current legal or constructive obligation and include among other legal disputes and onerous contracts. Provisions are recognised on the basis of best estimates and are discounted where the time element is significant and where the time of settlement is reasonable determinable.

**Deferred tax** is calculated on differences between the carrying amount and tax base of assets and liabilities. Deferred tax is not provided on temporary differences which have no effect on the accounting results or taxable income at the time of the transaction. In addition, deferred tax is not calculated for differences relating to investments in subsidiaries, associated companies and joint ventures to the extent that taxable dividends are unlikely in the foreseeable future. Deferred tax assets are recognised to the extent that it is probable that they can be utilised within a foreseeable future.

**Financial liabilities** are initially recognised at fair value less transaction costs. Subsequently the financial liabilities are measured at amortised cost using the effective interest method, whereby transaction costs and any premium or discount are recognised as financial expenses over the term of the liabilities. Liabilities in respect of finance leases are recognised in the balance sheet as borrowings.

# **Notes** to the financial statements

**Amounts in USD million**

## 18 Accounting policies - continued

**Derivative financial instruments** are recognised on the trading date and measured at fair value using generally acknowledged valuation techniques based on relevant observable swap curves and exchange rates.

The effective portion of changes in the value of derivative financial instruments designated to hedge future transactions is recognised in other comprehensive income until the hedged transactions are realised. At that time, the cumulated gains/losses are transferred to the items under which the hedged transactions are recognised. The effective portion of changes in the value of derivative financial instruments used to hedge the value of recognised financial assets and liabilities is recognised in the income statement together with changes in the fair value of the hedged assets or liabilities which can be attributed to the hedging relationship. The ineffective portion of hedge transactions, and changes in the fair values of derivative financial instruments, which do not qualify for hedge accounting are recognised in the income statement as financial income or expenses for interest and currency based instruments.

### Cash flow statement

Cash flow for the year is divided into cash flow from operating activities, cash flow used for investing activities and cash flow from financing activities. Cash and cash equivalents comprise cash and bank balances net of bank overdrafts where overdraft facilities form an integral part of the Company's cash management. Changes in marketable securities are included in cash flow used for investing activities.

### Key figures/financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated in the survey of financial highlights have been calculated as follows:
Operating margin: Operating profit/loss (EBIT) / Revenue
Gross margin: Gross profit / Revenue
Current ratio: Current assets / Current liabilities
Solvency ratio: Equity at year end / Total equity and liabilities at year end
Return on equity: Profit for the year after tax / Average equity

**Amounts in USD million**

## 19 Significant accounting estimates and judgements

The preparation of the financial statements requires management, on an on-going basis, to make judgements and estimates as well as form assumptions that affect the reported amounts. Management bases its judgements and estimates on historical experience, independent advisors and on other factors it believes to be reasonable under the circumstances. Actual results may differ from these estimates.

The most significant areas subject to estimates and judgements are mentioned below.

**Property, plant and equipment**

Management assesses impairment indicators across the company's portfolio of assets. Judgement is applied in the definition of cash generating units and in the selection of methodologies and assumptions for impairment tests. Projected cash flow models are used when fair value is not obtainable or when fair value is deemed lower than value in use. External data is used to the extent possible and centralised processes, involving corporate functions, shall ensure that indexes or data sources are selected consistently observing differences in risks and other circumstances.

For an integrated network business, such as Maersk Line A/S, the container shipping activities are considered to be a single cash generating unit.

**Impairment considerations**

The carrying amount of container vessels and associated assets in the cash generating unit is higher than fair value, for which reason a value in use calculation has been performed. The cash flow projection is based on the latest forecast for 2016-2020 including estimated effects from the Vessel Sharing Agreement with Mediterranean Shipping Company (referred to as 2M). The key sensitivities are development in freight rate, container volumes, bunker costs and cost reduction initiatives as well as the discount rate. Management has applied an assumption of growth in volumes and overall declining freight rates. The decline in the bunker price is assumed to have no significant impact in the long term since it will be reflected in the freight rates. The impairment test showed substantial headroom from value in use to the carrying amount. Management is of the opinion that the assumptions applied are sustainable and that the gap to fair value can be explained mainly by Maersk Line performing at margins above the industry.

**Depreciation and residual values**

Useful lives are estimated based on past experience and the management's estimates of the period over which the assets will provide economic benefits. Management decides from time to time to revise the estimates for individual assets or groups of assets with similar characteristics due to factors such as quality of maintenance and repair, technical development and environmental requirements. Refer to note 18 for the useful lives typically used for new assets.

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

**Provisions for legal disputes, etc.**

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

The company is engaged in a number of disputes with tax authorities of various scope. Appropriate provision has been made where the probability of payment of additional taxes in individual cases is considered more likely than not. In addition, disputed items are evaluated on a portfolio basis by geographical area and country risk provisions are established where the aggregated risk of additional payments is more likely than not. Demands for which the probability of payment is assessed by management to be less than 50% are not provided for.

**Leasing**

Judgement is applied in the classification of lease as operating or finance lease. The company enters into a substantial amount of lease contracts, some of which are combined lease and service contracts like time-charter agreements. Management applies a formalised process for classification and estimation of present values for finance leases with use of specialised staff in corporate functions.

# Notes to the financial statements

**Amounts in USD million**

## 20 New financial reporting requirements

IAS 28 opens up for using the equity method for recognition of investments in subsidiaries and associated companies. The Company will continue using cost price or a lower value in use for recognition.

New standards on Revenue (IFRS 15) and Financial Instruments (IFRS 9) for implementation in 2018 are currently considered to have limited impact.

Further, in January 2016 a new standard on Leases (IFRS 16) was published according to which contracts with a right to use an identified asset for more than 12 months shall be recognised on the balance sheet subject to various terms. The implications of the new standard are complex and a process will commence in 2016 to evaluate the impact. The Company´s operating lease commitments are disclosed in note 14. The IASB effective date is 1 January 2019.

# **Notes** to the financial statements

**Amounts in USD million**

## 21 Subsequent events

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

# Notes to the financial statements

**Amounts in USD thousand**

## 22 Subsidiaries

| | Registered Country | Equity | Profit/loss for the period | Maersk Line A/S share of profit/loss |
|---|---|---|---|---|
| | | USD 000' | USD 000' | USD 000' |
| **Directly owned entities** | | | | |
| Safmarine MPV NV | Belgium | 8,151 | -18,750 | -18,750 |
| Maersk China Ltd. | China | 129,744 | 828 | 828 |
| Rederiaktieselskabet Kuling A/S | Denmark | 653 | -7 | -7 |
| Maersk Line Agency Holding A/S | Denmark | 959,222 | -12,133 | -12,133 |
| Seago Line A/S | Denmark | 233,884 | 140,243 | 140,243 |
| Sunrise 14 A/S | Denmark | 26,878 | -3,196 | -3,196 |
| Maersk Deutschland A/S & Co. KG | Germany | 2,668 | 38 | 38 |
| Maersk Shipping Hong Kong Ltd. | Hong Kong | 1,984,073 | 70,580 | 70,580 |
| MCC Transport Singapore Pte. Ltd. | Singapore | 46,871 | 44,742 | 44,742 |
| A.P. Moller Singapore Pte. Ltd. | Singapore | 2,502,787 | 35,529 | 35,529 |
| Maersk Line UK Ltd. | United Kingdom | 1,127,927 | -126,230 | -126,230 |
| Maersk Inc. | United States | 573,171 | 13,709 | 13,709 |
| **Total** | | **7,596,029** | **145,353** | **145,353** |

Only subsidiaries of direct ownership has been included.
All subsidiaries are consolidated in the Maersk Group annual report for 2015 which is avaiable on:
http://investor.maersk.com/financials.cfm

Impairment losses on investments in subsidiaries 2015 relate to investments in vessel-owning subsidiaries.
Impairments are recognised when carrying amount exceeds value in use as described in accounting policy.

# Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Maersk Line A/S for the financial year 1 January – 31 December 2015.

The Annual Report is prepared in accordance with International Financial Reporting Standards as adopted by the EU. Moreover, the Annual Report is prepared in accordance with additional Danish disclosure requirements for large companies.

In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2015 of the Company and of the results of the Company operations and cash flows for 2015.

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

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

Copenhagen, 3 May 2016

Executive Board:

Søren Skou
CEO

Board of Directors:

Nils S. Andersen
Chairman

Trond Westlie

Søren Skou

Caroline Sundorph Pontoppidan

# Independent auditor's report

**To the shareholders of Maersk Line A/S**

## Report on the financial statements

We have audited the Financial Statements of Maersk Line A/S for the financial year 1 January - 31 December 2015, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including su mmary of significant accounting policies. The Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

***Management's responsibility for the financial statements***

Management is responsible for the preparation of the Financial Statements that give a true and fair view in accordance with I nternational Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act, and f or such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatem ent, whether due to fraud or error.

***Auditor's responsibility***

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accorda nce with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical re quirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Sta tements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial St atements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparatio n of Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of acco unting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial St atements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

***Opinion***

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 20 15 and of the results of the Company operations and cash flows for the financial year 1 January - 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

## Statement on the Management's review

Pursuant to the Danish Financial Statements Act. we have read Management's Review. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, it is our opinion, that the information provided in Management's Review is consistent with the Financial Statements.

Copenhagen, 3 May 2016
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no.: 33 77 12 31

Gert Fisker Tomczyk
State Authorised Public Accountant

Mikkel Sthyr
State Authorised Public Accountant