

MSC Denmark A/S

Vandvejen 7, 5. sal, 8000 Aarhus C

CVR no. 32 55 13 35

Annual report 2017

Approved at the Company's annual general meeting on

Chairman:



.....

The following is a translation of an original Danish document. The original Danish document is the governing document for all purposes, and in case of any discrepancy, the Danish wording will be applicable.





Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Financial statements 1 January - 31 December	8
Income statement	8
Balance sheet	9
Statement of changes in equity	11
Notes to the financial statements	12

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 Denmark A/S for the financial year 1 January - 31 December 2017.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

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

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

Aarhus, 9 March 2018

Executive Board:



Mogens Møller Klintemark
CEO

Board of Directors:



Lars Funding
Chairman



Mogens Møller Klintemark



Jelena Kolosovska

Independent auditor's report

To the shareholders of MSC Denmark A/S

Opinion

We have audited the financial statements of MSC Denmark A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the 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 Company 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 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 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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- ▶ 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.



Independent auditor's report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

Aarhus, 9 March 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

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

Claus Hammer-Pedersen
State Authorised Public Accountant
MNE no.: mne21334



Management's review

Company details

Name	MSC Denmark A/S
Address, Postal code, City	Vandvejen 7, 5. sal, 8000 Aarhus C
CVR no.	32 55 13 35
Established	5 October 2009
Registered office	Aarhus Kommune
Financial year	1 January - 31 December
Website	https://www.msc.com/dnk
E-mail	DNK-info@msc.com
Telephone	+45 86 20 39 00
Board of Directors	Lars Funding, Chairman Mogens Møller Klintemark Jelena Kolosovska
Executive Board	Mogens Møller Klintemark, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark

Management's review

Financial highlights

DKK'000	2017	2016	2015	2014	2013
Key figures					
Revenue	31,971	1,020,129	983,768	603,489	551,726
Gross margin	26,119	40,918	42,156	27,069	23,226
Profit before interest, tax and amortisation of goodwill (EBITA)	936	17,163	19,525	5,891	3,303
Net financials	-227	732	909	610	41
Profit/loss for the year	526	13,833	15,545	4,904	2,481
Balance sheet					
Total assets	7,655	125,700	119,164	80,886	65,028
Investment in property, plant and equipment	0	727	0	46	0
Equity	1,060	14,334	16,171	5,427	3,022
Financial ratios					
Operating margin	2.9%	1.7%	2.0%	1.0%	0.6%
Gross margin	81.7%	4.0%	4.3%	4.5%	4.2%
Current ratio	97.3%	111.6%	115.2%	106.4%	103.9%
Solvency ratio	13.8%	11.4%	13.6%	6.7%	4.6%
Return on equity	6.8%	90.7%	143.9%	116.1%	82.1%
Return on investment	0.0%	14.0%	19.6%	8.1%	3.9%
Personnel					
Average number of employees	52	53	49	47	46

For terms and definitions, please see the accounting policies.

Management's review

Business review

MSC is a sea freight and global logistics company. MSC Denmark A/S is an agent for and represents Mediterranean Shipping Company S.A.'s container and vessel activities in Denmark. The company is placed in Aarhus.

Financial review

Profit/loss for the year

The Profit/loss for the year 2017 is DKK 526 thousand after tax, compared to DKK 13,833 thousand the year before. Due to change in structure, the result is satisfying.

Outlook

From 1 January 2017 MSC Denmark entered a cost+ structure. This is a normal business setup within Shipping.

This means that MSC Denmark went over to contain only administrative costs and cost+ commission. And therefore, the result for 2017 has changed significantly.

Special risks

The company is to some extent dependent on the development and increase in the world trade including a positive ocean freight development.

Currency risks

As the company invoices the cost+ activities in DKK, there is no currency risk.

Knowledge resources

Our policy is to secure the best competences possible at all company levels and to continue to develop and train our staff internally and externally.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2017	2016
	Revenue	31,971	1,020,129
	Cost of sales	-569	-967,434
	Other external expenses	-5,283	-11,777
	Gross margin	26,119	40,918
2	Staff costs	-25,021	-23,727
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-162	-28
	Profit before net financials	936	17,163
3	Financial income	2	798
4	Financial expenses	-229	-66
	Profit before tax	709	17,895
5	Tax for the year	-183	-4,062
	Profit for the year	526	13,833

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	ASSETS		
	Fixed assets		
6	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	563	724
		<u>563</u>	<u>724</u>
7	Investments		
	Other securities and investments	1	1
	Deposits, investments	672	662
		<u>673</u>	<u>663</u>
	Total fixed assets	<u>1,236</u>	<u>1,387</u>
	Non-fixed assets		
	Receivables		
	Trade receivables	143	123,671
	Receivables from group enterprises	5,590	15
9	Deferred tax assets	2	1
	Other receivables	0	2
	Prepayments	158	564
		<u>5,893</u>	<u>124,253</u>
	Cash	<u>526</u>	<u>60</u>
	Total non-fixed assets	<u>6,419</u>	<u>124,313</u>
	TOTAL ASSETS	<u><u>7,655</u></u>	<u><u>125,700</u></u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	500	500
	Retained earnings	0	1
	Dividend proposed	560	13,833
	Total equity	<u>1,060</u>	<u>14,334</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	443	24,411
	Payables to group enterprises	37	73,570
	Corporation tax payable	185	4,011
	Other payables	5,930	9,374
		<u>6,595</u>	<u>111,366</u>
	Total liabilities other than provisions	<u>6,595</u>	<u>111,366</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>7,655</u></u>	<u><u>125,700</u></u>

- 1 Accounting policies
- 10 Contractual obligations and contingencies, etc.
- 11 Related parties



Financial statements 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Dividend proposed	Total
Equity at 1 January 2016	500	1	15,670	16,171
12 Transfer, see "Appropriation of profit"	0	0	13,833	13,833
Dividend distributed	0	0	-15,670	-15,670
Equity at 1 January 2017	500	1	13,833	14,334
Adjustment of equity through corrections of errors	0	33	-33	0
Adjusted equity at 1 January 2017	500	34	13,800	14,334
12 Transfer, see "Appropriation of profit"	0	-34	560	526
Dividend distributed	0	0	-13,800	-13,800
Equity at 31 December 2017	500	0	560	1,060

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

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

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

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.

Income statement

Revenue

For 2016, revenue is recognised in the income statement if the shipment has been delivered to the Group's cooperating partners before year-end and provided that the income can be reliably measured. Revenue is recognised exclusive of VAT, duties and rebates granted in connection with the sale and is measured at fair value of the consideration agreed. Due to the changes in the business setup from 1 January 2017, MSC Denmark A/S entered a cost+ structure, why revenue for 2017 is recognised in the income statement as costs plus.

Cost of sales

Cost of sales includes payment to shipping companies as well as direct and indirect costs incurred to generate revenue for the year.

Other external expenses

Other external expenses comprise expenses relating to distribution, sale, advertising, administration, premises, bad debts, operating leases, etc. The item also includes impairment write-down of receivables recognised as non-current assets.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for the Company's employees. Refunds received from public authorities are deducted from staff costs.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, gains and losses on payables and transactions denominated in foreign currencies.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Tax

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

The parent company is subject to the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries.

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

Balance sheet

Property, plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

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

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

Fixtures and fittings, tools and equipment: 3-8 years

Depreciation is recognised in the income statement as amortisation, depreciation and impairment losses.

The basis of 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 time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Gains and losses on the disposal of items of fixtures and fittings, tools and equipment are calculated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. The gains or losses are recognised in the income statements as amortisation, depreciation and impairments losses.

Other securities and investments

Other securities and investments, recognised under "Non-current assets", comprise unlisted securities measured at cost.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

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

Prepayments

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

Equity

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.

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Income tax receivable" or "Income tax payable".

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, 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 and jurisdiction.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

Lease liabilities

All leases are considered operating leases. Payments relating to operating leases are recognised in the income statement on a straight-line basis. The Company's total liabilities relating to operating leases and other leases are disclosed under "Other financial obligations".

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cash flow statement

The Company has not prepared any cash flow statement in accordance with section 86(4) of the Danish Financial Statements Act.

Financial ratios

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

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

Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Gross margin ratio	$\frac{\text{Gross margin} \times 100}{\text{Revenue}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$
Return on investment	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Average operational assets}}$

Financial statements 1 January - 31 December

Notes to the financial statements

	2017	2016
DKK'000		
2 Staff costs		
Wages/salaries	22,569	21,309
Pensions	1,379	1,426
Other social security costs	237	263
Other staff costs	836	729
	<u>25,021</u>	<u>23,727</u>
	2017	2016
Average number of full-time employees	<u>52</u>	<u>53</u>
By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.		
DKK'000	2017	2016
3 Financial income		
Foreign exchange gain	0	774
Other financial income	2	24
	<u>2</u>	<u>798</u>
4 Financial expenses		
Foreign exchange losses	204	0
Other financial expenses	25	66
	<u>229</u>	<u>66</u>
5 Tax for the year		
Estimated tax charge for the year	185	4,011
Deferred tax adjustments in the year	-2	49
Tax adjustments, prior years	0	-1
Change in tax rate	0	3
	<u>183</u>	<u>4,062</u>

Financial statements 1 January - 31 December

Notes to the financial statements

6 Property, plant and equipment

DKK'000	Fixtures and fittings, other plant and equipment
Cost at 1 January 2017	859
Additions	0
Disposals	0
Cost at 31 December 2017	859
Impairment losses and depreciation at 1 January 2017	135
Depreciation	161
Impairment losses and depreciation at 31 December 2017	296
Carrying amount at 31 December 2017	563

7 Investments

DKK'000	Other securities and investments	Deposits, investments	Total
Cost at 1 January 2017	1	662	663
Additions	0	10	10
Cost at 31 December 2017	1	672	673
Carrying amount at 31 December 2017	1	672	673

8 Share capital

The share capital comprises 500,000 shares of DKK 500 nominal value each. All shares carry the same rights.

DKK'000	2017	2016
9 Deferred tax		
Deferred tax at 1 January	-1	-53
Correction to deferred tax at 1 January	1	0
Adjustment of the deferred tax charge for the year	-2	49
Impact from gradual reduction of the income tax rate to 22%	0	3
Deferred tax at 31 December	-2	-1

Financial statements 1 January - 31 December

Notes to the financial statements

10 Contingent liabilities

Other contingent liabilities

MSC Denmark A/S is jointly taxed with other Danish group companies. As a group company, the Company has joint and several unlimited liability, together with other Danish group companies, for all Danish income taxes and withholding taxes on dividend, interest and royalties within the group of jointly taxed entities. The jointly taxed entities' total known net liability in respect of income taxes and withholding taxes payable on dividend, interest and royalties are recognised in the financial statements of the administration company, MSC Scandinavia Holding A/S, CVR no. 19 95 08 75. Any subsequent corrections of income subject to joint taxation and withholding taxes, etc. could entail an increase in the entities' tax liability.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2017	2016
Rent and lease liabilities	6,724	6,434

Rent and lease liabilities which fall due within 5 years include a rent obligation totalling DKK 5,656 thousand. Furthermore, the Company has liabilities under operating leases for cars, totalling DKK 1.068 thousand.

11 Related parties

MSC Denmark A/S' related parties comprise the following:

Significant influence

Related party	Domicile	Basis for significant influence
United Agencies Limited SA	Chemin Rieu 12-14, 1208 Geneva	Switzerland holds the majority of the share capital in the entity.

Related party transactions

MSC Denmark A/S was engaged in the below related party transactions:

DKK'000	2017	2016
Revenue from affiliates	32,219	941,849
Purchases from affiliates	529	941,908
Distribution of dividend	560	15,670

Information on the group

Name and registered office of the parent company which prepares the consolidated financial statements of the largest group:

Mediterranean Shipping Company SA, Switzerland



Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2017	2016
12 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend recognised under equity	560	13,833
Retained earnings/accumulated loss	-34	0
	<u>526</u>	<u>13,833</u>