MSC Denmark A/S

Vandvejen 7, 5. sal, 8000 Aarhus C

CVR no. 32 55 13 35

Annual report 2016

Approved at the Company's annual general meeting on 17 March 2017

Chairman:

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Building a better
working world

Contents

Statement by Management on the annual report

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 2016.

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

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2016 and of the results of its operations for the financial year 1 January - 31 December 2016.

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 its operations and financial position.

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

Aarhus, 17 March 2017
Executive Board:

Mogens Møller Klintemark
CEO

Board of Directors:

Lars Funding Chairman	Helen Metsaroos Fuglsang	Mogens Møller Klintemark

Independent auditors' 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 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of company at 31 December 2016, and of the results of the company operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

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

Management's responsibility 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 a 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.

Auditors' responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditors' report

- 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 in-adequate, to modify our opinion. Our conclusion is 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 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, 17 March 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Thomas Bruun Kofoed State Authorised Public Accountant	Thomas Riis State Authorised Public Accountant

Management's review

Financial highlights

In DKK thousands, except for per share data	2016	2015	2014	2013	2012
Key figures					
Revenue	1,020,129	983,768	603,489	551,726	451,263
Gross margin	40,917	42,156	27,069	23,226	17,366
Ordinary operating profit/loss	17,162	19,525	5,891	3,303	-534
Profit from financial income and expenses	732	909	610	41	785
Profit for the year	13,832	15,545	4,905	2,481	174
Total assets	125,700	119,164	80,886	65,028	107,590
Investments in items of property, plant and equipment	727	0	46	0	136
Equity	14,334	16,171	5,427	3,022	705
Financial ratios					
Gross margin	4.0	4.3	4.5	4.2	3.8
Operating margin	1.7	2.0	1.0	0.6	-0.1
Current ratio	111.6	115.2	106.4	103.9	101.3
Equity ratio	11.4	13.6	6.7	4.6	0.7
Return on investment	14.0	19.6	8.1	3.9	-0.4
Return on equity	90.7	143.9	116.1	133.1	17.1
Average number of full-time employees	53	49	47	46	47

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's review

Management commentary

Business review

The company's main activity is sea freight and global logistic.

The company represents Mediterranean Shipping Company S.A.'s container and vessel activities in Denmark. The company's head office is placed in Aarhus. Financial review

Profit/loss for the year

The Profit/loss for the year 2016 is 13.832 TDKK after tax, compared to 15.545 TDKK the year before. Taking the market situation into consideration, 2016 result is satisfying.

Outlook

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

This means that MSC Denmark will go over to contain only admin costs and cost+ commission. And therefor the result will change thereafter.

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

Activities abroad makes the company vulnerable to the currency development on a series of currencies.

Purchases and sales of transport is primarily done in the same currency.

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	2016	2015
	Revenue	1,020,129	983,768
	Cost of sales	-967,434	-932,182
	Other external expenses	-11,777	-9,430
	Gross margin	40,918	42,156
2	Staff costs	-23,727	-22,567
	Depreciation	-28	-64
	Operating profit	17,163	19,525
3	Financial income	798	983
4	Financial expenses	-66	-74
	Profit before tax	17,895	20,434
5	Tax for the year	-4,062	-4,889
	Profit for the year	13,833	15,545

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	ASSETS		
	Non-current assets		
6	**Property, plant and equipment**		
	Fixtures and fittings, plant and equipment	724	25
		724	25
7	**Financial assets**		
	Other securities and investments	1	1
	Deposits	662	499
		663	500
	Total non-current assets	1.387	525
	Current assets		
	Receivables		
	Trade receivables	123,671	112,218
	Receivables from affiliate	15	5,340
8	Deferred tax	1	53
	Other receivables	2	0
	Prepayments	564	553
		124,253	118,164
	Cash	60	475
	Total current assets	124,313	118,639
	TOTAL ASSETS	125,700	119,164

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	EQUITY AND LIABILITIES		
	Equity		
9	Share capital	500	500
	Profit and loss account	2	1
	Dividend proposed for the year	13,832	15,670
	Total equity	14,334	16,171
	Current liabilities		
	Payables to affiliates	73,570	62.218
	Trade payables	24,411	31.656
	Income taxes	4,011	4,923
	Other payables	9,374	4,196
	Total current liabilities	111,366	102,993
	Total liabilities	111,366	102,993
	TOTAL EQUITY AND LIABILITIES	125,700	119,164

1 Accounting policies
10 Recommended appropriation of profit
11 Contingent liabilities
12 Operating lease liabilities
13 Related parties

Financial statements 1 January – 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Profit and loss account	Dividend proposed for the year	Total
	Equity at 1 January 2015	500	126	4,800	5,426
	Dividend distribution	0	0	-4,800	-4,800
	Transfer, see "Appropriation of profit/loss"	0	-125	15,670	15,545
	Equity at 1 January 2016	500	1	15,670	16,171
	Dividend distribution	0	0	-15,670	-15,670
	Transfer, see "Appropriation of profit/loss"	0	0	13,833	13,833
	Equity at 31 December 2016	500	1	13,833	14,334

Financial statements 1 January - 31 December

Notes

1 **Accounting policies**

The annual report of MSC Denmark A/S for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium reporting class C entities.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 July 2015. This implies changes in the recognition and measurement in the following areas:

1. Yearly reassessment of residual values of property, plant and equipment.

In the future, residual values of property, plant and equipment are subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment other than those relating to the Company's land. Consequently, the change is made in accordance with section 4 of the executive order on transitional provisions[1] with future effect only as a change in accounting estimates with no impact on equity.

None of the above changes affects the income statement or the balance sheet for 2016 or the comparative figures.

Apart from the above new and changed presentation and disclosure requirements, which follow from act. no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

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 rate at the transaction date and the rate 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 closing rates. 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 latest financial statements is recognised in the income statement as financial income or financial expenses.

Revenue

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.

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.

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[1] The executive order on transitional provisions based in connection with the application of certain provisions in the Danish Financial Statements Act, as amended by act no. 738 of 15 June 2015 regarding amendments to the Danish Financial Statements Act and a number of other acts.

Financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Income statement

Financial income and expenses

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

Tax for the year

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 statement as amortisation, depreciation and impairment losses.

Financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Leases

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 "Operating lease liabilities ".

Other securities and investments

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

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 "Current assets" comprise expenses incurred concerning subsequent financial years.

Equity

Dividend

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

Income tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income 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.

Financial statements 1 January - 31 December

Notes

1 **Accounting policies (continued)**

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.

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 "Recommendations and Financial Ratios 2015".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

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

Financial statements 1 January - 31 December

Notes

	DKK'000	2016	2015
2	**Staff costs**		
	Wages and salaries	21,310	20,391
	Pensions	1,426	1,244
	Other social security costs	262	304
	Other staff costs	729	628
		23,727	22,567
	Average number of full-time employees	53	49

By reference to section 98b (3-2) of the Danish Financial Statements Act, disclosures are not provided on directors' fee.

		2016	2015
3	**Financial income**		
	Foreign exchange gains	774	972
	Other financial income	24	11
		798	983
4	**Financial expenses**		
	Foreign exchange losses	0	12
	Other interest expenses	66	62
		66	74
5	**Tax for the year**		
	Estimated tax on the taxable income for the year	4,011	4,923
	Adjustment of the deferred tax charge for the year	49	-35
	Adjustment of prior-year taxes	-1	0
	Effect of changes in tax rates	3	1
		4,062	4,889

Financial statements 1 January - 31 December

Notes

6 **Property, plant and equipment**

DKK'000	Other fixtures and fittings, plant and equipment
Cost at 1 January 2016	647
Purchase	727
Disposal	-515
Cost at 31 December 2016	859
Depreciation and impairment losses at 1 January 2016	-622
Depreciation	-28
Disposal	515
Depreciation and impairment losses at 31 December 2016	-135
Carrying amount at 31 December 2016	724

7 **Financial assets**

DKK'000	Other securities and investments	Deposits
Cost at 1 January 2016	1	500
Purchase	0	662
Disposal	0	-500
Cost at 31 December 2016	1	662
Carrying amount at 31 December 2016	1	662

DKK'000	2016	2015
8 **Deferred tax**		
Deferred tax at 1 January	53	20
Adjustment of the deferred tax charge for the year	-49	35
Impact from gradual reduction of the income tax rate to 22%	-3	-2
Deferred tax at 31 December	1	53
The deferred tax charge relates to:		
Property, plant and equipment	-22	24
Current assets	23	29
	1	53

9 **Share capital**

The share capital comprises 500,000 shares of DKK 500 nominal value each. All shares rank equally.

Financial statements 1 January - 31 December

Notes

DKK'000	2016	2015
10 Recommended appropriation of profit		
Dividend proposed for the year	13,833	15,670
Transferred to reserves under equity	0	-125
	13,833	15,545

11 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.

12 Operating lease liabilities

Lease liabilities (operating leases), which fall due within 5 years, total DKK 6,434 thousand (2015: DKK 4,813 thousand).

13 Related parties

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

Parties exercising control

United Agencies Limited SA, Chemin Rieu 12-14, 1208 Geneva, Switzerland holds the majority of the share capital in the entity.

Related party transactions

DKK'000	2016	2015
Group		
Revenue from affiliates	941,849	902,945
Purchases from affiliates	941,908	902,476
Distribution of dividend	15,670	4,800

Information on the Group

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

United Agencies Limited SA, Switzerland