

Seago Line A/S

Annual Report 2017

(9th Financial Year)

The Annual Report was presented to and adopted by
the Company at the Annual General Meeting

on 11 April 2018



Secretary to the Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Seago Line A/S (the Company) 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 as at 31 December 2017 of the Company and of the results of the Company operations for 2017.

In our opinion, Management's Review includes a true and fair account of the matters addressed.

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

Copenhagen, 11 April 2018

Executive Board

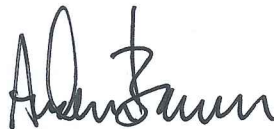


Søren Castbak

Board of Directors



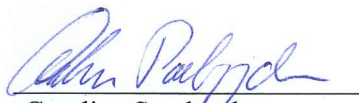
Karsten Kildahl
Chairman



Anders Sveel Boenæs



Pierre Yves Emmanuel
Danet



Caroline Sundorph
Pontoppidan



Zejuan Ding

Independent Auditor's Report

To the Shareholders of Seago Line A/S

Opinion

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.

We have audited the Financial Statements of Seago Line A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies ("financial statements").

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

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

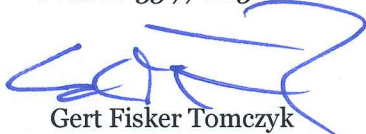
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 these 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:

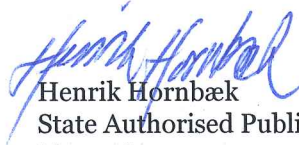
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.
- 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 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.

Copenhagen, 11 April 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31



Gert Fisker Tomczyk
State Authorised Public Accountant
Mne9777



Henrik Hornbæk
State Authorised Public Accountant
Mne32802

Company Information

Seago Line A/S
Esplanaden 50
DK-1263 Copenhagen

CVR-no.: 32 65 83 85
Domicile: Copenhagen
Financial Year: 1 January – 31 December

Board of Directors

Karsten Kildahl (Chairman)
Anders Sveel Boenæs
Pierre Yves Emmanuel Danet
Caroline Sundorph Pontoppidan
Zejuan Ding (appointed 12 January 2018)

Management Board

Søren Castbak

Audit

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

General Meeting

Annual General Meeting - 11 April 2018

Financial Ratios

Financial Highlights					
USD '000	2017	2016	2015	2014	2013
Revenue	1,068,388	1,111,481	1,100,703	1,182,155	1,113,266
Profit or loss from operating activities	22,913	82,593	150,614	175,445	127,077
Profit or loss from financing activities	1,616	-4,340	-6,913	-7,942	1,916
Net income for the year	22,421	75,420	140,243	166,135	123,802
Balance sheet total	282,505	397,679	423,569	556,827	382,409
Equity	56,725	184,304	233,884	343,641	177,506
Financial Ratios					
Profit Margin	2.1%	7.4%	13.7%	14.8%	11.4%
Return on invested capital	18.6%	36.1%	48.6%	63.8%	107.1%
Gross Margin	3.1%	8.2%	14.8%	15.9%	12.4%
Solvency Ratio	20.1%	46.3%	55.2%	61.7%	46.4%
Return on Equity	18.6%	36.1%	48.6%	63.8%	107.1%
Average number of full-time employees	107	104	101	93	88

Financial ratios are calculated as stated in the Accounting Policies.

Management's Review

Activity

Seago Line A/S is engaged in intra-European container shipping involving carriage of containers within Europe and the Mediterranean area.

Development in activities and financial circumstances

The result for the year is a profit of USD 22m (2016: USD 75m) due to increased competition with downward pressure on freight rates, increasing bunker costs and negative impact from a cyber-attack.

The result is in line with expectations.

Expectations for 2018

Limited market growth and positive results are expected, although at a lower level than that of 2017.

Risks

There is uncertainty in relation to the development in freight rates, time charter rates, bunker prices and foreign exchange rates.

Environmental issues and corporate social responsibility

Seago Line A/S is part of the Sustainability Report for 2017 for A.P. Møller-Mærsk A/S. The report is available at <https://www.maersk.com/business/sustainability/sustainability-reports-and-publications/reports>.

Seago Line A/S follows the target figures and policies for gender quota on boards of the A.P. Møller-Mærsk A/S.

The Board of Directors comprises of five members, of which two are female. The objective of a 40% share of female board members has therefore been achieved as per the Guidelines on Target Figures, Policies and Reporting on the Gender Composition of Management from the Danish Business Authority (Erhvervsstyrelsen).

Financial Statements

Accounting Policies

The 2017 financial statements for Seago Line A/S are presented on a going concern basis in accordance with the regulations of the Danish Financial Statements Act concerning reporting of a large Class C entity.

In accordance with section 112 of the Danish Financial Statements Act, consolidated accounts are not prepared as Seago Line A/S and its subsidiaries are included in the consolidated accounts of A.P. Møller–Mærsk A/S.

The Company has elected not to disclose a Cash Flow Statement on the basis that its cash flows are included in the consolidated accounts of A.P. Møller–Mærsk A/S in accordance with section 86 of the Danish Financial Statements Act.

Accounting policies are unchanged from last year.

Foreign Currency Translation

USD is used as presentation and functional currency. Transactions in currencies other than the functional currency are translated at the exchange rate on the date of transaction. Monetary items in foreign currencies that are not settled by the balance sheet date are translated at the exchange rates prevailing at the balance sheet date. Foreign exchange gains and losses are recognised in the income statement under financial income and expenses. On 31 December 2017 the exchange rate was DKK/USD 6.207 (2016: 7.055).

Income Statement

Revenue

Revenue is recognised on the percentage of completion basis. Uncompleted voyages are recognised at the share related to the financial year.

Operating expenses

Operating expenses include charter and operation of vessels and equipment and variable costs in connection with containers carried.

Other external expenses

Other external expenses include costs for administration, premises, bad debts and operational leasing agreements.

Staff Costs

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

Accounting Policies

Financial income and expenses

Financial income and expenses include interest, exchange gains and losses relating to debts and transactions in foreign currency, and interest on settlement of joint taxation contributions.

Dividends from equity investments in subsidiaries are recognised in the income statement of the financial year in which the dividend is declared.

Tax on net profit for the year

Tax on profit for the year includes the amount expected to be paid for the year plus any adjustment concerning previous years and deferred tax. Deferred tax is recognised based on differences between the carrying amount and the tax base of assets and liabilities.

Balance Sheet

Investments

Investments in subsidiaries are recognised at cost. Where the cost price exceeds the fair value, a write-down is made to the lower value.

Inventories

Inventories constituting bunkers on board vessels are recognised at cost according to the FIFO method. A write-down is made to net realisable value if it is lower than cost.

Receivables

Receivables are recognised by default at nominal value. A write-down is made for anticipated losses based on specific individual or group assessments.

Equity – dividend

Proposed dividends are recognised as a liability at the time of adoption at the annual general meeting (the time of declaration). Any dividend that is expected to be paid for the year appears as a separate item under the equity.

Company tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as calculated tax on taxable income for the year, adjusted for tax on previous years' taxable income and taxes paid on account.

Payable and receivable joint taxation contributions are recognised in the balance sheet as "Receivable joint taxation contribution" or "Payable joint taxation contribution".

Deferred tax is measured according to the balance-sheet liability method of all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax assets, including tax base of tax loss carry-forwards, are recognised at the value at which they are expected to be realised.

Other provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Accounting Policies

Other provisions (continued)

Provisions that do not relate to income taxes are measured at net realisable value or the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Liabilities

Financial liabilities are measured at amortised cost. Other liabilities are measured at net realisable value.

Significant Accounting Estimates and Judgements

Provisions

Management's estimate of the provisions in connection with claims from clients, foreign tax risks and potential claims from ship owners for damage to chartered vessels is based on the knowledge available on the actual substance of the cases and a legal assessment of these. The resolution of legal disputes, through either negotiations or litigation, can take several years to complete and the outcome is subject to considerable uncertainty.

Financial Ratios

The ratios and figures shown in the statement of financial highlights and key figures are computed as follows:

Profit Margin	$\frac{\text{Operating profit or loss} \times 100}{\text{Revenue}}$
Return on Invested Capital	$\frac{\text{Operating profit or loss} \times 100}{\text{Average invested capital}}$
Invested Capital	Equity + net interest-bearing debt
Gross Margin	$\frac{\text{Gross margin} \times 100}{\text{Revenue}}$
Solvency Ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on Equity	$\frac{\text{Result for the year} \times 100}{\text{Average equity}}$

Financial Statements 1 January – 31 December

Income Statement

USD '000	Notes	2017	2016
Revenue	1	1,068,388	1,111,481
Operating costs		-1,004,717	-994,793
Other external costs		-30,484	-25,865
Gross Profit		33,187	90,823
Staff cost	2	-10,274	-8,230
Profit or loss from operating activities		22,913	82,593
Financial income	3	8,849	2,507
Financial expenses	4	-7,233	-6,847
Net income before taxes		24,529	78,253
Tax on net profit for the year	5	-2,108	-2,833
Net income for the year		22,421	75,420
Proposal for distribution of the profit for the year			
Proposed dividend		30,000	150,000
Result carried forward		-7,579	-74,580
		22,421	75,420

Financial Statements 1 January – 31 December

Assets

USD '000	Notes	<u>2017</u>	<u>2016</u>
Equity investments in subsidiaries	6	<u>126</u>	<u>96</u>
Total non-current assets		<u>126</u>	<u>96</u>
Current Assets			
Inventories		<u>17,485</u>	<u>14,473</u>
Trade receivables		90,211	82,523
Receivables from affiliated companies		163,838	285,331
Receivable joint taxation		0	65
Other receivables		6,527	6,054
Prepayments		2,075	3,484
Deferred tax asset	7	<u>0</u>	<u>0</u>
Total current assets		<u>262,651</u>	<u>377,457</u>
Cash and bank balances		<u>2,243</u>	<u>5,653</u>
Total current assets		<u>282,379</u>	<u>397,583</u>
Total assets		<u><u>282,505</u></u>	<u><u>397,679</u></u>

Financial Statements 1 January – 31 December

Liabilities

USD '000	Notes	<u>2017</u>	<u>2016</u>
Share capital	8	1,832	1,832
Result carried forward		24,893	32,472
Proposed dividend		30,000	150,000
Total equity		<u>56,725</u>	<u>184,304</u>
Other provisions	9	19,314	25,837
Total non-current liabilities		<u>19,314</u>	<u>25,837</u>
Trade payables		110,336	110,320
Debts to affiliated companies		87,855	68,335
Tax payables		2,105	1,235
Other payables		513	2,456
Prepayments, liabilities		4,203	3,552
Deferred income		1,455	1,640
Total current liabilities		<u>206,466</u>	<u>187,538</u>
Total liabilities		<u>225,780</u>	<u>213,375</u>
Total equity and liabilities		<u>282,505</u>	<u>397,679</u>
Contractual obligations and contingencies etc.	10		
Related Parties	11		
Events occurring after reporting date	12		

Financial Statements 1 January – 31 December

Statement of Changes in Equity

USD '000	<u>Share- Capital</u>	<u>Retained Earnings</u>	<u>Proposed Dividend</u>	<u>Total</u>
Equity 1 January 2016	1,832	107,052	125,000	233,884
Dividend distributed			-125,000	-125,000
Profit/loss for the year		<u>-74,580</u>	<u>150,000</u>	<u>75,420</u>
Equity 1 January 2017	1,832	32,472	150,000	184,304
Dividend distributed			-150,000	-150,000
Profit/loss for the year		<u>-7,579</u>	<u>30,000</u>	<u>22,421</u>
Equity 31 December 2017	<u>1,832</u>	<u>24,893</u>	<u>30,000</u>	<u>56,725</u>

Financial Statements 1 January – 31 December

Notes

1. Revenue

USD '000	<u>2017</u>
Europe	615,767
Middle East	141,633
North Africa	<u>310,988</u>
	<u>1,068,388</u>

2. Staff Costs

USD '000	<u>2017</u>	<u>2016</u>
Wages and salaries	-9,176	-7,977
Pensions	-974	-133
Other social security costs	<u>-124</u>	<u>-120</u>
	<u>-10,274</u>	<u>-8,230</u>

Average number of full-time employees	<u>107</u>	<u>104</u>
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The Company has no direct employees in Denmark as all the employees engaged in the Company's activities are either employed by Rederiet A.P.Møller A/S or by other companies in the A.P. Møller-Maersk Group operating outside of Denmark.

In accordance with section 98B (3) of the Danish Financial Statements Act, information concerning remuneration to the management is omitted. No remuneration has been paid to the Board of Directors.

Financial Statements 1 January – 31 December

Notes

3. Financial income

USD '000	<u>2017</u>	<u>2016</u>
Interest income from affiliated companies	7,393	2,438
Other interest revenue	0	69
Net foreign exchange gain	1,456	0
	<u>8,849</u>	<u>2,507</u>

4. Financial Expenses

USD '000	<u>2017</u>	<u>2016</u>
Interest expenses to affiliated companies	-7,097	-1,987
Interest expenses to credit institutions	-136	-121
Net foreign exchange loss	0	-4,739
	<u>-7,233</u>	<u>-6,847</u>

5. Tax on net profit for the year

The Company is jointly taxed with A.P. Møller Holding A/S and is registered for tonnage taxation.

6. Equity investments in subsidiaries

USD '000	<u>2017</u>
Cost as at 1 January	96
Additions for the year	<u>30</u>
Cost as at 31 December	<u>126</u>

Key figures for the company's subsidiaries as at 31 December 2017	Ownership	Equity	Net income for the year
	share	USD '000	USD '000
Seago Line Lebanon SARL, Beirut	100%	27	-14
Seago Line Deutschland A/S & Co. KG, Hamburg	100%	109	57

Financial Statements 1 January – 31 December

Notes

7. Deferred tax asset

USD '000	<u>2017</u>	<u>2016</u>
As at 1 January	0	809
Recognised in the income statement	0	-809
Recognised in equity	<u>0</u>	<u>0</u>
As at 31 December	<u>0</u>	<u>0</u>

8. Share Capital

The share capital of DKK 10,500k is distributed in shares of DKK 100 or multiples hereof. No shares carry special rights.

9. Other provisions

USD '000	<u>2017</u>	<u>2016</u>
Current provisions	4,026	9,167
Non-current provisions	<u>15,288</u>	<u>16,671</u>
As at 31 December	<u>19,314</u>	<u>25,837</u>

Other provisions primarily include claims from customers and foreign tax risks. The classification of provision into current and non-current is based on management's best estimate of when the obligations are expected to be realised.

10. Contractual obligations, contingencies, etc.

Contingent liabilities

The Company is party to litigation in various countries. None of these cases are expected to have any material impact on future financial results. In situations where the Company has a current legal or constructive obligation, a provision is recognised. Provisions are recognised based on individual estimates.

The Company is jointly taxed with other Danish companies in the A.P. Møller Holding Group. As a wholly-owned subsidiary, the Company has unlimited, joint and severable liability with the other group companies under joint taxation for Danish withholding taxes.

Financial Statements 1 January – 31 December

Notes

10. Contractual obligations, contingencies, etc. (continued)

Operating lease commitments

As part of operating activities, the Company enters into customary agreements charter and operating leases of ships. The total nominal remaining commitment as at 31 December 2017 was:

Expiry within one year:

USD 40,669k of which

USD 11,047k is to other companies in the A.P. Moller-Maersk Group

For the year 2017 payments to charter and operating leases of ships recognised in the income statement amounts to USD 161,164k.

Charges and guarantees

The Company is liable for: bank guarantees for USD 693k issued by agencies on behalf of Seago Line A/S and customer claims for USD 7,715k made against agencies relating to Seago Line A/S.

11. Related Parties

Seago Line A/S related parties include:

Controlling interest

Mærsk Line A/S, Esplanaden 50, Copenhagen (parent company).

12. Events occurring after reporting date

There were no material events subsequent to 31 December 2017 that have not been reflected in the financial statements.