

Seago Line A/S

Annual Report 2015

(6th Financial Year)

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

on 26 April 2016

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 for the financial year 1 January - 31 December 2015.

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 2015 of the Company and of the results of the Company operations for 2015.

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.

The executive board



Søren Castbak

Board of Directors



Karsten Kildahl
Formand



Rebecca Ann Roes



Pierre Danet



Søren Toft



Vincent Clerc



Søren Skou



Caroline Sundorph
Pontoppidan

Independent Auditor's report

To the Shareholders of Seago Line A/S

Report on the Financial Statements

We have audited the Financial Statements of Seago Line A/S for the financial year 1 January – 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

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 of Financial Statements that are free from material misstatement, 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 accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements 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 Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation 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 accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

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.

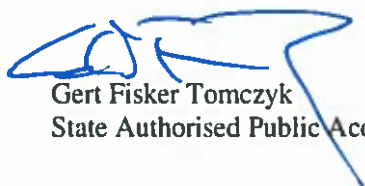
Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on Management's Review

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

Copenhagen, 26 April 2016
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no. 33 77 12 31



Gert Fisker Tomczyk
State Authorised Public Accountant



Rene Poulsen
State Authorised Public Accountant

Company Information

Seago Line A/S
Dampfærgevej 10
DK-2100 Copenhagen

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

Board of Directors

Karsten Kildahl (Chairman)
Rebecca Ann Roes
Pierre Danet
Søren Toft
Vincent Clerc
Søren Skou
Caroline Sundorph Pontoppidan

Management

Søren Castbak

Audit

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

General Meeting

Annual General Meeting - 26 April 2016

Financial Ratios

Financial Highlights					
USD 1.000	2015	2014	2013	2012	2011
Revenue	1.100.703	1.182.155	1.113.266	1.072.166	47.073
Gross Profit	162.361	188.048	138.298	61.883	-10.174
Profit or loss from operating activities	150.614	175.445	127.077	51.029	-12.325
Profit or loss from financing activities	-6.913	-7.942	1.916	-3.064	-692
Net income for the year	140.243	166.135	123.802	45.256	-9.917
Balance sheet total					
Equity	233.884	343.641	177.506	53.704	8.448
Financial Ratios					
Profit Margin	13,7%	14,8%	11,4%	4,8%	-26,2%
Return on invested capital	48,6%	63,8%	107,1%	168,5%	-232,3%
Gross Margin	14,8%	15,9%	12,4%	5,8%	-21,6%
Solvency Ratio	55,2%	61,7%	46,4%	22,5%	11,9%
Return on Equity	48,6%	63,8%	107,1%	168,5%	-232,3%
Average number of full-time employees					
	101	93	88	78	25

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 140 million (2014: USD 166 million).

The reduced result for the year is reflecting increased competition with significant downward pressure on freight rates.

Expectations for 2016

Limited market growth and positive results are expected, although at a lower level than that of 2015.

Risks

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

Branches abroad

The Company has a branch in Liverpool, England, which is engaged in agency activities.

Environmental issues and corporate social responsibility

Seago Line A/S is part of the CSR reporting for A.P. Møller-Mærsk A/S. For further details on this, reference is made to the annual report for A.P. Møller-Mærsk A/S.

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

As of 31 December 2015 there was one female board member. An additional female board member was elected in February 2016. The objective of a 25% share of female board members has therefore been achieved.

Subsequent events

After the end of the financial year, no material events have transpired that would influence the Company's financial position as at 31 December 2015.

Financial Statements

Accounting Policies

The 2015 financial statements for Seagoline 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 s. 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 for A.P. Møller-Mærsk A/S.

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 currency 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 recognized in the income statement under financial income and expenses. On 31 December 2015 the exchange rate was DKK/USD 675.24 (2014: 612.14).

Income Statement

Revenue

Revenue is recognized on percentage of completion basis. Uncompleted voyages are recognized 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, operational leasing agreements, etc.

Staff Costs

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

Financial income and expenses

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

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

Accounting Policies

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 recognized on the basis of differences between the carrying amount and the tax base of assets and liabilities.

Balance Sheet

Investments

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

Inventories

Inventories constituting bunkers onboard vessels are recognized at cost according to the FIFO method. Write down is made to net realizable value if lower.

Receivables

Receivables are recognized 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 recognized 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 recognized 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 recognized 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 recognized at the value at which they are expected to be realized.

Other provisions

Provisions are recognized when the Company has a legal or constructive obligation. Provisions are recognized on the basis of specific estimates.

Liabilities

Financial liabilities are measured at amortized cost. Other liabilities are measured at net realizable value.

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 1.000	Notes	<u>2015</u>	<u>2014</u>
Revenue	1	1.100.703	1.182.155
Operating costs		-911.924	-984.052
Other external costs		<u>-26.418</u>	<u>-10.055</u>
Gross Profit		162.361	188.048
Staff Cost	9	<u>-11.747</u>	<u>-12.603</u>
Profit or loss from operating activities		150.614	175.445
Financial income	2	2.210	711
Financial expenses	3	<u>-9.123</u>	<u>-8.653</u>
Net income before taxes		143.701	167.503
Tax on net profit for the year	4	<u>-3.458</u>	<u>-1.369</u>
Net income for the year		<u>140.243</u>	<u>166.135</u>
Proposal for distribution of the profit for the year			
Proposed Dividend		125.000	250.000
Result carried forward		<u>15.243</u>	<u>-83.865</u>
		<u>140.243</u>	<u>166.135</u>

Financial Statements 1 January – 31 December

Assets

USD 1.000	Notes	<u>2015</u>	<u>2014</u>
Equity investments in subsidiaries	5	<u>96</u>	<u>37</u>
Total non-current assets		<u>96</u>	<u>37</u>
Current Assets			
Inventories		<u>8.283</u>	<u>13.968</u>
Trade receivables		69.131	73.068
Receivables from affiliated companies		330.607	457.957
Receivable joint taxation		717	1.535
Other receivables		6.762	7.763
Prepayments		5.162	2.023
Deferred tax asset		<u>809</u>	<u>0</u>
Total current assets		<u>413.189</u>	<u>542.346</u>
Cash and bank balances		<u>2.000</u>	<u>476</u>
Total current assets		<u>423.473</u>	<u>556.790</u>
Total assets		<u><u>423.569</u></u>	<u><u>556.827</u></u>

Financial Statements 1 January – 31 December

Liabilities

USD 1.000	Notes	<u>2015</u>	<u>2014</u>
Share capital		1.832	1.832
Result carried forward		107.052	91.809
Proposed dividend		<u>125.000</u>	<u>250.000</u>
Total equity	6	<u>233.884</u>	<u>343.641</u>
Other provisions	7	<u>23.734</u>	<u>24.695</u>
Total non-current liabilities		<u>23.734</u>	<u>24.695</u>
Trade payables		101.330	112.730
Debts to affiliated companies		56.255	67.528
Tax payables		1.767	1.597
Other payables		2.913	3.462
Prepayments, liabilities		3.685	3.174
Total current liabilities		<u>165.950</u>	<u>188.491</u>
Total liabilities		<u>189.685</u>	<u>213.186</u>
Total equity and liabilities		<u>423.569</u>	<u>556.827</u>
Contractual obligations and contingencies etc.	8		
Related Parties	10		

Financial Statements 1 January – 31 December

Notes

USD 1.000

	<u>2015</u>	<u>2014</u>
1. Revenue		
Europe	638.335	758.057
Middle East	125.110	119.236
North Africa	<u>337.258</u>	<u>304.863</u>
	<u>1.100.703</u>	<u>1.182.155</u>
2. Financial income		
Interest income from affiliated companies	641	309
Other interest revenue	167	355
Net foreign exchange gain	<u>1.402</u>	<u>47</u>
	<u>2.210</u>	<u>711</u>
3. Financial Expenses		
Interest expenses to related parties	-696	-174
Interest expenses to credit institutions	-104	-50
Net foreign exchange gains	<u>-8.323</u>	<u>-8.428</u>
	<u>-9.123</u>	<u>-8.653</u>
4. Tax on net profit for the year		
Joint taxation contribution	748	1,947
Prior year adjustment joint tax contribution	-1,475	0
Deferred tax for the year	456	0
Prior year adjustment deferred tax	353	0
Freight and withholding taxes	<u>-3,542</u>	<u>-3,316</u>
	<u>-3,458</u>	<u>-1,369</u>

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

Financial Statements 1 January – 31 December

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USD 1.000 2015 2014

5. Investments

Equity investments in subsidiaries

Cost as at 1 January 37 37

Additions for the year 59 0

Cost as at 31 December **96** **37**

Key figures for the company's subsidiaries as
at 31 December 2015

	<u>Ownership share</u>	<u>Equity</u> USD 1.000	<u>Net income for the year</u> USD 1.000
Seago Line Lebanon SARL, Beirut	100%	12	-6
Seago Line Deutschland A/S & Co. KG, Hamburg	100%	23	-4

Financial Statements 1 January – 31 December

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USD 1.000

6. Equity Statement

	<u>Share- Capital</u>	<u>Retained Earnings</u>	<u>Proposed Dividend</u>	<u>Total</u>
Equity 1 January 2014	1.832	175.674	0	177.506
Retained earnings		<u>-83.865</u>	<u>250.000</u>	<u>166.135</u>
Equity 1 January 2015	1.832	91.809	250.000	343.641
Dividend distributed			<u>-250.000</u>	<u>-250.000</u>
Retained earnings		<u>15.243</u>	<u>125.000</u>	<u>140.243</u>
Equity 31 December 2015	<u>1.832</u>	<u>107.052</u>	<u>125.000</u>	<u>233.884</u>

The share capital of '000 DKK 10,500 is distributed in shares of DKK 100 or multiples hereof. No shares carry special rights.

Mærsk Line A/S, Copenhagen, holds 100% of the share capital.

The Company is included in the consolidated accounts for A.P. Møller Holding A/S, Copenhagen.

Financial Statements 1 January – 31 December

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USD 1.000	<u>2015</u>	<u>2014</u>
7. Other provisions		
As at 1 January	24.695	24.194
Increase/decrease	<u>-961</u>	<u>501</u>
As at 31 December	<u>23.734</u>	<u>24.695</u>

Other provisions primarily include claims from clients, foreign tax risks and potential claims from ship owners for damage to chartered vessels.

8. 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 recognized. Provisions are recognized on the basis of 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 and joint and several liability with the other companies under joint taxation for Danish withholding taxes on dividend, interest and royalties within the group of companies under joint taxation.

Operating lease commitments

As part of the Company's activities, customary agreements are entered into regarding charter and operating leases of ships. The total nominal remaining commitment as at 31 December 2015 was:

Expiry within one year:

t.USD 35,642 of which t.USD 12,283 is to other companies in the A.P. Møller-Mærsk Group

For the year 2015 payments to charter and operating leases of ships recognized in the income statement amounts to t.USD 161,592 (2014: t.USD 135,515)

Charges and guarantees

The Company is liable for: bank guarantees for t.USD 369 (2014: t.USD 369) issued by agencies on behalf of Seago Line A/S, customer claims for t.USD 448 (2014: 0) made against agencies relating to Seago Line A/S, and promissory notes for t.USD 732 (2014: 0) discounted with recourse against Seago Line A/S.

Financial Statements 1 January – 31 December

Notes

USD 1.000	<u>2015</u>	<u>2014</u>
9. Staff Cost		
Wages and salaries	-11.110	-11.551
Pensions	-503	-893
Other social security costs	<u>-134</u>	<u>-159</u>
	<u>-11.747</u>	<u>-12.603</u>
 Average number of full-time employees	 101	 93

The Company has no direct employees in Denmark as the 79 employees engaged in the Company's activities are employed by Rederiet A.P.Møller A/S. Other employees are employed by the branch in the UK

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.

Restructuring costs relating to terminated employees of t. USD 2.495 is included in Wages and Salaries.

10. Related Parties

Seago Line A/S related parties include:

Controlling interest

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

Other related parties

Affiliated and associated companies in the Mærsk Group.

In addition, the Company's related parties include members of the Board of Directors, members of the management, and the family members of these persons.

Related parties also include companies in which the mentioned persons have significant interests.

Transactions with related parties

As part of general trading, the Company purchases and sells goods and services to and from companies in the Mærsk Group.

