

Sealand Europe A/S


Annual Report 2021

(13th Financial Year)

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

on 31 May 2022

DocuSigned by:


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Casper Munch

Chairman of the Meeting

Esplanaden 50, 1263 Copenhagen K
CVR-nr. 32 65 83 85

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Sealand Europe A/S (the Company) for the financial year 1 January - 31 December 2021.

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 2021 of the Company and of the results of the Company operations for 2021.

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, 31 May 2022

Executive Board

DocuSigned by:

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Aruna Hussain


Board of Directors

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Karsten Kildahl
Chairman


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Lars Mikael Jensen

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Martin Herrstedt

DocuSigned by:

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Caroline Sundorph
Pontoppidan

DocuSigned by:

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Ingrid Ebner

Independent Auditor's Report

To the Shareholders of Sealand Europe 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 2021, and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Sealand Europe A/S for the financial year 1 January - 31 December 2021, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes ("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, 31 May 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

DocuSigned by:



Søren Øjann Jensen

State Authorised Public Accountant

Mne33226

DocuSigned by:



Christian Møller Gyrsting

State Authorised Public Accountant

Mne44111

Company Information

Sealand Europe 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)
Lars Mikael Jensen
Caroline Sundorph Pontoppidan
Martin Herrstedt (appointment date: 1 April 2020)
Ingrid Ebner (appointment date: 1 July 2021)
Zejuan Ding (resignation date: 9 February 2021)

Management Board

Aruna Hussain (appointment date: 1 March 2022)
Soren Castbak (resignation date: 1 March 2022)

Audit

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

General Meeting

Annual General Meeting – 31 May 2022

Financial Ratios

Financial Highlights					
USD '000	2021	2020	2019	2018	2017
Revenue	1,439,496	1,131,477	1,180,369	1,246,537	1,068,388
Profit or loss from operating activities	123,086	81,193	88,745	16,760	22,913
Profit or loss from financing activities	-8,596	-1,684	-4,672	-2,574	1,616
Net income for the year	110,815	75,691	80,849	12,388	22,421
Balance sheet total	467,487	291,890	325,876	287,515	282,505
Equity	180,468	109,653	108,962	39,113	56,725
Financial Ratios					
Profit Margin	8.6%	7.2%	7.5%	1.3%	2.1%
Return on invested capital	63.5%	73.8%	118.8%	35.0%	19.0%
Gross Margin	6.6%	8.5%	8.7%	2.4%	3.1%
Solvency Ratio	38.6%	37.6%	33.4%	13.6%	20.1%
Return on Equity	76.4%	69.2%	109.2%	25.9%	18.6%
Average number of full-time employees	105	120	119	118	107

Financial ratios are calculated as stated in the Accounting Policies.

Management's Review

Activity

Sealand Europe A/S is engaged in intra-European container transport across the entire European and the Mediterranean region.

Sealand Europe A/S is an integral part of both the Ocean and Logistics & Services segments in the A.P. Møller–Mærsk business and the financial statements reflect the operation of the Danish entity only. Consequently, the company's results should be viewed in conjunction with the results of the Ocean and Logistics & Services segments in the annual report for A.P. Møller–Mærsk A/S. Associated changes to the operating model between the brands in A.P. Møller–Mærsk affect historical comparison of financial results.

Development in activities and financial circumstances

Despite the impact from COVID-19 pandemic and country-led lockdowns, the result for the year is above our expectations described in last year's Annual Report, with a profit of USD 111m (2020: USD 76m). This is mainly attributable to higher freight rates. Volumes were lower and costs were higher than expectations.

Expectations for 2022

The Ukraine-Russia conflict will have an adverse impact on our 2022 expectations. Freight rates are expected to continue the higher trend until 1H 2022. Furthermore we have lowered our volumes outlook and costs are expected to increase. Overall we expect the results to be lower than 2021.

Risks

There is uncertainty in relation to the development in global demand, freight rates, time charter rates, bunker prices, foreign exchange rates, and the continued impact of the COVID-19 pandemic on the global economy. In addition, the Russia and Ukraine conflict and the subsequent sanctions imposed on Russia has resulted in significant uncertainty on energy and commodity prices.

Environmental issues and corporate social responsibility

Sealand Europe A/S is part of the Sustainability Report for 2021 for A.P. Møller–Mærsk A/S. The report is available at <https://www.maersk.com/sustainability/reports-and-resources>.

Account and gender composition of Board of Directors

The Board of Directors consists of three males and two females; thus, the gender split is considered to be balanced and is expected to be maintained in the future.

Account and gender composition of other management

In 2021 targets to be achieved by 2025 were defined for representation of gender at all management levels. Targets are combined with recommended actions on three main areas: attraction, retention and inclusion and accountability together with new requirements for documentation of women considered by the executive search providers we use, and new processes for early identification of female talent.

Targets vary from 30% to 45% depending on job level. For managers and senior managers, there has been encouraging development in 2021, although targets are not fully met. For leaders, senior leaders and executives, 2021 showed slightly lower female representation, hence still some way to go for fulfilling targets. As per above, actions are in place for accelerating representation.

Data ethics

Reference is made to A.P. Moller – Maersk’s sustainability report page 48. The report can be found on:

<https://www.maersk.com/sustainability/reports-and-resources>

Events after the balance sheet date

The Russia and Ukraine conflict and resulting sanctions have led to significant uncertainties and lowered the visibility related to the business due to the material impact on financial markets, trade and commodity prices. As a consequence, APMM Møller-Maersk Group has decided to withdraw completely from doing business in Russia, including the suspension of services in and out of Russia and the sale of assets. Sealand Europe A/S, as a part of the Group, has followed this decision. Since the conflict arose, Sealand Europe A/S has executed on bookings that were already-accepted to the extent compliant with sanctions, and has stopped taking new bookings to and from Russia and Belarus. Management considers this as a non-adjusting subsequent event and due to the uncertain nature of the conflict, a best estimate of the financial impact cannot be reliably measured. Both Sealand and Group Management expects that lost volumes will be partially recovered in other areas to mitigate the negative impact on the business.

Reference is made to note 12 the financial statements.

Financial Statements

Accounting Policies

The 2021 financial statements for Sealand Europe 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 Sealand Europe A/S and its subsidiaries are included in the consolidated accounts of A.P. Møller–Mærsk A/S. The Annual Report of A.P. Møller - Mærsk A/S is available at:

<https://investor.maersk.com/static-files/b4df47ef-3977-412b-8e3c-bc2f02bb4a5f>

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.

The 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 2021 the exchange rate was DKK/USD 6.557 (2020: 6.052).

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.

Financial income and expenses

Financial income and expenses include interest, exchange gains and losses relating to debts and transactions in foreign currency, interest on lease liabilities 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**Right-of-use assets**

Leases are recognised as a right-of-use asset with a corresponding lease liability at the date on which the leased asset is available for use by the company. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Intercompany leases will continue to be presented according to operating leases in accordance with A.P. Møller Maersk A/S accounting policies.

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.

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.

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.

Fees to statutory auditor

In accordance with the Danish Financial Statements Act section 96, paragraph 3, fees to statutory auditors are not disclosed as the information is disclosed in the Annual Report for the APMM Group, in which the Company is fully consolidated. The Annual Report of A.P. Møller - Mærsk A/S is available at:

<https://investor.maersk.com/static-files/b4df47ef-3977-412b-8e3c-bc2f02bb4a5f>

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	2021	2020
Revenue	1	1,439,496	1,131,477
Operating costs		-1,244,743	-1,009,945
Other external costs		-31,086	-25,892
Gross Profit		163,666	95,640
Staff Cost	2	-14,183	-13,086
Profit before depreciation		149,483	82,554
Depreciation		-26,397	-1,361
Profit or loss from operating activities		123,086	81,193
Financial income	3	191	2,669
Financial expenses	4	-8,787	-4,353
Net income before taxes		114,490	79,509
Tax on net profit for the year	5	-3,675	-3,818
Net income for the year		110,815	75,691
Result carried forward to retained earnings	6	110,815	75,691

Financial Statements 1 January – 31 December**Assets**

USD '000	Notes	<u>2021</u>	<u>2020</u>
Right-of-use asset		96,174	200
Equity investments in subsidiaries	7	<u>182</u>	<u>182</u>
Total non-current assets		<u>96,356</u>	<u>382</u>
Current Assets			
Inventories		<u>22,875</u>	<u>19,242</u>
Trade receivables		88,454	71,415
Receivables from affiliated companies		248,627	194,082
Other receivables		6,024	4,131
Prepayments		2,211	1,941
Tax receivable		954	-
Total current assets		<u>346,270</u>	<u>271,569</u>
Cash and bank balances		<u>1,986</u>	<u>697</u>
Total current assets		<u>371,131</u>	<u>291,508</u>
Total assets		<u>467,487</u>	<u>291,890</u>

Financial Statements 1 January – 31 December**Liabilities**

USD '000	Notes	<u>2021</u>	<u>2020</u>
Share capital	8	1,832	1,832
Retained earnings		178,636	107,821
Total equity		<u>180,468</u>	<u>109,653</u>
Lease liabilities		34,138	-
Provisions	9	<u>2,858</u>	<u>3,315</u>
Total non-current liabilities		<u>36,996</u>	<u>3,315</u>
Trade payables		118,573	87,528
Debts to affiliated companies		53,968	72,261
Tax payables		3,220	3,741
Other payables		3,051	1,815
Prepayments, liabilities		1,552	2,883
Lease liabilities		62,632	186
Provisions	9	5,023	8,859
Deferred income		<u>2,004</u>	<u>1,650</u>
Total current liabilities		<u>250,023</u>	<u>178,922</u>
Total liabilities		<u>287,019</u>	<u>182,237</u>
Total equity and liabilities		<u><u>467,487</u></u>	<u><u>291,890</u></u>

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 2020	1,832	32,130	75,000	108,962
Dividend distributed	-	-	-75,000	-75,000
Profit/loss for the year	-	<u>35,691</u>	<u>40,000</u>	<u>75,691</u>
Equity 1 January 2021	1,832	67,821	40,000	109,653
Dividend distributed	-	-	-40,000	-40,000
Profit/loss for the year	-	<u>40,815</u>	<u>70,000</u>	<u>110,815</u>
Equity 31 December 2021	<u>1,832</u>	<u>108,636</u>	<u>70,000</u>	<u>180,468</u>

Financial Statements 1 January – 31 December**Notes****1. Revenue**

USD '000	<u>2021</u>
Europe	910,582
Middle East	141,732
North Africa	<u>387,182</u>
	<u>1,439,496</u>

2. Staff Costs

USD '000	<u>2021</u>	<u>2020</u>
Wages and salaries	-14,166	-12,852
Pensions	-17	-98
Other social security costs	<u>-</u>	<u>-136</u>
	<u>-14,183</u>	<u>-13,086</u>
Average number of full-time employees	<u>105</u>	<u>120</u>

The Company has no direct employees 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-Mærsk Group operating outside of Denmark.

Financial Statements 1 January – 31 December**Notes****3. Financial income**

USD '000	<u>2021</u>	<u>2020</u>
Interest income from affiliated companies	<u>191</u>	<u>2,669</u>

4. Financial Expenses

USD '000	<u>2021</u>	<u>2020</u>
Interest expenses to affiliated companies	-748	-4,417
Interest expenses to credit institutions	-1,372	-211
Net foreign exchange loss	<u>-6,667</u>	<u>275</u>
	<u>-8,787</u>	<u>-4,353</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. Proposal for distribution of the profit for the year

USD '000	<u>2021</u>	<u>2020</u>
Proposed dividend	70,000	40,000
Result carried forward	<u>40,815</u>	<u>35,691</u>
	<u>110,815</u>	<u>75,691</u>

Financial Statements 1 January – 31 December

Notes

7. Equity investments in subsidiaries

USD '000	<u>2021</u>
Cost as at 1 January	182
Additions for the year	<u>-</u>
Cost as at 31 December	<u>182</u>

Key figures for the company's subsidiaries
as
at 31 December 2021

	<u>Ownership share</u>	<u>Equity</u>	<u>Net income for the year</u>
		USD '000	USD '000
Sealand Europe Lebanon SARL	100%	-74	10
Sealand Europe Deutschland A/S & Co. KG Hamburg	100%	707	536

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. Provisions

USD '000	<u>2021</u>	<u>2020</u>
Current provisions	5,023	8,859
Non-current provisions	<u>2,858</u>	<u>3,315</u>
As at 31 December	<u>7,881</u>	<u>12,174</u>

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

Financial Statements 1 January – 31 December

Notes

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 corporate taxes and withholding taxes.

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 2021 was:

Expiry within one year:

USD 19,785k of which

USD 17,206k is to other companies in the A.P. Møller-Mærsk Group

For the year 2021 payments to charter and operating leases of ships recognised in the income statement amounts to USD 296,572k.

Charges and guarantees

The Company is liable for:

- bank guarantees for USD 382k issued by Sealand Europe A/S and USD 1,850k issued by agencies on behalf of Sealand Europe A/S; and
- customer claims for USD 15k made against agencies relating to Sealand Europe A/S.

11. Related Parties

Sealand Europe A/S related parties include:

Controlling interest

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

The Company enters into transactions with companies in the A.P. Møller-Maersk Group to access the pool of resources available to the group, based on transfer pricing principles determined by the group.

12. Events occurring after reporting date

The following events occurred subsequent to 31 December 2021:

The Russia and Ukraine conflict and resulting sanctions have led to significant uncertainties and lowered the visibility related to the business due to the material impact on financial markets,

Financial Statements 1 January – 31 December

trade and commodity prices. As a consequence, APMM Møller-Maersk Group has decided to withdraw completely from doing business in Russia, including the suspension of services in and out of Russia and the sale of assets. Sealand Europe A/S, as a part of the Group, has followed this decision. Since the conflict arose, Sealand Europe A/S has executed on bookings that were already-accepted to the extent compliant with sanctions, and has stopped taking new bookings to and from Russia and Belarus. Management considers this as a non-adjusting subsequent event and due to the uncertain nature of the conflict, a best estimate of the financial impact cannot be reliably measured. Both Sealand and Group Management expects that lost volumes will be partially recovered in other areas to mitigate the negative impact on the business.