

Sealand Europe A/S

Annual Report 2020

(12th Financial Year)

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

on 17 June 2021

DocuSigned by:



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Secretary to 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 2020.

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 2020 of the Company and of the results of the Company operations for 2020.

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.

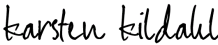
Copenhagen, 17 June 2021

Executive Board

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Søren Castbak

Board of Directors

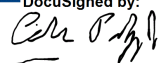
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Karsten Kildahl
Chairman

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Lars Mikael Jensen

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Martin Herrstedt

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Caroline Sundorph
Pontoppidan

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 2020, and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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 2020, 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, 17 June 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

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Søren Orjan Jensen

State Authorised Public Accountant

Mne33226

DocuSigned by:



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Jacob Brinck

State Authorised Public Accountant

Mne35447

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
Zejuan Ding (resignation date: 9 February 2021)
Martin Herrstedt (appointment date: 1 April 2020)

Management Board

Søren Castbak

Audit

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

General Meeting

Annual General Meeting – 17 June 2021

Financial Ratios

Financial Highlights					
USD '000	2020	2019	2018	2017	2016
Revenue	1,131,477	1,180,369	1,246,537	1,068,388	1,111,481
Profit or loss from operating activities	81,193	88,745	16,760	22,913	82,593
Profit or loss from financing activities	-1,684	-4,672	-2,574	1,616	-4,340
Net income for the year	75,691	80,849	12,388	22,421	75,420
Balance sheet total	291,890	325,876	287,515	282,505	397,679
Equity	109,653	108,962	39,113	56,725	184,304
Financial Ratios					
Profit Margin	7.2%	7.5%	1.3%	2.1%	7.4%
Return on invested capital	73.8%	118.8%	35.0%	19.0%	39.5%
Gross Margin	8.5%	8.7%	2.4%	3.1%	8.2%
Solvency Ratio	37.6%	33.4%	13.6%	20.1%	46.3%
Return on Equity	69.2%	109.2%	25.9%	18.6%	36.1%
Average number of full-time employees	120	119	118	107	104

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 decrease in global container trade in 2020 due to the impact of the 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 76m (2019: USD 81m). This is attributable to higher freight rates, network optimisation and successful execution of cost-efficiency plans resulting in fuel efficiencies and lower unit cost.

Expectations for 2021

Despite the COVID-19 pandemic continuing to impact the global economy in 2021, container demand was high, leading to capacity and equipment constraints which contributed to an increase in freight rates in Q1-2021. This exceptional market situation is expected to continue for all of 2021, resulting in year-on-year growth and increased profitability.

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.

Environmental issues and corporate social responsibility

Sealand Europe A/S is part of the Sustainability Report for 2020 for A.P. Møller–Mærsk A/S. The report is available at <https://www.maersk.com/business/sustainability/sustainability-reports-and-publications/reports>.

Sealand Europe 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 four members, of which one is female. The equal gender representation percentage share of 25% for a board of directors comprising of four 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).

Policy to increase gender diversity on other management levels:

As part of A.P. Møller Maersk A/S Group (Maersk), Sealand Europe A/S adheres to the group policy which was adopted at the Board Meeting in A.P. Møller - Maersk A/S on 21 February 2013 with the aim to increase the share of the underrepresented gender on the company's management levels.

The Maersk gender diversity and inclusion policy was revised in 2019. The policy provides details of our targets and actions to increase gender diversity and is available on the Maersk website <https://www.maersk.com/careers/maersk-culture/diversity>.

To support our ambitions of increasing the number of women in management levels the following actions have been taken and continued also in 2020:

- To increase the number of women being recruited into Sealand Europe A/S there is a target of no less than 40% of one gender to be hired for our job levels up to senior manager level (JL6). During talent reviews which take place for our senior job levels across the company, we measure all data by gender to allow us to assess the diversity of the talent pool.
- To support the retention of our employees and especially women we introduced a global maternity leave policy in 2016 which enables women to return to work on a flexible hours basis, subject to criteria. The purpose of the policy is to increase the retention of women post maternity leave.
- Across the company we have implemented training to help reduce the gender and other stereotype bias in decision making. The training is available to all employees across our company with the aim to reduce any potential gender stereotype bias in decision making such as recruitment, development, promotion etc.. Our employees and leaders also take part in the annual diversity and inclusion week across Maersk where we highlight female role models, panel sessions and focused on gender stereotypes and the impact they can have on the future generation.
- We encourage our female junior managers to take part in Strategies for Success, a women's development program that is aimed to support the development and career aspirations of junior to middle managers, therefore helping us increase our pipeline to senior level management.

Progress for the above actions is measured across APMM Denmark but in the future we plan to measure these by entity within Denmark to allow for more accurate assessment of progress

Financial Statements

Accounting Policies

The 2020 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.

With effect from 16 November 2019, the name of the Company was changed from Seago Line A/S to Sealand Europe A/S.

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/97a03c29-46a2-4e84-9b7e-12d4ee451361>

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 2020 the exchange rate was DKK/USD 6.052 (2019: 6.676).

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**

The company leases vessels and contracts are typically less than 12 months but may have extension options. 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/97a03c29-46a2-4e84-9b7e-12d4ee451361>

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	<u>2020</u>	<u>2019</u>
Revenue	1	1,131,477	1,180,369
Operating costs		-1,009,945	-1,049,196
Other external costs		<u>-25,892</u>	<u>-28,301</u>
Gross Profit		95,640	102,872
Staff Cost	2	<u>-13,086</u>	<u>-12,031</u>
Profit before depreciation		82,554	90,841
Depreciation		<u>-1,361</u>	<u>-2,096</u>
Profit or loss from operating activities		81,193	88,745
Financial income	3	2,669	19,806
Financial expenses	4	<u>-4,353</u>	<u>-24,478</u>
Net income before taxes		79,509	84,073
Tax on net profit for the year	5	<u>-3,818</u>	<u>-3,224</u>
Net income for the year		<u>75,691</u>	<u>80,849</u>
Result carried forward to retained earnings	6	<u>75,691</u>	<u>80,849</u>

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

USD '000	Notes	<u>2020</u>	<u>2019</u>
Right-of-use asset		200	1,293
Equity investments in subsidiaries	7	<u>182</u>	<u>182</u>
Total non-current assets		<u>382</u>	<u>1,475</u>
Current Assets			
Inventories		<u>19,242</u>	<u>21,800</u>
Trade receivables		71,415	75,951
Receivables from affiliated companies		194,082	215,998
Other receivables		4,131	7,363
Prepayments		1,941	1,015
Total current assets		<u>271,569</u>	<u>300,327</u>
Cash and bank balances		<u>697</u>	<u>2,273</u>
Total current assets		<u>291,508</u>	<u>324,400</u>
Total assets		<u><u>291,890</u></u>	<u><u>325,876</u></u>

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

USD '000	Notes	2020	2019
Share capital	8	1,832	1,832
Retained earnings		107,821	107,130
Total equity		109,653	108,962
Lease liabilities		-	186
Provisions	9	3,315	13,781
Total non-current liabilities		3,315	13,967
Trade payables		87,528	90,224
Debts to affiliated companies		72,261	95,285
Tax payables		3,741	3,460
Other payables		1,815	3,424
Prepayments, liabilities		2,883	3,463
Lease liabilities		186	1,088
Provisions	9	8,859	4,533
Deferred income		1,650	1,471
Total current liabilities		178,922	202,947
Total liabilities		182,237	216,914
Total equity and liabilities		291,890	325,876

Financial Statements 1 January – 31 December

Statement of Changes in Equity

USD '000	Share- Capital	Retained Earnings	Proposed Dividend	Total
Equity 1 January 2019	1,832	26,281	11,000	39,113
Dividend distributed	-	-	-11,000	-11,000
Profit/loss for the year	-	5,849	75,000	80,849
Equity 1 January 2020	1,832	32,130	75,000	108,962
Dividend distributed	-	-	-75,000	-75,000
Profit/loss for the year	-	35,691	40,000	75,691
Equity 31 December 2020	<u>1,832</u>	<u>67,821</u>	<u>40,000</u>	<u>109,653</u>

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

USD '000	2020
Europe	699,576
Middle East	114,760
North Africa	317,141
	<u>1,131,477</u>

2. Staff Costs

USD '000	2020	2019
Wages and salaries	-12,852	-11,443
Pensions	-98	-444
Other social security costs	-136	-144
	<u>-13,086</u>	<u>-12,031</u>
Average number of full-time employees	<u>120</u>	<u>119</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.

In accordance with section 98B (3) of the Danish Financial Statements Act, no remuneration has been paid to the Board of Directors .

Financial Statements 1 January – 31 December

Notes

3. Financial income

USD '000	<u>2020</u>	<u>2019</u>
Interest income from affiliated companies	2,669	19,805
Other interest revenue	-	1
	<u>2,669</u>	<u>19,806</u>

4. Financial Expenses

USD '000	<u>2020</u>	<u>2019</u>
Interest expenses to affiliated companies	-4,417	-20,510
Interest expenses to credit institutions	-211	-260
Net foreign exchange loss	275	-3,708
	<u>-4,353</u>	<u>-24,478</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>2020</u>	<u>2019</u>
Proposed dividend	40,000	75,000
Result carried forward	35,691	5,849
	<u>75,691</u>	<u>80,849</u>

Financial Statements 1 January – 31 December

Notes

7. Equity investments in subsidiaries

USD '000	2020
Cost as at 1 January	182
Additions for the year	-
Cost as at 31 December	182

Key figures for the company's subsidiaries
as
at 31 December 2020

	Ownership share	Equity	Net income for the year
		USD '000	USD '000
Sealand Europe Lebanon SARL	100%	-82	-12
Sealand Europe Deutschland A/S & Co. KG Hamburg	100%	209	55

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	2020	2019
Current provisions	8,859	4,533
Non-current provisions	3,315	13,781
As at 31 December	12,174	18,314

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 2020 was:

Expiry within one year:

USD 35,945k of which

USD 31,123k is to other companies in the A.P. Møller-Mærsk Group

For the year 2020 payments to charter and operating leases of ships recognised in the income statement amounts to USD 184,455k.

Charges and guarantees

The Company is liable for: bank guarantees for USD 695k issued by agencies on behalf of Sealand Europe A/S and customer claims for USD 7,730k 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

There were no material events subsequent to 31 December 2020 that have not been reflected in the financial statements.