Interim Report Q2 2019

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MAERSK

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Cover photo

Bringing bananas and pineapples to the world

Today, Costa Rican exporters can transport their goods faster to new and additional markets in Asia and Europe. With this ability to move products on transcontinental routes without transhipments, Maersk is enabling customers' growth and improving societal opportunities.

The Interim Report for Q2 2019 of A.P. Møller - Mærsk A/S (further referred to as A.P. Moller - Maersk or Maersk as the consolidated group of companies) has been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) and as adopted by the EU and additional Danish disclosure requirements for interim financial reporting of listed companies.

Change in presentation and comparative figures

The IFRS 16 leases accounting standard entails lessees to recognise leases in the balance sheet as a right-of-use (ROU) asset and a related lease liability. In the income statement, the lease cost is replaced by depreciation of the leased asset and an interest expense for the financial liability.

The standard was implemented on 1 January 2019 using the modified retrospective approach, and comparative figures have not been restated in the interim consolidated financial statements. A.P. Moller - Maersk uses EBITDA as the key operating performance indicator, and 2018 figures have therefore been restated in the Directors´ Report and internal reporting to retrospectively reflect the effect of IFRS 16. Guidance for 2019 is based on IFRS 16.

Maersk Supply Service has been reclassified as continuing operations, following the Board of Directors' decision to no longer pursue a separation solution. Comparison figures for the income statement, balance sheet and cash flow statement have been restated as if Maersk Supply Service had always been part of continuing operations.

Unless otherwise stated, all figures in parenthesis refer to the corresponding figures for the same period prior year.

Forward-looking statements

The interim report contains forward-looking statements. Such statements are subject to risks and uncertainties as numerous factors, many of which are beyond A.P. Moller - Maersk's control, may cause the actual development and results to differ materially from expectations contained in the interim report.

Directors' report

"Q2 was a quarter of solid progress. EBITDA was up 17% and cash flow improved 86% year on year, driven by continued recovery in Ocean.

The transformation progressed further with an improved cash return on invested capital at 6.9% and synergies of USD 1bn realised earlier than expected. Growth in revenue and gross profit in Logistics & Services still need to improve as we continue to build capabilities within logistics and services.

We reaffirm our guidance for 2019, while the macro environment continues to be subject to considerable uncertainties,"

says **Søren Skou**
CEO of A.P. Moller - Maersk

Strong improvement in earnings and free cash flow

Highlights Q2 2019

1 Progressing on the transformation

As part of the strategic plan to transform the company to become the global integrator of container logistics and provide customers with end-to-end solutions, connecting and simplifying their supply chain, we are tracking key metrics on a quarterly basis. The metrics track the progress related to rebalancing the business between Ocean and non-Ocean, creating synergies across our businesses as one company and generating free cash-flow to ensure a strong balance sheet.

We have continued the progress on generating free cash flow with a cash return on invested capital (CROIC) of 6.9% and realising synergies of USD 0.1bn in Q2 2019. Total synergies accumulate to USD 1.0bn by the end of June, thereby achieving the target earlier than expected.

On the non-Ocean related metrics, we are still in a build-up phase after reorganising and integrating the Ocean and Logistics & Service businesses into one commercial organisation in Q1. The non-Ocean revenue declined by 1.2%, but grew 2.1% when adjusted for the closure of production facilities in Maersk Container Industry, while gross profit in Logistics & Services improved by 4.9%.

2 Strong improvement in profitability continued

Revenue grew slightly by USD 59m to USD 9.6bn (USD 9.6bn), and the continued focus on improving profitability across the businesses resulted in a 17% increase in EBITDA to USD 1.4bn (USD 1.2bn) and a margin of 14.1% (12.1%). This was mainly driven by strong operational performance in Ocean with an increase in average freight rates of 1.5%, a volume increase of 1.4% and unchanged total costs. Unit cost improved by 3.5%, driven by network improvements, leading to better schedule reliability and lower bunker consumption.

Operating profit (EBIT) improved from USD 65m to USD 416m, reflecting an improvement in margin to 4.3% (0.7%) and leading to a higher return on invested capital (ROIC) of 3.1% (0.1%), while underlying profit was positive by USD 134m (USD 15m).

3 Free cash flow improved due to improved earnings and reduced CAPEX

Following the strong earnings development and lower net working capital, the cash conversion ratio increased to 86% (54%) and a cash flow from operating activities of USD 1.2bn (USD 630m), which – combined with lower gross CAPEX of USD 445m (USD 782m) – led to a free cash flow before capitalised lease payments of positive USD 746m (negative USD 251m).

CAPEX discipline remains a key focus area with no new orders of large vessels or new major terminal investments expected earlier than 2020 and with long-term contractual commitments at an all-time low of USD 1.9bn (USD 2.8bn).

4 More than USD 600m in cash distributed to shareholders

In Q2, A.P. Moller - Maersk distributed USD 615m in cash to shareholders through an ordinary dividend of USD 469m and USD 146m related to the first phase of the share buy-back programme announced in May 2019 of DKK 10bn (around USD 1.5bn) over a period of up to 15 months.

Net interest-bearing debt of USD 12.9bn including lease liabilities was slightly up from end of Q1 2019, while Maersk remains investment grade rated with a stable outlook from Moody's and Standard & Poor's.

5 Guidance for 2019 maintained

While earnings before interest, tax, depreciation and amortisation (EBITDA) for the first half-year improved by USD 500m to USD 2.6bn, A.P. Moller - Maersk reiterates it's full-year guidance for 2019 of an EBITDA of around USD 5.0bn including effects from IFRS 16. The guidance continues to be subject to considerable uncertainties due to the weaker macro-economic conditions and other external factors impacting container freight rates, bunker prices and foreign exchange rates.

Amounts in USD million

Summary financial information 1/2

	Q2			6 months			Full year
Income statement	2019	2018 incl. IFRS 16 and MSS[2]	2018 incl. restated MSS[1]	2019	2018 incl. IFRS 16 and MSS[2]	2018 incl. restated MSS[1]	2018 incl. IFRS 16 and MSS[2]
Revenue	9,627	9,568	9,577	19,167	18,873	18,889	39,257
Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)	1,357	1,162	880	2,593	2,093	1,552	4,998
Depreciation, amortisation and impairment losses, net	1,024	1,166	922	2,106	2,186	1,707	4,756
Gain on sale of non-current assets, etc., net	16	13	13	34	46	46	166
Share of profit/loss in joint ventures	34	39	39	58	76	76	116
Share of profit/loss in associated companies	33	17	17	67	43	43	-115
Profit/loss before financial items (EBIT)	416	65	27	646	72	10	409
Financial items, net	-170	-154	-77	-398	-374	-197	-766
Profit/loss before tax	246	-89	-50	248	-302	-187	-357
Tax	92	64	64	198	162	162	398
Profit/loss for the period – continuing operations	154	-153	-114	50	-464	-349	-755
Profit/loss for the period – discontinued operations[3]	-1	121	121	-553	3,102	3,102	3,787
Profit/loss for the period	153	-32	7	-503	2,638	2,753	3,032
A.P. Møller - Mærsk A/S' share	141	-41	-2	-518	2,615	2,728	2,985
Adjustments to profit/loss for the period – continuing operations:							
Profit/loss for the period – continuing operations	154	-153	-114	50	-464	-349	-755
Gain/loss on sale of non-current assets, etc., net	-16	-13	-13	-34	-46	-46	-166
Impairment losses, net	-29	124	124	-8	123	123	757
Transaction and integration cost	24	36	36	55	49	49	78
Tax on adjustments	1	21	21	2	24	24	25
Underlying profit/loss – continuing operations[4]	134	15	54	65	-314	-199	-61
Balance sheet							
Total assets	56,555	67,157	61,166	56,555	67,157	61,166	62,690
Total equity	28,997	33,435	33,553	28,997	33,435	33,553	33,205
Invested capital	41,910	53,854	47,891	41,910	53,854	47,891	49,255
Net interest-bearing debt	12,910	20,517	14,438	12,910	20,517	14,438	14,953
Cash flow statement							
Cash flow from operating activities	1,170	630	338	2,652	1,358	788	4,442
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	445	782	782	1,223	2,141	2,141	3,219
Cash flow from financing activities	-759	-661	-369	-2,071	-1,579	-1,009	-8,080
Net cash flow from discontinued operations	-419	175	175	-372	2,468	2,468	3,968

1 Q2 and 6 months 2018 restated including Maersk Supply Service as continuing operations as reported in the financials pages 41-55.

2 Q2, 6 months and full year 2018 presented as if IFRS 16 had been implemented in 2018, for comparison purposes.

3 Following the classification of Maersk Oil and Maersk Drilling as discontinued operations in 2017, the businesses are presented separately on an aggregated level in the income statement, balance sheet and cash flow statement. The Maersk Oil transaction was closed on 8 March 2018. Maersk Drilling was demerged on 2 April 2019.

4 Underlying profit/loss is profit/loss for the period from continuing operations adjusted for net gains/losses from sale of non-current assets, etc. and net impairment losses as well as transaction, restructuring and integration costs related to acquisitions/divestments. The adjustments are net of tax and include A.P. Moller - Maersk's share of mentioned items in associates and joint ventures.

Amounts in USD million

Summary financial information 2/2

	Q2			6 months			Full year
Financial ratios	2019	2018 incl. IFRS 16 and MSS[2]	2018 incl. restated MSS[1]	2019	2018 incl. IFRS 16 and MSS[2]	2018 incl. restated MSS[1]	2018 incl. IFRS 16 and MSS[2]
Revenue growth	0.6%	23.3%	23.4%	1.6%	26.6%	26.7%	25.9%
Revenue growth excl. Hamburg Süd (2018)		4.1%	4.3%		6.4%	6.5%	8.2%
EBITDA margin	14.1%	12.1%	9.2%	13.5%	11.1%	8.2%	12.7%
Cash conversion	86%	54%	38%	102%	65%	51%	89%
Return on invested capital after tax – continuing operations (ROIC)	3.1%	0.1%	-0.3%	2.2%	-0.2%	-0.6%	0.2%
Return on equity after tax, annualised	2.0%	-0.4%	0.1%	-3.2%	16.3%	17.0%	9.3%
Equity ratio	51.3%	49.8%	54.9%	51.3%	49.8%	54.9%	53.0%
Stock market ratios							
Earnings per share – continuing operations, USD	7	-7	-6	2	-23	-18	-37
Diluted earnings per share – continuing operations, USD	7	-7	-6	2	-23	-18	-37
Cash flow from operating activities per share, USD	57	31	16	128	66	38	214
Share price (B share), end of period, DKK	8,142	7,948	7,948	8,142	7,948	7,948	8,184
Share price (B share), end of period, USD	1,241	1,243	1,243	1,241	1,243	1,243	1,255
Total market capitalisation, end of period, USDm	24,749	25,172	25,172	24,749	25,172	25,172	25,256
Ocean financial highlights							
Revenue	7,150	6,952	6,952	14,079	13,762	13,762	28,366
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	1,068	856	674	1,995	1,508	1,155	3,782
EBITDA margin	14.9%	12.3%	9.7%	14.2%	11.0%	8.4%	13.3%
Logistics & Services financial highlights							
Revenue	1,484	1,489	1,489	2,932	2,944	2,944	6,082
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	61	52	28	112	97	51	191
EBITDA margin	4.1%	3.5%	1.9%	3.8%	3.3%	1.7%	3.1%
Terminals & Towage financial highlights							
Revenue	957	847	847	1,948	1,758	1,758	3,772
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	226	226	178	493	470	374	998
EBITDA margin	23.6%	26.7%	21.0%	25.3%	26.7%	21.3%	26.5%
Manufacturing & Others financial highlights							
Revenue	459	697	706	1,017	1,369	1,385	2,787
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	36	33	5	57	81	36	163
EBITDA margin	7.8%	4.7%	0.7%	5.6%	5.9%	2.6%	5.8%

1 Q2 and 6 months 2018 restated including Maersk Supply Service as continuing operations as reported in the financials pages 41-55.

2 Q2, 6 months and full year 2018 presented as if IFRS 16 had been implemented in 2018, for comparison purposes.

Notes:

The interim consolidated financial statements for the period 1 January - 30 June on pages 41-55 have been subject to review by the independent auditor, cf. page 40 and are prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) and adopted by the EU and additional Danish disclosure requirements for interim financial reporting of listed companies.

Financial review Q2 2019

A.P. Moller - Maersk reported an increase in EBITDA of 17% mainly driven by an improvement in Ocean, supported by higher freight rates, increased volumes and strong operational execution leading to improved unit cost, partly offset by a subdued macro environment.

Cash flow generation improved significantly with cash flow from operations of USD 1.2bn based on a cash conversion ratio of 86%.

Highlights Q2

USD million	Revenue		EBITDA		CAPEX	
	2019	2018[1]	2019	2018[1]	2019	2018[1]
Ocean	7,150	6,952	1,068	856	314	549
Logistics & Services	1,484	1,489	61	52	29	12
Terminals & Towage	957	847	226	226	85	116
Manufacturing & Others	459	697	36	33	10	78
Unallocated activities, eliminations, etc.	-423	-417	-34	-5	7	27
A.P. Moller - Maersk consolidated – continuing operations	**9,627**	**9,568**	**1,357**	**1,162**	**445**	**782**

1 Q2 2018 presented as if IFRS 16 had been implemented in 2018 and adjusting for Maersk Supply Service as continuing operations.

The financials are materially impacted by the implementation of IFRS 16. Comparative figures for 2018 have been restated in the Directors' report to provide the reader with a relevant basis for assessing the development in the financial performance.

"EBITDA increased by 17% to USD 1.4bn (USD 1.2bn) primarily due to an increase in Ocean of USD 212m, driven by higher freight rates and volumes as well as strong operational efficiency."

Revenue was on par with Q2 last year at USD 9.6bn (USD 9.6bn) with an increase of USD 198m in Ocean and USD 110m in Terminals & Towage, partly offset by revenue decrease in Manufacturing & Others mainly due to the exit from the dry container business and 30% lower revenue in the reefer segment as well as the divestment of bulk activities originally acquired from Hamburg Süd.

EBITDA increased by 17% to USD 1.4bn (USD 1.2bn) primarily due to an increase in Ocean of USD 212m driven by higher freight rates and volumes as well as strong operational efficiency. The impact on EBITDA from development in foreign exchange rates was insignificant.

EBIT was USD 416m (USD 65m), positively impacted by improved EBITDA, while Q2 2018 was negatively impacted by write-down of assets in Maersk Container Industry.

Financial expenses, net was USD 170m (USD 154m) positively impacted by the reduced interest expenses from lower debt in 2019 which was more than offset by dividends from Total S.A. of USD 0m (USD 72m), which reduced net financial expenses.

The underlying profit for continuing operations after financial items and tax was USD 134m (USD 15m).

Cash flow from operating activities was USD 1.2bn (USD 630m), positively impacted by an increase in EBITDA of USD 195m and improvement in changes in net working capital of USD 308m, leading to an improvement in cash conversion of 86% (54%).

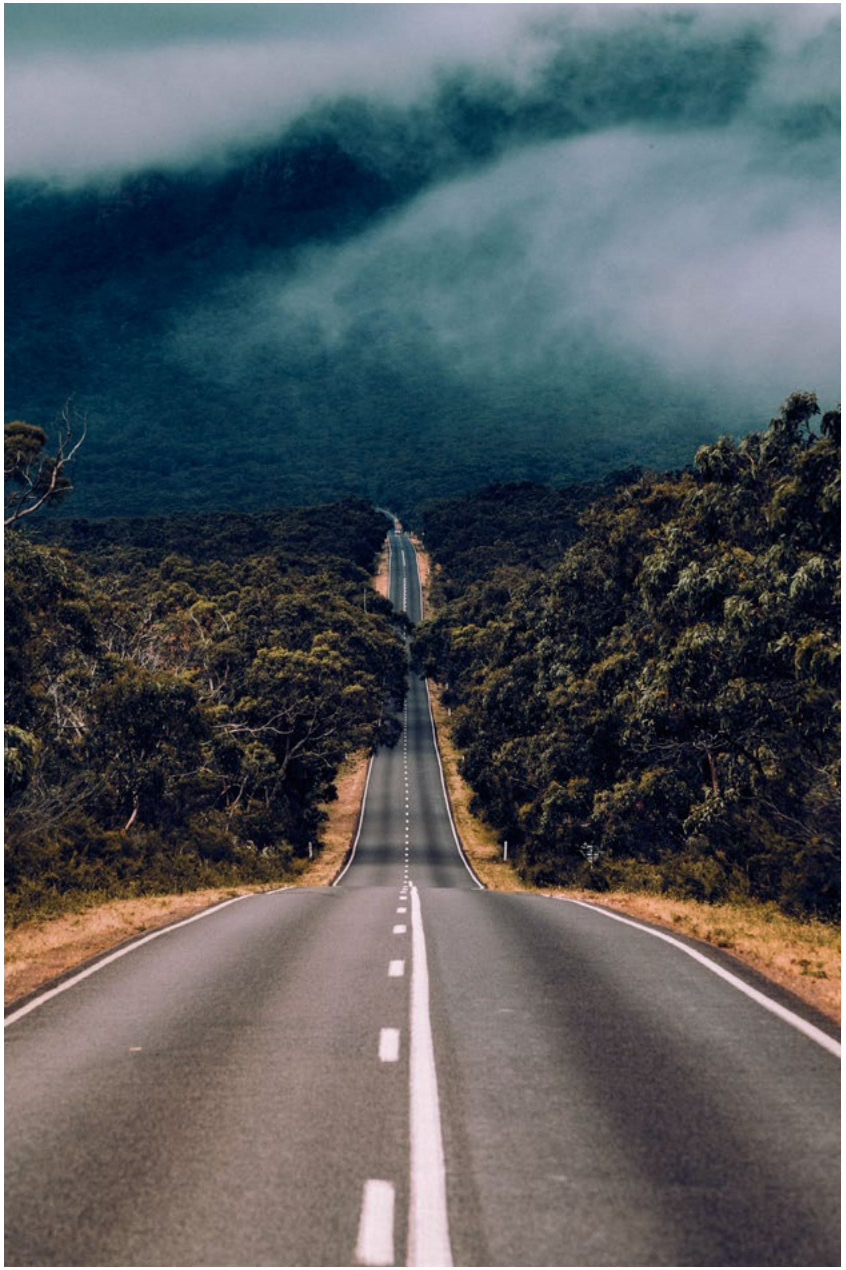
Gross capital expenditure (CAPEX) was USD 445m (USD 782m), mainly related to the newbuilds received in Ocean and terminal equipment in gateway terminals.

Free cash flow before capitalised lease payments was USD 746m (USD 43m), positively impacted by the increase in cash flow from operating activities and lower CAPEX. Adjusted for capitalised lease payments related to IFRS 16, free cash flow was USD 0.4bn.

Net cash flow from discontinued operations was negative by USD 419m mainly related to cash and bank balances disposed to Maersk Drilling at demerger.

The **contractual capital commitments** totalled USD 1.9bn end of Q2, of which USD 1.2bn related to commitments towards terminal concession grantors and USD 0.3bn related mostly to investments in scrubbers for vessels and retrofits. Continued CAPEX discipline and focus on free cash flow generation remains a key focus area with no new orders of large vessels or new major terminal investments expected earlier than 2020.

Capital structure, issue of bonds and credit rating
Net interest-bearing debt decreased to USD 12.9bn (USD 15.0bn at 31 December 2018), positively impacted by cash flow related to cash proceeds of USD 2.6bn from the sale of the remaining part of shares in Total S.A. in Q1 2019 and positive operating cash flow of USD 2.7bn, partly offset by the annual dividend, share buy-back, interest payments and additional capitalised lease liabilities of USD 1.2bn. The additional capitalised lease liabilities are primarily due to a new terminal concession with Tangier Med II, Morocco, going into operations in January 2019.



A.P. Moller - Maersk had net funding proceeds of USD 65m (net repayments of USD 13m) in Q2, mainly driven by proceeds from a new USD 500m 10-year bond issued by A.P. Moller - Maersk in the US bond market in June, offset by repayments of leases of USD 415m (USD 345m).

Maersk remains **investment grade rated** and holds a Baa3 (stable) rating from Moody's and a BBB (stable) rating from Standard & Poor's.

Dividend

The ordinary dividend of DKK 150 per A.P. Møller - Mærsk A/S share of nominally DKK 1,000 (in total equal to USD 469m) declared at the Annual General Meeting on 2 April 2019 was paid on 8 April 2019.

Share buy-back

In Q2, the Board of Directors decided to exercise the authority to buy back shares with a maximum value of DKK 10bn (around USD 1.5bn) over a period of up to 15 months. This is in line with the previously announced intention to distribute a material part of the proceeds from the sale of the shares received in Total S.A. as part of the sale of Maersk Oil.

In the first phase of the programme running from 4 June 2019 up to 1 November 2019, A.P. Moller - Maersk will buy back A and B shares for an amount of up to DKK 3.3bn. Up until 30 June 2019, a total of 25,736 A shares and 102,928 B shares have been repurchased with a value of USD 146m. At 30 June, A.P. Moller - Maersk owns a total of 25,736 A shares and 153,734 B shares as treasury shares, corresponding to 0.86% of the share capital.

Discontinued operations

On 2 April 2019, the Annual General Meeting approved the Board of Directors' proposal to complete the demerger of Maersk Drilling. The demerger resulted in a reduction of A.P. Moller - Maersk's equity by USD 3.4bn.

Maersk Drilling was listed on Nasdaq Copenhagen on 4 April 2019.

This concludes the separation of the energy-related businesses.

Guidance for 2019

(Based on IFRS 16)

A.P. Moller - Maersk reiterates its guidance still expecting earnings before interests, tax, depreciation and amortisations (EBITDA) of around USD 5.0bn.

The organic volume growth in Ocean is still expected to be in line with the estimated average market growth of 1-3% for 2019. Guidance is maintained on gross capital expenditures (CAPEX) of around USD 2.2bn and a high cash conversion (cash flow from operations compared with EBITDA).

The guidance continues to be subject to considerable uncertainties due to the weaker macroeconomic conditions and other external factors impacting container freight rates, bunker prices and foreign exchange rates.

Webcast and dial-in information

A webcast relating to the Q2 2019 Interim Report will be held on 15 August 2019 at 11.00 (CET). Dial-in information on investor.maersk.com. Presentation material for the webcast will be available on the same page.

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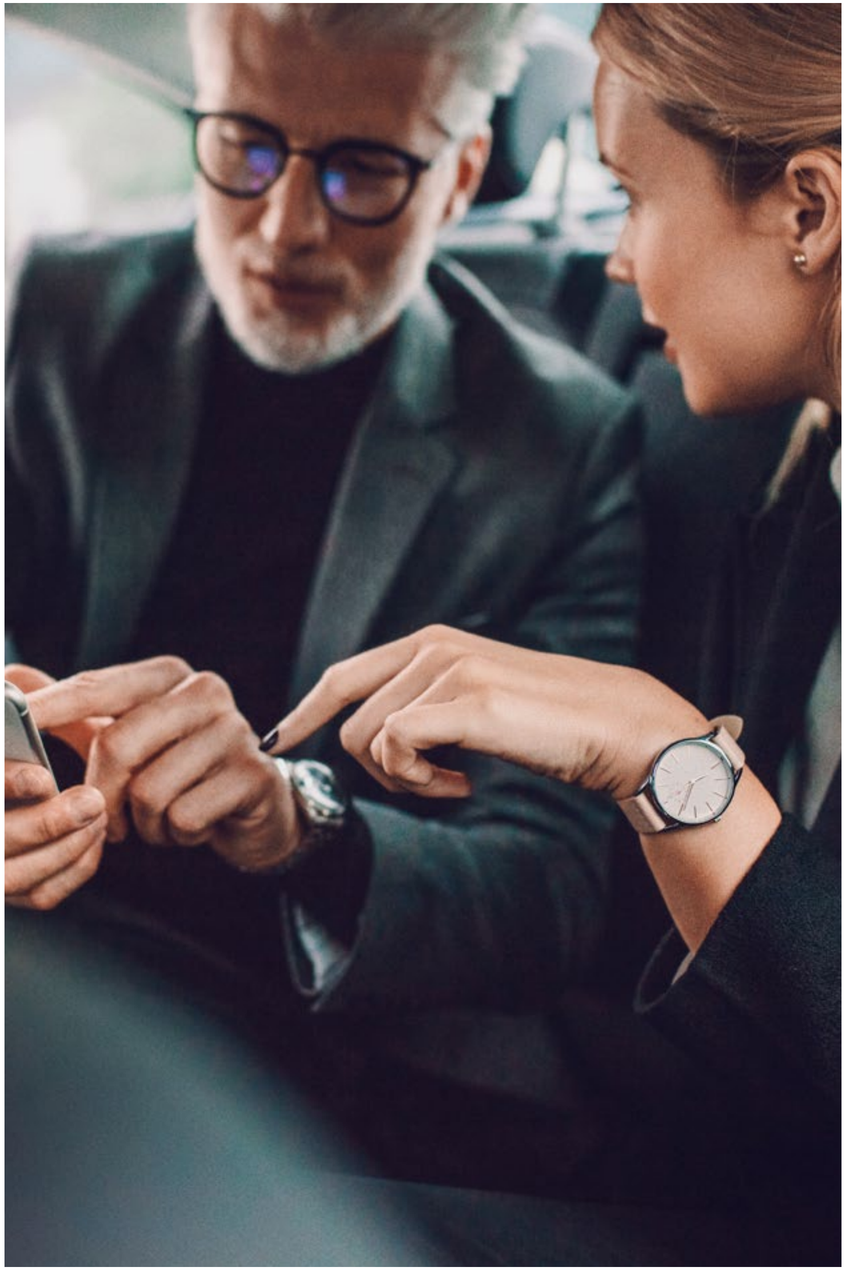
The Interim Report for Q3 2019 is expected to be announced on 15 November 2019.

Sensitivities on guidance for 2019

The guidance of A.P. Moller - Maersk for 2019 depends on several factors. Based on the expected earnings level and all else being equal, the sensitivities for the rest of 2019 for four key assumptions are listed in the table below:

Factors	Revenue	Effect on EBITDA Rest of year
Container freight rate	+/- 100 USD/FFE	+/- USD 0.7bn
Container freight volume	+/- 100,000 FFE	+/- USD 0.1bn
Bunker price (net of expected BAF coverage)	+/- 100 USD/tonne	+/- USD 0.2bn
Foreign rate of exchange (net of hedges)	+/- 10% change in USD	+/- USD 0.1bn

Strategy update



A.P. Moller – Maersk is in the middle of a transformation to be a focused and integrated global container logistics company. The vision is to become the global integrator of container logistics, connecting and simplifying our customers global supply chains.

The strategy of A.P. Moller - Maersk

As the global integrator of container logistics, we aim to serve our customers´ global end-to-end logistics needs, with a competitive and global portfolio of relevant products and services at sea and on land.

Our purpose is clear. We aim to enable our exporting customers to sell their products in all relevant markets in the world. We aim to enable our importing customers to source goods and parts from the most competitive suppliers and vendors around the world. We aim to provide access to the most competitive global transport network to our freight forwarding and logistics customers.

Our vision to become the global integrator of container logistics is based on a strong belief that our 70,000 Ocean customers both require and are interested in buying simpler, easier to use products and services. This includes end-to-end solutions, on land and at sea, that enable our customers to manage their global supply chains in a better and more efficient way, with higher visibility and ability to affect outcomes.

Technology is core to both our vision to become the global integrator of container logistics and a key enabler to enhance our operating performance. Our technology strategy focuses on three areas.

The first focus area is digitising customer transactions, enabling Maersk.com to become our key transaction platform for all products and services. As part of this, and to address inefficiencies in our industry, we are working on more digitalised products. Maersk Spot, our new product with fixed price and load guarantee, is a good example of that.

Since the launch of Maersk Spot in Q1 2019, we are now offering the product on all trade lanes, except in and out of US. By end of Q2 we are moving approximately 8,000 FFE (8% of spot volumes) per week on this new product. Customers have generally responded positively to the product addressing some of the current inefficiencies in ocean shipping, and efforts are being made to further expand adoption.

The second focus area is to improve operations and increase utilisation of ships, containers and terminals through digitisation and automation as well as to improve and automate core processes in the company. Recently, we have achieved improved fuel efficiency for our vessels through technology.

Improved operations will also aim to improve the service delivery towards our customers and we have since Q1 2018 improved reliability from 70.4% to 85.5% in Q2 2019 (source: SeaIntel, excl. Hamburg Süd).

Thirdly, we want to create new revenue streams from digital products, such as TradeLens. TradeLens builds on an ecosystem of users such as ocean carriers, ports, terminals, 3PL, customs authorities and shippers, that connect to, provide data to, and use the platform. Ocean carriers representing approximately 60% of global capacity have now signed up to support TradeLens, which is an important step for the platform to achieve critical mass to significantly change the way the industry operates.

In the coming years we expect to invest in growing the Logistics & Services segment, which involves a pipeline of bolt-on acquisitions to build capabilities needed in various parts of the Logistics & Services segment and harvesting synergies across the entire supply chain. An example of this is the acquisition of Vandegrift, a US-based customs brokerage and logistics business to strengthen and broaden the service offering to customers.

Two and a half years into the strategy execution, based on the feedback we have received from our customers, and based on what we have already achieved in the technology space, we are convinced that our vision holds true and we can build the digital future of our industry.

"Our transformation has now entered a new phase, where we focus 100% on executing on the strategy to become the global integrator of container logistics."

Progress on the transformation

Our transformation was initiated in the summer of 2016, when the Board of Directors commissioned a fundamental strategy review. The separation of our energy-related businesses to focus on container shipping, ports and logistics was announced in September 2016, and our vision to become the global integrator of container logistics was announced in December 2016.

Since then Maersk Oil and Maersk Tankers have been divested. In April, Maersk Drilling was demerged via a separate listing on Nasdaq Copenhagen and the shares distributed to our shareholders, completing the separation of our energy-related businesses.

Hamburg Süd has now been fully integrated, and in Q2 we achieved our announced combined USD 1bn target for synergies from the Hamburg Süd acquisition and from the integration of our transport and logistics activities.

Our transformation has now entered a new phase, where we focus 100% on executing on the strategy to become the global integrator of container logistics. The aim is to continue to improve our financial results across our business and grow our Logistics & Services segment well above market growth through organic and in-organic growth with the ambition in 2023 to achieve a more balanced operating profit (EBIT) between Ocean and non-Ocean and to improve the return on invested capital (ROIC) in line with the long-term objective of a ROIC above 7.5%.

Transformation programme

To achieve our vision of becoming the global integrator of container logistics, we are investing significant sums in three areas; 1) improving the quality of our core products by improving reliability of the physical product and improving the customer experience, making it digital, instant and 24/7, 2) development of new unique logistics products including digital products, and 3) large scale technology-transformation of A.P. Moller - Maersk, replacing legacy systems at the core and digitising at the edge.

In the coming years we furthermore expect to invest significantly in growing the Logistics & Services segment, including bolt-on acquisitions.

Our transformation program consists of a significant number of discrete initiatives, which we call value streams. Each value stream is anchored with a senior business leader. The executive leadership reviews progress monthly.

To fund the transformation journey, we are doing two things. We are working hard to take cost out and improve margins in the existing business across Ocean, Terminals & Towage, Manufacturing & Others as well as Logistics & Services. In particular Ocean and Terminals & Towage has significantly improved results over the past two years, even if it is clear that the absolute level of profitability is still low. Our transformation program includes further cost reduction initiatives for the coming years.

We are working equally hard to strengthen our balance sheet, to enable acquisitions in Logistics & Services in the coming years. We have sharply reduced new commitments to capital expenditures. At the end of 2016 we had committed capital expenditures totalling more than USD 5bn. At the end of the second quarter this year, contractual capital commitments were USD 1.9bn of which USD 1.2bn are commitments towards terminal concession grantors. We have achieved this reduction by abstaining from starting new terminal projects and ordering new large vessels and will not do so until 2020 at the earliest.

The organisation is changing

Effective January 2019, we completed a reorganisation of A.P. Moller - Maersk. We are now organised as one company, with one global salesforce, customer service team and delivery organisation across Ocean and Logistics & Services. Corporate functions such as Finance, HR, Communications and Legal operate company-wide. We are no longer organised as a conglomerate with a corporate layer and stand-alone divisions, that operate independently with own professional functions.

Tracking the transformation

Transformation metrics	Q2 2019	H1 2019	Full year 2018	Full year 2017
Non-Ocean revenue growth	2.1%[1]	2.6%[1]	6.3%	5.6%
Logistics & Services, gross profit growth	4.9%	3.6%	7.9%	N/A
Realisation of annual synergies worth approx. USD 1.0bn in total by 2019, USDbn (accumulated)	1.0	1.0	0.7	0.1
Cash return on invested capital (CROIC)	6.9%	6.8%	2.8%	-2.8%
Long-term target				
Return on invested capital after tax (ROIC)	3.1%	2.2%	0.2%	N/A

1 Non-Ocean revenue declined by 1.2% in Q2 2019 and by 1.5% in H1 2019 before adjusting for the closure of the production capacity in Maersk Container Industry.

Given the importance of technology for achieving our vision, over the last three years, we have built a new technology team. We are growing our technology team (designers, software developers, AI experts, automation engineers, analytics experts etc.) rapidly, to ensure we have the expertise and talent to build solutions ourselves at speed. We now employ almost 3,000 people in our technology team.

Keeping track of progress

To measure our strategic transformation towards becoming a more balanced company between Ocean and non-Ocean, we are tracking four metrics besides our overall ROIC target (see table).

ROIC of 3.1% in Q2 2019 (0.1%) improved due to higher earnings.

Non-Ocean revenue increased by 2.1% in Q2 2019, adjusted for the closure of production facilities in Maersk Container Industry. The closure of production facilities in Maersk Container Industry accounted for USD 88m of revenue in Q2 2018.

Logistics & Services improved gross profit by 4.9% to USD 298m, reflecting a gross profit margin of 20%.

Combined synergies from the Hamburg Süd acquisition and from the integration of our transport and logistics activities increased by USD 0.1bn in Q2 to USD 1.0bn by end of June 2019, thereby achieving the target earlier than expected.

Cash return on invested capital (CROIC) increased to 6.9% in Q2 2019 due to strong free cash flow.

Market update

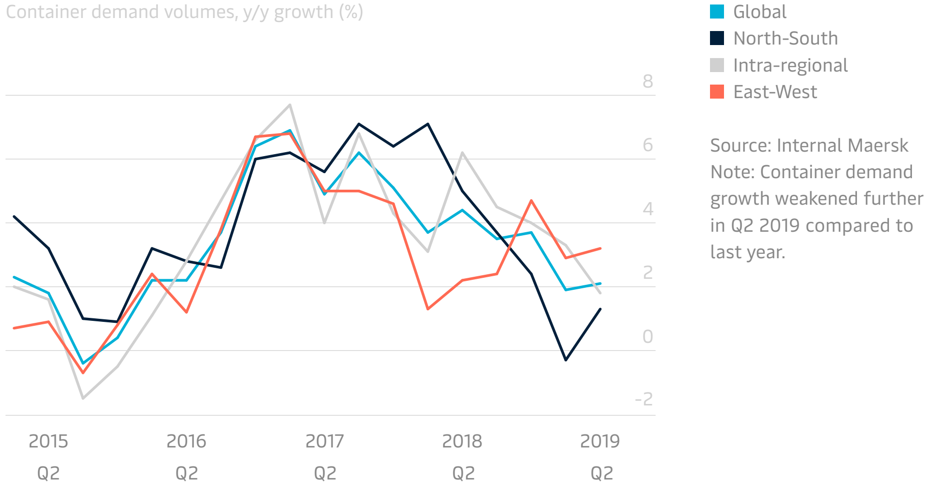
Global container trade grew by around 2.0% in Q2 2019 compared to Q2 2018, in line with our expected full year 2019 growth of 1-3%. The soft momentum hence continued from Q1 (chart 1), reflecting a broad-based slowdown in all the main economies. Negative effects from escalating trade restrictions also weighed on trade growth.

Market developments

East-West container trade volumes strengthened in Q2 and grew by 3.2% compared to Q2 2018. European imports from Asia again grew strongly by 5.8%, reflecting solid European retail sales and despite the manufacturing slowdown in Europe, uncertainty about Brexit negotiations and a severe growth decline in Turkey. North American container imports increased by 0.4% in Q2, as imports from Asia declined by negative 0.6%, reflecting the US-China trade restrictions. Moreover, the modest growth in US capital expenditures weighed on US imports in Q2. Meanwhile, East-West back-haul increased by 4.6% in Q2 2019. While exports from North America grew by 1.3%, exports from Europe grew strongly by 7.9%, possibly due to a change of some Chinese import sourcing from Europe instead of from the US as US-China trade restrictions escalated. North-South container trades increased by 1.3% in Q2. Latin American import growth remained very weak by negative 1.3%, mainly into the East Coast of South America as container demand has aligned more closely with weakening domestic demand developments. Import growth in the Middle East and Indian sub-continent grew by 2.4%, while African imports increased by 2.3%. Intra-Regional trades posted growth of 1.8%, mainly driven by Intra Europe.

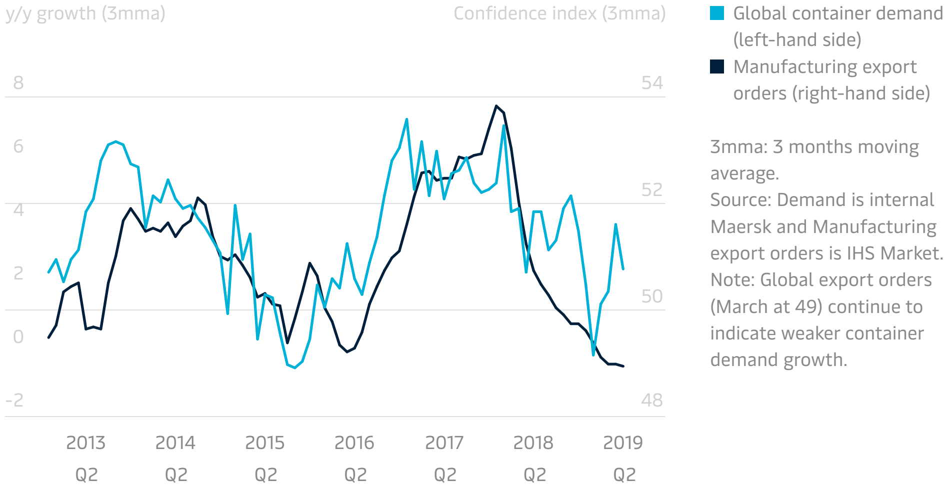
In April 2019, the US increased tariffs on Chinese imports from 10% to 25% on goods with value equivalent to 2-3% of globally traded goods. Later, in early August, US tariffs of 10% on additional USD 300bn was announced to take effect by 1 September 2019. The previous trade restrictions, imposed during 2018 and mainly led by the US and China, have reduced bilateral trade between the two countries, and it also led to shifts in trade structures. So far, US importers have shifted imports away from China to other countries such as Vietnam, Korea, Thailand, India and Mexico. The impact of the newly imposed tariff

Chart 1: Global, East-West and North-South container imports



Source: Internal Maersk
Note: Container demand growth weakened further in Q2 2019 compared to last year.

Chart 2: Global export orders and container demand



3mma: 3 months moving average.
Source: Demand is internal Maersk and Manufacturing export orders is IHS Market.
Note: Global export orders (March at 49) continue to indicate weaker container demand growth.

hike is expected to be significant for the US-China bilateral trade and could in isolation remove up to 0.5% of global container demand in 2019 and 2020, and when US tariffs on additional USD 300bn is implemented later in the year, it could result in a reduction of up to 1% in 2020. While China has retaliated several times against the US actions, India also recently decided to impose tariffs on US imports, although at a small scale compared to global volumes. Meanwhile, trade liberalisation is on the rise elsewhere according to WTO, partially outweighing the negative trade impact from the US-China trade tensions. In particular, the Trade Facilitation Agreement of 2017 and the Pacific Trade Agreement are now largely ratified, increasing the amount of trade flows covered by liberalised measures.

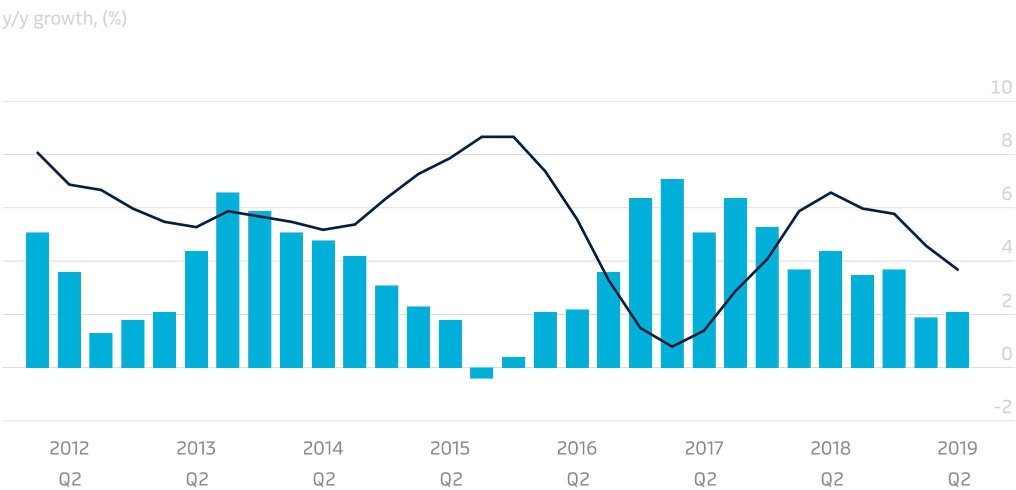
For the full year of 2019, global container trade is projected to increase by 1-3%. The moderation of container demand growth compared to 2018 mirrors the continued slowdown in global manufacturing and global export orders (chart 2). The recent softening of global sentiment, above all in the manufacturing sector, reduces the likelihood of a growth pick-up in the second half of 2019.

Aside from the cyclical slowing of the global economy, the main risks to global container demand relate to the US-China trade negotiations, and if these setbacks materialise it could take global container trade growth to the lower end of the 1-3% interval. Other risks to the outlook relate to the effectiveness of fiscal and monetary stimuli in major economies, such as the US and China. Finally, the outcome of the Brexit negotiations poses a risk to UK and European container trade.

The global container fleet stood at 22.7m TEU at the end of Q2 2019, 3.7% higher than in Q2 2018 (chart 3). Deliveries amounted to 260k TEU (34 vessels) during Q2 and were again dominated by vessels larger than 10k TEU. 44k TEU (30 vessels) were scrapped in Q2, which is significantly less than in Q1 when 93k TEU were scrapped. Idling totalled 1.6% (363k TEU) of the fleet at the end of Q2. The idle fleet had increased to 4% of the fleet in the middle of Q1 but has steadily declined since then, reflecting the beginning of the peak season and as some vessels, primarily in the +10k TEU segment, were taken out of the fleet for scrubber retrofitting. Only two new vessels (4k TEU) were ordered in Q2, and the orderbook-to-fleet ratio dropped to 11%. According to Alphaliner, the nominal global container fleet will grow by 3.1% in 2019 and 3.5% in 2020.

Freight rates, as measured by the China Composite Freight Index (CCFI), were 3.3% higher in Q2 2019 compared to Q2 2018 despite modest demand, but partially supported by more idled vessels and a decline in the average number of voyages (chart 4). Freight rates declined on the Asia to North Europe route by 3.3% but strengthened slightly by 1.3% from Asia to Mediterranean Europe. While demand growth was strong from Asia to Europe, weekly vessel capacity grew even more, by 5.3% in Q2 compared to Q2 2018. Asia to

Chart 3: Global container demand and nominal supply growth



Global container demand
Nominal supply growth

Source: Demand is internal Maersk and supply is Alphaliner.
Note: Supply growth continue to outgrow demand growth in Q2 2019.

west coast US freight rates increased substantially by 8.8%, while Asia to the US East Coast rose 4.5%. Unlike Asia to Europe, weekly vessel capacity declined by 0.3% from Asia to North America, supporting rates. Uncertainties relating to the strength of container demand in 2019 pose a downside risk to freight rates in general.

Time charter rates declined by 18% in Q2 compared to Q2 2018 but rebounded from Q1 2019 by 7.6%. Rates might rebound further in coming quarters as the 0.50% sulphur cap on marine fuel from 2020 will lead to retrofitting of a significant part of the global fleet and weighs on the availability of vessels of +8,000 TEU capacity.

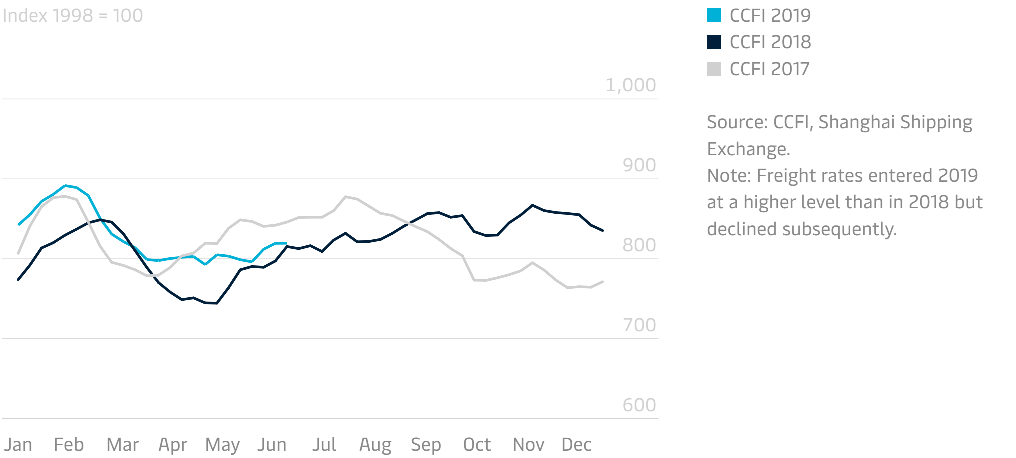
Rotterdam bunker prices rose 2.3% in Q2 compared to Q1 2019 but declined 4% compared to Q2 2018. The prompt months have experienced some price strength with destocking of fuel oil inventories as well as global cuts in high sulphur crudes from Iran and Venezuela. The bunker industry is preparing for the IMO 2020 specification shift to fuels with lower sulphur concentration. This leaves the higher sulphur Rotterdam bunker fuel price lower ahead of the adjustment 1 January 2020. In this respect, Q3 2019 Rotterdam bunker forward prices are 15% lower compared to Q2 2019, and the market is pointing to another 13% drop in Q4 over Q3. As demand and price are expected to drop for the non-compliant high sulphur fuel price, the price for lower sulphur fuel is, on the other hand, expected to increase, led by higher demand. However, trading of the low sulphur fuel has hardly begun, and it remains very uncertain how bunker prices for the compliant and non-compliant fuels develop in coming months.

The US dollar appreciated 1.1% against the euro in Q2 2019 compared to Q1 (chart 5). Compared to Q2 2018, the dollar appreciated by 5.7%, largely reflecting the lift of US interest rates in the first part of 2018.

Chart 5: USD-EUR exchange rate

Source: Thomson/Reuters.
Note: The USD/EUR FX remained stable during Q2 2019.

Chart 4: Freight rates



Source: CCFI, Shanghai Shipping Exchange.
Note: Freight rates entered 2019 at a higher level than in 2018 but declined subsequently.

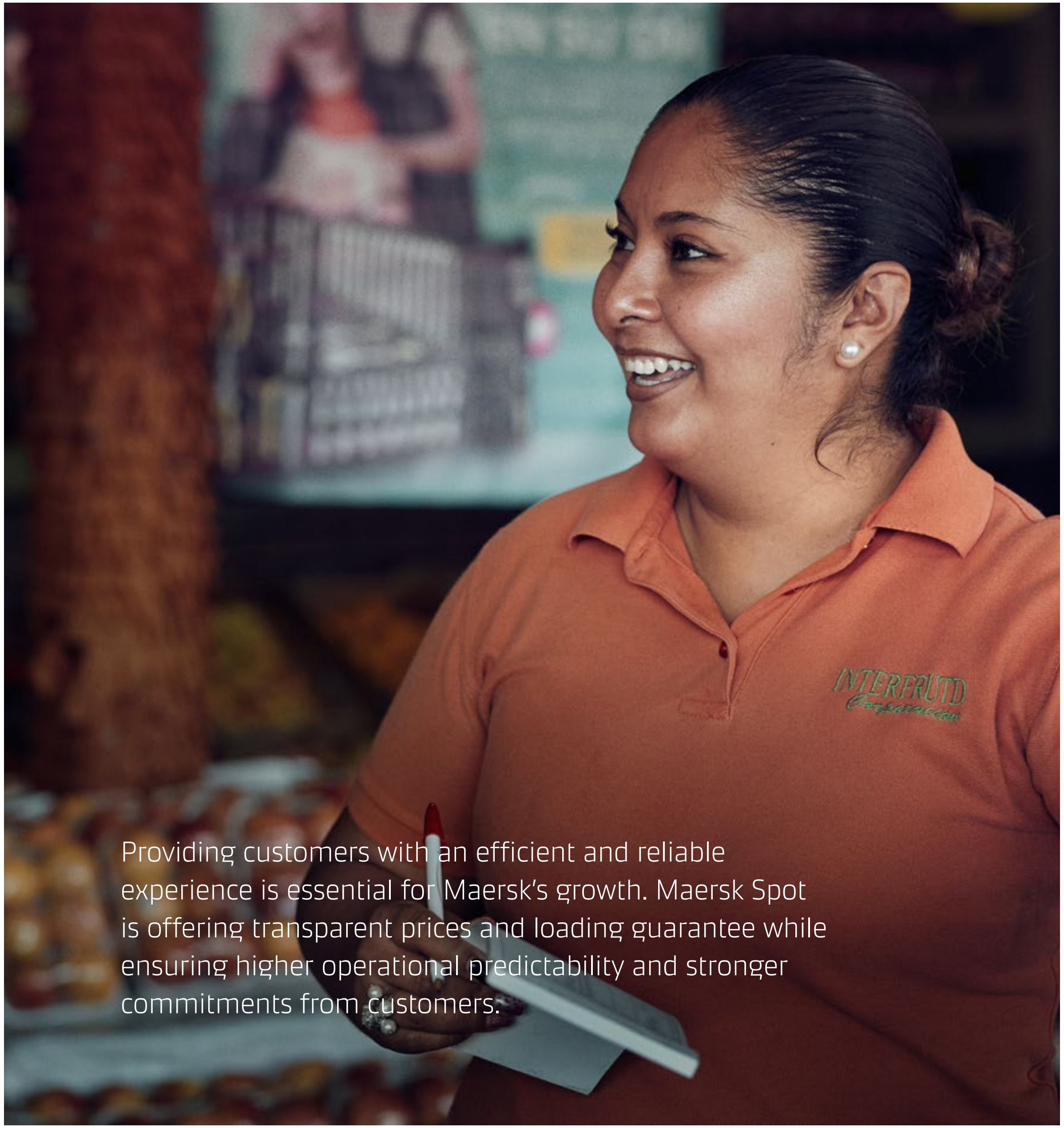
Segment review

Ocean

Logistics & Services

Terminals & Towage

Manufacturing & Others



Ocean

Ocean EBITDA increased by 25% to USD 1.1bn (USD 856m) with an EBITDA margin of 14.9% (12.3%). Revenue increased by 2.9% to USD 7.2bn (USD 7.0bn) on the back of a volume increase of 1.4% to 3,447k FFE (3,399k FFE) along with an increase in the average loaded freight rate of 1.5% to 1,868 USD/FFE (1,840 USD/FFE). Total operating costs were largely unchanged as the impact from the higher volumes were partly offset by network improvements, including higher bunker efficiency, which resulted in a 3.5% decrease in the unit cost at fixed bunker. Developments in foreign exchange rate impacted the revenue negatively and the cost base positively.

Increases in the freight rates along with maturity of the network enhancements implemented amongst other in connection with the integration of Hamburg Süd drove the improvement in the Ocean profitability. Material improvements in bunker efficiency impacted the bunker costs positively, although partly offset by additional increases in the bunker prices versus Q1 2019 as well as Q2 2018. The total volume growth was below the market growth, and the weak demand on the Latin America, Oceania and North America trades continued from Q1 2019. The average loaded freight rates increased particularly on Latin America and North America trades.

Financial and operational performance

Revenue increased by 2.9% to USD 7.2bn (USD 7.0bn), driven by a 2.7% increase in freight revenue and a 3.8% increase in other revenue mainly due to increased slot sales.

Volumes increased by 1.4%, mainly driven by Intra-regional trades increasing 5.4% and East-West volume growth of 0.5%, while North-South was on par with Q2 2018. The intra-Asia trades saw increased demand with a growth rate of 14%, which drove the Intra-regional volume growth of 5.4%, as both intra-Americas and intra-Europe trades delivered volumes on par with Q2 2018. The East-West volume increase was driven by Europe, impacted by higher demand for refrigerated goods in China, while North America trades

Ocean highlights

USD million	Q2		6 months		Full year
	2019	2018[1]	2019	2018[1]	2018[1]
Freight revenue	6,336	6,168	12,351	12,148	24,925
Other revenue, including hubs	814	784	1,728	1,614	3,441
Revenue	**7,150**	**6,952**	**14,079**	**13,762**	**28,366**
Container handling costs	2,408	2,440	4,720	4,855	9,481
Bunker costs	1,210	1,205	2,352	2,399	5,042
Network costs, excluding bunker costs	1,753	1,729	3,539	3,565	7,053
Selling, General & Administrative (SG&A) and other costs, etc.	730	713	1,463	1,415	3,038
Total operating costs	**6,101**	**6,087**	**12,074**	**12,234**	**24,614**
Other income/costs, net	19	-9	-10	-20	30
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**1,068**	**856**	**1,995**	**1,508**	**3,782**
EBITDA margin	14.9%	12.3%	14.2%	11.0%	13.3%
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	314	549	783	1,623	2,279
Operational and financial metrics					
Loaded volumes (FFE in '000)	3,447	3,399	6,597	6,619	13,306
Loaded freight rate (USD per FFE)	1,868	1,840	1,885	1,836	1,879
Unit cost, fixed bunker (USD per FFE incl. VSA income)	1,713	1,776	1,794	1,831	1,808
Hub productivity (PMPH)	90.7	78.6	89.2	77.5	80.6
Bunker price, average (USD per tonne)	436	401	426	391	424
Bunker consumption (tonne in '000)	2,777	3,002	5,516	6,131	11,894
Average nominal fleet capacity (TEU in '000)	4,110	4,154	4,079	4,192	4,115
Fleet owned (end of period)	307	298	307	298	303
Fleet chartered (end of period)	409	444	409	444	407

1 Q2, first six months and full year 2018 are presented as if IFRS 16 had been implemented in 2018, for comparison purposes, unaudited.

Key initiatives Q2

Maersk launched a new carbon neutral product with selected Maersk customers, who are highly engaged in sustainable solutions for their supply chains. The biofuel trial that took place on board the Triple-E vessel Mette Maersk during Q2 2019 has proven that decarbonised shipping solutions can be utilised today. Therefore, the carbon-neutral product will be tested in a trial with one of Maersk's customers, the H&M Group. This will provide the H&M Group with the ability to reduce their transport and logistics emissions. Overall, the aim of the project is to unlock the potential of sustainable fuels to become a commercial reality. The learnings will be used to support a broader product offering for cost-efficient carbon-neutral options for transportation.

The buying process for the ocean products got simpler during Q2 for customers with the new Maersk Spot, which allows customers to move their cargo in a much simpler and more reliable way providing increased sailing visibility and loading guarantee at a fixed price upfront.

The preparation for the new low-sulphur fuel regulations starting 1 January 2020 (IMO 2020) continues, and the first vessel is currently testing the scrubber solution to prepare for more retrofitting of vessels in the coming quarters.

were impacted negatively by the trade restrictions with China and modest growth in US. The North-South increase was driven by Africa and West and Central Asia trades, partly offset by Latin America and Oceania declines. The weak demand seen in Q1 2019 on Latin America trades continued into Q2 2019 due to amongst other inventory build-up in previous periods negatively affecting the imports. The Oceania trades were impacted by a slowdown in the Australian economy. Total backhaul increased 3.0% mainly on Europe and West and Central Asia trades, while headhaul increased by 0.6%.

The average loaded freight rate increased by 1.5% to 1,868 USD/FFE (1,840 USD/FFE), driven by a 3.5% increase on East-West, driven by North America trades mainly on the back of higher freight rates on the Asia-US East Coast trade due to better supply and demand balance and capacity discipline. This was partly offset by lower rates on Europe trades impacted by increased imbalance between supply and demand, while the North-South increase of 1.3% was driven by headhaul rates on Latin America and Africa trades. The loaded freight rates were negatively impacted by the developments in foreign exchange rates and adjusted for this, the average loaded freight rate increased by 2.8% or 51 USD/FFE.

Other revenue increased by 3.8% to USD 814m (USD 784m), mainly due to increased number of slot sales, which also increased network costs. Demurrage and detention decreased compared to Q2 2018 and to a more moderate level than previous quarters that was affected by temporary circumstances from amongst other congestions and front loadings in Q4 2018.

Total operating costs were unchanged at USD 6.1bn (USD 6.1bn), as higher network costs from higher slot charter expenses were partly offset by lower container handling costs and favourable impact on the cost base from the development in foreign exchange rates. Container handling costs decreased by 1.4%, mainly driven by lower empty container positioning costs on the back of fewer empty container moves due to the increased backhaul volumes and more efficient operational executions. Network costs excluding bunker costs increased by 1.4% due to the higher expenses from an increased number of slots bought from VSA partners in connection to the optimisation of the ocean network. The network optimisation, including increased productivity in the strategic hubs, resulted in lower hub and transhipment costs and lower port costs due to a reduced number of calls impacted by the combined network with Hamburg Süd, including improved network utilisation.

The bunker cost was unchanged at USD 1.2bn (USD 1.2bn) despite an increase in the average bunker price of 8.5% to 436 USD/tonne (401 USD/tonne), as the bunker consumption declined 7.5% mainly due to efficiency initiatives, the more efficient newbuild vessels delivered in the past year as well as from a stable network in Q2 that also

Loaded volumes

FFE ('000)	Q2 2019	Q2 2018	Change	Change %
East-West	1,093	1,088	5	0.5%
North-South	1,638	1,632	6	0.1%
Intra-regional	716	679	37	5.4%
Total	**3,447**	**3,399**	**48**	**1.4%**

Average freight rates

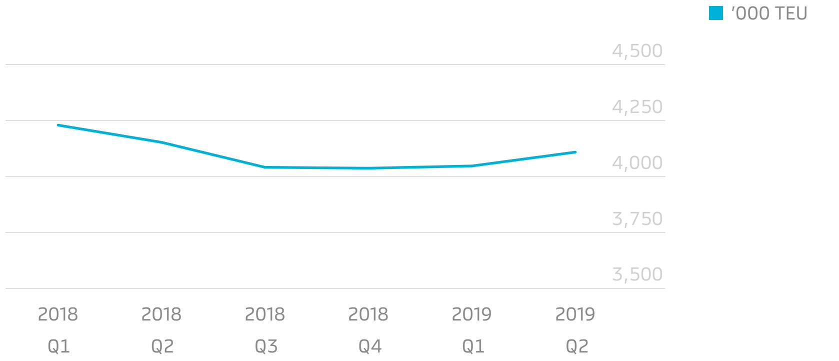
USD/FFE	Q2 2019	Q2 2018	Change	Change %
East-West	1,845	1,782	63	3.5%
North-South	2,092	2,065	27	1.3%
Intra-regional	1,461	1,485	-24	-1.6%
Total	**1,868**	**1,840**	**28**	**1.5%**

impacted schedule reliability positively. Bunker efficiency improved by 8.1% to 41.7 g/TEU*NM (45.4 g/TEU*NM). Adjusting for the favourable impact from the developments in foreign exchange rates, the operating costs increased by approx. 2.2% on the back of the higher volumes and increased number of purchased slots.

Hub productivity continued to improve on the back of maturity of joint operational initiatives between the terminal and liner operations to 90.7, equal to an improvement of 15% compared to Q2 2018 and 3.3% versus Q1 2019. The productivity improved significantly in all hubs compared to last year.

The unit cost at fixed bunker decreased by 3.5% to 1,713 USD/FFE (1,776 USD/FFE) mainly due to higher volumes, rate of exchange and network improvements including higher bunker efficiency. Adjusting for the developments in foreign exchange, the unit cost at fixed bunker decreased by 1.6%. The unit cost at floating bunker was 1,903 USD/FFE (1,954 USD/FFE).

Average nominal capacity



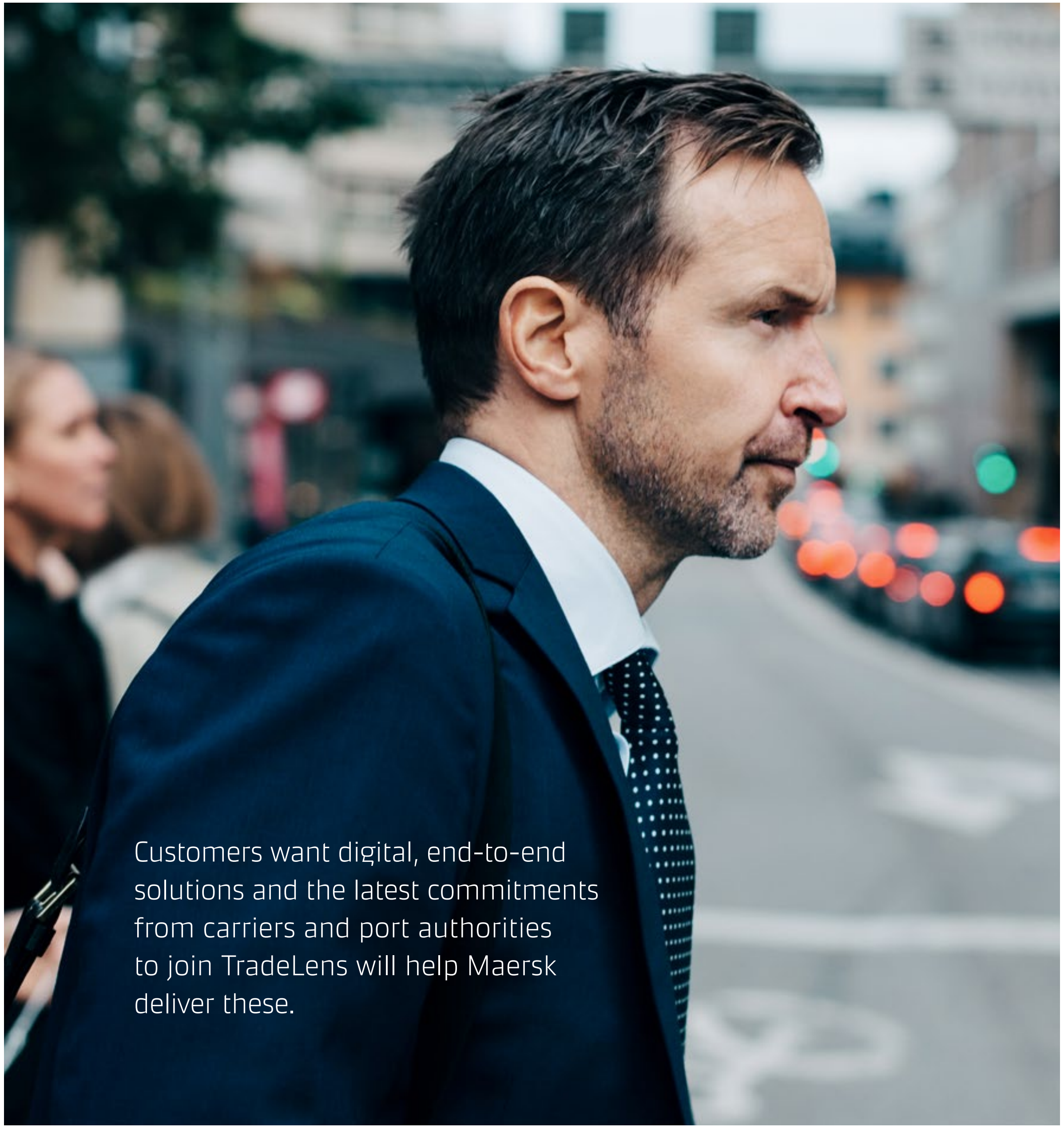
Fleet overview, end Q2 2019

	TEU		Number of vessels	
	Q2 2019	Q4 2018	Q2 2019	Q4 2018
Own container vessels				
0 – 2,999 TEU	116,165	116,287	58	60
3,000 – 4,699 TEU	365,351	365,811	90	90
4,700 – 7,999 TEU	315,164	315,164	51	51
8,000 – 11,499 TEU	463,454	445,754	52	50
11,500 – 14,999 TEU	69,018	69,018	6	6
15,000 – 17,499 TEU	292,282	246,496	19	16
> 17,500 TEU	593,048	572,480	31	30
Total	**2,214,482**	**2,131,010**	**307**	**303**
Chartered container vessels				
0 – 2,999 TEU	407,973	396,938	193	193
3,000 – 4,699 TEU	283,189	290,950	71	74
4,700 – 7,999 TEU	375,833	326,301	64	55
8,000 – 11,499 TEU	580,960	615,695	62	66
11,500 – 14,999 TEU	247,644	247,644	19	19
Total	**1,895,599**	**1,877,528**	**409**	**407**
Total fleet	**4,110,081**	**4,008,538**	**716**	**710**
Newbuilding programme (own vessels)				
3,000 – 4,699 TEU	0	7,192	0	2
> 8,000 TEU	0	66,246	0	4
Total	**0**	**73,438**	**0**	**6**

Prior to the implementation of IFRS 16, only operating leased vessels were included in the chartered container vessel section while finance leased vessels were presented together with owned to match the classification on the balance sheet. With IFRS 16, all leased vessels are generally recognised as a right-of-use asset on the balance sheet. All leased vessels are included in the table within the chartered container vessel section. Q4 2018 figures have been restated.

EBITDA improved by 25% to USD 1.1bn (USD 856m), driven by higher revenue and margins. Revenue increased mainly from a mix of higher volumes and freight rates. The EBITDA margin increased by 2.6 percentage points to 14.9% (12.3%) due to better rates and volumes on an unchanged cost base but improved by 1.5 percentage points versus Q1 2019 partly due to normal seasonality between the quarters and more efficient network.

The average nominal capacity increased to 4,110k TEU in Q2 2019 mainly due to the newbuild deliveries from Q1 being fully incorporated into the fleet. During Q2, two 14k TEU vessels were delivered to the fleet, which marks the end of the newbuilding programme. It is still expected that no new orders of large vessels will take place until 2020 at the earliest. At the end of Q2 2019, the fleet consisted of 307 owned and 409 chartered vessels, and 52k TEU were idle (5 vessels). The idle capacity corresponded to 14% of the total idle capacity in the market.



Logistics & Services

Logistics & Services reported a revenue of USD 1.5bn (USD 1.5bn). Revenue for supply chain management increased while sea and air freight forwarding revenue declined. Gross profit increased by 4.9% to USD 298m (USD 285m), positively impacted by growth in focus areas for intermodal, new warehouse facilities becoming operational during H2 2018 as well as positive contributions from customs house brokerage activity. This was partly offset by lower volumes and margins in sea and air freight forwarding. EBITDA increased to USD 61m (USD 52m).

Intermodal volumes grew slightly, supported by growth in focus markets in Africa and West Central Asia regions while supply chain management reported a small volume improvement. Sea freight decreased due to a decline in overall volumes among some larger customers, while air freight decreased due to soft market in China and reduced volumes for customers within fashion and retail industry.

Financial and operational performance

Revenue was unchanged at USD 1.5bn (USD 1.5bn), positively impacted by increasing revenue in supply chain management, offset by declining revenue in sea and air freight forwarding. Gross profit increased to USD 298m (USD 285m) supported by new warehouse facilities becoming operational during H2 2018, higher intermodal volume in profitable geographical areas and optimisation of less profitable areas as well as positive contributions from customs house brokerage from the Vandegrift acquisition. This was partly offset by lower margins and volumes in sea and air freight forwarding.

EBITDA increased by USD 9m to USD 61m (USD 52m), mainly driven by the increase in gross profit and less maintenance cost in Star Air, partly offset by cost to integrate Inland services within the logistics and services organisation.

Logistics & Services highlights

USD million	Q2		6 months		Full year
	2019	2018[1]	2019	2018[1]	2018[1]
Revenue	**1,484**	**1,489**	**2,932**	**2,944**	**6,082**
Direct cost	1,186	1,204	2,360	2,391	4,961
Gross profit	**298**	**285**	**572**	**553**	**1,121**
Selling, General & Administration (SG&A) and other costs, etc.	237	233	460	456	930
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**61**	**52**	**112**	**97**	**191**
EBITDA margin	4.1%	3.5%	3.8%	3.3%	3.1%
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	29	12	38	20	47
Operational and financial metrics, USD million					
EBIT conversion (EBIT/gross profit - %)	9.3	9.4	8.1	8.2	6.8
Supply chain management volumes ('000 cbm)	17,723	17,672	34,878	34,647	75,309
Supply chain management revenue	210	194	411	400	867
Intermodal revenue	647	648	1,280	1,271	2,569
Inland services revenue	143	154	286	298	595
Sea freight volumes (TEU)	146,039	156,388	290,956	302,075	639,132
Sea freight revenue	131	148	277	295	646
Air freight volumes (tonne)	40,136	44,218	72,222	84,377	175,502
Air freight revenue	119	147	220	288	608
Other services revenue	234	198	458	392	797

1 Q2, first six months and full year 2018 are presented as if IFRS 16 had been implemented in 2018, for comparison purposes, unaudited.

Key initiatives

Q2

In June, Maersk launched the construction of its new cold store facility in St. Petersburg to address the needs of a high-demand Russian market. The 3-chamber warehouse will offer specialised solutions extending the life cycle of perishable goods. The new cold store will enable Maersk to offer end-to-end solutions to Russian customers. Additionally, automation investments are implemented in several warehouse facilities to optimise and streamline sorting processes.

Within the Inland Services portfolio, additional capacity was added in Ecuador at the end of Q2 to meet demands from customers in line with service and safety standards. Inland Services ceased operations in Antwerp, Belgium, due to strategic considerations.

The merger of the commercial organisations of Logistics & Services and Ocean progressed according to plan during Q2 and is on track.

The integration of Vandegrift Inc., the US-based customs brokerage and logistics business acquired to strengthen and broaden the company's service offering to customers, progressed according to plan.

APM Terminals Inland Services was operationally integrated into Logistics & Services from 1 August 2019, from previously being in APM Terminals. This will ensure that customers have a seamless access to a wider range of logistics and service offerings, enabling reduced complexity and service overlaps. Financial reporting will not be affected because of this.

Supply chain management revenue increased to USD 210m (USD 194m), positively impacted by a slight increase in volume to 17,723 kcbm (17,672 kcbm). Gross profit decreased to USD 81m (USD 83m), impacted by unfavourable rate of exchange and 2.1% decreasing margins to 4.6 USD/cbm (4.7 USD/cbm).

Intermodal revenue decreased slightly to USD 647m (USD 648m), with volume expanding to 959k FFE (953k FFE). Gross profit increased to USD 29m (USD 16m) as geographical mix continues to be optimised by increasing volumes of 33% mainly in focus markets in Africa and West Central Asia regions while reducing unit cost in North America, China and United Kingdom. Overall, unit cost was down 3.0%, primarily driven by lower rail and barge costs.

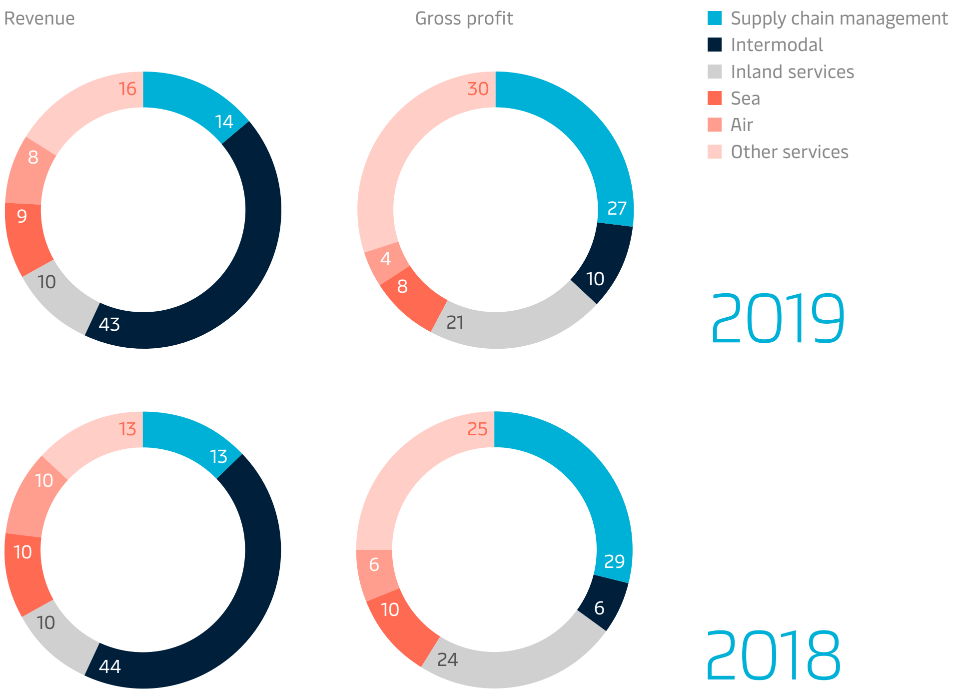
Inland services revenue decreased to USD 143m (USD 154m), negatively impacted by lower volumes in India, Mauritania, Costa Rica, Ecuador and South Africa, that was partly offset by growth initiatives mainly in Peru, Uruguay, Colombia and Tunisia. Gross profit was USD 62m (USD 68m).

Sea freight forwarding revenue decreased to USD 131m (USD 148m) with a volume decrease of 6.6% to 146k TEU (156k TEU), due to a decline in overall volumes partly due to a decision to exit certain countries and partly due to volume loss on some larger customers and negatively impacted by foreign exchange rate. Gross profit declined to USD 23m (USD 28m), driven by margins deterioration to 160 USD/TEU (180 USD/TEU).

Air freight forwarding revenue decreased to USD 119m (USD 147m) with volumes decreasing by 9.2% to 40k tonnes (44k tonnes), mainly due to soft market in China and the decision to exit certain countries. Gross profit decreased to USD 14m (USD 17m), reflecting the lower volumes and margin deterioration of 337 USD/tonne (381 USD/tonne).

EBIT conversion of 9.3% (9.4%) was in line with last year, negatively affected by debtors' provision and restructuring costs.

Activity overview, %



Logistics & Services five main activities

5

Supply chain management activities, where Maersk manages the customers' supply chain.

Intermodal refers to all operating activities under Maersk, Safmarine and Sealand – a Maersk Company, for which the main revenue stream comes from the transportation of containers from vendors (shippers) to the port of shipment, and from the discharge port to the point of off-loading (consignee) by truck and/or rail.

Inland services are operating activities in inland service facilities with the main revenue stream being container storage, bonded warehousing, empty depot and local transportation.

Freight forwarding with sea and air freight continuing to operate in a non-integrated way under the Damco brand name.

Other services include warehousing, distribution and other value-added services as well as trade finance.

Terminals & Towage

Terminals & Towage reported an increase in revenue of 13% to USD 957m (USD 847m) with EBITDA on par at USD 226m (USD 226m), negatively impacted by one-offs. The increase in revenue and EBITDA in gateway terminals was mainly due to increased storage income, cost reduction in SG&A and a volume growth of 8.5%. The decrease in revenue from towage activity was mainly driven by foreign exchange rate and volume decreases in Europe, also leading to a decrease in EBITDA.

The new container terminal in Moin, Costa Rica, delivered higher volumes. The remaining three terminals under implementation are progressing as planned. In Port Elizabeth, USA, congestion-related operational challenges were resolved during Q2.

Towage activity improved in the growth regions in Americas and Asia, Middle East & Africa but decreased in the mature regions in Europe and Australia.

Terminals

Financial and operational performance

Revenue increased by 18% to USD 791m (USD 670m) and EBITDA increased by 11% to USD 180m (USD 162m), mainly due to increased storage income, cost reductions in SG&A and volume growth of 8.5%, partly offset by negative one-offs. Gross capital expenditure increased to USD 77m (USD 71m), mainly driven by equipment replacement related to the Barcelona, Spain, terminal.

Gateway terminals reported volume growth of 8.5% (6.4% like-for-like adjusted for new terminal in Moin, Costa Rica, and divested terminals in Izmir, Turkey, and Kobe, Japan) compared to estimated market growth of 2.5%. Volume growth was mainly driven by higher volumes in Americas, mainly in Moin, Costa Rica, Los Angeles, USA, and collaboration with Ocean segment in Port Elizabeth, USA, partially offset by lower volumes in Barcelona, Spain. Utilisation grew

Terminals & Towage highlights

USD million	Q2		6 months		Full year
	2019	2018[1]	2019	2018[1]	2018[1]
Revenue	**957**	**847**	**1,948**	**1,758**	**3,772**
Concession fees (excl. capitalised lease expenses)	70	60	132	120	262
Labour cost (blue collar)	320	282	653	559	1,222
Other operational cost	177	111	359	272	651
Selling, General & Administration (SG&A) and other costs, etc.	164	168	311	337	639
Total operating cost	**731**	**621**	**1,455**	**1,288**	**2,774**
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**226**	**226**	**493**	**470**	**998**
EBITDA margin	23.6%	26.7%	25.3%	26.7%	26.5%
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	85	116	206	217	556
Operational and financial metrics					
Terminal volumes – financially consolidated (moves, m)	3.0	2.8	5.8	5.5	11.4
Ocean segment	1.0	1.0	2.0	1.9	4.1
External customers	2.0	1.8	3.8	3.6	7.3
Terminal revenue per move – financially consolidated (USD)	257	239	263	245	252
Terminal cost per move – financially consolidated (USD)	213	203	219	205	211
Result from joint ventures and associated companies (USD m)	57	51	108	105	164
Number of operational tug jobs (harbour towage) ('000)	33	32	66	65	131
Annualised EBITDA per tug (terminal towage) (USD in '000)	952	986	949	924	892

1 Q2, first six months and full year 2018 are presented as if IFRS 16 had been implemented in 2018, for comparison purposes, unaudited.

Q2

Key initiatives

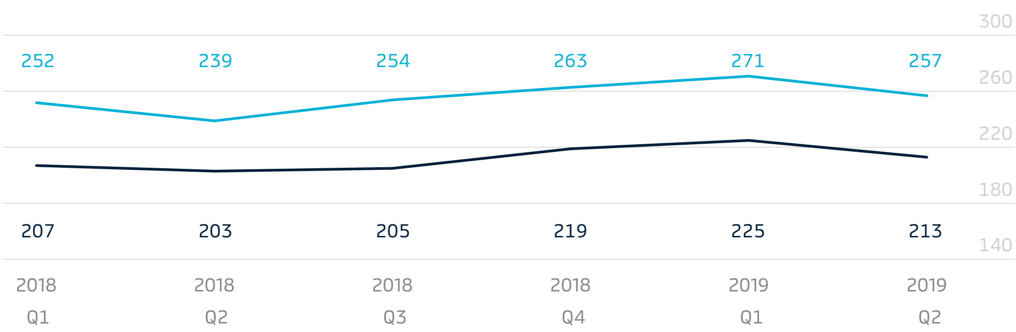
The greenfield terminal in Moin, Costa Rica, is ramping up as per plan.

The construction of Vado, Italy, Abidjan, Ivory Coast, and Tema, Ghana, progressed as planned.

In the US, the modernisation of APM Terminals Pier 400 Los Angeles, will result in a cleaner, greener, safer terminal for customers. The terminal will use electric, battery-operated, self-guided, straddle carriers that comply with California air emissions regulations and promote 24/7 terminal operations for supply chains.

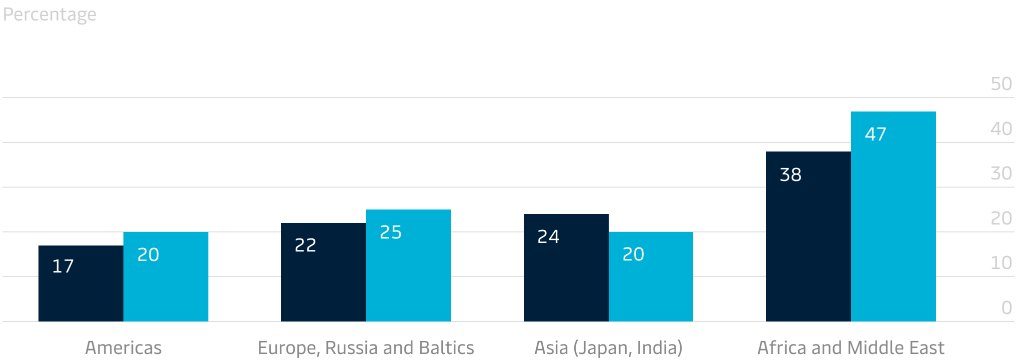
The joint venture, Meridian Port Services Limited (MPS), in Tema, Ghana, completed the first part of its expansion project which became operational by end of June 2019.

Revenue and cost per move, financially consolidated, terminals, USD



Note: Revenue per move includes terminal revenue, other income, government grants and excludes IFRIC12 construction revenue and rebates.
Cost per move includes cost (EBITDA less revenue less other income), depreciation and excludes internal management fees and IFRIC12 construction cost.

Financially consolidated EBITDA-margin per region, terminals



by 9.0 percentage points to 79% (70%) due to volume growth, capacity reductions in Los Angeles, USA, due to ongoing automation project, and ramp-up of Moin, Costa Rica. Volume from Ocean segment grew by 0.7% (4.1% like-for-like) and volume from external customers grew by 13.0% (7.6% like-for-like). On an equity-weighted basis, volume grew by 8.2% (6.8% like-for-like) and utilisation was 85% (77%).

Revenue per move increased by 7.4% to USD 257 (USD 239), mainly driven by positive effect of higher volumes in North America where rates are higher on average, higher revenue from storage in West Africa and ramp-up of Moin, Costa Rica. These positive developments were partly offset by negative EUR rate of exchange impact. Adjusted for foreign exchange rate, volume mix effects and portfolio changes, revenue per move increased by 1.3% compared to Q2 2018. The volume mix effect relates to the impact on revenue per move from changes in the share of volumes from different terminals.

Cost per move was 4.7% higher than Q2 2018 at USD 213 (USD 203), mainly due to higher volumes in higher cost locations in Los Angeles, USA, Port Elizabeth, USA, and Moin, Costa Rica. The benefits of several cost reduction initiatives offsets part of the inflationary labour cost in several terminals. Adjusted for foreign exchange rate impact and volume mix effects between operating terminals and from divested and newly operated terminals, cost per move decreased slightly by 0.1%.

The volume growth was driven by increased volumes in North America of 30%, mainly due to external customer wins in Los Angeles, USA. Congestion related to operational challenges in Port Elizabeth, USA, in Q1 2019 continued into Q2 2019, but were resolved during the last part of Q2.

Latin America volumes grew by 28% mainly driven by Moin, Costa Rica. Africa and Middle East volume grew by 5.6%, supported by higher oil prices combined with stable foreign exchange markets. In Europe, volumes decreased by 7.7% following the divestment of Izmir, Turkey, and lower volumes in Barcelona, Spain. Asia decreased by 8.0%, mainly driven by the exit from Kobe, Japan, and lower volumes in Yokohama, Japan.

The EBITDA margin for gateway terminals declined by 1.4 percentage points, negatively affected by one-offs. The EBITDA margin increased by 2.6 percentage points in Americas, mainly due to ramp-up of Moin, Costa Rica, and higher volumes in North America, partially offset by increased labour cost. In Europe, the EBITDA margin increased by 2.8 percentage points despite lower volumes. In Africa and Middle East, the EBITDA margin increased by 9.0 percentage points due to the higher storage revenue in the West African terminals. The EBITDA margin in Asia decreased by 3.3 percentage points, due to lower volumes in Yokohama, Japan, and exit from Kobe, Japan.

Results from joint ventures and associated companies

A higher share of profit in joint ventures and associated companies of USD 52m (USD 47m) was mainly related to associates in Africa and Middle East, driven by higher revenue in a few terminals.

Terminals

2019
2018

16 / 15
Americas

17 / 19
Europe, Russia and Baltics

17 / 18
Asia

14 / 13
Africa and Middle East

Terminals under implementation (opening year):

3 / 4

Tema
Ghana (2019)

Vado
Italy (2019)

Abidjan
Ivory Coast (2021)

Financially consolidated volume, terminals

Million moves	Q2 2019	Q2 2018	Growth (%)
Americas	1.4	1.1	29.0
Europe, Russia and Baltics	0.6	0.7	-7.7
Asia	0.5	0.5	-8.0
Africa and Middle East	0.5	0.5	5.6
Total	**3.0**	**2.8**	**8.5**

Towage

Financial and operational performance

Revenue from towage activity decreased by 4.4% to USD 171m (USD 179m), mainly driven by negative currency development in the Australian dollar, the British pound and the Euro and volume decreases in Europe and Australia, partly offset by volume increases in the Americas and the Asia, Middle East & Africa region. Like-for-like revenue growth adjusted for currency development was on par at 0.3%. EBITDA was USD 46m (USD 64m), mainly impacted by cost increases including one-off items and negative currency development. Cash flow used for capital expenditure amounted to USD 8m (USD 42m).

Harbour towage activities measured by the number of tug jobs increased by 2.1%, driven by increased activity in the Americas and the Asia, Middle East & Africa region. In the Americas, the growth was achieved by an increase in market share in ports entered during 2018 while growth in the Asia, Middle East & Africa region was driven by entry into new ports in Tangier Med II, Morocco. This was partially offset by lower volumes in Europe and Australia.

For terminal towage, annualised EBITDA per tug declined mainly due to negative currency development, but positively impacted by contracts commenced during 2018, including in

Key initiatives Q2

Optimisation of the existing market portfolio progressed with focus on growth in selected markets and on improving customer satisfaction, along with efforts to strengthen the relationships with global customers. During Q2 2019, operations started in St. Croix in the Caribbean.

To address the increased commercial pressure from fewer new projects, slow growth in vessel calls and overcapacity of towage tonnage in certain geographic markets, optimisation of the fleet utilisation continued through repositioning or selling of idle vessels.

Revenue, towage

Per region, USD million	Q2 2019	Q2 2018	Change %
Australia	62	71	-12.2
Europe	58	64	-9.3
Americas	28	23	24.6
Asia, Middle East and Africa	23	21	5.7
Total	**171**	**179**	**-4.4**

Per activity, USD million			
Harbour towage	116	124	-6.3
Terminal towage	56	55	1.3
Eliminations, etc.	-1	-	N/A
Total	**171**	**179**	**-4.4**

Fleet overview, towage

Number of vessels	Q2 2019	Q4 2018
Owned	349	339
Chartered	26	26
Total	**375**	**365**

Newbuilding		
Delivery within current year	5	2
Delivery next year	7	-
Total	**12**	**2**

The towage fleet increased by 10 vessels to 375 vessels with 349 owned and 26 chartered at the end of June 2019. A total of 12 vessels are on order with delivery of 5 vessels in 2019 and 7 vessels in 2020.

Darwin, Australia, Bangladesh, Moin, Costa Rica, and Monrovia in Liberia.

Activity in Australia decreased slightly, driven by harbour towage activity due to lower commodity exports and lower port share in various competitive ports after competitive entry in late 2018, partly offset by improved terminal towage activity.

Activity in Europe decreased due to lower market share in the UK, partly offset by additional volume in the Sound/Nordics following the acquisition of Port Towage Nordic. The activities in Portugal were transferred to held for sale during Q1 2019, and the operations were subsequently sold in Q2 pending approval from the Portuguese competition authorities, which is expected in the second half of 2019.

In the Americas, the activity in Brazil grew in both volumes and market share, mainly in the ports of Santos, Rio Grande and Paranagua while harbour towage activity in Argentina decreased slightly across the ports of Buenos Aires and Bahia Blanca. Also, the terminal towage activities ramped up in Costa Rica in full operations from Q1 2019.

Revenue in the Asia, Middle East & Africa region increased due to towage operations in Bangladesh being in full operations in Q2 2019 as well as contracts commencing for Tangier Med II, Morocco, and Monrovia, Liberia.

Manufacturing & Others

Manufacturing & Others' revenue decreased by 34% to USD 459m (USD 697m), mainly due to Maersk Container Industry's decision in Q1 to exit the dry container business to focus fully on growing the cold chain business, and the divestment of the bulk activities. EBITDA increased to USD 36m (USD 33m).

Maersk Supply Service was awarded contracts in the solutions areas, demonstrating the value of the strategic direction of offering solutions work and diversifying into new markets.

Maersk Container Industry

Financial and operational performance

Maersk Container Industry reported a revenue of USD 132m (USD 249m), negatively impacted by the exit from the dry business and 30% lower revenue in the reefer business. The reefer factory in Qingdao, China, has continued to run two-shift operations in Q2, but lower market demand for reefer containers and change in delivery terms has impacted the sales negatively and partially pushed revenue recognition to later periods.

The EBITDA of positive USD 16m (negative USD 6m) is reflecting the profitability of the continuing reefer business whereas the same period last year was negatively impacted by restructuring costs of USD 18m in Chile and negative EBITDA in the dry business. EBITDA in the reefer business decreased by 20% primarily due to the lower revenue which is only partially compensated for by lower costs. EBITDA margin in the reefer business increased to 12% (11%) and the better profitability is due to the consolidation of reefer manufacturing in China and lower administration costs.

Manufacturing & Others highlights

USD million	Q2		6 months		Full year
	2019	2018[1]	2019	2018[1]	2018[1]
Revenue	459	697	1,017	1,369	2,787
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	36	33	57	81	163
EBITDA margin	7.8%	4.7%	5.6%	5.9%	5.8%
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	10	78	187	262	358
Operational and financial metrics, USD million					
Maersk Container Industry					
Sales volume (unit)	8,567	27,525	18,473	59,287	117,481
Sales to third party	45	148	140	236	601
EBITDA	16	-6	1	26	40
Maersk Supply Service					
Gross utilisation	61%	57%	60%	60%	60%
Revenue backlog	313	289	313	289	323
EBITDA	5	-3	10	-	3

1 Q2, first six months and full year 2018 are presented as if IFRS 16 had been implemented in 2018, for comparison purposes, unaudited.

Key initiatives Q2

Maersk Container Industry

The reefer factory in China has continued to run two-shift operations in Q2, and the total demand from Maersk ended at 66% (41%).

Maersk Container Industry celebrated the 10th anniversary of Star Cool's CA system (Controlled Atmosphere) in Q2, and since the system was first launched onto the market in 2009, more than 55,000 CA units have entered service around the world. It was also in Q2, that Maersk Container Industry passed the mark of 300.000 Star Cool reefers sold.

Maersk Supply Service

Maersk Supply Service was awarded a contract for FPSO mooring installation and replacement for an American oil major in West Africa, providing the full work scope from project management to execution. The offshore work is expected to take place in Q4 2019 and utilise three anchor-handling vessels and one SSV.

The Mexican company BMT contracted an additional newbuild SSV, which means that two out of four newbuild I-class vessels will work in the Gulf of Mexico by the end of 2019.

Maersk extended its support of the Ocean Cleanup, a non-profit organisation aiming at removing plastic from oceans. During the first offshore campaign, Maersk Supply Service supported the tow and installation of the first ocean cleaning system. The goal of the second campaign is to test upgraded versions of the system. Maersk Supply Service is providing overall offshore project management and vessel operations.

Maersk Supply Service

Financial and operational performance

Maersk Supply Service reported revenue of USD 70m (USD 70m), and a positive EBITDA of USD 5m (negative USD 3m), reflecting higher rates in the Subsea Supply Vessel (SSV) segment. Cash flow used for capital expenditure was USD 5m (USD 78m) due to no newbuild payments as the last newbuild payments took place in Q1 2019.

Maersk Supply Service had 11 (11) vessels laid up at the end of Q2, corresponding to 25% of its fleet, compared to around 28% for the industry. When including both laid-up and idle vessels, the industry percentage increases to approx. 43%, i.e. the percentage of vessels not on contract.

Maersk Decom, the joint venture between Maersk Drilling and Maersk Supply Service, has completed its second study contract.

Other

For other businesses, revenue ended at USD 256m (USD 378m), impacted by the divestment of bulk activities originally acquired from Hamburg Süd. EBITDA was USD 15m (USD 42m).

Manufacturing & Others

Manufacturing includes the activities of Maersk Container Industry with the production and sale of reefer containers at the factory in China, and Maersk Supply Service providing global offshore marine services and integrated solutions for the energy sector worldwide.

Others includes the third-party activities of Maersk Oil Trading and bulk activities taken over as part of the Hamburg Süd transaction. However, these bulk activities were divested in January 2019.

Financial review H1 2019

A.P. Moller - Maersk reported an increase in EBITDA of 24%, mainly driven by Ocean with an improvement of 32% or USD 487m, supported by higher freight rates and reduced operating costs. Strong cash flow from operating activities and a continued strict capital discipline.

The financials are materially impacted by the implementation of IFRS 16. Comparative figures for 2018 have been restated in the Directors' report to provide the reader with a relevant basis for assessing the development in the financial performance.

A.P. Moller - Maersk reported an increase in revenue of USD 294m to USD 19.2bn (USD 18.9bn).

EBITDA increased by 24% to USD 2.6bn (USD 2.1bn), mainly due to Ocean increasing by 32% to USD 2.0bn (USD 1.5bn), positively impacted by higher freight rates and a reduction in operating cost.

EBIT was USD 646m (USD 72m), reflecting an EBIT margin of 3.4% and positively impacted by the improved EBITDA in 2019 and a write-down of assets of USD 141m related to the closure of Maersk Container Industry's factory in China in 2018.

Financial expenses, net amounted to USD 398m (USD 374m), positively impacted by the reduced interest expenses from lower debt in 2019 offset by lower dividends from the Total S.A. shares of USD 12m (USD 146m).

The net result for both continuing and discontinuing operations for the first six months was a loss of USD 503m (profit of USD 2.6bn) where the result for 2018 was positively impacted by an accounting gain of USD 2.6bn from the closing of the Maersk Oil transaction. The result for the continuing operations was a profit of USD 50m (loss of USD 464m).

The underlying result for continuing operations after financial items and tax was a profit of USD 65m (loss of USD 314m).

Cash flow from operating activities was USD 2.7bn (USD 1.4bn), positively impacted by an increase in

Highlights 6 months

USD million	Revenue		EBITDA		CAPEX	
	2019	2018[1]	2019	2018[1]	2019	2018[1]
Ocean	14,079	13,762	1,995	1,508	783	1,623
Logistics & Services	2,932	2,944	112	97	38	20
Terminals & Towage	1,948	1,758	493	470	206	217
Manufacturing & Others	1,017	1,369	57	81	187	262
Unallocated activities, eliminations, etc.	-809	-960	-64	-63	9	19
A.P. Moller - Maersk consolidated – continuing operations	**19,167**	**18,873**	**2,593**	**2,093**	**1,223**	**2,141**

1 2018 presented as if IFRS 16 had been implemented in 2018 and adjusting for Maersk Supply Service as continuing operations, unaudited.

EBITDA of USD 0.5bn and improvements in change in working capital of USD 0.9bn impacted by a negative change in working capital in 2018. The cash conversion improved to 102% (74%) adjusted for one-off effect from abolishment of the export VAT scheme in Denmark in January 2018.

Gross capital expenditure (CAPEX) amounted to USD 1.2bn (USD 2.1bn), mainly related to previously ordered vessels and containers in Ocean, and development projects in Terminals & Towage.

Free cash flow was USD 4.2bn (negative USD 408m), impacted by the divestment of the remaining Total S.A. shares of USD 2.6bn and cash flow from operating activities of USD 2.7bn, partly offset by gross CAPEX of USD 1.2bn. Excluding the sale of Total S.A. shares, the free cash flow was USD 1.6bn.

A.P. Moller - Maersk made net repayments of USD 1.0bn (USD 496m), driven by repayments of leases of USD 717m (USD 633m) and bank debt of USD 1.1bn (USD 1.4bn), partially offset by new borrowings of USD 722m (USD 1.6bn), driven by proceeds from the issuance of US bond of USD 500m in Q2.

Total equity was USD 29.0bn (USD 33.2bn at 31 December 2018), with the decrease mainly driven by the separation and listing of Maersk Drilling of USD 3.4bn along with the USD 0.5bn ordinary dividend paid in April, resulting in an equity ratio of 51% (50%).

Liquidity reserve increased to USD 12.3bn (USD 10.3bn at 31 December 2018) due to higher cash balances mainly because of the sale of the remaining shares in Total S.A. of USD 2.6bn.

Segments

Ocean

Ocean reported a revenue increase of 2.3% to USD 14.1bn (USD 13.8bn), mainly due to higher freight rates. Other revenue amounted to USD 1.7bn (USD 1.6bn) due to increases in slot sales related to vessel sharing agreements. The revenue was negatively impacted by the developments in foreign exchange rates. EBITDA increased by 32% to USD 2.0bn (USD 1.5bn) supported by the synergies from the integration of the Hamburg Süd network.

The volumes in H1 2019 were 0.3% or 22k FFE lower than the same period in 2018 while the average freight rate increased by 2.7%, mainly driving the revenue increase of USD 317m. The operating costs were 1.3% or USD 160m lower, mainly driven by lower network and bunker costs despite a 9.0% increase in the average bunker price. The synergies with Hamburg Süd affected particularly the network costs. The cost base was positively affected by the developments in foreign exchange rate.

Logistics & Services

Revenue was unchanged at USD 2.9bn (USD 2.9bn) with Sea and Air freight reductions partly offset by incremental revenue within supply chain management. Gross profit increased to USD 572m (USD 553m), driven by more profitable geographical coverage in intermodal and additional warehousing footprint in North America.

EBITDA increased to USD 112m (USD 97m) in line with gross profit development, partly offset by provision to integrate inland services within the broader logistic and services organisation.

Supply chain management revenue increased by 2.8% to USD 411m (USD 400m), supported by volume growth to 34,878 cbm (34,647 cbm).

Impact of IFRS 16

IFRS 16 Leases introduces a single lessee accounting model, requiring lessees to recognise leases in the balance sheet as a right-of-use (ROU) asset and a lease liability. In the income statement, the lease cost is replaced by depreciation of the leased asset and an interest expense for the financial liability.

The standard was implemented 1 January 2019, using the modified retrospective approach, and comparative figures have not been restated. At initial recognition, ROU assets are measured at an amount equal to the lease liability, which is measured at the present value of future lease payments.

Maersk will not apply IFRS 16 to short-term leases, low-value leases or leases expiring before 31 December 2019. Maersk has applied a single discount rate to portfolios of leases with similar characteristics.

The implementation of IFRS 16 had a significant impact on the income statement for H1 2019 and balance sheet as of 30 June 2019. ROU assets amounted to USD 6.7bn and are included in Ships, containers, etc. and Production facilities, equipment, etc. at USD 2.9bn, and USD 3.8bn, respectively, of which USD 3.3bn mainly relates to concession arrangements. The lease liability amounted to USD 6.8bn. Free cash flow has been impacted positively by USD 0.6bn, as repayments of lease liabilities are now included under cash flow from financing activities whereas net cash flow is unchanged.

Gross profit was USD 161m (USD 160m) with unfavourable rate of exchange partly offsetting volume growth. Margins remain unchanged at 4.6 USD/CBM (4.6 USD/CBM).

Intermodal revenue slightly increased at USD 1.3bn (USD 1.3bn), supported by volume growth of 1.4% to 1,863k FFE (1,840k FFE). Gross profit significantly increased to USD 49m (USD 23m), supported by increasing volumes in higher yielding geographical within West Central Asia and Africa.

Inland services revenue decreased to USD 286m (USD 298m), impacted by lower volumes in Costa Rica, Ecuador and South Africa. Gross profit decreased by 6.5% to USD 122m (USD 131m).

Sea freight forwarding revenue decreased to USD 277m (USD 295m), negatively impacted by foreign exchange rates, a decline in overall volumes to 291k TEU (302k TEU) among some larger customers and within trade lines into/from South America & Africa as well as Intra-Asia. Gross profit declined to USD 44m (USD 56m) as margins decreased by 19% to 152 USD/TEU (187 USD/TEU).

Air freight forwarding revenue decreased to USD 220m (USD 288m) with a volume decrease of 14% to 72k tonnes (84k tonnes), mostly due to soft market in China and reduced volumes for customers within the fashion and retail industry. Gross profit decreased to USD 25m (USD 31m), reflecting both lower volumes, as well as margins decreasing 4.9% to USD 349/tonne (USD 367/tonne).

Terminals & Towage

Revenue increased to USD 1.9bn (USD 1.8bn) and EBITDA increased to USD 493m (USD 470m).

Gateway Terminals reported a higher revenue of USD 1.6bn (USD 1.4bn), mainly due to higher storage income, volume increase in North America and ramp-up of the new Moin Terminal, Costa Rica. Volume increased by 6.0%, reaching 5.8m moves, mainly due to volume increase in North America terminals and in Latin America. Excluding newly operated terminals and divested terminals in 2019, like-for-like volumes in moves increased by 4.7%, compared to estimated market growth of 2.2%. Capacity utilisation increased to 79% (70%).

Revenue per move increased to USD 263 (USD 245) and cost per move increased to USD 219 (USD 205) compared to H1 2018. Terminals reduced SG&A costs by 11%, contributing to an EBITDA growth of 13%.

Towage reported a lower revenue of USD 344m (USD 356m), mainly due to negative currency development, partly offset by improved utilisation as well as start of operations for new terminal towage contracts in Australia, Argentina, Bangladesh and Costa Rica.

Manufacturing & Others
Revenue decreased by USD 352m and came at USD 1.0bn (USD 1.4bn) with an EBITDA of USD 57m (USD 81m).

In January, Maersk Container Industry announced to focus fully on growing cold chain business and exit the dry container business, including the manufacturing in Dongguan, China, with an impact on both revenue and EBITDA.

Further negatively impacting revenue and EBITDA was the divestment of the Hamburg Süd tramp activity end Q1 2019.

Maersk Container Industry reported a revenue of USD 272m (USD 537m) and an EBITDA of USD 1m (USD 26m), negatively impacted by the exit from the dry business and the closing of the dry factory in Dongguan, China, with USD 31m in restructuring costs.

Maersk Supply Service reported a revenue of USD 139 (USD 130m) and an EBITDA of USD 10m (USD 0m), primarily driven by higher rates in the SSV segment.

For other businesses, revenue ended at USD 606m (USD 702m), impacted by the divestment of bulk activities originally acquired from Hamburg Süd. EBITDA was USD 46m (USD 55m).

Discontinued operations
The objective of finding structural solutions for the oil and oil-related businesses was successfully accomplished for Maersk Tankers in 2017, for Maersk Oil in 2018 and for Maersk Drilling in Q2 2019 via a separate listing on Nasdaq Copenhagen on 4 April. Finally, in Q1 2019 it was decided to retain Maersk Supply Service. The separation of the energy related businesses is then finalised.

Maersk Drilling
A negative fair value accounting adjustment of USD 628m was recognised in Q1 2019.

Statement of the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the Interim Report of A.P. Møller - Mærsk A/S for the period 1 January 2019 to 30 June 2019.

The interim consolidated financial statements of A.P. Møller - Mærsk A/S have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and additional Danish disclosure requirements for interim financial reporting of listed companies.

In our opinion, the interim consolidated financial statements (pages 41-55) give a true and fair view of A.P. Moller - Maersk's consolidated assets, liabilities and financial position at 30 June 2019 and of the results of A.P. Moller - Maersk's consolidated operations and cash flows for the period 1 January to 30 June 2019.

Furthermore, in our opinion the Directors' report (pages 3-38) includes a fair review of the development in A.P. Moller - Maersk's operations and financial conditions, the results for the period, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that A.P. Moller - Maersk faces. Significant risks and uncertainties are overall like those disclosed in the consolidated annual report 2018.

Copenhagen, 15 August 2019

Executive Board

Søren Skou — CEO

Carolina Dybeck Happe — CFO

Vincent Clerc

Morten Engelstoft

Søren Toft

Board of Directors

Jim Hagemann Snabe — Chairman

Ane Mærsk Mc-Kinney Uggla — Vice Chairman

Dorothee Blessing

Bernard L. Bot

Niels Bjørn Christiansen

Marc Engel

Arne Karlsson

Thomas Lindegaard Madsen

Jacob Andersen Sterling

Robert Mærsk Uggla

Independent Auditor's Review Report on interim consolidated financial statements

To the shareholders of A.P. Møller - Mærsk A/S

We have reviewed the interim consolidated financial statements of A.P. Møller - Mærsk A/S for the period 1 January 2019 – 30 June 2019 comprising condensed income statement, condensed statement of comprehensive income, condensed balance sheet, condensed cash flow statement and condensed statement of changes in equity as well as selected explanatory notes, including summary of significant accounting policies (pages 41-55).

The Board of Directors' and the Executive Board's responsibility for the interim consolidated financial statements

The Board of Directors and the Executive Board ('Management') are responsible for the preparation of interim consolidated financial statements in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU and additional Danish disclosure requirements for interim financial reporting of listed companies, and for such internal control as Management determines is necessary to enable the preparation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim consolidated financial statements based on our review. We conducted our review in accordance with the International Standard on Review of Interim Financial Information Performed by the Independent Auditor of the Entity and additional requirements under Danish Auditor regulation. This requires us to conclude whether anything has come to our attention that causes us to believe that the interim consolidated financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This also requires us to comply with ethical requirements.

A review of interim consolidated financial statements in accordance with the International Standard on Review of Interim Financial Information Performed by the Independent Auditor of the Entity is a limited assurance engagement. The auditor performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the interim consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements for the period 1 January 2019 – 30 June 2019 are not prepared in all material respects in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU and additional Danish disclosure requirements for interim financial reporting of listed companies.

Copenhagen, 15 August 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Mogens Nørgaard Mogensen
State Authorised Public Accountant
mne21404

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mne23331

Financials Q2 2019

A.P. Moller - Maersk

(In parenthesis the corresponding figures for 2018)

Amounts in USD million

Condensed income statement

Note		Q2		6 months		Full year
		2019	2018	2019	2018	2018
1	Revenue	9,627	9,577	19,167	18,889	39,280
1	**Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)**	**1,357**	**880**	**2,593**	**1,552**	**3,809**
	Depreciation, amortisation and impairment losses, net	1,024	922	2,106	1,707	3,737
	Gain on sale of non-current assets, etc., net	16	13	34	46	148
	Share of profit/loss in joint ventures	34	39	58	76	116
	Share of profit/loss in associated companies	33	17	67	43	-115
	Profit/loss before financial items	**416**	**27**	**646**	**10**	**221**
	Financial items, net	-170	-77	-398	-197	-401
	Profit/loss before tax	**246**	**-50**	**248**	**-187**	**-180**
	Tax	92	64	198	162	398
	Profit/loss for the period – continuing operations	**154**	**-114**	**50**	**-349**	**-578**
2	Profit/loss for the period – discontinued operations	-1	121	-553	3,102	3,787
	Profit/loss for the period	**153**	**7**	**-503**	**2,753**	**3,209**
	Of which:					
	Non-controlling interests	12	9	15	25	52
	A.P. Møller - Mærsk A/S' share	**141**	**-2**	**-518**	**2,728**	**3,157**
	Earnings per share – continuing operations, USD	**7**	**-6**	**2**	**-18**	**-30**
	Diluted earnings per share – continuing operations, USD	**7**	**-6**	**2**	**-18**	**-30**
	Earnings per share, USD	**7**	**-**	**-25**	**131**	**152**
	Diluted earnings per share, USD	**7**	**-**	**-25**	**131**	**152**

Maersk Oil and Maersk Drilling were classified as discontinued operations in 2017, and the businesses are presented separately on an aggregated level in the income statement, balance sheet and cash flow statement.

Notes:
The financials are materially impacted by IFRS 16. Since IFRS 16 has been applied without restating comparison figures for 2018 the reported figures for 2019 are not comparable with reported amounts for 2018.

Amounts in USD million

Condensed statement of comprehensive income

Note		Q2		6 months	Full year
	2019	2018	2019	2018	2018
Profit/loss for the period	**153**	**7**	**-503**	**2,753**	**3,209**
Translation from functional currency to presentation currency	6	-347	2	-236	-345
Reclassified to income statement, gain on sale of non-current assets, etc., net	7	-	7	-	-
Cash flow hedges	-12	-128	-34	-44	-135
Tax on other comprehensive income	10	4	18	-20	8
Share of other comprehensive income of joint ventures and associated companies, net of tax	-	1	-	1	2
Total items that have been or may be reclassified subsequently to the income statement	**11**	**-470**	**-7**	**-299**	**-470**
Other equity investments	-1	352	168	361	-134
Actuarial gains/losses on defined benefit plans, etc.	3	-	3	-	-7
Tax on other comprehensive income	-	-72	-23	-72	-38
Total items that will not be reclassified to the income statement	**2**	**280**	**148**	**289**	**-179**
Other comprehensive income, net of tax	**13**	**-190**	**141**	**-10**	**-649**
Total comprehensive income for the period	**166**	**-183**	**-362**	**2,743**	**2,560**
Of which:					
Non-controlling interests	12	-	11	18	38
A.P. Møller - Mærsk A/S' share	**154**	**-183**	**-373**	**2,725**	**2,522**

Amounts in USD million

Condensed balance sheet at 30 June

Note			30 June	31 December
		2019	2018	2018
	Intangible assets	4,320	4,308	4,278
	Property, plant and equipment	37,162	32,313	31,107
	Financial non-current assets, etc.	3,173	3,300	2,994
	Deferred tax	255	280	267
	Total non-current assets	**44,910**	**40,201**	**38,646**
	Inventories	1,101	1,174	1,073
	Receivables, etc.	5,529	6,089	5,687
	Equity investments, etc.	2	5,934	2,448
	Cash and bank balances	4,961	2,628	2,863
2	Assets held for sale or distribution	52	5,140	5,905
	Total current assets	**11,645**	**20,965**	**17,976**
	Total assets	**56,555**	**61,166**	**56,622**

Note			30 June	31 December
		2019	2018	2018
	Equity attributable to A.P. Møller - Mærsk A/S	28,256	32,791	32,609
	Non-controlling interests	741	762	771
	Total equity	**28,997**	**33,553**	**33,380**
	Lease liabilities, non-current	7,672	2,114	1,858
	Borrowings, non-current	7,757	13,176	8,036
	Other non-current liabilities	1,846	1,947	1,949
	Total non-current liabilities	**17,275**	**17,237**	**11,843**
	Lease liabilities, current	1,306	423	408
	Borrowings, current	1,478	1,800	1,586
	Other current liabilities	7,493	7,764	7,456
2	Liabilities associated with assets held for sale or distribution	6	389	1,949
	Total current liabilities	**10,283**	**10,376**	**11,399**
	Total liabilities	**27,558**	**27,613**	**23,242**
	Total equity and liabilities	**56,555**	**61,166**	**56,622**

Amounts in USD million

Condensed cash flow statement

Note		Q2 2019	Q2 2018	6 months 2019	6 months 2018	Full year 2018
	Profit/loss before financial items	416	27	646	10	221
	Non-cash items, etc.	948	850	1,960	1,611	3,727
	Change in working capital	-66	-387	304	-642	-339
	Cash flow from operating activities before tax	1,298	490	2,910	979	3,609
	Taxes paid	-128	-152	-258	-191	-381
	Cash flow from operating activities	**1,170**	**338**	**2,652**	**788**	**3,228**
	Purchase of intangible assets and property, plant and equipment (CAPEX)	-445	-782	-1,223	-2,141	-3,219
	Sale of intangible assets and property, plant and equipment	30	66	92	92	432
	Sale of other equity investments	-	7	2,615	43	3,033
	Acquisition/sale of subsidiaries and activities, financial investments etc., net	-57	-34	-27	16	-39
	Dividends received	48	154	122	221	439
	Cash flow used for investing activities	**-424**	**-589**	**1,579**	**-1,769**	**646**
	Repayment of/proceeds from borrowings and lease liabilities, net	65	189	-1,027	-104	-5,651
	Financial payments, net	-215	-18	-419	-305	-577
	Purchase of own shares	-146	-	-146	-	-
	Dividends distributed	-469	-517	-469	-517	-517
	Dividends distributed to non-controlling interests	-35	-19	-38	-19	-75
	Other equity transactions	31	-4	28	-64	-45
	Cash flow from financing activities	**-769**	**-369**	**-2,071**	**-1,009**	**-6,865**
	Net cash flow from continuing operations	**-23**	**-620**	**2,160**	**-1,990**	**-2,991**
2	Net cash flow from discontinued operations	-419	175	-372	2,468	3,967
	Net cash flow for the period	**-442**	**-445**	**1,788**	**478**	**976**
	Cash and cash equivalents, beginning of period	5,372	3,239	3,149	2,268	2,268
	Currency translation effect on cash and bank balances	17	-81	10	-33	-95
	Cash and cash equivalents, end of period	4,947	2,713	4,947	2,713	3,149
	Of which classified as assets held for sale	-	-101	-	-101	-372
	Cash and cash equivalents, end of period	**4,947**	**2,612**	**4,947**	**2,612**	**2,777**
	Cash and cash equivalents					
	Cash and bank balances	4,961	2,628	4,961	2,628	2,863
	Overdrafts	14	16	14	16	86
	Cash and cash equivalents, end of period	**4,947**	**2,612**	**4,947**	**2,612**	**2,777**

Cash and bank balances include USD 0.9bn (USD 1.0bn) relating to cash and bank balances in countries with exchange control or other restrictions. These funds are not readily available for general use by the parent company or other subsidiaries.

Amounts in USD million

Condensed statement of changes in equity

	A.P. Møller - Mærsk A/S							
	Share capital	Translation reserve	Reserve for other equity investments	Reserve for hedges	Retained earnings	Total	Non-controlling interests	Total equity
Equity 1 January 2019	3,774	-616	-202	-103	29,756	32,609	771	33,380
2019								
Other comprehensive income, net of tax	-	-4	146	-3	6	145	-4	141
Profit/loss for the period	-	-	-	-	-518	-518	15	-503
Total comprehensive income for the period	**-**	**-4**	**146**	**-3**	**-512**	**-373**	**11**	**-362**
Dividends to shareholders	-	-	-	-	-469	-469	-43	-512
Value of share-based payment	-	-	-	-	6	6	-	6
Purchase of own shares	-	-	-	-	-146[2]	-146	-	-146
Capital increases and decreases	-	-	-	-	-	-	2	2
Transfer of gain/loss on disposal of equity investments to retained earnings[1]	-	-	56	-	-56	-	-	-
Distribution of shares in The Drilling Company of 1972 A/S to shareholders in A.P. Møller - Mærsk A/S	-	-	-	-	-3,371[3]	-3,371	-	-3,371
Total transactions with shareholders	**-**	**-**	**56**	**-**	**-4,036**	**-3,980**	**-41**	**-4,021**
Equity 30 June 2019	**3,774**	**-620**	**-**	**-106**	**25,208**	**28,256**	**741**	**28,997**
Equity 1 January 2018	3,774	-286	26	26	27,069	30,609	816	31,425
								-
Other comprehensive income, net of tax	-	-227	289	-64	-1	-3	-7	-10
Profit/loss for the period	-	-	-	-	2,728	2,728	25	2,753
Total comprehensive income for the period	**-**	**-227**	**289**	**-64**	**2,727[3]**	**2,725**	**18**	**2,743**
Dividends to shareholders	-	-	-	-	-517	-517	-47	-564
Value of share-based payment	-	-	-	-	7	7	-	7
Acquisition of non-controlling interests	-	-	-	-	-31	-31	-29	-60
Capital increases and decreases	-	-	-	-	-	-	2	2
Transfer of gain/loss on disposal of equity investments to retained earnings	-	-	-21	-	21	-	-	-
Other equity movements	-	-	-	-	-2	-2	2	0
Total transactions with shareholders	**-**	**-**	**-21**	**-**	**-522**	**-543**	**-72**	**-615**
Equity 30 June 2018	**3,774**	**-513**	**294**	**-38**	**29,274**	**32,791**	**762**	**33,553**

1 To reduce the net interest-bearing debt, A.P. Moller - Maersk sold the remaining 46.27 million Total S.A. shares during Q1 2019, generating a cash flow of USD 2.6bn and thereby completing the sale of Total S.A shares. The accumulated loss, net of tax, of USD 56m has been transferred within equity.

2 Up until 30 June 2019, a total of 25,736 A shares and 102,928 B shares have been repurchased with a value of USD 146m as part of the share buy-back programme initiated on 4 June 2019. At 30 June 2019, A.P. Moller Maersk owns a total of 25,736 A shares and 153,734 B shares as treasury shares, corresponding to 0.86% of the share capital.

3 Reference is made to Note 2 for further information.

Notes

Amounts in USD million

Note 1 Segment information

	Ocean	Logistics & Services	Terminals & Towage	Manufacturing & Others	Total
Q2 2019					
External revenue	7,054	1,440	758	369	9,621
Inter-segment revenue	96	44	199	90	429
Total segment revenue	**7,150**	**1,484**	**957**	**459**	**10,050**
Unallocated and eliminations					-423
Total revenue	**-**	**-**	**-**	**-**	**9,627**
Segment profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**1,068**	**61**	**226**	**36**	**1,391**
Unallocated items					-43
Eliminations					9
Consolidated profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)					**1,357** [1]
Gross capital expenditures, excl. acquisitions and divestments (CAPEX)	314	29	85	10	438

	Ocean	Logistics & Services	Terminals & Towage	Manufacturing & Others	Total
Q2 2018					
External revenue	6,872	1,434	670	584	9,560
Inter-segment revenue	80	55	177	113	425
Total segment revenue	**6,952**	**1,489**	**847**	**697**	**9,985**
Unallocated and eliminations					-417
IFRS 16 impact					9
Total revenue	**-**	**-**	**-**	**-**	**9,577**
Segment profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**856**	**52**	**226**	**33**	**1,167**
Unallocated items					-10
Eliminations					5
IFRS 16 impact					-282
Consolidated profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)					**880** [1]
Gross capital expenditures, excl. acquisitions and divestments (CAPEX)	549	12	116	78	755

1 Reference is made to the condensed income statement for a reconciliation from EBITDA to profit/loss.

The segment disclosures provided in the note reflect the information which the Executive Board receives monthly in its capacity as 'chief operating decision maker' as defined in IFRS 8. Following the implementation of IFRS 16 Leases, the Executive Board reviews comparable 2018 proforma numbers as if IFRS 16 was implemented in 2018. The allocation of resources and the segment performance are evaluated based on revenue and profitability measured on earnings before interest, taxes, depreciation and amortisation (EBITDA). Consequently, comparable figures in this note have been changed to include the effects of IFRS 16.

Amounts in USD million

Note 1 Segment information – continued

	Ocean	Logistics & Services	Terminals & Towage	Manufacturing & Others	Total
6 months 2019					
External revenue	13,887	2,842	1,550	877	19,156
Inter-segment revenue	192	90	398	140	820
Total segment revenue	**14,079**	**2,932**	**1,948**	**1,017**	**19,976**
Unallocated and eliminations					-809
Total revenue	**-**	**-**	**-**	**-**	**19,167**
Segment profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**1,995**	**112**	**493**	**57**[2]	**2,657**
Unallocated items					-74
Eliminations					10
Consolidated profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)					**2,593**[1]
Gross capital expenditures, excl. acquisitions and divestments (CAPEX)	783	38	206	187	1,214

	Ocean	Logistics & Services	Terminals & Towage	Manufacturing & Others	Total
6 months 2018					
External revenue	13,588	2,841	1,381	1,041	18,851
Inter-segment revenue	174	103	377	328	982
Total segment revenue	**13,762**	**2,944**	**1,758**	**1,369**	**19,833**
Unallocated and eliminations					-960
IFRS 16 impact					16
Total revenue	**-**	**-**	**-**	**-**	**18,889**
Segment profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**1,508**	**97**	**470**	**81**	**2,156**
Unallocated items					-61
Eliminations					-2
IFRS 16 impact					-541
Consolidated profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)					**1,552**[1]
Gross capital expenditures, excl. acquisitions and divestments (CAPEX)	1,623	20	217	262	2,122

1 Reference is made to the condensed income statement for a reconciliation from EBITDA to profit/loss.

2 Includes restructuring cost of USD 31m due to closing of a factory in China.

Amounts in USD million

Note 1 Segment information – continued

USD million	Types of revenue	Q2		6 months		Full year
		2019	2018	2019	2018	2018
Ocean	Freight revenue	6,336	6,168	12,351	12,148	24,925
	Other revenue, including hubs	814	784	1,728	1,614	3,441
Logistics & Services	Supply chain management revenue	210	194	411	400	867
	Inland services revenue	143	154	286	298	595
	Intermodal revenue	647	648	1,280	1,271	2,569
	Sea freight revenue	131	148	277	295	646
	Air freight revenue	119	147	220	288	608
	Other services revenue	234	198	458	392	797
Terminals & Towage	Terminal services	791	670	1,615	1,406	3,095
	Towage services	171	179	344	356	692
Manufacturing & Others	Sale of containers and spare parts	132	249	272	537	978
	Offshore supply services	70	70	139	130	263
	Other Shipping activities	79	191	235	338	719
	Other services	178	187	371	364	827
Unallocated activities and eliminations[1]		-428	-419	-820	-964	-1,765
IFRS 16 impact		-	9	-	16	23
Total revenue		**9,627**	**9,577**	**19,167**	**18,889**	**39,280**

1 Including revenue eliminations between terminal services and towage services.

Amounts in USD million

Note 2 Discontinued operations and assets held for sale

		6 months	Full year
	2019	2018	2018
Profit/loss for the period – discontinued operations			
Revenue	308	1,294	1,977
Expenses (incl. net financial expenses, eliminations, etc.)	233	618	1,021
Gains/losses on sale of assets and businesses	-	2,634	2,633
Fair value adjustment	-628	-	445
Profit/loss before tax, etc.	**-553**	**3,310**	**4,034**
Tax	-	208	247
Profit/loss for the period – discontinued operations	**-553**	**3,102**	**3,787**
A.P. Møller - Mærsk A/S' share of profit/loss	-553	3,102	3,787
Earnings per share	-27	149	183
Diluted earnings per share	-27	149	183
Net cash flow from discontinued operations	**-372**	**2,468**	**3,967**

		30 June	31 December
	2019	2018	2018
Balance sheet items comprise:			
Intangible assets	-	92	91
Property, plant and equipment	49	4,377	4,964
Deferred tax assets	-	-2	-8
Other assets	-	71	59
Non-current assets	**49**	**4,538**	**5,106**
Current assets	3	602	799
Assets held for sale	**52**	**5,140**	**5,905**
Provisions	-	35	75
Deferred tax liabilities	-	53	66
Other liabilities	6	301	1,808
Liabilities associated with assets held for sale	**6**	**389**	**1,949**

Discontinued operations include Maersk Oil up to closing in March 2018, as well as Maersk Drilling up to demerger in April 2019, which concluded the separation of the energy related businesses. The results of the discontinued operations are presented in one separate line in the income statement, balance sheet and cash flow statement.

In the consolidated financial statements, the results for Maersk Oil and Maersk Drilling are classified under discontinued operations with a net loss of USD 553m (profit of USD 3.1bn). Total cash flow from the discontinued operations was negative by USD 372m (positive USD 2.5bn).

Maersk Drilling activity
In Q3 2018, A.P. Moller - Maersk announced that it would pursue a demerger through a separate listing of Maersk Drilling in 2019. On 2 April 2019, the Annual General Meeting approved the Board of Directors' proposal to complete the demerger and separate listing of Maersk Drilling.

Period ended 2 April 2019:
A.P. Moller - Maersk recognised a loss of USD 553m for the Maersk Drilling activity mainly due to a negative fair value adjustment of USD 628m in Q1 2019.

For the measurement of the fair value of Maersk Drilling, A.P. Moller - Maersk has used the market cap of Maersk Drilling at the closing price of the new listed company on the first day of trading on Nasdaq Copenhagen on 4 April 2019 as fair value distributed to the shareholders. The fair value of the new listed company of USD 3.4bn has resulted in a fair value adjustment of USD 628m being recognised in Q1 2019. Measurement of the fair value of the disposal group is categorised as level 1 in the fair value hierarchy, as measurement is based on observable market data.

The net cash flow effect of USD 372m for the period mainly relates to cash and bank balances disposed to Maersk Drilling at demerger.

As part of the demerger, A.P. Moller - Maersk is subject to a statutory demerger liability for liabilities existing as of 4 March 2019 assigned to 'The Drilling Company of 1972 A/S', pursuant of the Danish Company Act section 254, subsection 2. The liability is deemed remote.

Amounts in USD million

Note 2 Discontinued operations and assets held for sale – continued

Maersk Oil
On 21 August 2017, A.P. Moller - Maersk announced the sale of Maersk Oil to Total S.A. for USD 7,450m in a combined share and debt transaction. The transaction, which was based on a locked box mechanism from 30 June 2017, closed on 8 March 2018 with an accounting gain of USD 2.6bn.

In addition to the net cash proceeds of USD 2.0bn after closing adjustments and free cash flow of USD 0.3bn up to closing. A.P. Moller - Maersk received USD 97.5m shares in Total S.A. equivalent to an ownership interest of 3.7%.

The market value of Total S.A. shares was USD 5.6bn at closing on 8 March 2018. The accounting gain comprises of the original gain calculated on 30 June 2017 of USD 2.8bn reduced by the profit recognised in the period from 1 July 2017 up to closing of USD 1.0bn and addition of the locked-box interest and positive Total S.A. share price development totalling USD 0.8bn.

Period ended 8 March 2018:
Maersk Oil reported a profit of USD 148m in 2018 before elimination of internal interests. The gain and cash flow from closing the transaction is summarised below:

Cash flow from sale of Maersk Oil (2018) and demerger of Maersk Drilling (2019)		6 months	Full year
	2019	2018	2018
Carrying amount			
Intangible assets	91	779	779
Property, plant and equipment	4,426	6,750	6,750
Financial assets – non-current	4	433	433
Deferred tax asset	-14	233	233
Current assets	792	1,338	1,338
Provisions	-24	-2,767	-2,767
Liabilities	-1,904	-3,831	-3,831
Net assets sold	**3,371**	**2,935**	**2,935**
Non-controlling interests	-	-	-
A.P. Møller - Mærsk A/S' share	**3,371**	**2,935**	**2,935**
Gain/loss on sale	-	2,632	2,632
Repayment of loan	-	2,500	2,500
Locked box interest received	-	156	156
Distribution of shares in The Drilling Company of 1972 A/S to shareholders in A.P. Møller - Mærsk A/S	-3,371	-	-
Total consideration	**-**	**8,223**	**8,223**
Shares in Total S.A. received	-	-5,567	-5,567
Cash and bank balances transferred at closing	-425	-633	-633
Cash flow from sale of subsidiaries and activities	**-425**	**2,023**	**2,023**

Secondary decommissioning liability
As part of the divestment of Mærsk Olie & Gas A/S (MOGAS) to Total S.A., A.P. Møller - Mærsk A/S (APMM) has assumed a secondary liability related to the decommissioning of the offshore facilities in Denmark by issuance of a declaration. APMM assesses the risk of economic outflows because of this secondary liability as very remote. For further information, reference is made to note 9 of the Annual Report 2018.

Amounts in USD million

Note 3 Financial risks, etc.

Except of the below, the financial risks, etc. are not significantly different from those described in note 17 of the consolidated financial statements for 2018, to which reference is made.

Liquidity risk		30 June	31 December
	2019	2018	2018
Borrowings and lease liabilities	18,213	17,513	11,888
Net interest-bearing debt[1]	12,910	14,438	8,730
Liquidity reserve[2]	12,316	10,157	10,296

1 For continuing businesses.
2 Liquidity reserve is defined as undrawn committed revolving facilities with more than one year to expiry, securities and cash and bank balances, excluding securities and balances in countries with exchange control or other restrictions.

In addition to the liquidity reserve, the Group has USD 0.3bn undrawn committed loans which are dedicated to financing of specific assets, part of which will therefore only become available at certain times in the future.

Based on the liquidity reserve, loans for the financing of specific assets, the maturity of outstanding loans, and the current investment profile, the Group's financial resources are deemed satisfactory.

The average term to maturity of debt (including lease liabilities) in the Group was about five years (about four years at 31 December 2018).

The increase in borrowings and net interest-bearing debt from 31 December 2018 is due to lease liabilities of USD 6.8bn at 30 June 2019 following the implementation of IFRS 16.

Liquidity reserve increased to USD 12.3bn (USD 10.3bn at 31 December 2018) due to higher cash balances mainly because of the sale of the remaining shares in Total S.A. of USD 2.6bn.

Amounts in USD million

Note 4 Commitments – continuing operations

Operating lease commitments
At 30 June 2019, the net present value of operating lease commitments totalled USD 0.2bn.

Capital commitments	Ocean	Logistics & Services	Terminals & Towage	Manufacturing & Others	Total
30 June 2019					
Capital commitments relating to acquisition of non-current assets	315	10	352	-	677
Commitments towards concession grantors	264	-	923	-	1,187
Total capital commitments	**579**	**10**	**1,275**	**-**	**1,864**
31 December 2018					
Capital commitments relating to acquisition of non-current assets	726	16	309	83	1,134
Commitments towards concession grantors	280	-	961	-	1,241
Total capital commitments	**1,006**	**16**	**1,270**	**83**	**2,375**

Newbuilding programme at 30 June 2019		No		
	2019	2020	2021	Total
Tugboats	5	7	-	12
Total	**5**	**7**	**-**	**12**

Capital commitments relating to the newbuilding programme at 30 June 2019		USD million		
	2019	2020	2021	Total
Tugboats	28	28	4	60
Total	**28**	**28**	**4**	**60**

USD 0.1bn of the total capital commitments is related to the newbuilding programme for ships etc. at a total contract price of USD 0.1bn, including owner-furnished equipment. The remaining capital commitments of USD 1.8bn relate to investments mainly within the Ocean and Terminals & Towage segments.

The capital commitments will be financed by cash flow from operating activities as well as existing and new loan facilities.

Amounts in USD million

Note 5 Accounting policies, judgements and significant estimates

The interim consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) and adopted by the EU and additional Danish disclosure requirements for interim financial reporting of listed companies. The accounting policies, judgements and significant estimates are consistent with those applied in the consolidated financial statements for 2018 in notes 23 and 24 of the Annual Report, to which reference is made, apart from change described below:

Discontinued operations and assets held for sale
Discontinued operations represent a separate major line of business disposed of or in preparation for sale. During Q1 2019, Maersk Supply Service no longer fulfilled the requirement to be classified as discontinued operations and assets held for sale and was thus reclassified as continuing business. Comparison figures for the income statement, balance sheet and cash flow statement have been restated as if Maersk Supply Service had always been part of continuing businesses. Following the reclassification as a continuing business, Maersk Supply Service forms part of the Manufacturing & Others reportable segment. Comparative figures have been restated. The impact on the first six months period ending 30 June 2018 of the reclassification on key accounting lines were: Revenue (USD +129m), EBITDA (USD 0m), Profit/loss for the period – continuing operations (USD -44m) and Equity (USD -35m).

New financial reporting requirements
A number of changes to accounting standards are effective from 1 January 2019 and endorsed by the EU. Those of relevance to A.P. Moller - Maersk are:

- Leases (IFRS 16)
- Uncertainty over income tax treatments (IFRIC 23).

Leases (IFRS 16)
Effective 1 January 2019, A.P. Moller - Maersk applied the new reporting standard on Leases, IFRS 16. All leases are recognised as right-of-use assets with corresponding lease liabilities at the date on which the leased asset is available for use by A.P. Moller - Maersk.

Each lease payment is allocated between a reduction of the liability and an interest expense. The interest expense is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

A.P. Moller - Maersk transitioned to IFRS 16 in accordance with the modified retrospective approach, therefore previous period comparative figures will not be adjusted in the financial statements. Additionally, the definition of a lease under IAS 17 and its related interpretations has been retained.

Leases classified as finance leases at 31 December 2018 were transitioned to IFRS 16 at their carrying amount of USD 2.3bn.

At 31 December 2018, A.P. Moller - Maersk had non-cancellable operating lease commitments of USD 12.0bn. As part of the transition, A.P. Moller - Maersk applied the following adjustments before discounting lease payments:

- Service components included in the pricing of vessel charter fees are not included as part of the lease liability. These costs will be recognised in the income statement as incurred.
- Terminal concession agreements to which A.P. Moller - Maersk is committed, but which will only begin operations during Q1 2019 or later are not capitalised at transition.
- A.P. Moller - Maersk will not apply the new standard to leases with a remaining term of 12 months or less from 1 January 2019. Additionally, leases with maximum lease term less than 12 months are exempted from provisions of the new standard.

The table below bridges operating lease commitments related to continuing operations to IFRS 16 lease liabilities on 1 January 2019:

Reconciliation of commitments to lease liability	(USDm)
Operating lease obligations (continuing operations)	12,041
Adjustment for commitments not yet commenced	-2,240
Adjustments for service components	-1,266
Optional period payments	758
Other adjustments	-283
Undiscounted lease liabilities	**9,010**
Discounting effect	2,766
Lease liability	**6,245**

A weighted average incremental borrowing rate of 6.6% was applied. The incremental borrowing rate was based on reference interest rates derived for a period up to 10 years based on corporate bond yields in major currencies, i.e. USD, EUR and SEK.

On transition, A.P. Moller - Maersk's opening balance of gross debt increased by USD 6.2bn to USD 18.1bn, while property, plant and equipment increased to USD 37.2bn. The increase in property, plant and equipment of USD 6.1bn mainly related to Vessels (USD 2.5bn) and Terminal rights (USD 2.3bn).

In connection with the transition to the new standard management has applied judgement and formed assumptions in relation to assessing the incremental borrowing rate, service components and extension options of leasing arrangements. Management has formed its judgements and assumptions based on historical experience, internal and external data points.

Uncertainty over income tax treatments (IFRIC 23)
A.P. Moller - Maersk follows the guidelines in IFRIC 23 for accounting for uncertain income tax positions and the implementation of the interpretation standard has not resulted in a significant change to the measurement of recognised uncertain tax positions.

Following the application of IFRIC 23, A.P. Moller - Maersk presents uncertain tax positions as either deferred or current tax. The 2018 ending balances have been restated by USD 410m from provisions to income tax liabilities.

Additional information

Quarterly summary

Definition of terms

Amounts in USD million

Quarterly summary

	2019		2018			
Income statement	Q2	Q1	Q4[1]	Q3[1]	Q2[1]	Q1[1]
Revenue	9,627	9,540	10,235	10,149	9,568	9,305
Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)	1,357	1,236	1,449	1,456	1,162	931
Depreciation, amortisation and impairment losses, net	1,024	1,082	1,168	1,402	1,166	1,020
Gain on sale of non-current assets, etc., net	16	18	76	44	13	33
Share of profit/loss in joint ventures	34	24	-	40	39	37
Share of profit/loss in associated companies	33	34	-80	-78	17	26
Profit/loss before financial items (EBIT)	416	230	277	60	65	7
Financial items, net	-170	-228	-222	-170	-154	-220
Profit/loss before tax	246	2	55	-110	-89	-213
Tax	92	106	127	109	64	98
Profit/loss for the period – continuing operations	154	-104	-72	-219	-153	-311
Profit/loss for the period – discontinued operations	-1	-552	116	569	121	2,981
Profit/loss for the period	153	-656	44	350	-32	2,670
A.P. Møller - Mærsk A/S' share	141	-659	32	338	-41	2,656
Underlying profit/loss	134	-69	65	188	15	-329
Balance sheet						
Total assets	56,555	61,701	62,690	67,872	67,157	67,641
Total equity	28,997	32,843	33,205	33,959	33,435	34,217
Invested capital	41,910	46,491	49,255	52,591	53,854	53,794
Net interest-bearing debt	12,910	12,565	14,953	18,718	20,517	19,630
Cash flow statement						
Cash flow from operating activities	1,170	1,482	1,697	1,387	630	728
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	445	778	669	409	782	1,359
Net cash flow from discontinued operations	-419	47	1,402	98	175	2,293
Financial ratios						
Revenue growth	0.6%	2.5%	20.4%	30.5%	23.3%	30.2%
Revenue growth excl. Hamburg Süd (2018)			9.1%	10.9%	4.1%	8.8%
EBITDA margin	14.1%	13.0%	14.2%	14.3%	12.1%	10.0%
Cash conversion	86%	120%	117%	95%	54%	78%
Return on invested capital after tax – continuing operations (ROIC)	3.1%	1.3%	1.2%	-0.2%	0.1%	-0.5%
Stock market ratios						
Share price (B share), end of period, DKK	8,142	8,442	8,184	9,020	7,948	9,344
Share price (B share), end of period, USD	1,241	1,270	1,255	1,401	1,243	1,556

1 Quarterly figures for 2018 presented as if IFRS 16 had been implemented in 2018, for comparison purposes.

Definition of terms

Technical terms, abbreviations and definitions of key figures and financial ratios.

Alphaliner
Alphaliner is a worldwide provider of container shipping data and analysis.

Backhaul
The direction of the trade route that has the lowest volumes, whereas the opposite direction is referred to as headhaul.

Backlog
The value of future contract coverage (revenue backlog).

CAPEX
Cash payments for intangible assets and property, plant and equipment, excluding acquisitions and divestments.

Cash conversion
Cash flow from operations to EBITDA ratio.

Cash flow from operating activities per share
A.P. Moller - Maersk's operating cash flow from continuing operations divided by the number of shares (of DKK 1,000 each), excluding A.P. Moller - Maersk's holding of own shares.

Cash return on invested capital, %
Cash return on invested capital is calculated based on free cash flow excluding acquisitions/divestments (CFFO – Gross capex) divided by the average invested capital.

Demurrage and detention
Compensation payable when a customer holds Maersk's containers beyond the agreed amount of free time, including any storage costs that Maersk may have incurred in connection therewith as well as compensation by way of liquidated damages for not having the containers available for circulation.

Discontinued operations
Discontinued operations are a major line of business (disposal group) that is either held for sale or has been sold in previous periods. The disposal group is reported separately in a single line in the income statement and cash flow statement. Comparison figures are restated. In the balance sheet, assets and liabilities are classified and disclosed separately on an aggregate level as assets held for sale and liabilities associated with assets held for sale. In the balance sheet, comparison figures are not restated. Discontinued operations include Maersk Oil up to closing in March 2018 and Maersk Drilling up to the demerger on 2 April 2019.

EBITDA
Earnings Before Interest, Taxes, Depreciation and Amortisation.

Equity ratio
Calculated as equity divided by total assets.

FFE
Forty Foot container Equivalent unit.

Gross profit
The sum of revenue minus variable costs and loss on debtors.

Headhaul
The direction of the trade route that has the highest volume, whereas the return direction is referred to as backhaul.

IMO 2020
The International Maritime Organization's (IMO) 0.5% global cap on sulphur dioxide (SO_x) content in fuels for shipping will enter into force on 1 January 2020.

Loaded volumes
Loaded volumes refer to the number of FFEs loaded on a shipment which are loaded on first load at vessel departure time excluding displaced FFEs.

Logistics & Services gross profit growth, %
Logistics & Services gross profit is a sum of revenue, variable costs and loss on debtors for Damco and inland services. For Star Air, Intermodal and Trade Finance, EBITDA figure is used.

Net interest-bearing debt (NIBD)
Equals interest-bearing debt, including fair value of derivatives hedging the underlying debt, less cash and bank balances as well as other interest-bearing assets.

Non-Ocean revenue growth, %
Non-Ocean includes the current Logistics & Services, Terminals & Towage and Manufacturing & Others segments, but excludes Maersk Oil Trading and tramp activities acquired as part of the Hamburg Süd transaction.

Ocean hub productivity (PMPH)
Productivity is calculated as the average of the gross port moves per hour for each call. Gross moves per hour for a single vessel call is defined as the total container moves (on load, off load and repositioning) divided by the number of hours for which the vessel is at berth.

Ocean loaded freight rate (USD per FFE)
Average freight rate per FFE for all the Maersk containers loaded in the period on either Maersk or Hamburg Süd vessels or third parties (excluding intermodal). Hamburg Süd is not excluding intermodal.

Ocean unit cost, fixed bunker (USD per FFE incl. VSA income)
Cost per FFE assuming a bunker price of USD 200/tonne, excluding intermodal but including hubs and time charter income. Hamburg Süd is not excluding intermodal.

Return on equity
Calculated as the profit/loss for the year divided by the average equity.

Return on invested capital after tax (ROIC)
Profit/loss before financial items for the year (EBIT) less tax on EBIT divided by the average invested capital.

Terminals & Towage annualised EBITDA per tug (terminal towage) (USD in '000)
Annualised EBITDA per tug equivalent (pilot boats and others count for 0.5).

Terminals & Towage number of operational tug jobs (harbour towage) ('000)
Tug jobs on which Svitzer performs the physical job, which include jobs where Svitzer has the commercial contract with the customer as well as jobs which Svitzer receives from the competitor through over-flow or other agreements.

TEU
Twenty-foot container Equivalent Unit.

Time charter
Hire of a vessel for a specified period.

Total market capitalisation
Total number of shares – excluding A.P. Møller - Mærsk A/S' holding of own shares – multiplied by the end-of-year price quoted by Nasdaq Copenhagen.

Underlying profit/loss
Underlying profit/loss is profit/loss for the year from continuing operations adjusted for net gains/losses from sale of non-current assets, etc. and net impairment losses as well as transaction, restructuring and integration costs related to major transactions. The adjustments are net of tax and include A.P. Moller - Maersk's share of mentioned items in associates and joint ventures.

VSA
Vessel Sharing Agreement is usually reached between various partners within a shipping consortium who agree to operate a liner service along a specified route using a specified number of vessels.

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