

 Note 11

Share-based payment

EQUITY-SETTLED INCENTIVE PLANS (EXCLUDING SHARE OPTION PLAN)

A.P. Møller - Maersk has two different equity-settled incentive plans. The restricted shares plan was introduced in 2013, and grants have been awarded to employees on a yearly basis since 2013. Beginning in 2018, grants have also been awarded to members of the Executive Board. In 2014, the Group established a three-year performance shares plan for members of the Executive Board and other employees. The performance shares plan lapsed in 2017.

The transfer of restricted shares is contingent upon the employee still being employed and not being under notice of termination, and takes place when three years have passed from the time of granting. For members of the Executive Board, the vesting period is five years.

The members of the Executive Board as well as other employees are not entitled to any dividends during the vesting period. Special conditions apply regarding illness, death and resignation as well as changes in the company's capital structure, etc. A.P. Møller - Mærsk A/S' holding of own B shares will be used to meet the company's obligations regarding the restricted shares plan.

	Restricted shares plan Employees ¹	Restricted shares plan Members of the Executive Board ¹	Performance shares plan Employees ¹	Total fair value ¹
Outstanding awards under equity-settled incentive plans (excl. share option plans)	No.	No.	No.	USD million
1 January 2017	15,067	-	843	
Granted	5,024	-	66	8
Exercised	4,591	-	842	
Adjustment ²	-	-	-67	
Forfeited	968	-	-	
Outstanding 31 December 2017	14,532	-	-	
Granted	4,241	1,002	-	8
Exercised	5,324	-	-	
Forfeited	663	-	-	
Outstanding 31 December 2018	12,786	1,002	-	

¹ At the time of grant.

² Primarily due to changes in the degree of certain financial goals being achieved.

The fair value of restricted shares (B shares) granted to 105 (132) employees and five members of the Executive Board was USD 8m (USD 8m) at the time of grant. The total value of granted restricted shares recognised in the income statement is USD 8m (USD 8m).

The fair value per restricted share at the time of grant is DKK 9,273 (DKK 11,550), which is equal to the volume-weighted average share price on the date of grant, i.e. 1 April 2018.

On 1 April 2018, the restricted shares originally granted in 2015 were settled with the employees. The weighted average share price on that date was DKK 9,273.

The average remaining contractual life for the restricted shares is 1.4 years (1.3 years) at 31 December 2018.

CASH-SETTLED INCENTIVE PLAN

In 2015, A.P. Møller - Maersk introduced the performance shares plan to a broader range of employees. A share of the cash-settled Performance Plan lapsed in 2017, and the remaining share lapsed in 2018. The actual settlement of the awards was contingent upon the degree of certain financial goals being achieved, the employee still being employed and not being under notice of termination at the date of settlement. This meant that the number of awards that eventually will vest was adjusted during the vesting period. Depending on the agreement, the settlement did take place two or three years after the initial granting, and the employee had the option to settle the awards in shares.

The employees were not entitled to any dividends during the vesting period. Special conditions applied regarding illness, death and resignation as well as changes in the company's capital structure, etc.

 Note 11 – continued

Share-based payment

Outstanding awards under cash-settled performance share plan	Employees	Total fair value ¹	Carrying amount of liabilities
	No.	USD million	USD million
1 January 2017	-		
Granted	780		
Adjustment ²	-780		
Outstanding 31 December 2017 and 31 December 2018	-		-

¹ At the time of grant.

² Due to changes in the degree of certain financial goals being achieved.

The fair value of awards granted to 0 (42) employees was USD 0m (USD 0m) at the time of grant. The total value of the awards recognised in the income statement is USD 0m (USD 0m).

The average remaining contractual life for the cash-settled incentive plan is 0 years (0.3 years) at 31 December 2018.

SHARE OPTION PLANS

In addition to the plans described above, A.P. Møller - Maersk has share option plans for members of the Executive Board and other employees. Each share option granted is a call option to buy an existing B share of nominally DKK 1,000 in A.P. Møller - Mærsk A/S.

The share options are granted at an exercise price corresponding to 110% of the average of the market price on the first five trading days following the release of A.P. Møller - Mærsk A/S' Annual Report. Exercising the share options is contingent upon the option holder still being employed at the time of exercise. The share options can be exercised when at least two years (three years for share options granted to Executive Board members) and no more than seven years (six years for share options granted to employees not members of the Executive Board) have passed from the time of grant. Special conditions apply regarding illness, death and resignation as well as changes in the company's capital structure, etc.

Outstanding share options ¹	Members of the Executive Board ¹	Employees ¹	Total	Average exercise price	Total fair value ¹
	No.	No.	No.	DKK	USD million
1 January 2017	3,840	7,635	11,475	8,298	
Granted	4,928	20,839	25,767	12,791	8
Exercised	3,840	7,530	11,370	8,298	
Expired	-	105	105	8,298	
Forfeited	-	237	237	12,791	
Outstanding 31 December 2017	4,928	20,602	25,530	12,791	
Exercisable 31 December 2017	-	-	-		
Granted	6,230	18,137	24,367	11,537	7
Forfeited	1,173	2,032	3,205	12,507	
Outstanding 31 December 2018	9,985	36,707	46,692	12,156	
Exercisable 31 December 2018	-	-	-		

¹ At the time of grant.

The share options can only be settled in shares. A.P. Møller - Mærsk A/S' holding of own B shares will be used to meet the company's obligations in respect of the share option plans.

The fair value of awards granted to five (three) members of the Executive Board and 80 (79) employees was USD 7m (USD 8m) at the time of grant. The total value of granted share options recognised in the income statement is USD 6m (USD 3m).

The weighted average share price at the dates of exercise of share options was DKK 11,778 in 2017. No share options were exercised during 2018.

The average remaining contractual life is 5.5 years (6.1 years) at 31 December 2018, and the exercise price for outstanding share options is DKK 12,156 (DKK 12,791).

The fair value per option granted to members of the Executive Board is calculated at DKK 1,712 (DKK 2,130) at the time of grant, based on Black & Scholes' option pricing model. The fair value per option granted to employees who are not members of the Executive Board is calculated at DKK 1,875 (DKK 2,281) at the time of grant based on the same option pricing model.

→ **Note 11 – continued**

Share-based payment

The following principal assumptions are used in the valuation:

	Share options granted to members of the Executive Board	Share options granted to employees not members of the Executive Board	Share options granted to members of the Executive Board	Share options granted to employees not members of the Executive Board
	2018	2018	2017	2017
Share price, volume-weighted average at the date of grant, 1 April, DKK	9,273	9,273	11,550	11,550
Share price, five days volume-weighted average after publication of Annual Report, DKK	10,476	10,476	11,628	11,628
Exercise price, DKK	11,524	11,524	12,791	12,791
Expected volatility (based on historic volatility)	33%	33%	31%	31%
Expected term (years)	5	5.75	5	5.75
Expected dividend per share, DKK	150	150	300	300
Risk free interest rate	0.21%	0.29%	-0.12%	0.01%