

A.P. Møller - Mærsk A/S

Interim Report 2004



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### **Forward-looking statements**

The Interim Report contains forward-looking statements regarding expectations for 2004. Such statements are subject to risks and uncertainties as various factors, many of which are beyond A.P. Møller - Mærsk A/S' control, may cause actual development and results to differ materially from the expectations contained in the Interim Report.

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The Interim Report has been translated from Danish. The Danish text shall govern for all purposes and prevail in case of any discrepancy with the English version.

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## THE A.P. MOLLER - MAERSK GROUP

### HIGHLIGHTS

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**The half year** (comparative figures for the first half year 2003 in parenthesis)

- Net revenue DKK 79,607 million (DKK 76,493 million).
- Result before special items and tax DKK 13,873 million (DKK 11,080 million).
- Result before tax DKK 14,176 million (DKK 13,972 million).
- Net result for the period DKK 9,937 million (DKK 9,300 million).
- Net result for the period before special items, but after tax and minority interests DKK 9,574 million (DKK 6,565 million).

**The half year is particularly affected by the following factors compared to the same period in 2003:**

- A USD exchange rate, which on average was 10% below that of the first half year in 2003 with negative effect on the revenue and the operating result for the period in DKK.
- Better markets and rates for container services and tankers.
- Weaker markets and rates for supply vessels and drilling rigs.
- About 15% higher oil prices in USD, but about 5% higher oil prices in DKK.
- Net gain on value adjustment of financial assets of DKK 634 million against DKK 1,518 million.
- Net loss regarding exchange rate adjustment of DKK 331 million against a net gain of DKK 1,374 million.

**Expectations for the full year**

- With freight rates, oil prices and a DKK/USD exchange rate at the present level, a result, before special items but after tax and minority interests, in the order of DKK 17 billion (DKK 13 billion) is now expected.
- Furthermore, on 17 August 2004 an agreement has been entered into with IBM Danmark A/S on the sale of Mærsk Data AS. The agreement is subject to approval from competition authorities. If the sale is completed in 2004, the result for the full year will be positively affected in the order of DKK 2.5 billion.

Copenhagen, 27 August 2004

A.P. Møller - Mærsk A/S

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## THE A.P. MOLLER - MAERSK GROUP

### *Main Figures*

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<i>DKK million</i>	1st half year	
	2004	2003
Net revenue	79,607	76,493
Result before depreciation and write-downs, etc.	20,586	18,792
Depreciation, amortisation and write-downs, etc.	7,313	7,713
Result before financial items	13,273	11,079
Associated companies - share of result before tax	252	278
Financial items, net	348	-277
Result before special items	13,873	11,080
Value adjustment of financial assets	634	1,518
Exchange rate adjustment of loans, etc.	-331	1,374
Result before tax	14,176	13,972
Tax	4,160	4,645
Minority interests	-79	-27
Net result for the period	9,937	9,300
Net result for the period before special items, after tax	9,574	6,565
Cash flow from operating activities	15,833	12,388
Cash flow used for investing activities	9,643	8,545
Total assets at 30 June	177,689	171,921
Total assets at 31 December		173,034
Equity at 30 June	100,617	84,417
Equity at 31 December		92,188

### *Key Figures:*

Return on equity (per annum)	20.6%	22.9%
Equity ratio	56.6%	49.1%
Net result for the period per share, DKK *)	2,415	2,260

\*) Calculated on the basis of the share capital less own shares at 30 June 2004.

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## THE A.P. MOLLER - MAERSK GROUP

### *Main Figures*

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For the first half year of 2004, the net revenue was DKK 79,607 million against DKK 76,493 million in the same period 2003.

The revenue was, in general, positively affected by increased activity and higher rates in the services for container and tankers and higher oil prices in USD, but negatively affected by a USD exchange rate, which on average was 10% lower than that of the first half year in 2003. Freight rates and prices of oil and gas primarily are in USD.

Depreciation, amortisation and write-downs of DKK 7,313 million was DKK 400 million lower than that of the same period in 2003, partly due to the lower average USD exchange rate and lower write-downs.

The financial items changed from a net loss of DKK 277 million to a net gain of DKK 348 million. The amount includes dividend of the Danske Bank shares, which is received in the first half year. Compared to the first half year in 2003, the development is also affected by gains on securities that are current assets and lower net debt.

Result before special items and tax was DKK 13,873 million (DKK 11,080 million).

Value adjustment of financial assets DKK 634 million (DKK 1,518 million) relates primarily to appreciation of Danske Bank shares.

Exchange rate adjustment of loans etc. was a net loss of DKK 331 million (net gain of DKK 1,374 million), mainly as a consequence of an increase in the USD exchange rate compared to DKK from 596 to 611 over the first six months.

After these special items and after tax, the net result was DKK 9,937 million (DKK 9,300 million).

Before special items, but after tax and minority interests, the result was DKK 9,574 million (DKK 6,565 million).

Total cash flow from operating activities of DKK 15,833 million (DKK 12,388 million) exceeded the period's investments by DKK 6,190 million (DKK 3,843 million).

<i>Change in Equity, 1st half year, DKK million</i>	2004	2003
Equity at 1 January	92,188	77,948
Dividend distributed *)	-1,235	-823
Cash merger consideration **)	0	-666
Net result for the period	9,937	9,300
Value adjustment of hedging instruments, net	-668	-276
Exchange rate adjustment regarding translation of companies in foreign currencies, etc.	395	-1,066
Equity at 30 June	<u>100,617</u>	<u>84,417</u>

\*) Excluding own shares.

\*\*\*) In connection with the merger 1 January 2003, the shareholders of Dampskibsselskabet af 1912 A/S received a cash payment of DKK 330 per share.

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## THE A.P. MOLLER - MAERSK GROUP

### *Segment Information*

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The main figures for the A.P. Moller - Maersk Group are allocated to the following five main segments (see pages 6-14):

*DKK million*

	Net revenue		Net result	
	1st half year		1st half year	
	2004	2003	2004	2003
Container Shipping and related activities	44,768	43,140	3,839	1,447
Tankers, Offshore and other shipping activities	7,043	6,506	1,123	1,330
Oil and Gas Activities	10,234	10,245	3,400	3,642
Retail Activities	11,304	10,410	823	440
Shipyards, other industrial companies, aviation, IT, etc.	9,543	9,973	23	-226
Eliminations and unallocated items	-3,285	-3,781	729	2,667
	<u>79,607</u>	<u>76,493</u>	<u>9,937</u>	<u>9,300</u>

Eliminations and unallocated items comprise elimination of intra-group transactions as well as expenses, financial items and adjustment of provisions and write-downs in relation to structural initiatives, which are not allocated to business segments and include:

*DKK million*

	1st half year	
	2004	2003
Net eliminations and unallocated items, before special items	69	262
Value adjustment of financial assets	634	1,183
Exchange rate adjustment of loans, etc.	-331	1,374
Unallocated tax and minority interests	357	-152
	<u>729</u>	<u>2,667</u>

In the first half year of 2004, a number of vessel and container-owning companies have been sold from the Dansk Supermarked Group to A.P. Møller - Mærsk A/S. Similarly, Odense Staalskibsværft A/S has sold Mærsk Container Industri A/S and Rederiet Odense-Lindø A/S to A.P. Møller - Mærsk A/S. Furthermore, Maersk A/S has transferred Maersk Finance A/S to A.P. Møller - Mærsk A/S. Subsequently, with effect from 1 January 2004, A.P. Møller - Mærsk A/S and the companies taken over from the Dansk Supermarked Group, Rederiet Odense-Lindø A/S and Maersk Finance A/S have merged. Due to these structural changes the unallocated tax is positively affected by a reduction in deferred tax – as is tax in the container shipping and related activities.

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## SEGMENT INFORMATION, THE A.P. MOLLER - MAERSK GROUP

### *Container Shipping and related activities*

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<i>DKK million</i>	1st half year	
	2004	2003
Net revenue	44,768	43,140
Result before depreciation and write-downs	7,812	5,757
Depreciation, amortisation and write-downs	3,452	3,680
Result before financial items	4,360	2,077
Financial items, net	-238	-334
Result before special items	4,122	1,743
Value adjustment of financial assets	0	335
Result before tax	4,122	2,078
Tax	220	605
Minority interests	-63	-26
Result for the period	3,839	1,447
Cash flow from operating activities	7,294	3,218
Cash flow used for investing activities	5,758	4,053
Total assets	88,915	83,772

With the growth in the world trade, the total transported volumes increased compared to the same period last year. Average freight rates in USD were also higher. The decline in the USD exchange rate against DKK of 10% for the comparable periods reduced the effect measured in DKK.

The development of volumes and rates was supported by a general increase in the utilisation of the world's container fleet with a demand for vessel capacity that exceeded the growth in the world fleet. This also led to increased scarcity of container tonnage with increase in charter market rates for container vessels and consequently higher expenses for the shipping lines. This and continuously high fuel prices contributed to moderate the effect of the increasing freight rates.

Concurrently with changes in the customers needs, some changes have been made in Maersk Sealand's network – with more departures on the scheduled services as well as expansion of the service network to new destinations. The interest for these new services has been good and has given the customers alternative opportunities in the global services.



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## SEGMENT INFORMATION, THE A.P. MOLLER - MAERSK GROUP

### *Container Shipping and related activities (continued)*

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The interest in using Maersk Sealand's e-trade solutions remains high and increasing. Several shippers and consignees show an increasing interest in achieving the time savings and the overview of the supply chain, which the e-trade solutions offer.

The net result for Maersk Sealand's container services was significantly above that of the first half year in 2003.

In the first half year, Safmarine Container Lines also achieved a result that was significantly above that of the corresponding period in 2003, due to increased freight volumes and higher freight rates.

The income for the Maersk Sealand agencies and trucking and equipment activities was above that of the corresponding period in 2003, partly due to higher rates and larger volumes in the first six months.

The Maersk Logistics activities grew and the result was above that of the first half year in 2003.

APM Terminals has continued its expansion through the establishment of new container terminals and further development of existing facilities. In the first half year, final approval was obtained from the authorities regarding development of a new terminal in Portsmouth, Virginia, USA. APM Terminals will in consortium with a local partner develop and operate a new container terminal in Mumbai, India.

In the beginning of the year, APM Terminals International moved to a new head office in The Hague, The Netherlands from where the management will continue to focus on international business development and servicing of liner operators.

The result for APM Terminals was, in the first half year 2003, positively affected by value adjustment of certain investments by DKK 335 million. Disregarding the effect hereof, the result for the first half year 2004 was above that of the corresponding period last year.

Tax, DKK 220 million (DKK 605 million) was positively affected by reduction in deferred taxes due to transfer to tonnage tax of an additional number of vessels. These vessels were previously on financial lease from the Dansk Supermarked Group.

In the first half year, two container vessels were delivered and the operating fleet increased due to charter of a number of new build container vessels. Furthermore, the container activities received a substantial number of new build containers, both for dry and reefer cargo. The latter were mainly delivered from Maersk Container Industri in Denmark and China.

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## SEGMENT INFORMATION, THE A.P. MOLLER - MAERSK GROUP

### *Tankers, Offshore and other shipping activities*

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<i>DKK million</i>	1st half year	
	2004	2003
Net revenue	7,043	6,506
Result before depreciation and write-downs	2,693	2,758
Depreciation, amortisation and write-downs	1,297	1,212
Result before financial items	1,396	1,546
Financial items, net	-161	-154
Result before tax	1,235	1,392
Tax	115	58
Minority interests	3	-4
Result for the period	1,123	1,330
Cash flow from operating activities	2,566	1,986
Cash flow used for investing activities	1,420	1,757
Total assets	38,963	37,894

In the first half year of 2004, the result for Maersk Tankers was above the result for the corresponding period in 2003. The rates for the large crude carriers were higher than those in the same period in 2003. The strong market for product carriers was maintained. This is partly due to the growth in China and the USA as well as a consequently increase in the global oil consumption. For the gas carriers the demand was still moderate with low rates and some idle days. The LNG (Liquefied Natural Gas) segment contributed negatively to the income due to non-recurring costs in connection with delivery of the first vessel in April 2004.

The result for the car carriers was satisfactory and at the level of that in the first half year in 2003.

In the first half year of 2004, the market for offshore supply vessels was further negatively affected by increase of newbuildings. There was stable activity in West Africa and Canada, but this did not compensate for the weak market in the North Sea – especially in the UK sector. The rates were generally lower and the result somewhat below that of the same period in 2003.

The result for the Group's drilling rigs was, for the first half year, below that of the corresponding period last year, due to re-employment at lower rates as well as a continuously difficult market in Venezuela.

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## SEGMENT INFORMATION, THE A.P. MOLLER - MAERSK GROUP

### *Tankers, Offshore and other shipping activities (continued)*

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There is an increasing interest in floating production units (FPSO) in several geographic areas. The result for the Group's units, which operate on long term contracts, was at the level of that in the first half year 2003.

The building at Korean Shipyard of the second of two large ultra harsh environment jack-up rigs has been further delayed so that delivery in the North Sea is not expected until the end of 2004. A dispute concerning responsibility for delay etc. has been taken to arbitration.

For the A/S Em. Z. Svitzer Group, the operating result, for the first half year, was at the level of that of the corresponding period in 2003.

Norfolkline B.V. achieved a result above that of the first half year in 2003.

In the first half year, two handy size product carriers, the LNG vessel "Maersk Ras Laffan" of 138,000 m<sup>3</sup>, one anchor handling vessel and three tugboats to the Svitzer Group were delivered. Two crude carriers were sold with a profit.

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## SEGMENT INFORMATION, THE A.P. MOLLER - MAERSK GROUP

### *Oil and Gas Activities*

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<i>DKK million</i>	1st half year	
	2004	2003
Net revenue	10,234	10,245
Result before depreciation and write-downs, etc.	9,199	9,314
Depreciation, amortisation and write-downs, etc.	1,913	1,877
Result before financial items	7,286	7,437
Financial items, net	102	-179
Result before tax	7,388	7,258
Tax	3,988	3,616
Result for the period	3,400	3,642
Cash flow from operating activities	5,615	5,927
Cash flow used for investing activities	1,569	1,987
Total assets	18,064	16,292

In the first six months of the year, DUC's production from the North Sea was at the level of that in the first half of 2003 with 55 million barrels of oil and gas sales of 3.5 billion m<sup>3</sup>.

On average, three drilling rigs have been employed mainly with production wells on the Halfdan and Dan Fields. A new gas pipeline from Tyra West to the Dutch distribution system has been installed and was ready for operation on 19 July 2004.

In the first half year of 2004, the oil production in Qatar and Algeria was higher than that in the first half of 2003. The increase in production was due to considerable capacity expansion of the Al Shaheen Field in Qatar, where oil production from the three new sites is proceeding according to schedule, and of the fields in Algeria (Ourhoud, Hassi Berkine South, Hassi Berkine and the satellite fields). In Qatar, drilling of the first well according to a new license is proceeding. In Algeria further development of four new fields south of the present producing fields is planned. Production in Qatar and Algeria is still subject to limitations set by the authorities.

The oil production from the Saigak Field in Kazakhstan continued at a low level. A pilot project regarding the producing Dunga oil Field is in progress.

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## SEGMENT INFORMATION, THE A.P. MOLLER - MAERSK GROUP

### *Oil and Gas Activities (continued)*

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In the first six months of the year, the average market price for the North Sea oil was USD 34 per barrel compared with USD 29 per barrel (Brent crude oil) in the first half year of 2003. The realised price in DKK was, however, lower than that of the first half year in 2003, due to the lower USD and forward sale of oil. The prices for natural gas were lower than those of the first half year in 2003. The market price for Brent oil is also the marker price for the price of oil from Algeria. In the first six months, the market price for Qatar oil in Qatar was USD 31 per barrel compared with USD 27 per barrel (Dubai oil) in the first half year 2003, but in DKK only 3% higher.

Exploration activities are taking place in the North Sea (Denmark, Germany, Great Britain and Norway), North Africa (Algeria and Morocco), Central Asia (Kazakhstan and Turkmenistan), the Middle East (Qatar and Oman) and South America (Brazil). New agreements have been made regarding expansion of the license area in Qatar and exploration in the Moroccan sector in the North Atlantic Ocean.

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## SEGMENT INFORMATION, THE A.P. MOLLER - MAERSK GROUP

### *Retail Activities*

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	1st half year	
<i>DKK million</i>	2004	2003
Net revenue	11,304	10,410
Result before depreciation and write-downs	583	583
Depreciation, amortisation and write-downs	234	200
Result before financial items	349	383
Associated companies, share of result before tax	285	202
Financial items, net	363	91
Result before tax	997	676
Tax	160	228
Minority interests	-14	-8
Result for the period	823	440
Cash flow from operating activities	512	339
Cash flow used for investing activities	534	243
Total assets	14,903	12,746

The figures for the Dansk Supermarked Group are included pro rata with 50 percent.

The Group consists of Dansk Supermarked A/S, Bilka Lavprisvarehus A/S, Føtex A/S, Netto A/S, Netto England, Netto Germany, Netto Poland and Netto Sweden. Associated companies comprise F. Salling A/S and Ejendomsaktieselskabet af 18. august 1958.

In the first half year, the Dansk Supermarked Group has experienced growth in revenue and unchanged result before depreciation, amortisation and write-downs, but a slightly lower result before financial items compared to that of the first half year in 2003. The growth in revenue relates to both Danish and foreign markets and is partly due to a continued increase in the number of stores as well as maintenance of the market position through development and adjustment of the product range. The increased depreciation is due to investment in store operations.

The growth in result of financial items and in share of result in associated companies compared to the first half in 2003 is primarily due to gain on sale of leasing activities. (This gain has been eliminated in the consolidated figures for the A.P. Moller - Maersk Group).

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## SEGMENT INFORMATION, THE A.P. MOLLER - MAERSK GROUP

*Shipyards, other industrial companies, aviation, IT, etc.*

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<i>DKK million</i>	1st half year	
	2004	2003
Net revenue	9,543	9,973
Result before depreciation and write-downs	539	565
Depreciation, amortisation and write-downs	394	724
Result before financial items	145	-159
Financial items, net	-83	-92
Result before special items	62	-251
Tax	34	-20
Minority interests	-5	5
Result for the period	23	-226
Cash flow from operating activities	-269	232
Cash flow used for investing activities	205	220
Total assets	17,336	16,739

The first half year result for this segment was positive DKK 23 million compared to a negative result of DKK 226 million in the first half year 2003. The depreciation, amortisation and write-downs of DKK 394 million were DKK 330 million lower than last year, partly due to write-downs on aircraft values in the first half year 2003.

In the first half year, Odense Staalskibsværft delivered a container vessel from the Lindø Shipyard to A.P. Møller - Mærsk A/S and a tug from Baltija Shipyard Ltd. to A/S Em. Z. Svitzer. Volkswerft Stralsund GmbH delivered an anchor handling vessel to A.P. Møller - Mærsk A/S and a container vessel to Safmarine Container Lines. The Yard Group's result was somewhat below that of the first half in 2003.

Mærsk Container Industri A/S with production in Tinglev, Denmark and Qingdao, China achieved a result at the level of that in the same period 2003. The result for the Tinglev unit was, however, negatively affected by increasing raw materials prices.

In the first six months of 2004, other industrial companies experienced improved markets. DISA A/S achieved increased revenue and a better result than that of the first half year in 2003. For Rosti A/S, the result improved during the first six months of 2004. The company has carried out restructuring plans as scheduled. With effect from 1 January 2004, A/S Roulunds Fabriker sold the Roulunds Tech Division with a small gain. The result for the remaining part of the rubber activities was at the level of that in the first half year 2003.

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## SEGMENT INFORMATION, THE A.P. MOLLER - MAERSK GROUP

*Shipyards, other industrial companies, aviation, IT, etc. (continued)*

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The Maersk Air Group still operates in a very competitive market with declining ticket prices. The company has introduced a new concept, which has been well received by Maersk Air's customers. The result for the half year was negative.

The Mærsk Data Group's half year result showed a good improvement compared to last year. The growth was good on several of the core areas, especially the transport and health area and on the intra structural deliveries. The result was positively affected by the focusing initiatives carried through in 2003.



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## EXPECTATIONS, THE A.P. MOLLER - MAERSK GROUP

### *Expectations for the year 2004*

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For the container services, activity and rates are still above last year's level. The result for the year for the container activities is expected to be significantly above that of 2003, in particular due to the first half year.

For the large crude carriers the rates are still above the average in 2003 – for the product carriers at the same level. For supply vessels the rates are lower than those for 2003 and idle days are still expected. The employment of the drilling rigs is by and large ensured for the rest of the year, but still at lower rates than last year. Sales of tankers and rigs already completed are expected to affect the result positively in second half year by approximately DKK 0.7 billion.

Oil prices are above the level of that of last year, which to a large extent is neutralised by the lower USD exchange rate and forward sale of oil. The total oil production is expected to be slightly above that in 2003, but the Group's share will be lower than that for 2003 due to substantially increased government share of the production.

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For the A.P. Moller - Maersk Group the total revenue is only expected to be about 5% above that for 2003 of DKK 157 billion, due to the lower USD exchange rate.

With freight rates, oil prices and a DKK/USD exchange rate at the present level, a result, before special items but after tax and minority interests, in the order of DKK 17 billion (DKK 13 billion) is now expected. The result for 2003 was affected by relatively large write-downs.

Furthermore, on 17 August 2004 an agreement has been entered into with IBM Danmark A/S on the sale of Mærsk Data AS. The agreement is subject to approval from competition authorities. If the sale is completed in 2004, the result for the full year will be positively affected in the order of DKK 2.5 billion.

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Uncertainty about the result for 2004 is especially related to freight rates and the USD exchange rate.

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