ALL THE WAY

2019 Annual Report

A.P. Møller - Mærsk A/S
Esplanaden 50, DK-1098 Copenhagen K / Registration no. 22756214

MAERSK

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Cover photo
Global trade on the move at the fully automated APM Terminals' Maasvlakte II container terminal in Rotterdam, the Netherlands.

Keeping cool in a hot market, page 30

The Annual Report for 2019 of A.P. Møller - Mærsk A/S (hereinafter referred to as A.P. Moller - Maersk or Maersk as the consolidated group of companies and A.P. Møller - Mærsk A/S as the parent company) has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

Changes 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 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.

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 Annual Report contains forward-looking statements. Such statements are subject to risks and uncertainties as various factors, many of which are beyond Maersk's control, may cause the actual development and results to differ materially from expectations contained in the Annual Report.

Directors' report

Highlights

Strong improvement in earnings and free cash flow from improved operational performance and cost measures.

1 Progressing on the transformation

As part of the strategic plan to become the global integrator of container logistics, we are tracking key metrics on a quarterly basis. The metrics are related to creating synergies across our businesses as one company and generating free cash flow on the back of improved earnings to ensure a strong balance sheet and create value for our shareholders.

We significantly improved the free cash flow generation with a cash return on invested capital of 9.3% (2.8%) based on improved earnings, higher cash conversion and capital discipline. Contributing to the earnings improvements, accumulated synergies of USD 1.2bn was realised by the end of 2019 hereby exceeding our synergy target of USD 1.0bn.

The non-Ocean revenue increased by 0.1% (6.3%) when adjusted for the closure of production facilities in Maersk Container Industry. The growth was mainly driven by strong growth in gateway terminals, only partly offset by lower revenue in freight forwarding in Logistics & Services due to front loading of volumes in 2018 in anticipation of tariffs.

2 Strong improvement in profitability continued

With revenue on par at USD 38.9bn (USD 39.3bn), the continued focus on improving profitability across the businesses resulted in a 14% increase in EBITDA to USD 5.7bn (USD 5.0bn) and a margin of 14.7% (12.7%). This was mainly driven by strong operational performance in Ocean focusing on cargo selection, capacity management, reliability and bunker efficiency resulting in a decrease in total costs. Gateway terminals reported a 3.9% volume growth, and with improved revenue per move and stable costs, the EBITDA margin improved by 3.2 percentage points to 28%.

EBIT improved from USD 409m to USD 1.7bn, reflecting an improvement in margin to 4.4% (1.0%), leading to a higher return on invested capital of 3.1% (0.2%), while underlying profit was USD 546m (loss of USD 61m).

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 104% (89%), and cash flow from operating activities was USD 5.9bn (USD 4.4bn). CAPEX was USD 2.0bn (USD 3.2m) and free cash flow was USD 6.8bn (USD 5.1bn), positively impacted by the sale of Total S.A. shares of USD 2.6bn (USD 3.0bn). Adjusted for capitalised lease payments and the sale of Total S.A. shares, free cash flow was USD 2.4bn (USD 0.1bn).

CAPEX discipline remains a key focus area reflected in the accumulated CAPEX guidance for 2020-2021 of USD 3.0-4.0bn.

4 Cash distributions to shareholders of USD 1.3bn

A.P. Møller - Mærsk A/S distributed USD 1.3bn in cash to shareholders through an ordinary dividend of USD 469m in April and USD 791m related to the share buy-back programme announced in May 2019 of DKK 10bn (around USD 1.5bn) over a period of up to 15 months.

Maersk Drilling was demerged via a listing on the Danish Stock Exchange in April, and the shares were distributed to existing shareholders of A.P. Møller - Mærsk A/S. The combined value of both companies on the first trading day increased by 3.3%, equal to USD 0.9bn in added value.

Net interest-bearing debt decreased to USD 11.7bn (USD 15.0bn) due to strong cash flow generation and proceeds from the sale of Total S.A. shares. Maersk remains investment grade-rated with a stable outlook from Moody's and Standard & Poor's.

The Board of Directors proposes an ordinary dividend to the shareholders of DKK 150 per share (DKK 150 per share), based on the improved underlying profit, the proceeds from Total S.A. shares and the strong cash flow generation in 2019.

5 Guidance for 2020

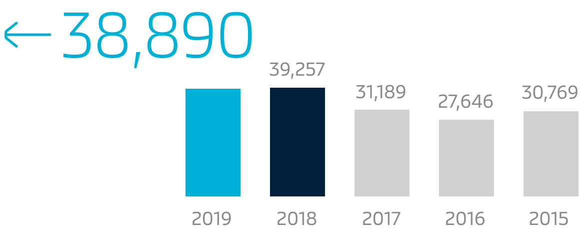
A.P. Moller - Maersk expects earnings before interest, tax, depreciation and amortisation (EBITDA) of around USD 5.5bn, before restructuring and integration costs and with a high cash conversion.

The outlook for 2020 is impacted by the current outbreak of the Coronavirus (COVID-19) in China, which has significantly lowered visibility on what to expect in 2020. As factories in China are closed for longer than usual in connection with the Chinese New Year and as a result of the COVID-19 we expect a weak start to the year.

Maersk at a glance

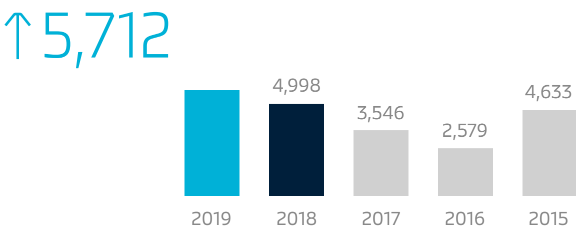
Maersk comprises four business segments with the consolidated key results for the continuing operations presented below.

Revenue (USD million)



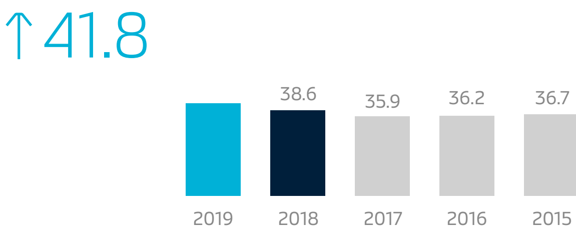
Revenue was on par with 2018. The increase of 0.2% in Ocean was due to 0.2% higher average freight rates and higher other revenue but with a decrease in volumes. The increase in Terminals & Towage of 3.2% was due to higher volumes in Terminals, while revenue declined by 1.9% in Logistics & Services because of the very high volume in Q4 2018. The decrease of 22% in Manufacturing & Others was due to exiting the dry container business and divesting the bulk activities, both in January.

EBITDA (USD million)



EBITDA increased by USD 714m, driven by increases in all segments. Ocean increased by USD 574m, driven by a lower cost base given a lower bunker price and improved bunker consumption. Terminals & Towage increased EBITDA by USD 109m or 11%, driven by increased volumes, where Logistics & Services increased by USD 47m and Manufacturing & Others by USD 42m.

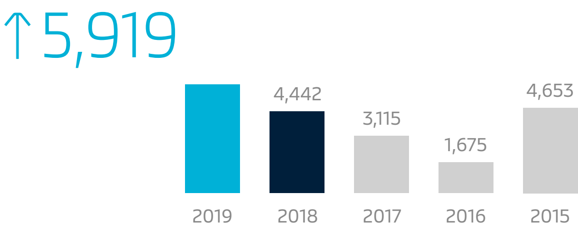
Relative CO_2 reduction[1] (percentage)



Operational energy efficiency has shown significant improvements in the last two years. The 2019 progress shows an additional 3.2% improvement towards the 2008 baseline and represents a 5.2% improvement relative to the 2018 level. Maersk is well on track for the 60% reduction target in 2030 and has the ambitious target of becoming net carbon neutral by 2050.

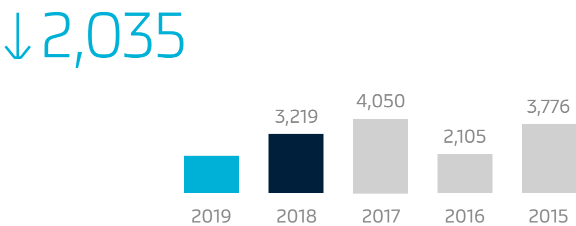
[1] Percentage improvement in Energy Efficiency Operational Indicator (EEOI) relative to 2008 baseline.

Cash flow from operating activities (USD million)



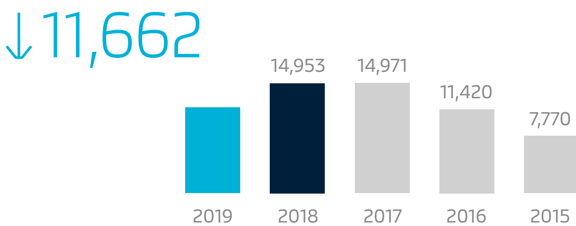
Cash flow from operating activities increased by USD 1.5bn to USD 5.9bn (USD 4.4bn) equal to a cash conversion of 104% (89%) driven by EBITDA of USD 5.7bn and improvements in net working capital of USD 477m.

Gross capital expenditure, CAPEX (USD million)



Gross capital expenditure (CAPEX) was in the lower end of the guidance of around USD 2.2bn and reduced by USD 1.2bn versus 2018, reflecting a continued capital discipline with USD 1.1bn reduction coming from the Ocean segment.

Net interest-bearing debt (USD million)



Net interest-bearing debt decreased by USD 3.3bn, mainly driven by cash flow from operating activities of USD 5.9bn, positive cash flow used for investing activities, partly offset by the annual dividend, share buy-backs, interest payments and new lease liabilities.

Note: 2018 presented as if IFRS 16 had been implemented in 2018, for comparison purposes.

Message from the Chairman and the CEO

In the autumn of 2016, A.P. Moller - Maersk announced a new strategy and embarked on a multi-dimensional transformation that would change not only our company but also our industry.

At the time, we were challenged by declining revenue, low profitability, weak cash flow and high financial leverage. This combined with low and volatile oil prices, as well as low and volatile container freight rates exposed the conglomerate to high risk.

We decided to transform A.P. Moller - Maersk from being a conglomerate with diversified business interests in oil, oil services, shipping and logistics to a global leader in container logistics, building on our strong position in container shipping, ports and container-based landside logistics.

Our vision is to build a company that delivers true end-to-end logistics solutions that help our Ocean customers manage their global supply chains, while leveraging the opportunities of digital technology to significantly improve the customer experience and how we run the company.

Søren Skou
CEO of A.P. Møller - Mærsk A/S

Jim Hagemann Snabe
Chairman of A.P. Møller - Mærsk A/S

The aim of the transformation of A.P. Moller - Maersk is to set the company on a new profitable growth trajectory to maximise shareholder value, while delivering on our purpose of enabling cost competitive, simple and sustainable global trade. With that we embarked on an ambitious and fundamental transformation that would not only change the company, but also challenge and change the entire industry.

Solid progress driven by the strategy

Looking back on 2019, we passed several milestones of our ambitious transformation, including the successful listing of Maersk Drilling, which marks the completion of the separation of the energy businesses. We completed the integration of Hamburg Süd and the reorganisation of the company from the conglomerate structure of the past, to the integrated and focused company structure of the future.

"The execution of our strategy has allowed us to deliver improved financial performance, while making meaningful progress on our transformation."

Despite a backdrop of weak trade growth, ongoing trade tensions and geopolitical uncertainty in many markets in 2019, the execution of our strategy has allowed us to deliver improved financial performance, while making meaningful progress on our transformation.

At the 2019 Annual General Meeting, we announced four metrics to track progress on our strategic transformation:

1. *Cash return on invested capital* (CROIC) increased to 9.3% in 2019 from 2.8% in 2018 due to our improved earnings and strong focus on capital discipline and free cash flow. This key measure indicates generation of free cash flow from the invested capital through earnings, cash conversion and capital discipline.

2. *Non-Ocean revenue* increased by 0.1% when adjusted for the closure of the dry factories in Maersk Container Industry, compared to a growth of 6.3% in 2018. This was led by strong growth in gateway terminals, only partly offset by a small decline in Logistics & Services due to extraordinary high volumes in Q4 2018 and a decline in Manufacturing & Others.

3. *Gross profit in Logistics & Services* increased by 8.9% in 2019 led by the growth in inland services, intermodal, warehouse and distribution and custom house brokerage. This was a solid improvement, however, gross profit comes from a low level and we need to accelerate growth further in the years to come.

4. Finally, we achieved our *synergy target* on the Hamburg Süd integration and through the integration of the transport and logistics parts of our business by June 2019. By year-end 2019, the total synergies achieved reached USD 1.2bn, mainly from closer collaboration between our liner businesses and terminals as well as procurement and network synergies.

In addition to the transformation progress, we improved the financial performance of the company. Net underlying result for continuing operations grew by USD 607m to USD 546m. Operating earnings (EBITDA) grew by USD 715m to USD 5.7bn with the EBITDA margin improving to 14.7%. As a result of the stronger earnings and cash flow, we strengthened our balance sheet further with continued focus on capital discipline and free cash flow, thus reducing net interest-bearing debt by USD 3.3bn.

The improved financial performance was achieved through a combination of strong cost control, a solid network in Ocean and increased collaboration between our terminals and liner operations. Finally, improved earnings and volumes in strategic parts of our logistics offerings in warehouse and distribution, custom house brokerage and inland services contributed to the overall improvement.

Safety remains a topic of vital concern. Sadly, in 2019 three of our colleagues and two contractors lost their lives while working for A.P. Moller - Maersk. We will continue to do our utmost to ensure a safe and secure work environment for our employees. In 2019, we launched our new safety approach, which focuses on leadership accountability, capacity for safe operations, and safety culture. We remain committed to improving our safety record and will not be satisfied until we reach our ambition of zero fatalities.

Simpler and better customer experience

A cornerstone of our strategy is to significantly simplify the customer experience and increase customer value. In 2019, we managed to significantly improve customer satisfaction levels as we made customer interactions more seamless, offered more value-added services and repositioned our strong brand.

We control key assets in the physical value chain, which gives us a competitive edge. We are the only end-to-end logistics provider that owns a global container liner network, a global terminal network and a sizeable share of warehouses. By integrating our operations and assets with technology, we can continuously offer new products to our customers and better meet their individual supply chain needs.

"Good leadership, strong talent and the right combination of current and new capabilities are key to ensuring that all activities stay focused on our customers and on our strategic priorities. It is embedded in the strong A.P. Moller - Maersk culture to take care of today, while actively preparing for tomorrow."

To deliver on customer requirements of transparency and predictability, we launched a new product, Maersk Spot, in May 2019. Maersk Spot offers fixed prices and a loading guarantee and was immediately well received with a strong market adoption accounting for 24% of short-term volume by year-end 2019.

In container logistics, speed and cost efficiency remain key customer concerns. We stay focused on offering easy-to-use self-service solutions that enable our customers to quickly help themselves, primarily through Maersk.com. Our website has become one of the world's largest B2B transactional websites, conducting more than USD 20bn per year in business.

A step change was made in early 2019 when we combined the sales forces of our land-based Logistics & Services products and our Ocean segment under the A.P. Moller - Maersk brand. Going to market as one sales force enables fully integrated value propositions and much simpler interactions to the benefit of our customers.

Frontrunning a technology shift in the industry

Among industries, container logistics has not been an early adopter of new technologies. One of the main challenges in the industry is too many and too complex paper-based processes and lack of common industry standards for data flow. As the global leader of container logistics, A.P. Moller - Maersk is taking the lead to digitally transform core processes in the industry.

TradeLens, a digital platform developed jointly by IBM and Maersk in 2018, is one example where blockchain technology allows increased transparency and more efficient information exchange saving time and costs for all players across the industry.

TradeLens is processing over 10 million discrete shipping events and thousands of documents each week. This provides shippers, carriers, freight forwarders, customs officials, port authorities and inland service providers with a common view of transactions and enables users to collaborate more efficiently with real-time access to shipping data.

Another aspect of the digital transformation is optimising utilisation of our assets. One example is in terminals, where we are introducing semi-automated operations at Pier 400, Los Angeles – the largest container terminal in North America. The aim is to increase efficiency and safety, and to reduce emissions. When the project is finished, truckers will see their entry/exit times at the terminal go down from 105 minutes to 35 minutes.

2020 – continuing to perform while we transform

Focus remains on developing our end-to-end offering through an even stronger Ocean product while expanding and scaling our logistics and services portfolio. The growth in logistics will be supported by the acquisition of the USA based company Performance Team with strong capabilities within warehousing fulfilment services, e-commerce, inland transportation and distribution services. Also, we are committed to securing long-term profitability in our terminals business and continue the strong developments from 2019.

Cost leadership is imperative in a competitive market with uncertainties.

To further fund the transformation, we continually improve our operating results while delivering strong free cash flow and reducing investments in the Ocean business. We continue to reduce CAPEX spend, with CAPEX guidance lowered to an accumulated USD 3-4bn over the coming two years.

The year 2020 will be marked by new regulations on sulphur emissions (IMO 2020) that went into effect on 1 January. We fully support the industry move towards low sulphur fuel to reduce pollution. We are well prepared to comply while mitigating the increased fuel expenses by lowering our bunker consumption and passing on the additional cost to customers.

"By integrating our operations and assets with technology, we can offer new products and value propositions to our customers and better meet their individual supply chain needs."

Good leadership, strong talent and the right combination of current and new capabilities are key to ensure that all activities stay focused on our customers and on our strategic priorities. It is embedded in the strong A.P. Moller - Maersk culture to take care of today, while actively preparing for tomorrow.

The outlook ahead is for low economic growth and low demand growth for seaborne goods. We plan accordingly and maintain flat capacity to support utilisation and low cost.

Committed to enabling cost-competitive, simple and sustainable global trade

Only through a level playing field for global trade can we enable exporters to sell their products around the world, and importers to source from the most competitive suppliers, no matter where they are located. Global trade creates jobs, economic growth and consumption opportunities that raise the quality of life.

As the world's largest operator of container vessels, we have a responsibility to pioneer when it comes to climate change. We continue to reduce our CO_2 emissions and work towards reaching carbon neutrality in our Ocean segment by 2050. On the operational side, we have reduced our bunker consumption by 6.7% since 2018, and our CO_2 efficiency has improved by 5.2%.

Good corporate governance remains a high priority, and in 2019 the Board of Directors added new members with the election of Bernard L. Bot and Marc Engel, bringing in supplementary capabilities in finance and logistics.

By the end of 2019, we took one step further in the integration of the business structure. Changes were made in the Executive Board with Vincent Clerc being appointed CEO of Ocean & Logistics and Henriette Hallberg Thygesen joining as CEO of Fleet & Strategic Brands. Furthermore, it was announced on 12 February 2020, that Patrick Jany will take up the position as CFO and member of the Executive Board from 1 May 2020.

These structural changes allow for even closer collaboration that will strengthen our execution power.

Thank you for your continued support

With the progress demonstrated in 2019 we have completed the first phase of our transformation. We remain committed to becoming an integrated transport and logistics company, delivering a higher return to our shareholders, while enabling global trade in an affordable, simple and sustainable way.

On behalf of the Board of Directors and the management team, we would like to extend our sincere gratitude to all our employees around the globe for their continued passion, efforts and dedication to A.P. Moller - Maersk who's loyalty and contributions have enabled our unique position and is the foundation for our future.

Jim Hagemann Snabe
Chairman

Søren Skou
CEO

Financial review

A.P. Moller - Maersk reported an EBITDA of USD 5.7bn (USD 5.0bn) in line with the upgraded EBITDA expectations announced in October 2019. The increase in EBITDA of USD 714m, mainly driven by an increase in Ocean of USD 574m and supported by capacity management and lower costs, resulted in a higher result than set in the initial guidance for 2019. Cash flow from operating activities was strong with a continued strict capital discipline.

Financial and operational performance

A.P. Moller - Maersk reported a revenue of USD 38.9bn (USD 39.3bn), emphasising the focus on improving profitability and cash flow after a strong revenue growth when integrating Hamburg Süd in 2018.

EBITDA increased by 14% to USD 5.7bn (USD 5.0bn), reflecting a margin of 14.7% (12.7%), mainly coming from the increase of 15% in Ocean to USD 4.4bn (USD 3.8bn), driven by a lower cost base due to capacity management and lower bunker price and consumption. EBITDA includes restructuring costs of USD 104m, while the impact from foreign exchange rates was negligible.

EBIT was USD 1.7bn (USD 409m), reflecting an EBIT margin of 4.4% (1.0%), negatively impacted by net impairments and write-downs of USD 29m (USD 757m). The impairments and write-downs in 2018 were related to Maersk Supply Service, the RoRo activities and the closure of Maersk Container Industry's factories in Chile and China.

Financial expenses, net, amounted to USD 758m (USD 766m), due to lower dividends received from Total S.A. of USD 13m (USD 238m), partly compensated by lower debt in 2019.

Tax increased to USD 458m (USD 398m), mainly due to changes in temporary differences in deferred tax.

The continuing operations reported a profit of USD 509m (loss of USD 755m) while the result for discontinued operations was a loss of USD 553m (profit of USD 3.8bn). The result for 2018 was positively impacted by an accounting gain of USD 2.6bn from the closing of the Maersk Oil transaction. The net result for both continuing and discontinued operations was a loss of USD 44m (profit of USD 3.0bn).

The underlying result for continuing operations after financial items and tax was a profit of USD 546m (loss of USD 61m), due to the improved operational performance.

Highlights for the year

USD million	Revenue		EBITDA		CAPEX[1]	
	2019	2018	2019	2018	2019	2018
Ocean	28,418	28,366	4,356	3,782	1,172	2,279
Logistics & Services	5,965	6,082	238	191	128	47
Terminals & Towage	3,894	3,772	1,107	998	530	556
Manufacturing & Others	2,172	2,787	205	163	204	358
Unallocated activities, eliminations, etc.	-1,559	-1,750	-194	-136	1	-21
A.P. Moller - Maersk consolidated – continuing operations	**38,890**	**39,257**	**5,712**	**4,998**	**2,035**	**3,219**

1 See definition on page 149.

IFRS 16

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.

ROIC for continuing operations increased significantly to 3.1% (0.2%) but remains at an unsatisfactory level below the target of minimum 7.5%.

Cash flow from operating activities was USD 5.9bn (USD 4.4bn), driven by EBITDA of USD 5.7bn and improvements in net working capital of USD 477m, leading to a cash conversion of 104% (89%).

Gross capital expenditure (CAPEX) was USD 2.0bn (USD 3.2bn), reflecting a continued capital discipline with most of the reduction in CAPEX coming from the Ocean segment.

Free cash flow was USD 6.8bn (USD 5.1bn), driven by cash flow from operating activities of USD 5.9bn, the sale of the remaining Total S.A. shares of USD 2.6bn, partly offset by CAPEX of USD 2.0bn. Free cash flow less capitalised lease payments was USD 5.0bn (USD 3.1bn), and USD 2.4bn (USD 0.1bn) when further adjusted for the sale of Total S.A. shares.

A.P. Moller - Maersk made net repayments of USD 2.7bn (USD 6.5bn), driven by repayments of three EUR bonds worth USD 1.0bn, repayment of USD 650m of financing from the Hamburg Süd acquisition and repayment of leases of USD 1.3bn (USD 1.5bn), partly offset by a 2029 USD 500m bond issuance in Q2.

The contractual capital commitments totalled USD 1.7bn, of which USD 1.2bn related to commitments towards terminal concession grantors. Strong commitment to capital discipline and a focus on free cash flow generation continue to be key areas.

Capital structure, issue of bonds and credit rating

Net interest-bearing debt decreased to USD 11.7bn (USD 15.0bn), driven by cash flow from operating activities of USD 5.9bn, positive cash flow used for investing activities of USD 874m due to the sale of Total S.A. shares of USD 2.6bn in Q1 2019, partly offset by the annual dividend of USD 469m, share buy-backs of USD 791m, financial expenses, net payments of USD 736m and net new lease liabilities of USD 1.5bn. The increase in net new lease liabilities was mostly driven by a new terminal concession with Tangier-Med II, Morocco, which went into operation in January 2019.

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

Total equity was USD 28.8bn (USD 33.2bn), with the decrease mainly driven by the demerger and separate listing of Maersk Drilling of USD 3.4bn along with the USD 469m ordinary dividend paid in April and share buy-backs of USD 791m, resulting in an equity ratio of 52% (53%).

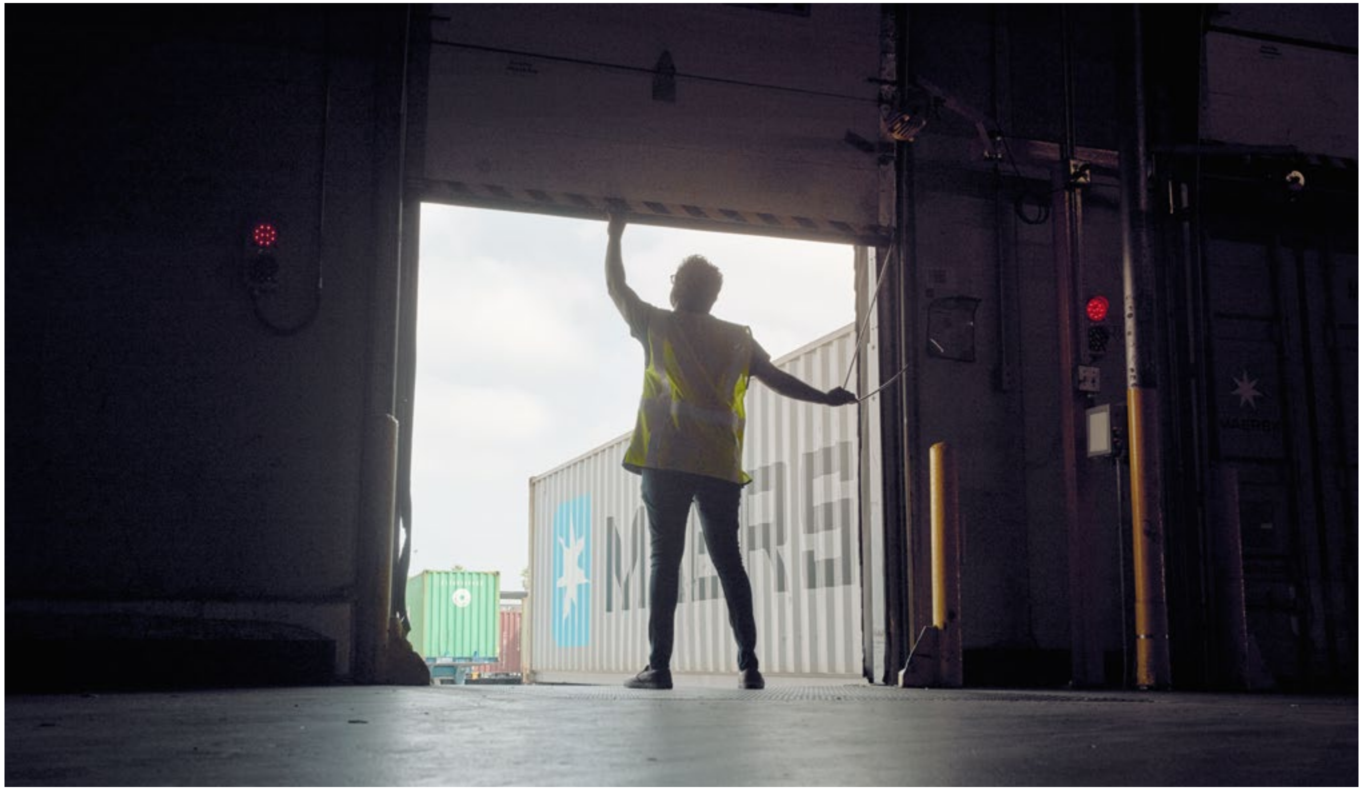
The liquidity reserve increased slightly to USD 10.5bn (USD 10.3bn), as cash balances increased mainly from the sale of the remaining Total S.A. shares, partly offset by a number of undrawn revolving facilities expiring in 2020.

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.

The Board of Directors proposes an ordinary dividend to the shareholders of DKK 150 per share of DKK 1,000 (DKK 150 per share of DKK 1,000). Of the total proposed ordinary dividend, the DKK 75 per share relates to the company's dividend policy of distributing between 30-40% of the underlying net result to shareholders in dividend, while the remaining DKK 75 per share relates to the commitment of distributing a material part of the value of the proceeds from the initially received Total S.A. shares, supported by the strong free cash flow generation in 2019.

The proposed dividend payment represents an ordinary dividend yield of 1.6% (1.8%), based on the Maersk B share's closing price of DKK 9,608 as of 30 December 2019. Payment is expected to take place on 26 March 2020.

Free cash flow USD 6.8bn



Growing the logistics side of the business, such as warehousing and distribution activities, remains one of the core priorities.

Share buy-back

In Q2 2019, the Board of Directors decided to exercise the authority to buy back shares 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.

From 4 June to 31 December 2019, Maersk bought back 134,279 A shares and 537,143 B shares worth DKK 5.3bn (USD 791m).

During Q4, Maersk bought back 43,638 A shares and 174,252 B shares worth DKK 1.9bn (USD 283m).

At 31 December, A.P. Moller - Maersk owns a total of 134,279 A shares and 587,949 B shares as treasury shares, corresponding to 3.47% of the share capital.

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 April 2019 as a demerger from A.P. Moller - Maersk 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 thereby finalised.

A.P. Moller - Maersk recognised a loss of USD 553m for the Maersk Drilling activity, mainly due to a negative fair value accounting adjustment of USD 628m prior to the demerger.

Change in management

On 30 June 2019, Claus V. Hemmingsen stepped down as Vice CEO and left the company. On 11 November, Søren Toft stepped down as COO and left the company. On 25 November, Carolina Dybeck Happe announced her resignation and she will step down as CFO during 2020. On 17 December 2019, it was announced that Henriette Hallberg Thygesen was appointed member of the Executive Board as per 1 January 2020.

The Executive Board consists of Søren Skou, Carolina Dybeck Happe, Vincent Clerc, Morten H. Engelstoft and Henriette Hallberg Thygesen. On 12 February it was announced that Patrick Jany will take up the position as CFO and join the Executive Board from 1 May 2020.

Guidance for 2020

A.P. Moller - Maersk expects earnings before interest, tax, depreciation and amortisation (EBITDA) of around USD 5.5bn, before restructuring and integration costs.

The organic volume growth in Ocean is expected to be in line with or slightly lower than the estimated average market growth of 1-3% for 2020.

The accumulated guidance on gross capital expenditure excl. acquisitions (CAPEX) for 2020-2021 is still USD 3.0-4.0bn. A high cash conversion (cash flow from operating activities compared to EBITDA) is expected for both years.

The outlook and guidance for 2020 is subject to significant uncertainties and impacted by the current outbreak of the Coronavirus (COVID-19) in China, which has significantly lowered visibility on what to expect in 2020. As factories in China are closed for longer than usual in connection with the Chinese New Year and as a result of the COVID-19, we expect a weak start to the year.

The guidance for 2020 is also subject to uncertainties related to the implementation of IMO 2020 and the impact on bunker fuel prices and freight rates combined with the weaker macroeconomic conditions and other external factors.

Sensitivities on guidance for 2020

The guidance of A.P. Moller - Maersk for 2020 depends on several factors. Based on the expected earnings level and all else being equal, the sensitivities for 2020 for four key assumptions are listed in the table below:

Factors	Revenue	Effect on EBITDA (next 12 months)
Container freight rate	+/- 100 USD/FFE	+/- USD 1.3bn
Container freight volume	+/- 100,000 FFE	+/- USD 0.1bn
Bunker price (net of expected BAF coverage)	+/- 100 USD/tonne	+/- USD 0.4bn
Foreign exchange rate (net of hedges)	+/- 10% change in USD	+/- USD 0.2bn

Earnings guidance for 2020 is subject to significant uncertainties.

14 A.P. Moller - Maersk Annual Report 2019 Directors' report Five-year summary Amounts in USD million

Five-year summary 1/2

Income statement	2019	2018 incl. IFRS 16 and MSS[4]	2018 incl. restated MSS[3]	2017	2016	2015
Revenue	38,890	39,257	39,280	31,189	27,646	30,769
Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)	5,712	4,998	3,809	3,546	2,579	4,633
Depreciation, amortisation and impairment losses, net	4,287	4,756	3,737	3,263	3,851	2,533
Gain on sale of non-current assets, etc., net	71	166	148	153	189	423
Share of profit/loss in joint ventures	93	116	116	-131	130	147
Share of profit/loss in associated companies	136	-115	-115	101	-55	97
Profit/loss before financial items (EBIT)	1,725	409	221	406	-1,008	2,767
Financial items, net	-758	-766	-401	-620	-549	-468
Profit/loss before tax	967	-357	-180	-214	-1,557	2,299
Tax	458	398	398	232	146	231
Profit/loss for the year – continuing operations	509	-755	-578	-446	-1,703	2,068
Profit/loss for the year – discontinued operations[1]	-553	3,787	3,787	-719	-194	-1,143
Profit/loss for the year	-44	3,032	3,209	-1,165	-1,897	925
A.P. Møller - Mærsk A/S' share	-84	2,985	3,157	-1,205	-1,939	791
Underlying profit/loss – continuing operations:						
Profit/loss for the year – continuing operations	509	-755	-578	-446	-1,703	2,068
Gain/loss on sale of non-current assets, etc., net	-71	-166	-148	-153	-189	-422
Impairment losses, net	29	757	757	821	1,375	1
Transaction and integration cost	78	78	78	59	-	-
Tax on adjustments	1	25	25	5	-30	11
Underlying profit/loss – continuing operations[2]	546	-61	134	286	-547	1,658
Balance sheet						
Total assets	55,399	62,690	56,622	63,227	61,118	62,408
Total equity	28,837	33,205	33,380	31,425	32,090	35,739
Invested capital	40,555	49,255	43,209	46,297	43,491	43,510
Net interest-bearing debt	11,662	14,953	8,730	14,971	11,420	7,770
Investments in non-current assets – continuing operations	9,809	10,772	3,399	9,656	4,710	3,874
Cash flow statement						
Cash flow from operating activities	5,919	4,442	3,228	3,115	1,675	4,653
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	2,035	3,219	3,219	4,050	2,105	3,776
Net cash flow from discontinued operations	-372	3,968	3,967	1,824	822	225

1 Following the classification of Maersk Oil, Maersk Drilling, and Maersk Tankers as discontinued operations in 2017, the businesses are presented separately on an aggregated level in the income statement, balance sheet and cash flow statements. In accordance with IFRS, the income statement and cash flow statement have both been restated in previous periods, while the balance sheet has not been restated in previous periods. The Maersk Tankers transaction was closed on 10 October 2017, the Maersk Oil transaction on 8 March 2018 and Maersk Drilling was demerged 2 April 2019.

2 See definitions on page 149.

3 2018 restated including Maersk Supply Service as continuing operations as reported in the financials pages 66-138.

4 2018 presented as if IFRS 16 had been implemented in 2018, for comparison purposes.

Five-year summary 2/2

Financial ratios[1]	2019	2018 incl. IFRS 16 and MSS[4]	2018 incl. restated MSS[3]	2017	2016	2015
Revenue growth	-0.9%	25.9%	25.9%	12.8%	-10.1%	-13.5%
Revenue growth excl. Hamburg Süd		8.2%	8.3%			
EBITDA margin	14.7%	12.7%	9.7%	11.4%	9.3%	15.1%
Cash conversion	104%	89%	85%	88%	65%	100%
Return on invested capital after tax (ROIC) – continuing operations	3.1%	0.2%	-0.3%	0.6%[2]	-3.4%	8.3%
Return on equity after tax	-0.1%	9.3%	9.9%	-3.6%	-5.8%	2.7%
Equity ratio	52.1%	53.0%	59.0%	49.7%	52.5%	57.3%
Stock market ratios						
Earnings per share – continuing operations, USD	23	-37	-30	-11	-25	84
Diluted earnings per share – continuing operations, USD	23	-37	-30	-11	-25	84
Cash flow from operating activities per share, USD	288	214	156	150	61	199
Ordinary dividend per share, DKK	150	150	150	150	150	300
Ordinary dividend per share, USD	22	23	23	24	21	44
Share price (B share), end of year, DKK[5]	9,608	8,184	8,184	10,840	11,270	8,975
Share price (B share), end of year, USD[5]	1,439	1,255	1,255	1,746	1,597	1,314
Total market capitalisation, end of year, USD m[5]	28,000	25,256	25,256	35,419	32,215	27,587

1 See definitions on page 149.
2 Excluding Hamburg Süd for comparison purposes.
3 2018 restated including Maersk Supply Service as continuing operations as reported in the financials pages 66-138.
4 2018 presented as if IFRS 16 had been implemented in 2018, for comparison purposes.
5 Share price and total market capitalisation for 2015-2018 have not been adjusted for the effect of the demerger of Maersk Drilling.

Market update

Global container trade growth was weak in 2019, as expected. Growth softened to around 0% in Q4 2019, and full-year growth ended at 1.4% (3.8%), considerably weaker than in 2018. The slowdown reflected broad-based weakening across all the main economies. Negative effects from escalating trade restrictions also weighed on trade growth.

Effective supply growth was contained during the year because of the moderate number of new vessels entering the market and the increase in the number of idled vessels. Therefore, despite the soft market demand, market fundamentals were more supportive of freight rates than in recent years, and freight rates increased slightly compared to 2018.

Market developments

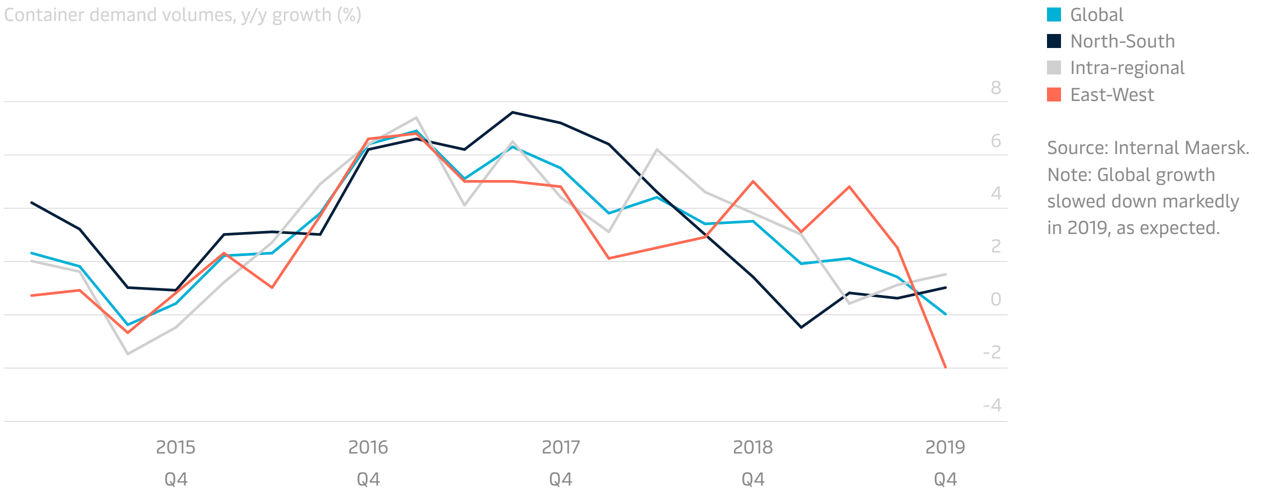
Container trade growth on the East-West trades grew 2.0% in 2019 (Chart 1 and Table 1). Solid trade flows in the first part of 2019 were counterbalanced by negative demand growth in the last quarter. European import growth from Asia was very strong in H1 2019 (5.1%) but moderated sharply to 0.6% in H2, bringing it closer in line with Europe's underlying economic fundamentals. North American container imports were under pressure during most of 2019 due to the US-China trade restrictions and slowing US capital expenditures, and consequently declined compared to 2018. Meanwhile, Asian imports from the US and Europe (East-West backhaul) showed solid growth in 2019, as the negative impact of trade restrictions on the US-China trade was more than offset by strong exports from Europe. North-South container trade stagnated in 2019. Latin American imports decreased slightly by 0.3%, reflecting weak macroeconomics, mainly in Brazil and Argentina and partly in Mexico. Import growth in the Middle East and Indian subcontinent declined marginally by 0.4% in 2019, while African imports grew by 4.0%. Finally, intra-regional trades posted modest growth in 2019, mainly supported by strong Intra-European flows.

Modest container demand growth in 2019 reflects the slowdown in global manufacturing and global export orders. For 2020, global container demand is projected to grow by 1-3%. The continued weak global sentiment above all in the manufacturing sector reduces the likelihood of a material growth pick-up in 2020, although sentiment brightened a bit at the end of 2019, and some improvement can be expected on the back of stabilising inventory dynamics. Aside from the cyclical slowing of the global economy, substantial risk to global container demand comes from the effectiveness of

Table 1: Market demand growth

Growth % (Y/Y)	2019	2018
Global market	1.4	3.8
East-West	2.0	3.1
– Headhaul	1.1	5.1
Asia-Europe	2.8	1.9
Asia-North America	-1.7	7.1
– Backhaul	4.0	-0.7
North-South	0.5	3.8
Intra-regional	1.5	4.4

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



Source: Internal Maersk.
Note: Global growth slowed down markedly in 2019, as expected.

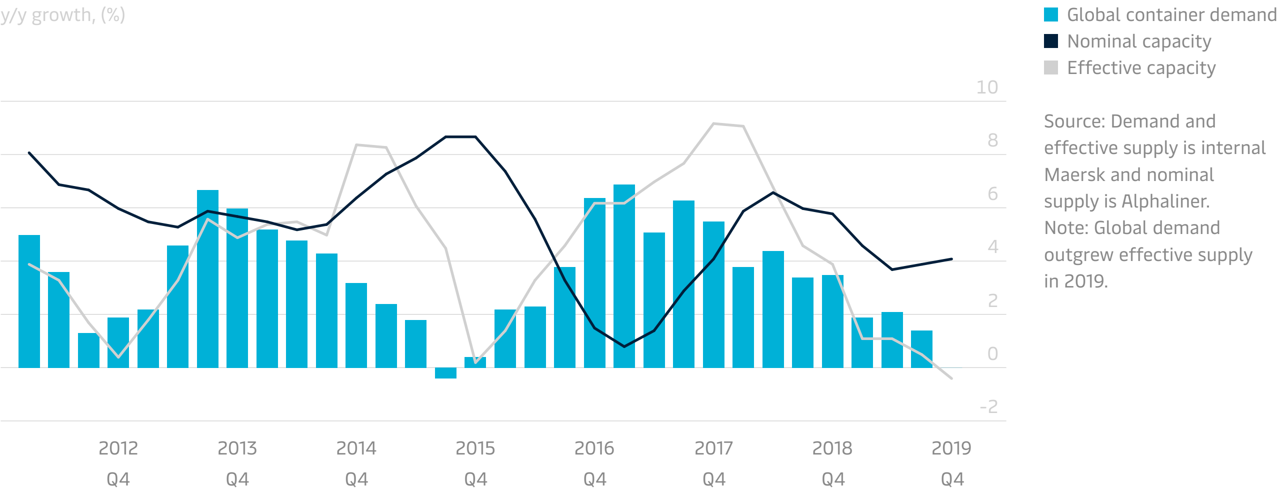
fiscal and monetary policy in major economies, such as the US and China. The global economy is vulnerable to a spike in oil prices caused by geopolitical tensions, and the outcome of the Brexit negotiations poses a risk to UK and European container trade. Moreover, the recent escalation of the coronavirus adds to short-term downside risks, while the longer-term impact will likely be limited. Finally, US-China trade negotiations remain a significant uncertainty.

Trade restrictions, mainly between the US and China and partly between the US and the EU, intensified in 2019, and the trade restrictive measures introduced since 2018 impact around USD 640bn worth of traded goods, corresponding to nearly 4% of the global value of traded goods. The trade restrictions have reduced bilateral trade between the US and China and led to shifts in trade structure. So far, US importers have shifted imports away from China to other countries such as Vietnam, Korea, Thailand, India, Mexico, and Europe. Globally, the implemented trade restrictions have reduced container trade by 0.5-1.0% in 2019 via direct and indirect channels, such as deteriorating sentiment and business investments. Despite some relief of the US-China trade restrictions towards the end of 2019, uncertainty about the outcome of subsequent trade negotiations and the impact on trade remains large. Meanwhile, the US continues to threaten to introduce higher tariffs on EU imports, for example on the automotive industry. Overall, the negative impact on container volumes from the trade war is expected to be within 0.5-1.0% again in 2020. The outcome of the 2020 US Presidential elections is not expected to significantly change the US stance on its foreign trade policy.

> "Modest container demand growth in 2019 reflects the slowdown in global manufacturing and global export orders. For 2020, global container demand is projected to grow by 1-3%."

The global container fleet stood at 23.2m TEU at the end of 2019, 4.1% higher than at the end of 2018. Deliveries amounted to 1,059k TEU (148 vessels) in 2019 and were evenly distributed during the year. Deliveries were dominated by vessels larger than 10k TEU. Around 208k TEU were scrapped in 2019, likely reflecting scarce market availability of some vessel segments as ships were removed temporarily from service to install fuel scrubbers, primarily in the +10k TEU segment in preparation for IMO 2020 regulations in January 2020. The reverse impact, when these vessels are redeployed back in service, will add to effective supply and increase the risk of oversupply, mainly in H2 2020. Idling totalled 6.1% (1,417 TEU) of the fleet at the end of 2019. The idle fleet bottomed out in Q2 and began to increase in the following two quarters, mainly because vessels were taken out of service for scrubber retrofitting. Consequently, effective capacity increased less than 1% in 2019 (Chart 2).

Chart 2: Global container demand and nominal supply growth

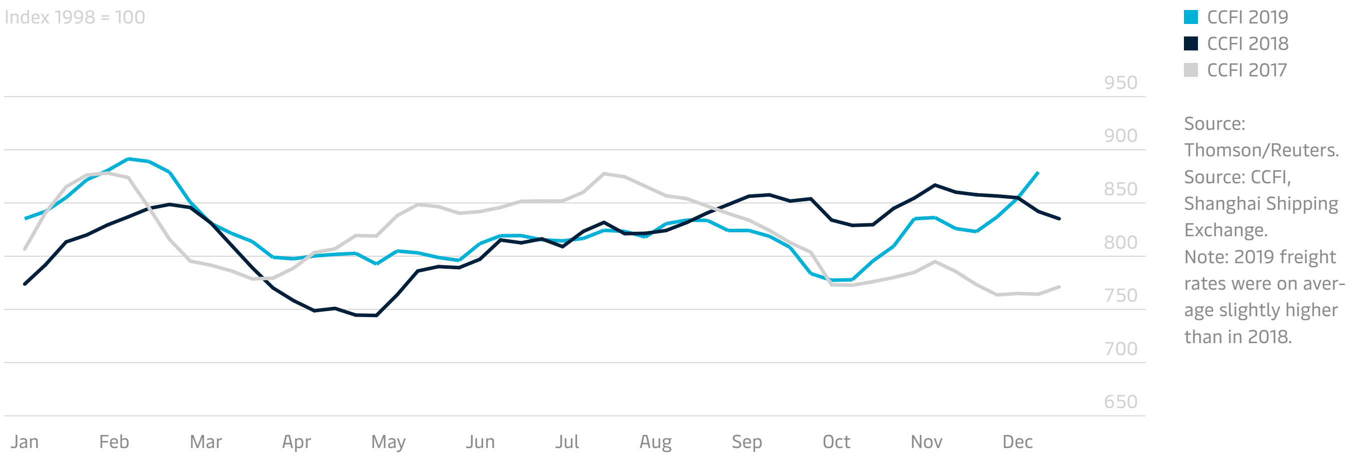


Source: Demand and effective supply is internal Maersk and nominal supply is Alphaliner. Note: Global demand outgrew effective supply in 2019.

784k TEU were ordered in 2019, corresponding to orderbook-to-fleet ratio of 10% at the end of the year. According to Alphaliner, the nominal global container fleet will grow by 3.5% in 2020. Effective supply is projected to increase by 1-3% (internal estimate), in line with global headhaul demand.

Freight rates, as measured by the China Composite Freight Index (CCFI), were on average 0.7% higher than in 2018, supported by headhaul demand slightly outgrowing average effective capacity (Chart 3). Freight rates held up firmly in the first part of the year but began to decline in H2 as demand weakened and bunker prices fell. Freight rates fell on the Asia to North Europe route by 4.5% but strengthened by 4.8% from Asia to Mediterranean Europe. Asia to US West Coast freight rates were stable by negative 0.1%, while Asia to US East Coast fell by 1.3%. Uncertainties relating to the strength of container demand and the dynamics of instalments of fuel scrubbers continue to pose a risk to the developments of freight rates in 2020.

Chart 3: Freight rates



Source: Thomson/Reuters. Source: CCFI, Shanghai Shipping Exchange.
Note: 2019 freight rates were on average slightly higher than in 2018.

The shipping industry successfully prepared for the IMO 2020 fuel specification switch to 0.5% sulphur fuels in Q4 2019. Demand for high-sulphur fuel oils fell substantially and Singapore and Rotterdam high-sulphur fuel oil prices declined by 20% and 22% from Q3 to Q4, respectively, averaging USD 350/tonne (t) and USD 273/t in Q4. Demand for low-sulphur 0.5% fuel oil increased as carriers prepared ahead of the 1 January transition date. Low-sulphur fuel oil prices rose by 4.4% in Singapore and dropped by 1.5% in Rotterdam moving into Q4 from Q3, averaging USD 576/t and USD 518/t in Q4, respectively. Low-sulphur 0.5% marine gasoil (LSMGO) prices also gained, rising by 1.4% q/q to USD 599/t in Singapore and 0.7% q/q to USD 568/t in Rotterdam in Q4 over Q3.

Singapore is the largest bunker port in the world accounting for an estimated quarter of global bunker sales and has experienced an active and volatile pricing period in the last months ahead of the specification switch. Singapore's low-sulphur 0.5% fuel oil posted prices above that of LSMGO for a period of 19 trading days at the end of December 2019 till early January 2020 highlighting the tight demand of low-sulphur fuel oil in the Asian region. We expect further volatility in the fuel prices in the major trading regions through mid-2020 before some stability returns.

The other transport and logistics markets were in broad terms impacted by the dynamics and market drivers that steered the ocean industry.

According to Drewry, port throughput volumes grew by 2.3% in 2019. Ports on the US East Coast recorded solid volume growth, while US West Coast saw declining volumes, and activity in the Far East ports stagnated. In line with projections for ocean trade, global port throughput growth is expected to be slightly higher in 2020. The container port industry continues to combat structural challenges stemming from the cascading of large container vessels, reinforced carrier alliances and capacity increases in many ports. The increased load on terminals is triggering requirements for upgrades of the terminal infrastructure, equipment, manning and planning capabilities, leading to more capital expenditure and operational cost, but lower utilisation.

Weak growth in global trade volumes in 2019 weighed on the broader logistics segment. Gross margins in the freight forwarding market remain under structural pressure from digital offerings. Freight forwarders are attempting to mitigate these pressures by selling value-added services on top of basic freight forwarding products and by developing their own digital offerings to be competitive against new entrants. Additionally, the air forwarding market is under pressure as a result of the trade restrictions between the USA and China.

Technology and future supply chains

Macroeconomics, market-specific conditions, and technology are key factors that determine the success of our business. We therefore pay close attention to global economic trends and technology developments in the regions and verticals in which we operate. This enables us to adjust our strategy and market positioning to capitalise on opportunities and to manage risk.

Future supply chains may look very different to today's supply chains: closer to the end-customer, fewer intermediate and raw inputs traded, and more regional/local. As noted in the Annual Report 2018, change in the structure of global trade flows is already apparent as evidenced by the declining trade-to-GDP multiplier (Chart 4).

Technology is working as a key pull and push factor shaping global trade flows: by empowering individuals to demand goods whenever and wherever they choose, supply chains are being pulled closer to the end-customer and are required to be more responsive to changing demand patterns. By reducing labour-cost arbitrage through automation, technology is enabling or pushing production of goods closer to the customer on commercially viable terms. Rising tariff barriers and environmental concerns accelerate these trends.

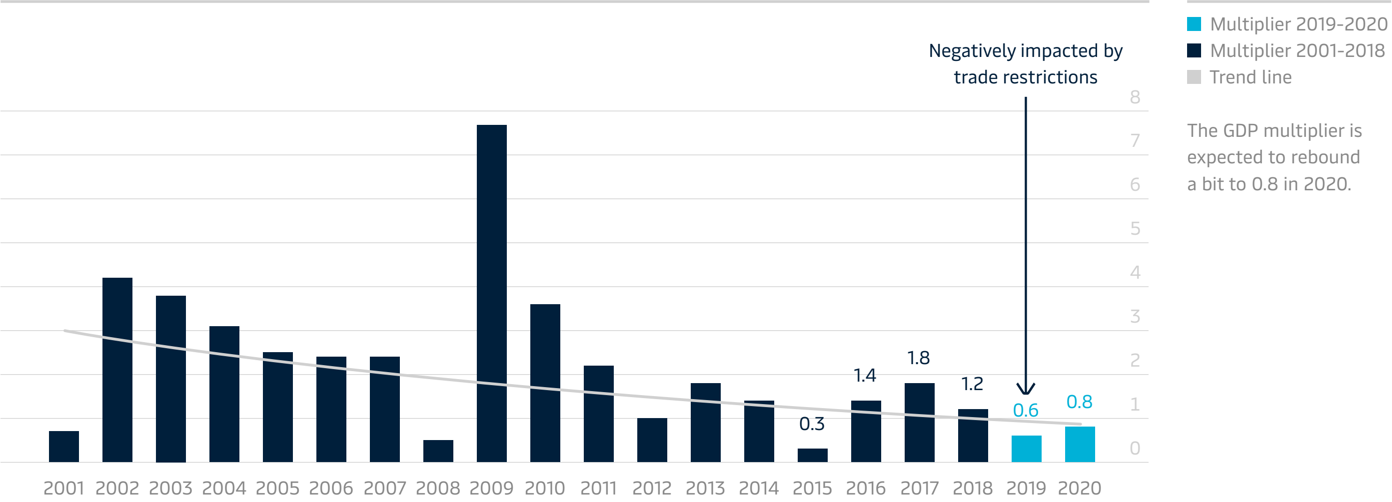
Technology is also challenging the business models of some of our largest customers and the supply chains of entire industries. For example, electric vehicles will change the automotive supply chain and threaten the installed base of OEMs. Vertical farming techniques that enable production to occur independently of the external environment and close to the end-customer are beginning to show promise, as are innovations in the production of apparel and footwear that reduce the need for labour. Technologies enabling recycling and closed-loop product life-cycles will impact multiple supply chains.

While technology is a key driver of change in supply chains, time-to-impact cannot be assessed without understanding the industry context, the commercial setting, industry structure and potential adoption rates. We therefore engage with external experts and industry players to develop a holistic perspective on potential impacts. Some high-level findings follow for two industry verticals.

Apparel industry — the outlook for the global supply chain will be determined by the interaction between the pace of automation in apparel production and whether textile and yarn production will become more distributed than today. For example, if the current trend of apparel production moving out of China to other Asian economies continues, while the textile and yarn supply chain remains largely unchanged, total containerised trade will grow more rapidly compared to a business-as-usual case. In contrast, if automation technologies prove to be commercially viable, and the yarn and textile supply chain ecosystem moves closer to new production locations, total containerised trade will be weaker compared to a business-as-usual case.

Automotive industry — the outlook for the supply chain will be determined by the interaction of progress in battery technology and the degree to which battery production is distributed globally. For example, if global battery production and supply becomes more China centred, automotive-related ocean volumes will be positively impacted by increased electric vehicles sales compared to a business-as-usual case. In contrast, if battery technology evolves toward smaller and lighter units or is more distributed, automotive-related ocean volumes might be negatively impacted by increased sales compared to a business-as-usual case.

Chart 4: Global GDP multiplier

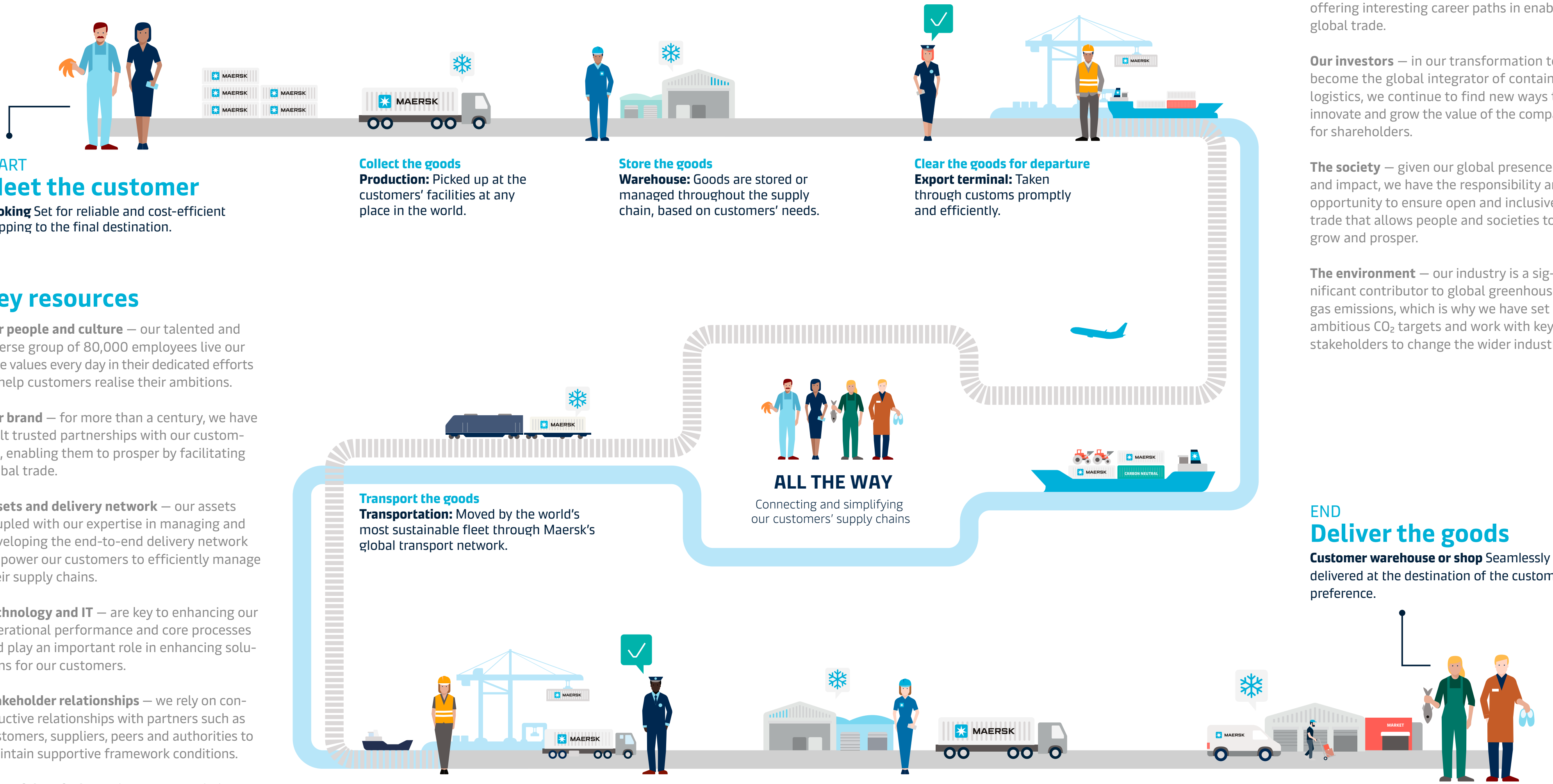


The GDP multiplier is expected to rebound a bit to 0.8 in 2020.

Our business

Business model

As the leading global player in container shipping and with a sizeable share in container terminals, A.P. Moller - Maersk enables people to trade and communities to grow by transporting goods anywhere.



START
Meet the customer
Booking Set for reliable and cost-efficient shipping to the final destination.

Collect the goods
Production: Picked up at the customers' facilities at any place in the world.

Store the goods
Warehouse: Goods are stored or managed throughout the supply chain, based on customers' needs.

Clear the goods for departure
Export terminal: Taken through customs promptly and efficiently.

Transport the goods
Transportation: Moved by the world's most sustainable fleet through Maersk's global transport network.

ALL THE WAY
Connecting and simplifying our customers' supply chains

Clear the goods at arrival
Import terminal: Taken through customs promptly and efficiently.

Store the goods
Warehouse: Stored and managed for optimisation of stock, costs and inventory days.

END
Deliver the goods
Customer warehouse or shop Seamlessly delivered at the destination of the customers' preference.

Key resources

Our people and culture — our talented and diverse group of 80,000 employees live our core values every day in their dedicated efforts to help customers realise their ambitions.

Our brand — for more than a century, we have built trusted partnerships with our customers, enabling them to prosper by facilitating global trade.

Assets and delivery network — our assets coupled with our expertise in managing and developing the end-to-end delivery network empower our customers to efficiently manage their supply chains.

Technology and IT — are key to enhancing our operational performance and core processes and play an important role in enhancing solutions for our customers.

Stakeholder relationships — we rely on constructive relationships with partners such as customers, suppliers, peers and authorities to maintain supportive framework conditions.

Financial capital – we have a strong balance sheet and are committed to remain investment grade-rated.

Value created

Our customers — by connecting and simplifying supply chains, we enable our customers to focus on growing their businesses.

Our people — bring skills and capabilities that are key to our business and it remains crucial to keep them safe and engaged while offering interesting career paths in enabling global trade.

Our investors — in our transformation to become the global integrator of container logistics, we continue to find new ways to innovate and grow the value of the company for shareholders.

The society — given our global presence and impact, we have the responsibility and opportunity to ensure open and inclusive trade that allows people and societies to grow and prosper.

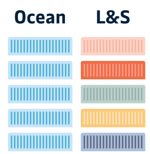
The environment — our industry is a significant contributor to global greenhouse gas emissions, which is why we have set ambitious CO_2 targets and work with key stakeholders to change the wider industry.

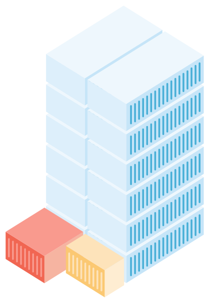
Strategy

Maersk is on a transformation journey to become the global integrator of container logistics, connecting, and simplifying our customers' supply chains.

Global trade is a key contributor to economic development, enabling exporters to sell their products in all relevant markets and importers to source goods and parts from the most competitive suppliers around the world.

Container logistics play a significant role in global trade by reducing trade barriers through reducing the cost of transportation. Maersk has played a vital role in container logistics for more than 40 years and takes pride in this contribution to global growth and wealth. Maersk's strategy is to accelerate that contribution by reducing complexity and waste along the global containerised supply chains. Maersk has designed the strategy around its customers' needs and pain points, hereby creating a market opportunity that will deliver value to customers as well as profitable growth and improved performance for Maersk.



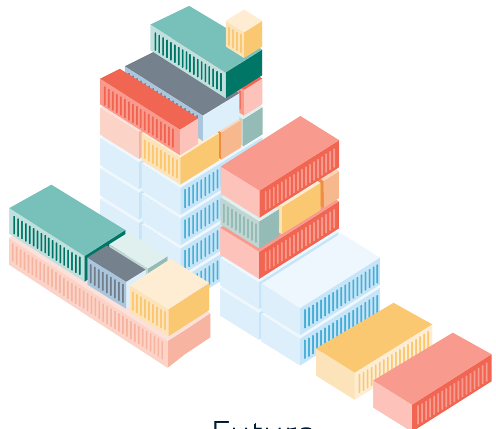


Past

An offering centred around Ocean, with some value-added services

Present

Differentiated ocean products and a broader portfolio of logistics and services



Future

Differentiated and relevant value propositions to suit individual customer needs

Becoming the global integrator of container logistics

The vision of becoming the global integrator of container logistics rests on three pillars:

- Creating a portfolio of end-to-end products/ services.
- Seamless customer engagement.
- Superior delivery network end-to-end.

The first phase of strategy execution focused on improving the customer experience and the financial performance of the Ocean business to create a strong foundation for the next phases of the strategy. The tools have been better reliability, better service to customers, defining and selling unique products, as well as continuing to reap benefits from scale and other cost benefits. Maersk has seen significant progress in these areas since the strategy was launched in the fall of 2016.

Creating a portfolio of end-to-end products/services

The next phase in the strategy is about growing the business by innovating existing products combined with selling landside logistics products to our existing customers – as well as growth in our Terminals & Towage business.

Product innovation is critical to providing new and increased value to Maersk customers, while at the same time addressing the inefficiencies of the industry. Maersk has made good progress on adding new products in 2019, which is essential for creating a portfolio of end-to-end products/services. On the oceanside, Maersk Spot has been launched – a new Ocean product with equipment and load guarantee. This product has been very positively received by the customers and by year-end 2019, Maersk Spot makes up approximately

Digitising the global supply chain

Maersk.com

59% of bookings via Maersk.com

Value-added services available online

TradeLens

98 ports and terminals directly integrated

66% of global container capacity committed to the platform

24% of Maersk's total spot volumes. On the landside, Maersk acquired the US-based customs brokerage firm Vandegrift in Q1 2019, which is a strong addition to the Logistics & Services portfolio. In the coming years, Maersk plans to add more new products and capabilities through value-creating acquisitions within areas where Maersk can add value and solve pain points for its customers, such as customs house brokerage, warehousing and distribution and supply chain management. The current M&A pipeline consists of acquisition targets each of them with a value well below USD 1bn. The value creation logic in the M&A strategy is based on creating additional value to our existing customers, hence the majority of synergies from M&A will come from commercial synergies and less from cost synergies – although the latter will also be pursued to the extent possible.

Seamless customer engagement

Adding more products is fundamental towards becoming the global integrator of container logistics. However, in the future, Maersk's aspiration is not just to have more products available but to be able to configure these into differentiated value propositions to suit individual customer needs (as illustrated). This requires enhanced capabilities to integrate data and to integrate operational processes, something which Maersk is currently working on and investing in.

Digitisation is a critical element of improving Maersk's operational performance, creating new products, and not least creating a seamless customer engagement. Maersk's primary customer engagement platform, Maersk.com, is one of the world's largest B2B platforms. Maersk is bringing more of its inland products onto Maersk.com, and in 2019 went live with customs house brokerage in 22 new countries, where customers with a click of a button can select customs clearance as an integrated part of the service. Data integration, where Maersk provides customers with live data insights to optimise their supply chain is becoming increasingly important. Here Maersk has made significant progress with TradeLens, which now has Ocean partners signed up representing around 66% of global container capacity as well as 98 terminals live, and 22 customs authorities engaged in pilots or exchanging data.

Another key element of seamless customer engagement is how Maersk aspires to meet the customers as per their individual preferences, and to enable that Maersk merged the frontline organisations of Ocean and Logistics & Services in 2019. This integration effort, which involved a new organisational model in more than 130 countries and a new operating model for 22,000 colleagues, was executed throughout H1 2019, and the new model is now operational and delivering a much improved interface between Maersk and its customers.

> "We have begun a journey towards having net-zero CO_2 emissions from our own operations by 2050. This is an important ambition and one we can only deliver on in collaboration with many other stakeholders."

Søren Skou, CEO of A.P. Møller - Mærsk A/S

The efforts to improve the customer experience is paying off, and over the past two years customer satisfaction has been steadily increasing, reaching an all-time high level in 2019.

Superior delivery network end-to-end

The foundation of Maersk's strategy is a superior delivery network end-to-end, which delivers on fundamental needs for getting goods to the right place, at the right time, at the right price, with minimum environmental impact.

Late 2017, Maersk acquired Hamburg Süd to strengthen the Ocean network, and throughout 2019 the networks of Hamburg Süd and Maersk became fully integrated delivering annual cost synergies above expectation. In 2019, Maersk has improved reliability in Ocean by 10 percentage points, placing Maersk (both the Maersk and Hamburg Sud brands) consistently in the top quartile of global carriers in the industry. Cost leadership remains essential and in 2019 Maersk reduced its unit cost by 1.7% at fixed bunker. Going forward, Maersk remains committed on lowering the total operating costs, excluding bunker fuel cost and to deliver 1-2% unit cost at fixed bunker reductions per year. In parallel, Maersk continues reducing the CO_2 emissions and by 2019 had reduced relative consumption by 41.8% compared to 2008 baseline. Maersk's ambition of 60% reduction by 2030, and net-zero emission by 2050, will require significant innovation in new fuel types, which Maersk is spearheading together with industry stakeholders.

The Maersk organisation is changing from a conglomerate of independent businesses to one integrated container logistics company. The integration is delivering significant synergies, and by end 2019 Maersk realised USD 1.2bn in combined synergies between the transport and logistics businesses exceeding the USD 1.0bn target as well as from completing the integration of Hamburg Süd. More synergies remain, and Maersk is constantly looking for innovative ways to identify synergies and take out cost. In addition, Maersk is fundamentally re-architecting its process and applications landscape, re-engineering core processes end-to-end, and replacing a set of ageing legacy applications with modern, cost-efficient applications that can properly support an integrated container logistics company. Many fundamental building blocks in this effort have been selected and are being implemented with first major releases in 2020.

Growth with focus on Logistics & Services and Terminals & Towage

In 2019, Maersk had 73% of the revenue in Ocean, 15% in Logistics & Services, and 10% in Terminals & Towage. Maersk will grow the two latter segments disproportionate to the former, including acquisitions in landside logistics, as previously described, to create a more diversified business model and rebalanced operating profit (EBIT). In APM Terminals, growth will come from further improvement of existing operations and completing ongoing terminal projects. In the future, Maersk does not expect to venture into new greenfield projects but will consider brownfield and M&A as means to deliver profitable growth in the Terminals & Towage segment.

Over the past three years, Maersk has deleveraged with more than USD 10bn via strict CAPEX discipline in Ocean and not starting new greenfield terminal projects. This has contributed to a strong balance sheet and by that the needed investment capacity to deliver on the growth plans described above and at the same time be able to distribute cash to shareholders.

Keeping track of the transformation

To measure the transformation, Maersk is tracking four transformation metrics in addition to the overall ROIC target of creating an ROIC above 7.5%.

Non-Ocean revenue increased by 0.1% in 2019, adjusted for the closure of production facilities in Maersk Container Industry, which accounted for USD 345m of revenue in 2018. Logistics & Services improved gross profit by 8.7% to USD 1.2bn, reflecting a gross profit margin of 20%. Cash return on invested capital (CROIC) increased to 9.3% in 2019 due to strong free cash flow. Finally, combined synergies from the Hamburg Süd acquisition and from the integration of the transport and logistics activities increased until end 2019 and came to USD 1.2bn, thereby exceeding the original target. As the bulk of the synergies are now delivered, we will stop reporting this metric going forward.

Tracking the transformation

Transformation metrics	2019	2018	2017
Non-Ocean, revenue growth	0.1%[1]	6.3%	5.6%
Logistics & Services, gross profit growth	8.7%	7.9%	N/A
Realisation of annual synergies worth approx. USD 1.0bn in total by 2019, USDbn (accumulated)	1.2	0.7	0.1
Cash return on invested capital (CROIC)	9.3%	2.8%	-2.8%
Long-term target			
Return on invested capital after tax (ROIC)	3.1%	0.2%	N/A

1 Non-Ocean revenue decreased by 2.9% in 2019 before adjusting for the closure of the production capacity in Maersk Container Industry.

With equipment and loading guarantees, customers experience a new level of reliability that ensures a timely delivery to market.

ALL THE WAY

Reliability on the spot

CUSTOMER EXPERIENCE | Providing customers with an efficient and reliable experience is essential for Maersk's growth. Maersk Spot is offering transparent prices and loading guarantee while ensuring higher operational predictability and stronger commitments from customers.

Customers do not like disruptions to their supply chains. However, it is not uncommon to see overbookings in shipping to secure high utilisation. The industry continues to face the challenge of highly volatile overbooking rates with an average of 20-30%, making it difficult to plan operations.

For customers such as The Ramco Cements Limited, this cycle was creating a lot of frustration and uncertainty.

"We send around 120-200 containers to Colombo every week from Kattupalli port, near Chennai. Making bookings one to two weeks in advance is important to ensure that we can deliver to our customers on time, with the best deal possible," said Ramakrishnan Damodaran, Dy General Marketing Manager of The Ramco Cements Limited.

"Even though we are proactive about our bookings, there were cases where our shipments were not loaded due to capacity issues which resulted in customers losing trust in us," Ramakrishnan added.

As a response to this viscous cycle and in efforts to continue the momentum in developing an industry leading customer experience, Maersk has taken the initiative to make online bookings easier, faster, and simpler for customers.

Drawing on solid customer relationships and strong cross-functional teamwork, the Maersk Spot product is providing ocean customers with a simple online booking process that includes full price transparency, and equipment and space guarantee.

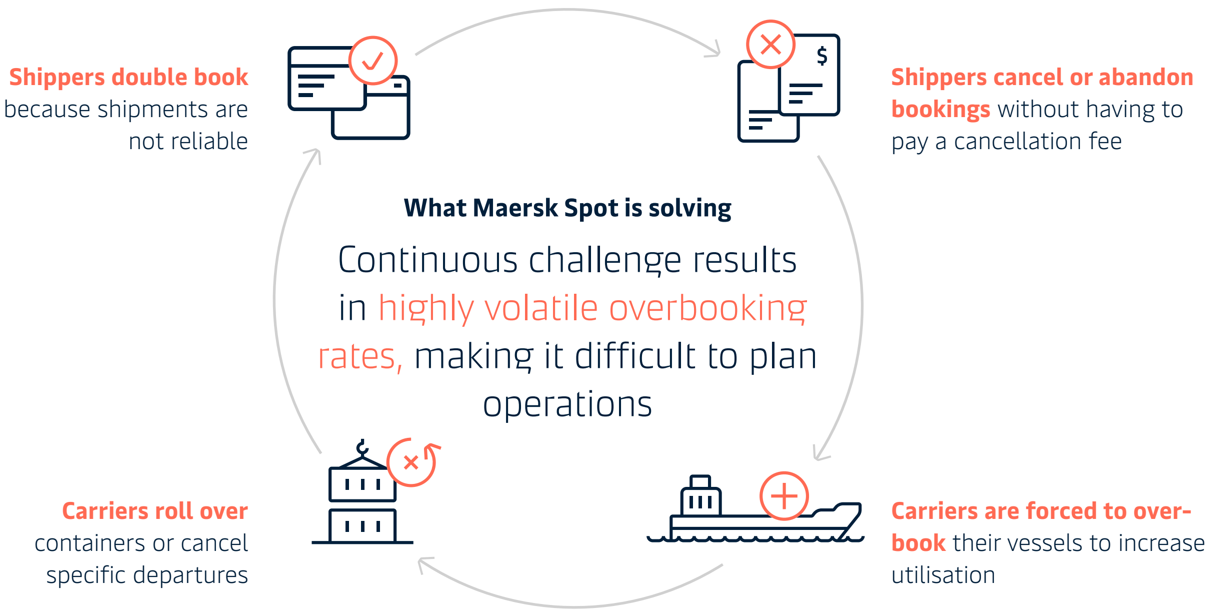
Less uncertainty, more transparency

Efficiency, reliability and competitive pricing are the three anchors of the Maersk Spot booking experience. For short-term customers, they can count on this product to deliver transparency, assurance, strong price competitiveness, awareness and an optimised ordering flow.

"Once we started using Maersk Spot, we no longer had the uncertainty of not knowing if we could actually provide our customers with their shipments," said Ramakrishnan.

Moving away from 13 independent offline steps in the buying process to five simple integrated online steps, Maersk Spot is providing a radically simplified buying experience.

> "Now that Maersk has introduced bookings on the spot, we are able to fulfil our supply chain needs with one company, in one place, seamlessly, with trust and commitment."
>
> **Ramakrishnan Damodaran, General Marketing Manager, The Ramco Cements Limited**



"Not only is the flow and ordering process simplified and optimised, the attractive rates and reliability of securing equipment and space guarantee have enabled us to improve operations and provide more proactive customer service," Ramakrishnan shared.

Higher predictability and reliability

As Maersk races ahead to become the global integrator of container logistics, building and delivering products and services that facilitate end-to-end solutions for customers is imperative for growth.

"Maersk Spot is giving us more operational predictability and strong customer commitment, and our customers get a digital, affordable and reliable service. All in all, this is driving an efficient and reliable customer experience, while enabling both Maersk's growth and that of our customers," said Johan Sigsgaard, Head of Ocean Products, Europe and Middle East trade. In Q4 2019, Spot customers booked 25,000 forty-foot containers weekly, accounting for one quarter of Maersk's total short-term volume.

Sustainability

In 2019, a step change in the commitment to sustainability took place across society. From government, investors and companies, to scientists, students and consumers, everyone united in calling for attention and solutions to the pressing challenges that are impacting our world. A.P. Moller - Maersk is making the pursuit of solutions that contribute to a better world a fundamental part of how we do business.

The demands for a more environmentally and socially sustainable world continued to grow in 2019. This is evident to us in new requirements from the financial community, in the expectations expressed by our customers and in the willingness of a range of stakeholders to partner with A.P. Moller - Maersk in the pursuit of decarbonising logistics.

This focus on decarbonising logistics is one of our sustainability strategy's four priorities (see graphic on page 28). We combine these priorities with a firm focus on responsible business practices and continue to integrate the management of sustainability risks, responsibilities and opportunities into our business operations.

In each of our four priorities, on trade, climate change, food loss and ship recycling, we look for ways in which we, through our business, can pursue and scale solutions to meet significant systemic challenges for the benefit of society and, at the same time, create opportunities for our business.

Decarbonising logistics

All sectors in the world need to decarbonise by 2050, if we want to live up to the Paris Agreement on Climate Change's goal of keeping global warming well below 2°C (IPCC, 2018). This includes so-called 'hard to abate-sectors', of which shipping is one.

The effects of climate change are clearly visible in changing weather patterns, including more extreme weather events, water scarcity and loss of biodiversity. These developments have galvanised interest and action in the financial sector and in the general public. They are also affecting supply chains across the world, with companies of all sizes looking for carbon efficiency and sustainable solutions to their transportation needs.

Maersk's focus continues to be on efficiency gains, with a target of a 60% reduction in CO_2 emissions by 2030 compared to 2008. From 2019, we report on progress towards this target using Energy Efficiency Operational Indicator (EEOI). With this indicator (not directly comparable with numbers in previous reports), we reached 41.8% relative reduction in 2019, with 5.2% originating from efforts made in 2019. Most prominent among these were technical retrofits of our vessels, as well as optimisation of vessel operations and route planning.

Our longer-term ambition is to have net-zero CO_2 emissions from our own operations in 2050. Committing to this target, we can and will be instrumental in driving the transformation of the shipping industry away from the use of fossil fuels.

To decarbonise, we work in three tracks: Technological innovation, market development and framework conditions.

Technology – explore new fuel and supply chain solutions: We will co-develop decarbonised fuel types and sustainable fuel solutions foremost with energy providers but also technology developers, researchers, investors and other shipping companies and logistics providers.

Performance highlights 2019

Our ambition is to have net-zero CO_2 emissions from own operations by 2050

- Progress of **41.8% relative CO_2 reduction** towards our **2030 target of 60% reduction** (EEOI indicator, compared to 2008 baseline)
- Identified three viable technologies **for future fuels**
- Launched the **Maersk ECO Delivery** ocean product

We aim to multiply the benefits of trade by reducing complexity and empowering small businesses to trade

- **TradeLens** is set to include more than half of global container volume data
- Launched **Twill** in 154 countries
- Provided online training to **women entrepreneurs** in SheTrades from more than 30 countries

We have a firm commitment to responsible business practices

- Registered **zero facilitation payments** on our own vessels
- Carried out **safety training** for top 90 senior leaders in Maersk
- Launched an updated **Maersk Code of Conduct** for employees
- Launched an updated **Supplier Code of Conduct**

- In 2019, we mapped available pathways and possible technologies for carbon neutral shipping. For this project we collaborated with Lloyds Register, University Maritime Advisory Services and DTU, Danish Technical University of Denmark. It resulted in the development of three working hypotheses for the fuels of the future: alcohol (ethanol and methanol). biomethane and ammonia.
- We established the LEO coalition, to develop a new biofuel based on lignin and ethanol, in collaboration with one other shipowner, several customers and scientific institutions.

Towards 2023, we will primarily invest in developing fuel solutions within each of the three future fuels, because to meet the deadline of a commercially viable net-zero vessel at sea by 2030, we must proactively pursue the most likely options found at this stage. Our door remains open to other ideas and options, however.

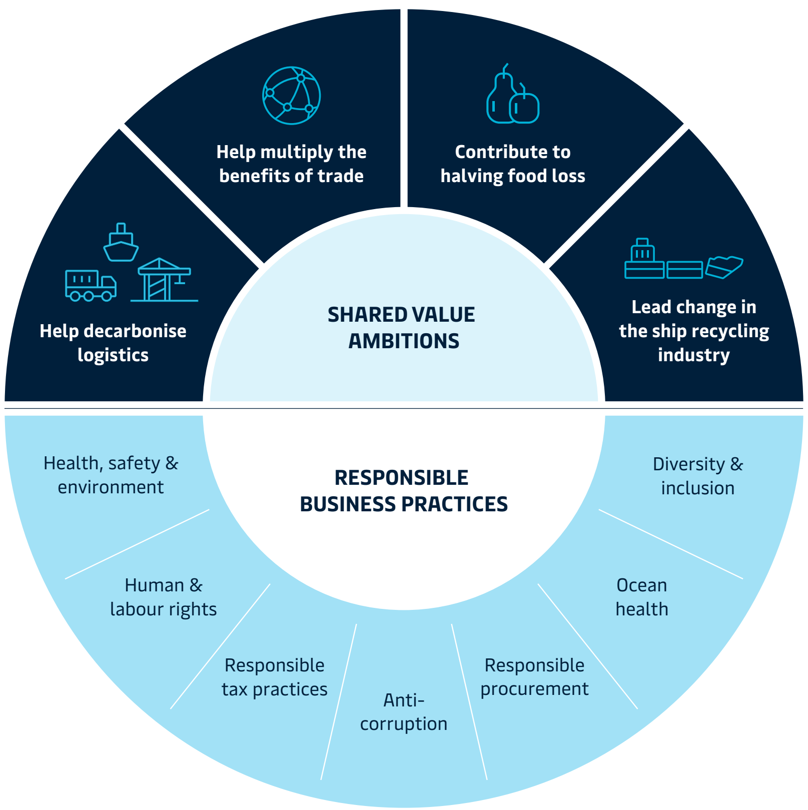
Market – accelerate demand: In close collaboration with customers, scientific institutions and certification bodies, we brought the use of biofuels in shipping to a new level in 2019. We were particularly pleased to partner with our customers on these efforts to develop the market:

- We piloted a biofuel made from used cooking oil on a Triple-E vessel from Rotterdam to Shanghai. The project was carried out in collaboration with a group of global companies in the Dutch Sustainable Growth Coalition.
- Following the successful conclusion of the pilot, we launched the Maersk ECO Delivery ocean product, where the carbon footprint of cargo transported under this name will be neutralised through use of biofuels in the Maersk network.

Policies – collaborate for best possible framework conditions: We will use our leverage to push for legislators and governing bodies to develop and implement policies that drive development towards carbon-neutral societies.

- In 2019, Maersk was a founding member of the Getting to Zero Coalition, whose 100-plus members are senior leaders from across the maritime, energy, infrastructure, and finance sectors. We will work with decision-makers from governments and intergovernmental organisations to ensure commercially viable net-zero vessels on the waters by 2030. The coalition will push for ambitious and relevant regulatory frameworks that support this transition and closes the competitiveness gap between CO_2 emitting fuels and net-zero fuels.

Our sustainability strategy



Multiplying the benefits of trade

Enabling trade is core to our business strategy. The mission of Maersk is to connect and simplify supply chains to enable trade for our customers and for a growing world. In support of this mission, we are innovating the processes and products of global container logistics, and in broader terms, we are working to ensure that trade serves as a positive contributor to global and local development and growth.

Our approach focuses on solutions that can benefit all but will particularly benefit small and medium-sized businesses. They constitute the majority of all companies in the world, and yet the system of trade in its current form has barriers to their participation that are hard to overcome.

Our strategy includes three commitments to be achieved by 2025. They target challenges in the trade environment and aim for simplified and more inclusive trade:

1. *Connect 50% of global containerised trade to digital solutions that reduce supply chain barriers.* Digitising global trade can help remove friction in global supply chains and barriers to trade more generally. This can create new growth. A World Economic Forum report on enabling trade estimates that it could create more than 20 million new jobs each year. Through the TradeLens platform, which we co-developed with IBM, we help lower the barriers preventing smaller companies from participating in international trade. For TradeLens to deliver on this promise, a significant share of the logistics community needs to be included on the platform. At the end of 2019, a total of 95 container terminals were connected to TradeLens, and ocean carriers representing

more than half of global container trade, as well as 15 customs authorities had committed to joining the TradeLens network.

2. *Help connect 100,000 small and medium-sized businesses, including women-operated businesses, to international trade by 2025.* SMEs make up 95% of all companies and offer two-thirds of all jobs. They are, however, underrepresented in trade and have lower access to global markets. By simplifying participation in global trade, we can reduce barriers and enable the creation of more jobs. On 1 January 2020, our platform Twill to connect SMEs to global trade launched in 154 countries. We also support capacity building on trade, most prominently in the International Trade Centre's project SheTrades. By the end of 2019, we had helped connect 8,000 small and medium-sized businesses to international trade.

3. *Contribute to trade facilitation reforms in 30 developing countries by 2025.* The WTO's Trade Facilitation Agreement pushes for global trade facilitation reform to make trade cheaper, faster and more inclusive through the removal of informal barriers to trade: outdated administrative systems, lack of infrastructure, etc. By the end of 2019, through our participation in the Global Alliance for Trade Facilitation, we had participated in nine such efforts, in Colombia, Brazil, Morocco, Ghana, Kenya, Malawi, Zambia, Sri Lanka and Vietnam.

Changing the ship recycling industry

We remain committed to our programme, which aims to change the ship recycling industry. We work with selected yards in Alang, India, and in 2019, we sent four vessels for recycling in Alang, using four different yards. We continue to see the same standard when we recycle in India as we do when we recycle in Turkey and China, as documented in third-party audits.

A critical point for the Alang yards' continued interest in investing in sustainability is the prospect of being included in the EU's list of approved ship recycling facilities, which is updated every six months. Several yards are in process for approval. This process was not concluded by the end of 2019.

We continue as active members of the Ship Recycling Transparency Initiative (SRTI) in support of its mission to accelerate a voluntary market-driven approach to responsible ship recycling practices. The SRTI works through an online platform for sharing information on ship recycling. Shipowners submit data on their approaches to ship recycling to the platform. Cargo owners and financial stakeholders can use this data to make more informed decisions.

Halving food loss

Investing in unbroken cold chain offerings is an important growth opportunity for our business on land. At sea, we already carry 27% of the world's refrigerated containers and 25% of the world's food commodities. As our cold chain business grows, we can leverage our services, products and capabilities to contribute to halving food loss during transportation, in support of a more sustainable global food system and local economic development.

We have established a partnership with the World Resources Institute (WRI), and in 2019 we worked on developing metrics for measuring food loss, to allow us to systematically measure how much food is lost where and why.

As part of this work, three pilot projects were carried out to quantify the amount and causes of food losses that occur during handling and storage between the farm and the freighter. The pilots are set to identify possible solutions to reduce those losses, and candidates currently include improved handling processes, introduction of cold storage technologies and better logistics management. Scheduled for completion in early 2020, the pilots follow citrus fruits in South Africa, avocados in Kenya, and grapes in Peru.

Responsible business practices

Responsible behaviour is part of our core values, and customers, suppliers, business partners and governments all expect us to conduct our business in a responsible manner. In 2019, we launched an employee Code of Conduct, which now forms the basis of all actions and activities carried out in our name.

In recent years, we have worked to align systems and procedures as we have transformed from a conglomerate to a one company structure. As part of our compliance work on anti-corruption, competition law and foreign trade controls, we appointed 61 volunteer Business Compliance Ambassadors to serve as advisors on the ground to cover over 70 countries that are exposed to an environment with high-corruption risk.

We began implementation of our Safety Differently strategy, where activities within leadership, culture and capacity building are set to create an organisation resilient towards severe impacts from accidents. Very sadly in 2019, we suffered five fatalities in our operations, indicating that there is much more for us to do, to learn and to improve in addressing our workplace risks.

As our business expands on land with a larger share of subcontractors and labour hired through third parties, our values and commitments lead us to investigate how we manage societal impacts and responsibility issues in the inland supply chain. This is also what our customers and stakeholders increasingly expect us to do. We are conducting studies to better understand these issues and how our Responsible Procurement programme can cater for these as well as potential for collaboration with customers on mitigating impacts in selected areas, e.g. we are participating in external collaboration to mitigate the risks for people working in the trucking business.

Integrating sustainability into the business

Over the past two years, we have worked to incorporate sustainability into our commercial and operations departments, making sustainability a much more integrated part of decision-making, discussions with customers and day-to-day business. We took an additional step in this direction at the end of 2019, as we incorporated our shared value commitments further into our business. We have an unchanged sustainability agenda in both scope and ambition level, and with this further integration we aim to ensure that sustainability is a fundamental and inseparable part of how we do business.

To learn more about our work and progress on sustainability priorities, please see the Sustainability Report for 2019.

ALL THE WAY

Keeping cool in a hot market

COLD CHAIN LOGISTICS | To address a vital need in global trade, A.P. Moller - Maersk is developing an integrated cold chain offering that will reduce food waste, minimise complexity for customers and put the business in an even stronger position to tap into the high-growth market for perishable goods.

Whether you are transporting fruits, fish or medicine, getting delicate, temperature-sensitive goods to market is a long, complicated and often wasteful journey.

Importing and exporting fresh and frozen products involves multiple players with very diverse offerings. Global cold chains are so fragmented that companies, big and small, experience frustrating inefficiencies in the physical movement of goods. The coordination efforts are complex with many handovers and little transparency that ultimately lead to waste of both time and some of the goods being transported.

Maersk's response to these customer challenges is the development of an integrated cold chain logistics offering. The ambition is to close major gaps in the supply chain and connect it through integrated end-to-end cold chain solutions that reduce cost and waste, explained Katharina Poehlmann, Global Head of Cold Chain Logistics at Maersk:

"We are creating a one-stop shop that minimises the number of parties our customers need to deal with and delivers a consistent, high-quality value proposition and customer experience," she said.

Building on leading position

Moving one in four refrigerated containers – commonly known as 'reefers' – globally, Maersk is building its cold chain offering from a position of strength. Despite a modest short-term outlook for trade growth, Maersk expects global reefer volumes to continue to significantly outgrow the dry container market in the coming years. As this projection only covers the oceanside of the cold chain, the total market represents a big opportunity for not only the Ocean business but also Logistics & Services.

"The potential in cold chain logistics really embodies what the global integrator strategy is all about. As one service provider, we can deliver differentiating value to the customers and enable them to grow their businesses," explained Poehlmann.

To this end, experts across Maersk are coming together to enable a truly integrated offering. To name a few, APM Terminals is accelerating cargo flows and contributing to more visibility with intelligent use of data. Hamburg Süd and Sealand have extensive reefer insights, strong customer relationships and fast ocean connections on key reefer trade routes which allow tailor made offerings. Inland Services, an offering originating from APM Terminals and going to market under the Maersk brand as of August 2019, has built several cold stores and developed local, integrated customer solutions, which are being integrated into the end-to-end proposition.

In addition, Maersk's assets make the value proposition stand out in the market, for instance with the ability to prioritise equipment and slots on the vessels, and to provide cold storage at critical points of customers' supply chains.

Making cold chains unbreakable

In many markets, cold storage providers operate very locally. Customers therefore must engage with several providers across geographies and the many handovers cause breaks in the cold chain.

To close this gap in these markets, Maersk is investing in more and better storage options that will establish unbroken, connected cold chains from farm to supermarket. These facilities enable customers to store the produce closer to consumers, provide access to special capabilities such as blast freezing, boxing, repacking and labelling, and create the ability to balance supply and demand over time.

Today, Maersk operates cold stores in several regions and the footprint is growing with numerous development projects ongoing across the globe.

"While our immediate focus is on regions that need quality storage here and now, our long-term ambition is to have a global footprint that can meet customers' need for high-quality capacity on a global scale," added Poehlmann.

The growth plan is being realised through a mix of acquisitions, greenfield investments and expansion of existing facilities. The next cold store to join Maersk's network in 2020 is located in

> "The potential in cold chain logistics really embodies what the global integrator strategy is all about. As one service provider, we can deliver differentiating value to the customers and enable them to grow their businesses."
>
> **Katharina Poehlmann, Global Head of Cold Chain Logistics at Maersk**

Seamless cold chain keeps citrus fresh across continents

For the past seasons, Moroccan shippers have faced major challenges in managing the supply chain when exporting fresh produce to Russia. Particularly, heavy penalty charges and significant delays from additional customs inspections have jeopardised reliability, quality and ultimately the selling price of the cargo.

Maersk has designed an integrated Cold Chain Management solution to address these customer pains in several ways. "We are taking responsibility for a seamless execution of all logistics services end-to-end, such as Intermodal, Ocean, Customs House Brokerage, Phytosanitary and Cold Storage, thus ensuring that the cargo arrives on time and in perfect condition," says Katharina Poehlmann.

With increased visibility, the solution is enabling customers to not only deliver their cargo fresh at the final destination in Russia, but also to control and make informed decisions during the journey to achieve the best possible market price – while preventing food loss.

St. Petersburg, Russia. 40% of the 23,700-square metre facility will be dedicated to Fyffes, Europe's leading banana importer and a Maersk customer, while the remaining capacity will help meet the high demands for storing and distribution of fish, meat, as well as fruit and vegetables across Russia.

Technology increases transparency

The integrated cold chain offering is based on the latest digital innovations and reefer technology that are enabling increased transparency for customers, both inside and outside the container.

One of the technologies is Remote Container Management (RCM) that creates end-to-end visibility of the conditions inside the box. Since the launch in 2017, more than 3,600 companies have signed up for RCM technology and 97% of Maersk's combined pool of more than 380,000 refrigerated containers (reefers) are supported by the technology.

With the introduction of a virtual assistant, Captain Peter, in late 2019, customer experience will become even better. The AI-enabled avatar will assist customers along the cargo journey by keeping an eye on the container's temperature, humidity, and CO_2 levels.

Wiskerke Onions has been one of the key customers involved in the development of Captain Peter. The increased visibility makes a business-critical difference to the Dutch onion exporter:

> "I choose Maersk and Captain Peter over others because I can see what is happening with my cargo. It takes months to grow onions and they can't be easily replaced if they spoil during transport."
>
> **Chayenne Wiskerke, CEO of Wiskerke Onions**

Chayenne Wiskerke, CEO of Wiskerke Onions

"I choose Maersk and Captain Peter over others because I can see what is happening with my cargo. It takes months to grow onions and they can't be easily replaced if they spoil during transport. The full visibility on the conditions in the container is an additional "insurance" that our cargo will make it to its destination in perfect condition," said Chayenne Wiskerke, CEO of Wiskerke Onions.

Cargo visibility is also improving outside the container. For instance, a newly formed partnership with JDA on advanced warehouse management systems brings full visibility to cold storage facilities. The data transparency allows customers to sharpen their operations by improving processes and lowering inventory costs.

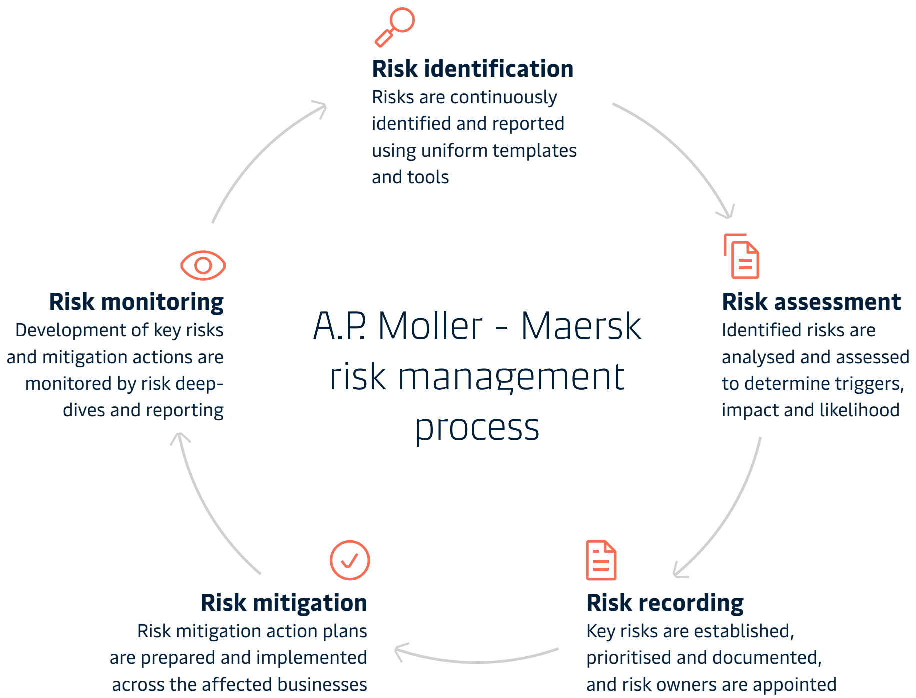
Reefer manufacturing in focus

In 2019, Maersk Container Industry decided to focus the business on its reefer manufacturing and cold chain technology. The launch of Sekstant, a reefer digitisation service, will further enhance transparency on container conditions for customers, offering real-time data, monitoring and reporting systems, and seamless fleet management from anywhere in the world.

Risk management

Risk management at Maersk is strategically focused and designed to contribute to the achievement of the company's business objectives in the medium term and to ensure the longevity of the company in the longer term.

Transforming Maersk to become the global integrator of container logistics is a complex process, which carries multiple risks. It is essential that risks associated with the transformation and risks inherent to our business activities are managed well to keep the potential financial and reputational impact of such risks within acceptable levels.



Effective risk management is key to growing sustainably in an increasingly volatile and uncertain business. The Board of Directors is responsible for overseeing risk management. The Board of Directors determines the framework for management of risks, including risk appetite. The Audit Committee monitors the execution of the risk management processes and the management of key risks. The Executive Board is responsible for overseeing day-to-day risk management.

Risk management process

Each year, the Executive Leadership Team decides the key risks to the business plan. In preparation for the discussion in the Executive Leadership Team a comprehensive risk assessment takes place.

The Executive Leadership Team appoints a risk owner (an Executive Leadership Team member) for each key risk to oversee the management of the risk, including the preparation and execution of mitigation action plans. Once the plans for the management of the risks are finalised, the risk owner presents and discusses such plans with the Executive Leadership Team and the Audit Committee in designated risk deep-dive sessions.

The risk management function monitors the status of each key risk, including the progress and effect of the mitigation action plans, and summarises the status in quarterly reports to the Executive Leadership Team. Where the progress of mitigating actions is falling behind schedule, or where mitigating actions are not achieving the effect they were designed to have, the report will highlight this, so that corrective action can be taken.

The latest risk assessment was carried out in H2 2019. It identified 10 key risks that may have a significant impact on the business plan, including on earnings, financial position and achievement of other strategic objectives. It also identified key emerging risks that look beyond the business planning period and are threats to the business value drivers

The Coronavirus (COVID-19)

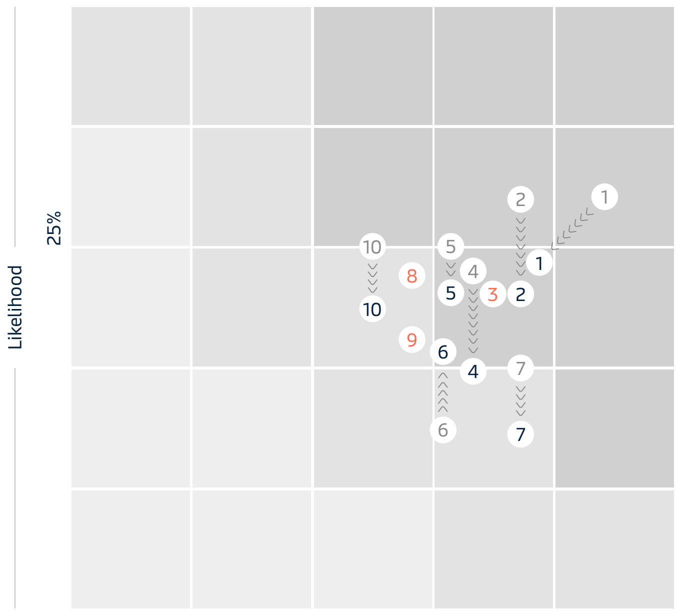
The outbreak of the COVID-19 in China introduces additional challenges and risks to Maersk's operations. Maersk has already undertaken specific measures to ensure the health and safety of its employees globally. In addition to human risk, the outbreak of the virus also poses an economic risk to Maersk's operations and its trade volumes.

Fear of the virus and the efforts to prevent its spread will see an increasing pressure on the supply-demand balance. It is expected that the COVID-19 could dampen 2020 volumes, due to the extension of the Chinese New Year holidays and emergency measures to curb the spread of the virus. It is still early days to measure the overall impact, however, the weekly container vessel calls at key Chinese ports were significantly down compared last year during the last weeks of January and the first weeks of February. Freight rates are expected to decrease due to dropping demand for containerised goods transport. Also, the outbreak has led to delays in opening of Chinese shipping yards following the Chinese New Year holidays, which has delayed yard works planned, including some planned installations of scrubbers on Maersk vessels.

2020 Key risk analysis

The key risks to achieving Maersk's 2020-2024 business plan, the assessment of each risk, the mitigation strategies deployed, and the development in the risk landscape since 2019 are described in the following.

High



Low Financial or reputational impact **High**

Risk

1. Ocean strategy
2. IMO 2020
3. Cost excellence
4. Cyber security
5. Logistics & Services strategy
6. Compliance
7. Technology platforms
8. Core business processes
9. APM Terminals transformation
10. Human resources

- 2020 position
- 2019 position
- 2020 new risk

All positions are residual risk after mitigation.

1 Failure of Ocean strategy

Risk description
The Ocean business remains volatile and there is a need to de-commoditise it to stabilise earnings. De-commoditising the Ocean business is a prerequisite for generating the earnings required to fund the transformation of the company and delivering on the integrator strategy.

2020 Risk assessment
In order for the Ocean business to be stable it must be de-commoditised. In the current state of the container liner industry, most players are price takers almost entirely dependent on supply and demand. There is a need to differentiate Maersk's Ocean business by providing added value propositions to customers through development of different Ocean products.

Mitigation strategies
Maersk pursues a strategy of de-commoditisation of the Ocean business through Maersk Spot and other Ocean products in combination with modest volume growth and CAPEX discipline.

2 Failure to implement IMO 2020 strategy for mitigating cost impact

Risk description
The existing compliant fuels, and new fuels developed to comply with IMO 2020 regulation, cost more than HSFO bunkers, implying fuel cost increases in 2020. Alternative compliance methods, like scrubbers, will enable the use of high-sulphur fuels at a lower cost but requires additional CAPEX.

In the short term, the risk is that Maersk will not be able to recover the additional cost from its customers.

2020 Risk assessment
The impact of the risk will depend on the extent to which:

- a price spread exists between high sulphur-fuels and compliant fuels,
- competitors have more cost effective compliance strategies than Maersk,
- IMO 2020 enforcement may allow some competitors to avoid the higher fuel bill, and
- demand-supply balance makes recovery of the added cost difficult.

Compared to 2019, the risk has reduced as competitors seem to have prepared for compliance. There is a strong push for enforcement through levy of dissuasive fines and tendered contracts are being concluded with new bunker adjustment factor clauses.

Mitigation strategies
Maersk seeks to recover the added cost of low sulphur fuel from customers and has a strategy for mitigating the cost through a mix of various initiatives such as installation of scrubbers on selected vessels and increased fuel efficiency.

3 Losing cost discipline in Ocean as Maersk implements the integrator strategy

Risk description
Remaining competitive and generating the earnings required to fund the transformation and deliver on the integrator strategy requires strict focus on costs in Maersk's Ocean business. Maersk must not lose focus on cost leadership as it implements its integrator strategy.

2020 Risk assessment
Transforming into a global integrator of container logistics requires additional focus to build land-based products and become a customer led organisation. This might entail some dilemmas in the Ocean business, including in respect of cost excellence, as the product offering broadens and flexibility towards customers is required. Careful balancing will be needed.

Mitigation strategies
Maersk has reorganised the company to gather responsibility for Ocean and Logistics & Services, including for commercial and operational aspects under one leadership. This enables a balanced and holistic decision-making in respect of transforming and performing at the same time. Furthermore, a multi-year cost excellence programme including moving to zero-based budgeting has been introduced to ensure a dynamic adoption of the cost base in the transforming business.

4 Being hit by a major cyber-attack

Risk description
As Maersk becomes increasingly digitalised, more devices and control systems are connected online resulting in a wider surface across the Information Technology (IT) and Operational Technology (OT) infrastructure that could be compromised.

Should a successful cyber-attack materialise, the services that allow the organisation to continue to operate could be compromised resulting in operational disruption. Further, a cyber-attack could cause a data breach where sensitive, protected or confidential data held by Maersk is leaked or stolen.

2020 Risk assessment
Following the cyber-attack in 2017, several measures to improve cyber security have been implemented with an enhanced security posture as a result. A cyber-attack causing operational disruption could still happen due to e.g. new malware outbreak not specifically targeted at Maersk, a targeted attack on one or more brands within Maersk, a disgruntled employee or malicious third-party contractor, or an accidental employee action.

Mitigation strategies
Improving and strengthening cyber security is a strategic priority for Maersk and this includes execution of a comprehensive cyber security plan, a three-level assurance model to maintain oversight and obtain confidence that the communicated level of cyber capability is reflective of reality, implementation of business continuity plans, and purchase of cyber risk insurance.

Full implementation of the cyber security plan is expected to be completed by the end of 2020.

5 Failure to build a strong Logistics & Services business in the coming years

Risk description
A cornerstone in Maersk's strategy is to expand its product offering to the customers into land-based Logistics & Services products to further diversify the overall business and earnings. The risk is that Maersk fails to translate its Logistics & Services strategy into a profitable long-term business.

2020 Risk assessment
By consolidating its Logistics & Services activities, Maersk has a focused platform to offer customers products covering the end-to-end supply chain. Achieving profitable Logistics & Services growth calls for capable core business processes and digital platforms, strong capabilities in the frontline to sell the new products, and the ability to counter competing automated supply chain management platforms.

Mitigation strategies
The main mitigating strategies pursued are to build a global, competitive end-to-end product portfolio, integrate those products and services at a data, operational and strategic level to fit customer needs, and establish a global sales team with the knowledge necessary to sell the whole Maersk portfolio from a vertical perspective.

A new function is being established to assess, design and implement changes related to products, processes and master data throughout the business.

6 Being hit by a large compliance case

Risk description
It is imperative for Maersk to conduct its business in compliance with legislation and regulatory standards. The risk is that Maersk is hit by a major compliance case in respect of violations of anti-corruption laws and standards, competition/anti-trust regulations, or international sanctions imposed on countries, entities or individuals, resulting in enforcement action and/or commercial, reputational and other losses.

2020 Risk assessment
In respect of corruption Maersk operates in high-risk geographies and high-risk sectors (e.g. the terminals and freight forwarding sectors). Maersk is the largest container carrier and in an industry with many industry cooperation agreements. Maersk thereby naturally has the attention of competition authorities globally. There is an increasing number of jurisdictions with competition laws in place as well as a growing confidence by emerging countries to enforce their competition laws against foreign companies. International sanctions are becoming increasingly widespread and complex and require comprehensive and extensive measures to ensure compliance.

Mitigation strategies
Maersk has a robust compliance programme for anti-corruption, competition law and economic sanctions and export controls designed to fulfil the global requirements and many initiatives are in place to improve focus and emphasis on compliance awareness and training.

The compliance programme is built upon detailed risk assessment and based on that, Maersk has a comprehensive mitigation plan. Maersk has an adequate compliance function continuously strengthening the compliance programmes and the mitigating measures as well as advises the business in respect of measures to ensure compliance. Maersk also has a whistleblower hotline and other means of reporting as part of the compliance programme.

7 Failure to build the industry-leading technology platforms of the future

Risk description
It is a strategic priority for Maersk to digitalise its business model by building the industry leading technology platforms of the future that shall address customer needs in a connected world and enable the company's growth. Such platforms must be effectively implemented and operated in order for Maersk to remain competitive in delivering value to customers.

2020 Risk assessment
Whoever is in the front of adopting technological development will own the customer relationship. It is, therefore, important to secure a digitally based competitive advantage in Ocean and Logistics & Services. Freight forwarders, software companies, supply chain management platform companies, and other digital players are also advancing in this area. However, Maersk has the asset base and geographical footprint to effectively deliver fully integrated end-to-end supply chain solutions tailored to the customer's needs.

Mitigation strategies
Maersk is actively developing and investing in technology enabled business platforms. The platforms are already creating value for customers, and the development and investment continue to further improve the customer experience and integrate products in end-to-end supply chain solutions tailored to the customer's needs.

8 Failure to Implement end-to-end core processes in Ocean and Logistics & Services

Risk description
To support the integrator strategy, Maersk needs to build end-to-end business processes in Ocean and Logistics & Services and modernise its legacy IT landscape to support such processes.

2020 Risk assessment
The implementation of the integrator strategy depends on core business processes and IT landscapes that are fit for that purpose. In order to reap the benefits from technology, the end-to-end business processes need to be adequately designed, consistently performed and seamlessly supported by IT.

Mitigation strategies
Maersk has launched a programme for modernising its legacy IT-landscape to establish a platform and solution for performance of end-to-end business processes.

A new function has been established to assess, design and implement changes related to products, processes and master data.

9 Failure to sustainably complete the transformation of APM Terminals

Risk description
Successfully completing the transformation of APM Terminals is strategically important for Maersk. APM Terminals is important in terms of reaching a balance in Maersk's overall business by 2023 as Logistics & Services and contributes to funding Maersk's overall transformation.

2020 Risk assessment
Key elements of the risk are that the terminals business is exposed to fluctuations in the global economy and global trade, several concession agreements expire and are up for renewal in the coming years, automation of terminals may require negotiation with unions and politicians, and APM Terminals has a large presence in and dependence on Latin America and West Africa.

Mitigation strategies
In 2017, APM Terminals launched a transformation programme to become 'The best in class terminal operator' and ensure a strong foundation for future growth. Significant progress has been made on the transformation till date, and the programme continues into the coming years.

10 Lack of organisational capabilities to drive the strategy implementation

Risk description
The strategy to become a global integrator of container logistics requires new and different capabilities in terms of business knowledge, leadership and culture. Maersk needs to build the capabilities and culture required to transform its business and deliver on the integrator strategy, including the ambition to build a strong Logistics & Services business.

2020 Risk assessment
Comprehensive culture and upskilling programmes were launched in 2018 and good progress was made during 2019 to strengthen leadership capabilities and embedding the culture across the organisation. Still, the transformation could be hampered or delayed by ineffective capability uplift related to leadership, commercial upskilling and inability to insource skills or build new ones, especially for executing the Logistics & Services strategy.

Mitigation strategies
Actions were launched to upscale commercial skills and capabilities in cooperation with Maersk's Commercial Academy and through recruitments and acquisitions. New Maersk behaviours and an executive development programme have helped support culture and leadership. A plan is in place to further strengthen the Logistics & Services skills and equip the frontline with adequate capabilities to sell integrated and stand-alone Logistics & Services products.

Climate-related financial disclosure

This page provides an overview of our reporting in line with TCFD recommendations

The financial sector's increased focus on climate change has resulted in requests for companies to report publicly and comprehensively on climate change strategies and risk management. A reporting framework prepared by the industry-led Task Force on Climate-related Financial Disclosure (TCFD) currently determines best practice and reporting leadership. 2019 is the second year where Maersk voluntarily reports in accordance with the TCFD recommendations.

The framework requires reporting on both transition risks, understood as risks and opportunities from realigning the global economic system towards low-carbon or carbon neutral solutions, and the impacts on physical risks which are risks caused by changes in weather patterns.

Governance

Climate-related risks and opportunities are part of Maersk's quarterly Enterprise Risk Management system reporting to the Executive Leadership Team and the Board of Directors.

Furthermore, Maersk's transition work, including its CO_2 reduction target and efforts to decarbonise logistics, is governed by a task force headed by a member of the Executive Leadership Team and ultimately owned by the Executive Leadership Team.

Strategy

Maersk's strategy is to take leadership in decarbonising shipping. It is a high-profile low-CAPEX strategy, as it needs a full transition to new net-zero fuels. Especially the energy sector is needed to create these solutions, and therefore it is crucial to send a clear message to the actors that will develop the solutions that we as the end consumer are ready to collaborate to identify these fuels.

Furthermore, it is a key pillar of Maersk's strategy to involve its customers both as partners in R&D projects, but also to already now offer a differentiated net-zero ocean transportation product.

Finally, Maersk works proactively and in partnerships to make sure that the right policies will be in place to support the transition. More is described in the sustainability section on page 27 and in full in our Sustainability Report for 2019.

Risk management

To protect business value from the risks caused by the physical impacts of climate change, Maersk performed a hot spot analysis in 2018, estimating the effect of five climate hazards (heat stress, floods, cyclones, water stress and sea level rise) on ports, other fixed assets and strategic commodities within a 2020–2040 timeframe.

Building on this, we took steps in 2019 to perform an economic analysis and engage with stakeholders in the Pearl River Delta in China, which was established as a hot spot. Maersk will finalise this analysis and report on it in 2020.

This work will be instrumental in constantly evolving Maersk's approach to manage physical risk from climate change in a way that is adequate given the increased challenges Maersk will see in the future.

Maersk's proactive engagement with customers, investors and lenders in relation to framework conditions for shipping is also part of managing the risk of encountering first mover disadvantages. New net-zero fuels will likely be more expensive than the current fuels, so for Maersk's vision of commercially viable net-zero vessels to be ready in 2030, it is crucial to get the right framework conditions in place. This is something Maersk both monitors closely and works proactively to ensure.

Metrics and targets

Approximately two thirds of CO_2 emissions are related to Maersk's business from its own operations (scope 1) and roughly 97% of these come from powering its fleet. Indirect emissions that occur in the value chain (scope 3) account for approx. one third, while indirect emissions from the generation of purchased energy (scope 2) are negligible. Consequently, Maersk focuses and measures its efforts on decarbonising the sector in which its vessels are deployed.

Maersk's target is to have net-zero CO_2 emissions from its own operations by 2050. This will require a commercially viable vessel design to be on water in 2030. To decouple growth in volume from emissions, Maersk works towards a target of 60% reduction in CO_2 emissions by 2030, compared to 2008. Targets for managing the physical impacts of climate change are not available yet.

Performance

- Ocean
- Logistics & Services
- Terminals & Towage
- Manufacturing & Others

Ocean

Ocean revenue was USD 28.4bn (USD 28.4bn) with a small decrease in volumes while EBITDA increased to USD 4.4bn (USD 3.8bn) reflecting a margin of 15.3%. The improvement in profitability was a result of commercial and operational decisions to focus on profitability through cargo selections and capacity management, combined with positive effects from lower fuel prices. The average freight rate was stable despite the weak global demand and decline in bunker price, while total operating costs decreased by 2.4% from improved scheduled reliability, higher utilisation and lower bunker cost.

Our crew moved largely the same amount of volumes as in 2018, but with a higher profitability than in 2018.

Financial and operational performance

Revenue was USD 28.4bn (USD 28.4bn), with a slight decrease in volumes to 13,296k FFE (13,306k FFE) as a result of weaker market growth and initiatives to improve freight rates, which increased to 1,883 USD/FFE (1,879 USD/FFE), along with increases in other revenue, mainly due to VSA income.

EBITDA increased by 15% to USD 4.4bn (USD 3.8bn), driven by stable revenue and a lower cost base mainly due to lower a bunker price and consumption.

The EBITDA margin of 15.3% increased by 2.0 percentage points, as the cost base decreased, partly due to improved capacity management and efficiencies, resulting in better utilisation and schedule reliability, and partly the reduced bunker price. Container handling costs at 39% of the total cost base was in line with 2018, while bunker cost decreased by 1.5 percentage points to 19% of the total cost base. SG&A and other costs increased by 0.5 percentage points to 13% and network costs, excluding bunker, were slightly lower in 2018.

Ocean highlights

USD million	2019	2018[1]
Freight revenue	24,871	24,925
Other revenue, including hubs	3,547	3,441
Revenue	**28,418**	**28,366**
Container handling costs	9,339	9,481
Bunker costs	4,566	5,042
Network costs, excluding bunker costs	7,038	7,053
Selling, General & Administrative (SG&A) and other costs, etc.	3,082	3,038
Total operating costs	**24,025**	**24,614**
Other income/costs, net	-37	30
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**4,356**	**3,782**
EBITDA margin	15.3%	13.3%
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	1,172	2,279
Operational and financial metrics		
Loaded volumes (FFE in '000)	13,296	13,306
Loaded freight rate (USD per FFE)	1,883	1,879
Unit cost, fixed bunker (USD per FFE incl. VSA income)	1,777	1,808
Hub productivity (PMPH)	91.8	80.6
Bunker price, average (USD per tonne)	412	424
Bunker consumption (tonne in '000)	11,092	11,894
Average nominal fleet capacity (TEU in '000)	4,132	4,115
Fleet owned (end of period)	307	303
Fleet chartered (end of period)	401	407

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

Ocean segment

Ocean includes the ocean activities of Maersk Liner Business (Maersk Line, Safmarine and Sealand – A Maersk Company) together with the Hamburg Süd brands (Hamburg Süd and Aliança), as well as strategic transhipment hubs under the APM Terminals brand (Rotterdam, Maasvlakte II, Algeciras, Tangier, Tangier-Med II, Port Said and the joint ventures Salalah, Tanjung Pelepas and Bremerhaven). Inland activities related to Maersk Liner Business are included in the Logistics & Services segment.

Loaded volumes

FFE ('000)	2019	2018	Change	Change %
East-West	4,100	4,186	-86	-2.1%
North-South	6,362	6,450	-88	-1.4%
Intra-regional	2,834	2,670	164	6.1%
Total	**13,296**	**13,306**	**-10**	**-0.1%**

Average freight rates

USD/FFE	2019	2018	Change	Change %
East-West	1,885	1,860	25	1.3%
North-South	2,117	2,078	39	1.9%
Intra-regional	1,462	1,478	-16	-1.1%
Total	**1,883**	**1,879**	**4**	**0.2%**

Volumes were barely unchanged at 13,296k FFE (13,306k FFE) and below the market growth of 1.4% due to decreases in East-West and North South trades partly offset by increase in volumes in the intra-Asia trades. The decrease in East-West was mainly due to lower volumes in North America from front loading particularly towards the end of 2018, combined with commercial and operational decisions affecting the volume growth to improve profitability. The decrease in North-South was mainly driven by the weak demand on Latin America and Oceania trades seen throughout 2019, partly offset by higher headhaul volumes in East and West Africa from Asia and Middle East. Total headhaul decreased by 0.3% mainly on Latin and North America, while total backhaul increased by 0.4%.

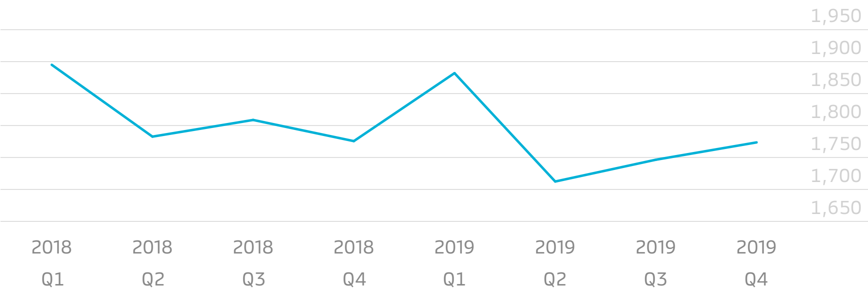
The average loaded freight rate increased by 0.2% to 1,883 USD/FFE (1,879 USD/FFE), driven by an increase of 1.3% on East-West supported by better capacity discipline. On North-South the average freight rates increased by 1.9% driven by backhaul increase in Latin America, partly offset mainly by lower headhaul rates in Oceania. The rate increases on East-West and North-South trades were partly offset by lower rates on intra-regional trades driven by a 5.8% decrease in intra-Asia rates. The average loaded freight rate was negatively affected by developments in foreign exchange rate, the bunker price change and mix effects from higher inter-regional and backhaul volumes. Adjusted for the foreign exchange rate effects the average loaded freight rate increased by 1.2%.

Freight revenue was USD 24.9bn (USD 24.9bn), while other revenue increased by 3.1% to USD 3.5bn (USD 3.4bn), mostly driven by higher slot sales and higher revenue in hub terminals.

Demurrage and detention income was lower, driven by temporary circumstances in Asia from amongst other congestions and front loadings in 2018.

Total operating costs decreased by 2.4% to USD 24.0bn (USD 24.6bn), positively impacted by lower bunker costs, favourable impact from development in foreign exchange rates and lower container related costs, partly offset by higher SG&A costs. Network costs excluding bunker costs decreased by 0.2%, mainly due to lower port, canal and time charter expenses, partly offset by higher VSA expenses. The improved capacity management, including increased productivity in hubs, resulted in lower hub and transhipment costs, and lower port costs due to reduced calls. Adjusting for the positive impact from the developments in foreign exchange rates, the operating costs decreased by 0.9%.

Unit cost at EBIT level (based on a fixed bunker price)



■ Unit cost fixed at 200 USD/tonne

Unit cost at fixed bunker price was 1.7% below 2018 driven by improved operational efficiencies leading to lower consumption and better bunker efficiency and positive effects from development in foreign exchange rates. Compared to 2018, the unit cost at fixed bunker decreased by 0.2% adjusted for the positive foreign exchange rate effects.

Key initiatives 2019

The buying process for the ocean products got simpler for customers with Maersk Spot, which allows them to move their cargo in a much simpler and more reliable way providing increased sailing visibility and loading guarantee at a fixed price upfront. End of Q4 2019, measured on a four-week average basis, Maersk Spot accounted for 24% of spot-rate volumes, more than double compared to end of Q3 2019.

Maersk became a founding member of the Getting to Zero Coalition announced at the United Nations Climate Action Summit in New York in Q3. The coalition is a vehicle for decarbonising global shipping and energy value chains by 2050. Joining Maersk in the coalition are major companies across different industries. The ambition of the Getting to Zero Coalition is closely aligned with the initial greenhouse gas strategy for international shipping adopted by the United Nations International Maritime Organization (IMO).

The preparation for IMO 2020 continued, and several vessels have been retrofitted with scrubber installations at the end of 2019. The scrubber solution is only part of the strategy to ensure compliance with the new fuel regulations.

Following successful product trial on Mette Maersk, Maersk ECO Delivery was launched in Q4. In line with its sustainability commitment as the global integrator of container logistics, Maersk is taking concrete steps towards carbon reduction to achieve net-zero emissions by 2050 through innovative technologies and solutions. Maersk ECO Delivery is among these solutions and offering it to the market cement our commitment by supporting supply chain customers who share the same sustainability agenda.

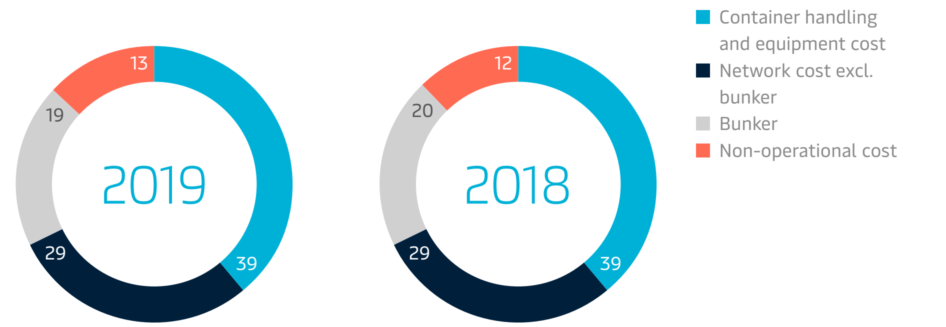
Total unit cost decreased by 2.7% to 1,953 USD/FFE (2,008 USD/FFE), driven by a decrease in fuel cost caused by a 6.7% lower consumption, driven by improved efficiencies from improved capacity management and impacted by a decreased average bunker price of 2.9%, equal to 12 USD/tonne. The combined effect of lower average prices and lower consumption resulted in a total bunker cost decrease of 9.4% to USD 4.6bn (USD 5.0bn). Out of the total decrease, USD 0.1bn was because of the lower average bunker price, with the remaining decrease due to lower consumption partly given a 6.9% improvement in bunker efficiency to 41.2 g/TEU*NM (44.2 g/TEU*NM) compared to 2018.

Unit cost at fixed bunker decreased by 1.7% to 1,777 USD/FFE (1,808 USD/FFE), driven by improvements in operational efficiencies, including bunker efficiency, and impacted positively by development in foreign exchange rates. Adjusting for the positive impact from the developments in foreign exchange rates, the unit cost at fixed bunker decreased by 0.2%.

Hub terminals port moves per hour increased by 13.9% to 91.8 (80.6) due to significant improvements in most terminals driven by continued optimisation of operational synergies between the hub terminals and liner activities gradually materialising throughout the year. Port Said, Egypt, and Maasvlakte II, the Netherlands, improved the most in 2019.

The fleet consisted of 307 owned vessels and 401 chartered vessels at the end of 2019. The average nominal capacity increased by 0.4% at an average of 4,132k TEU (4,115k TEU) for the full year. The total fleet ended the year at 4,125k TEU with idle capacity of 348k TEU (35 vessels), an increase from 78k TEU (five vessels) at the end of 2018, mainly due to retrofit of scrubbers. The idle capacity corresponded to 25% of the total idle capacity in the market. No vessel newbuilds were delivered in H2 2019.

Cost split, EBITDA level, %



Fleet overview, year-end

	TEU		Number of vessels	
	2019	2018	2019	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	344,844	315,164	55	51
8,000 – 11,499 TEU	428,054	445,754	48	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	**2,208,762**	**2,131,010**	**307**	**303**
Chartered container vessels				
0 – 2,999 TEU	381,688	396,938	179	193
3,000 – 4,699 TEU	286,067	290,950	71	74
4,700 – 7,999 TEU	410,119	326,301	69	55
8,000 – 11,499 TEU	544,568	615,695	59	66
11,500 – 14,999 TEU	293,656	247,644	23	19
Total	**1,916,098**	**1,877,528**	**401**	**407**
Total fleet	**4,124,860**	**4,008,538**	**708**	**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. All leased vessels are included in the table within the chartered container vessel section. 2018 figures have been restated.

Logistics & Services

Logistics & Services reported an increase in gross profit to USD 1.2bn (USD 1.1bn), supported by intermodal and new warehousing facilities.

Logistics & Services reported revenue of USD 6.0bn (USD 6.1bn), driven by increasing revenue in warehousing and distribution, offset by decrease in the sea and air freight forwarding activity. Gross profit grew to USD 1.2bn (USD 1.1bn) reflecting a gross profit margin of 20% (18%) with margins improving throughout the year. The improvement was supported by growth in most of the strategic areas, including margin optimisation in intermodal and effects from new warehousing facilities, partially offset by lower margins in sea and air freight forwarding and inland services. EBITDA increased to USD 238m (USD 191m).

Volumes grew slightly in intermodal, due to a conscious decision to optimise in certain geographical locations. Volumes in supply chain management declined slightly, and sea and air freight forwarding, volumes were down, due to exit in certain countries and the front loading of volumes in 2018 ahead of tariffs between the USA and China.

Financial and operational performance

Revenue decreased by 1.9% to USD 6.0bn (USD 6.1bn), impacted by decreasing revenue in sea and air freight forwarding, partially offset by increasing revenue in warehousing and distribution. Gross profit increased by 8.7% to USD 1.2bn (USD 1.1bn) with a gross profit margin of 20% (18%), mainly supported by growth in most of the strategic areas and margin optimisation in intermodal and new warehouse facilities becoming operational in H2 2018. However, this was partially offset by lower margins in sea and air freight forwarding, as well as a decline in inland services and supply chain management. EBITDA increased by 24% to USD 238m (USD 191m), with an EBITDA margin of 4.0% (3.1%), positively impacted by developments in gross profit and lower maintenance costs in Star Air, partly off-set by one-offs related to inland services in 2019.

Supply chain management revenue of USD 861m (USD 867m) was negatively impacted by margin pressure driven by difficult market conditions, with Asia exports being the most affected by the uncertainties related to trade restrictions between the USA and China, and impact from foreign exchange rate. Gross profit decreased to USD 340m (USD 347m).

↑ 8.7%

Gross profit increased by 8.7% to USD 1.2bn (USD 1.1bn), implying a gross profit margin of 20% (18%).

Logistics & Services highlights

USD million	2019	2018[1]
Revenue	**5,965**	**6,082**
Direct cost	4,747	4,961
Gross profit	**1,218**	**1,121**
Selling, General & Administration (SG&A) and other costs, etc.	980	930
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**238**	**191**
EBITDA margin	4.0%	3.1%
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	128	47
Operational and financial metrics		
EBIT conversion (EBIT/gross profit - %)	3.0%	6.8%
Supply chain management volumes ('000 cbm)	75,234	75,309
Supply chain management revenue	861	867
Intermodal revenue	2,527	2,569
Inland services revenue	576	595
Sea freight volumes (TEU)	577,084	639,132
Sea freight revenue	546	646
Air freight volumes (tonne)	158,405	175,502
Air freight revenue	485	608
Other services revenue	970	797

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

Logistics & Services five main activities

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 offloading (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.

Intermodal reported revenue of USD 2.5bn (USD 2.6bn) and gross profit increased to USD 115m (USD 46m), driven by growth in profitable areas and margin optimisation in North America, China and the United Kingdom.

Inland activities revenue of USD 576m (USD 595m) was negatively impacted by lower revenue in India, Costa Rica, Chile and Mauritania due to decreasing volumes and lower rates. Gross profit decreased to USD 243m (USD 258m).

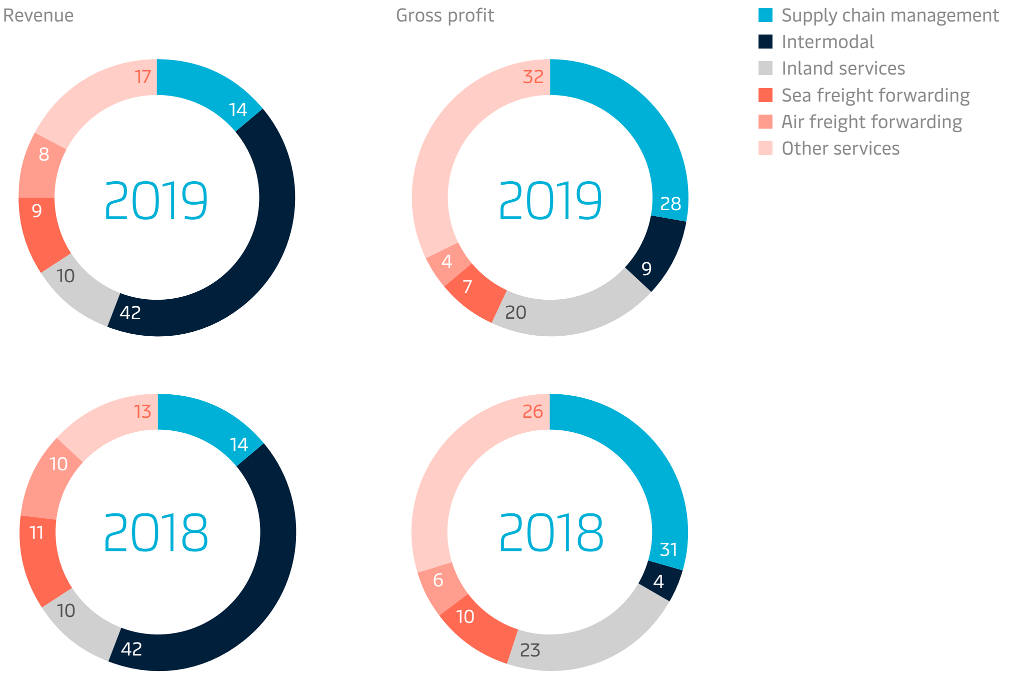
Sea freight forwarding revenue was USD 546m (USD 646m), due to a volume decrease of 9.7% to 577k TEU (639k TEU), related to the decision to exit certain countries, front loading of volumes in 2018 and negative impact from foreign exchange rate. Gross profit decreased to USD 86m (USD 115m), due to volume decline with margin deterioration by 18% to 148 USD/TEU (180 USD/TEU).

Air freight forwarding revenue was USD 485m (USD 608m) with volumes at 158k tonnes (176k tonnes), mainly because of soft market in China and in the Pacific due to front loading in 2018, the decision to exit certain countries and negative impact from foreign exchange rate. Gross profit decreased to USD 53m (USD 70m), reflecting a margin deterioration by 16% of 335 USD/tonne (396 USD/tonne).

Other services revenue increased to USD 970m (USD 797m), supported by increased activity in warehousing and distribution, as well as positive contribution from the acquisition of Vandegrift in customs house brokerage. Gross profit increased to USD 381m (USD 285m).

EBIT conversion ratio of 3.0% (6.8%) was negatively impacted by impairments offset by lower maintenance costs. Adjusted for this, the EBIT conversion ratio was in line with 2018.

Activity overview, %



Key initiatives

2019

The acquisition of the US based customs house broker Vandegrift in the beginning of 2019 expanded the Logistics & Services product portfolio as an addition to the end-to-end services offering. The integration progressed on track with the product now being digitally offered in 23 countries.

The commercial organisations of Ocean and Logistics & Services merged in Q1, where one Maersk commercial frontline combined offers ocean products, supply chain services and value-added services. The changes involved employees in amongst others, sales and customer service functions to work in a new way, in new teams, with new customers and products, to ensure improved customer experience with fewer touchpoints and a more comprehensive service offering.

Long-term logistics services contracts were concluded with customers around the world, among which some of the largest e-commerce retailers expanding the customers' reach for multiple products and product add-ons.

Maersk and Syngenta extended their partnership by signing a new contract for a fourth-party logistics (4PL) concept, which is a key element of the strategy aimed at expanding in supply chain management solutions. The journey with Syngenta underpins the strategic transformation of Maersk into a true integrated container logistics provider.

The operational integration of APM Terminals Inland Services within the Logistics & Services organisation was successfully completed. Maersk made investments in visibility tools for its logistics products and secured long-term end-to-end logistics contracts around the world, integrating ocean with its logistics services.

Terminals & Towage

Crane operator in action at APM Terminals in Moin, Costa Rica. The new terminal helped drive results in gateway terminals.

Terminals & Towage reported an increase in revenue of 3.2% to USD 3.9bn (USD 3.8bn), and an increase in EBITDA of 11% to USD 1.1bn (USD 998m) with an EBITDA margin of 28.4% (26.5%).

The positive development in revenue and EBITDA in gateway terminals was driven by ramp-up of the new terminal in Moin, Costa Rica, higher volumes, higher storage income and reduction in SG&A. Volumes grew by 3.9%, supported by volume growth of 7.3% from external customers, partly offset by lower volume from the Ocean segment of 2.2%, driven by the divestment of Izmir, Turkey, and Kobe, Japan. Higher volumes in Towage were due to increased activities in the Americas and the Asia, Middle East and Africa region.

CAPEX in Terminals was USD 438m (USD 436m), with the largest investments being a terminal modernisation project in Los Angeles, USA, and equipment replacements. Lower CAPEX in Towage of USD 92m (USD 120m) was mainly due to less cash flow for assets under construction.

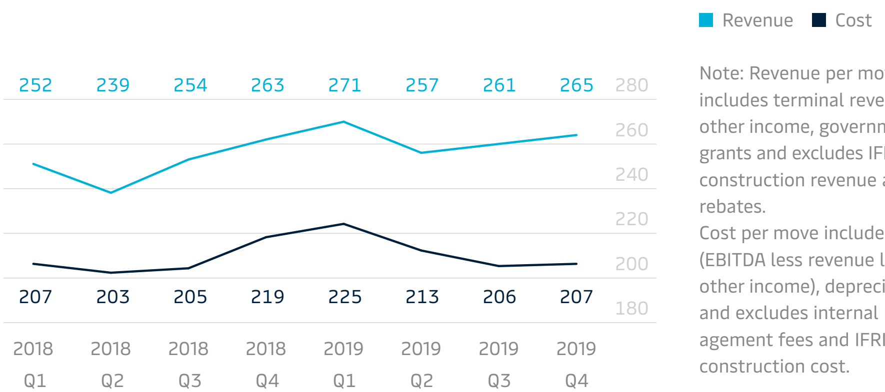
Terminals

Financial and operational performance

Revenue increased by 4.1% to USD 3.2bn (USD 3.1bn), and EBITDA increased by 17% to USD 902m (USD 768m) reflecting an increase in the EBITDA margin of 3.2 percentage points to 28%, while CAPEX was USD 438m (USD 436m). Terminals in Moin, Costa Rica, Tema, Ghana, and Vado, Italy, went into operation in 2019.

The volume in financially consolidated moves grew by 3.9% (like-for-like 2.5% adjusted for new terminal in Moin and divested terminals in Izmir and Kobe), driven by higher volumes in Latin America of 22%, mainly due to ramp-up of Moin. In North America, volumes grew by 9.9% primarily due to increase in external customer volume in Los Angeles. Africa and Middle East volume grew by 4.6%, supported by stable economic growth. In Europe, volumes decreased by 6.1% mainly driven by the divestment of Izmir in Q4 2018 and lower volumes in Barcelona, Spain. Asia decreased by 9.7%, mainly driven by the exit from Kobe and lower volumes in Mumbai, India.

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

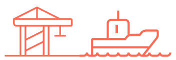


Note: Revenue per move includes terminal revenue, other income, government grants and excludes IFRIC 12 construction revenue and rebates.
Cost per move includes cost (EBITDA less revenue less other income), depreciation and excludes internal management fees and IFRIC 12 construction cost.

Terminals & Towage highlights

USD million	2019	2018[1]
Revenue	**3,894**	**3,772**
Concession fees	249	262
Labour cost (Blue collar)	1,306	1,222
Other operational cost	602	651
Selling, General & Administration (SG&A) and other costs, etc.	630	639
Total operating costs	**2,787**	**2,774**
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**1,107**	**998**
EBITDA margin	28.4%	26.5%
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	530	556
Operational and financial metrics		
Terminal volumes – financially consolidated (moves, m)	11.8	11.4
Ocean segment	4.0	4.1
External customers	7.8	7.3
Terminal revenue per move – financially consolidated (USD)	263	252
Terminal unit cost per move – financially consolidated (USD)	212	211
Result from joint ventures and associated companies (USD m)	206	164
Number of operational tug jobs (harbour towage) ('000)	134	131
Annualised EBITDA per tug (terminal towage) (USD in '000)	889	892

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



Terminals & Towage segment
Terminals & Towage includes gateway terminals involving landside activities (being port activities where the customers are mainly the carriers), and towage services under the Svitzer brand.

Terminal towage is a one-customer operation. The customer is a port, a terminal or owner of an offshore facility. The contract is for specific vessels, and the customer determines which work the vessel performs. The annualised EBITDA per tug measure is the relevant measurement.

Harbour towage is a multi-customer operation in a common user facility. The customers are vessel owners and operators, either contracted for one to three years or booked call-by-call. The number of operational tug jobs (utilisation) is the relevant measurement.

Volume from the Ocean segment decreased by 2.2% (increased by 1.1% like-for-like) and volume from external customers grew by 7.3% (3.2% like-for-like). The estimated market volumes growth was 1.4%.

Utilisation at 80% (73%) was mainly due to ramp-up of Moin, and volume growth and temporary capacity reduction in Los Angeles. On an equity-weighted basis, volume grew by 4.7% (3.7% like-for-like) and utilisation was 85% (79%).

Revenue per move increased by 4.3% to USD 263 (USD 252), driven by Moin, higher storage income in West Africa and Latin America and higher volumes in North America where rates are higher on average. This was partly offset by negative EUR foreign exchange rate impact. Adjusted for foreign exchange rate, volume mix effects and portfolio changes, revenue per move increased by 0.1%. The

Gateway terminals, financially consolidated, EBITDA%

	2019	2018
Americas	24	22
Europe, Russia and Baltics	20	23
Asia	20	22
Africa and Middle East	48	46
Total	**28**	**25**

volume mix effect relates to impact on revenue per move from changes in the share of volumes from terminals in different geographic locations.

Cost per move increased by 0.7% to USD 212 (USD 211), mainly driven by higher volumes in Americas, where costs are higher on average. The benefits of several cost reduction initiatives offset part of the inflationary labour cost in several terminals. Adjusted for foreign exchange rates, volume mix effects and portfolio changes, cost per move decreased by 1.4%.

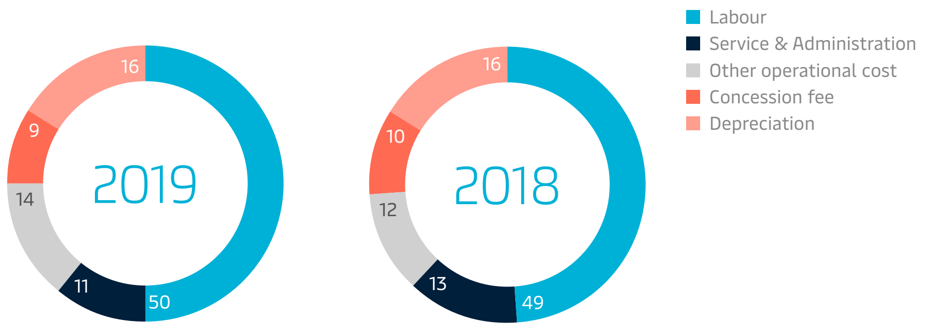
The EBITDA margin increased by 2.7 percentage points in Africa and Middle East, mainly due to higher storage revenue in the West African terminals. In Americas, the EBITDA margin increased by 2.0 percentage points, driven by ramp-up of Moin and higher volumes, partially offset by higher cost in North America. The EBITDA margin decreased by 2.9 percentage points in Europe, driven by divestment of Izmir and lower volumes. In Asia, the EBITDA margin decreased by 2.3 percentage points due to lower volumes in Mumbai and the exit from Kobe.

Results from joint ventures and associated companies

Equity-weighted EBITDA, which includes the EBITDA weighted on terminal ownership percentages of all entities (subsidiaries, joint ventures and associates) increased by 15% to USD 1.3bn (USD 1.2bn).

The share of profit in joint ventures and associated companies of USD 185m (USD 158m) was positively impacted by higher revenue in associated terminals in Africa and Middle East, supported by ramp-up of Tema. Cash contribution from joint ventures and associated companies from dividends was USD 187m (USD 189m).

Cost split, Terminals, %



Terminals

Number of terminals	2019	2018
Americas	16	15
Europe, Russia and Baltics	18	18
Asia	17	18
Africa and Middle East	14	14
Total	**65**	**65**

One terminal under implementation in Abidjan, Ivory Coast, opening in 2021.

Financially consolidated volume, Terminals

Million moves	2019	2018	Change %
Americas	5.4	4.7	15.7
Europe, Russia and Baltics	2.5	2.7	-6.1
Asia	2.0	2.2	-9.7
Africa and Middle East	1.9	1.8	4.6
Total	**11.8**	**11.4**	**3.9**

The increase in Americas mainly due to ramp-up of Moin and increase in external customer volume in Los Angeles.

2019

Key initiatives

The ramp-up of the greenfield terminal in Moin progressed according to plan and the terminal delivered satisfactory financial results in 2019 despite unfavourable crop conditions for banana exporters and unfavourable market conditions for pineapple exports in Costa Rica.

In Tema, the joint venture terminal went into operation and ramp-up progressed according to plan. Construction of the greenfield terminal in Vado was completed and by the end of 2019, the terminal opened and went into commercial operations in Q1 2020.

Port Elizabeth, New York, USA, suffered from congestion-related operational challenges in Q1 and Q2, which were resolved in Q3.

A large-scale modernisation project was initiated in Los Angeles, USA.

Towage

Financial and operational performance

Revenue from towage activities amounted to USD 695m (USD 692m), positively impacted by increases in the Americas of USD 13m and in the Asia, Middle East and Africa region of USD 14m, partly offset by decreases in Australia of USD 20m and in Europe of USD 4m. Revenue growth adjusted for foreign exchange rate developments was 4.7%.

Harbour towage activities measured by the number of tug jobs increased by 2.9% compared to 2018, mainly driven by increased activity in the Americas and the Asia, Middle East and Africa region. For terminal towage, annualised EBITDA per tugboat remained on par with 2018 with a positive impact from new contracts entered in 2018, offset by negative foreign exchange rate impact.

Volumes in Australia decreased due to lower commodity exports and decreased market share for harbour towage in competitive ports.

Activity in Europe decreased slightly, and Svitzer's market share for harbour towage in competitive ports was negatively impacted by more intense competition from consolidation amongst towage providers and increasing supply of tugboats leading to lower volumes and utilisation.

In the Americas, activity in Brazil increased, mainly driven by new customers in ports entered during 2018 and additional volumes and market share in the ports entered in 2017. Also, the Caribbean joint venture was awarded a new contract in Saint Croix, USA, with start by mid-2019. The terminal towage activities ramped up in Costa Rica where operations partially commenced in 2018.

In the Asia, Middle East and Africa region, activity measured by revenue increased by 15% with towage operations ramping up in Tangier-Med II and in Monrovia, Liberia, as well as Bangladesh reaching full operations in 2019.

CAPEX was reduced by USD 28m to USD 92m (USD 120m), mainly impacted by lower cash outflow for assets under construction in 2019. Towage sold nine vessels with a cash flow impact of USD 7m in 2019.

Revenue, Towage

Per region, USD million	2019	2018	Growth %
Australia	253	273	-7.2
Europe	240	244	-2.0
Americas	109	96	13.2
Asia, Middle East and Africa	93	79	15.1
Total	**695**	**692**	**0.1**
Per activity, USD million			
Harbour towage	472	485	-2.6
Terminal towage	226	210	7.7
Eliminations, etc.	-3	-3	N/A
Total	**695**	**692**	**0.3**

Key initiatives

2019

Towage activities have been positively impacted by further cooperation with other Maersk businesses during 2019. These synergies have contributed to securing contracts in Monrovia, Liberia, and in Antwerp, Belgium.

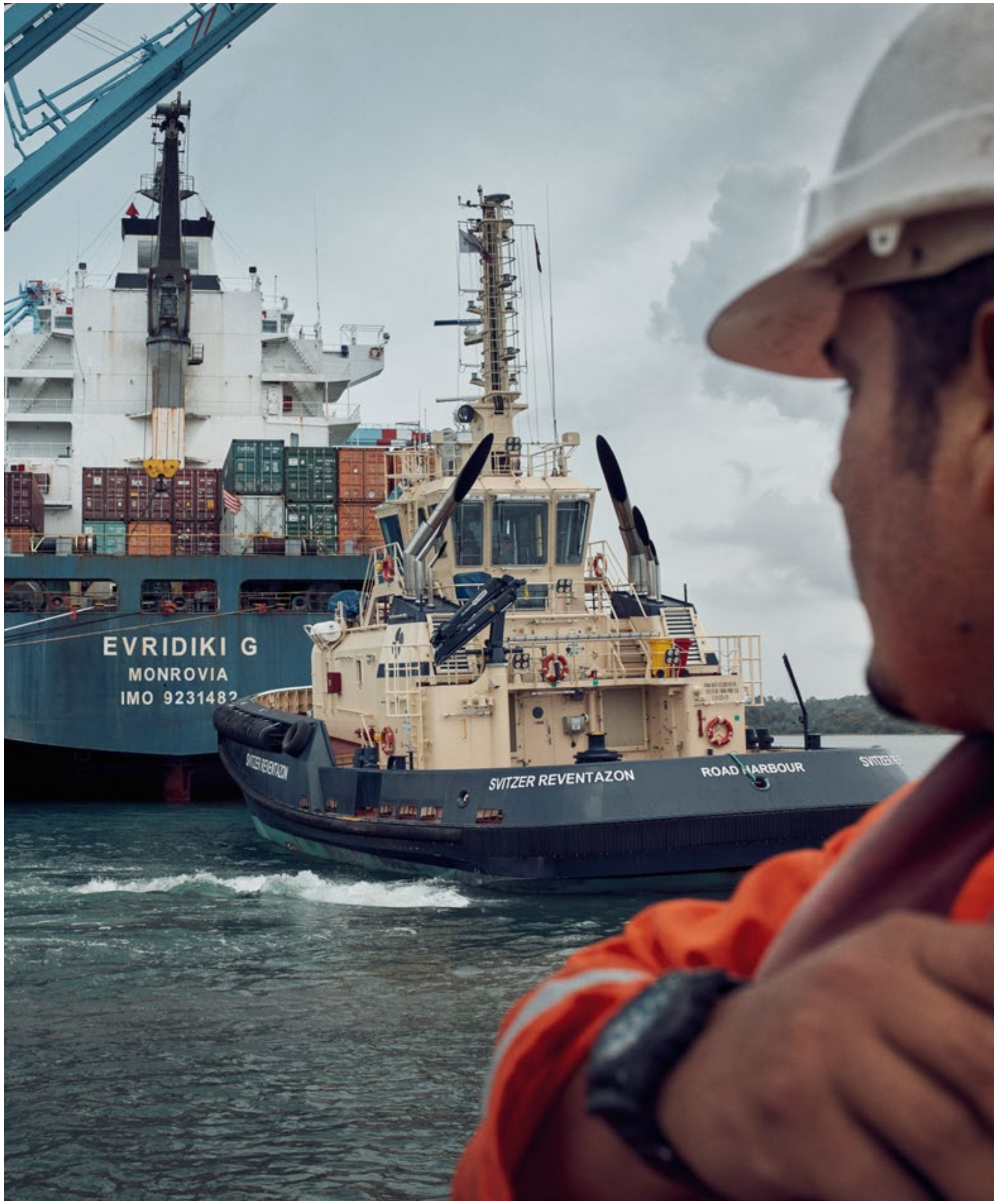
The acquisition of Port Towage Amsterdam, the Netherlands, was agreed and signed in December 2019, with closing by mid-January 2020.

In 2019, new and extension of contracts were also secured in the Suez Canal, Egypt, and in Sohar, Oman, while the Caribbean joint venture was awarded a new contract in Saint Croix, USA.

As part of the strategic portfolio optimisation, the Portuguese towage activities were sold in Q4.

The divestment of Svitzer's salvage business in Ardent came into effect in Q4 2019.

To address the increased commercial pressure from fewer new projects, slow growth in vessel calls and overcapacity of towage tonnage in certain geographical markets, new strategic growth initiatives were launched in July 2019 together with projects aiming at crew optimisation and operational and administrative cost reduction.



Towage activities have been positively impacted by further cooperation with other Maersk businesses during 2019.

Results from joint ventures and associated companies

Equity weighted EBITDA, which includes the EBITDA weighted on activities ownership percentage of all entities (subsidiaries and associated companies) decreased by 10% to USD 226m (USD 251m).

The market

Activity levels in the harbour towage markets remained stable. For harbour towage in Europe, consolidation in the industry persists, leading to stronger competitors and more intense competition. In Australia, a new competitor started up by the end of 2018, which increases competition.

The strategic focus is still to improve cost levels and productivity, while utilising and expanding the global footprint to ensure closer cooperation with targeted customers. Only few terminal towage projects were awarded in the market during 2019, but several new projects are under preparation and expected to be awarded during 2020 and 2021.

Fleet overview, Towage

Number of vessels	2019	2018
Owned	344	339
Chartered	22	26
Total	**366**	**365**
Newbuilding		
Delivery 2020 and onwards	11	2
Total	**11**	**2**

The towage fleet increased by one vessel to 366 vessels, with 344 owned and 22 chartered at the end of 2019. A total of 11 vessels are on order with delivery of 10 vessels in 2020 and one vessel in 2021.

Reefer trade has become the key focus for Maersk Container Industry.

Manufacturing & Others

Manufacturing & Others' revenue decreased to USD 2.2bn (USD 2.8bn) while EBITDA increased to USD 205m (USD 163m).

In January, Maersk Container Industry announced to focus on growing the reefer business and exit the dry container business, including the manufacturing in Dongguan, China, impacting both revenue and EBITDA. Maersk Container Industry now focuses solely on the design, manufacture and service of reefer technology.

Maersk Supply Service ensured important contract wins, and extensions were secured in all five core geographic regions: North America, Europe, West Africa, Latin America and Asia Pacific, ensuring utilisation of vessels and resulting in increased backlog.

The bulk activities taken over as part of the Hamburg Süd transaction were divested in January 2019.

Financial and operational performance

Maersk Container Industry reported revenue of USD 586m (USD 978m) and EBITDA of USD 29m (USD 40m). The reduction in revenue was a result of exiting the dry container business in January 2019. EBITDA is negatively impacted by closing the factory with USD 31m in restructuring costs and the exit of the dry container business in general.

In 2019, the volume of Star Cool Integrated, Star Cool Units and Reefer Boxes was 41,580 (47,932). The reduction in production was a direct result of the contraction in overall market demand in 2019. The total demand from Maersk was at 36% (39%).

Despite the reduction in revenue, Maersk Container Industry expanded the EBITDA margin by 0.8 percentage points to 4.9% (4.1%), a result of the elimination of low-margin dry containers and cost control. The EBITDA margin for the continuing business of reefers exceeded 11%.

Maersk Supply Service reported a 16% increase in revenue to USD 306m (USD 263m), and an EBITDA of USD 28m (USD 3m) reflecting higher rates and utilisation. Cash flow used for capital expenditure was USD 188m (USD 342m) due to payments of two (four) newbuildings concluding the newbuilding programme.

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, thereby achieving a revenue backlog that was 6.5% higher than in 2018.

The activities in *Others* reported a revenue of USD 1.3bn (USD 1.5bn), impacted by the divestment of bulk activities originally acquired from Hamburg Süd. Revenue in Maersk Oil Trading was USD 797m (USD 769m). EBITDA in Others was USD 149m (USD 119m).

Manufacturing & Others highlights

USD million	2019	2018[1]
Revenue	2,172	2,787
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	205	163
EBITDA margin	9.4%	5.8%
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	204	358
Operational and financial metrics, USD million		
Maersk Container Industry		
Sales volume (unit)	41,580	117,481
Sales to third party	373	601
EBITDA	29	40
Maersk Supply Service		
Gross utilisation	62%	60%
Revenue backlog	344	323
EBITDA	28	3

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

Manufacturing & Others segment

Manufacturing includes the activities of Maersk Container Industry with the production and sale of reefer containers at the factory in China, following the announcement in January 2019 to exit the dry container business altogether.

Further, Maersk Supply Service provides marine services and integrated solutions to the energy sector worldwide with a large fleet of anchor handling tug supply vessels and subsea support vessels.

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.

Key initiatives 2019

Maersk Container Industry increased its investment in the industry leading Star Cool Platform and celebrated the 10th anniversary of Star Cool's CA system (Controlled Atmosphere) in Q2. Since the system was first launched in the market in 2009, more than 55,000 CA units have entered service around the world.

Star Cool Integrated coupled with StarConomy energy saving software allows customers to have the lowest energy consumption in the industry. Star Cool Integrated is the industry's most proven Controlled Atmosphere (CA) technology with over 85% market share of the CA installed base. More than 55,000 CA units have entered service around the world.

Maersk Supply Service continued to expand its track record in the solution space, completing large mooring installation projects in West Africa and Brazil in Q4. With this, the company has expanded its solutions business from the North Sea region into two new regions, adding new customers and projects to its portfolio in 2019. The solutions work has added significant revenue and improved vessel utilisation of the company.

Maersk Supply Service continued to diversify into new markets beyond traditional oil and gas with offshore campaigns in both ocean cleaning and deep sea minerals executed in the Pacific Ocean in Q4. With the second offshore campaign completed for The Ocean Cleanup, the non-profit organisation aiming at removing plastic from the oceans now have an innovative clean-up system that works as intended, capturing plastic from the oceans. A contract extension was signed with DeepGreen, a key customer in the deep sea minerals industry, adding additional backlog.

Governance

Corporate governance

Corporate governance is an important aspect of A.P. Møller - Mærsk A/S in line with the company's values. A.P. Møller - Mærsk A/S is continuously developing its corporate governance in response to the strategic development, goals, and activities, as well as to the external environment and input from stakeholders.

The five core values "Constant Care", "Humbleness", "Uprightness", "Our Employees", and "Our Name" remain pillars for the way in which A.P. Møller - Mærsk A/S conducts its business. Engrained in the company for more than a century, these corporate values are continuously being promoted throughout the global organisation and serve as guiding principles for employees and leaders.

The governance structure supports close coordination between the Board of Directors, the Executive Board, and leaders throughout the organisation. The structure promotes the objectives of:

- Early identification of opportunities, challenges, and risks.
- Efficient processes for informed decision-making.
- Continuous learning.
- Proactive planning and agile execution.
- Sound controls, checks and balances, and compliance.
- Clear allocation of authorities and responsibilities.
- Safe operations.

The formal basis for the corporate governance of A.P. Møller - Mærsk A/S consists of:

- The Articles of Association. Available on https://investor.maersk.com/board-directors
- Rules of procedure applicable to the Board of Directors and the Executive Board as well as procedures specific to each of the Board committees. The Rules of procedure are available on https://investor.maersk.com/corporate-governance
- Policies and principles on health and safety, legal compliance, working culture, tax and other key areas within corporate governance and good corporate citizenship. Read more about our policies on https://www.maersk.com/about
- The internal governance framework (COMMIT) stipulates more detailed policies, rules, instructions, and guidelines applicable to all group entities and employees. Among others, the framework covers Enterprise Risk Management, financial risks, responsible procurement, anti-corruption, legal compliance, etc. and is continuously updated.
- The Maersk Whistleblower system, established in 2011, enabling employees and other stakeholders in 130 countries to report wrongdoings. Further information on whistleblower reports is available in the Sustainability Report and on: https://secure.ethicspoint.eu/domain/media/en/gui/102833/index.html

To organise and conduct Board meetings in the most relevant and efficient manner, the Board has established an Annual Wheel in cooperation with the Executive Board. The Annual Wheel outlines the main themes and topics for each ordinary Board meeting and areas on which the Executive Board is expected to report as well as matters for deliberation or approval by the Board members. The Annual Wheel ensures that all relevant topics are covered during the year, e.g. strategy, people and capabilities, transparency, and compliance and risk.

Board evaluation

During September 2019, an externally facilitated Board evaluation process was conducted, among others covering the cooperation between the Board of Directors and the Executive Board, the Chairman's role, the Board's and Board committees' work and an assessment of Board capabilities relative to those best supporting the company's strategy. All members of the Board of Directors participated in the evaluation and provided input via questionnaires, thus forming the basis of a comprehensive evaluation report. The results were discussed in plenary sessions by the Board of Directors and agreed improvements were implemented.

The main conclusions and outcomes of the board evaluation were:

The Board's work has undergone a positive development in 2018-2019 by improving dynamics, engagement and the level of challenges and sparring offered by and among the Board of Directors and the Executive Board. The Board evaluation confirmed the alignment on the top strategic issues and continued focus on priorities and transparency.

The results and conclusions from the annual Board evaluation form the basis for the Nomination Committee's considerations and continued search for future candidates to the Board of Directors.

Core values

Constant Care
Take care of today, actively prepare for tomorrow

Humbleness
Listen, learn, share, give space to others

Uprightness
Our word is our bond

Our Employees
The right environment for the right people

Our Name
Sum of how we live the Values and how we are perceived

Board composition

Based on the strategy to move from a conglomerate to a focused transportation and logistics company, the Board initiated a process to define the Board composition of the future. As part of the Board Evaluation 2018, key competencies and areas of experience and expertise required on the Board were identified to be: Shipping, transport and logistics, IT/digital/tech and e-commerce, business transformation, innovation and entrepreneurship, asset-heavy industries, finance and accounting, risk management, global leadership, and board service in stock listed companies.

Consequently, the Nomination Committee initiated a search for Board candidates with relevant additional competencies to complete the Board's overall, collective capabilities. At the Annual General Meeting in 2019, Bernard L. Bot and Marc Engel were elected members of the Board of Directors bringing competencies within global transport and logistics.

Diversity

When assessing the composition of the Board, the Nomination Committee also considers diversity and setting of the target for the underrepresented gender on the Board of Directors in accordance with Section 139c of the Danish Companies Act. In 2015 a target for the underrepresented gender on the Board of Directors was set. Three female Board members elected by the general meeting if the Board consists of less than 12 members and four female Board members elected by the general meeting if the Board consists of 12 or more members. The target was not met by end 2019 as the Board consists of 10 members of which only two were female. The Board's primary focus when deciding on the composition of the Board was to ensure the capabilities necessary for a successful transformation of the company to become the global integrator of container logistics. At the time of the search for new Board candidates, it was not possible to match the competencies needed with the available female candidates. The company keeps focus on driving diversity both on managerial levels and on the Board.

As the target is still considered ambitious and realistic for the company, the Board has decided to adopt the same target for the next period, with a deadline end 2023, but will continuously assess whether the target is still ambitious.

Further information on diversity can be found in the company's Sustainability report.

Recommendations for corporate governance

As a Danish listed company, A.P. Møller - Mærsk A/S must comply with or explain deviations from the "Recommendations for Corporate Governance" implemented by Nasdaq Copenhagen in the Rules for issuers of shares and Section 107b of the Danish Financial Statements Act.

The Board of Directors has prepared a statement on corporate governance for the financial year 2019. This statement includes a description of the company's approach to the recommendations in the "Recommendations for Corporate Governance". Reporting on compliance with the Corporate Governance recommendations can be found on https://investor.maersk.com/corporate-governance

The main elements of the company's internal control and risk management systems in connection with its financial reporting

The company's risk management and internal controls in connection with its financial reporting are planned to reduce the risk of errors and omissions in the financial reporting.

Control environment

The Board of Directors, the Audit Committee and the Executive Board regularly assess material risks and internal controls in connection with the company's financial reporting process. The Audit Committee has a supervisory responsibility and reports to the entire Board of Directors. The responsibility for the everyday maintenance of an efficient control environment in connection with the financial reporting rests with the Executive Board. The managements of the brands and business units are responsible for ensuring an efficient control environment for the respective brand or business unit.

Based on the applicable rules and regulations, the Board of Directors and the Executive Board prepare and approve the general policies, procedures, and controls in significant areas in connection with the company's financial reporting.

The starting point is a clear organisational structure, clear chains of command, authorisation and certification procedures, and segregation of duties as well as adequate accounting and consolidation systems, including validation controls.

In addition, the company has set up policies, manuals and procedures within relevant areas in connection with its financial reporting. The policies, manuals and procedures are updated on an ongoing basis.

Risk assessment and management

At least once a year, as part of the risk assessment, the Board of Directors, the Audit Committee and the Executive Board undertake a general identification and assessment of risks in connection with the financial reporting, including the risk of fraud, and consider measures to be implemented to reduce or eliminate such risks.

Decisions on measures to reduce or eliminate risks are based on an assessment of materiality and probability of errors and omissions.

Control activities

Specific control activities have been defined for each significant brand and business unit.

The performance of such control activities is monitored on brand and business unit as well as on corporate level. This monitoring includes controller reports with follow-up on findings and recommendations as well as an annual statement of representation from management of the most significant brands and business units.

Information and communication

The Board of Directors is overall responsible for the company having information and reporting systems in place to ensure that its financial reporting is in conformity with rules and regulations. For this purpose, the company has set out detailed requirements in policies, manuals and procedures, and a global consolidation system with related reporting instructions has been implemented. Also, risk and control catalogues have been established and collated for all significant brands and business units as well as for corporate functions.

Framework for corporate governance

Shareholders

↓

Board of Directors

Chairmanship

Audit Committee

Nomination Committee

Remuneration Committee

Transformation & Innovation Committee

Group Internal Audit

↓

Executive Board

↓

Organisation

Monitoring

The monitoring of risk management and control systems in connection with financial reporting takes the form of ongoing assessments and control at different levels within the company.

Any weaknesses, control failures and violations of the applicable policies, manuals and procedures or other material deviations are communicated upwards in the organisation in accordance with relevant policies and instructions. Any weaknesses, omissions, and violations are reported to the Executive Board. The Board of Directors and the Audit Committee receive reports from the Executive Board and from Group Internal Audit on the compliance with the guidelines, etc., as well as on the weaknesses, omissions, and violations of the policies, procedures, and internal controls found.

The auditors elected by the Annual General Meeting account for any material weaknesses in the internal control systems related to financial reporting in the Auditor's Long-form Report to the Board of Directors. Minor irregularities are reported in Management Letters to the Executive Board.

Governance structure

Shareholders and the General Meetings

The General Meeting is the supreme governing body of A.P. Møller - Mærsk A/S. The shareholders exercise their rights at the General Meeting, e.g. in relation to electing the Board members and the auditors of the company, approving the annual reports and dividends, deciding on the articles of association and on proposals submitted by shareholders or the Board. The company has two share classes: A shares carrying voting rights and B shares without voting rights. A and B shares carry equal economic rights and are traded publicly at Nasdaq Copenhagen.

Board of Directors

A.P. Møller - Mærsk A/S has a two-tier management structure consisting of the Board of Directors and the Executive Board as illustrated. There is no overlap between members of the Board of Directors and members of the Executive Board. By inviting business leaders, functional leaders, and relevant experts to participate in parts of its meetings, the Board of Directors and its committees interact with representatives from various parts of the organisation as well as external specialists.

The Board of Directors lays down the general business and management principles and ensures the proper organisation and governance of the company. Furthermore, the Board of Directors decides the strategy and the risk policies and supervises the execution of the strategy as well as the performance of the company and its management. The Board of Directors appoints members of the Executive Board.

The Board of Directors shall consist of four to 13 members elected by the General Meeting. The Board members are elected for a two-year term. There are Board members up for election every year to ensure continuity in the work of the Board of Directors. Board members are eligible for re-election.

In connection with the Annual General Meeting on 2 April 2019, Jan Leschly and Rob Routs stepped down from the Board of Directors, and the Annual General Meeting elected Bernard L. Bot and Marc Engel as new members. The Board of Directors has 10 members, all elected by the General Meeting. Six of the members of the Board of Directors, including the Chairman, are independent. The Chairman of the Board of Directors and the chairmen of the committees, except the Nomination Committee, are independent.

Further information on the members of the Board of Directors, committees as well as the Board members' participation in Board and committee meetings is available on the company's webpage and below.

The Board of Directors plans seven to nine ordinary meetings per year.

The Board of Directors has established the following committees:

The Chairmanship

The Chairmanship consists of the Chairman and the Vice Chairman (or Vice Chairmen), who are elected by and among the members of the Board of Directors. The Chairmanship performs certain preparation and planning in relation to Board meetings and is a forum for the Chairman's and management's reflections. The Chairmanship meets regularly and as required.

The Audit Committee

The Audit Committee consists of three to four Board members appointed by and among the Board members. The Committee reports to the Board of Directors. The tasks of the Audit Committee include the review of accounting, auditing, risk and control matters, which are dealt with at meetings with the external auditors, the CFO and the heads of the accounting and internal audit functions. Furthermore, the Committee is tasked with reviewing material on related parties' transactions. The majority of the members are independent. The Committee plans six to seven ordinary meetings per year.

The Nomination Committee

The Nomination Committee consists of three Board members, one of whom is the Chairman of the Board. The members are elected by and among the Board members, and the Board appoints the chairman of the Committee. The Nomination Committee assists the Board by establishing an overview of the competencies required and represented on the Board, and reviews the structure, size, composition, succession planning and diversity of the Board of Directors. The Committee also reviews the application of the independence criteria, initiates recruitment, and evaluates candidates for election to the Board of Directors at the General Meeting. The Committee meets on a regular basis.

The Remuneration Committee

The Remuneration Committee consists of three Board members, one of whom is the Chairman of the Board. The Remuneration Committee makes proposals to the Board of Directors for the remuneration of the Board of Directors and members of the Executive Board. Furthermore, the Committee makes proposals to the Board, e.g. with regard to incentive schemes, reporting and disclosure of remuneration, and the remuneration policy. The Remuneration Committee ensures that the remuneration policy and practices as well as incentive programmes support the strategy of A.P. Møller - Mærsk A/S and create value for the shareholders. The majority of the members are independent. The Committee plans four meetings per year.

The Transformation & Innovation Committee

The Transformation & Innovation Committee consists of three to four Board members appointed by and among the Board members. The Committee is established with the purpose of supporting the transformation of the company as well as the development of the company's overall strategic direction and innovation agenda. The majority of the members are independent. The Committee plans four meetings per year.

Rules of procedure

The Rules of procedure for the Audit Committee, Nomination Committee, Remuneration Committee, and Transformation & Innovation Committee are available on the company's webpage.

Group Internal Audit

Group Internal Audit was established in 1998 and provides assurance to the Board of Directors and the Audit Committee and acts independently of the Executive Board. Group Internal Audit's main focus is to review the effectiveness of internal controls, procedures and systems to prevent and detect irregularities. The Head of Group Internal Audit reports to the Chairman of the Board of Directors and to the Audit Committee.

Overview of committee members and attendance rate for 2019

	Board of Directors	Chairmanship	Audit Committee	Nomination Committee	Remuneration Committee	Transformation & Innovation Committee
Jim Hagemann Snabe[1]	8/8 (Chairman)	8/8	8/8	7/7	4/4 (Chairman)	4/4
Ane Mærsk Mc-Kinney Uggla	8/8 (Vice Chairman)	8/8		7/7 (Chairman)		
Dorothee Blessing[1]	7/8					
Bernard L. Bot[1]	7/7[2]		5/5			
Niels Bjørn Christiansen[1]	8/8				3/3[2]	4/4 (Chairman)
Marc Engel[1]	6/7[2]					2/2[3]
Arne Karlsson[1]	8/8		8/8 (Chairman)			
Thomas Lindegaard Madsen	8/8					
Jacob Andersen Sterling	8/8					
Robert Mærsk Uggla	8/8			7/7	4/4	4/4
Jan Leschly	1/1[4]					
Rob Routs	1/1[4]		3/3[4]		0/1[4]	
Overall attendance rate	97.5%	100%	100%	100%	91.7%	100%

1 Considered independent cf. Recommendations for Corporate Governance
2 Joined the Board or Committee in April 2019
3 Joined the Committee in August 2019
4 Stepped down in April 2019

The Executive Board
(registered management of the company)

The Executive Board is appointed by the Board of Directors to carry out the day-to-day management of the company in accordance with the directions provided by the Board of Directors:

- Develop the business and submit strategy proposals to the Board of Directors for decision.
- Implement the strategy for the company and execute on investments and divestments.
- Develop the organisational structure of the company and allocate resources.
- Prepare internal and external financial reporting.
- Monitor and plan capital resources and liquidity.
- Establish and implement internal policies and procedures for relevant topics such as accounting, finance, IT, etc.
- Enterprise Risk Management.

As of 1 January 2019, the Executive Board of A.P. Møller - Mærsk A/S consisted of Søren Skou (CEO), Claus V. Hemmingsen (Vice CEO), Carolina Dybeck Happe (CFO), Vincent Clerc (CCO), Morten H. Engelstoft (CEO of APM Terminals) and Søren Toft (COO). On 30 June 2019, Claus V. Hemmingsen stepped down as Vice CEO and left the company. On 11 November 2019, Søren Toft stepped down as COO and left the company. On 25 November 2019, Carolina Dybeck Happe announced her resignation and will step down as CFO during 2020. On 17 December 2019, it was announced that Henriette Hallberg Thygesen was appointed member of the Executive Board as per 1 January 2020, and on 12 February 2020, it was announced that Patrick Jany will take up the position as CFO and member of the Executive Board by 1 May 2020.

Further information about the members of the Executive Board, including photos and occupations can be found on the company's webpage.

Matters handled by the Board of Directors during 2019
(including but not limited to):

- Strategy and business plan review, target setting and budget approval.
- Follow-up on M&A activities to ensure growth of Logistics & Services.
- Demerger and separate listing of Maersk Drilling.
- Review the implementation of a new safety framework within the organisation.
- Monitor the company's financial policy, credit rating, debt levels and capital structure, including decision on dividend policy and share-buy-back programme.
- Monitor the implementation of the Tech strategy and cyber security standards.
- Monitor the transformation and reorganisation of the company to become the global integrator of container logistics.
- Conduct Board evaluation.
- Nominate Bernard L. Bot and Marc Engel as Board members for the election to the Board at the Annual General Meeting 2019.
- Approval of the Annual Report 2018 and the 2019 Interim Reports as well as review of monthly and quarterly financial reporting and forecasting.
- Setting a target for the underrepresented gender for the Board of Directors.
- Approval of an updated Diversity and Inclusion Policy for the Board of Directors.

Matters handled by the Board Committees in 2019
(including but not limited to):

The Chairmanship
- Preparations and planning in relation to Board meetings.
- Coordination and sparring with the Executive Board.

The Audit Committee
- Monitor the financial reporting process, including accounting estimates and risks, accounting policies and reporting process integrity.
- Review annual and interim financial reports.
- Review of the company's Directors and Officers Insurance.
- Monitor the effectiveness of internal control systems, fraud risks and fraud prevention.
- Discuss key audit matters, monitor the services, audit plans, reports, independence of external auditors, and recommend statutory auditor for election.
- Monitor the Group Internal Audit function, its independence, scope and performance, resources and reporting, and the resolution of audit findings.
- Oversee the company's Enterprise Risk Management framework and processes as well as review key enterprise risks and related mitigation plans.
- Meet with the Head of Group Internal Audit, CFO, Head of Accounting, Head of Tax, other functional leaders and external auditors.

The Nomination Committee
- Review and assess the composition, succession planning, competencies, and diversity of the Board of Directors as a part of the Board evaluation.
- Identify candidates (Bernard L. Bot and Marc Engel) for membership of the Board of Directors.
- Propose target for gender diversity on the Board of Directors.
- Assess independence criteria of the Board members.

The Remuneration Committee
- Review and define benchmarks for executive remuneration.
- Review, monitor and propose to the Board the scorecards and remuneration packages of the Executive Board for 2019 and 2020.
- Review and propose a new Remuneration Policy.
- Preparation for the reporting and disclosure of remuneration in alignment with the new rules in the Danish Companies Act (The Remuneration Report).
- Propose Directors' fees.

The Transformation & Innovation Committee
- Support the development of the transformation and technology agenda by overseeing progress and prioritisation of projects and processes of strategic importance.
- Act as a sparring partner for the Executive Board within innovation, consolidation and growth, including M&A projects.
- Assist in setting the standard and ambition level for the IT strategy and cyber security as well as follow up on progress.

Board of Directors

Jim Hagemann Snabe

Born: 1965
Gender: Male
Joined the Board: 2016
Current election period: 2018-2020

Chairman of the Board of Directors and the Remuneration Committee. Member of the Audit Committee, the Nomination Committee and the Transformation & Innovation Committee.

Considered independent.

Former Co-CEO, SAP AG, Germany

Other management duties, etc.
- Siemens AG[1] (Chairman)
- Allianz SE[1] (Vice Chairman)
- World Economic Forum (member of the Board of Trustees, member of Governing Board)

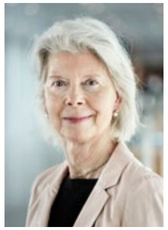
Education
- MSc in Economics and Business Administration, Aarhus School of Business (now Aarhus University), 1989
- Adjunct Professor at Copenhagen Business School, 2017

Qualifications
Board experience from a.o. international, listed technology and innovation companies and from the financial sector. Management experience from global, listed IT companies.

Attendance in Board and Committee meetings during 2019

8 out of 8	Board meetings
8 out of 8	Chairmanship meetings
8 out of 8	Audit Committee meetings
7 out of 7	Nomination Committee meetings
4 out of 4	Remuneration Committee meetings
4 out of 4	Transformation & Innovation Committee meetings

[1] Listed company



Ane Mærsk Mc-Kinney Uggla

Born: 1948
Gender: Female
Joined the Board: 1991
Current election period: 2018-2020

Vice Chairman of the Board of Directors and Chairman of the Nomination Committee.

Not considered independent due to membership of the Board of A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal.

Other management duties, etc.
- A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal (Chairman)
- Den A.P. Møllerske Støttefond (Chairman)
- A.P. Møller Holding A/S (Chairman)
- Estemco III ApS (CEO)
- Timer ApS (CEO)

Education
- Master of Arts, 1977

Qualifications
Insight into the market fundamentals, values and history of the company. Knowledge of the company's complex accounting matters.

Attendance in Board and Committee meetings during 2019

8 out of 8	Board meetings
8 out of 8	Chairmanship meetings
7 out of 7	Nomination Committee meetings

Dorothee Blessing

Born: 1967
Gender: Female
Joined the Board: 2014
Current election period: 2019-2021

Considered independent.

Managing Director, Regional Head for J.P. Morgan in Germany, Austria, Switzerland, Israel, Ireland and the Nordics, responsible for all lines of business and Vice Chairman of Investment Banking EMEA and CEO of J.P. Morgan AG.

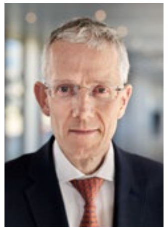
Other management duties, etc.
- Member of J.P. Morgan's European Management Committee
- Member of the Board of Directors of the Association of German Banks

Education
- MSc in Economics (lic.oec.), University of St. Gallen, Switzerland

Qualifications
Financial insight. Leadership experience from international investment banking and financial institutions.

Attendance in Board and Committee meetings during 2019

7 out of 8	Board meetings



Bernard L. Bot

Born: 1966
Gender: Male
Joined the Board: 2019
Current election period: 2019-2021

Member of the Audit Committee.

Considered independent.

CFO, Kingfisher Plc.[1]

Other management duties, etc.
- None

Education
- MSc in Economics from Erasmus University, Rotterdam, the Netherlands
- MBA from University of Chicago Booth School of Business, Chicago, USA

Qualifications
Experience within the transport and logistics sector and listed companies. Technical financial skills and knowledge of global business-to-business technology enterprises.

Attendance in Board and Committee meetings during 2019

7 out of 7[2]	Board meetings
5 out of 5[3]	Audit Committee meetings

[1] Listed company
[2] In 2019, the Board held eight meetings; one before Bernard L. Bot joined the Committee.
[3] In 2019, the Audit Committee held eight meetings; three were held before Bernard L. Bot joined the Committee.

Niels Bjørn Christiansen

Born: 1966
Gender: Male
Joined the Board: 2014
Current election period: 2019-2021

Chairman of the Transformation & Innovation Committee. Member of the Remuneration Committee.

Considered independent.

CEO of LEGO A/S

Other management duties, etc.
- Demant A/S[1] (Chairman) and two related companies; William Demant Foundation (Vice Chairman) and William Demant Invest A/S (Board member)

Education
- Master of Science in Engineering (DTU Denmark), 1991
- MBA from INSEAD, 1993

Qualifications
Management experience in large, global high-tech and industrial innovation companies. Board experience from both listed and private companies within the financial sector, private equity and industry.

Attendance in Board and Committee meetings during 2019

8 out of 8	Board meetings
3 out of 3[2]	Remuneration Committee meetings
4 out of 4	Transformation & Innovation Committee meetings

[1] Listed company
[2] In 2019 the Remuneration Committee held four meetings, one was held before Niels Bjørn Christiansen joined the Committee.

Marc Engel

Born: 1966
Gender: Male
Joined the Board: 2019
Current election period: 2019-2021

Member of the Transformation & Innovation Committee.

Considered independent.

Chief Supply Chain Officer and Member of Unilever leadership Executive Unilever Plc, UK[1]

Other management duties, etc.
- AndGreen Fund as Advisory Board member

Education
- MSc, Applied Physics, from University of Groningen, the Netherlands

Qualifications
International experience in general management, procurement and supply chain roles. Insight from a customer's perspective in both shipping and broader logistics space.

Attendance in Board and Committee meetings during 2019
6 out of 7[2] Board meetings
2 out of 2[3] Transformation & Innovation Committee meetings

[1] Listed company
[2] In 2019, the Board held eight meetings; one before Marc Engel joined the Committee.
[3] In 2019, the Transformation & Innovation Committee held four meetings; two of these were held before Marc Engel joined the Committee.

Arne Karlsson

Born: 1958
Gender: Male
Joined the Board: 2010
Current election period: 2019-2021

Chairman of the Audit Committee.

Considered independent.

Former CEO of Ratos AB

Other management duties, etc.
- Einar Mattsson (Chairman)
- Swedish Corporate Governance Board (Chairman)
- Ecolean (Chairman)
- Swedish Securities Council and WCPF (World's Children's Prize Foundation) (Chairman)
- ROL AB (Chairman)
- Girovent Holding AB (and one subsidiary of Girovent Holding AB)

Education
- Bachelor in Business and Economics, Stockholm School of Economics, 1982

Qualifications
Experience as CEO and board member of private equity companies and with managing and developing a diverse portfolio of businesses operating in different markets.

Attendance in Board and Committee meetings during 2019
8 out of 8 Board meetings
8 out of 8 Audit Committee meetings

Thomas Lindegaard Madsen

Born: 1972
Gender: Male
Joined the Board: 2018
Current election period: 2018-2020

Not considered independent due to employment in A.P. Moller - Maersk.

Captain, Maersk Line

Other management duties, etc.
- None

Education
- Graduated Master, Svendborg Navigations Skole, 1996

Qualifications
Captain in Maersk Line since 2011 and Chief Officer in Maersk Line from 2004-2011. Technical, maritime and operational knowledge relevant to the shipping activities in Maersk.

Attendance in Board and Committee meetings during 2019
8 out of 8 Board meetings

Jacob Andersen Sterling

Born: 1975
Gender: Male
Joined the Board: 2018
Current election period: 2018-2020

Not considered independent due to employment in A.P. Moller - Maersk.

Head of Technical Innovation, A.P. Møller - Mærsk A/S

Other management duties, etc.
- Member of the Board of Directors, NEPCon

Education
- MSc in Biology, University of Copenhagen, 2002

Qualifications
Head of Technical Innovation, A.P. Møller - Mærsk A/S. Relevant knowledge within product management, technical innovation and sustainability, through employment in Maersk Line since 2009.

Attendance in Board and Committee meetings during 2019
8 out of 8 Board meetings

Robert Mærsk Uggla

Born: 1978
Gender: Male
Joined the Board: 2014
Current election period: 2018-2020

Member of the Nomination Committee, the Remuneration Committee and the Transformation & Innovation Committee.

Not considered independent due to the position as CEO of A.P. Møller Holding A/S.

CEO, A.P. Møller Holding A/S

Other management duties, etc.
- The Drilling Company of 1972 A/S[1] (Vice Chairman)
- A.P. Møller Capital P/S (Chairman)
- Maersk Product Tankers A/S (Chairman)
- Agata ApS (CEO)
- Estemco XII ApS (CEO)
- Foundation Board of IMD and board positions in a number of 100% owned subsidiaries under A.P. Møller Holding A/S

Education
- MSc in Business Administration (2003), Stockholm School of Economics, including studies at Università Commerciale Luigi Bocconi
- Executive education at The Wharton School of the University of Pennsylvania, Stanford Business School and Harvard Business School

Qualifications
Leadership experience within investments, incubation, shipping and marine services.

Attendance in Board and Committee meetings during 2019
8 out of 8 Board meetings
7 out of 7 Nomination Committee meetings
4 out of 4 Remuneration Committee meetings
4 out of 4 Transformation & Innovation Committee meetings

[1] Listed company

Executive Board

Søren Skou

Chief Executive Officer (CEO) of A.P. Møller - Mærsk A/S

Born:	1964
Gender:	Male
Joined the Executive Board:	2007

Søren Skou has been CEO of A.P. Møller - Mærsk A/S since June 2016.

Søren Skou joined Maersk in 1983. Over the next 15 years, he held various positions in Maersk with roles in Copenhagen, New York and Beijing. In 1998 he joined Maersk Tankers, where he was CEO from 2001 to 2011.

Other management duties, etc.
- MITHEL Invest ApS
- International Council of Containership Operators (ICCO)
- Member of European Round Table of Industrialists
- Nokia Corporation

Education
- MBA (honours), IMD, Switzerland
- Business Administration, Copenhagen Business School
- Maersk International Shipping Education (M.I.S.E.)

Carolina Dybeck Happe

Chief Financial Officer (CFO)

Born:	1972
Gender:	Female
Joined the Executive Board:	2019

Carolina Dybeck Happe joined A.P. Møller - Mærsk A/S as CFO in January 2019.

Previously, she was CFO and Executive Vice-President at ASSA ABLOY, the global leader in door opening solutions. Prior to this role, she held various finance leadership positions in multiple countries in ASSA ABLOY and served as Chief Financial Officer of Trelleborg AB.

Other management duties, etc.
- E-ON SE

Education
- Master of Science in Business and Economics, Uppsala, Sweden, 1996
- IMD Business School

Vincent Clerc

Chief Executive Officer (CEO), Ocean & Logistics

Born:	1972
Gender:	Male
Joined the Executive Board:	2017

Vincent Clerc was appointed CEO of Ocean & Logistics in December 2019.

Vincent Clerc has worked for Maersk since 1997 and has held various roles in North America and Copenhagen. In December 2015, Vincent Clerc was appointed Chief Commercial Officer in Maersk Line.

Other management duties, etc.
- None

Education
- Bachelor in Political Science, Lausanne, Switzerland
- MBA from Columbia Business School, New York, and London Business School

Morten H. Engelstoft

Chief Executive Officer (CEO), APM Terminals

Born:	1967
Gender:	Male
Joined the Executive Board:	2017

Morten H. Engelstoft has been with A.P. Møller - Mærsk A/S since 1986. He has had a long tenure with Maersk and other brands, including postings in the USA, Vietnam, Taiwan, Singapore and Italy.

Morten H. Engelstoft was appointed CEO of APM Terminals in 2016 where he is responsible for the strategy towards increased operational excellence and improved customer service.

Other management duties, etc.
- Global Ports Investments (Chairman)
  TT Club Mutual Insurance Ltd.

Education
- Executive MBA, IMD, Lausanne, Switzerland
- Maersk International Shipping Education (M.I.S.E.)

Henriette Hallberg Thygesen

Chief Executive Officer (CEO), Fleet & Strategic Brands

Born:	1971
Gender:	Female
Joined the Executive Board:	2020

Henriette Hallberg Thygesen has been with A.P. Møller - Mærsk A/S since 1994.

Henriette Hallberg Thygesen has held various positions in Spain, China, Hong Kong, the USA and Copenhagen for Maersk Tankers, Maersk Oil, Maersk Logistics/Damco and as CEO of Svitzer A/S.

Other management duties, etc.
- Cowi Holding A/S

Education
- Maersk International Shipping Education (M.I.S.E.)
- Master of Science (cand.merc.mat.) from Copenhagen Business School
- PhD in Applied Mathematics from Copenhagen Business School
- Executive MBA from Columbia University, New York, and London Business School

Remuneration

As A.P. Moller - Maersk progresses towards its vision of becoming the global integrator of container logistics, remuneration continues to be one of the key enablers in supporting the attraction, motivation and retention of high-calibre talent.

The Remuneration Policy supports the business needs by enabling an appropriate total remuneration package that has a clear link to business strategy and aligns with shareholder interests. The objectives of the Remuneration Policy are to:

- Ensure appropriate total remuneration: The remuneration design and decisions are guided by market practice in Europe, reflected in the remuneration components offered, and the total remuneration value provided.
- Link to business strategy: The Remuneration Policy supports the business plan and the need for executive leaders to focus on delivering an on-going progress to achieve the company's strategic goals, reflected in a combination of short and long-term incentive components.
- Align with shareholder interest: The Remuneration Policy is designed to support the delivery of strong financial and operational results over time, which will ultimately grow shareholder value.

2015–2019 Remuneration

Remuneration awarded (USD m)	2019	2018	2017	2016	2015
Board of Directors					
Fixed annual fee	3	3	3	3	3
Total	**3**	**3**	**3**	**3**	**3**
Executive Board					
Fixed base salary	10	10	8	13	15
Short-term cash incentive	5	5	2	2	3
Long-term share-based incentives	1	1	1	-2	-
Remuneration in connection with redundancy, resignations and release from duty to work	6	4	-	22	-
Lump sum retirement payment	-	-	-	-1	1
Total	**22**	**20**	**11**	**34**	**19**

The Remuneration Policy and Incentive Guidelines applicable to members of our Executive Board and Board of Directors for 2019 were approved by shareholders at the Annual General Meeting (AGM) in 2018. A new Remuneration Policy, prepared in accordance with the Danish Companies Act, will be presented for approval at the AGM 2020.

The following sections provide an overview of the components of Board of Directors and Executive Board remuneration, as well as the total remuneration awarded to the members for 2019.

Board of Directors

The Board of Directors receives a fixed annual fee which is differentiated based on the role:

- The Chairman receives a fixed amount
- Ordinary Board members receive a fixed amount and the Vice Chairman receives fixed multiples thereof.

Members of the Board of Directors serving on the Board committees or performing ad hoc work beyond the normal responsibilities receive an additional fee.

Executive Board

The remuneration of Executive Board consists of a fixed base salary which is inclusive of pension and company car, short-term incentive as well as long-term incentive components.

The remuneration structure is intended to drive a "pay for performance" culture by aligning individual reward to company performance and shareholder value creation. Individual remuneration level is set and reviewed based on peer companies of similar size and complexity, to ensure they remain comparable and fit to the business.

The Executive Board members have service contracts containing company notice period which is in line with market practice for peer companies in Europe. In the event of termination by the company, the notice period can be up to and no more than 24 months.

Total remuneration 2019

The table below shows the 2015–2019 financial impact of remuneration awarded to the members of Board of Directors and Executive Board in aggregate, as set out in note 2 to the consolidated financial statements.

Further information regarding the share-based payments is detailed in note 11 of the consolidated financial statements, and the detailed Remuneration Report of 2019 is available on the company's website on: https://investor.maersk.com/remuneration

Shareholder information

The share price increased by 34% over the year, implying a total shareholder return of 36% for 2019. The Board of Directors in A.P. Møller - Mærsk A/S proposes an ordinary dividend of DKK 150 per share corresponding to a dividend yield of 1.6%.

Share price development

Source: Bloomberg; data are rebased from the Maersk B share price at the end of December 2019.

Share price development

The Maersk B-share price increased by 34% to DKK 9,608 from its closing price at the end of 2018 of DKK 7,163, adjusted for the value of Maersk Drilling. By comparison, the benchmark indices MSCI World Transportation and OMXC25 increased by 22% and 26%, respectively. The Maersk B-share price reached its highest price of DKK 10,310 on 12 December 2019, and its lowest price of DKK 6,900 on 15 August 2019. The total market value of A.P. Møller - Mærsk A/S was USD 28bn at the end of 2019. The positive development of the share price was mainly led by an easing of trade tensions between the USA and China and negotiations around a potential trade deal coupled with improved financial performance over the year, leading to an earnings upgrade in October 2019.

Share capital

Maersk shares are listed on Nasdaq Copenhagen and are divided into two classes: A shares with voting rights and B shares without voting rights. Each DKK 1,000 A share entitles the holder to two votes.

The A.P. Møller - Mærsk A/S share capital amounts to nominally DKK 20,816,862,000, divided between 10,756,378 A shares of nominally DKK 1,000 and 10,060,484 B shares of nominally DKK 1,000.

Ownership

The total number of registered shareholders decreased to around 73,000 during 2019. Shareholders with more than 5% of the share capital or votes held 52% of the share capital, while the 20 largest institutional shareholders together owned around 16% of the total share capital and 36% adjusted for the free-float. Danish retail investors have decreased their ownership from 16% to 11% of the total share capital since the end of 2018.

Own shares

A.P. Moller - Maersk holding of own shares comprised 3.47% of the share capital at the end of 2019, cf. note 11 in the consolidated financial statements.

Dividend

The dividend policy is an annual pay-out ratio of 30-50% of the underlying result to be implemented from the financial year 2019.

In the medium-term and during the strategic phase of balancing the company between Ocean and non-Ocean, the annual pay-out ratio should be expected at the low to mid-point of the range.

Distribution to shareholders will take place through dividends potentially combined with share buy-backs, and the annual pay-out ratio

Financial calendar

23 March
Annual General Meeting

13 May
Interim Report Q1 2020

19 August
Interim Report Q2 2020

18 November
Interim Report Q3 2020

and distribution will be decided from an evaluation of the outlook, cash flow, capital expenditures for organic CAPEX and M&A transactions and investment grade rating.

The Board of Directors proposes an ordinary dividend to the shareholders of DKK 150 per share of DKK 1,000 (DKK 150 per share of DKK 1,000). Of the total proposed ordinary dividend, the DKK 75 per share relates to Maersk's dividend policy of distributing between 30-40% of the underlying net result to shareholders in dividend, while the remaining DKK 75 per share relates to the commitment of distributing a material part of the value of the proceeds from the initially received Total S.A. shares, supported by the strong free cash flow generation in 2019.

The proposed dividend payment represents an ordinary dividend yield of 1.6% (1.8%), based on the Maersk B share's closing price of DKK 9,608 as of 30 December 2019. Payment is expected to take place on 26 March 2020.

Capital structure

The capital structure ensures that A.P. Møller - Mærsk A/S at all time has sufficient financial flexibility to meet the strategic and growth objectives and to maximise the return to our shareholders.

In terms of capital allocation, a strict CAPEX discipline is applied with an accumulated CAPEX guidance for 2020-2021 of USD 3.0-4.0bn.

Driving our long-term value creative strategy, we apply the following principles for capital allocation:

- We invest in maintenance and replacement in the Ocean and non-Ocean segments.
- We invest in growing our non-Ocean segment, both organically and inorganically.
- We are committed to maintaining our investment grade rating.
- We target a dividend pay-out between 30-50% of underlying net profit and aim at distributing excess cash to shareholders primarily via share buy-backs if the outlook permits.

Funding strategy

Maersk's focus is on long-term debt in order to minimise the on-going refinancing risk and secure a solid capital structure over the business cycle. Similarly, the aim is to avoid high concentrations of debt maturing within the same year. We aim at having a diversified debt portfolio, based on funding from debt capital markets, commercial bank debt, export credit agencies and ship financing institutions and from multilateral agencies.

The target is to have an average maturity of the debt portfolio, excluding the impact of leases, of at least five years, and that the total amount of debt maturities within a calendar year should not exceed USD 3bn, within the next three calendar years.

Share buy-back

The Board of Directors decided to initiate a share buy-back programme of up to DKK 10bn (around USD 1.5bn) and a maximum of 3.12 million shares to be acquired over a period of up to 15 months. The first phase ran from 4 June to 25 September 2019 with total market value of the shares acquired of DKK 3.3bn.

The second phase runs from 26 September until 28 February 2020. The shares to be acquired will be limited to a total market value of DKK 3.3bn. Prior to the second phase of the share buy-back programme, Maersk held 88,072 A shares and 403,134 B shares, equal to 2.36% of the share capital.

By the end of 2019, a total of 134,279 A shares and 587,949 B shares were owned by the company, corresponding to 3.47% of the share capital.

The Maersk share

Key figures	2019	2018	2017	2016	2015
Year-end share price (DKK, B share)[1]	9,608	8,184	10,840	11,270	8,975
Share price range (DKK, B share)[1]	3,410	4,005	3,990	4,140	7,605
Market capitalisation at year-end (USD bn, A and B share)[1]	28.0	25.3	35.4	32.2	27.6
Earnings per share (USD)	-4	152	-58	-93	37
Dividend per share (DKK, A and B share)[2]	150	150	150	150	300
Dividend yield (B share)	1.6%	1.8%	1.4%	1.3%	3.3%
Share buy-back programme (DKK bn)[3]	5.3	-	-	3.2	5.2

1 For 2015-2018 data has not been adjusted for the demerger of Maersk Drilling
2 Ordinary dividend in proposed year
3 Actual payments on a cash basis

The purpose of the programme is to adjust the capital structure of the company and to meet obligations under long-term incentive programmes.

No shares may be bought back at a price exceeding the higher of i) share price of latest independent trade and ii) the highest current independent offer price on the trading venue where the purchase is carried out.

The maximum number of A and B shares that may be purchased on each trading day may not exceed 20% of the average daily trading volume of A and B shares, respectively, on Nasdaq Copenhagen or other regulated markets, on which the purchase is carried out, over the last 20 trading days prior to the date of purchase.

A and B shares will be acquired in a 20/80 split, reflecting the current trading volumes of the two share classes.

The company will fulfil its reporting obligations by announcing no later than every 7th trading day the purchases made under the share buy-back programme.

A.P. Møller Holding A/S has committed to participate in the share buy-back programme by selling shares relative to its voting rights and relative to its total ownership in the company. A.P. Møller Holding A/S intends to maintain its ownership of 51.45% of A shares and 41.51% of the total share capital in the company.

The company is entitled to suspend or stop the programme at any time subject to an announcement to Nasdaq Copenhagen.

Annual General Meeting

The Annual General Meeting will be held on 23 March 2020 in Copenhagen, Denmark.

Investor Relations

To keep investors and analysts updated on the company's strategic development, market outlook and financial performance, A.P. Moller - Maersk arranges road shows and participates in investor and industry conferences. Investor Relations, besides meeting domestic investors, also travels extensively to ensure that international investors are kept updated on the latest developments.

Jim Hagemann Snabe, Chairman of the Board of Directors, addressing shareholders at the 2019 Annual General Meeting in Copenhagen.

In 2019, the Executive Board and the Investor Relations team had more than 350 meetings with the participation of more than 750 investors and analysts across Europe, Asia and North America.

A.P. Moller - Maersk is covered by around 30 sell-side analysts, predominantly from international investment banks, who regularly publish research reports and sector reports. A list of the analysts and other relevant information, including financial reports, investor presentations, share and bond information, is available at https://investor.maersk.com.

Shareholders with more than 5% of share capital or votes

Shareholders according to section 55 of the Danish Companies Act are

	Share capital	Votes
A.P. Møller Holding A/S, Copenhagen, Denmark	40.17%	50.81%
A.P. Møller og Hustru Chastine Mc-Kinney Møllers Familiefond, Copenhagen, Denmark	8.84%	13.12%
Den A.P. Møllerske Støttefond, Copenhagen, Denmark	3.11%	5.99%

Financials 2019

Consolidated Financial statements 2019

A.P. Moller - Maersk

(In parenthesis, the corresponding figures for 2018)

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Consolidated income statement

Note		2019	2018
1	Revenue	38,890	39,280
2	Operating costs	33,130	35,626
	Other income	623	337
	Other costs	671	182
1	**Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)**	**5,712**	**3,809**
6-8	Depreciation, amortisation and impairment losses, net	4,287	3,737
3	Gain on sale of non-current assets, etc., net	71	148
	Share of profit/loss in joint ventures	93	116
	Share of profit/loss in associated companies	136	-115
	Profit/loss before financial items (EBIT)	**1,725**	**221**
4	Financial income	511	1,025
4	Financial expenses	1,269	1,426
	Profit/loss before tax	**967**	**-180**
5	Tax	458	398
	Profit/loss for the period – continuing operations	**509**	**-578**
10	Profit/loss for the period – discontinued operations	-553	3,787
	Profit/loss for the period	**-44**	**3,209**
	Of which:		
	Non-controlling interests	40	52
	A.P. Møller - Mærsk A/S' share	**-84**	**3,157**
11	**Earnings per share – continuing operations, USD**	**23**	**-30**
11	**Diluted earnings per share – continuing operations, USD**	**23**	**-30**
11	**Earnings per share, USD**	**-4**	**152**
11	**Diluted earnings per share, USD**	**-4**	**152**

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

In 2019 Maersk Supply Service ceased to be classified as discontinued operation. In accordance with IFRS, the income statement, balance sheet, and cash flow statement have been restated in previous periods.

Consolidated statement of comprehensive income

Note		2019	2018
	Profit/loss for the year	**-44**	**3,209**
	Translation from functional currency to presentation currency:		
	Translation impact arising during the year	-81	-345
	Reclassified to income statement, gain on sale of non-current assets, etc., net	6	-
16	Cash flow hedges:		
	Value adjustment of hedges for the year	-141	-149
	Reclassified to income statement		
	– revenue	5	-2
	– operating costs	78	-2
	– financial expenses	32	31
	– discontinued operations	1	-7
	Reclassified to non-current assets	2	-6
5	Tax on other comprehensive income	16	8
	Share of other comprehensive income of joint ventures and associated companies, net of tax	-1	2
	Total items that have been or may be reclassified subsequently to the income statement	**-83**	**-470**
17	Other equity investments (FVOCI), fair value adjustments for the year	165	-134
14	Actuarial gains/losses on defined benefit plans, etc.	91	-7
5	Tax on other comprehensive income	10	-38
	Total items that will not be reclassified to the income statement	**266**	**-179**
	Other comprehensive income, net of tax	**183**	**-649**
	Total comprehensive income for the year	**139**	**2,560**
	Of which:		
	Non-controlling interests	29	38
	A.P. Møller - Mærsk A/S' share	**110**	**2,522**

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Consolidated balance sheet at 31 December

Note	Assets	2019	2018
6	**Intangible assets**	**4,219**	**4,278**
7	**Property, plant and equipment**	**27,516**	**31,107**
8	**Right-of-use assets**	**8,460**	**-**
	Investments in joint ventures	1,204	1,333
	Investments in associated companies	937	754
	Other equity investments	78	44
16	Derivatives	161	134
14	Pensions, net assets	409	285
	Loan receivables	160	171
	Other receivables	318	273
	Financial non-current assets, etc.	**3,267**	**2,994**
9	**Deferred tax**	**237**	**267**
	Total non-current assets	**43,699**	**38,646**
	Inventories	**1,430**	**1,073**
18	Trade receivables	3,531	3,815
	Tax receivables	161	159
16	Derivatives	43	81
	Loan receivables	239	199
1	Other receivables	857	879
	Prepayments	520	554
	Receivables, etc.	**5,351**	**5,687**
	Equity investments, etc.	**2**	**2,448**
	Cash and bank balances	**4,768**	**2,863**
10	**Assets held for sale or distribution**	**149**	**5,905**
	Total current assets	**11,700**	**17,976**
	Total assets	**55,399**	**56,622**

Note	Equity and liabilities	2019	2018
11	Share capital	3,774	3,774
	Reserves	24,324	28,835
	Equity attributable to A.P. Møller - Mærsk A/S	**28,098**	**32,609**
	Non-controlling interests	739	771
	Total equity	**28,837**	**33,380**
13	**Lease liabilities, non-current**	**7,295**	**1,858**
13	**Borrowings, non-current**	**7,455**	**8,036**
14	Pensions and similar obligations	272	259
15	Provisions	636	728
16	Derivatives	328	242
9	Deferred tax	362	372
	Tax payables	335	307
	Other payables	44	41
	Other non-current liabilities	**1,977**	**1,949**
	Total non-current liabilities	**16,727**	**11,843**
13	**Lease liabilities, current**	**1,282**	**408**
13	**Borrowings, current**	**721**	**1,586**
15	Provisions	458	508
	Trade payables	5,567	5,281
	Tax payables	307	427
16	Derivatives	87	121
	Other payables	1,170	938
	Deferred income	168	181
	Other current liabilities	**7,757**	**7,456**
10	**Liabilities associated with assets held for sale or distribution**	**75**	**1,949**
	Total current liabilities	**9,835**	**11,399**
	Total liabilities	**26,562**	**23,242**
	Total equity and liabilities	**55,399**	**56,622**

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Consolidated cash flow statement

Note		2019	2018
	Profit/loss before financial items	1,725	221
6-8	Depreciation, amortisation and impairment losses, net	4,287	3,737
3	Gain on sale of non-current assets, etc., net	-71	-148
	Share of profit/loss in joint ventures	-93	-116
	Share of profit/loss in associated companies	-136	115
21	Change in working capital	476	-339
	Change in provisions and pension obligations, etc.	70	39
21	Other non-cash items	162	100
	Cash flow from operating activities before tax	6,420	3,609
	Taxes paid	-501	-381
	Cash flow from operating activities	**5,919**	**3,228**
21	Purchase of intangible assets and property, plant and equipment	-2,035	-3,219
	Sale of intangible assets and property, plant and equipment	186	432
22	Acquisition of subsidiaries and activities	-44	33
22	Sale of subsidiaries and activities	-40	-77
	Sale of associated companies	46	11
	Dividends received	297	439
	Sale of other equity investments[1]	2,617	3,033
	Other financial investments, net	-152	-6
	Purchase/sale of securities, trading portfolio	-1	-
	Cash flow used for investing activities	**874**	**646**
	Repayment of borrowings	-2,533	-7,148
	Repayment of lease liabilities	-1,291	-629
	Proceeds from borrowings	1,077	2,126
	Purchase of own shares	-791	-
	Financial income received	91	59
	Financial expenses paid	-350	-493
8	Financial expenses paid on lease liabilities	-477	-143
	Dividends distributed	-469	-517
	Dividends distributed to non-controlling interests	-70	-75
	Sale of non-controlling interests	-	23
	Acquisition of non-controlling interests	-1	-60
	Other equity transactions	14	-8
	Cash flow from financing activities	**-4,800**	**-6,865**
	Net cash flow from continuing operations	**1,993**	**-2,991**
10	Net cash flow from discontinued operations	-372	3,967
	Net cash flow for the period	**1,621**	**976**
	Cash and cash equivalents 1 January	3,149	2,268
	Currency translation effect on cash and cash equivalents	-12	-95
	Cash and cash equivalents 31 December	4,758	3,149
	Of which classified as assets held for sale	-	-372
	Cash and cash equivalents 31 December	**4,758**	**2,777**
	Cash and cash equivalents		
	Cash and bank balances	4,768	2,863
	Overdrafts	10	86
	Cash and cash equivalents 31 December	**4,758**	**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.

1 In 2019, A.P. Moller - Maersk sold 46.27 million (51.25 million) Total S.A. shares, generating a cash flow of USD 2.6bn (USD 3.0bn).

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Consolidated statement of changes in equity

Note		Share capital	Translation reserve	Reserve for other equity investments	Reserve for hedges	Retained earnings	Total	Non-controlling interests	Total equity
		A.P. Møller - Mærsk A/S							
	Equity 1 January 2018	3,774	-286	26	26	27,069	30,609	816	31,425
	Other comprehensive income, net of tax	-	-330	-171	-129	-5	-635	-14	-649
	Profit/loss for the period	-	-	-	-	3,157	3,157	52	3,209
	Total comprehensive income for the period	**-**	**-330**	**-171**	**-129**	**3,152**	**2,522**	**38**	**2,560**
	Dividends to shareholders	-	-	-	-	-517	-517	-75	-592
12	Value of share-based payment	-	-	-	-	14	14	-	14
	Acquisition of non-controlling interests	-	-	-	-	-31	-31	-29	-60
	Sale of non-controlling interests	-	-	-	-	14	14	9	23
11	Capital increases and decreases	-	-	-	-	-	-	12	12
17	Transfer of gain/loss on disposal of equity investments to retained earnings[1]	-	-	-57	-	57	-	-	-
	Other equity movements	-	-	-	-	-2	-2	-	-2
	Total transactions with shareholders	**-**	**-**	**-57**	**-**	**-465**	**-522**	**-83**	**-605**
	Equity 31 December 2018	**3,774**	**-616**	**-202**	**-103**	**29,756**	**32,609**	**771**	**33,380**
	2019								
	Other comprehensive income, net of tax	-	-76	180	6	84	194	-11	183
	Profit/loss for the period	-	-	-	-	-84	-84	40	-44
	Total comprehensive income for the period	**-**	**-76**	**180**	**6**	**-**	**110**	**29**	**139**
	Dividends to shareholders	-	-	-	-	-469	-469	-73	-542
12	Value of share-based payment	-	-	-	-	10	10	-	10
	Purchase of own shares[2]	-	-	-	-	-791	-791	-	-791
11	Capital increases and decreases	-	-	-	-	-	-	12	12
17	Transfer of gain/loss on disposal of equity investments to retained earnings[1]	-	-	18	-	-18	-	-	-
	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	**-**	**-**	**18**	**-**	**-4,639**	**-4,621**	**-61**	**-4,682**
	Equity 31 December 2019	**3,774**	**-692**	**-4**	**-97**	**25,117**	**28,098**	**739**	**28,837**

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 18m has been transferred within equity.

2 Up until 31 December 2019, a total of 134,279 A shares and 537,143 B shares have been repurchased with a value of USD 791m as part of the share buy-back programme initiated on 4 June 2019. At 31 December 2019, A.P. Moller - Maersk owns a total of 134,279 A shares and 587,949 B shares as treasury shares, corresponding to 3.47% of the share capital.

3 Reference is made to note 2 for further information.

Notes

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Note 1 Segment information

Table 1.1	Ocean	Logistics & Services	Terminals & Towage	Manufacturing & Others	Total
Full year 2019					
External revenue	28,036	5,768	3,108	1,943	38,855
Inter-segment revenue	382	197	786	229	1,594
Total segment revenue	**28,418**	**5,965**	**3,894**	**2,172**	**40,449**
Unallocated and eliminations					-1,559
Total revenue	-	-	-	-	**38,890**
Segment profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**4,356**	**238**	**1,107**	**205**	**5,906**
Unallocated items					-195
Eliminations					1
Consolidated profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)[1]					**5,712**
Segment gross capital expenditures, excl. acquisitions and divestments (CAPEX)	1,172	128	530	204	2,034
Eliminations					1
Consolidated gross capital expenditures, excl. acquisitions and divestments (CAPEX)					**2,035**

Table 1.2	Ocean	Logistics & Services	Terminals & Towage	Manufacturing & Others	Total
Full year 2018					
External revenue	27,990	5,891	2,983	2,361	39,225
Inter-segment revenue	376	191	789	426	1,782
Total segment revenue	**28,366**	**6,082**	**3,772**	**2,787**	**41,007**
Unallocated and eliminations					-1,750
IFRS 16 impact					23
Total revenue	-	-	-	-	**39,280**
Segment profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)[1]	**3,782**	**191**	**998**	**163**	**5,134**
Unallocated items					-138
Eliminations					2
IFRS 16 impact					-1,189
Consolidated profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)					**3,809**
Segment gross capital expenditures, excl. acquisitions and divestments (CAPEX)	2,279	47	556	358	3,240
Eliminations					-21
Consolidated gross capital expenditures, excl. acquisitions and divestments (CAPEX)					**3,219**

Table 1.1 and Table 1.2
A.P. Moller - Maersk has organised segments in 'Ocean', 'Logistics & Services', 'Terminals & Towage' and 'Manufacturing & Others'.

The Ocean segment with the activities of Maersk Liner Business (Maersk Line, Safmarine and Sealand – A Maersk Company) together with the Hamburg Süd brands (Hamburg Süd and Aliança) as well as strategic transhipment hubs under the APM Terminals brand. Inland activities related to Maersk Liner Business are included in the Logistics & Services segment.

The Logistics & Services segment with the logistics and supply chain management services, container inland services, inland haulage activities (intermodal), trade finance services and freight forwarding.

The Terminals & Towage segment including gateway terminals, involving landside activities such as port activities where the customers are mainly the carriers, and towage services under the Svitzer brand.

The Manufacturing & Others segment with Maersk Container Industry and others. Due to the reassessment in 2019, Maersk Supply Service was classified as continuing operations and consequently 2018 figures have been restated.

The segment disclosures 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).

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

Note 1 Segment information – continued

Table 1.3

USD million	Types of revenue	2019	2018
Ocean	Freight revenue	24,871	24,925
	Other revenue, including hubs	3,547	3,441
Logistics & Services	Supply chain management revenue	861	867
	Inland services revenue	576	595
	Intermodal revenue	2,527	2,569
	Sea freight revenue	546	646
	Air freight revenue	485	608
	Other services revenue	970	797
Terminals & Towage	Terminal services	3,223	3,095
	Towage services	695	692
Manufacturing & Others	Sale of containers and spare parts	586	978
	Offshore supply services	305	263
	Other shipping activities	404	719
	Other services	877	827
Unallocated activities and eliminations[1]		-1,583	-1,765
IFRS 16 impact			23
Total revenue		**38,890**	**39,280**

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed as total revenue:

Table 1.4	2019	2018
Revenue from contracts with customers	37,641	38,178
Revenue from other sources		
Vessel-sharing and slot charter income	1,188	1,031
Lease income	21	51
Others	40	20
Total revenue	**38,890**	**39,280**

Table 1.5

Contract balances	2019	2018
Trade receivables	3,248	3,576
Accrued income – contract asset	48	49
Deferred income – contract liability	59	70

Table 1.3

1 Revenue eliminations between terminal services and towage services are included under Unallocated activities and eliminations.

Table 1.5

Accrued income included in trade receivables in the balance sheet constitutes contract assets comprising unbilled amounts to customers representing the group's right to consideration for the services transferred to date. Any amount previously recognised as accrued income is reclassified to trade receivables at the time it is invoiced to the customer.

Under the payment terms generally applicable to the group's revenue generating activities, prepayments are received only to a limited extent. Typically, payment is due upon or after completion of the services.

Part of the deferred income presented in the balance sheet constitutes contract liabilities which represent advance payments and billings in excess of revenue recognised.

There were no significant changes in accrued income and deferred income during the reporting period.

Impairment losses disclosed in note 18 relate to receivables arising from contracts with customers.

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Note 1 Segment information – continued

Table 1.6	External revenue		Tax paid		Non-current assets[1]	
Geographical split	2019	2018	2019	2018	2019	2018
Denmark	310	410	156	-68	19,375	18,088
Australia	1,241	1,395	10	7	321	284
Brazil	1,606	1,575	-9	32	339	343
China and Hong Kong	2,056	2,230	19	12	2,593	2,758
France	267	278	-4	72	18	3
Germany	1,204	1,311	-2	1	475	687
Netherlands	1,102	1,163	12	7	818	731
Nigeria	895	682	40	38	111	77
Singapore	445	463	2	3	4,950	4,504
UK	1,391	1,484	-	2	579	494
USA	6,731	6,741	20	11	2,519	1,169
Other	21,642	21,548	259	265	8,097	6,247
Total	**38,890**	**39,280**	**503**	**382**	**40,195**	**35,385**

Table 1.6
Geographical information
Revenue for the shipping activities is based on the destination for ships operated by the group and on customer location for ships on time charter. For non-current assets (e.g. terminals), which cannot be easily moved, geographical location is where the assets are located. For all other assets, geographical location is based on the legal ownership. These assets consist mainly of ships and containers registered in China, Denmark, Singapore and the USA.

1 Comprise intangible assets and property, plant and equipment relating to continuing operations.

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Note 2 Operating costs

Table 2.1	2019	2018
Costs of goods sold	998	1,182
Bunker costs	4,628	5,231
Terminal costs	6,775	7,070
Intermodal costs	4,151	4,158
Port costs	2,265	2,392
Rent and lease costs	1,502	2,985
Staff costs	4,955	4,919
Other	7,856	7,689
Total operating costs	**33,130**	**35,626**
Remuneration of employees		
Wages and salaries	4,218	4,208
Severance payments	118	70
Pension costs, defined benefit plans	31	33
Pension costs, defined contribution plans	273	271
Other social security costs	411	391
Total remuneration	**5,051**	**4,973**
Of which:		
Recognised in the cost of assets	4	7
Included in restructuring costs and other	92	47
Expensed as staff costs	**4,955**	**4,919**
Average number of employees[1]	83,512	82,806

Table 2.2

Fees and remuneration to the Executive Board	2019	2018
Fixed base salary	10	10
Short-term cash incentive	5	5
Long-term share-based incentives	1	1
Remuneration in connection with redundancy, resignations and release from duty to work	6	4
Total remuneration to the Executive Board	**22**	**20**

Table 2.3

Fees to the statutory auditors	2019	2018
Statutory audit	13	13
Other assurance services	1	1
Tax and VAT advisory services	1	1
Other services	2	2
Total fees	**17**	**17**

Table 2.1
Customary agreements have been entered into with employees regarding compensation in connection with resignation with consideration for local legislation and collective agreements.

For information about share-based payment, reference is made to note 12.

1 Total number of employees (YTD average) is 86,279 (85,689) of which 83,512 (82,806) relate to continuing operations and 2,767 (2,883) relate to discontinued operations.

Table 2.2
The contract of employment for the Executive Board contains terms customary in Danish listed companies, including termination notice and competition clauses. In connection with a possible takeover offer, neither the Executive Board nor the Board of Directors will receive special remuneration. Fees and remuneration do not include pension.

The Board of Directors has received fees of USD 3m (USD 3m).

Table 2.3
Fees for other services than statutory audit of the financial statements provided by Pricewaterhouse-Coopers Statsautoriseret Revisionspartnerselskab to A.P. Moller - Maersk mainly consist of audit of non-statutory financial statements, financial due diligence and transaction advice, accounting advisory services, tax advice and other services related to separating discontinued operations, review of the half-year interim report and other advisory accounting and tax services.

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Note 3 Gain on sale of non-current assets, etc., net

Table 3.1	2019	2018
Gains	128	237
Losses	57	89
Gain on sale of non-current assets, etc., net	**71**	**148**

Table 3.1
Gains in 2019 were primarily related to sale of containers of USD 81m and sale and leaseback of S type vessels and Mitsubishi vessels of USD 12m.

Gains in 2018 were primarily related to the disposal of an associated company, Inttra Inc., of USD 49m, to the sale and leaseback of three Cap San vessels of USD 38m and from container sales of USD 17m.

Note 4 Financial income and expenses

Table 4.1	2019	2018
Interest expenses on liabilities[1]	971	809
Of which borrowing costs capitalised on assets[2]	23	62
Interest income on loans and receivables	91	70
Fair value adjustment transferred from equity hedge reserve (loss)	28	53
Unwind of discount on provisions	-	1
Net interest expenses	**885**	**731**
Exchange rate gains on bank balances, borrowings and working capital	299	596
Exchange rate losses on bank balances, borrowings and working capital	250	545
Net foreign exchange gains/losses	**49**	**51**
Fair value gains from derivatives	98	79
Fair value losses from derivatives	41	62
Net fair value gains/losses	**57**	**17**
Dividends received from securities[3]	13	239
Impairment losses on financial non-current receivables	2	3
Reversal of write-downs of loans and other non-current receivables	10	26
Financial expenses, net[4]	**758**	**401**
Of which:		
Financial income	511	1,025
Financial expenses	1,269	1,426

Table 4.1
For an analysis of gains and losses from derivatives, reference is made to note 16.

1 Of which USD 477m (143m) relates to interest expenses on lease liabilities.
2 The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 5.2% (4.3%).
3 Of which USD 1m (USD 139m) pertains to shares held at the end of the year and USD 12m (USD 100m) to shares sold during the year.
4 Of which USD 12m relates to a loss on the prepayment of issued bonds.

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Note 5 Tax

Table 5.1	2019	2018
Tax recognised in the income statement		
Current tax on profits for the year	369	468
Adjustment for current tax of prior periods	5	-97
Utilisation of previously unrecognised deferred tax assets	-6	-6
Total current tax	**368**	**365**
Origination and reversal of temporary differences	-15	-81
Adjustment for deferred tax of prior periods	3	-26
Adjustment attributable to changes in tax rates and laws	-3	1
Recognition of previously unrecognised deferred tax assets	-4	-7
Reassessment of recoverability of deferred tax assets, net	28	50
Total deferred tax	**9**	**-63**
Total income tax	**377**	**302**
Tonnage and freight tax	81	96
Total tax expense	**458**	**398**
Tax reconciliation		
Profit/loss before tax	967	-180
Profit/loss subject to Danish and foreign tonnage taxation, etc.	-439	342
Internal gain/loss on sale of assets	-	-1
Share of profit/loss in joint ventures	-93	-116
Share of profit/loss in associated companies	-136	115
Profit/loss before tax, adjusted	**299**	**160**
Tax using the Danish corporation tax rate (22%)	65	35
Tax rate deviations in foreign jurisdictions	-44	12
Non-taxable income	-74	-54
Non-deductible expenses	246	255
Adjustment to previous years' taxes	8	-123
Effect of changed tax rate	-3	1
Change in recoverability of deferred tax assets	18	37
Deferred tax asset not recognised	126	125
Other differences, net	35	14
Total income tax	**377**	**302**
Tax recognised in other comprehensive income and equity	**-26**	**30**
Of which:		
Current tax	-32	31
Deferred tax	6	-1

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Note 6 Intangible assets

Table 6.1	Goodwill	Terminal and service concession rights	Customer relations and brand name	Other rights	Total
Cost					
1 January 2018	1,150	2,910	1,142	551	5,753
Addition	-	181	-	31	212
Acquired in business combinations	-72	-	-	-	-72
Disposal	-	-	-	4	4
Transfer, assets held for sale	-	-49	-	-5	-54
Exchange rate adjustment	-39	-64	-6	-11	-120
31 December 2018	**1,039**	**2,978**	**1,136**	**562**	**5,715**
Addition	-	43	-	121	164
Acquired in business combinations[1]	26	-	25	-	51
Disposal	-	-	-	3	3
Transfer, assets held for sale	-4	-22	-	-8	-34
Exchange rate adjustment	-1	-24	-1	-3	-29
31 December 2019	**1,060**	**2,975**	**1,160**	**669**	**5,864**
Amortisation and impairment losses					
1 January 2018	427	491	6	460	1,384
Amortisation	-	77	69	28	174
Impairment losses	4	-	-	1	5
Disposal	-	-	-	4	4
Transfer, assets held for sale	-	-49	-	-5	-54
Exchange rate adjustment	-37	-21	-	-10	-68
31 December 2018	**394**	**498**	**75**	**470**	**1,437**
Amortisation	-	100	70	30	200
Impairment losses	35	6	-	6	47
Disposal	-	-	-	3	3
Transfer, assets held for sale	-4	-17	-	-6	-27
Exchange rate adjustment	-2	-7	-	-	-9
31 December 2019	**423**	**580**	**145**	**497**	**1,645**
Carrying amount:					
31 December 2018	**645**	**2,480**[2]	**1,061**	**92**[3]	**4,278**
31 December 2019	**637**	**2,395**[2]	**1,015**	**172**[3]	**4,219**

Table 6.1

1 Acquisition of Vandegrift.

2 Of which USD 95m (USD 826m) is under development. USD 31m (USD 34m) is related to terminal rights with indefinite useful life in Poti Sea Port Corp. The impairment test is based on the estimated fair value according to business plans. An average discount rate of 11.70% (8.97%) p.a. after tax has been applied in the calculations. Furthermore, the developments in volumes and rates are significant parameters. Service concession rights with a carrying amount of USD 74m (USD 80m) have restricted title.

3 Of which USD 73m (USD 30m) is related to ongoing development of software.

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Note 6 Intangible assets – continued

For the intangible assets, the impairment losses can be specified as follows:

Table 6.2	Applied discount rate p.a. after tax		Impairment losses	
Operating segment	2019	2018	2019	2018
Goodwill				
Terminals & Towage	13.0%	6.6%	6	4
Logistics & Services	8.7%	7.5%	29	-
Terminal and service concession rights				
Terminals & Towage			6	-
Other rights				
Terminals & Towage	13.0%	6.6%	3	1
Logistics & Services			3	
Total			**47**	**5**

Table 6.3			
Operating segment	Cash generating unit	2019	2018
Ocean	Ocean (Hamburg Süd acquisition)	316	316
Terminal & Towage	Multiple terminals (Grup Marítim TCB acquisition)	248	248
Other		73	81
Total		**637**	**645**

Table 6.2 and Table 6.3
Impairment analysis
The recoverable amount of each CGU is determined based on the higher of its value in use or fair value less cost to sell. The value in use is calculated using certain key assumptions for the expected future cash flows and applied discount factor.

The cash flow projections are based on financial budgets and business plans approved by management. In nature, these projections are subject to judgement and estimates that are uncertain, though based on experience and external sources where available. The discount rates applied reflect the time value of money as well as the specific risks related to the underlying cash flows, i.e. project and/or country-specific risk premium. Further, any uncertainties reflecting past performance and possible variations in the amount or timing of the projected cash flows are generally reflected in the discount rates.

Goodwill impairment test
The carrying amount of goodwill has been allocated to the following operating segments and cash-generating units based on the management structure.

The most significant goodwill amount relates to the Ocean segment, where the impairment test is based on the estimated value in use from five-year business plans and a calculated terminal value with growth equal to the expected economic growth of 2% p.a. in both 2019 and 2018. A discount rate of 7.7% (7.7%) has been applied.

The key assumptions for Terminals & Towage's value calculations are container moves, revenue and cost per move and discount rate. The cash flow projections cover the concession period and extension options where deemed likely that they will be exercised. The growth rates assumed reflect current market expectations for the relevant period.

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Note 7 Property, plant and equipment

Table 7.1	Ships, containers, etc.	Production facilities and equipment, etc.	Construction work in progress and payment on account	Total
Cost				
1 January 2018	46,140	6,628	1,861	54,629
Addition	757	77	2,414	3,248
Acquired in business combinations	-8	26	1	19
Disposal	980	99	5	1,084
Transfer	2,405	231	-2,636	-
Transfer, assets held for sale	-27	-31	-	-58
Exchange rate adjustment	-165	-183	-35	-383
31 December 2018	**48,122**	**6,649**	**1,600**	**56,371**
Transfer of IAS 17 finance leases	-4,169	-138	-	-4,307
Addition	432	78	1,315	1,825
Disposal	754	127	10	891
Transfer	1,153	943	-2,096	-
Transfer, assets held for sale	-3	-353	1	-355
Reclassification from/to right-of-use assets	62	6	-	68
Exchange rate adjustment	-3	-68	-15	-86
31 December 2019	**44,840**	**6,990**	**795**	**52,625**
Depreciation and impairment losses				
1 January 2018	19,267	3,045	304	22,616
Depreciation	2,637	385	-	3,022
Impairment losses	479	147	13	639
Reversal of impairment losses	1	2	-	3
Disposal	721	73	-	794
Transfer	112	-	-112	-
Transfer, assets held for sale	-18	-47	-	-65
Exchange rate adjustment	-50	-101	-	-151
31 December 2018	**21,705**	**3,354**	**205**	**25,264**
Transfer of IAS 17 finance leases	-1,725	-30	-	-1,755
Depreciation	2,289	380	-	2,669
Impairment losses	46	35	-	81
Reversal of impairment losses	-	53	11	64
Disposal	654	120	2	776
Transfer	188	-	-188	-
Transfer, assets held for sale	-7	-280	-	-287
Reclassification from/to right-of-use assets	3			3
Exchange rate adjustment	8	-34	-	-26
31 December 2019	**21,853**	**3,252**	**4**	**25,109**
Carrying amount:				
31 December 2018	**26,417**	**3,295**	**1,395**	**31,107**
31 December 2019	**22,987**	**3,738**	**791**	**27,516**
Of which carrying amount of finance leased assets:				
31 December 2018	**2,444**	**104**	**4**	**2,552**

Table 7.1

Right-of-use assets

Following IFRS 16 implementation in 2019, right-of-use assets are shown separately in note 8.

Pledges

Ships, buildings, etc. with carrying amount of USD 1.9bn (USD 2.1bn) have been pledged as security for loans of USD 1.0bn (USD 1.3bn).

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Note 7 Property, plant and equipment – continued

Table 7.2

Operating segment	Cash-generating unit	Impairment losses 2019	Impairment losses 2018	Reversal of impairment losses 2019	Reversal of impairment losses 2018	Applied discount rate p.a. after tax 2019	Applied discount rate p.a. after tax 2018	Recoverable amount 2019	Recoverable amount 2018
Terminals & Towage	Terminals	-	20			-	8.5%	-	20
	Towage	16	-			13.0%	-	64	-
Maersk Supply Service	Anchor handling tug supply vessels (onerous contracts)[1]	31	123						
	Anchor handling tug supply vessels		202				10.2%		284
	SSV		138				10.2%		362
	Others		5				10.2%		-
Manufacturing & Others	Container manufacturing facilities		140	51					45
Other		34	11	13	3				
Total		**81**	**639**	**64**	**3**				

Table 7.2
Impairment analysis
For more information on impairment tests, reference is made to notes 6 and 25.

In the cash generating units below the test gave rise to impairment losses and reversals.

1 Impairment loss of USD 31m (USD 123m) relates to the impairment losses recognised on newbuildings in previous years (onerous contracts) and reflected as impairment upon delivery in 2019 (2018).

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Note 8 Right-of-use assets

Table 8.1	Ships, containers, etc.	Concession agreements	Real estate and other leases	Total
				2019
Right-of-use assets				
1 January 2019	3,120	2,351	751	6,222
Transfer from IAS 17 finance leases	2,444	-	108	2,552
Additions	555	780	214	1,549
Disposal	-321	-2	-18	-341
Depreciation cost	-1,023	-188	-185	-1,396
Transfer, assets held for sale	-4	-58	-1	-63
Transfer to owned assets, etc.	-59	-1	-5	-65
Exchange rate adjustment	-	2	-	2
31 December 2019	**4,712**	**2,884**	**864**	**8,460**

Table 8.2	Total
Amounts recognised in profit and loss	2019
Depreciation cost on right-of-use assets	1,396
Interest expenses (included in finance costs)	477
Expenses relating to service elements of leases	861
Expenses relating to short-term leases	414
Expenses relating to variable lease payments	202
Expenses relating to leases of low-value assets	25
Total recognised in operating costs	**1,502**

Table 8.1 and Table 8.2
As part of the group's activities, customary leasing agreements are entered into, especially regarding the chartering of vessels and leasing of containers and other equipment. In some cases, the leasing agreements comprise purchase options exercisable by the group and options for extending the lease term. The group also enters into arrangements that provide the right to use some existing infrastructure or land as required to carry out the terminal business.

In 2018, the group recognised leased assets and corresponding liabilities in relation to leases that were classified as 'finance leases' under IAS 17. The assets were presented in property, plant and equipment and the finance lease liabilities as part of the group's borrowings. Following the adoption of IFRS 16, all capitalised leases are presented as right-of-use assets, including those previously presented under property, plant and equipment.

To optimise lease costs during the contract period, the group sometimes provides residual value guarantees in relation to equipment leases. At the end of 2019, the expected residual values were reviewed to reflect the actual residual values achieved on comparable assets and expectations about future prices. As at 31 December 2019, USD 489m is expected to be payable and is included in the measurement of the lease liabilities.

Leases to which A.P. Moller - Maersk is committed, but for which lease term has not yet commenced have an undiscounted value of USD 481m. They comprise of 48 contracts commencing in 2020 and 2021.

Certain terminal concession agreements contain variable payment terms that are linked to future performance, i.e. number of containers handled or depend on an index, or a combination hereof. Such payments are recognised in the income statement in the period in which the condition that triggers those payments occurs.

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Note 9 Deferred tax

Recognised deferred tax assets and liabilities are attributable to the following:

Table 9.1	Assets		Liabilities		Net liabilities	
	2019	2018	2019	2018	2019	2018
Intangible assets	32	32	203	217	171	185
Property, plant and equipment	49	55	201	220	152	165
Provisions, etc.	110	117	42	6	-68	-111
Tax loss carry-forwards	129	163	-	-	-129	-163
Other	44	25	43	54	-1	29
Total	**364**	**392**	**489**	**497**	**125**	**105**
Offsets	-127	-125	-127	-125	-	-
Total	**237**	**267**	**362**	**372**	**125**	**105**

Table 9.2

Change in deferred tax, net, during the year	2019	2018
1 January	**105**	**159**
Intangible assets	-15	-10
Property, plant and equipment	-6	1
Provisions, etc.	36	-68
Tax loss carry-forwards	31	26
Other	-37	-12
Recognised in the income statement	**9**	**-63**
Other including business combinations	11	9
31 December	**125**	**105**

Table 9.3

Unrecognised deferred tax assets – continuing operations	2019	2018
Deductible temporary differences	141	120
Tax loss carry-forwards	768	683
Unused tax credits	13	13
Total[1]	**922**	**816**

Table 9.3
The unrecognised deferred tax assets have no significant time limitations. There are no substantial unrecognised tax liabilities on investments in subsidiaries, associated companies and joint ventures.

1 In addition, a tax loss carry-forward of USD 0m (USD 9m) relating to discontinued operations is included under Liabilities held for sale.

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Note 10 Discontinued operations and assets held for sale

Table 10.1	2019	2018
Profit/loss for the period – discontinued operations		
Revenue	308	1,977
Expenses	233	1,021
Gains/losses on the sale of assets and businesses	-	2,633
Negative fair value adjustment	-628	-
Fair value adjustment	-	445
Profit/loss before tax, etc.	**-553**	**4,034**
Tax[1]	-	247
Profit/loss for the year – discontinued operations	**-553**	**3,787**
A.P. Møller - Mærsk A/S' share of profit/loss	-553	3,787
Earnings per share	-27	182
Diluted earnings per share	-27	182
Cash flows from discontinued operations		
Cash flow from operating activities	137	893
Cash flow used for investing activities	-488	1,787
Cash flow from financing activities	-21	1,287
Net cash flow from discontinued operations	**-372**	**3,967**

Table 10.2	2019	2018
Balance sheet items comprise:		
Intangible assets	7	91
Property, plant and equipment	135	4,964
Deferred tax assets	-	-8
Other assets	-	59
Non-current assets	**142**	**5,106**
Current assets	7	799
Assets held for sale or distribution	**149**	**5,905**
Provisions	1	75
Deferred tax liabilities	1	66
Other liabilities	73	1,808
Liabilities associated with assets held for sale or distribution	**75**	**1,949**

Table 10.1, Table 10.2 and Table 10.3
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 3.8bn). Total cash flow from the discontinued operations was negative by USD 372m (positive USD 4.0bn).

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. The cash flow from the demerger is summarised in Table 10.3.

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 negative 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.

1 The tax relates to the profit from the ordinary activities of discontinued operations. There is no tax related to the gain on sale of Maersk Oil. The gain on sale of Maersk Oil was USD 2.6bn in 2018.

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Note 10 Discontinued operations and assets held for sale – continued

Table 10.3

Cash flow from sale	2019	2018
Carrying amount		
Intangible assets	91	779
Property, plant and equipment	4,426	6,750
Financial assets, non-current	4	433
Deferred tax assets	-14	233
Current assets	792	1,338
Provisions	-24	-2,767
Liabilities	-1,904	-3,831
Net assets sold	**3,371**	**2,935**
Non-controlling interests	-	-
A.P. Møller - Mærsk A/S' share	**3,371**	**2,935**
Gain/loss on sale	-	2,632
Repayment of loan	-	2,500
Locked box interest received	-	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	**0**	**8,223**
Shares in Total S.A. received	-	-5,567
Cash and bank balances transferred at closing	-425	-633
Cash flow from the sale of subsidiaries and activities	**-425**	**2,023**

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 Companies Act section 254, subsection 2. The liability is deemed remote.

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 in Table 10.3.

Secondary decommissioning liability

As part of the divestment of Mærsk Olie & Gas A/S (MOGAS) to Total S.A. in 2018, 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.

Note 11 Share capital and earnings per share

Development in the number of shares:

Table 11.1		A shares of		B shares of		Nominal value
	DKK 1,000	DKK 500	DKK 1,000	DKK 500	DKK million	USD million
1 January 2018 and 1 January 2019	10,756,262	232	10,060,398	172	20,817	3,774
Conversion	3	-6	3	-6	-	-
31 December 2018 and 31 December 2019	**10,756,265**	**226**	**10,060,401**	**166**	**20,817**	**3,774**

Development in the holding of own shares:

Table 11.2	No. of shares of DKK 1,000		Nominal value DKK million		% of share capital	
Own shares	2019	2018	2019	2018	2019	2018
A shares						
1 January	-	-	-	-	0.00%	0.00%
Addition	134,279	-	134	-	0.65%	0.00%
31 December	**134,279**	**-**	**134**	**-**	**0.65%**	**0.00%**
B shares						
1 January	55,515	60,839	56	61	0.27%	0.29%
Addition	537,143	-	537	-	2.57%	0.00%
Disposal	4,709	5,324	5	5	0.02%	0.02%
31 December	**587,949**	**55,515**	**588**	**56**	**2.82%**	**0.27%**

Table 11.1
All shares are fully issued and paid up.

One A share of DKK 1,000 holds two votes. B shares have no voting rights.

Adoption of resolutions regarding changes to the company's Articles of Association or increase or write-down of the share capital requires that at least two-thirds of the A share capital at the General Meeting shall be represented by persons entitled to vote and that at least two-thirds of the votes cast shall be cast in favour of the adoption of the resolution.

Apart from a resolution for the dissolution of the company, other resolutions at the General Meetings are passed by simple majority, as long as legislation does not require particular voting majority. Reference is made to the company's Articles of Association.

In the event of an increase of the company's share capital, the shareholders in the given share class shall have a pre-emptive right to subscribe for a proportionate share of the capital increase.

Table 11.2
On 24 May 2019, the Board of Directors of A.P. Møller - Mærsk A/S (APMM) announced a share buy-back programme in order to exercise the authority given at the Annual General Meeting in April 2019 of acquiring up to 15% of the share capital over two years of up to DKK 10bn (around USD 1.5bn) and a maximum of 3.12 million shares to be acquired over a period of up to 15 months. The authorisation is to remain in force until 30 April 2021.

The first phase of the programme was initiated on 4 June 2019 and was completed on 25 September 2019.

During the second phase of the programme running from 26 September 2019 to 28 February 2020, the company will buy back A and B shares for an amount of up to DKK 3.3bn.

The share buy-back is carried out with the purpose to adjust the capital structure of APMM and to meet obligations under long-term incentive programmes. Shares which are not used for hedging purposes for the long-term incentive programmes will be proposed cancelled at the Annual General Meetings in 2020 and 2021.

No shares may be bought back at a price exceeding the higher of i) share price of latest independent trade and ii) the highest current independent bid at Nasdaq Copenhagen at the time of trading.

The maximum number of A and B shares that may be purchased on each business day may not exceed 25% of the average daily trading volume of A and B shares, respectively, on Nasdaq Copenhagen or other regulated markets, on which the purchase is carried out, over last 20 trading days prior to the date of purchase.

Disposals of own shares are primarily related to the restricted shares programme.

Note 11 Share capital and earnings per share – continued

The basis for calculating earnings per share is the following:

Table 11.3

A.P. Møller - Mærsk A/S' share of:	2019	2018
Profit/loss for the period of continuing operations	469	-630
Profit/loss for the period of discontinued operations	-553	3,787
Profit/loss for the year	**-84**	**3,157**

Table 11.4	2019	2018
Issued shares 1 January	20,816,862	20,816,862
Average number of own shares	275,236	56,856
Average number of shares	**20,541,626**	**20,760,006**

Table 11.3
Dividend
The Board of Directors proposes a dividend to the shareholders of DKK 150 per share of DKK 1,000 – a total of DKK 3,123m, equivalent to USD 468m at the exchange rate as per 31 December 2019 (DKK 150 per share of DKK 1,000 – a total of DKK 3,123m or USD 479m).

Payment of dividends is expected to take place on 26 March 2020. Payment of dividends to shareholders does not trigger taxes to A.P. Møller - Mærsk A/S.

Table 11.4
Earnings per share
At 31 December 2019, there is no dilution effect on earnings per share from the 67,825 issued share options. The issued share options correspond to 0.33% of the total average number of shares in the group. At 31 December 2018, there was no dilution effect on earnings per share from the 46,692 issued share options. The issued share options corresponded to 0.22% of the total average number of shares in the group.

Note 12 Share-based payment

Table 12.1	Members of the Executive Board[1]	Employees[1]	Total	Total fair value[1]
Outstanding restricted shares	No.	No.	No.	USD million
1 January 2018	-	14,532	14,532	
Granted	1,002	4,241	5,243	8
Exercised	-	5,324	5,324	
Forfeited	-	663	663	
Outstanding 31 December 2018	**1,002**	**12,786**	**13,788**	
Granted	1,310	4,319	5,629	7
Granted in connection with Maersk Drilling demerger	294	1,286	1,580	
Exercised	-	4,756	4,756	
Forfeited	739	1,700	2,439	
Outstanding 31 December 2019	**1,867**	**11,935**	**13,802**	

Table 12.1
Restricted shares plan
The restricted shares plan was introduced in 2013 and grants have been awarded to employees on a yearly basis since 2013. Grants have also been awarded to members of the Executive Board from 2018.

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 part of A.P. Møller - Mærsk A/S' holding of own B shares will be used to meet the company's obligations in connection with the restricted shares plan.

The fair value of restricted shares (A.P. Møller - Mærsk A/S B shares) granted to 92 (105) employees and five (five) members of the Executive Board was USD 7m (USD 8m) at the time of grant. The total value of granted restricted shares recognised in the income statement is USD 5m (USD 8m).

The fair value per restricted share at the time of grant is DKK 8,668 (DKK 9,273), which is equal to the volume weighted average share price on the date of grant, i.e. 1 April 2019.

On 1 April 2019, the restricted shares originally granted in 2016 were settled with the employees. The weighted average share price at that date was DKK 8,668. The average remaining contractual life for the restricted shares as per 31 December 2019 is 1.7 years (1.4 years).

1 At the time of grant.

Note 12 Share-based payment – continued

Table 12.2	Members of the Executive Board[1]	Employees[1]	Total	Average exercise price[2]	Total fair value[1]
Outstanding share options	No.	No.	No.	DKK	USD million
1 January 2018	4,928	20,602	25,530	10,647	
Granted	6,230	18,137	24,367	9,382	7
Forfeited	1,173	2,032	3,205	10,375	
Outstanding 31 December 2018	**9,985**	**36,707**	**46,692**	**10,006**	
Exercisable 31 December 2018	**-**	**-**	**-**		
Granted	7,894	22,444	30,338	7,622	9
Forfeited	6,080	3,125	9,205	9,141	
Outstanding 31 December 2019	**11,799**	**56,026**	**67,825**	**9,057**	
Exercisable 31 December 2019	**-**	**18,435**	**18,435**	**10,630**	

The following principal assumptions are used in the valuation:

Table 12.3	Share options granted to members of the Executive Board		Share options granted to employees not members of the Executive Board	
	2019	2018	2019	2018
Share price, volume weighted average at the date of grant, 1 April, DKK	8,668	9,273	8,668	9,273
Share price, five days volume weighted average after publication of Annual Report, DKK	8,682	10,476	8,682	10,476
Exercise price, DKK	9,550	11,524	9,550	11,524
Exercise price following the demerger of Maersk Drilling, 2 April 2019, DKK	7,670	9,435	7,605	9,345
Expected volatility (based on historic volatility)	32%	33%	32%	33%
Expected term (years)	5.00	5.00	5.75	5.75
Expected dividend per share, DKK	150	150	150	150
Risk free interest rate	-0.36%	0.21%	-0.28%	0.29%

Table 12.2
Share option plans
In addition to the plan described above, A.P. Moller - 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 nominal 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. Exercise of 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 three years and no more than six years (seven 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.

The share options can only be settled in shares. A part of 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 (five) members of the Executive Board and 75 (80) employees was USD 9m (USD 7m) at the time of grant. The total value of granted share options recognised in the income statement is USD 5m (USD 6m).

No share options were exercised during 2018 and 2019.

The average remaining contractual life as per 31 December 2019 is 5.2 years (5.5 years) and the exercise price for outstanding share options is DKK 9,057 (DKK 10,006).

1 At the time of grant.
2 Average exercise prices were reduced following the demerger of Maersk Drilling and have been restated.

Table 12.3
The fair value per option granted to members of the Executive Board is calculated at DKK 1,782 (DKK 1,712) at the time of grant, based on Black & Scholes' option pricing model. The fair value per option granted to employees not members of the Executive Board is calculated at DKK 1,914 (DKK 1,875) at the time of grant based on the same option pricing model.

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Note 13 Borrowings and lease liability reconciliation

Table 13.1	Net debt as at 31 December	Cash flows				Non-cash changes		Net debt as at 31 December
	2018		IFRS 16 adoption	Additions	Disposal	Foreign exchange movements	Other[1]	2019
Bank and other credit institutions	4,249	-928		-		7	29	3,357
Issued bonds	5,373	-543		-		-57	46	4,819
Total borrowings	**9,622**	**-1,471**		**-**		**-50**	**75**	**8,176**
Borrowings:								
Classified as non-current	8,036							7,455
Classified as current	1,586							721
Leases:								
Lease liabilities	2,266	-1,311[2]	6,245	1,744	-323	5	-49	8,577
Total leases	**2,266**	**-1,311**	**6,245**	**1,744**	**-323**	**5**	**-49**	**8,577**
Leases:								
Classified as non-current	1,858							7,295
Classified as current	408							1,282
Total borrowing and leases	**11,888**	**-2,782**	**6,245**	**1,744**	**-323**	**-45**	**26**	**16,753**
Derivatives hedge of borrowings, net	**162**	**-84**				**57**	**37**	**172**

Table 13.1

1 Other includes fair value changes and amortisation of fees.

2 Total cash outflow impact for leases for 2019 was USD 1,788m, of which USD 477m relates to interest expense which is disclosed separately in note 8.

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Note 13 Borrowings and lease liability reconciliation – continued

Table 13.2	Net debt as at 31 December	Cash flows [1]		Non-cash changes		Net debt as at 31 December
	2017		Acquisitions	Foreign exchange movements	Other [2]	2018
Bank and other credit institutions	7,146	-2,729	-7	-183	22	4,249
Issued bonds	7,804	-2,258	-	-238	65	5,373
Total borrowings	**14,950**	**-4,987**	**-7**	**-421**	**87**	**9,622**
Borrowings:						
Classified as non-current	12,924					8,036
Classified as current	2,026					1,586
Leases:						
Lease liabilities	2,745	-663	-	29	155	2,266
Total leases	**2,745**	**-663**	**-**	**29**	**155**	**2,266**
Leases:						
Classified as non-current	2,294					1,858
Classified as current	451					408
Total borrowing and leases	**17,695**	**-5,650**	**-7**	**-392**	**242**	**11,888**
Derivatives hedge of borrowings, net	**-88**	**-2**	**-**	**238**	**14**	**162**

Table 13.2

1 Cash flows include prepayments of USD 6.4bn of which USD 5.6bn relates to prepayments made during Q4 2018.

2 Other includes new finance leases and fair value changes.

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Note 14 Pensions and similar obligations

Table 14.1	UK 2019	Other 2019	Total 2019	UK 2018	Other 2018	Total 2018
Specification of net liability						
Present value of funded plans	2,248	490	2,738	1,999	481	2,480
Fair value of plan assets	-2,690	-388	-3,078	-2,301	-382	-2,683
Net liability of funded plans	-442	102	-340	-302	99	-203
Present value of unfunded plans	-	138	138	-	116	116
Impact of minimum funding requirement/asset ceiling	65	-	65	61	-	61
Net liability 31 December	**-377**	**240**	**-137**	**-241**	**215**	**-26**
Of which:						
Pensions, net assets			409			285
Pensions and similar obligations			272			259

Table 14.2 Significant financial assumptions	UK 2019	Total 2019	UK 2018	Total 2018
Discount rate	1.9%	1.9%	2.8%	3.0%
Inflation rate	3.1%	3.1%	3.4%	3.1%

Table 14.1
As employer, the group participates in pension plans according to normal practice in the countries in which it operates. Generally, the pension plans within the group are defined contribution plans, where contributions are recognised in the income statement on an accrual basis. A number of entities have defined benefit plans, in which retirement benefits are based on length of service and salary level. To a limited extent, these defined benefit plans also include payment of medical expenses, etc.

Pension and medical plans which, as part of collective bargaining agreements, have been entered into with other enterprises (known as multi-employer plans) are treated as other pension plans. Such defined benefit plans are treated as defined contribution plans when sufficient information for calculating the individual enterprise's share of the obligation is not available.

In 2020, the group expects to pay contributions totalling USD 27m to funded defined benefit plans (USD 27m in 2019).

Table 14.2
The majority of the group's defined benefit liabilities are in the UK by 78% and the USA by 13%. All the plans in the UK and the majority of the plans in the USA are funded. Although all the UK plans are now closed to new entrants, active members in the two largest plans continue to accrue new benefits. The smaller UK plans are all closed to new accruals, although a salary link remains in some of the plans.

Overall, the plans have an average duration of 16 years, and approx. 57% of the obligation is in respect of pensioner members.

As well as being subject to the risks of falling interest rates, which would increase the obligation, poor asset returns and pensioners living longer than anticipated, the group is also subject to the risk of higher than expected inflation. This is because many pension benefits, particularly in the UK plans, increase in line with inflation, although some minimum and maximum limits apply.

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Note 14 Pensions and similar obligations – continued

Table 14.3				31 December
Life expectancy	2019	2039	2018	2038
65 year old male in the UK	21.6	23.0	21.7	23.1

The sensitivity of the liabilities and pension cost to the key assumptions are as follows:

Table 14.4		Increase	Decrease
Sensitivities for key assumptions in the UK			
Factors	"Change in liability"	2019	2019
Discount rate	Increase/(decrease) by 25 basis points	-88	94
Inflation rate	Increase/(decrease) by 25 basis points	46	-53
Life expectancy	Increase/(decrease) by one year	113	-110

Table 14.5	UK	Other	Total	UK	Other	Total
Specification of plan assets	2019	2019	2019	2018	2018	2018
Shares	179	131	310	261	132	393
Government bonds	1,403	99	1,502	966	87	1,053
Corporate bonds	652	79	731	547	69	616
Real estate	9	4	13	27	5	32
Other assets	447	75	522	500	89	589
Fair value 31 December	**2,690**	**388**	**3,078**	**2,301**	**382**	**2,683**

Table 14.3
Rates of life expectancy reflect the most recent mortality investigations, and in line with market practice an allowance is made for future improvements in life expectancy. The group assumes that future improvements will be in line with the latest projections, 1.25% for all UK plans.

Table 14.4
The liabilities are calculated using assumptions that are the group's best estimate of future experience bearing in mind the requirements of IAS 19.

The group's plans are funded in accordance with applicable local legislation. In the UK, each plan has a trustee board that is required to act in the best interests of plan members. Every three years, a formal valuation of the plan's liabilities is carried out using a prudent basis, and if the plan is in deficit, the trustees agree with the group or the sponsoring employer on a plan for recovering that deficit.

The expected contribution to the UK plans for 2020 are USD 23m (USD 21m in 2019) of which USD 20m (USD 0m in 2019) is deficit recovery contributions. In most of the UK plans, any surplus remaining after the last member dies may be returned to the group. However, the Merchant Navy Ratings Pension Fund (MNRPF) and the Merchant Navy Officers Pension Fund (MNOPF) contributions paid by the group are not refundable in any circumstance, and the balance sheet liability reflects an adjustment for any agreed deficit recovery contributions in excess of deficit determined using the group's assumptions. In 2019, an adjustment of USD 2m (USD 2m) was applied in this respect.

Table 14.5
Except for an insignificant portion, the plan assets held by the group are quoted investments.

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Note 14 Pensions and similar obligations – continued

Table 14.6

Change in net liability	Present value of obligations	Fair value of plan assets	Adjustments	Net liability	Of which: UK
1 January 2018	**2,890**	**2,959**	**58**	**-11**	**-234**
Current service cost, administration cost, etc.	33	-6	-	39	22
Calculated interest expense/income	73	75	-	-2	-6
Recognised in the income statement in 2018	**106**	**69**	**-**	**37**	**16**
Actuarial gains/losses from changes in financial and demographic assumptions, etc.	-111			-111	-73
Return on plan assets, excl. calculated interest income		-112		112	91
Adjustment for unrecognised asset due to asset ceiling			34	34	34
Adjustment for minimum funding requirement			-28	-28	-29
Recognised in other comprehensive income in 2018	**-111**	**-112**	**6**	**7**	**23**
Contributions from the group and employees	4	69		-65	-62
Benefit payments	-151	-141		-10	-
Effect of business combinations and disposals	4	-		4	-
Exchange rate adjustment	-146	-161	-3	12	16
31 December 2018	**2,596**	**2,683**	**61**	**-26**	**-241**
Current service cost, administration cost, etc.	30	-5		35	9
Calculated interest expense/income	73	77		-4	-7
Recognised in the income statement in 2019	**103**	**72**	**-**	**31**	**2**
Actuarial gains/losses from changes in financial and demographic assumptions, etc.	262			262	207
Return on plan assets, excl. calculated interest income		352		-352	-310
Adjustment for unrecognised asset due to asset ceiling			-1	-1	-1
Recognised in other comprehensive income in 2019	**262**	**352**	**-1**	**-91**	**-104**
Contributions from the group and employees		27		-27	-22
Benefit payments	-141	-130		-11	
Settlements	-5	-5		-	
Internal transfers	-1	-	1	-	
Effect of business combinations and disposals	-11	-11		-	
Exchange rate adjustment	73	90	4	-13	-12
31 December 2019	**2,876**	**3,078**	**65**	**-137**	**-377**

Table 14.6
Multi-employer plans
Under collective agreements, certain entities in the group participate together with other employers in defined benefit pension plans as well as welfare/medical plans (multi-employer plans).

For the defined benefit pension plans, the group has joint and several liabilities to fund total obligations. In 2019, the group's contributions are estimated at USD 83m (USD 74m), while the contributions to be paid in 2020 are estimated at USD 79m. In general, the contributions to the schemes are based on man-hours worked or cargo tonnage handled, or a combination hereof.

No reliable basis exists for the allocation of the schemes' obligations and plan assets to individual employer participants. For the plans where the group has an interest and there is a deficit, the net obligations for all employers totalled USD 0.7bn (USD 0.9bn). This net obligation is based on the most recent available financial data from the plan's trustees, calculated in accordance with the rules for such actuarial calculations in US GAAP. The deficit in some of the schemes may necessitate increased contributions in the future.

The welfare/medical plans are by nature contribution plans funded on a pay-as-you-go basis. As for the defined benefit pension plans, the contributions are based on man-hours worked or cargo tonnage handled, or a combination hereof.

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Note 15 Provisions

Table 15.1	Restructuring	Legal disputes, etc.	Onerous and unfavourable contracts	Other	Total
1 January 2019	61	705	194	276	1,236
Provision made	99	263	20	242	624
Amount used	37	223	29	49	338
Amount reversed	15	135	185	90	425
Exchange rate adjustment	-1	8	-	-10	-2
31 December 2019	**107**	**618**	**-**	**369**	**1,094**
Of which:					
Classified as non-current	4	424	-	208	636
Classified as current	103	194	-	161	458
Non-current provisions expected to be realised after more than five years	-	36	-	26	62

Table 15.1
Restructuring includes provisions for decided and publicly announced restructurings. Legal disputes, etc. include among other things indirect tax and duty disputes. Onerous and unfavourable contracts are mainly related to Hamburg Süd's unfavourable lease contracts acquired in 2017. Other includes provisions for warranties and risk under certain self-insurance programmes. The provisions are subject to considerable uncertainty, cf. note 25.

Reversals of provisions primarily relate to unfavourable contracts, which were adjusted to right-of-use assets as a practical expedient upon application of IFRS 16, and to legal disputes and contractual disagreements, which are recognised in the income statement under operating costs and tax.

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Note 16 Derivatives

Table 16.1	2019	2018
Non-current receivables	161	134
Current receivables	43	81
Non-current liabilities	328	242
Current liabilities	87	121
Assets, net	**-211**	**-148**

The fair value of derivatives held at the balance sheet date can be allocated by type as follows:

Table 16.2	Fair value, asset 2019	Fair value, liability 2019	Nominal amount of derivative 2019	Fair value, asset 2018	Fair value, liability 2018	Nominal amount of derivative 2018
Hedge of borrowings						
Cross-currency swaps						
EUR	53	95	1,600	97	141	2,697
GBP	-	66	394	-	74	380
JPY	10	11	206	10	12	204
NOK	-	61	591	-	52	596
Interest rate swaps						
Cash flow hedges	82	98	1,182	33	8	1,548
Fair value hedges	14	-	900	-	15	500
Total	**159**	**331**		**140**	**302**	
Hedge of operating cash flows and investments in foreign currencies						
Main currencies hedged						
EUR	3	7	647	-	12	522
DKK	1	4	260	-	9	254
HKD	-	-	165	-	-	137
Other currencies	28	7	1,113	2	12	418
Total	**32**	**18**		**2**	**33**	

Table 16.1
Hedges comprise primarily currency derivatives and interest rate derivatives. Foreign exchange forwards and option contracts are used to hedge the currency risk related to recognised and unrecognised transactions. Interest rate and cross-currency swaps are used to hedge interest rate exposure on borrowings. Price hedge derivatives are used to hedge crude oil prices and bunker prices.

The hedges are expected to be highly effective due to the nature of the economic relation between the exposure and the hedge. The source of ineffectiveness is the credit risk of the hedging instruments. For hedges where the cost of hedging is applied, the forward points and change in basis spread are recognised in other comprehensive income and transferred with the effective hedge when the hedged transaction occurs. The cost of hedging reserve amounts to a gain of USD 6m (USD 1m).

For information about risk management strategy, currencies, maturities, etc., reference is made to note 17.

Table 16.2 and Table 16.3
Hedge of borrowings
Cross-currency swaps are used to swap all non-USD issued bonds. Fixed to floating rate swaps are designated as a combination of fair value and cash flow hedges. The principal amounts in USD equivalents are: EUR 733m (EUR 1,723m), GBP 92m (GBP 89m), JPY 206m (JPY 204m) and NOK 250m (NOK 252m). The remaining swaps are fixed to fixed rate or floating to fixed rate swaps and are designated as cash flow hedges of interest rate risk.

The hedge ratio is 1:1. The maturity of the hedge instrument 0-5 years is (USD equivalents): EUR 671m (EUR 1,746m), JPY 92m (JPY 91m) and NOK 341m (NOK 344m). 5-10 years: EUR 839m (EUR 859m), GBP 394m (GBP 380m), JPY 114m (JPY 113m) and NOK 250m (NOK 252m). Above 10 years: EUR 90m (EUR 92m).

Cross-currency swaps are designated as a combination of hedge of principal cash flow and hedge of interests at a weighted average rate of 4.0% (4.5%).

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Note 16 Derivatives – continued

Table 16.3	Fair value	
	2019	2018
Held for trading		
Currency derivatives	-28	17
Price hedge	-25	28
Total	**-53**	**45**

The gains/losses, including realised transactions, are recognised as follows:

Table 16.4	2019	2018
Hedging foreign exchange risk on revenue	-5	2
Hedging foreign exchange risk on operating costs	-78	2
Hedging interest rate risk	-28	-53
Hedging foreign exchange risk on the cost of non-current assets	-2	8
Hedging foreign exchange risk on discontinued operations	-1	5
Total effective hedging	**-114**	**-36**
Ineffectiveness recognised in financial expenses	-4	22
Total reclassified from equity reserve for hedges	**-118**	**-14**
Currency derivatives recognised directly in financial income/expenses	56	9
Interest rate derivatives recognised directly in financial income/expenses	45	-29
Oil prices and freight rate derivatives recognised directly in other income/costs	-64	25
Derivatives recognised in income statement for discontinued operations	-	-1
Net gains/losses recognised directly in the income statement	**37**	**4**
Total	**-81**	**-10**

Interest rate swaps are all denominated in USD and pay either floating (fair value hedge) or fixed interest rates (cash flow hedge). The hedge ratio is 1:1, and the weighted average interest rate is 2.4% (2.5%) excluding margin on loans. The maturity of the interest rate swaps 0-5 years is USD 730m (USD 918m) and 5-10 years USD 1,352m (USD 1,130m).

For cash flow hedges related to borrowings, a loss of USD 54m (loss of USD 80m) is recognised in other comprehensive income, and the cash flow hedge reserve is a loss of USD 103m (loss of USD 49m). Reference is made to other comprehensive income.

The carrying amount of the borrowings in fair value hedge relation is USD 2,181m (USD 2,768m), and the accumulated fair value adjustment of the loans is a loss of USD 53m (loss of USD 13m). The gain on the hedging instrument in fair value hedges recognised in the income statement for the year amounts to USD 45m (loss of USD 15m), and the loss on hedged item amounts to USD 40m (gain of USD 15m).

Due to bond buy-back in 2019, ineffectiveness from cash flow hedges is recognised in the income statement with a loss of USD 4m (gain of USD 20m).

Table 16.4
Hedge of operating cash flows and investments in foreign currencies
Currency derivatives hedge future revenue, operating costs and investments/divestments and are recognised on an ongoing basis in the income statement and the cost of property, plant and equipment, respectively.

Hedges of future revenue and operating costs mature within one year. There are no hedges of investments at the end of 2019 (2018: Mature within one year).

For hedges related to operating cash flows and investments a gain of USD 48m (loss of USD 89m) is recognised in other comprehensive income, and the cash flow hedge reserve amounts to a gain of USD 14m (loss of USD 34m).

Other economic hedges (no hedge accounting applied)
Furthermore, the group enters into derivatives to hedge economic risks that are not accounted for as hedging. These derivatives are accounted for as held for trading.

For information about currencies, maturities, etc., reference is made to note 17.

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Note 17 Financial instruments by category

Table 17.1	Carrying amount 2019	Fair value 2019	Carrying amount 2018	Fair value 2018
Carried at amortised cost				
Loan receivables	399	399	370	370
Lease receivables	31		26	
Other interest-bearing receivables and deposits	62	62	58	57
Trade receivables	3,531		3,815	
Other receivables (non-interest-bearing)	1,078		1,064	
Cash and bank balances	4,768		2,863	
Financial assets at amortised cost	**9,869**		**8,196**	
Derivatives	**204**	**204**	**215**	**215**
Carried at fair value through profit/loss				
Other receivables (non-interest-bearing)[1]	4	4	4	4
Bonds	1	1	-	-
Other securities	1	1	1	1
Financial assets at fair value through profit or loss	**6**	**6**	**5**	**5**
Carried at fair value through other comprehensive income				
Equity investments (FVOCI)[2]	78	78	2,491	2,491
Financial assets at fair value through OCI	**78**	**78**	**2,491**	**2,491**
Total financial assets	**10,157**		**10,907**	
Carried at amortised cost				
Bank and other credit institutions	3,357	3,415	4,249	4,286
Lease liabilities	8,577		2,266	
Issued bonds	4,819	5,040	5,373	5,394
Trade payables	5,567		5,281	
Other payables	1,213		979	
Financial liabilities at amortised cost	**23,533**		**18,148**	
Derivatives	**415**	**415**	**363**	**363**
Carried at fair value				
Other payables	1	1	-	-
Financial liabilities at fair value	**1**	**1**	**-**	**-**
Total financial liabilities	**23,949**		**18,511**	

Table 17.1
Equity Investments at fair value through other comprehensive income (FVOCI)
In 2019, the shares in Total S.A., received from the sale of Maersk Oil, were sold.

1 Relates to contingent considerations receivable.
2 Designated at initial recognition in accordance with IFRS 9.

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Note 17 Financial instruments by category – continued

Table 17.2 Movement during the year in level 3	Other equity investments (FVOCI)	Other receivables	Total financial assets	Other payables	Total financial liabilities
Carrying amount 1 January 2018	13	10	23	7	7
Addition	13	4	17	-	-
Disposal	-	-	-	5	5
Gains/losses recognised in the income statement	-	-10	-10	-2	-2
Carrying amount 31 December 2018	**26**	**4**	**30**	**-**	**-**
Addition	38	-1	37	-	-
Gains/losses recognised in the income statement	-	-	-	1	1
Gains/losses recognised in other comprehensive income	-3	-	-3	-	-
Exchange rate adjustment, etc.	-2		-2	-	-
Carrying amount 31 December 2019	**59**	**3**	**62**	**1**	**1**

Table 17.2
Financial instruments measured at fair value
Financial instruments measured at fair value can be divided into three levels:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 — Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 — Inputs for the asset or liability that are not based on observable market data.

Fair value of listed securities is within level 1 of the fair value hierarchy. Non-listed shares and other securities are within level 3 of the fair value hierarchy.

Fair value of derivatives is mainly within level 2 of the fair value hierarchy and is calculated based on observable market data as of the end of the reporting period. A minor amount of crude oil price derivatives is within level 1 of the fair value hierarchy.

Fair value of level 3 assets and liabilities is primarily based on the present value of expected future cash flows. A reasonably possible change in the discount rate is not estimated to affect the group's profit or equity significantly.

Financial instruments carried at amortised cost
Fair value of the short-term financial assets and other financial liabilities carried at amortised cost is not materially different from the carrying amount. In general, fair value is determined primarily based on the present value of expected future cash flows. Where a market price was available, however, this was deemed to be the fair value.

Fair value of listed issued bonds is within level 1 of the fair value hierarchy. Fair value of the remaining borrowing items is within level 2 of the fair value hierarchy and is calculated based on discounted future cash flows.

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Note 18 Financial risks, etc.

Table 18.1

Borrowings by interest rate levels inclusive of interest rate swaps	Carrying amount	Next interest rate fixing 0-1 year	1-5 years	5- years
2019				
0-3%	1,829	1,342	-	487
3-6%	13,994	5,038	4,673	4,283
6%-	930	106	253	571
Total	**16,753**	**6,486**	**4,926**	**5,341**
Of which:				
Bearing fixed interest	11,584			
Bearing floating interest	5,169			
2018				
0-3%	209	163	39	7
3-6%	10,567	5,606	3,262	1,699
6%-	1,112	21	431	660
Total	**11,888**	**5,790**	**3,732**	**2,366**
Of which:				
Bearing fixed interest	6,528			
Bearing floating interest	5,360			

Table 18.1
The group's activities expose it to a variety of financial risks:
- Market risks, i.e. currency risk and interest rate risk
- Credit risk
- Liquidity risk

The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central finance department under policies approved by the Board of Directors. The finance department identifies, evaluates and hedges financial risks in close cooperation with the group's entities.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and share price, will affect the group's profit or the value of its holdings of financial instruments. The sensitivity analyses below relate to the position of financial instruments as at 31 December 2019.

The sensitivity analyses for currency risk, interest rate risk and share price risk have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt, and the proportion of financial instruments in foreign currencies remain unchanged from hedge designations in place at 31 December 2019. Furthermore, it is assumed that the exchange rate, interest rate and share price sensitivities have a symmetric impact, i.e. an increase in rates results in the same absolute movement as a decrease in rates.

The sensitivity analyses show the effect on profit or loss and equity of a reasonably possible change in exchange rates, interest rates and share price.

Currency risk
The group's currency risk relates to the fact that while income from Ocean activities is denominated mainly in USD, the related expenses are incurred in both USD and a wide range of other currencies such as EUR, DKK, HKD, SGD and CAD. As the net income is in USD, this is also the primary financing currency. Income and expenses from other activities, including Terminals & Towage, are mainly denominated in local currencies, thus reducing the group's exposure to these currencies.

The main purpose of hedging the group's currency risk is to hedge the USD value of the group's net cash flow and reduce fluctuations in the group's profit. The group uses various financial derivatives, including forwards, option contracts and cross-currency swaps, to hedge these risks. The key aspects of the currency hedging policy are as follows:
- Net cash flows in other significant currencies than USD are hedged using a layered model with a 12-month horizon;
- Significant capital commitments or divestments in other currencies than USD are hedged;
- Most non-USD debt is hedged, however, depending on the asset-liability match and the currency of the generated cash flow.

An increase in the USD exchange rate of 10% against all significant currencies to which the group is exposed is estimated to have a positive impact on the group's profit before tax by USD 0.2bn (negative USD 0.1bn) and to affect the group's equity, excluding tax, by USD 0.0bn (negatively by USD 0.3bn). The sensitivities are based only on the impact of financial instruments that are outstanding at the balance sheet date, cf. notes 16 and 17, and are thus not an expression of the group's total currency risk.

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Note 18 Financial risks, etc. – continued

Table 18.2

Maturity analysis of trade receivables	2019	2018
Receivables not due	2,431	2,501
Less than 90 days overdue	1,020	1,152
91-365 days overdue	150	246
More than 1 year overdue	145	185
Receivables, gross	3,746	4,084
Provision for bad debt	215	269
Carrying amount	**3,531**	**3,815**

The loss allowance provision for trade receivables as at 31 December 2019 reconciles to the opening loss allowance as follows:

Table 18.3

Change in provision for bad debt	2019	2018
1 January	269	280
Provision made	217	194
Amount used	149	117
Amount reversed	121	86
Exchange rate adjustment and others	-1	-2
31 December	**215**	**269**

Table 18.4	2019	2018
Borrowings	16,753	11,888
Net interest-bearing debt	11,662	8,730
Liquidity reserve[1]	10,485	10,296

Interest rate risk

The group has most of its debt denominated in USD, but part of the debt (e.g. issued bonds) is in other currencies such as EUR, NOK, GBP and JPY. The group strives to maintain a combination of fixed and floating interest rates on its net debt, reflecting expectations and risks. The hedging of the interest rate risk is governed by a duration range and is primarily obtained using interest rate swaps. The duration of the group's debt portfolio is 2.2 (2.2) excluding IFRS 16 leases. A general increase in interest rates by one percentage point is estimated, all else being equal, to affect profit before tax and equity, excluding tax effect, positively by approx. USD 11m and negatively USD 14, respectively (negatively by approx. USD 16m and USD 18m, respectively).

This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Table 18.2 and Table 18.3

Credit risk

Trade receivables

The group has exposure to financial and commercial counterparties but has no particular concentration of customers or suppliers. To minimise the credit risk, financial vetting is undertaken for all major customers and financial institutions, adequate security is required for commercial counterparties, and credit limits are set for financial institutions and key commercial counterparties.

A.P. Møller - Mærsk A/S applies the simplified approach to providing the expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. In accordance with IFRS 9, non-due trade receivables have also been impaired.

Approx. 67% (69%) of the provision for bad debt is related to trade receivables overdue by more than one year.

Table 18.4

Other financial assets at amortised cost

Other financial assets at amortised cost comprise loan receivables, finance lease receivables and other receivables. These financial assets are considered to have low credit risk, and thus the impairment provision calculated based on 12 months of expected losses is considered immaterial. The financial assets are considered to be low risk when they have a low risk of default, and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Liquidity risk

The group's objective is to maintain a liquidity profile in line with an investment grade credit rating. Capital is managed for the group. The equity share of total equity and liabilities was 52.0% at the end of 2019 (59.0%).

In addition to the liquidity reserve, the group has USD 0.0bn 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 loan facilities in the group was about five years (about four years at 31 December 2018).

1 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.

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Note 18 Financial risks, etc. – continued

Table 18.5

Maturities of liabilities and commitments	Carrying amount	Cash flows including interest 0-1 year	1-5 years	5- years	Total
2019					
Bank and other credit institutions	3,357	564	2,074	1,291	3,929
Lease liabilities	8,577	1,725	5,046	5,326	12,097
- hereof interest		444	1,331	1,745	3,520
Issued bonds	4,819	429	2,295	2,901	5,625
Trade payables	5,567	5,567	-	-	5,567
Other payables	1,214	1,170	32	12	1,214
Non-derivative financial liabilities	**23,534**	**9,455**	**9,447**	**9,530**	**28,432**
Derivatives	415	87	98	230	415
Total recognised in balance sheet	**23,949**	**9,542**	**9,545**	**9,760**	**28,847**
Capital commitments[1]		570	531	642	1,743
Total		**10,112**	**10,076**	**10,402**	**30,590**
2018					
Bank and other credit institutions	4,249	1,177	2,902	871	4,950
Lease liabilities	2,266	523	1,565	715	2,803
- hereof interest		115	266	156	537
Issued bonds	5,373	737	2,505	2,892	6,134
Trade payables	5,281	5,281	-	-	5,281
Other payables	979	938	32	9	979
Non-derivative financial liabilities	**18,148**	**8,656**	**7,004**	**4,487**	**20,147**
Derivatives	363	120	39	204	363
Total recognised in balance sheet	**18,511**	**8,776**	**7,043**	**4,691**	**20,510**
Operating lease commitments[1]		2,046	4,690	5,305	12,041
Capital commitments		1,157	346	872	2,375
Total		**11,979**	**12,079**	**10,868**	**34,926**

Table 18.5
It is of great importance for the group to maintain a financial reserve to cover the group's obligations and investment opportunities and to provide the capital necessary to offset changes in the group's liquidity due to changes in the cash flow from operating activities.

The flexibility of the financial reserve is subject to ongoing prioritisation and optimisation, among other things by focusing on the release of capital and following up on the development in working capital.

1 Related to continuing operations.

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Note 19 Commitments – continuing operations

The future charter and operating lease payments are:

Table 19.1 Lease commitments	Ocean[1]	Logistics & Services	Terminals & Towage	Manu-facturing & Others[2]	Total
2019					
Within one year	79	23	24	91	217
Total	**79**	**23**	**24**	**91**	**217**
2018					
Within one year	1,377	119	245	305	2,046
Between one and two years	1,029	92	216	182	1,519
Between two and three years	808	75	208	138	1,229
Between three and four years	662	59	208	96	1,025
Between four and five years	599	42	199	77	917
After five years	3,223	175	1,808	99	5,305
Total	**7,698**	**562**	**2,884**	**897**	**12,041**
Net present value[3]	5,645	455	1,925	791	8,816

Table 19.2 Capital commitments	Ocean	Logistics & Services	Terminals & Towage	Manu-facturing & Others	Total
2019					
Capital commitments relating to the acquisition of non-current assets	345	12	202	2	561
Commitments towards concession grantors	269	-	913	-	1,182
Total capital commitments	**614**	**12**	**1,115**	**2**	**1,743**
2018					
Capital commitments relating to the 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**

Table 19.1
Operating lease commitments
As part of the group's activities, customary agreements are entered into regarding charter and operating leases of ships, containers, port facilities, etc. From 1 January 2019, the group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 8 for further information.

1 In 2018, about 35% of the time charter payments in Ocean are estimated to relate to operational costs for the assets. In 2019, the short-term and low-value leases do not include any payment for operational costs.
2 Manufacturing & Others include unallocated and eliminations.
3 The net present value has been calculated using a discount rate of 6% in 2018.

Table 19.2, Table 19.3 and Table 19.4
The decrease in capital commitments is primarily related to contractual payments during 2019.

USD 53m of the total capital commitments is related to the newbuilding programme for tugs, at a total contract price of USD 62m including owner-furnished equipment. The remaining capital commitments of USD 1.7bn relate to investments mainly in hubs and gateway terminals 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.

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Note 19 Commitments – continuing operations – continued

Table 19.3

Newbuilding programme at 31 December 2019	2020	No. 2021	Total
Tugboats	9	1	10
Total	**9**	**1**	**10**

Table 19.4

Capital commitments relating to the newbuilding programme at 31 December 2019	2020	2021	Total
Tugboats	42	11	53
Total	**42**	**11**	**53**

Note 20 Contingent liabilities

Except for customary agreements within the group's activities, no material agreements have been entered that will take effect, change or expire upon changes of the control over the company.

The necessary facility of USD 245m (USD 245m) has been established to meet the requirements for using US waters under the American Oil Pollution Act of 1990 (Certificate of Financial Responsibility).

Custom bonds of USD 484m (USD 444m) have been provided to various port authorities in India.

Guarantees of USD 292m have been issued by the group to make specific payments if debtors fail to meet their obligations.

Maersk Line and APM Terminals have entered into certain agreements with terminals and port authorities, etc. containing volume commitments including an extra payment in case minimum volumes are not met.

The group is involved in a number of legal disputes. The group is also involved in tax disputes in certain countries. Some of these involve significant amounts and are subject to considerable uncertainty.

Tax may crystallise on repatriation of dividends. Through participation in a joint taxation scheme with A.P. Møller Holding A/S, the Danish companies are jointly and severally liable for taxes payable, etc. in Denmark.

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Note 21 Cash flow specifications

Table 21.1	2019	2018
Change in working capital		
Trade receivables	195	-25
Other working capital movements	291	-256
Exchange rate adjustment of working capital	-10	-58
Total	**476**	**-339**
Purchase of intangible assets and property, plant and equipment		
Addition	-9,757	-3,452
Of which right-of-use assets, etc.	7,989	126
Of which borrowing costs capitalised on assets	23	62
Change in payables to suppliers regarding purchase of assets	-290	45
Total	**-2,035**	**-3,219**

Table 21.1
Other non-cash items related primarily to the adjustment of provision for bad debt regarding trade receivables.

Note 22 Acquisition/sale of subsidiaries and activities

Acquisitions during 2019
No acquisitions of subsidiaries or activities, to an extent of significance to the group, were completed in 2019.

Acquisitions during 2018
Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft KG (Hamburg Süd)
In Q4 2018, the provisional purchase price allocation regarding Hamburg Süd, prepared at closing 30 November 2017 was finalised, resulting in a reduction of the calculated goodwill by USD 72m to USD 316m. The changes were primarily related to working capital balances.

Sales during 2019
No material external sales were performed during 2019.

Sales during 2018
No material external sales were performed during 2018.

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Note 23 Related parties

Table 23.1	Controlling parties		Associated companies		Joint ventures		Management[1]	
	2019	2018	2019	2018	2019	2018	2019	2018
Income statement								
Revenue	41	55	35	41	114	105	-	-
Operating costs	19	4	524	286	550	803	8[2]	9[2]
Remuneration to management	-	-	-	-	-	-	27	25
Financial income	10	22	-	-	-	-	-	-
Other	-	1	-	-	1	1	-	-
Assets								
Other receivables, non-current	27	7	-	-	124	166	-	-
Trade receivables	16	38	21	36	15	31	-	-
Other receivables, current	19	6	39	44	40	11	-	-
Cash and bank balances	736	78	-	-	-	-	-	-
Liabilities								
Bank and other credit institutions, etc., current	-	-	-	-	30	25	-	-
Trade payables	1	-	71	34	75	111	1	1
Other	45	31	-	-	-	-	-	-
Purchase of property, plant and equipment, etc.	-	-	-	-	-	-	-	-
Sale of companies, property, plant and equipment, etc.	-	-	-	-	-	-	-	-
Capital increase	-	-	-	34	13	11	-	-
Dividends	-	1	92	70	156	123	-	-

Table 23.1

Joint usage agreement with A.P. Møller Holding A/S

With the objective of further strengthening the value of the brands, A.P. Møller - Mærsk A/S in 2018 entered into a joint usage agreement with A.P. Møller Holding A/S regarding the use of commonly used trademarks which historically have benefited both A.P. Møller - Mærsk A/S and A.P. Møller Holding A/S. A.P. Møller Holding A/S is the controlling shareholder of A.P. Møller - Mærsk A/S and is wholly owned by A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal. The joint usage agreement establishes a framework and a branding strategy for the commonly used trademarks and a joint brand board, where the parties can cooperate regarding the use of these trademarks.

A.P. Møller Holding A/S, Copenhagen, Denmark has control over the company and prepares consolidated financial statements. A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal is the ultimate owner.

Dividends distributed are not included.

1 The Board of Directors and the Executive Board in A.P. Møller - Mærsk A/S, A.P. Møller Holding A/S, A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal and their close relatives (including undertakings under their significant influence). Trade receivables and payables include customary business-related accounts in connection with shipping activities.

2 Includes commission and commercial receivables to Maersk Broker K/S from chartering as well as purchase and sale of ships.

Note 24 Significant accounting policies

Basis of preparation

The consolidated financial statements for 2019 for A.P. Moller - Maersk have been prepared on a going concern basis and in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and additional Danish disclosure requirements for listed companies. The consolidated financial statements are also in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements of A.P. Moller - Maersk are included in the consolidated financial statements of A.P. Møller Holding A/S.

The accounting policies are consistent with those applied in the consolidated financial statements for 2018, except for the changes to the accounting standards that were effective from 1 January 2019 and were endorsed by the EU:

- 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 are not adjusted in the financial statements. Additionally, the IAS 17 definition of a lease and its related interpretations have been retained.

Lease liabilities 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 are 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 were not capitalised at transition.
- A.P. Moller - Maersk did 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	-2,765
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 39.9bn. The increase in property, plant and equipment of USD 6.2bn mainly related to ships, container, etc. (USD 3.1bn) and concession agreements (USD 2.4bn).

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 non-current or current tax payables. The 2018 ending balances have been restated by USD 410m from provisions to tax liabilities.

Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 & IFRS 7)

A.P. Moller - Maersk has elected to early adopt the amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest Rate Benchmark Reform'. The transition provisions require that the amendments are adopted retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter, and to the amount accumulated in the cash flow reserve at that date. The reliefs specify that the IBOR reform should not generally cause hedge accounting to terminate. Hence there are reliefs in the amendments that apply to the hedging relationships directly affected by the IBOR reform.

In summary, the reliefs provided by the amendments that apply to A.P. Moller - Maersk are:

- When considering the 'highly probable' requirement, A.P. Moller - Maersk has assumed that the different IBOR interest rates on which our hedged debts are based do not change as a result of the IBOR reform.
- In assessing whether an economic relationship between the hedged cash flows and the hedging instruments is expected to exist throughout the term of hedge, A.P. Moller - Maersk has assumed that the IBOR interest rates on which the cash flows of the hedged debt and the interest rate swaps that hedge it are based are not altered by IBOR reform.
- Whether the benchmark interest component in a fair value hedge is a separately identifiable component is not assessed on an ongoing basis.
- A.P. Moller - Maersk will not discontinue hedge accounting during the period of IBOR-related uncertainty as the hedge relationships are still economic relationships.
- A.P. Moller - Maersk has not recycled the cash flow hedge reserve relation to the period after the reforms are expected to take effect.
- There is no ineffectiveness recognised in profit or loss as a result of the early adoption of the amendments to IFRS 9 and IFRS 7.

The IBOR's that A.P. Moller - Maersk is affected by are: USD LIBOR, GBP LIBOR, JPY LIBOR, EURIBOR, NIBOR and STIBOR.

Consolidation

The consolidated financial statements comprise the parent company A.P. Møller - Mærsk A/S, its subsidiaries and proportionate shares in joint arrangements classified as joint operations.

Subsidiaries are entities controlled by A.P. Møller - Mærsk A/S. Control is based on the power to direct the relevant activities of an entity and the exposure, or right, to variable returns arising from it. In that connection, relevant activities are those that significantly affect the investee's returns. Control is usually achieved by directly or indirectly owning or in other ways controlling more than 50% of the voting rights or by other rights, such as agreements on management control.

Joint arrangements are entities in which A.P. Moller - Maersk, according to contractual agree-

Note 24 Significant accounting policies – continued

ments with one or more other parties, has joint control. The arrangements are classified as joint ventures, if the contracting parties' rights are limited to net assets in the separate legal entities, and as joint operations, if the parties have direct and unlimited rights to the assets and obligations for the liabilities of the arrangement.

Entities in which A.P. Moller - Maersk exercises a significant but non-controlling influence are considered associated companies. A significant influence is usually achieved by directly or indirectly owning or controlling 20-50% of the voting rights. Agreements and other circumstances are considered when assessing the degree of influence.

Consolidation is performed by summarising the financial statements of the parent company and its subsidiaries, including the proportionate share of joint operations, which have been prepared in accordance with A.P. Moller - Maersk's accounting policies. Intra-group income and expenses, shareholdings, dividends, intra-group balances and gains on intra-group transactions are eliminated. Unrealised gains on transactions with associated companies and joint arrangements are eliminated in proportion to A.P. Moller - Maersk's ownership share. Unrealised losses are eliminated in the same way, unless they indicate impairment.

Non-controlling interests' share of profit/loss for the year and of equity in subsidiaries is included as part of A.P. Moller - Maersk's profit and equity respectively but shown as separate items.

Foreign currency translation
The consolidated financial statements are presented in USD, the functional currency of the parent company. In the translation to the presentation currency for subsidiaries, associates or joint arrangements with functional currencies other than USD, the total comprehensive income is translated into USD at average exchange rates, and the balance sheet is translated at the exchange rates as at the balance sheet date. Exchange rate differences arising from such translations are recognised directly in other comprehensive income and in a separate reserve of equity.

The functional currency varies from business area to business area. For A.P. Moller - Maersk's principal shipping activities, the functional currency is typically USD. This means, among other things, that the carrying amounts of property, plant and equipment and intangible assets and, hence, depreciation and amortisation, are maintained in USD from the date of acquisition. For other activities, including container terminal activities and land-based container activities, the functional currency is generally the local currency of the country in which such activities are performed, unless circumstances suggest a different currency is appropriate. The functional currency of oil and oil-related business within discontinued operations is USD.

Transactions in currencies other than the functional currency are translated at the exchange rate prevailing at the date of the transaction. Monetary items in foreign currencies not settled at the balance sheet date are translated at the exchange rate as at the balance sheet date. Foreign exchange gains and losses are included in the income statement as financial income or expenses.

Segment information
The allocation of business activities into segments reflects A.P. Moller - Maersk's character as an integrated container logistics business and is in line with the internal management reporting. The reportable segments are as follows:

Ocean	Global container shipping activities including strategic transhipment hubs
Logistics & Services	Freight forwarding, supply chain management, inland haulage and other logistic services
Terminals & Towage	Gateway terminal activities, towage and related marine activities
Manufacturing & Others	Production of reefer and dry containers, trading and sale of bunker oil and other businesses

Operating segments have not been aggregated.

The reportable segments comprise:

Ocean
Ocean activities, defined as operating activities under Maersk Line, Safmarine, Sealand – A Maersk Company and Hamburg Süd brands with Ocean container freight being the main revenue stream. Ocean container freight is defined as the cost-per-weight measure of transporting goods on board a container vessel across the ocean, including demurrage and detention, terminal handling, documentation services, container services as well as container storage.

Hub activities, defined as operating activities under the APM Terminals brand generating revenue by providing port services only in major transhipment ports such as Rotterdam, Maasvlakte-II, Algeciras, Tangier, Tangier-Med II, Port Said, and joint ventures in Salalah, Tanjung Pelepas and Bremerhaven. The respective terminals are included under the Ocean segment, as the primary purpose of those ports is to provide transhipment services to Maersk's Ocean business, whereas third-party volumes sold in those locations are considered secondary.

Logistics & Services
Damco activities, defined as all operating activities under the Damco brand, a provider of logistics, freight forwarding and supply chain management services.

Inland haulage activities (intermodal), defined as all operating activities under Maersk Line, Safmarine, Sealand – A Maersk Company brands with the main stream of revenue deriving from the transportation of containers from vendors (shippers) to the port of shipment, and from discharge port to the point of stripping (consignee) by truck and/or rail. Inland haulage activities operating under the Hamburg Süd brand are still part of the Ocean activity.

APM Terminals inland activities, defined as operating activities in inland activities facilities fully or partially controlled by APM Terminals, with the main revenue stream being inland services such as full container storage, bonded warehousing, empty depot, local transportation, etc.

Trade Finance, a function providing export finance solutions, post-shipment and import finance solutions.

Star Air activities, operating cargo aircraft on behalf of UPS.

Terminals & Towage
Terminals activities, defined as operating activities in ports fully or partially controlled by the APM Terminals brand, with the main revenue stream being port activities not considered a hub activity as described above.

Towage activities, defined as all operating activities under the Svitzer brand, a provider of offshore towage and salvage services.

Manufacturing & Others
Maersk Container Industry, a container manufacturer that produces reefer containers.

Maersk Supply Service provides marine services and integrated solutions to the energy sector worldwide with a large fleet of anchor handling tug supply vessels and subsea support vessels.

Maersk Oil Trading is dedicated to sourcing marine fuels and lubricants for A.P. Moller - Maersk's fleet in addition to refinery activities and sales to external parties including Maersk Tankers.

Hamburg Süd tramp activity, bulk and tanker activity acquired as part of the Hamburg Süd acquisition.

Other businesses, consisting of Maersk Training, a provider of training services to the maritime, oil and gas, offshore wind and crane industries.

The reportable segments do not comprise costs in A.P. Moller - Maersk's corporate functions. These functions are reported as unallocated items.

Revenue between segments is limited, except for the Terminals & Towage segment, where a large part of the services is delivered to the Ocean segment as well as the sale of containers from Maersk Container Industry to the

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Note 24 Significant accounting policies – continued

Ocean segment. Sales of products and services between segments are based on market terms.

Income statement
Revenue for all businesses is recognised when the performance obligation has been satisfied, which happens upon the transfer of control to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for the goods and services.

Revenue from shipping activities is recognised over time as the performance obligation is satisfied, including a share of revenue from incomplete voyages at the balance sheet date. Invoiced revenue related to an estimated proportion of remaining voyage time and activities at the destination port is deferred. Detention and demurrage fees are recognised over time up until the time of the customer's late return or pick-up of containers. Retrospective volume rebates provided to certain customers which give rise to variable consideration are based on the expected value method and allocated to ocean freight revenue.

Revenue from terminal operations and towing activities is recognised upon completion of the service. In container terminals operated under certain restrictive terms of pricing and service, etc., the value of tangible assets constructed on behalf of the concession grantor is recognised as revenue during the construction.

Revenue from most freight forwarding activities is recognised over time.

Revenue from the sale of goods is recognised upon the transfer of control to the buyer.

Share of profit/loss in associated companies and joint ventures is recognised net of tax and corrected for the share of unrealised intra-group gains and losses. The item also comprises any impairment losses for such investments and their reversal.

Tax comprises an estimate of current and deferred income tax as well as adjustments to previous years of those. Income tax is tax on taxable profits, and consists of corporation tax, withholding tax of dividends, etc. In addition, tax comprises tonnage tax. Tonnage tax is classified as tax when creditable in, or paid in lieu of, income tax. Tax is recognised in the income statement to the extent it arises from items recognised in the income statement, including tax on gains on intra-group transactions that have been eliminated in the consolidation.

Earnings per share are calculated as A.P. Møller - Mærsk A/S' share of the profit/loss for the year divided by the number of shares (of DKK 1,000 each), excluding A.P. Moller - Maersk's holding of own shares. Diluted earnings per share are adjusted for the dilution effect of share-based compensation issued by the parent company.

Statement of comprehensive income
Other comprehensive income consists of gains and losses not recognised in the income statement, including exchange rate adjustments arising from the translation from functional currency to presentation currency, fair value adjustments of other equity investments (at FVOCI), cash flow hedges, forward points and currency basis spread as well as actuarial gains/losses on defined benefit plans, etc. A.P. Moller - Maersk's share of other comprehensive income in associated companies and joint ventures is also included.

On disposal or discontinuation of an entity, A.P. Moller - Maersk's share of the accumulated exchange rate adjustment relating to the relevant entity with a non-USD functional currency is reclassified to the income statement. Accumulated value adjustments of equity instruments classified as equity instruments at fair value through other comprehensive income will remain in equity upon disposal.

Other comprehensive income includes current and deferred income tax to the extent the items recognised in other comprehensive income are taxable or deductible.

Balance sheet
Intangible assets are measured at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets. Intangible assets regarding acquired customer relationships and brand names are amortised over a useful life of 15 and 20 years, respectively. IT software is amortised over a useful life of 3-5 years.

For container terminals operated under certain restrictive price and service conditions, etc., concessional rights to collect usage charges are included under intangible assets. The cost includes the present value of minimum payments under concession agreements and the cost of property, plant and equipment constructed on behalf of a grantor of a concession. The rights are amortised from the commencement of operations over the concession period.

Property, plant and equipment are valued at cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight-line basis over the useful lives at an estimated residual value. The useful lives of new assets are typically as follows:

Ships, etc.	20-25 years
Containers, etc.	12 years
Buildings	10-50 years
Terminal infrastructure	10-20 years or concession period, if shorter
Plant and machinery, cranes and other terminal equipment	5-20 years
Other operating equipment, fixtures, etc.	3-7 years

Estimated useful lives and residual values are reassessed on a regular basis.

The cost of an asset is divided into separate components, which are depreciated separately if the useful lives of the individual components differ. Dry-docking costs are recognised in the carrying amount of ships when incurred and depreciated over the period until the next dry-docking.

The cost of assets constructed by A.P. Moller - Maersk includes directly attributable expenses. For assets with a long construction period, borrowing costs during the construction period from specific as well as general borrowings are attributed to cost. In addition, the cost includes the net present value of estimated costs of removal and restoration.

Right-of-use assets: The group mainly leases vessels, containers, concessions arrangements and real estate property. Lease contracts for vessels and containers are typically made for fixed periods of about five years but may have extension options as described below. Concession arrangements and real estate contracts are negotiated on an individual basis and contain a wide range of terms and conditions.

Leases are recognised as a right-of-use asset with a corresponding lease liability at the date on which the leased asset is available for use by the group. 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.

Intercompany leases will continue to be presented according to IFRS 8 - Segment Reporting, as operating leases in accordance with the old lease standard, IAS 17.

Impairment losses are recognised when the carrying amount of an asset or a cash-generating unit exceeds the higher of the estimated value in use and fair value less costs of disposal. Goodwill is attributed to cash-generating units on acquisition and impaired before other assets.

Intangible assets and property, plant and equipment are tested for impairment if there is an indication of impairment. However, annual impairment tests are carried out for goodwill and other intangible assets with indefinite useful lives as well as intangible assets that are not yet in use.

Assets are *held for sale*, when the carrying amount of an individual non-current asset, or disposal groups, will be recovered principally through a sale transaction rather than through continuing use. Assets are classified as held for sale when activities to carry out a sale have been initiated, when the activities are available for immediate

Note 24 Significant accounting policies – continued

sale in their present condition and when the activities are expected to be disposed of within 12 months. Liabilities directly associated with assets held for sale are presented separately from other liabilities.

Assets held for sale are measured at the lower of carrying amount immediately before classification as held for sale and fair value less costs to sell, and impairment tests are performed immediately before classification as held for sale. Non-current assets are not depreciated or amortised while classified as held for sale. Measurement of deferred tax and financial assets and liabilities is unchanged.

Investments in associated companies and joint ventures are recognised as A.P. Moller - Maersk's share of the equity value inclusive of goodwill less any impairment losses. Goodwill is an integral part of the value of associated companies and joint ventures and is therefore subject to an impairment test together with the investment as a whole. Impairment losses are reversed to the extent the original value is considered recoverable.

Equity instruments, etc., including shares, bonds and similar securities, are recognised on the trading date at fair value, and subsequently measured at the quoted market price for listed securities and at estimated fair value for non-listed securities. Fair value adjustments from equity investments at fair value through other comprehensive income (FVOCI) remain in equity upon disposal. Dividends are recognised in the income statement.

Inventories mainly consist of bunkers, containers (manufacturing), spare parts not qualifying for property, plant and equipment and other consumables. Inventories are measured at cost, primarily according to the FIFO method. The cost of finished goods and work in progress includes direct and indirect production costs.

Loans and receivables are initially recognised at fair value, plus any direct transaction costs, and subsequently measured at amortised cost using the effective interest method. For loans and other receivables, write-down is made for anticipated losses based on specific individual or group assessments. For trade receivables, the loss allowance is measured in accordance with IFRS 9 applying a provision matrix to calculate the minimum impairment. The provision matrix includes an impairment for non-due receivables.

Equity includes total comprehensive income for the year comprising the profit/loss for the year and other comprehensive income. Proceeds on the purchase and sale of own shares and dividend from such shares are recognised in equity.

The translation reserve comprises A.P. Moller - Maersk's share of accumulated exchange rate differences arising on translation from functional currency into presentation currency. The reserve for other equity investments comprises accumulated changes in the fair value of equity investments (at FVOCI), net of tax. Reserve for hedges includes the accumulated fair value of derivatives qualifying for cash flow hedge accounting, net of tax as well as forward points and currency basis spread.

Equity-settled performance shares, restricted shares and share options allocated to the employees of A.P. Moller - Maersk as part of A.P. Moller - Maersk's long-term incentive programme are recognised as staff costs over the vesting period at estimated fair value at the grant date and a corresponding adjustment in equity. Cash-settled performance awards allocated to employees below executive levels as part of A.P. Moller - Maersk's long-term incentive programme is recognised as staff costs over the vesting period and a corresponding adjustment in other payables.

At the end of each reporting period, A.P. Moller - Maersk revises its estimates of the number of awards that are expected to vest based on the non-market vesting conditions and service conditions. Any impact of the revision is recognised in the income statement with a corresponding adjustment to equity and other payables.

Provisions are recognised when A.P. Moller - Maersk has a present legal or constructive obligation from past events. The item includes, among other things, legal disputes, provisions for onerous contracts, unfavourable contracts acquired as part of a business combination as well as provisions for incurred, but not yet reported, incidents under certain insurance programmes, primarily in the US. Provisions are recognised based on best estimates and are discounted where the time element is significant and where the time of settlement is reasonably determinable.

Pension obligations are the net liabilities of defined benefit obligations and the dedicated assets adjusted for the effect of minimum funding and asset ceiling requirements. Plans with a funding surplus are presented as net assets on the balance sheet. The defined benefit obligations are measured at the present value of expected future payments to be made in respect of services provided by employees up to the balance sheet date. Plan assets are measured at fair value. The pension cost charged to the income statement consists of calculated amounts for vested benefits and interest in addition to settlement gains or losses, etc. Interest on plan assets is calculated with the same rates as used for discounting the obligations. Actuarial gains/losses are recognised in other comprehensive income.

Pension plans where A.P. Moller - Maersk, as part of collective bargaining agreements, participates together with other enterprises – so-called multi-employer plans – are treated as other pension plans in the financial statements. For defined benefit multi-employer plans, where sufficient information to apply defined benefit accounting is not available, the plans are treated as defined contribution plans.

Deferred tax is calculated on temporary differences between the carrying amounts and tax bases of assets and liabilities. Deferred tax is not recognised for differences on the initial recognition of assets or liabilities, where at the time of the transaction neither accounting nor taxable profit/loss is affected, unless the differences arise in a business combination. In addition, no deferred tax is recognised for undistributed earnings in subsidiaries, when A.P. Moller - Maersk controls the timing of dividends, and no taxable dividends are currently expected. A deferred tax asset is recognised to the extent it is probable that it can be utilised within a foreseeable future.

Financial liabilities are initially recognised at fair value less transaction costs. Subsequently, the financial liabilities are measured at amortised cost using the effective interest method, whereby transaction costs and any premium or discount are recognised as financial expenses over the term of the liabilities. Fixed interest loans subject to fair value hedge accounting are measured at amortised cost with an adjustment for the fair value of the hedged interest component. Liabilities in respect of finance leases are measured at the interest rate implicit in the lease, if practicable to determine, or else at A.P. Moller - Maersk's incremental borrowing rate.

Lease liabilities are initially measured at the present value of the lease payments over the lease term, discounted using the incremental borrowing rate.

The following lease payments are included in the net present value:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Extension and termination options in lease contracts are included in those contracts A.P. Moller - Maersk will probably exercise those options. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Most of the extension and termination options held, are exercisable only by A.P. Moller - Maersk and not by the respective lessor.

Note 24 Significant accounting policies – continued

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. Where A.P. Moller - Maersk will probably exercise specific purchase options, those options are included in the measurement of the lease liability with corresponding right-of-use asset depreciated over the asset's useful life rather than lease term.

Lease payments are discounted at the implicit interest rate, to the extent this can be determined, otherwise discounted using incremental borrowing rates (IBRs). A.P. Moller Maersk's IBR reflects the group's credit risk, leased amount and contract duration; nature and quality of the asset's security and economic environment in which the leased assets operate. To determine the IBR, where possible, A.P. Moller - Maersk uses recent third-party financing received by the individual lessee as a starting point, with adjustments to reflect changes in financing conditions since that financing was received. Where such financing is not available, A.P. Moller - Maersk uses a build-up approach that starts with a risk-free interest rate adjusted by credit risk and specific risks faced by the lessee such as asset type, geographical risks, etc.

Subsequently, the lease liability is measured at amortised cost with each lease payment allocated between the repayment of the liability and financing cost. The finance cost is charged to the income statement over the lease period using the IBR that was used to discount the lease payments.

Derivative financial instruments

Derivative financial instruments are recognised on the trading date and measured at fair value using generally acknowledged valuation techniques based on relevant observable swap curves and exchange rates.

The effective portion of changes in the value of derivative financial instruments designated to hedge highly probable future transactions is recognised in other comprehensive income until the hedged transactions are realised. At that time, the accumulated gains/losses are transferred to the items under which the hedged transactions are recognised. The effective portion of changes in the value of derivative financial instruments used to hedge the value of recognised financial assets and liabilities is recognised in the income statement together with changes in the fair value of the hedged assets or liabilities that can be attributed to the hedging relationship. Currency basis spread, and forward points are considered a cost of hedging and deferred in equity.

The ineffective portion of hedge transactions and changes in the fair values of derivative financial instruments, which do not qualify for hedge accounting, are recognised in the income statement as financial income or expenses for interest and currency-based instruments, and as other income/costs for oil price hedges and forward freight agreements.

Cash flow statement

Cash flow from operating activities includes all cash transactions other than cash flows arising from investments and divestments, received dividends, principal payments of loans, instalments on finance lease liabilities, paid and received financial items and equity transactions. Capitalisation of borrowing costs is considered as a non-cash item, and the actual payments of these borrowing costs are included in cash flow from financing.

Cash and cash equivalents comprise cash and bank balances net of bank overdrafts where overdraft facilities form an integral part of A.P. Moller - Maersk's cash management.

Business combinations and disposal of subsidiaries

Upon acquisition of new entities, the acquired assets, liabilities and contingent liabilities are measured at fair value at the date when control was achieved using the acquisition method. Identifiable intangible assets are recognised if they arise from a contractual right or can otherwise be separately identified. The difference between the fair value of the acquisition cost and the fair value of acquired identifiable net assets is recognised as goodwill. Contingent consideration is measured at fair value and any subsequent changes to contingent consideration are recognised as other income or other costs in the income statement. Transaction costs are recognised as operating costs as they are incurred.

When A.P. Moller - Maersk ceases to have control of a subsidiary, the value of any retained investment is re-measured at fair value, and the value adjustment is recognised in the income statement as a gain (or loss) on the sale of non-current assets. The difference between sales proceeds and the carrying amount of the subsidiary is recognised in the income statement including fair value of contingent consideration at the time of sale. Contingent consideration is re-measured at fair value with changes recognised in the income statement.

The effect of the purchase and sale of non-controlling interests without changes in control is included directly in equity.

Discontinued operations and assets held for sale

Discontinued operations represent a separate major line of business disposed of or in preparation for sale. The results of discontinued operations are presented separately in the income statement, and the cash flows from discontinued operations are presented separately in the cash flow statement with restatement of comparative figures.

Assets and liabilities held for sale from discontinued operations are presented as separate items in the balance sheet with no restatement of comparative figures. Elimination between continuing and discontinued operations is presented to reflect continuing operations as post-separation, which entails the elimination of interest, borrowing, dividends and capital increases.

Assets and liabilities from discontinued operations and assets held for sale except financial assets, etc., are measured at the lower of carrying amount immediately before classification as held for sale and fair value less cost to sell, and impairment tests are performed immediately before classification as held for sale. Non-current assets held for sale are not depreciated.

In addition to the above general accounting policies, the following are significant about discontinued operations. For drilling activities, *revenue* is recognised in accordance with the agreed day rates for the work performed to date. Compensations received, or receivable, for early termination are recognised as revenue with deferral of an estimated value of any obligations to stand ready for new engagements in the remaining contract period.

Oil and gas revenue are recognised as revenue upon discharge from the production site, reflecting the production entitlement quantities. In agreements where tax is settled in oil, an amount corresponding to the sales value is recognised as both revenue and tax.

Income *tax* also consists of oil tax based on gross measures. Oil tax on gross measures is a special tax in certain countries on the production of hydrocarbons and is separately disclosed within tax.

Intangible assets regarding acquired oil resources (concession rights, etc.) are amortised over a useful life of production until the fields' expected production periods end – a period of up to 20 years until classification as assets held for sale.

In *property, plant and equipment*, oil production facilities, where oil is received as payment for the investment (cost oil), depreciation generally takes place concurrently with the receipt of cost oil until classification as assets held for sale.

The cost includes the net present value of estimated costs of abandonment.

The useful lives of new assets are 25 years for rigs and up to 20 years for oil and gas production facilities, etc. – based on the expected production periods of the fields.

Provisions include provisions for the abandonment of oil fields.

Note 24 Significant accounting policies – continued

New financial reporting requirements
A.P. Moller - Maersk has not yet adopted the following accounting standards/requirements:

- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 3 – Business Combinations: Definition of a Business
- IFRS 17 - Insurance contracts.

Amendments to IAS 1 and IAS 8 are effective from 1 January 2020 and are endorsed by the EU. Amendments to IFRS 3 are also effective from 1 January 2020 and are expected to be endorsed by the EU. IFRS 17 is effective from 1 January 2021, but there is some uncertainty as to its EU endorsement date.

A.P. Moller - Maersk follows most of the guidelines in the Amendments to IAS 1 and IAS 8, therefore the implementation is not expected to result in a significant change to the presentation of the financial statements.

IFRS 17: An analysis of the impact is being assessed and is expected to be concluded in due course ahead of the implementation date.

The IASB has also issued amendments to IFRS 9, IAS 39 and IFRS 7 that are effective from 1 January 2020 and are endorsed by the EU. In December 2019, A.P. Moller - Maersk has elected to early adopt those amendments.

Note 25 Significant accounting estimates and judgements

The preparation of the consolidated financial statements requires management, on an ongoing basis, to make judgements and estimates and form assumptions that affect the reported amounts. Management forms its judgements and estimates based on historical experience, independent advice and external data points as well as in-house specialists and on other factors believed to be reasonable under the circumstances.

In certain areas, the outcome of business plans, including ongoing negotiations with external parties to execute those plans or to settle claims that are raised against A.P. Moller - Maersk, is highly uncertain. Therefore, assumptions may change, or the outcome may differ in the coming years, which could require a material upward or downward adjustment to the carrying amounts of assets and liabilities. This note includes the areas in which A.P. Moller - Maersk is particularly exposed to a material adjustment of the carrying amounts as at the end of 2018.

General

Aspects of uncertainty
In its assumption setting, management deals with different aspects of uncertainty. One aspect of uncertainty is whether an asset or liability exists where the assessment forms the basis for recognition or derecognition decisions, including assessment of control. Another aspect is the measurement uncertainty, where management makes assumptions about the value of the assets and liabilities that are deemed to exist. These assumptions concern the timing and amount of future cash flows and the risks inherent in these.

Container freight rates
The future development in container freight rates is an uncertain and significant factor impacting especially Maersk Line, whose financial results are directly affected by fluctuations in container freight rates. Freight rates are influenced by the global economic environment and trade patterns, as well as by industry-specific trends in respect of capacity supply and demand. In addition, the new global low sulphur bunker fuel regulation (IMO 2020), which came into effect in January 2020, is expected to increase the cost of compliant fuels significantly. Alternatively, installing scrubbers on vessels enables the use of lower cost fuels, but requires capital expenditure. There is significant uncertainty that the increased cost regarding implementation and compliance with the IMO 2020 requirements cannot be recovered from customers through the freight rate.

Oil prices
The future development in the oil price is an uncertain and significant factor impacting accounting estimates across A.P. Moller - Maersk either directly or indirectly. Maersk Line is directly impacted by the price of bunker oil, where the competitive landscape determines the extent to which the development is reflected in the freight rates charged to the customer. APM Terminals is indirectly impacted by the oil price as terminals located in oil-producing countries, e.g. Nigeria, Angola, Egypt, Russia and Brazil, are indirectly impacted by the development in oil prices and the consequences on the countries' economies, which not only affect volume handled in the terminals, but also exchange rates.

Intangible assets and property, plant and equipment
A.P. Moller - Maersk carries goodwill of USD 637m (USD 645m) and intangible assets with indefinite lives of USD 31m (USD 34m). The majority of non-current assets are amortised over their useful economic lives.

Management assesses impairment indicators across this asset base. Judgement is applied in the definition of cash-generating units and in the selection of methodologies and assumptions for impairment tests.

The determination of cash-generating units differs for the various businesses. Ocean operates its fleet of container vessels, containers and hub terminals in an integrated network, for which reason the Ocean activities are tested for impairment as a single cash-generating unit. In addition, the intermodal activities reported under Logistics & Services are included in the Ocean cash-generating unit for impairment testing to apply consistency between the asset base and related cash flows. In Logistics & Services, apart from intermodal, each entity is defined as a cash-generating unit. In gateway terminals, each terminal is considered individually in impairment tests, except when the capacity is managed as a portfolio, which is the case for certain terminals in Northern Europe and Global Ports Investments, Russia. Towage groups vessels according to type, size, etc. in accordance with the structure governing management's ongoing follow-up. Projected cash flow models are used when fair value is not obtainable or when fair value is deemed lower than value in use. External data is used to the extent possible, and centralised processes, involving corporate functions, ensure that indexes or data sources are selected consistently while observing differences in risks and other circumstances. Current market values for vessels, etc. are estimated using acknowledged brokers.

Note 25 Significant accounting estimates and judgements – continued

Impairment considerations
In Ocean, although average bunker cost reduced by 2.9%, the impact of IMO 2020 on bunker supply and the uncertainty around cost recovery, in addition to the weakness in the broader macroeconomic backdrop, are impairment indicators. Trade protectionism has reduced the global container outlook and recession risks have increased. In addition, the estimated fair value of the fleet continues to be lower than the carrying amount. Consequently, an estimate of the recoverable amount has been prepared by a value in use calculation. The cash flow projection is based on forecasts as per Q3 2019 covering plans for 2020-24. The key sensitivities are: development in freight rates, container volumes, bunker costs, effect of cost savings as well as the discount rate. Management has applied an assumption of growth in volumes and continued pressure on, but increasing freight rates, and continued cost efficiency. The impairment test continues to show headroom from value in use to the carrying amount. Management is of the opinion that the assumptions applied are sustainable.

In Terminals & Towage, management assesses impairment triggers and based on these, estimates recoverable amounts on the individual terminals. For APM Terminals' interest in Global Ports Investments, being the share of equity and significant intangible assets acquired, management assesses the recoverable amount of its interest on an ongoing basis. Uncertain variables in the estimate are the economic outlook in Russia, local competition, effect on volume, operating expenses and discount rate. The carrying amount of the investment may not be sustainable in the next few years, if markets develop significantly adversely compared to current expectations. Estimates of recoverable amounts were also prepared for other terminals where decreasing volumes triggered impairment tests. Key sensitivities are: expected volumes, local port rates, concession right extensions as well as discount rate. The impairment tests showed headroom from value in use calculations compared to carrying amount. Therefore, no impairment was recognised in 2019 compared to USD 20m in 2018 related to terminals in markets with challenging commercial conditions. Continued economic deterioration and a lack of cash repatriation opportunities in certain oil-producing countries can potentially put further pressure on carrying amounts of terminals in these countries.

Maersk Container Industry decided to consolidate the manufacture of reefer containers at the facility in Qingdao, China, and exit the dry container business completely. Consequently, operation ceased at the facilities in San Antonio, Chile, and Dongguan, China. The closure of the facilities triggered a write-down of assets of USD 66m in 2018. The recoverable amounts for both closed factories are measured at fair value categorised as level 3 in the fair value hierarchy, as measurements are not based on observable market data and relate mainly to land and buildings which by nature are uncertain. In 2019, a USD 52m reversal of the write-down was recognised.

The recoverable amounts for both factories are measured at fair value categorised as level 3 in the fair value hierarchy, as measurements are not based on observable market data and relate mainly to land and buildings which by nature are uncertain.

Reference is made to notes 6 and 7 for information about impairment losses, recoverable amounts and discount rates.

Amortisation, depreciation and residual values
Useful lives are estimated based on experience. Management decides from time to time to revise the estimates for individual assets or groups of assets with similar characteristics due to factors such as quality of maintenance and repair, technical development and environmental requirements. Please refer to note 24 for the useful lives typically used for new assets.

Residual values are difficult to estimate given the long lives of vessels and rigs, the uncertainty as to future economic conditions and the future price of steel, which is considered the main determinant of the residual price. Generally, the residual values of vessels are initially estimated at 10% of the purchase price excluding dry-docking costs. The long-term view is prioritised to disregard, to the extent possible, temporary market fluctuations which may be significant.

Operations in countries with limited access to repatriating surplus cash
A.P. Moller - Maersk operates worldwide, and in this respect, has operations in countries where access to repatriating surplus cash is limited. In these countries, management makes judgements as to how these transactions and balance sheet items are recognised in the financial statements.

Provisions for pension and other employee benefits
For defined benefit schemes, management makes assumptions about future remuneration and pension changes, employee attrition rates, life expectancy, inflation and discount rates. When setting these assumptions, management takes advice from the actuaries performing the valuation. The inflation and discount rates are determined centrally for the major plans on a country-by-country basis. All other assumptions are determined on a plan-by-plan basis. Refer to note 14 for information about key assumptions and the sensitivity of the liability to changes in these assumptions.

Plan assets are measured at fair value by fund administrators.

Provisions for legal disputes, uncertain tax positions, etc.
Management's estimate of the provisions regarding legal disputes, including disputes on taxes and duties, is based on the knowledge available on the actual substance of the cases and a legal assessment of these. The resolution of legal disputes, through either negotiations or litigation, can take several years to complete and the outcome is subject to considerable uncertainty.

A.P. Moller - Maersk is engaged in a number of disputes with tax authorities of varying scope. Appropriate provisions and recognition of uncertain tax positions have been made where the probability of our tax position being upheld in individual cases is considered less than 50%. Claims, for which the probability of our tax position being upheld is assessed by management to be at least 50%, are not provided for. Such risks are instead evaluated on a portfolio basis by geographical area, and country risk provisions and uncertain tax liabilities are recognised where the aggregated probability of our tax position being upheld is considered less than 50%.

Deferred tax assets
Judgement has been applied in the measurement of deferred tax assets with respect to A.P. Moller - Maersk's ability to utilise the assets. Management considers the likelihood of utilisation based on the latest business plans and recent financial performances of the individual entities. Net deferred tax assets recognised in entities having suffered an accounting loss in either the current or preceding period amount to USD 98m (USD 142m) for continuing operations, excluding entities participating in joint taxation schemes. These assets mainly relate to unused tax losses or deductible temporary differences generated during the construction of terminals, where taxable profits have been generated either in the current period or are expected within a foreseeable future.

Vessel sharing agreements (Cost sharing arrangements)
Vessel sharing agreements in shipping require that some vessels are committed towards specific service routes. The committed vessel's capacity is then shared with one or more container shipping providers in proportion to each party's contribution to the joint service. In practice, it is not always possible to provide tonnage precisely as agreed in the sharing arrangements, therefore financial settlement often takes place on basis of relative capacity over/under utilized on a monthly or other mutually agreed cycle. At A.P. Moller - Maersk, these capacity adjustments are settled as close to actual costs incurred as possible based on market rates applicable at that time.

Leasing
A.P. Moller - Maersk enters into a substantial amount of lease contracts, some of which combine leasing and service components in the same leasing arrangement, such as time charter contracts. Judgement is applied in determining the stand-alone value of each component using specialised tools to streamline the valuation process. Similarly, determining variable lease payments requires significant judgement and understanding of facts and circumstances that give rise to variable payments. In the group, variable payments are linked to the uncertain

Note 25 Significant accounting estimates and judgements – continued

period for which container equipment is used outside the firm contract period, due to flexible redelivery periods and certain terminal concession agreements for which payments are linked to future performance such as number of TEUs handled or depend on an index.

A significant amount of lease contracts contains extension or purchase options or termination options or various combinations of these options. Assessment of the exercise or non-exercise of such options impacts the value of right-of-use asset recognised. Such assessments are reviewed whenever a significant event or change in circumstances occurs.

IFRS 16 requires that a discount rate is applied to determine the present value of lease payments. Significant judgement is required in determining appropriate rates, therefore management applies a formalised process for determining applicable discount rates using specialist staff in corporate functions.

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 2019 of the reclassifications on key accounting lines were: Revenue (USD 261m), EBITDA (USD 3m), loss for the period – continuing operations (USD 430m) and Equity (USD 13m).

Parent company Financial statements 2019

A.P. Møller - Mærsk A/S

(In parenthesis, the corresponding figures for 2018)

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Income statement

Note		2019	2018
1	Revenue	18	55
2	Operating costs	178	191
	Other costs	-	11
	Profit/loss before depreciation, amortisation and impairment losses, etc.	**-160**	**-147**
3	Gain/loss on sale of companies and non-current assets, etc., net	4	8,120
	Profit/loss before financial items	**-156**	**7,973**
4	Dividends	324	4,025
4	Financial income	1,598	1,571
4	Financial expenses	1,663	4,756
	Profit/loss before tax	**103**	**8,813**
5	Tax	113	85
	Profit/loss for the year – continuing operations	**-10**	**8,728**
9	Profit for the year – discontinued operations	-	2
	Profit/loss for the year	**-10**	**8,730**
	Appropriation:		
	Proposed dividend	468	479
	Retained earnings	-478	8,251
		-10	**8,730**
	Proposed dividend per share, DKK	**150**	**150**
	Proposed dividend per share, USD	**22**	**23**

Statement of comprehensive income

Note		2019	2018
	Profit/loss for the year	**-10**	**8,730**
14	Cash flow hedges:		
	Value adjustment of hedges for the year	-54	-105
	Reclassified to income statement	30	41
5	Tax on other comprehensive income	13	8
	Total items that have been or may be reclassified subsequently to the income statement	**-11**	**-56**
15	Other equity investments (FVOCI), fair value adjustments for the year	-	329
5	Tax on other comprehensive income	-	-71
	Total items that will not be reclassified to the income statement	**-**	**258**
	Other comprehensive income, net of tax	**-11**	**202**
	Total comprehensive income for the year	**-21**	**8,932**

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Balance sheet at 31 December

Note	Assets	2019	2018
6	**Property, plant and equipment**	**-**	**-**
7	Investments in subsidiaries	13,435	18,753
7	Investments in associated companies	2	5
15	Other equity investments	2	-
15	Interest-bearing receivables from subsidiaries, etc.	7,913	20,025
14	Derivatives	165	133
	Other receivables	9	8
	Financial non-current assets, etc.	**21,526**	**38,924**
	Total non-current assets	**21,526**	**38,924**
	Trade receivables	8	6
15	Interest-bearing receivables from subsidiaries, etc.	12,804	3,144
14	Derivatives	65	97
	Other receivables	112	107
	Other receivables from subsidiaries, etc.	286	251
	Prepayments	74	51
	Receivables, etc.	**13,349**	**3,656**
	Cash and bank balances	**3,395**	**1,193**
9	**Assets held for sale**	**-**	**3,935**
	Total current assets	**16,744**	**8,784**
	Total assets	**38,270**	**47,708**

Note	Equity and liabilities	2019	2018
10	Share capital	3,774	3,774
	Reserves	20,958	25,600
	Total equity	**24,732**	**29,374**
12	**Borrowings, non-current**	**7,154**	**7,573**
13	Provisions	78	75
14	Derivatives	324	244
8	Deferred tax	33	1
	Other non-current liabilities	**435**	**320**
	Total non-current liabilities	**7,589**	**7,893**
12	**Borrowings, current**	**543**	**1,173**
12	**Interest-bearing debt to subsidiaries, etc.**	**5,031**	**8,743**
13	Provisions	3	-
	Trade payables	58	73
	Tax payables	43	158
14	Derivatives	94	155
	Other payables	156	110
	Other payables to subsidiaries, etc.	15	18
	Deferred income	6	6
	Other current liabilities	**375**	**520**
9	**Liabilities associated with assets held for sale**	**-**	**5**
	Total current liabilities	**5,949**	**10,441**
	Total liabilities	**13,538**	**18,334**
	Total equity and liabilities	**38,270**	**47,708**

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Cash flow statement

Note		2019	2018
	Profit/loss before financial items	-156	7,973
3	Gain/loss on sale of companies and non-current assets, etc., net	-4	-8,120
19	Change in working capital	-37	-16
	Other non-cash items	14	11
	Cash from operating activities before tax	-183	-152
	Taxes paid	-185	-38
	Cash flow from operating activities	**-368**	**-190**
	Acquisition of and capital increases in subsidiaries and activities	-	-85
	Sale of subsidiaries and associates	62	2,705
	Dividends received	2,792	1,664
	Cash flow used for investing activities	**2,854**	**4,284**
	Repayment of borrowings	-2,132	-6,367
	Proceeds from borrowings	1,081	2,027
	Purchase of own shares	-791	-
	Financial income received	1,140	1,204
	Financial expenses paid	-423	-514
	Dividends distributed	-469	-517
	Movements in interest-bearing loans to/from subsidiaries, etc., net	1,341	584
	Cash flow from financing activities	**-253**	**-3,583**
	Net cash flow from continuing operations	**2,233**	**511**
	Net cash flow for the year	**2,233**	**511**
	Cash and cash equivalents 1 January	1,147	682
	Currency translation effect on cash and cash equivalents	10	-46
	Cash and cash equivalents 31 December	**3,390**	**1,147**
	Cash and cash equivalents		
	Cash and bank balances	3,395	1,193
	Overdrafts	5	46
	Cash and cash equivalents 31 December	**3,390**	**1,147**

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Statement of changes in equity

Note		Share capital	Reserve for other equity investments	Reserve for hedges	Retained earnings	Total equity
	Equity 1 January 2018	3,774	-	22	17,150	20,946
	Other comprehensive income, net of tax	-	258	-56	-	202
	Profit/loss for the year	-	-	-	8,730	8,730
	Total comprehensive income for the year	**-**	**258**	**-56**	**8,730**	**8,932**
	Dividends to shareholders	-	-	-	-517	-517
11	Value of share-based payments	-	-	-	13	13
15	Transfer of loss on disposal of equity investments at FVOCI to retained earnings	-	-258	-	258	-
	Total transactions with shareholders	**-**	**-258**	**-**	**-246**	**-504**
	Equity 31 December 2018	**3,774**	**-**	**-34**	**25,634**	**29,374**
	2019					
	Other comprehensive income, net of tax	-	-	-11	-	-11
	Profit/loss for the year	-	-	-	-10	-10
	Total comprehensive income for the year	**-**	**-**	**-11**	**-10**	**-21**
	Dividends to shareholders	-	-	-	-469	-469
11	Value of share-based payments	-	-	-	10	10
10	Purchase of own shares	-	-	-	-791	-791
9	Distribution of shares in The Drilling Company of 1972 A/S to shareholders in A.P. Møller - Mærsk A/S	-	-	-	-3,371	-3,371
	Total transactions with shareholders	**-**	**-**	**-**	**-4,621**	**-4,621**
	Equity 31 December 2019	**3,774**	**-**	**-45**	**21,003**	**24,732**

Notes

Parent company financial statements
Activities comprise holding of shares in subsidiaries and associated companies, as well as funding, procurement and cash management.

The subsidiary Maersk Drilling Holding A/S shares were distributed as part of the Maersk Drilling demerger through separate listing in 2019.

In the parent company financial statements, shares in subsidiaries and associated companies are recognised at cost, cf. note 21, less impairment losses, and in the income statement, dividends from subsidiaries and associated companies are recognised as income.

The net result for the year was a loss of USD 10m (profit of USD 8.7bn). The main differences are gain on sale and dividends, both reduced compared to 2018.

Cash flow from operating activities was negative USD 368m (negative USD 190m). Total assets amounted to USD 38.3bn (USD 47.7bn) and total equity was USD 24.7bn (USD 29.4bn) at 31 December 2019.

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Note 1 Revenue

Table 1.1	2019	2018
Revenue from vessels	-	44
Other revenue	18	11
Total revenue	**18**	**55**

Note 2 Operating costs

Table 2.1	2019	2018
Rent and lease costs	14	47
Staff costs reimbursed to Rederiet A.P. Møller A/S[1]	124	114
Other	40	30
Total operating costs	**178**	**191**
Average number of employees directly employed by the company	2	2

Table 2.2

The company's share of fees and remuneration to the Executive Board	2019	2018
Fixed base salary	5	5
Short-term cash incentive	2	2
Remuneration in connection with redundancy, resignation and release from duty to work	5	2
Total remuneration to the Executive Board	**12**	**9**

Table 2.3

Fees to the statutory auditors	2019	2018
Statutory audit	1	1
Other assurance services	-	-
Tax and VAT advisory services	-	-
Other services	1	1
Total fees	**2**	**2**

Table 2.1

1 Wages and salaries USD 116m (USD 106m) and pension plan contributions USD 8m (USD 8m). Staff costs included in integration and restructuring costs amount to USD 3m (USD 0m).

For information about share-based payment, reference is made to note 11.

Table 2.2

Contract of employment for the Executive Board contains terms customary in Danish listed companies, including termination notice and competition clauses. In connection with a possible takeover offer, neither the Executive Board nor the Board of Directors will receive special remuneration. Fees and remuneration do not include pension.

The Board of Directors has received fees of USD 3m (USD 3m).

Table 2.3

Fees for other services than statutory audit of the financial statements provided by Pricewaterhouse-Coopers Statsautoriseret Revisionspartnerselskab to A.P. Møller - Mærsk A/S mainly consist of audit of non-statutory financial statements, financial due diligence and transaction advice, accounting advisory services, tax advice and other services related to separating discontinued operations, review of the interim report and other advisory accounting and tax services.

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Note 3 Gain on sale of companies and non-current assets, etc., net

Table 3.1	2019	2018
Gains	4	8,120
Gain/loss on sale of companies and non-current assets, etc., net	**4**	**8,120**

Table 3.1
The dormant subsidiaries Odense Staalskibsværft A/S and Roulunds Holding A/S were liquidated in 2019, both with modest gain.

2018 gains relate to sale of the subsidiary Mærsk Olie og Gas A/S to Total S.A.

Note 4 Financial income and expenses

Table 4.1	2019	2018
Interest expenses on liabilities	490	717
Interest income on loans and receivables	1,143	1,226
Fair value adjustment transferred from equity hedge reserve (loss)	26	61
Net interest income	**627**	**448**
Exchange rate gains on bank balances, borrowings and working capital	71	252
Exchange rate losses on bank balances, borrowings and working capital	30	283
Net foreign exchange losses/gains	**41**	**-31**
Fair value gains from derivatives	113	39
Fair value losses from derivatives	73	18
Net fair value gains/losses	**40**	**21**
Dividends received from subsidiaries, associated companies and joint ventures, net[1]	324	3,879
Dividends received from other equity investments	-	146
Total dividend income	**324**	**4,025**
Reversal of impairment losses, investments in subsidiaries and associated companies[2]	116	31
Impairment losses, investments in subsidiaries and associated companies[3]	1,042	3,431
Reversal of write-down of loans[4]	155	23
Write-down of loan receivables from subsidiaries	2	246
Financial income/expenses, net	**259**	**840**
Of which:		
Dividends	324	4,025
Financial income	1,598	1,571
Financial expenses	1,663	4,756

Table 4.1
Reference is made to note 14 for an analysis of gains and losses from derivatives.

Refer to note 22 for significant accounting estimates.

Dividends

1 A.P. Moller Finance SA, Orion Limited and Maersk FPSOs A/S have each paid around USD 0.1bn in dividend. 2018 dividends are mainly from Maersk Drilling Holding A/S USD 3.3bn and Maersk Oil Trading and Investments USD 0.4bn. Dividends from other equity investments in 2018 relate to Total S.A. shares.

Reversal of impairment losses

2 Reversal of impairment losses relates to A.P. Moller Finance SA, Star Air A/S and Maersk Container Industry A/S (in 2018 A.P. Moller Finance SA).

Impairment losses and fair value adjustments

3 Impairment losses to recoverable amount relate mostly to fair value adjustment of Maersk Supply Service A/S, Damco International A/S and Maersk FPSOs A/S. (In 2018 mainly, Maersk Drilling Holding A/S, USD 2.2bn based on fair value less cost to sell and Maersk Supply Service A/S of USD 0.4bn, based on fair value less cost to sell).

In Q3 2018, the company 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.

The fair value of Maersk Drilling Holding A/S shares distributed was USD 3.4bn, resulting in a loss of USD 0.6bn on the demerger. Note 10 in the consolidated financial statements holds more details.

Reversal of write-down of loan receivables

4 Loan receivables from Maersk Supply Service A/S and Maersk Container Industry A/S were written down to recoverable amount in 2018. Part of the loan to Maersk Supply Service A/S is converted to capital injection and the write-down is partly reversed in 2019 to re-vised recoverable value. The loan to Maersk Container Industry A/S is settled at a higher value than carrying value and the difference between amount settled and carrying value is included in this item.

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Note 5 Tax

Table 5.1	2019	2018
Tax recognised in the income statement		
Current tax on profit for the year	70	115
Adjustment of tax provision	45	-
Adjustment for current tax of prior periods	-49	-26
Withholding taxes	15	69
Total current tax	**81**	**158**
Origination and reversal of temporary differences	24	-56
Adjustment for deferred tax of prior periods	8	-17
Total deferred tax	**32**	**-73**
Total tax expense	**113**	**85**
Tax reconciliation:		
Profit/loss before tax	103	8,813
Tax using the Danish corporation tax rate (22%)	23	1,939
Tax rate deviations in foreign jurisdictions	-	12
Non-deductible expenses	34	20
Gains/losses related to shares, dividends, etc.	50	-1,846
Adjustment to previous years' taxes	4	-43
Other differences, net	4	3
Total income tax	**113**	**85**
Tax recognised in other comprehensive income and equity	**13**	**63**
Of which:		
Current tax	13	63

Note 6 Property, plant and equipment

After separating the drilling activities, the company holds no property, plant and equipment.

Pledges
Vessels and containers, etc., owned by subsidiaries with a carrying amount of USD 1.4bn (USD 1.6bn) have been pledged as security for loans of USD 0.6bn (USD 0.5bn).

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Note 7 Investments in subsidiaries and associated companies

Table 7.1

	Investments in subsidiaries	Investments in associated companies
	2019	2019
Cost		
1 January 2018	15,342	795
Addition[1]	5,990	24
Disposal	27	-
31 December 2018	**21,305**	**819**
Addition[2]	850	-
Return of capital[3]	5,780	-
Disposal[4]	250	-
Transfer from assets held for sale[5]	1,465	-
31 December 2019	**17,590**	**819**
Impairment losses		
1 January 2018	1,957	592
Impairment losses[6]	626	222
Reversal of impairment losses	31	-
31 December 2018	**2,552**	**814**
Impairment losses[6]	480	3
Disposal[4]	226	-
Reversal of impairment losses	116	-
Transfer from assets held for sale[5]	1,465	-
31 December 2019	**4,155**	**817**
Carrying amount:		
31 December 2018	**18,753**	**5**
31 December 2019	**13,435**	**2**

Table 7.1
Reference is made to pages 145-147 for a list of significant subsidiaries and associated companies.

1 USD 5.9bn capital increase in Maersk Oil Trading and Investments A/S by non-cash transfer of shares in Total S.A.
2 Capital increase in Maersk Container Industry A/S, Maersk Supply Service A/S and Damco International A/S.
3 Maersk Oil Trading and Investments A/S returned USD 5.8bn after disposing the Total S.A. shares.
4 Mostly related to the liquidation of Odense Staalskibs-værft A/S.
5 Maersk Supply Service A/S transferred back to continuing operations.
6 Impairment losses are recognised when carrying amount exceeds recoverable amount as explained in notes 4, 21 and 22.

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Note 8 Deferred tax

Recognised deferred tax assets and liabilities are attributable to the following:

Table 8.1	Assets		Liabilities		Net liabilities	
	2019	2018	2019	2018	2019	2018
Liabilities, etc.	-	-	33	1	33	1
Total	**-**	**-**	**33**	**1**	**33**	**1**

Table 8.2		
Change in deferred tax, net during the year	2019	2018
1 January	1	74
Recognised in the income statement	32	-73
31 December	**33**	**1**

Table 8.1 and Table 8.2
There are no unrecognised deferred tax assets.

There are no significant unrecognised tax liabilities on investments in subsidiaries, associated companies and joint ventures.

Note 9 Discontinued operations and assets held for sale

Table 9.1	2019	2018
Profit for the year - discontinued operations		
Financial items, net	-	4
Profit/loss before tax, etc.	**-**	**4**
Tax[1]	-	2
Profit/loss for the year – discontinued operations	**-**	**2**
Cash flows from discontinued operations for the year		
Cash flow from operating activities	-	-6
Cash flow used for investing activities	-	-26
Cash flow from financing activities	-	32
Net cash flow from discontinued operations	**-**	**-**
Balance sheet items comprise:		
Non-current assets	-	3,935
Assets held for sale	**-**	**3,935**
Provisions	-	3
Other liabilities	-	2
Liabilities associated with assets held for sale	**-**	**5**

Table 9.1
1 The tax relates to the profit from the ordinary activities of discontinued operations.

Note 10 Share capital

Development in the number of shares:

Table 10.1		A shares of		B shares of		Nominal value
	DKK 1,000	DKK 500	DKK 1,000	DKK 500	DKK million	USD million
1 January 2018	10,756,262	232	10,060,398	172	20,817	3,774
31 December 2018	**10,756,262**	**232**	**10,060,398**	**172**	**20,817**	**3,774**
Conversion	3	-6	3	-6	-	-
31 December 2019	**10,756,265**	**226**	**10,060,401**	**166**	**20,817**	**3,774**

Shareholder disclosure subject to section 104 of the Danish Financial Statements Act:

Table 10.2	Share capital	Votes
A.P. Møller Holding A/S, Copenhagen, Denmark	40.17%	50.81%
A.P. Møller og Hustru Chastine Mc-Kinney Møllers Familiefond, Copenhagen, Denmark	8.84%	13.12%
Den A.P. Møllerske Støttefond, Copenhagen, Denmark	3.11%	5.99%

Development in the holding of own shares:

Table 10.3	No. of shares of DKK 1,000		Nominal value DKK million		% of share capital	
Own shares	2019	2018	2019	2018	2019	2018
A shares						
1 January	-	-	-	-	0.00%	0.00%
Addition	134,279	-	134	-	0.65%	0.00%
31 December	**134,279**	**-**	**-**	**-**	**0.65%**	**0.00%**
B shares						
1 January	55,515	60,839	56	61	0.27%	0.29%
Addition	537,143	-	537	-	2.57%	0.00%
Disposal	4,709	5,324	5	5	0.02%	0.02%
31 December	**587,949**	**55,515**	**588**	**56**	**2.82%**	**0.27%**

Table 10.1
All shares are fully issued and paid up.

One A share of DKK 1,000 holds two votes. B shares have no voting rights.

Table 10.2
Note 11 in the consolidated financial statements includes rules for changing the share capital, and information regarding the authorisation of the Board of Directors to acquire own shares as well as the total number of own shares held by the group.

Table 10.3
Addition of own shares relates to the share buy-back programme announced in May 2019. Note 11 in the consolidated financial statements provides more information about the share buy-back programme. Disposal of own shares relates primarily to the restricted share programme.

Note 11 Share-based payment

Table 11.1	Members of the Executive Board [1]	Employees [1]	Total	Total fair value [1]
Restricted shares plan	No.	No.	No.	USD million
1 January 2018	-	14,532	14,532	
Granted	1,002	4,241	5,243	8
Exercised	-	5,324	5,324	
Forfeited	-	663	663	
Outstanding 31 December 2018	**1,002**	**12,786**	**13,788**	
Granted	1,310	4,319	5,629	7
Granted in connection with Maersk Drilling demerger	294	1,286	1,580	
Exercised	-	4,756	4,756	
Forfeited	739	1,700	2,439	
Outstanding 31 December 2019	**1,867**	**11,935**	**13,802**	

Table 11.1

Restricted shares plan

The restricted shares plan was introduced in 2013 and grants have been awarded to employees on a yearly basis since 2013. Grants have also been awarded to members of the Executive Board from 2018.

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 part of A.P. Møller - Mærsk A/S' holding of own B shares will be used to meet the company's obligations in connection with the restricted shares plan.

1 At the time of grant.

Note 11 Share-based payment – continued

Table 11.2	Members of the Executive Board[1]	Employees[1]	Total	Average exercise price[2]	Total fair value[1]
Outstanding share options	No.	No.	No.	DKK	USD million
1 January 2018	4,928	20,602	25,530	12,971	
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**	**12,791**	
Exercisable 31 December 2018	**-**	**-**	**-**	**-**	
Granted	7,894	22,444	30,338	7,622	9
Forfeited	6,080	3,125	9,205	9,141	
Outstanding 31 December 2019	**11,799**	**56,026**	**67,825**	**12,156**	
Exercisable 31 December 2019	**-**	**18,435**	**18,435**	**10,630**	

The following principal assumptions are used in the valuation:

Table 11.3	Share options granted to members of the Executive Board		Share options granted to employees not members of the Executive Board	
	2019	2018	2019	2018
Share price, volume weighted average at the date of grant, 1 April, DKK	8,668	9,273	8,668	9,273
Share price, five days volume weighted average after publication of Annual Report, DKK	8,682	10,476	8,682	10,476
Exercise price, DKK	9,550	11,524	9,550	11,524
Exercise price following the demerger of Maersk Drilling, 2 April 2019, DKK	7,670	9,435	7,605	9,435
Expected volatility (based on historic volatility)	32%	33%	32%	33%
Expected term (years)	5.00	5.00	5.75	5.75
Expected dividend per share, DKK	150	150	150	150
Risk free interest rate	-0.36%	0.21%	-0.28%	0.29%

Table 11.2
The fair value of restricted shares (A.P. Møller - Mærsk A/S B shares) granted to 92 (105) employees and five (five) members of the Executive Board was USD 7m (USD 8m) at the time of grant. The total value of granted restricted shares recognised in the income statement is USD 1m (USD 1m).

The fair value per restricted share at the time of grant was DKK 8,668 (DKK 9,273), which is equal to the volume weighted average share price on the date of grant, i.e. 1 April 2019.

On 1 April 2019, the restricted shares originally granted in 2016 were settled with the employees. The weighted average share price at that date was DKK 8,668. The average remaining contractual life for the restricted shares as per 31 December 2019 is 1.7 years (1.4 years).

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

The share options were 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. Exercise of the share options is contingent on the option holder still being employed at the time of exercise. The share options can be exercised when at least three years and no more than six years (seven years for share options granted to employees not members of the Executive Board) have passed from the time of granting. Special conditions apply regarding illness, death and resignation as well as changes in the company's capital structure, etc.

1 At the time of grant.
2 Average exercise prices were reduced following the demerger of Maersk Drilling and have been restated.

Table 11.3
The share options can only be settled in shares. A part of 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 (five) members of the Executive Board and 75 (80) employees was USD 9m (USD 7m) at the time of grant. The total value of granted share options recognised in the income statement is USD 1m (USD 1m).

No share options were exercised during 2018 and 2019.

The average remaining contractual life as per 31 December 2019 is 5.2 years (5.5 years) and the exercise price for outstanding share options is DKK 9,057 (DKK 10,006).

The fair value per option granted to members of the Executive Board is calculated at DKK 1,782 (DKK 1,712) at the time of grant based on Black & Scholes' option pricing model. The fair value per option granted to employees not members of the Executive Board is calculated at DKK 1,914 (DKK 2,281) at the time of grant based on the same option pricing model.

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Note 12 Borrowings and net debt reconciliation

Table 12.1	Net debt as at 31 December	Cash flow		Other changes	Net debt as at 31 December
	2018		Foreign exchange movements	Other[1]	2019
Bank and other credit institutions	3,373	-508	-	-	2,865
Lease liabilities	-	-	-	13	13
Issued bonds	5,373	-543	-57	46	4,819
Subsidiaries, etc., net	-14,426	1,341	-25	-2,576	-15,686
Total borrowings, net	**-5,680**	**290**	**-82**	**-2,517**	**-7,989**
Derivatives hedge of borrowings, net	**187**	**-84**	**57**	**-4**	**156**
Borrowings classification:					
Classified as non-current	7,573				7,154
Classified as current	9,916				5,574

Table 12.2	Net debt as at 31 December	Cash flow		Other changes	Net debt as at 31 December
	2017		Foreign exchange movements	Other[1]	2018
Bank and other credit institutions	5,588	-2,040	-1	-174	3,373
Issued bonds	7,804	-2,258	-238	65	5,373
Subsidiaries, etc., net	-12,941	584	229	-2,298	-14,426
Total borrowings, net	**451**	**-3,714**	**-10**	**-2,407**	**-5,680**
Derivatives hedge of borrowings, net	**-110**	**-2**	**238**	**61**	**187**
Borrowings classification:					
Classified as non-current	11,687				7,573
Classified as current	12,228				9,916

Table 12.2

1 Non-cash dividends, capital increases, IFRS 16 lease liabilities, etc.

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Note 13 Provisions

Table 13.1	Restructuring	Other	Total
1 January 2019	-	75	75
Provision made	3	-	3
Transfer, liabilities associated with assets held for sale	-	3	3
31 December 2019	**3**	**78**	**81**
Of which:			
Classified as non-current	-	78	78
Classified as current	3	-	3

Table 13.1
Other includes provisions for unsettled claims and legal disputes, etc.

Note 14 Derivatives

Table 14.1	2019	2018
Non-current receivables	165	133
Current receivables	65	97
Non-current liabilities	324	244
Current liabilities	94	155
Assets/liabilities, net	**-188**	**-169**

The fair value of derivatives held at the balance sheet date can be allocated by type as follows:

Table 14.2	Fair value, asset	Fair value, liability	Nominal amount of derivative	Fair value, asset	Fair value, liability	Nominal amount of derivative
	2019	2019	2019	2018	2018	2018
Hedge of borrowings						
Cross-currency swaps						
EUR	53	95	1,600	97	141	2,697
GBP	-	66	394	-	74	380
JPY	10	11	206	10	12	204
NOK	-	61	591	-	52	596
Interest rate swaps						
Fair value hedges	14	-	900	-	15	500
Total	**77**	**233**		**107**	**294**	

Table 14.1
Hedges comprise primarily currency derivatives and interest rate derivatives. Foreign exchange forwards and option contracts are used to hedge the currency risk related to recognised and unrecognised transactions. Interest rate and cross-currency swaps are used to hedge interest rate exposure on borrowings.

The hedges are expected to be highly effective due to the nature of the economic relation between the exposure and the hedge. The source of ineffectiveness is the credit risk of the hedging instruments. For hedges where the cost of hedging is applied, the forward points and change in basis spread are recognised in other comprehensive income and transferred with the effective hedge when the hedged transaction occurs. The cost of hedging reserve amounts to a gain of USD 6m (USD 1m).

For information about risk management strategy, currencies, maturities, etc. reference is made to note 16.

Table 14.2 and Table 14.3
Hedge of borrowings
Cross-currency swaps are used to swap all non-USD issued bonds. Fixed to floating rate swaps are designated as a combination of fair value and cash flow hedges. The principal amounts in USD equivalents are: EUR 733m (EUR 1,723m), GBP 92m (GBP 89m), JPY 206m (JPY 204m) and NOK 250m (NOK 252m). The remaining swaps are fixed to fixed rate or floating to fixed rate swaps and are designated as cash flow hedges of interest rate risk.

The hedge ratio is 1:1. The maturity of the hedge instrument 0-5 years is (USD equivalents): EUR 671m (EUR 1,746m), JPY 92m (JPY 91m) and NOK 341m (NOK 344m). 5-10 years: EUR 839m (EUR 859m), GBP 394m (GBP 380m), JPY 114m (JPY 113m) and NOK 250m (NOK 252m). Above 10 years: EUR 90m (EUR 92m).

Cross-currency swaps are designated as a combination of hedge of principal cash flow and hedge of interests at a weighted average rate of 4.0% (4.5%).

Interest rate swaps are all denominated in USD and pay floating rate. The hedge ratio is 1:1, and the weighted average interest rate is 3.0% (2.8%) excluding margin on loans. The maturity of the interest rate swaps 5-10 years is USD 900m (USD 500m).

For cash flow hedges related to borrowings, a loss of USD 30m (loss of USD 64m) is recognised in other comprehensive income, and the cash flow hedge reserve is a loss of USD 64m (loss of USD 49m). Reference is made to other comprehensive income.

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Note 14 Derivatives – continued

Table 14.3		Fair value
	2019	2018
Held for trading		
Currency derivatives	-20	-3
Interest derivatives	-12	21
Total	**-32**	**18**

The gains/losses, including realised transactions, are recognised as follows:

Table 14.4	2019	2018
Hedging interest rate risk	-26	-61
Total effective hedging	**-26**	**-61**
Ineffectiveness recognised in financial expenses	-4	20
Total reclassified from equity reserve for hedges	**-30**	**-41**
Derivatives accounted for as held for trading		
Currency derivatives recognised directly in financial income/expenses	65	-10
Interest rate derivatives recognised directly in financial income/expenses	19	-4
Net gains/losses recognised directly in the income statement	**84**	**-14**
Total	**54**	**-55**

The carrying amount of the borrowings in fair value hedge relation is USD 2,181m (USD 2,768m), and the accumulated fair value adjustment of the loans is a loss of USD 53m (loss of USD 13m). The gain on the hedging instrument in fair value hedges recognised in the income statement for the year amounts to USD 45m (loss of USD 15m), and the loss on hedged item amounts to USD 40m (gain of USD 15m).

Due to bond buy-back in 2019, ineffectiveness from cash flow hedges is recognised in the income statement with a loss of USD 4m (gain of USD 20m).

Table 14.4

Other economic hedges (no hedge accounting applied)

Furthermore, the company enters into derivatives to hedge economic risks that are not accounted for as hedging. These derivatives are accounted for as held for trading.

For information about currencies, maturities, etc., reference is made to note 16.

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Note 15 Financial instruments by category

Table 15.1	Carrying amount 2019	Fair value 2019	Carrying amount 2018	Fair value 2018
Carried at amortised cost				
Interest-bearing receivables from subsidiaries, etc.	20,717	20,723	23,169	23,176
Lease receivables	19		8	
Total interest-bearing receivables	**20,736**	**20,723**	**23,177**	**23,176**
Trade receivables	8		6	
Other receivables (non-interest-bearing)	102		107	
Other receivables from subsidiaries, etc.	286		251	
Cash and bank balances	3,395		1,193	
Financial assets at amortised cost	**24,527**		**24,734**	
Derivatives	230	230	230	230
Equity investments (FVOCI)[1]	2	2	-	-
Other financial assets	**232**	**232**	**230**	**230**
Total financial assets	**24,759**		**24,964**	
Carried at amortised cost				
Bank and other credit institutions	2,865	2,918	3,373	3,414
Lease liabilities	13		-	-
Issued bonds	4,819	5,040	5,373	5,394
Interest-bearing loans from subsidiaries, etc.	5,031	5,031	8,743	8,743
Total borrowings	**12,728**	**12,989**	**17,489**	**17,551**
Trade payables	58		73	
Other payables	156		110	
Other payables to subsidiaries and associated companies, etc.	15		18	
Financial liabilities at amortised cost	**12,957**		**17,690**	
Carried at fair value				
Derivatives	418	418	399	399
Financial liabilities at fair value	**418**	**418**	**399**	**399**
Total financial liabilities	**13,375**		**18,089**	

Table 15.1
Equity investments at fair value through other comprehensive income
The company holds only minor equity investments at fair value through other comprehensive income (FVOCI).

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Note 15 Financial instruments by category – continued

Table 15.2

Movement during the year in level 3	Non-listed shares: Equity investments (FVOCI)	Non-listed shares: Held for trading	Contingent consideration	Total financial assets
Carrying amount 1 January 2018	-	-	10	10
Gains/losses recognised in the income statement	-	-	-10	-10
Carrying amount 31 December 2018	**-**	**-**	**-**	**-**
Addition	2	-	-	2
Carrying amount 31 December 2019	**2**	**-**	**-**	**2**

Table 15.2
Financial instruments measured at fair value
Financial instruments measured at fair value can be divided into three levels:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 — Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
Level 3 — Inputs for the asset or liability that are not based on observable market data.

Fair value of listed shares falls within level 1 of the fair value hierarchy. Non-listed shares and other securities fall within level 3 of the fair value hierarchy.

Fair value of derivatives falls mainly within level 2 of the fair value hierarchy and is calculated on the basis of observable market data as of the end of the reporting period.

Fair value of level 3 assets and liabilities is primarily based on the present value of expected future cash flows. A reasonably possible change in the discount rate is not estimated to affect the company's profit or equity significantly.

Financial instruments carried at amortised cost
Fair value of the short-term financial assets and other financial liabilities carried at amortised cost is not materially different from the carrying amount. In general, fair value is determined primarily based on the present value of expected future cash flows. Where a market price was available, however, this was deemed to be the fair value.

Fair value of listed issued bonds is within level 1 of the fair value hierarchy. Fair value of the remaining borrowing items is within level 2 of the fair value hierarchy and is calculated on the basis of discounted interests and instalments.

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Note 16 Financial risks, etc.

Table 16.1

Borrowings and interest-bearing debt to subsidiaries by interest rate levels inclusive of interest rate swaps	Carrying amount	Next interest rate fixing 0-1 year	1-5 years	5- years
2019				
0-3%	6,081	6,181	-300	200
3-6%	6,647	3,696	1,987	964
Total	**12,728**	**9,877**	**1,687**	**1,164**
Of which:				
Bearing fixed interest	2,862			
Bearing floating interest	9,866			
2018				
0-3%	10,186	8,751	1,095	340
3-6%	7,303	4,988	1,015	1,300
Total	**17,489**	**13,739**	**2,110**	**1,640**
Of which:				
Bearing fixed interest	3,756			
Bearing floating interest	13,733			

The company's activities expose it to a variety of financial risks: market risks, i.e. currency risk and interest rate risk, credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the company's financial performance. The company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central finance department under policies approved by the Board of Directors. The finance department identifies, evaluates and hedges financial risks in close cooperation with the company's businesses.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the company's profit or the value of its holdings of financial instruments. Below sensitivity analyses relate to the position of financial instruments at 31 December 2019.

The sensitivity analyses for currency risk and interest rate risk have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies remain unchanged from hedge designations in place at 31 December 2019. Furthermore, it is assumed that the exchange rate and interest rate sensitivities have a symmetric impact, i.e. an increase in rates results in the same absolute movement as a decrease in rates.

The sensitivity analyses show the effect on profit or loss and equity of a reasonably possible change in exchange rates and interest rate.

Currency risk
The company's currency risk arises primarily from its treasury activities where financing is obtained and provided in a wide range of currencies other than USD such as EUR, GBP and NOK.

The main purpose of hedging the company's currency risk is to hedge the USD value of the company's net cash flow and reduce fluctuations in the company's profit.

The company uses various financial derivatives, including forwards, option contracts and cross-currency swaps, to hedge these risks. The key aspects of the currency hedging policy are as follows:

- Net cash flows in other significant currencies than USD are hedged using a layered model with a 12-month horizon;
- Significant capital commitments in other currencies than USD are hedged;
- Most non-USD debt is hedged, however, depending on asset-liability match and the currency of the generated cash flow.

An increase in the USD exchange rate of 10% against all other significant currencies, to which the company is exposed, is estimated to have a negative impact on the company's profit before tax by USD 0.3bn (negative USD 0.1bn) and the company's equity, excluding tax, by negative USD 0.3bn (negative USD 0.1bn). The sensitivities are based only on the impact of financial instruments that are outstanding at the balance sheet date, cf. note 14 and 15, and are thus not an expression of the company's total currency risk.

Table 16.1
Interest rate risk
The company has most of its debt denominated in USD, but part of the debt (e.g. issued bonds) is in other currencies such as EUR, GBP, JPY and NOK. Some loans are at fixed interest rates, while others are at floating interest rates.

The company strives to maintain a combination of fixed and floating interest rates on its net debt, reflecting expectations and risks. The hedging of the interest rate risk is governed by a duration range and is primarily obtained with interest rate swaps.

A general increase in interest rates by one percentage point is estimated, all else being equal, to affect profit before tax and equity, excluding tax effect, positively by approx. USD 0.2m and USD 0.1m, respectively (positively USD 0.2m and USD 0.1m, respectively).

This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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Note 16 Financial risks, etc. – continued

Table 16.2

Maturity analysis of trade receivables incl. subsidiaries, etc.	2019	2018
Receivables not due	1	1
Less than 90 days overdue	7	5
Receivables, gross	8	6
Provision for bad debt	-	-
Carrying amount	**8**	**6**

Table 16.3

Maturities of liabilities and commitments	Carrying amount	Cash flows including interest 0-1 year	1-5 years	5- years	Total
2019					
Bank and other credit institutions	2,865	336	1,745	1,247	3,328
Lease liabilities	13	9	4	-	13
Issued bonds	4,819	429	2,295	2,901	5,625
Interest-bearing loans from subsidiaries, etc.	5,031	5,048	-	-	5,048
Trade payables	58	58	-	-	58
Other payables	156	156	-	-	156
Other payables to subsidiaries, etc.	15	15	-	-	15
Non-derivative financial liabilities	**12,957**	**6,051**	**4,044**	**4,148**	**14,243**
Derivatives	418	94	94	230	418
Total recognised in balance sheet	**13,375**	**6,145**	**4,138**	**4,378**	**14,661**
Total		**6,145**	**4,138**	**4,378**	**14,661**
2018					
Bank and other credit institutions	3,373	707	2,439	747	3,893
Issued bonds	5,373	737	2,505	2,892	6,134
Interest-bearing loans from subsidiaries, etc.	8,743	8,761	-	-	8,761
Trade payables	73	73	-	-	73
Other payables	110	110	-	-	110
Other payables to subsidiaries, etc.	18	18	-	-	18
Non-derivative financial liabilities	**17,690**	**10,406**	**4,944**	**3,639**	**18,989**
Derivatives	399	155	40	204	399
Total recognised in balance sheet	**18,089**	**10,561**	**4,984**	**3,843**	**19,388**
Operating lease commitments		15	13	-	28
Total		**10,576**	**4,997**	**3,843**	**19,416**

Table 16.2
Credit risk
The company has substantial exposure to financial and commercial counterparties but has no particular concentration of customers or suppliers. To minimise the credit risk, financial vetting is undertaken for all major customers and financial institutions, adequate security is required for commercial counterparties and credit limits are set for financial institutions and key commercial counterparties.

Financial assets at amortised cost comprise loan receivables, lease receivables and other receivables. These are all considered to have low credit risk and thus the impairment provision calculated basis of 12 month expected credit losses is considered immaterial. The financial assets are considered to be low risk when they have low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

A.P. Møller - Mærsk A/S applies the simple approach to providing the expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. In accordance with IFRS 9, non-due trade receivables have also been impaired.

Other financial assets at amortised cost include loans to subsidiaries. As of 31 December 2019, the loans amount to USD 20.7bn (USD 23.2bn) and are considered to have a low credit risk, thus the impairment provision to be recognised during the period is limited to 12-month expected losses. The credit risk has not increased significantly since the initial recognition and is considered low based on the investment grade credit rating for the group and consequently the financial strength of the major subsidiaries within the group. Loan write-downs in 2018 to Maersk Supply Service A/S and Maersk Container Industry A/S of USD 0.2bn are partly reversed in 2019.

Table 16.3
Liquidity risk
It is of great importance for the company to maintain a financial reserve to cover the company's obligations and investment opportunities and to provide the capital necessary to offset changes in the company's liquidity due to changes in the cash flow from operating activities.

The flexibility of the financial reserve is subject to ongoing prioritisation and optimisation, among other things, by focusing on release of capital and following up on the development in working capital.

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Note 17 Commitments

The future charter and operating lease payments for continuing operations are:

Table 17.1	2019	2018
Within one year	5	15
Between one and two years	-	9
Between two and three years	-	4
Total	**5**	**28**
Net present value[1]		27

Table 17.1
Operating lease commitments
As part of the company's activities, customary agreements are entered into regarding operating lease of vessels, equipment and office buildings, etc.

About one-third of the 2018 time charter payments within shipping activities are estimated to relate to operating costs for the assets.

Total operating lease costs incurred are stated in note 2.

Capital commitments
The company has no material capital commitments at the end of 2019.

1 The net present value 2018 has been calculated using a discount rate of 6% p.a.

Note 18 Contingent liabilities

As part of the divestment of Mærsk Olie og Gas A/S to Total S.A., the company has assumed a secondary liability related to the decommissioning of the offshore facilities in Denmark by issuance of a declaration. The company assesses the risk of economic outflows due to this secondary liability as very remote.

As part of the Maersk Drilling demerger, the company 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 Companies Act section 254, subsection 2. The liability is deemed remote.

Guarantees amount to USD 0.4bn (USD 0.5bn). Thereof, USD 0.4bn (USD 0.5bn) is related to subsidiaries. The guarantees are not expected to be realised, but they can mature within one year.

Except for customary agreements within the company's activities, no material agreements have been entered into that will take effect, change or expire upon changes of the control over the company.

The company is involved in a number of legal disputes. The company is also involved in tax disputes in certain countries. Some of these involve significant amounts and are subject to considerable uncertainty.

Tax may crystallise on repatriation of dividends. Through participation in joint taxation scheme with A.P. Møller Holding A/S, the company is jointly and severally liable for taxes payable, etc. in Denmark.

Note 19 Cash flow specifications

Table 19.1	2019	2018
Change in working capital		
Trade receivables	-2	47
Other receivables and prepayments	-64	234
Trade payables and other payables, etc.	28	-304
Other working capital movements	-	1
Exchange rate adjustment of working capital	1	6
Total	**-37**	**-16**

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Note 20 Related parties

Table 20.1	Controlling parties		Subsidiaries		Associated companies		Joint ventures		Management[1]	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Continuing operations										
Income statement										
Revenue	-	44	18	11	-	-	-	-	-	-
Operating costs	-	-	12	11	-	-	-	-	-	-
Remuneration to management	-	-	-	-	-	-	-	-	15	12
Dividends	-	-	305	3,879	-	-	19	-	-	-
Financial income	12	23	1,151	1,261	-	-	-	-	-	-
Financial expenses	2	1	141	402	-	-	-	-	-	-
Assets										
Interest-bearing receivables, non-current	-	-	7,913	20,025	-	-	-	-	-	-
Derivatives, non-current	-	-	4	-	-	-	-	-	-	-
Other receivables, non-current	27	7	-	-	-	-	-	-	-	-
Trade receivables	-	-	8	6	-	-	-	-	-	-
Interest-bearing receivables, current	-	-	12,804	3,144	-	-	-	-	-	-
Derivatives, current	-	-	24	46	-	-	-	-	-	-
Other receivables, current	5	2	286	251	-	-	-	-	-	-
Cash and bank balances	644	8	-	-	-	-	-	-	-	-
Liabilities										
Derivatives, non-current	33	20	1	3	-	-	-	-	-	-
Interest-bearing debt, current	-	-	5,031	8,743	-	-	-	-	-	-
Trade payables	-	-	20	18	-	-	-	-	-	-
Derivatives, current	5	9	35	40	-	-	-	-	-	-
Other liabilities, current	6	2	15	13	-	-	-	-	-	-
Capital increases and purchase of shares	-	-	850	5,990	-	24	-	-	-	-
Capital increases, assets held for sale	-	-	-	360	-	-	-	-	-	-
Return of capital	-	-	5,780	-	-	-	-	-	-	-

Table 20.1

Joint usage agreement with A.P. Møller Holding A/S

With the objective of further strengthening the value of the brands, A.P. Møller - Mærsk A/S in 2018 entered into a joint usage agreement with A.P. Møller Holding A/S regarding the use of commonly used trademarks which historically have benefited both A.P. Møller - Mærsk A/S and A.P. Møller Holding A/S. A.P. Møller Holding A/S is the controlling shareholder of A.P. Møller - Mærsk A/S and is wholly owned by A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal. The joint usage agreement establishes a framework and a branding strategy for the commonly used trademarks and a joint brand board, where the parties can cooperate regarding the use of these trademarks.

A.P. Møller Holding A/S, Copenhagen, Denmark, has control over the company and prepares consolidated financial statements. A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal is the ultimate owner.

1 The Board of Directors and the Executive Board in A.P. Møller - Mærsk A/S, A.P. Møller Holding A/S, A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal and their close relatives (including undertakings under their significant influence).

Dividends distributed are not included.

Note 21 Significant accounting policies

The financial statements for 2019 for A.P. Møller - Mærsk A/S have been prepared on a going concern basis and in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act. The financial statements are also in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

The accounting policies of the company are consistent with those applied in the financial statements 2018, apart from the implementation of IFRS 16 (leases) and IFRIC 23 (uncertainties in income taxes). Both have immaterial impact on the financial statements of the company. Moreover, in December 2019, the company elected to early adopt the amendments to IFRS 9, IAS 39 & IFRS 7 included in IASB's project 'Interest Rate Benchmark Reform'.

Interest rate benchmark reform
(Amendments to IFRS 9, IAS 39 & IFRS 7)
The company has elected to early adopt the amendments to IFRS 9, IAS 39 & IFRS 7, 'Interest Rate Benchmark Reform'. The transition provisions require that the amendments are adopted retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter, and to the amount accumulated in the cash flow reserve at that date.

The reliefs specify that the IBOR reform should not generally cause hedge accounting to terminate. Hence, there are reliefs in the amendments that apply to the hedging relationships directly affected by the IBOR reform.

In summary, the reliefs provided by the amendments that apply to the company are:
- When considering the 'highly probable' requirement, the company has assumed that the different IBOR interest rates on which our hedged debts are based do not change as a result of the IBOR reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis, the company has assumed that the IBOR interest rates on which the cash flows of the hedged debt and the interest rate swaps that hedge it are based are not altered by IBOR reform.
- The company will not discontinue hedge accounting during the period of IBOR-related uncertainty as the hedge relationships are still economic relationships.
- The company has not recycled the cash flow hedge reserve relation to the period after the reforms are expected to take effect.
- There is no ineffectiveness recognised in profit or loss as a result of the early adoption of the amendments to IFRS 9 and IFRS 7.

The IBORs' that the company is affected by are: USD LIBOR, GBP LIBOR, JPY LIBOR, EURIBOR, NIBOR and STIBOR.

The accounting policies are furthermore consistent with the accounting policies for the group's financial statements (note 24 in the consolidated financial statements) with the following exceptions:
- Shares in subsidiaries and associated companies are measured at cost or a lower recoverable amount;
- Dividends from subsidiaries and associated companies are recognised as income at the time of declaration unless considered a return of capital in subsidiary;
- No segment information is disclosed;
- Value of granted share options, restricted shares and performance shares to employees in subsidiaries is expensed directly in the relevant subsidiary. At the time of the grant, the subsidiary settles the amount with A.P. Møller - Mærsk A/S and the counter posting made in equity. At the time of exercising, the proceeds are included in the company's equity.

New financial reporting requirements
The company has not yet adopted the following accounting standards/requirements:
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 3 – Business Combinations: Definition of a Business
- IFRS 17 - Insurance contracts

Amendments to IAS 1 and IAS 8 are effective from 1 January 2020 and are endorsed by the EU. Amendments to IFRS 3 are also effective from 1 January 2020 and are expected to be endorsed by the EU. IFRS 17 is effective 1 January 2021 but there is some uncertainty around its EU endorsement date.

The company follows most of the guidelines in the amendments to IAS 1 and IAS 8, therefore the implementation is not expected to result in a significant change to the presentation of the financial statements.

IFRS 17: An analysis of the impact is being assessed and is expected to be concluded in due course ahead of the implementation date.

The IASB has also issued amendments to IFRS 9, IAS 39 and IFRS 7 that are effective from 1 January 2020 and are endorsed by the EU. In December 2019, the company has elected to early adopt those amendments.

Note 22 Significant accounting estimates and judgements

When preparing the financial statements of the company, management undertakes a number of accounting estimates and judgements to recognise, measure and classify the company's assets and liabilities.

Estimates that are material to the company's financial reporting are made on the basis of, inter alia, determination of impairment of financial non-current assets including subsidiaries and associated companies (including assets held for sale) and recognition and measurements of provisions. Reference is made to notes 4 and 7.

Management assesses impairment indicators for investments in subsidiaries and associated companies and determines recoverable amount generally consistent with the assumptions described in notes 6, 7 and 25 of the consolidated financial statements.

The accounting estimates and judgements are described in further detail in note 25 of the consolidated financial statements.

Statement of the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the Annual Report of A.P. Møller - Mærsk A/S for 2019.

The Annual Report for 2019 of A.P. Møller - Mærsk A/S has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act, and in our opinion gives a true and fair view of A.P. Moller - Maersk's and the company's assets and liabilities and financial position at 31 December 2019 and of the results of A.P. Moller - Maersk's and the company's operations and cash flows for the financial year 2019.

In our opinion, the Directors' report includes a fair review of the development in A.P. Moller - Maersk's and the company's operations and financial conditions, the results for the year, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that A.P. Moller - Maersk and the company face.

We recommend that the Annual Report be approved at the Annual General Meeting on 23 March 2020.

Copenhagen, 20 February 2020

Executive Board

Søren Skou — CEO

Carolina Dybeck Happe — CFO

Vincent Clerc

Morten H. Engelstoft

Henriette Hallberg Thygesen

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 Report

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

Our opinion

In our opinion, the consolidated financial statements and the parent company financial statements (pages 67-138 and 145-147, respectively) give a true and fair view of the group's and the parent company's financial position at 31 December 2019 and of the results of the group's and the parent company's operations and cash flows for the financial year 1 January to 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The consolidated financial statements and parent company financial statements of A.P. Møller - Mærsk A/S for the financial year 1 January to 31 December 2019 comprise income statement and statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes, including summary of significant accounting policies for the group as well as for the parent company. Collectively referred to as the "financial statements".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of A.P. Møller - Mærsk A/S on 12 April 2012 for the financial year 2012. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of eight years including the financial year 2019.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue is complex due to the volume of transactions and the variety of different revenue streams within the segments. We focused on this area due to the significance of amounts involved and because recognition of revenue involves accounting policy decisions, and judgements made by Management originating from different customer behavior, market conditions, terms and nature of services in the various segments. Further, the volume of transactions and extent of different revenue streams require various IT setups of revenue recognition, which are complex and introduce an inherent risk to the revenue recognition process. Reference is made to notes 1 and 25 in the consolidated financial statements.	Our audit procedures included considering the appropriateness of the revenue recognition accounting policies and assessing compliance with applicable accounting standards. We tested the IT setups supporting the revenue recognition as well as relevant internal controls and Management's monitoring of internal controls. We used data analytics on selected revenue streams and performed substantive procedures over invoicing and relevant contracts in order to assess the accounting treatment and principles applied, and tested journal entries on revenue. Further, we tested timing to ensure that the revenue is recognised in the correct financial year.

Recoverability of the carrying amount of property, plant and equipment

Key audit matter	How our audit addressed the key audit matter
The most significant risks in relation to Management's assessment of the recoverability of the carrying amount of property, plant and equipment relate to the definition of cash-generating units (CGUs), identification of CGUs with indicators of impairment and, where relevant, the estimate of the fair values less costs to sell and the values in use, including determination of key assumptions. Bearing in mind the generally long-lived nature of the assets, the most critical assumptions in estimating the future cash flows are Management's long-term outlook for freight and terminal rates, volumes growth, bunker price and capital expenditures as well as determining the discount rates. We focused on this area, as the carrying amounts are significant and because Management is required to exercise considerable judgement because of the inherent complexity in estimating of the fair values less costs to sell or the values in use. Reference is made to notes 7 and 25 in the consolidated financial statements.	In addressing the risks, we considered the appropriateness of the defined CGUs within the businesses. We examined the methodology used by Management to assess the carrying amount of property, plant and equipment assigned to CGUs, and the process for identifying CGUs that required impairment testing to determine compliance with IFRS as adopted by the EU. We performed detailed testing for the assets where indicators of impairment were identified. For those assets, we tested the fair values less costs to sell or the values in use, including analysed the reasonableness of key assumptions in relation to the ongoing operation of the assets. We corroborated Management's estimates of future cash flows and challenged whether these are appropriate in respect of key assumptions, such as freight and terminal rates, volume growth, bunker price and capital expenditures. We used our internal valuation specialists to independently calculate the discount rates. In calculating the discount rates, the key inputs used were independently sourced from market data, and we assessed the methodology applied. We compared the discount rates used by Management to our calculated rates. Further, we tested the mathematical accuracy of the relevant fair values less costs to sell and values in use models prepared by Management.

Statement on Directors' report

Management is responsible for Directors' Report.

Our opinion on the financial statements does not cover Directors' Report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Directors' Report and, in doing so, consider whether Directors' Report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Directors' Report includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Directors' Report is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Directors' Report.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the group or the parent company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 20 February 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Mogens Nørgaard Mogensen
State Authorised Public Accountant
mne21404

Lars Baungaard
State Authorised Public Accountant
mne23331

Additional information

Quarterly summary

Company overview[1]

Stock exchange announcements

Definition of terms

External financial reporting for A.P. Moller - Maersk[2]

1 Part of Financials
2 Part of Directors' report

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Quarterly summary

	2019				2018[1]			
Income statement	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	9,668	10,055	9,627	9,540	10,235	10,149	9,568	9,305
Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)	1,463	1,656	1,357	1,236	1,449	1,456	1,162	931
Depreciation, amortisation and impairment losses, net	1,160	1,021	1,024	1,082	1,168	1,402	1,166	1,020
Gain on sale of non-current assets, etc., net	1	36	16	18	76	44	13	33
Share of profit/loss in joint ventures	4	31	34	24	-	40	39	37
Share of profit/loss in associated companies	34	35	33	34	-80	-78	17	26
Profit/loss before financial items (EBIT)	342	737	416	230	277	60	65	7
Financial items, net	-212	-148	-170	-228	-222	-170	-154	-220
Profit/loss before tax	130	589	246	2	55	-110	-89	-213
Tax	191	69	92	106	127	109	64	98
Profit/loss for the period – continuing operations	-61	520	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	-61	520	153	-656	44	350	-32	2,670
A.P. Møller - Mærsk A/S' share	-72	506	141	-659	32	338	-41	2,656
Underlying profit/loss – continuing operations	29	452	134	-69	65	188	15	-329
Balance sheet								
Total assets	55,399	55,662	56,555	61,701	62,690	67,872	67,157	67,641
Total equity	28,837	28,879	28,997	32,843	33,205	33,959	33,435	34,217
Invested capital	40,555	40,938	41,910	46,491	49,255	52,591	53,854	53,794
Net interest-bearing debt	11,662	12,056	12,910	12,565	14,953	18,718	20,517	19,630
Cash flow statement								
Cash flow from operating activities	1,535	1,732	1,170	1,482	1,697	1,387	630	728
Gross capital expenditure, excl. acquisitions and divestments (gross CAPEX)	469	343	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	-5.5%	-0.9%	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	15.1%	16.5%	14.1%	13.0%	14.2%	14.3%	12.1%	10.0%
Cash conversion	105%	105%	86%	120%	117%	95%	54%	78%
Return on invested capital after tax – continuing operations (ROIC)	1.7%	6.4%	3.1%	1.3%	1.2%	-0.2%	0.1%	-0.5%
Stock market ratios								
Share price (B share), end of period, DKK	9,608	7,746	8,142	8,442	8,184	9,020	7,948	9,344
Share price (B share), end of period, USD	1,439	1,132	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.

Company overview

A.P. Moller - Maersk comprises more than 760 companies of which the largest are listed below. The Danish Financial Statements Act section 97a, par. 4 has been applied in the company overview.

A more comprehensive list of companies is available at https://investor.maersk.com/financials.cfm

Subsidiaries

Company	Country of incorporation	Owned share
A.P. Moller Finance S.A.	Switzerland	100%
A.P. Moller Singapore Pte. Ltd.	Singapore	100%
A/S Maersk Aviation Holding	Denmark	100%
Addicks & Kreye Container Service GmbH & Co. KG	Germany	51%
Aliança Navegação e Logística Ltda.	Brazil	100%
APM Terminals - Aarhus A/S	Denmark	100%
APM Terminals Algeciras S.A.	Spain	100%
APM Terminals Apapa Ltd.	Nigeria	94%
APM Terminals B.V.	The Netherlands	100%
APM Terminals Bahrain B.S.C.	Bahrain	80%
APM Terminals Callao S.A.	Peru	51%
APM Terminals China Co. Ltd.	Hong Kong	100%
APM Terminals Elizabeth, LLC	USA	100%
APM Terminals Gothenburg AB	Sweden	100%
APM Terminals India Pvt. Ltd.	India	100%
APM Terminals Inland Services S.A.	Peru	100%

Subsidiaries

Company	Country of incorporation	Owned share
APM Terminals Lázaro Cárdenas S.A. de C.V.	Mexico	100%
APM Terminals Liberia Ltd.	Liberia	75%
APM Terminals Maasvlakte II B.V.	The Netherlands	100%
APM Terminals Management B.V.	The Netherlands	100%
APM Terminals Mobile, LLC	USA	100%
APM Terminals Moin S.A.	Costa Rica	100%
APM Terminals North America B.V.	The Netherlands	100%
APM Terminals Pacific LLC	USA	100%
APM Terminals Rotterdam B.V.	The Netherlands	100%
APM Terminals Tangier S.A.	Morocco	90%
Aqaba Container Terminal Company Ltd.	Jordan	50%
Bermutine Transport Corporation Ltd.	Bermuda	100%
Coman S.A.	Benin	100%
Container Operators S.A.	Chile	100%
Damco (UAE) FZE	United Arab Emirates	100%
Damco A/S	Denmark	100%
Damco Australia Pty. Ltd.	Australia	100%
Damco Belgium N.V.	Belgium	100%
Damco China Ltd.	China	100%
Damco Distribution Services Inc.	USA	100%
Damco France S.A.S.	France	100%
Damco India Pvt. Ltd.	India	100%
Damco International A/S	Denmark	100%
Damco Logistics Uganda Ltd.	Uganda	100%
Damco Sweden AB	Sweden	100%
Damco UK Ltd.	UK	100%
Damco USA Inc.	USA	100%
Farrell Lines Inc.	USA	100%
Gateway Terminals India Pvt. Ltd.	India	74%
Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft A/S and Co KG[1]	Germany	100%

1 Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft A/S and Co KG, Hamburg is in accordance with paragraph 264b HGB (German commercial code) be exempt to prepare, audit and disclose statutory financial statements and a management report in accordance with the German commercial law.

Subsidiaries

Company	Country of incorporation	Owned share
Lilypond Container Depot Nigeria Ltd.	Nigeria	100%
Maersk (China) Shipping Company Ltd.	China	100%
Maersk A/S	Denmark	100%
Maersk Agency U.S.A. Inc.	USA	100%
Maersk B.V.	The Netherlands	100%
Maersk Bangladesh Ltd.	Bangladesh	100%
Maersk Container Industry A/S	Denmark	100%
Maersk Container Industry Qingdao Ltd.	China	100%
Maersk Denizcilik A.Ş.	Turkey	100%
Maersk Egypt For Maritime Transport SAE	Egypt	100%
Maersk FPSOs A/S	Denmark	100%
Maersk Gabon S.A.	Gabon	100%
Maersk Global Service Centres (Chengdu) Ltd.	China	100%
Maersk Global Service Centres (India) Pvt. Ltd.	India	100%
Maersk Holding B.V.	The Netherlands	100%
Maersk Hong Kong Ltd.	Hong Kong	100%
Maersk Inc.	USA	100%
Maersk Inter Holding B.V.	The Netherlands	100%
Maersk Line Agency Holding A/S	Denmark	100%
Maersk Line UK Ltd.	UK	100%
Maersk Line, Limited	USA	100%
Maersk Logistics Warehousing China Company Ltd.	Hong Kong	100%
Maersk Oil Trading and Investments A/S	Denmark	100%
Maersk Oil Trading Inc.	USA	100%
Maersk Shipping Hong Kong Ltd.	Hong Kong	100%
Maersk Supply Service (Angola) Lda.	Angola	49%
Maersk Supply Service A/S	Denmark	100%
Maersk Supply Service Canada Ltd.	Canada	100%
Maersk Supply Service International A/S	Denmark	100%
Maersk Supply Service UK Ltd.	UK	100%
Maersk Vietnam Ltd.	Vietnam	100%
New Times International Transport Service Co. Ltd.	China	100%
Poti Sea Port Corporation	Georgia	100%
PT Damco Indonesia	Indonesia	98%
Rederiaktieselskabet Kuling	Denmark	100%

Subsidiaries

Company	Country of incorporation	Owned share
Rederiet A.P. Møller A/S	Denmark	100%
Safmarine (Pty) Ltd.	South Africa	100%
Safmarine MPV N.V.	Belgium	100%
Sealand Europe A/S	Denmark	100%
Sealand Maersk Asia Pte. Ltd.	Singapore	100%
Sogester - Sociedade Gestora De Terminais S.A.	Angola	51%
Suez Canal Container Terminal SAE	Egypt	55%
Svitzer A/S	Denmark	100%
Svitzer Australia Pty Ltd	Australia	100%
Svitzer Marine Ltd.	UK	100%
Terminal 4 S.A.	Argentina	100%
U.S. Marine Management, Incorporated	USA	100%
West Africa Container Terminal Nigeria Ltd.	Nigeria	100%

Associated companies

Company	Country of incorporation	Owned share
Abidjan Terminal S.A.	Ivory Coast	49%
Brigantine International Holdings Ltd.	Hong Kong	30%
Brigantine Services Ltd.	Hong Kong	30%
Congo Terminal Holding S.A.S.	France	30%
Congo Terminal S.A.	Republic of the Congo	23%
Cosco Ports (Nansha) Ltd.	British Virgin Islands	34%
Guangzhou South China Oceangate Container Terminal Co. Ltd.	China	20%
Gujarat Pipavav Port Ltd.	India	43%
Höegh Autoliners Holdings AS	Norway	39%
Meridian Port Services Ltd.	Ghana	42%
Pelabuhan Tanjung Pelepas Sdn. Bhd.	Malaysia	30%
Salalah Port Services Company S.A.O.G.	Oman	30%
Shanghai Tie Yang Multimodal Transportation Co. Ltd.	China	29%
South Asia Gateway Pvt. Ltd.	Sri Lanka	33%
Tianjin Port Alliance International Container Terminal Co. Ltd.	China	20%

Joint ventures

Company	Country of incorporation	Owned share
Anchor Storage Ltd.	Bermuda	51%
Brasil Terminal Portuario S.A.	Brazil	50%
Cai Mep International Terminal Co. Ltd.	Vietnam	49%
Douala International Terminal S.A.	Cameroon	40%
Eurogate Container Terminal Wilhelmhaven Beteiligungsgesellschaft GmbH	Germany	30%
First Container Terminal ZAO	Russian Federation	31%
Global Ports Investments PLC	Cyprus	31%
North Sea Terminal Bremerhaven Verwaltungsgesellschaft GmbH	Germany	50%
Petrolesport OAO	Russian Federation	31%
Qingdao New Qianwan Container Terminal Co. Ltd.	China	19%
Qingdao Qianwan Container Terminal Co. Ltd.	China	20%
Shanghai East Container Terminal Co. Ltd.	China	49%
Smart International Logistics Company Ltd.	China	49%
South Florida Container Terminal LLC	USA	49%
Vostochnaya Stevedore Company OOO	Russian Federation	31%
Xiamen Songyu Container Terminal Co. Ltd.	China	25%

Stock exchange announcements

The complete list of announcements is available at https://investor.maersk.com/press-releases

7 February
- Publication of Maersk Drilling Holding A/S' consolidated annual report for 2018 including guidance for 2019

21 February
- A.P. Møller - Mærsk A/S initiates demerger and separate listing of Maersk Drilling Holding A/S
- Annual Report 2018

4 March
- Publication of demerger plan
- A.P. Møller - Mærsk A/S – Proposal for election of new members for the Board of Directors
- Notice convening the Annual General Meeting 2019 in A.P. Møller - Mærsk A/S

2 April
- Completion of demerger adopted
- Development of the Annual General Meeting on Tuesday 2 April 2019
- Articles of Association for A.P. Møller - Mærsk A/S

3 April
- Management change

24 May
- Interim Report Q1 2019
- Share buy-back programme of DKK 10 billion (around USD 1.5 billion)

3 June
- A.P. Møller - Mærsk A/S – Initiates first phase of share buy-back programme

15 August
- A.P. Møller - Mærsk A/S - Interim Report Q2 2019

26 September
- Initiates second phase of share buy-back programme

21 October
- A.P. Møller - Mærsk A/S – Upgrades EBITDA expectation for 2019

11 November
- Management change

15 November
- Interim Report Q3 2019
- Financial Calendar 2020

25 November
- Management change

17 December
- Management change

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.

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

Capitalised lease payments
Interest payments and repayments on all lease contracts capitalised under IFRS 16 (including financial lease contracts capitalised under IAS 17).

Cash conversion
Cash flow from operating activities 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 (CROIC), %
Cash return on invested capital is calculated as free cash flow excluding acquisitions/divestments (Cash flow from operating activities – gross CAPEX) divided by average invested capital for continuing operations.

Cost base
EBIT costs including VSA income and hub income and adjustments for restructuring costs, the result from associated companies and gains/losses.

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 Drilling up to demerger in April 2019, Maersk Oil up to closing in March 2018, and Maersk Tankers up to closing in October 2017.

EBITDA
Earnings Before Interest, Taxes, Depreciation and Amortisation.

Equity ratio
Calculated as equity divided by total assets.

Equity weighted EBITDA
EBITDA weighted on terminal ownership percentages of all entities (subsidiaries, joint ventures and associated companies).

FFE
Forty Foot container Equivalent unit.

Free cash flow
Cash flow from operating activities less cash flow from investing activities. Lease payments (Repayments of lease liabilities and financial expenses paid on lease liabilities)are not included in the free cash flow.

GDP multiplier
Is defined as global container growth divided by global GDP growth.

Gross profit
The sum of revenue, less 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 has entered 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 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 in either Maersk Line 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 at USD 200/tonne excluding intermodal but including hubs and time charter income. Hamburg Süd is not excluding intermodal.

Return on equity after tax
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.

Revenue backlog
The value of future revenue covered by contracts.

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 joint ventures and associated companies.

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.

4PL
A 4PL is a fourth-party logistics provider managing resources, technology, infrastructure, and managing external 3PLs to design, build and provide supply chain solutions for businesses.

External financial reporting for A.P. Moller - Maersk

A.P. Moller - Maersk provides additional disclosure to satisfy legal requirements and stakeholder interests. Supplementary reports can be downloaded from https://investor.maersk.com/financial-reports, while additional information can be found here.

Annual Report

The statutory Annual Report is available in electronic format at https://investor.maersk.com/financial-reports

The Annual Report has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

Interim Reports

Maersk also produces quarterly Interim Reports with the separate Q4 2019 Interim Report being a new initiative.

Additional information

To further add value and with a focus on the professional segment and others with more specific interests, detailed presentations are available each quarter following the release of the Interim Reports and the Annual Report.

The Interim reports, presentations and webcasts can be found on our Investor Relations website at https://investor.maersk.com/

Quarterly figures for 2010-2019 are available at https://investor.maersk.com/financials.cfm

Recommendations for Corporate Governance

The Board of Directors of A.P. Møller - Mærsk A/S continues to consider the 'Recommendations for Corporate Governance' implemented by Nasdaq Copenhagen. For further information, see page 55 of the Annual Report.

Remuneration Report

The Remuneration Report includes the total remuneration received by each member of the Board of Directors and the Executive Board of A.P. Møller - Mærsk A/S for 2019. The report is available at https://investor.maersk.com/remuneration

Sustainability and gender composition of management

An independently assured Sustainability Report for 2019 has been published, which provides detailed information on Maersk's sustainability performance. The report serves as Maersk's Communication on Progress as required by the UN Global Compact and ensures compliance with the requirements of Section 99a and b of the Danish Financial Statements Act, on corporate social responsibility and reporting on the gender composition of management. The report is available at https://www.maersk.com/about/sustainability/reports

Additional information on how Maersk manages issues and explains implementation, progress and relevant commitments and frameworks can be found on the Sustainability website at https://www.maersk.com/about/sustainability

Colophon

Board of Directors, A.P. Møller - Mærsk A/S

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

Executive Board, A.P. Møller - Mærsk A/S

Søren Skou, Chief Executive Officer (CEO)

Carolina Dybeck Happe (CFO)

Vincent Clerc

Morten H. Engelstoft

Henriette Hallberg Thygesen

Audit Committee

Arne Karlsson, Chairman

Bernard L. Bot

Jim Hagemann Snabe

Remuneration Committee

Jim Hagemann Snabe, Chairman

Niels Bjørn Christiansen

Robert Mærsk Uggla

Nomination Committee

Ane Mærsk Mc-Kinney Uggla, Chairman

Jim Hagemann Snabe

Robert Mærsk Uggla

Transformation & Innovation Committee

Niels Bjørn Christiansen, Chairman

Jim Hagemann Snabe

Robert Mærsk Uggla

Auditor

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

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Company stories
Reliability on the spot,
by Taylor Johnson

Keeping cool in a hot market,
by Jesper Toft Madsen

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