

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. Møller - Maersk has share option plans for members of the Executive Board and other employees. Each share option granted is a call option to buy an existing B share of 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.