A.P. Møller - Mærsk A/S

Q2 2019 report

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Forward-looking statements

This presentation contains forward-looking statements. Such statements are subject to risks and uncertainties as various factors, many of which are beyond the control of A.P. Møller - Mærsk A/S' (APMM), may cause actual developments and results to differ materially from the expectations contained in this presentation.

Comparative figures

Unless otherwise stated, all comparisons refer to y/y changes.

Interim report Q2 2019

Key statements

Financial highlights for Q2

Strong improvement in earnings and free cash flow

- **Revenue increased 0.6%** to USD 9.6bn.
- **Profitability improved** with EBITDA increasing 17% to USD 1.4bn, reflecting a margin of 14.1%.
- **Strong operational performance in Ocean** led to increased volumes of 1.4% and unit cost reduction of 3.5%, while average freight rates improved 1.5%.
- **Volume growth of 8.5% (6.4% like-for like) in gateway terminals** led to higher utilisation and improved margins before one-off's.
- **Operating cash flow increased 86% to USD 1.2bn** with a cash conversion ratio of 86% and **FCF* was USD 0.7bn.**
- **Return on invested capital (ROIC) improved** to 3.1% from 0.1% in Q2 2018.
- **Distribution of USD 615m** in cash to **shareholders through an ordinary dividend** of USD 469m and USD 146m related to the first phase of the **share buy-back programme.**
- **Reiterate full-year guidance** of EBITDA around USD 5bn.

Revenue (USD)
9.6bn
(+0.6%)

EBITDA (USD)
1.4bn
(+17%)

CFFO* (USD)
1.2bn
(cash conversion 86%)

Free cash flow* (USD)
0.7bn

Return on invested capital
3.1%

NIBD (USD)
12.9bn

*Before capitalised lease payments

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Financial highlights for H1

Strong improvement in earnings and free cash flow

- **Revenue increased 1.6%** to USD 19.2bn.
- **Profitability improved** with EBITDA increasing 24% or USD 500m to USD 2.6bn, reflecting a margin of 13.5%.
- **Operating cash flow increased 95% to USD 2.7bn** with a cash conversion ratio of 102%.
- **Free cash flow* was USD 4.2bn** incl. sale of Total S.A. shares, up from negative USD 408m.
- **Net interest bearing debt decreased USD 7.6bn to USD 12.9bn** led by sale of Total S.A. Shares, free cash flow and cash proceeds ahead of the Maersk Drilling separation.
- **Reiterate full-year guidance** of EBITDA around USD 5bn.

Revenue (USD)
19.2bn
(+1.6%)

EBITDA (USD)
2.6bn
(+24%)

CFFO* (USD)
2.7bn
(cash conversion 102%)

Free cash flow* (USD)
4.2bn

Return on invested capital
2.2%

NIBD (USD)
12.9bn

*Before capitalised lease payments

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Transformation update

Progressing well on the short-term metrics on synergies and free cash flow

- **Non-Ocean revenue grew 2.1%** adjusted for the closure of production facilities in MCI, led by strong growth in gateway terminals and in core parts of Logistics & Services, negatively offset by freight forwarding.
- **Gross profit for Logistics & Services grew by 4.9%,** positively impacted by intermodal, warehousing and increased customs house brokerage activities.
- **Hamburg Süd and Transport & Logistics contributing with synergies** of around USD 0.1bn in Q2 2019, and the target of USD 1.0bn by end of 2019 has thereby been achieved.
- **Significant improvement in the cash return on invested capital (CROIC)** from -1.4% in Q2 2018 to 6.9% in Q2 2019 due to strong free cash flow generation.

Non-Ocean[1] revenue growth

2.1%

Logistics & Services' gross profit growth

4.9%

Annual synergies by end of 2019 of USD 1bn

USD 1.0bn

by end of June 2019

Cash return on invested capital (CROIC)

6.9%

[1] Non-Ocean is defined as Logistics & Services, Terminal & Towage and Manufacturing & Others, but excludes Maersk Oil Trading and tramp activities.

Note: the growth is adjusted for the closure of the two factories in Maersk Container Industry (MCI).

Q2 2019

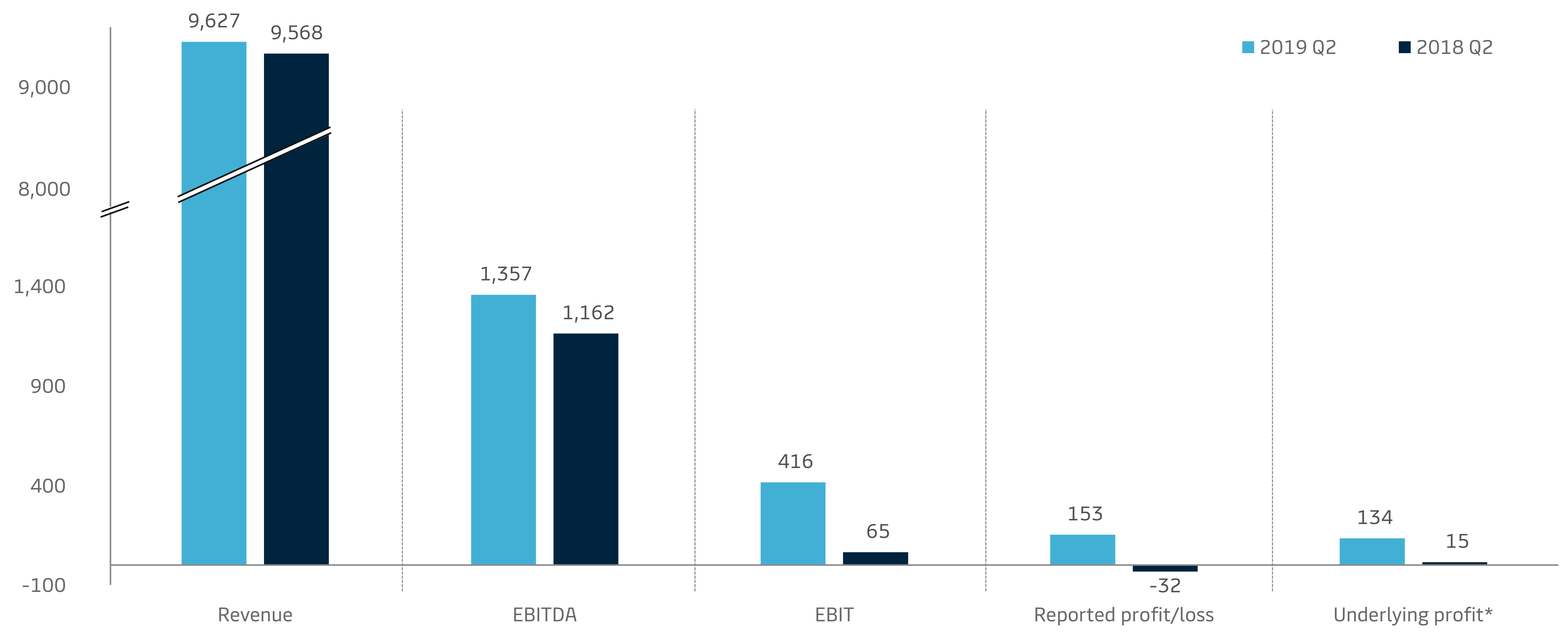
Financial highlights

Financial highlights Q2 2019

Improving all financials

USDm

Financial highlights



Continuous focus on improving profitability led to an improvement in EBITDA margin of 200bps to 14.1% and EBIT margin of 4.3% (0.7%).

Underlying profit improved to USD 134m (USD 15m) negatively impacted by higher net financial expenses and taxes.

For H1 2019 underlying profit was USD 65m compared to a loss of USD 314m in H1 2018.

*Underlying profit/loss is equal to the profit/loss for the period adjusted for net gains/losses from sale of non-current assets, etc. and net impairments losses as well as transaction, restructuring and integration costs.

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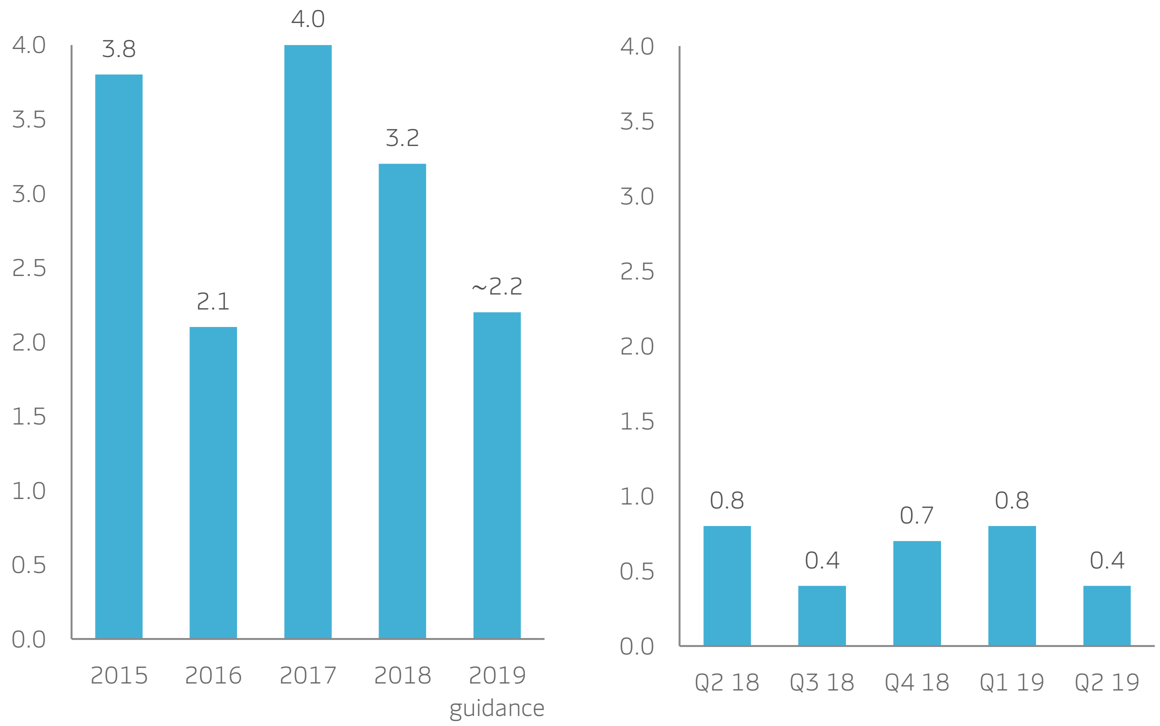
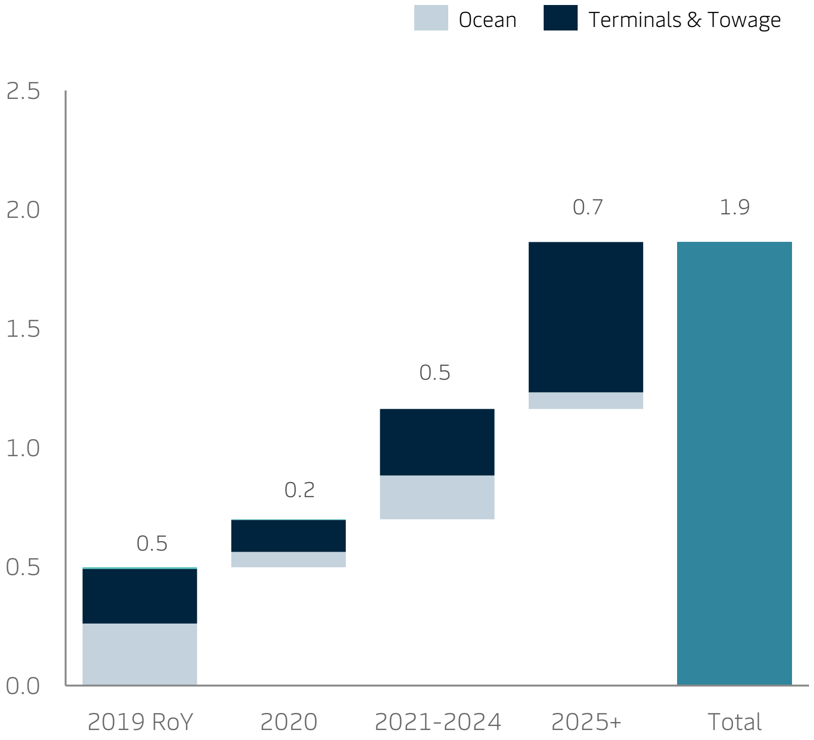
Financial highlights Q2 2019

CAPEX commitments remain at a historically low level

Capex excluding acquisitions and divestments, USDbn



Contractual Capex Commitments, USDbn



Gross capex guidance for 2019 maintained at around USD 2.2bn.

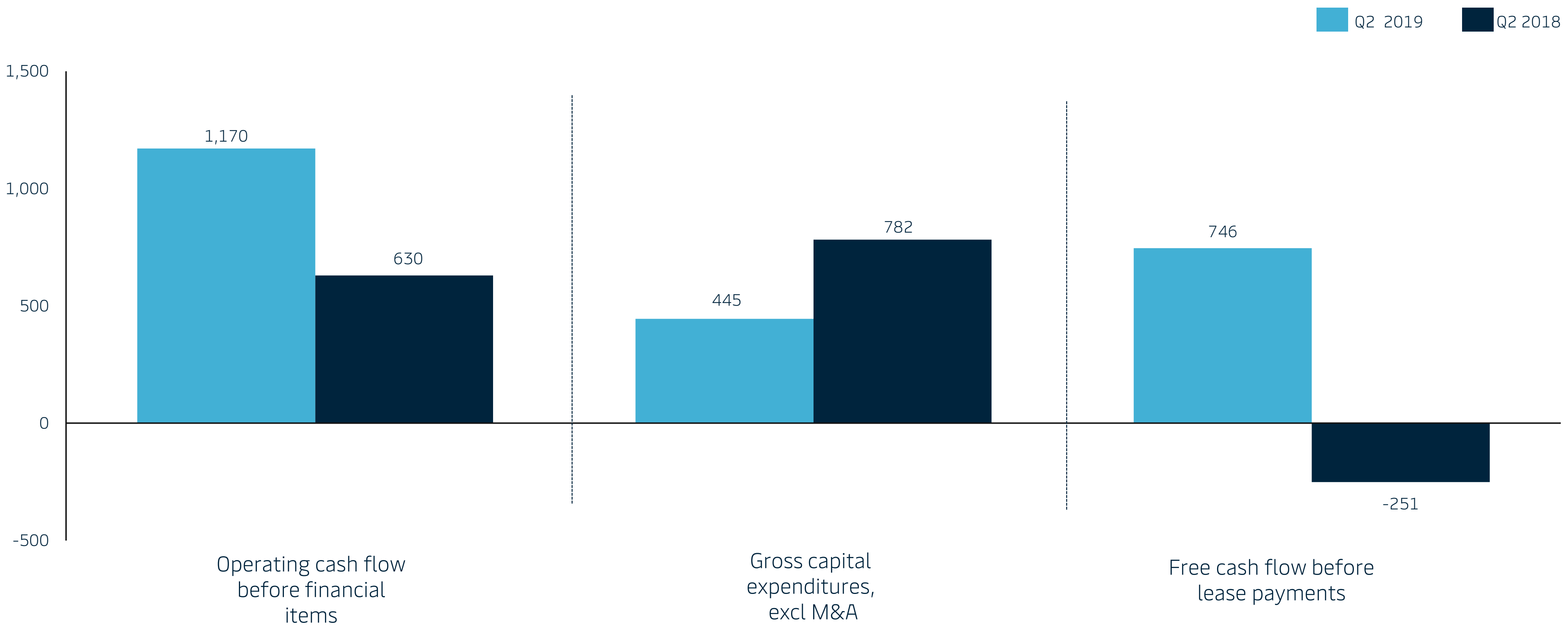
Total contractual capex commitments of USD 1.9bn end Q2 2019 down from USD 2.8bn in Q2 2018.

No new large vessels are expected to be ordered and no new large greenfield terminal projects are expected to be pursued until earliest 2020.

Financial highlights Q2 2019

High cash conversion in Q2 2019

Development in cash flow, USDm



CFFO of USD 1.2bn was driven by an increase in EBITDA and improved net working capital leading to a cash conversion of 86%.

Free cash flow of USD 0.7bn reflects the strong cash conversion and lower capex.

Free cash flow was USD 0.2bn after capitalised lease payments.

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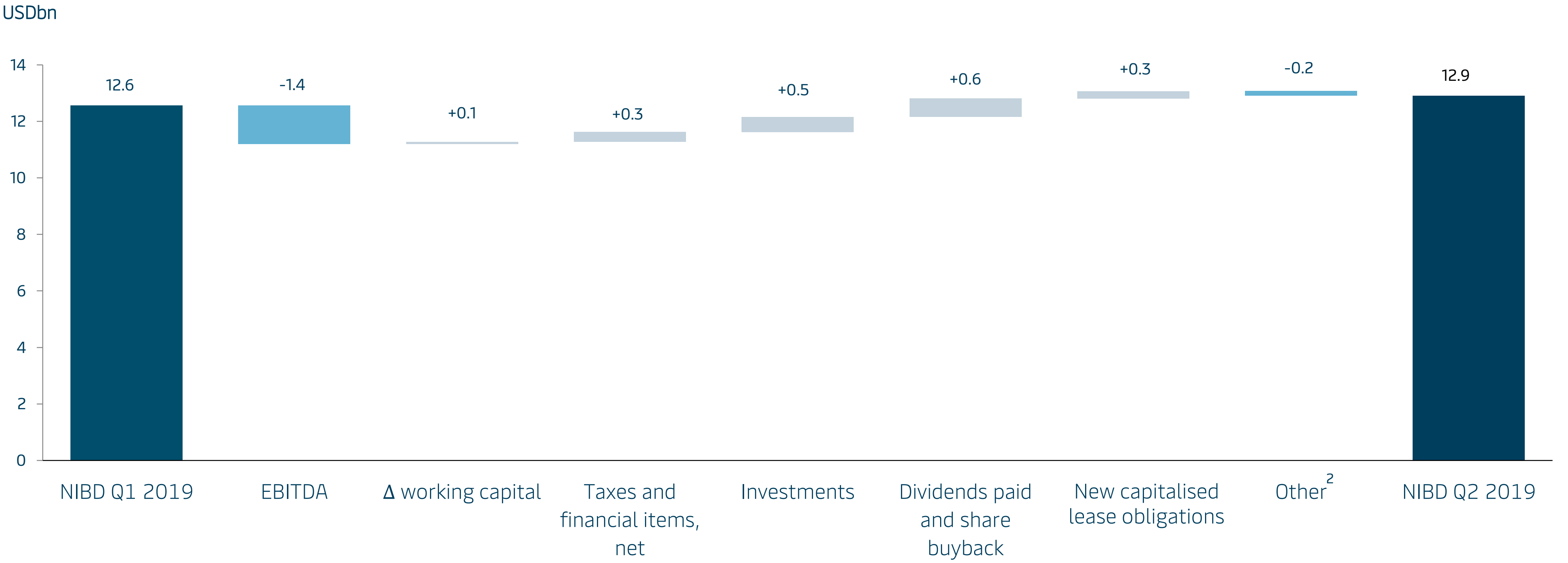
Net interest bearing debt largely unchanged

Development in net interest-bearing debt



S&P lifted their negative outlook on the credit rating and confirmed BBB with stable outlook in Q2.

Increase in finance leases of USD 300m was related to chartered vessels and containers.

Liquidity reserve[1] of USD 12.3bn by end Q2 2019.

1) Defined as cash and securities and undrawn committed facilities longer than 12 months less restricted cash and securities.
2) Other includes dividends received, currency impacts and other

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Financial highlights Q2 2019

Consolidated financial information

Income statement (USDm) (Continuing operations)	Q2 2019	Q2 2018 (incl. IFRS 16)	FY 2018 (incl. IFRS 16)
Revenue	9,627	9,568	39,257
EBITDA	**1,357**	**1,162**	**4,998**
EBITDA margin	**14.1%**	**12.1%**	**12.7%**
Depreciation, impairments etc.	1,024	1,166	4,756
Gain on sale of non-current assets, etc., net	16	13	166
Share of profit in joint ventures	34	39	116
Share of profit in associated companies	33	17	-115
EBIT	**416**	**65**	**409**
EBIT margin	**4.3%**	**0.7%**	**1.0%**
Financial costs, net	-170	-154	-766
Profit/loss before tax	246	-89	-357
Tax	92	64	398
Profit/loss – continuing operations	**154**	**-153**	**-755**
Profit/loss – discontinued operations	-1	121	3,787
Profit/loss for the period	**153**	**-32**	**3,032**

Key figures and financials (USDm) (Continuing operations)	Q2 2019	Q2 2018 (incl. IFRS 16)	FY 2018 (incl. IFRS 16)
Profit/loss continuing operations	154	-153	-755
Gain/loss on sale of non-current assets etc., net	-16	-13	-166
Impairment losses, net.	-29	124	757
Transaction and integration cost	24	36	78
Tax on adjustments	1	21	25
Underlying profit/loss – continuing operations	**134**	**15**	**-61**
Cash flow from operating activities	**1,170**	**630**	**4,442**
Gross capital expenditures	**445**	**782**	**3,219**
Net interest-bearing debt (APMM total)	**12,910**	**20,517**	**14,953**
Invested capital	41,910	53,854	49,255
Total Equity (APMM total)	28,997	33,435	33,205
Earnings per share (USD)	7	-7	-37

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Financial highlights H1 2019

Consolidated financial information

Income statement (USDm) (Continuing operations)	6 months 2019	6 months 2018 (incl. IFRS 16)	FY 2018 (incl. IFRS 16)
Revenue	19,167	18,873	39,257
EBITDA	**2,593**	**2,093**	**4,998**
EBITDA margin	**13.5%**	**11.1%**	**12.7%**
Depreciation, impairments etc.	2,106	2,186	4,756
Gain on sale of non-current assets, etc., net	34	46	166
Share of profit in joint ventures	58	76	116
Share of profit in associated companies	67	43	-115
EBIT	**646**	**72**	**409**
EBIT margin	**3.4%**	**0.4%**	**1.0%**
Financial costs, net	-398	-374	-766
Profit/loss before tax	248	-302	-357
Tax	198	162	398
Profit/loss – continuing operations	**50**	**-464**	**-755**
Profit/loss – discontinued operations	-553	3,102	3,787
Profit/loss for the period	**-503**	**2,638**	**3,032**

Key figures and financials (USDm) (Continuing operations)	6 months 2019	6 months 2018 (incl. IFRS 16)	FY 2018 (incl. IFRS 16)
Profit/loss continuing operations	50	-464	-755
Gain/loss on sale of non-current assets etc., net	-34	-46	-166
Impairment losses, net.	-8	123	757
Transaction and integration cost	55	49	78
Tax on adjustments	2	24	25
Underlying profit/loss – continuing operations	**65**	**-314**	**-61**
Cash flow from operating activities	**2,652**	**1,358**	**4,442**
Gross capital expenditures	**1,223**	**2.141**	**3,219**
Net interest-bearing debt (APMM total)	**12,910**	**20,517**	**14,953**
Invested capital	41,910	53,854	49,255
Total Equity (APMM total)	28,997	33,435	33,205
Earnings per share (USD)	2	-23	-37

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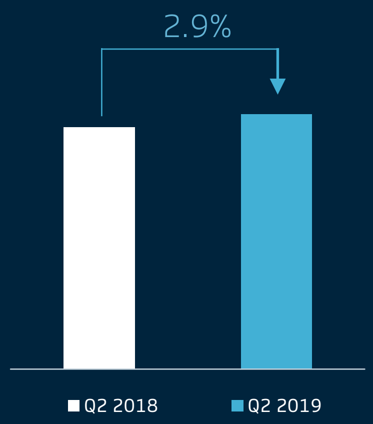
Highlights Q2 2019

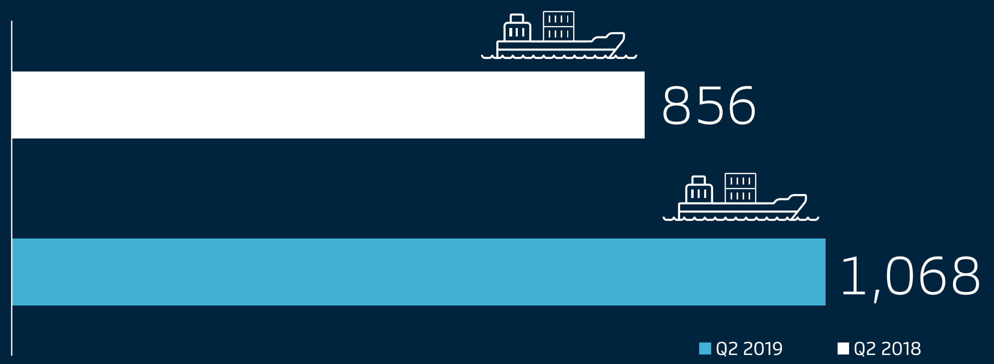
Ocean

- Supported by volume growth, higher freight rates and positive cost performance, EBITDA increased 25% to USD 1,068m reflecting a margin improvement of 260bps to 14.9%.
- Other revenue was USD 814m (USD 784m).
- Total operating costs were on par with Q2 2019, leading to a unit cost at fixed bunker reduction of 3.5%, driven by strong network operations, improved bunker consumption and high reliability.
- Maersk Spot launched in Q2.
- Preparation towards the new fuel regulations in 2020 continues.

Revenue



EBITDA (USDm)



	Q2 2019 (USDm)	Q2 2018 (USDm)	FY 2018 (USDm)
Revenue	7,150	6,952	28,366
EBITDA	1,068	856	3,782
EBITDA margin	14.9%	12.3%	13.3%
Gross capital expenditures	314	549	2,279

Freight rates increased 1.5% and volume increased 1.4%

- Average freight rates increased by 1.5% or 28 USD/FFE to USD 1,868, continuing the focus on margins through tight capacity management and high recovery for fuel price increases. Adjusted for negative FX impact the average freight rates improved by 2.8% or 51 USD/FFE.
- Total volumes increased by 1.4% to 3.45m FFE, mainly driven by backhaul volumes, which increased 3.0%, while headhaul volumes increased 0.6%. Global volume growth was around 2%.
- The East-West volume increase was driven by Europe, impacted by higher demand for refrigerated goods in China, while North America trades were impacted negatively by the trade restrictions with China and modest growth in US.
- The North-South volume growth was driven by growth in Africa and West Central Asia, which was offset by declines in Latin America and Oceania trades, mainly due to weak market demand.
- Positive effects from the reorganisation in Ocean in Q1 2019, with focus on regional pricing, combined with the strong network operations led to higher volumes.

Volumes grew 0.5% on East-West

Freight rates on East-West increased 3.5% USD 1,845/FFE (USD 1,782/FFE)

Volumes were on par on North-South

Freight rates on North-South increased 1.3% USD 2,092/FFE (USD 2,065/FFE)

Volumes increased by 5.4% on Intra-regional

Freight rates on Intra-regional declined 1.6% USD 1,461/FFE (USD 1,485/FFE)

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Total operating cost unchanged and unit cost improving 3.5%

- Total operating costs were unchanged at USD 6.1bn as higher network costs from slot charter expenses were partly offset by lower container handling costs and FX impact.
- Adjusting for FX, total operating cost increased by 2.2%, mainly due to increased number of slots bought from VSA partners and higher volumes.
- Container handling costs decreased by 1.4%, impacted by lower empty container positioning costs and positively impacted by FX.
- The unit cost at fixed bunker improved mainly due to higher volumes, the network improvements and FX impact. Excluding FX, unit cost at fixed bunker improved 1.6%.
- The bunker cost was unchanged despite an increase in the average bunker price of 8.5% to 436 USD/tonne (401 USD/tonne) as the bunker consumption declined 7.5% due to an improved network and higher reliability.

Unit cost at fixed bunker improved by 3.5% to USD 1,713/FFE (USD 1,776/FFE)

Total unit cost was USD 1,903/FFE (1,954 USD/FFE)

Bunker efficiency improved by 8.1% to 41.7 g/TEU*NM (45.4 g/TEU*NM)[1]

Utilisation improved compared to Q2 2018

Bunker cost was unchanged at USD 1.2bn (USD 1.2bn)

SG&A and other operational costs increased by 2.4%

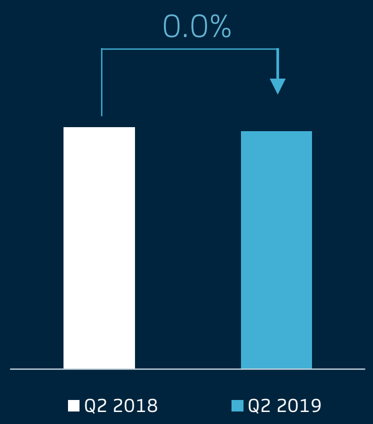
[1]Measured in gms Fuel / Total TEU x Nm. Total TEU is actual number of full + empties carried on the Ocean network. Nm =nautical miles.

Highlights Q2 2019

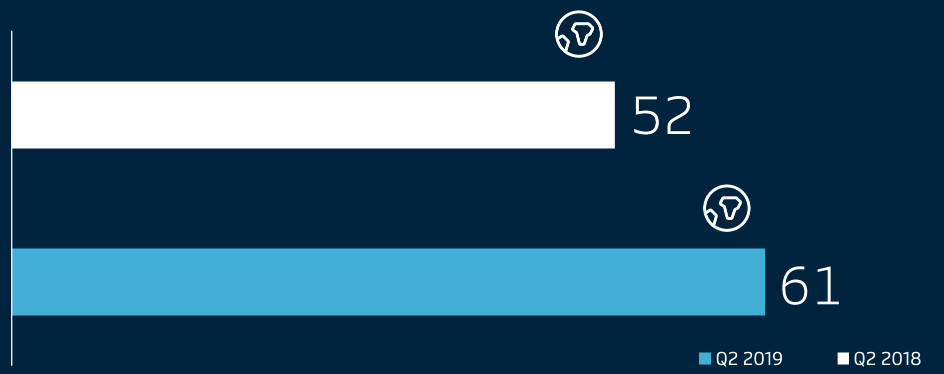
Logistics & Services

- Revenue was on par with Q2 2018, positively impacted by increasing revenue in supply chain management, but offset by declining revenue in sea and air freight forwarding.
- Gross profit increased by 4.9%, positively impacted by higher intermodal volume in profitable geographical areas, warehousing and custom house brokerage.
- EBITDA margin improved to 4.1% (3.5%).
- The merger of the commercial organisations of Logistics & Services and Ocean progressed according to plan during Q2.
- The acquisition of Vandergrift contributing positively to capabilities.

Revenue



EBITDA (USDm)



	Q2 2019 (USDm)	Q2 2018 (USDm)	FY 2018 (USDm)
Revenue	1,484	1,489	6,082
Gross profit	298	285	1,121
EBITDA	61	52	191
EBITDA margin	4.1%	3.5%	3.1%
Gross capital expenditures	29	12	47

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Logistics & Services - highlights Q2 2019

Improved gross profit

- Volumes in SCM increased slightly, while margins decreased to 4.6 USD/cbm (4.7 USD/cbm).
- Intermodal revenue was on par, with volumes increasing slightly, while margins were positively impacted as geographical mix continues to be optimised.
- Volumes in air and sea freight forwarding were impacted by weaker demand, including the pre-loading effect in the US ahead of the anticipated tariffs and strategic initiatives to exit some regions. Margins in air freight decreased by 12% per tonne, while sea freight margins decreased by 11% per TEU.
- The EBIT conversion ratio was stable at 9.3% (9.4%).

Gross profit improved by 4.9% to USD 298m (USD 285m)

EBIT conversion ratio was on par to 9.3% (9.4%)

Volumes in SCM increased by 0.3%, while margins declined by 2.1%

Volumes in air and sea freight decreased by 9.2% and 6.6%, respectively

SG&A and other cost increased to USD 237m (USD 233m)

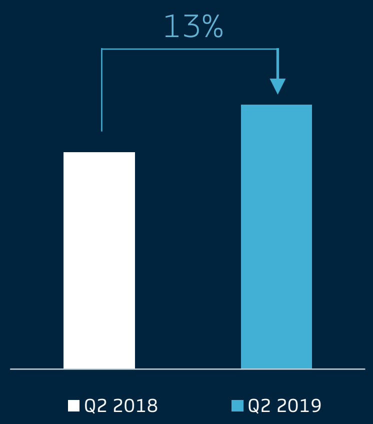
Direct cost decreased by 1.5% to USD 1,186 (USD 1,204)

Highlights Q2 2019

Terminals & Towage

- Revenue grew by 13% to USD 957m (USD 847m), while EBITDA was on par.
- Gateway terminals reported revenue of USD 791m (USD 670m), while towage activity contributed to the revenue by USD 171m (USD 179m).
- EBITDA in gateway terminals increased 11% supported by increased volumes, storage income and utilisation, however partly offset by one-off items, leading to a 1.4%-points lower EBITDA-margin.
- For towage activities EBITDA declined 28%, mainly impacted by lower activities in high margin areas due to competitor entries, one-off items and FX.
- The construction of Vado, Italy, Abidjan, Ivory Coast, and Tema, Ghana is progressing as planned.

Revenue



EBITDA (USDm)

	Q2 2019 (USDm)	Q2 2018 (USDm)	FY 2018 (USDm)
Revenue	957	847	3,772
EBITDA	226	226	998
EBITDA margin	23.6%	26.7%	26.5%
Gross capital expenditures	85	116	556

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Continuing to grow ahead of the market

- Revenue per move was driven by higher volumes in North America, where rates on average are higher, higher revenue from storage in West Africa and ramp-up in Moin, Costa Rica. The positive development was partly offset by FX.
- The worsening of cost per move was driven by higher volumes in higher cost locations and operational challenges in Port Elizabeth, North America.
- Utilisation was positively impacted by volume growth, capacity reductions in Los Angeles, USA and ramp-up of Moin, Costa Rica.
- Harbour towage activities grew by 2.1%, driven by activities in the Americas and the Asia, Middle East & Africa regions, partly offset by lower volumes in Europe and Australia.
- For terminal towage, annualised EBITDA per tug declined, mainly due to FX, however positively impacted by contracts commenced during 2018.

Like-for-like throughput grew 6.4% (7.6% from external customers and 4.1% from Ocean)

Utilisation grew by 9%-points 79% (70%)

Revenue per move increased by 7.4% to USD 257 (USD 239)

Cost per move increased by 4.7% USD 213 (USD 203)

Harbour towage activities grew by 2.1%

Terminal towage annualised EBITDA per tug declined mainly due to FX

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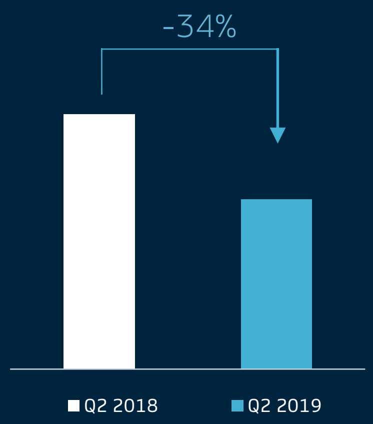
Highlights Q2 2019

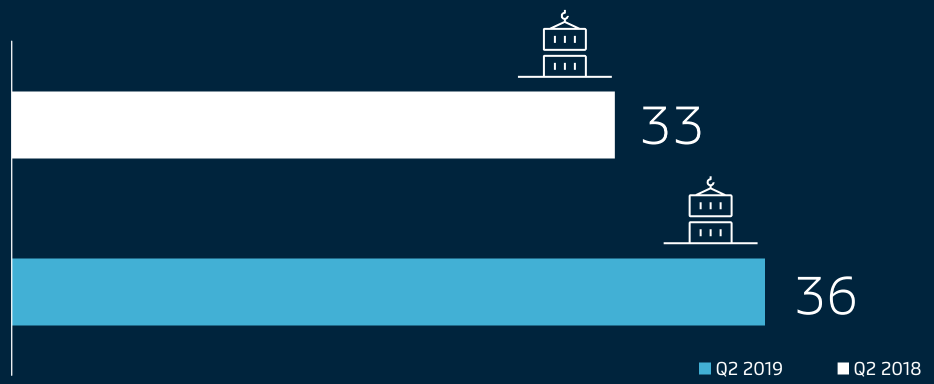
Manufacturing & Others

- Revenue in Maersk Container Industry decreased to USD 132m (USD 249m), impacted by the exit from the dry business and 30% lower revenue in reefer business. EBITDA of USD 16m (USD -6m) reflects the restructuring cost last year of USD 18m.
- Revenue in Maersk Supply Service was on par with Q2 2018 of USD 70m, while EBITDA improved to USD 5m (USD -3m), reflecting higher rates in the Subsea Supply Vessel segment.
- Revenue for other businesses ended at USD 256m (USD 378m). EBITDA was USD 15m (USD 42m).

Revenue



EBITDA (USDm)



	Q2 2019 (USDm)	Q2 2018 (USDm)	FY 2018 (USDm)
Revenue	459	697	2,787
EBITDA	36	33	163
EBITDA margin	7.8%	4.7%	5.8%
Gross capital expenditures	10	78	358

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2019
Full-year guidance

Guidance for 2019

(Based on IFRS 16)

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

The organic volume growth in Ocean is still expected to be in line with the estimated average market growth of 1-3% for 2019.

Guidance on gross capital expenditures (CAPEX) is maintained of around USD 2.2bn (FY 2018 USD 3.2bn) and a high cash conversion (cash flow from operations compared to EBITDA).

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

Sensitivity guidance

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

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

Questions and answers

To ask a question, please press 01

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Final remarks

- Strong improvement in profitability in the first half of the year, however there is still a need to improve margins.
- Solid cash flow performance with high cash conversion, but the second half of the year will be impacted by buying more expensive fuel ahead of IMO2020.
- Strong operational efficiencies led to unit cost improvement in Ocean of 3.5% and volume and utilisation increase in gateway terminals.
- Total annual synergies at USD 1.0bn achieved six month earlier than targeted.
- Outlook for the remainder of 2019 is subject to considerable uncertainties due to weaker macroeconomic conditions in all the main economies.

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