

# Interim Report

# Q1 2019

A.P. Møller - Mærsk A/S

Esplanaden 50, DK-1098 Copenhagen K / Registration no. 22756214



**MAERSK**



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The Interim Report for Q1 2019 of A.P. Møller - Mærsk A/S (further referred to as A.P. Møller - Maersk or Maersk as the consolidated group of companies) has been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) and as adopted by the EU and additional Danish disclosure requirements for listed companies.

## Change 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. However, restatements have been made for the segment financials for previous years. Guidance for 2019 is based on 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 interim report contains forward-looking statements. Such statements are subject to risks and uncertainties as numerous factors, many of which are beyond A.P. Møller - Maersk's control, may cause the actual development and results to differ materially from expectations contained in the interim report.

## Directors' report

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# Directors' report

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# Highlights Q1 2019

Significant uplift in earnings and free cash flow.

“ We had a good start to 2019. In Q1, revenue grew by 2.5%, operating earnings improved by 33% and cash flow from operations doubled to USD 1.5bn. With a strong free cash flow of USD 3.5bn after the sale of the remaining shares in Total SA., we have significantly strengthened our balance sheet. The net interest-bearing debt is reduced by USD 2.4bn since Q4 and by USD 7.1bn since Q1 2018,” **says Søren Skou, CEO of A.P. Moller - Maersk.**

## Transformation metrics

Four key metrics are defined to track the strategic transformation:

- Non-Ocean revenue growth
- Logistics & Services' gross profit growth
- Realisation of annual synergies worth approx. USD 1bn in total by 2019
- Cash return on invested capital (CROIC).

The overall target of a return on invested capital (ROIC) is maintained. ROIC improved from negative 0.5% to positive 1.3% due to higher earnings and capital discipline, leading to a reduction in invested capital.

Non-Ocean revenue declined by 1.1% in Q1 2019. Adjusted for the closure of production facilities in Maersk Container Industry, revenue grew by 3.8% and accounted for USD 2.8bn.

Logistics & Services improved gross profit by 2.2% to USD 274m reflecting a gross profit margin of 19%.

Combined synergies from Hamburg Süd and Transport & Logistics increased by USD 130m to USD 870m versus a target of USD 1.0bn by end 2019.

CROIC improved from negative 5.9% to positive 6.7% driven by higher earnings, strong cash conversion of 120% and reduction in invested capital.

## Financial highlights

The financials are materially impacted by the implementation of IFRS 16 and to a lesser degree by the restatement of Maersk Supply Service as continuing operations. Comparative numbers have been restated in the Directors' report.

Revenue increased by 2.5% to USD 9.5bn (USD 9.3bn) with an increase of 1.7% in Ocean, 8.8% in Terminals & Towage while revenue was on par in Logistics & Services.

EBITDA improved by 33% to USD 1.2bn (USD 931m), and EBITDA margin was 13% with an increase of USD 275m in Ocean and USD 23m in Terminals & Towage. Developments in foreign exchange rate impacted EBITDA positively by approx. USD 25m.

In Ocean, total operating cost was reduced by 2.8% impacted by lower container handling costs and network cost, excluding bunker. Unit cost at fixed bunker decreased by 0.4% to 1,882 USD/FFE, negatively impacted by declining volumes.

EBIT was USD 230m (USD 7m) reflecting an EBIT margin of 2.4%, while the underlying result in A.P. Moller - Maersk after financial items and tax was a loss of USD 69m (loss of USD 329m).

Cash flow from operating activities was USD 1.5bn (USD 728m) equal to a cash conversion of 120% (78%), positively impacted by increase in EBITDA and improvement in changes in net working capital of USD 605m.

Free cash flow of USD 3.5bn (negative USD 451m) was positively impacted by the sale of the remaining portion of Total S.A. shares. Excluding the sale of the Total S.A. shares, free cash flow was USD 0.9bn.

Net interest-bearing debt amounted to USD 12.6bn (USD 15.0bn at year-end 2018) positively impacted by cash proceeds of USD 2.6bn from the sale of the remaining Total S.A. shares.

## Guidance for 2019

A.P. Moller - Maersk maintains guidance of earnings before interest, tax, depreciation and amortisation (EBITDA) of around USD 5.0bn including effects from IFRS 16.

## Discontinued operations

Maersk Drilling was listed at Nasdaq Copenhagen 4 April 2019 and is no longer a subsidiary in the A.P. Moller - Maersk group as of 2 April. A negative fair value accounting adjustment of USD 628m was recognised in Q1 2019.

Based on the first trading day, the combined market value of A.P. Moller - Maersk and Maersk Drilling increased by 3.3% or close to USD 1bn underpinning an initial positive reaction from the capital markets to the strategic decision to a demerger of Maersk Drilling.

It was announced, that the Board of Directors has decided no longer to pursue a separation solution for Maersk Supply Service, which is consequently reclassified as continuing operations. All financials related to Maersk Supply Service have been restated accordingly.

## New dividend policy

With the separation of the Energy businesses finalised, the Board of Directors has decided a new dividend policy, which is an annual payout ratio of 30-50% of underlying net result, to be implemented from the financial year 2019. The Board of Directors has decided to exercise the authority to buy back shares with a maximum value of DKK 10bn (around USD 1.5bn) over a period of up to 15 months. This is 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.

A webcast relating to the Q1 2019 Interim Report will be held on 24 May 2019 at 12.00 (CET). Dial-in information on [investor.maersk.com](http://investor.maersk.com).

Presentation material for the webcast will be available on the same page.

## Contacts for further information

Søren Skou, CEO  
Tel. +45 3363 1901

Carolina Dybeck Happe, CFO  
Tel. +45 3363 3106

## Investors

Stig Frederiksen,  
Head of Investor Relations  
Tel. +45 3363 3106

## Media

Signe Wagner,  
Head of External Relations  
Tel. +45 3363 1901

The Interim Report for Q2 2019 is expected to be announced on 15 August 2019.

# Summary financial information

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|   | Q1 2019 | Q1 2018 <sup>3</sup><br>incl. IFRS 16<br>and MSS | Q1 2018<br>IFRS 16<br>impact | Q1 2018 <sup>2</sup><br>incl. restated<br>MSS | Q1 2018<br>Maersk Supply<br>Service (MSS) | Q1 2018 <sup>1</sup><br>Reported | 2018 <sup>3</sup><br>Full year<br>incl. IFRS 16<br>and MSS |
|---|---------|--|------------------------------|---|---|----------------------------------|--|
| <b>Income statement</b>   |         |  |                              |   |   |                                  |  |
| Revenue   | 9,540   | 9,305  | -7                           | 9,312   | 59  | 9,253                            | 39,257   |
| Profit before depreciation, amortisation and impairment losses, etc. (EBITDA) | 1,236   | 931  | 259                          | 672   | 3   | 669                              | 4,998  |
| Depreciation, amortisation and impairment losses, net                         | 1,082   | 1,020  | 235                          | 785   | 17  | 768                              | 4,756  |
| Gain on sale of non-current assets, etc., net                                 | 18      | 33   | -                            | 33  | -   | 33                               | 166  |
| Share of profit/loss in joint ventures  | 24      | 37   | -                            | 37  | -   | 37                               | 116  |
| Share of profit/loss in associated companies                                  | 34      | 26   | -                            | 26  | -   | 26                               | -115   |
| Profit/loss before financial items (EBIT)                                     | 230     | 7  | 24                           | -17   | -14                                       | -3                               | 409  |
| Financial items, net  | -228    | -220   | -100                         | -120  | -   | -120                             | -766   |
| Profit/loss before tax  | 2       | -213   | -76                          | -137  | -14                                       | -123                             | -357   |
| Tax   | 106     | 98   | -                            | 98  | 1   | 97                               | 398  |
| Profit/loss for the period – continuing operations                            | -104    | -311   | -76                          | -235  | -15                                       | -220                             | -755   |
| Profit/loss for the period – discontinued operations <sup>4</sup>             | -552    | 2,981  | -                            | 2,981   | -1  | 2,982                            | 3,787  |
| Profit/loss for the period  | -656    | 2,670  | -76                          | 2,746   | -16                                       | 2,762                            | 3,032  |
| A.P. Møller - Mærsk A/S' share  | -659    | 2,656  | -74                          | 2,730   | -15                                       | 2,745                            | 2,985  |
| Profit/loss for the period – continuing operations                            | -104    | -311   | -76                          | -235  | -15                                       | -220                             | -755   |
| <i>Adjustments to profit/loss for the period – continuing operations:</i>     |         |  |                              |   |   |                                  |  |
| Gain/loss on sale of non-current assets, etc., net                            | -18     | -33  | -                            | -33   | -   | -33                              | -166   |
| Impairment losses, net  | 21      | -1   | -                            | -1  | -   | -1                               | 757  |
| Transaction and integration cost  | 31      | 13   | -                            | 13  | -   | 13                               | 78   |
| Tax on adjustments  | 1       | 3  | -                            | 3   | 1   | 2                                | 25   |
| Underlying profit/loss – continuing operations <sup>5</sup>                   | -69     | -329   | -76                          | -253  | -14                                       | -239                             | -61  |
| <b>Balance sheet</b>  |         |  |                              |   |   |                                  |  |
| Total assets  | 61,701  | 67,641   | 6,019                        | 61,622  | -17                                       | 61,639                           | 62,690   |
| Total equity  | 32,843  | 34,217   | -78                          | 34,295  | -18                                       | 34,313                           | 33,205   |
| Invested capital  | 46,491  | 53,794   | 5,992                        | 47,802  | -17                                       | 47,819                           | 49,255   |
| Net interest-bearing debt   | 12,565  | 19,630   | 6,068                        | 13,562  | 167                                       | 13,395                           | 14,953   |
| <b>Cash flow statement</b>  |         |  |                              |   |   |                                  |  |
| Cash flow from operating activities   | 1,482   | 728  | 278                          | 450   | 17  | 433                              | 4,442  |
| Gross capital expenditure, excl. acquisitions and divestments (CAPEX)         | 778     | 1,359  | -                            | 1,359   | 179                                       | 1,180                            | 3,219  |
| Cash flow from financing activities   | -1,302  | -918   | -278                         | -640  | 176                                       | -816                             | -8,080   |
| Net cash flow from discontinued operations                                    | 47      | 2,293  | -                            | 2,293   | -15                                       | 2,308                            | 3,968  |

<sup>1</sup> As reported in Q1 2018. <sup>2</sup> Q1 2018 restated including Maersk Supply Service as continuing operations as reported in the financials page 28-38. <sup>3</sup> Q1 and full year 2018 presented as if IFRS 16 had been implemented in 2018, for comparison purposes.

# Summary financial information

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|   | Q1 2019 | Q1 2018 <sup>3</sup>        | Q1 2018           | Q1 2018 <sup>2</sup>     | Q1 2018                              | Q1 2018 <sup>1</sup> | 2018                                     |
|---|---------|-----------------------------|-------------------|--------------------------|--------------------------------------|----------------------|--|
|   |         | incl.<br>IFRS 16<br>and MSS | IFRS 16<br>impact | incl.<br>restated<br>MSS | Maersk<br>Supply<br>Service<br>(MSS) | Reported             | Full year<br>incl.<br>IFRS 16<br>and MSS |
| <b>Financial ratios</b>   |         |                             |                   |                          |                                      |                      |  |
| Revenue growth  | 2.5%    | 30.2%                       |                   | 30.2%                    |                                      | 30.0%                | 25.9%                                    |
| Revenue growth excl. Hamburg Süd (2018)                             |         | 8.8%                        |                   | 8.9%                     |                                      | 10.0%                | 8.2%                                     |
| EBITDA margin   | 13.0%   | 10.0%                       |                   | 7.2%                     |                                      | 7.2%                 | 12.7%                                    |
| Cash conversion   | 120%    | 78%                         |                   | 67%                      |                                      | 65%                  | 89%                                      |
| Return on invested capital after tax – continuing operations (ROIC) | 1.3%    | -0.5%                       |                   | -0.8%                    |                                      | -0.6%                | 0.2%                                     |
| Return on equity after tax, annualised                              | -8.0%   | 32.5%                       |                   | 33.4%                    |                                      | 33.6%                | 9.3%                                     |
| Equity ratio  | 53.2%   | 50.6%                       |                   | 55.7%                    |                                      | 55.7%                | 53.0%                                    |
| <b>Stock market ratios</b>  |         |                             |                   |                          |                                      |                      |  |
| Earnings per share – continuing operations, USD                     | -5      | -15                         |                   | -11                      |                                      | -11                  | -37                                      |
| Diluted earnings per share – continuing operations, USD             | -5      | -15                         |                   | -11                      |                                      | -11                  | -37                                      |
| Cash flow from operating activities per share, USD                  | 71      | 35                          |                   | 22                       |                                      | 21                   | 214                                      |
| Share price (B share), end of period, DKK                           | 8,442   | 9,344                       |                   | 9,344                    |                                      | 9,344                | 8,184                                    |
| Share price (B share), end of period, USD                           | 1,270   | 1,556                       |                   | 1,556                    |                                      | 1,556                | 1,255                                    |
| Total market capitalisation, end of period, USD m                   | 25,743  | 31,417                      |                   | 31,417                   |                                      | 31,417               | 25,256                                   |

<sup>1</sup> As reported in the Interim Report Q1 2018.

<sup>2</sup> Q1 2018 restated including Maersk Supply Service under continuing operations as reported in the financials on page 28-38.

<sup>3</sup> Q1 and full year 2018 presented as if IFRS 16 had been implemented in 2018, for comparison purposes.

<sup>4</sup> Following the classification of Maersk Oil and Maersk Drilling as discontinued operations in 2017, the businesses are presented separately on an aggregated level in the income statement, balance sheet and cash flow statement. The Maersk Oil transaction was closed on 8 March 2018.

<sup>5</sup> Underlying profit/loss is profit/loss for the period 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 acquisitions/divestments. The adjustments are net of tax and include A.P. Moller - Maersk's share of mentioned items in associates and joint ventures.

## Notes:

The interim consolidated financial statements on pages 28-38 have not been subject to audit or review. The interim consolidated financial statements are prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) and adopted by the EU and additional Danish disclosure requirements for listed companies.

|  | Q1 2019 | Q1 2018 <sup>3</sup>        | Q1 2018           | Q1 2018 <sup>2</sup>     | Q1 2018                              | Q1 2018 <sup>1</sup> |
|--|---------|-----------------------------|-------------------|--------------------------|--------------------------------------|----------------------|
|  |         | incl.<br>IFRS 16<br>and MSS | IFRS 16<br>impact | incl.<br>restated<br>MSS | Maersk<br>Supply<br>Service<br>(MSS) | Reported             |
| <b>Ocean financial highlights</b>  |         |                             |                   |                          |                                      |                      |
| Revenue  | 6,929   | 6,810                       | -                 | 6,810                    | -                                    | 6,810                |
| Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA) | 927     | 652                         | 171               | 481                      | -                                    | 481                  |
| EBITDA margin  | 13.4%   | 9.6%                        |                   | 7.1%                     |                                      | 7.1%                 |
| <b>Logistics &amp; Services financial highlights</b>                               |         |                             |                   |                          |                                      |                      |
| Revenue  | 1,448   | 1,455                       | -                 | 1,455                    | -                                    | 1,455                |
| Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA) | 51      | 45                          | 22                | 23                       | -                                    | 23                   |
| EBITDA margin  | 3.5%    | 3.1%                        |                   | 1.6%                     |                                      | 1.6%                 |
| <b>Terminals &amp; Towage financial highlights</b>                                 |         |                             |                   |                          |                                      |                      |
| Revenue  | 991     | 911                         | -                 | 911                      | -                                    | 911                  |
| Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA) | 267     | 244                         | 48                | 196                      | -                                    | 196                  |
| EBITDA margin  | 26.9%   | 26.8%                       |                   | 21.5%                    |                                      | 21.5%                |
| <b>Manufacturing &amp; Others financial highlights</b>                             |         |                             |                   |                          |                                      |                      |
| Revenue  | 558     | 672                         | -7                | 679                      | 60                                   | 619                  |
| Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA) | 21      | 48                          | 17                | 31                       | 2                                    | 29                   |
| EBITDA margin  | 3.8%    | 7.1%                        |                   |                          |                                      | 4.7%                 |

# Financial review

## Q1 2019

A.P. Moller - Maersk reported an increase in EBITDA of 33% driven by an improvement across all segments, supported by higher freight rates, lower total costs and positive impact from foreign exchange rates, partly offset by a subdued macro environment and lower volumes in Ocean.

Cash flow generation improved significantly with cash flow from operations of USD 1.5bn based on a cash conversion ratio of 120% and free cash flow excluding sale of shares in Total S.A. of USD 0.9bn.

### → Highlights Q1

| USD million  | Revenue      |                   | EBITDA       |                   | CAPEX <sup>1</sup> |                   |
|--|--------------|-------------------|--------------|-------------------|--------------------|-------------------|
|  | 2019         | 2018 <sup>2</sup> | 2019         | 2018 <sup>2</sup> | 2019               | 2018 <sup>2</sup> |
| Ocean  | 6,929        | 6,810             | 927          | 652               | 469                | 1,074             |
| Logistics & Services   | 1,448        | 1,455             | 51           | 45                | 9                  | 8                 |
| Terminals & Towage   | 991          | 911               | 267          | 244               | 121                | 101               |
| Manufacturing & Others   | 558          | 672               | 21           | 48                | 177                | 184               |
| Unallocated activities, eliminations, etc.                       | -386         | -543              | -30          | -58               | 2                  | -8                |
| <b>A.P. Moller - Maersk consolidated – continuing operations</b> | <b>9,540</b> | <b>9,305</b>      | <b>1,236</b> | <b>931</b>        | <b>778</b>         | <b>1,359</b>      |

<sup>1</sup> See definition on page 41. <sup>2</sup> Q1 2018 presented as if IFRS 16 had been implemented in 2018 and adjusting for Maersk Supply Service as continuing operations.

**Revenue** increased by USD 235m to USD 9.5bn (USD 9.3bn) in Q1 2019 with an increase of 1.7% in Ocean and 8.8% in Terminals & Towage.

**EBITDA** increased by 33% to USD 1.2bn (USD 931m) mainly due to an increase in Ocean of USD 275m driven by higher freight rates and demurrage and detention, partly offset by lower volumes. Further, increases in Terminals & Towage of USD 23m and in Logistics & Services of USD 6m also contributed positively to EBITDA. Developments in foreign exchange rate affected EBITDA positively by approx. USD 25m.

**EBIT** was USD 230m (USD 7m), positively impacted by improved EBITDA.

**Financial expenses, net** was USD 228m (USD 220m) due to lower dividends income because of fewer Total S.A shares, partly offset by lower financing cost because of lower debt level compared to Q1 2018.

**The underlying result** for continuing operations after financial items and tax was a loss of USD 69m (loss of USD 329m).

**Cash flow from operating activities** was USD 1.5bn (USD 728m) with a cash conversion ratio of 120% (78%), driven by both an increase in EBITDA of USD 305m and a positive change in working capital of USD 370m (negative USD 235m). The result was slightly offset by higher tax paid of USD 130m (USD 39m).

**Gross capital expenditure (CAPEX)** was USD 778m (USD 1.4bn). With Maersk Supply Service included in continuing operations, USD 175m (USD 179m) was added to gross CAPEX, however the guidance of around USD 2.2bn for 2019 remains unchanged.

**Free cash flow** of USD 3.5bn (negative USD 451m) was positively impacted by the sale of the remaining Total S.A. shares. Excluding the sale of the Total S.A. shares, the free cash flow was USD 0.9bn.

The contractual capital commitments totalled USD 2.0bn end of Q1, of which USD 186m related to newbuilding programme for vessels, etc. The remainder primarily relates to commitments towards terminal concession grantors. Continued CAPEX discipline remains a key focus area with no new orders of large vessels or new major terminal investments expected no earlier than 2020.

### Tracking the transformation

A.P. Moller - Maersk has transformed from a conglomerate into a company focusing on becoming an integrated container logistics

company, working to achieve a more balanced split of revenue and earnings. The ambition for 2023 is to balance the earnings level between the Ocean and non-Ocean segments, where today the Ocean segment accounts for 75% of the earnings.

Four key metrics have been defined for tracking the transformation in a structured manner, showing the progress externally:

1. Non-Ocean revenue growth
2. Logistics & Services' gross profit growth
3. Realisation of annual synergies worth approx. USD 1.0bn in total by 2019
4. Cash return on invested capital (CROIC).

Non-Ocean revenue declined by 1.1% in Q1 2019. Adjusted for the closure of production facilities in Maersk Container Industry, revenue grew by 3.8% and accounted for USD 2.8bn.

Logistics & Services improved gross profit by 2.2% to USD 274m reflecting a gross profit margin of 19% supported by new warehouse facilities and higher intermodal volumes, partly offset by lower margins and volumes in sea freight forwarding and lower volumes in air freight forwarding.

Combined synergies from Hamburg Süd and Transport & Logistics increased by USD 130m to USD 870m.

For Hamburg Süd, synergies have been realised in Q1 2019 within procurement, network optimisation and increased volumes in gateway terminals and inland services operated by Maersk.

The guidance of realising annual synergies from Hamburg Süd and Transport & Logistics, worth approx. USD 1.0bn in total by 2019, is reiterated.

CROIC improved from negative 5.9% to positive 6.7% driven by higher earnings, strong cash conversion of 120% and reduction in invested capital.

Furthermore, the long-term target for return on invested capital (ROIC) is above 7.5%, following the implementation of IFRS 16. ROIC improved from negative 0.5% to positive 1.3% due to higher earnings, mainly driven by the Ocean segment, and capital discipline, leading to a reduction in invested capital.

## Capital structure, credit rating and dividend policy

**Net interest-bearing debt** decreased to USD 12.6bn (USD 15.0bn at 31 December 2018), positively impacted by cash flow related to cash proceeds of USD 2.6bn from the sale of the remaining part of shares in Total S.A. and positive operating cash flow of USD 1.5bn during Q1. The decrease in net interest-bearing debt was partly offset by new gross investments and additional lease liabilities of USD 0.7bn primarily due to a new terminal concession with Tangier Med II, Morocco going into operations in January 2019.

A.P. Moller - Maersk made net repayments of USD 1.1bn in Q1, mostly driven by repayments of leases by USD 0.3bn and bank debt of USD 0.7bn.

**Total equity** was USD 32.8bn (USD 33.2bn at year-end 2018), resulting in an equity ratio of 53% (53%).

**Liquidity reserve** increased to USD 12.3bn (USD 10.3bn at year-end 2018) due to higher cash balances mainly because of the sale of the remaining shares in Total S.A. of USD 2.6bn.

Maersk remains **investment grade** rated, and holds a Baa3 (stable) rating from Moody's and a BBB (credit watch negative) rating from Standard & Poor's.

### Dividend policy and cash distribution

As part of the Maersk Oil transaction in March 2018, A.P. Moller - Maersk received 97.5 million shares in Total S.A., equivalent to an ownership interest of 3.7%. The remaining shares in Total S.A. was sold in Q1 2019 with a value of USD 2.6bn. The total proceeds from the sale of shares in Total S.A. in 2018 and 2019 amount to USD 5.8bn, including dividends.

A.P. Moller - Maersk remains committed to maintaining its investment grade rating which has been demonstrated over the last two years by an increased capital discipline combined with maintaining a high financial flexibility. The capital commitments for the continuing businesses have been reduced by USD 3.4bn since year-end 2016 to USD 2.0bn by end Q1 2019.

## Tracking the transformation

| Value drivers <sup>1</sup>  | Q1 2019            | Full year 2018 | Full year 2017 |
|---|--------------------|----------------|----------------|
| <b>Non-Ocean growth</b>   |                    |                |                |
| Non-Ocean revenue growth  | -1.1% <sup>2</sup> | 6.3%           | 5.6%           |
| Logistics & Services, gross profit growth                                       | 2.2%               | 5.6%           | N/A            |
| <b>Financial performance</b>  |                    |                |                |
| Realisation of annual synergies worth approx. USD 1.0bn in total by 2019, USDbn | 0.9                | 0.7            | 0.1            |
| Cash return on invested capital   | 6.7%               | 2.8%           | -2.8%          |
| <b>Long-term target</b>   |                    |                |                |
| Return on invested capital after tax (ROIC)                                     | 1.3%               | 0.2%           | N/A            |

<sup>1</sup> See definition on page 41.

<sup>2</sup> Adjusting for the closure of the production capacity in Maersk Container Industry, non-Ocean revenue grew by 3.8% in Q1 2019.



Net cash proceeds to A.P. Møller - Maersk from the separation of Maersk Oil and Maersk Tankers, together with the listing of Maersk Drilling is around USD 10.1bn, and USD 12.1bn when including free cash flow from operations since Q3 2016.

Maersk Drilling was listed on 4 April 2019, and Maersk Drilling shares were distributed to existing shareholders of A.P. Møller - Maersk.

With the strategic phase of separating the Energy businesses now being finalised, the Board of Directors has decided a new dividend policy. A.P. Møller - Maersk is now in the strategic phase of balancing the earnings level between Ocean and non-Ocean towards 2023.

The dividend policy is an annual payout ratio of 30-50% of underlying net result adjusted for gains, impairments and restructurings 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 payout ratio should be expected at the low to mid-point of the range.

Distribution will take place through dividends potentially combined with share buy-backs, and the annual payout ratio and distribution will be decided from an evaluation of the outlook, cash flow, capital expenditures for organic CAPEX and Merger & Acquisition transactions and investment grade rating.

#### Share buy-back

In alignment with previously announced commitment 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 of around USD 4.5bn, subject to maintaining investment grade rating and the demerger of Maersk Drilling, the Board of Directors has

decided to exercise the authority to buy back shares with a maximum value of DKK 10bn (around USD 1.5bn). The share buy-back programme will run from June 2019 and over a period of up to 15 months.

After execution of the announced programme, the Board of Directors will evaluate the capital structure and outlook of A.P. Møller - Maersk, with the intention to distribute additional cash to shareholders, subject to maintaining investment grade rating.

#### Change in management

On 3 April 2019, it was announced, that Claus V. Hemmingsen will step down as Vice CEO of A.P. Møller - Mærsk A/S and as CEO of the Energy division and leave the company end of June 2019. The Energy division will close at the same time, thereby marking the finalisation of the separation of the oil- and oil-related businesses.

## Discontinued operations

The objective of finding structural solutions for the oil and oil-related businesses was successfully accomplished for Maersk Tankers in 2017, and for Maersk Oil in 2018. For Maersk Drilling, a demerger from A.P. Møller - Maersk via a separate listing on Nasdaq Copenhagen was approved at the annual general meeting on 2 April 2019. The listed company, The Drilling Company of 1972 A/S, had its first day of trading on 4 April.

Over the past two years, various structural solutions for Maersk Supply Service have been investigated. However, having been unable to establish any solutions meeting the objective of creating shareholder value, it was decided to retain Maersk Supply Service.

#### Maersk Drilling

A negative fair value accounting adjustment of USD 628m was recognised in Q1 2019.

## Impact of IFRS 16

IFRS 16 Leases introduces a single lessee accounting model, requiring lessees to recognise leases in the balance sheet as a right-of-use (ROU) asset and a 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 1 January 2019, using the modified retrospective approach, and comparative figures have not been restated. At initial recognition, ROU assets are measured at an amount equal to the lease liability, which is measured at the present value of future lease payments.

Maersk will not apply IFRS 16 to short-term leases, low-value leases or leases expiring before 31 December 2019. Maersk has applied a single discount rate to portfolios of leases with similar characteristics.

The implementation of IFRS 16 had a significant impact on the income statement for Q1 2019. ROU assets amounted to USD 6.8bn and are included in Ships, containers, etc. and Production facilities, equipment, etc. at USD 2.9bn, and USD 3.9bn, respectively, of which USD 3.3bn mainly relates to concession arrangements. The lease liability amounted to USD 6.9bn. Consequently, ROIC has been impacted negatively by 0.3 percentage point, and free cash flow has been impacted positively by USD 0.3bn, as repayments of lease liabilities are now included under cash flow from financing activities.

# Guidance for 2019

(Based on IFRS 16)

A.P. Moller - Maersk reiterates its guidance still expecting earnings before interests, tax, depreciation and amortisations (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 is maintained on gross capital expenditures

(CAPEX) around USD 2.2bn and a high cash conversion (cash flow from operations compared with EBITDA).

The guidance continues to be subject to considerable uncertainties due to the current risk of further restrictions on global trade and other external factors impacting container freight rates, bunker prices and foreign exchange rates.

## → Sensitivities on guidance for 2019

The guidance of A.P. Moller - Maersk 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 1.0bn                 |
| Container freight volume                    | +/- 100,000 FFE       | +/- USD 0.1bn                 |
| Bunker price (net of expected BAF coverage) | +/- 100 USD/tonne     | -/+ USD 0.3bn                 |
| Foreign rate of exchange (net of hedges)    | +/- 10% change in USD | +/- USD 0.1bn                 |



# Market update

Global container trade grew 1.7% in Q1 2019 compared to Q1 2018, showing a weaker momentum than in 2018 when full-year average trade growth was 3.6% (chart 1). The moderation of container demand growth reflects a broad-based slowdown in all the main economies, following the recovery of 2016/2017, as well as negative effects from fast-forwarding of US imports in Q4 2018 when retailers prepared for a tariff hike.

## Market developments

Container trade on the East-West trades was moderate in Q1 and grew by 2.0% compared to Q1 2018. European imports from Asia accelerated strongly with 71% growth, possibly reflecting a surge in European retail sales despite the current manufacturing slowdown

in Europe, uncertainty about the Brexit negotiations and a severe growth decline in Turkey. North American container imports fell by 3.1% in Q1, mainly led by imports from Asia, as importers had already stockpiled inventories in Q4 2018 preparing for a tariff increase on Chinese goods. Moreover, the modest growth

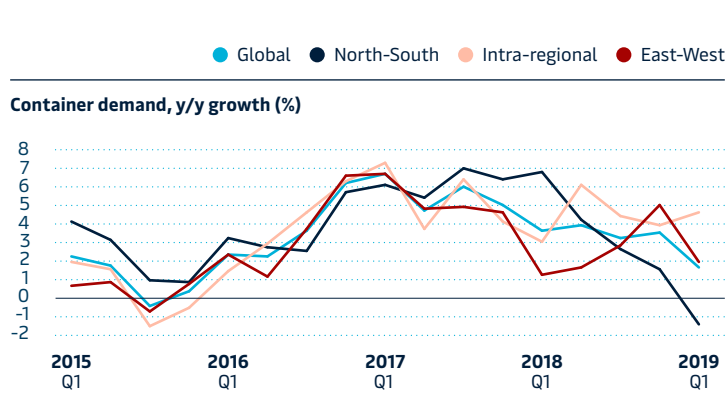
in US private consumption and capital expenditures weighed on US imports in Q1. Meanwhile, Asian imports from the US and Europe (East-West backhaul) increased by 2.9% in Q1 2019, mainly driven by exports from Europe, despite ongoing Chinese restrictions on waste and scrap material imports. North-South container

trades dropped by 1.4% in Q1. Latin American import growth remained weak (negative 4.2%), mainly into the East Coast of South America as container demand has aligned more closely with domestic demand developments; moreover, import growth in the Middle East and Indian subcontinent declined by 4.9% in Q1, while African imports increased by 2.6%. Intra-Regional trades posted solid growth of 4.7%, mainly driven by Intra Asian and Intra Europe.

Looking ahead, global container trade is projected to increase by 1-3% in 2019. The moderation of container demand growth mirrors the slowdown in global manufacturing and global export orders in recent quarters (chart 2). Solid private consumption growth is essential going forward if a further weakening of container demand growth is to be avoided. Aside from the cyclical slowing of the global economy, the main risks to global container demand relate to the US-China trade negotiations. The recent escalation of the trade-war induced by an increase in tariff rates and threats of implementing additional tariffs could take global container trade growth to the lower end of the 1-3% interval. Other risk to the outlook relates to the effectiveness of fiscal and monetary stimuli in major economies, such as the US and China. Emerging economies are particularly vulnerable via their financial leverage to fluctuations in the US dollar and to the economic development in the US. Finally, the outcome of the Brexit negotiations poses a risk to UK and European container trade.

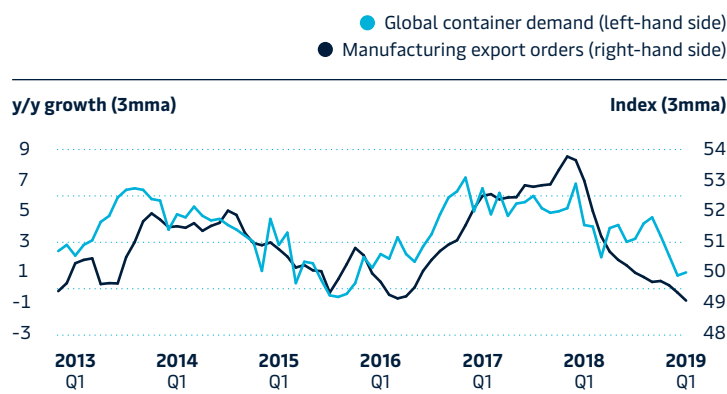
At the end of Q1 2019, the global container fleet stood at 22m TEU, 4.6% higher than in Q1 2018 (chart 3). Deliveries amounted to 245k

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



Source Internal Maersk  
 Note Container demand growth weakened further in Q1 2019.

Chart 2: Global export orders and container demand

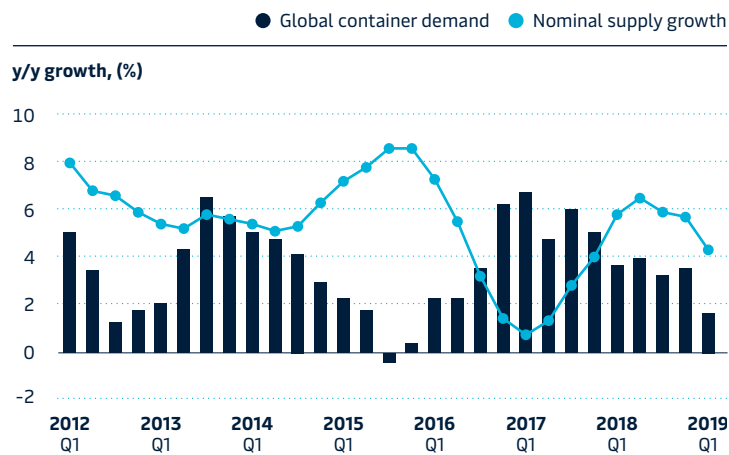


3mma 3 months moving average.  
 Source Demand is internal Maersk and Manufacturing export orders is IHS Market.  
 Note Global export orders (March at 49) continue to indicate weaker container demand growth.

TEU (34 vessels) during Q1 and were dominated by vessels larger than 10k TEU. 93k TEU (44 vessels) were scrapped in Q1 which is significantly more than the quarterly scrapping rate in 2018. However, scrappings in Q1 were less than in the years preceding 2018, and the increase in Q1 scrappings reflects a normalisation from the very low amounts recorded in 2018. Idling ended at 2.1% (472k TEU) of the fleet at the end of Q1, like the very low levels in 2018 (average of 2.1%). The idle fleet had increased to 4% of the fleet in the middle of Q1 but began to decline during March as demand growth picked up. New vessel orders amounted to 312k TEU (60 vessels) in Q1, and the order-book-to-fleet ratio stayed at 12%. According to Alphaliner, the nominal global container fleet will grow by 3.1% in 2019 and 3.7% in 2020.

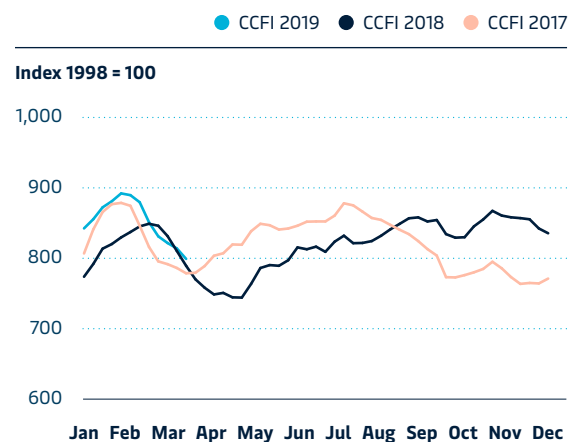
Freight rates, as measured by the China Composite Freight Index (CCFI), were 4.5% higher in Q1 2019 compared to Q1 2018 despite soft demand, but partially supported by more idled vessels (chart 4). Disruption due to the Chinese New Year caused fluctuations in the first months of the year. Freight rates declined on the Asia to North Europe by 0.9%, but strengthened 14% from Asia to Mediterranean Europe. Asia to west coast US freight rates also increased substantially by 10%, while Asia to the US East Coast only rose 1.5%. Uncertainties relating to the strength of container demand in 2019 pose a downside risk to freight rates in general. Alongside, the delivery of larger vessels on the Asia to Europe trade poses additional specific risk to the demand supply balance on that route.

→ Chart 3: Global container demand and nominal supply growth



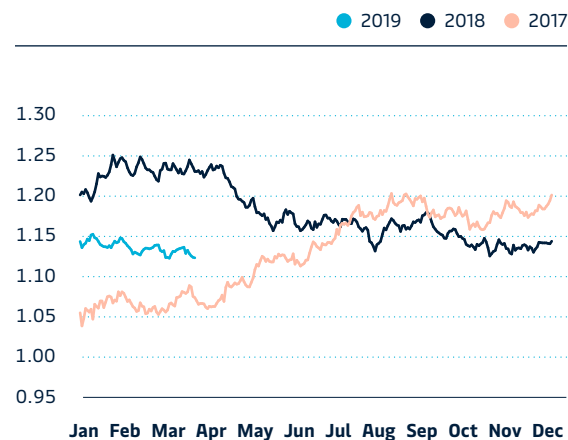
Source Demand is internal Maersk and supply is Alphaliner.  
 Note Supply growth continue to outgrow demand growth in Q1 2019.

→ Chart 4: Freight rates



Source CCFI, Shanghai Shipping Exchange.  
 Note Freight rates entered 2019 at a higher level than in 2018, but declined subsequently.

→ Chart 5: USD-EUR exchange rate



Source Thomson/Reuters.  
 Note The USD/EUR FX remained stable during Q1 2019.

Time charter rates declined 12% in Q1 compared to Q1 2018 and continued the downward movement that began in the summer of 2018. The increase in time charter rates in the first half of 2018 appeared stronger than supported by underlying fundamentals, and the subsequent decline had therefore been expected. During Q1 2019, time charter rates stabilised and even began to increase gradually. Rates might rebound further in coming quarters as peak season approaches and as the 0.50% sulphur cap on marine fuel from 2020 likely leads to retrofitting of a significant part of the global fleet and weighs on the available vessel capacity.

Rotterdam bunker prices were 24% higher by end of Q1 2019 compared to end of Q4 2018, and 14% higher compared to Q1 2018. Forward markets indicate that bunker prices will increase further by 1.6% in Q2 2019 compared to end of Q1 2019. Thereafter, forward market pricing points to a 13% decline in bunker prices by Q4 2019, compared to Q1 2019. The anticipated decline is driven by a wider bunker-crude oil spread, reflecting the market's view of the impact of the IMO 2020 sulphur regulations on demand for high sulphur bunker fuels.

The US dollar was broadly unchanged (negative 0.5%) against the euro in Q1 2019 compared to Q4 2018, see chart 5. However, the dollar appreciated 7.6% compared to Q1 2018, largely reflecting the lift of US interest rates in the first part of 2018.

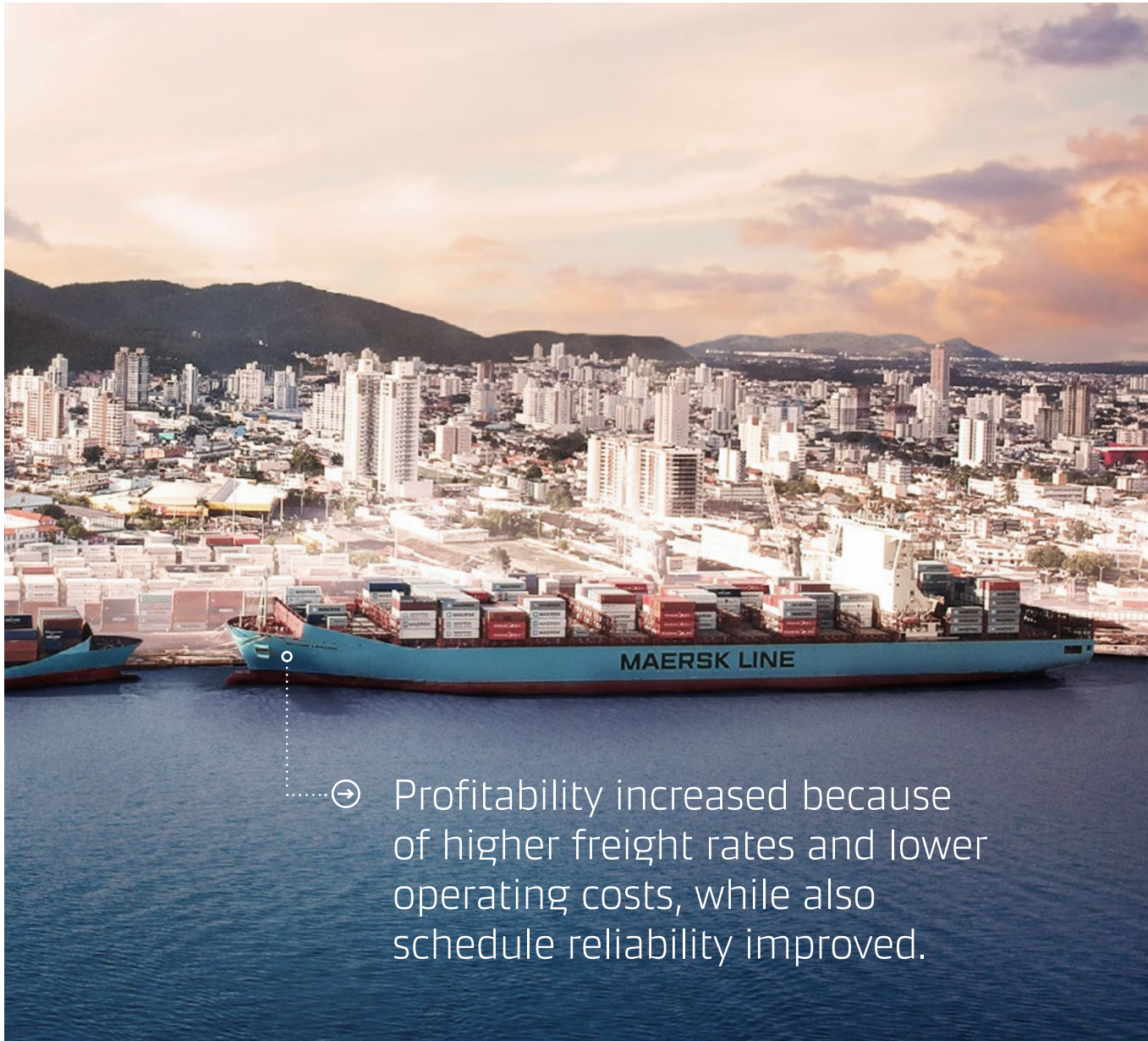


# Segment review



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





➔ Profitability increased because of higher freight rates and lower operating costs, while also schedule reliability improved.

## Ocean

Ocean reported an increase in EBITDA of 42% to USD 927m (USD 652m) with an EBITDA margin of 13.4% (9.6%), partly driven by positive developments in foreign exchange rates. Revenue increased by 1.7% to USD 6.9bn (USD 6.8bn) despite volumes declining 2.2% to 3,150k FFE (3,220k FFE). The lower volumes were partly offset by higher average loaded freight rate of 1,903 USD/FFE (1,832 USD/FFE) and an increase in other revenue mainly from demurrage and detention. Total operating costs declined by 2.8%, however, adjusted for the foreign exchange rate developments, the costs decreased by approx. 0.5%. The unit cost at fixed bunker improved by 0.4%, negatively impacted by declining volumes.

Profitability increased in Q1 2019 because of continued focus on margins including positive impacts on the network costs from the synergies with Hamburg Süd. Schedule reliability improved significantly, and improved compared to Q4 2018 as well. Despite a decrease in the bunker price from previous quarters, the bunker price was higher than in Q1 2018 and continued to be above 400 USD/tonne. Additionally, volumes declined versus last year across all trades, except for the Intra-regional and Europe trades, especially on the North-South trades due to weak demand on Latin America and Oceania trades. The backhaul volumes accounted for more than half of the overall volume drop. The frontloading seen on the Pacific in Q4 2018 also impacted the volumes in Q1 2019.

## Financial and operational performance

Revenue increased by 1.7% to USD 6.9bn (USD 6.8bn) driven by a 0.6% increase in freight revenue and a 10% increase in other revenue, partly offset by negative rate of exchange developments. Freight revenue was driven by an increase of 3.9% in average loaded freight

rate to 1,903 USD/FFE (1,832 USD/FFE). Other revenue increased mainly from higher demurrage and detention, partly due to temporary circumstances from congestions and the front-loading seen in Q4 2018.

The 2.2% volume decrease was mainly driven by North-South trades declining 5.6% mainly

due to weak demand on Latin America and Oceania trades. East-West trades were on par with Q1 last year driven by weak North America volumes, negatively impacted by the frontloading seen in Q4 2018 and lower-than-expected volume pick-up post Chinese New Year, partly offset by growth on Europe trades. The Intra-regional volumes grew by 3.0% compared to

## Ocean highlights

| USD million   | 2019         | Q1 <sup>1</sup><br>2018 | Full year <sup>1</sup><br>2018 |
|---|--------------|-------------------------|--------------------------------|
| Freight revenue   | 6,015        | 5,980                   | 24,925                         |
| Other revenue, including hubs   | 914          | 830                     | 3,441                          |
| <b>Revenue</b>  | <b>6,929</b> | <b>6,810</b>            | <b>28,366</b>                  |
| Container handling costs  | 2,312        | 2,415                   | 9,481                          |
| Bunker costs  | 1,142        | 1,194                   | 5,042                          |
| Network costs, excluding bunker costs   | 1,786        | 1,836                   | 7,053                          |
| Selling, General & Administrative (SG&A) and other costs, etc.                            | 733          | 702                     | 3,038                          |
| <b>Total operating costs</b>  | <b>5,973</b> | <b>6,147</b>            | <b>24,614</b>                  |
| Other income/costs, net   | -29          | -11                     | 30                             |
| <b>Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)</b> | <b>927</b>   | <b>652</b>              | <b>3,782</b>                   |
| EBITDA margin   | 13.4%        | 9.6%                    | 13.3%                          |
| Gross capital expenditure, excl. acquisitions and divestments (CAPEX)                     | 469          | 1,074                   | 2,279                          |
| <b>Operational and financial metrics</b>  |              |                         |                                |
| Loaded volumes (FFE in '000)  | 3,150        | 3,220                   | 13,306                         |
| Loaded freight rate (USD per FFE)   | 1,903        | 1,832                   | 1,879                          |
| Unit cost, fixed bunker (USD per FFE incl. VSA income)                                    | 1,882        | 1,889                   | 1,808                          |
| Hub productivity (PMPH)   | 87.7         | 75.1                    | 80.6                           |
| Bunker price, average (USD per tonne)   | 417          | 382                     | 424                            |
| Bunker consumption (tonne in '000)  | 2,739        | 3,129                   | 11,894                         |
| Average nominal fleet capacity (TEU in '000)  | 4,048        | 4,231                   | 4,115                          |
| Fleet, owned (end of period)  | 305          | 298                     | 303                            |
| Fleet, chartered (end of period)  | 408          | 478                     | 407                            |

<sup>1</sup> Q1 and full year 2018 are presented as if IFRS 16 had been implemented in 2018, for comparison purposes.

## Key initiatives in Q1

The new organisational setup, where one Maersk commercial frontline combined offers ocean products, supply chain services and value-added services, has been effective since 1 January 2019. The changes involve employees in amongst other sales and customer service functions to work in a new way, in new teams, with new customers and products, which will ensure improved customer experience with fewer touchpoints and a more comprehensive service offering.

Enhancements to the Asia-Europe network was implemented in March, which will improve product reliability and drive fuel efficiency. Additionally, the new hub terminal Tangier-Med II started ramping up activities in January with the first container lifted. While the hub is expected to be operational by the end of Q2 2019, it is expected to be in full operation by the end of the year.

As part of Maersk's announced goal of achieving net-zero carbon emissions by 2050, a group of Dutch multinational companies (Dutch Sustainable Growth Coalition) partnered with Maersk in the world's largest maritime biofuel pilot, taking the first tangible steps towards decarbonising ocean shipping. The pilot entails a Maersk Triple-E vessel using up to 20% sustainable second-generation biofuels sailing 25,000 nautical miles on biofuel blends alone from Rotterdam to Shanghai and back. The voyage began late March and is expected to end in June 2019.

the same period last year, however not enough to offset the declines on the North-South and North America trades. Total backhaul volumes decreased by 4.1% while headhaul was down 1.2%.

The average freight rate increased by 3.9% or 71 USD/FFE driven by 4.9% increase on East-West and 4.7% on North-South, while the Intra-regional trades increased by 5.0% driven by Intra-Americas. The positive development

### → Fleet overview, end Q1 2019

|  | TEU              |                  | Number of vessels |            |
|--|------------------|------------------|-------------------|------------|
|  | Q1 2019          | Q4 2018          | Q1 2019           | Q4 2018    |
| <b>Own container vessels</b>               |                  |                  |                   |            |
| 0 – 2,999 TEU                              | 118,967          | 116,287          | 60                | 60         |
| 3,000 – 4,699 TEU                          | 373,011          | 365,811          | 92                | 90         |
| 4,700 – 7,999 TEU                          | 315,164          | 315,164          | 51                | 51         |
| 8,000 – 11,499 TEU                         | 428,854          | 445,754          | 48                | 50         |
| 11,500 – 14,999 TEU                        | 69,018           | 69,018           | 6                 | 6          |
| 15,000 – 17,499 TEU                        | 261,758          | 246,496          | 17                | 16         |
| > 17,500 TEU                               | 593,048          | 572,480          | 31                | 30         |
| <b>Total</b>                               | <b>2,159,820</b> | <b>2,131,010</b> | <b>305</b>        | <b>303</b> |
| <b>Chartered container vessels</b>         |                  |                  |                   |            |
| 0 – 2,999 TEU                              | 409,607          | 396,938          | 198               | 193        |
| 3,000 – 4,699 TEU                          | 275,893          | 290,950          | 70                | 74         |
| 4,700 – 7,999 TEU                          | 329,342          | 326,301          | 56                | 55         |
| 8,000 – 11,499 TEU                         | 606,400          | 615,695          | 65                | 66         |
| 11,500 – 14,999 TEU                        | 247,644          | 247,644          | 19                | 19         |
| <b>Total</b>                               | <b>1,868,886</b> | <b>1,877,528</b> | <b>408</b>        | <b>407</b> |
| <b>Total fleet</b>                         | <b>4,028,706</b> | <b>4,008,538</b> | <b>713</b>        | <b>710</b> |
| <b>Newbuilding programme (own vessels)</b> |                  |                  |                   |            |
| 3,000 – 4,699 TEU                          | 0                | 7,192            | 0                 | 2          |
| > 8,000 TEU                                | 30,452           | 66,246           | 2                 | 4          |
| <b>Total</b>                               | <b>30,452</b>    | <b>73,438</b>    | <b>2</b>          | <b>6</b>   |

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. With IFRS 16, majority of the Ocean leased vessels are classified as finance leases on the balance sheet. All leased vessels are now presented in the chartered container vessel section. Q4 2018 figures have been restated.

### → Loaded volumes

| FFE ('000)     | Q1 2019      | Q1 2018      | Change     | Change %     |
|----------------|--------------|--------------|------------|--------------|
| East-West      | 976          | 975          | 1          | 0.1%         |
| North-South    | 1,517        | 1,607        | -90        | -5.6%        |
| Intra-regional | 657          | 638          | 19         | 3.0%         |
| <b>Total</b>   | <b>3,150</b> | <b>3,220</b> | <b>-70</b> | <b>-2.2%</b> |

### → Average freight rates

| USD/FFE        | Q1 2019      | Q1 2018      | Change    | Change %    |
|----------------|--------------|--------------|-----------|-------------|
| East-West      | 1,884        | 1,796        | 88        | 4.9%        |
| North-South    | 2,113        | 2,018        | 95        | 4.7%        |
| Intra-regional | 1,505        | 1,433        | 72        | 5.0%        |
| <b>Total</b>   | <b>1,903</b> | <b>1,832</b> | <b>71</b> | <b>3.9%</b> |

in freight rates was driven by continued focus on improving the margins including recovery for increases in fuel prices, partly offset by the foreign exchange rate developments. The total average freight rate was also partly offset by the change in trade mix.

Other revenue amounted to USD 914m (USD 830m), mainly driven by higher demurrage and detention, partly due to the increased volumes imported into North America in Q4 2018 and partly from port congestions, as well as from slot sales in relation to vessel sharing agreements (VSA).

Total operating costs decreased by 2.8% mainly due to lower container handling costs and network cost, excluding bunker. Adjusting for foreign exchange rate developments the

operating costs decreased by approx. 0.5%. The 4.3% lower container handling costs were mostly driven by lower terminal costs, which was affected significantly by the developments in foreign exchange, and the container handling costs thus only improved marginally versus Q1 2018, mainly due to higher empty positioning costs because of lower backhaul volumes. The network costs, excluding bunker, improved on the back of synergies from the network integration with Hamburg Süd along with lower time charter expenses from lower capacity partly offset by the newbuilds that have entered the network. The network utilisation was on par with Q1 2018 and slightly worse than Q4 2018, however, schedule reliability improved significantly since last year and versus Q4 2018. Despite an increase in the bunker price of 9.3%, total bunker costs decreased



by 4.3% due to 12% lower consumption, which was partly driven by improvements in bunker efficiency of 8.9% to 42.8 g/TEU\*NM (46.9 g/TEU\*NM) and less capacity offered. SG&A and other costs, etc. increased by USD 31m mainly due to negative realised results on foreign exchange hedges.

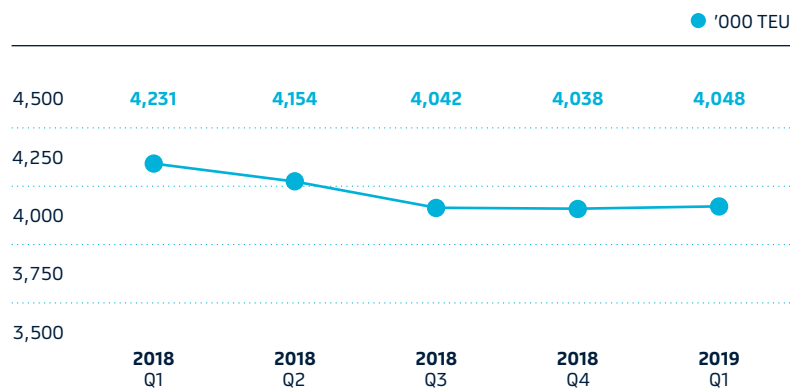
Unit cost at fixed bunker price decreased by 0.4% to 1,882 USD/FFE (1,889 USD/FFE), however, when adjusting for the developments in foreign exchange the unit cost increased by 2.0%. The total unit cost was 2,070 USD/FFE (2,066 USD/FFE).

Increased collaboration and execution of operational efficiency initiatives resulted in continued improvements in port moves per hour in hub terminals, which was 87.7 for Q1 2019 equal to an improvement of 17% compared to Q1 2018 and 4.8% better versus Q4 2018. The improvements were across the total portfolio of hubs.

EBITDA improved by 42% to USD 927m (USD 652m) driven by higher freight rates and demurrage and detention as well as lower total operating cost, which were partly offset by lower volumes. The developments in foreign exchange rate affected the operating costs positively with an adverse effect on revenue partly offsetting. Combined, the EBITDA margin improved by 3.8 percentage points to 13.4% (9.6%) compared to Q1 2018 while deteriorated by 2.4 percentage points versus Q4 2018 due to normal seasonality.

Average nominal capacity for Q1 was 4,048k TEU (4,231k TEU), which was a decrease of 4.3% compared to the same period last year due to the

**→ Average nominal capacity**



combined network with Hamburg Süd partly offset by newbuild deliveries. The fleet consisted of 305 owned vessels and 408 chartered vessels at the end of Q1 2019. Idle capacity at the end of Q1 was 85k TEU (eight vessels) compared to 59k TEU (seven vessels) at the end of Q1 2018. The idle capacity corresponded to around 18% of the idle capacity in the market.

One 14k TEU vessel, the last Triple-E vessel with a capacity of 19.6k TEU and the last two Baltic Feeder vessels with 3.6k TEU capacity each, were delivered during Q1 as part of the newbuilding programme. Two 14k TEU vessels remain to be delivered in Q2 2019 and no new large vessels are expected to be ordered until earliest 2020.

No significant contracts for investments in scrubbers and retrofitting were signed during Q1 for the preparation of the global fuel sulphur cap starting on 1 January 2020 (IMO 2020). As previously communicated, scrubbers installed on selected vessels form one element of the Ocean fuel sourcing strategy for IMO 2020, though most of the fleet will rely on compliant low sulphur fuels when the new regulation steps into force.



To grow and expand the product portfolio, Maersk acquired the American based custom house broker Vandegrift in Q1 2019.

## Logistics & Services

Logistics & Services reported a 0.5% decrease in revenue to USD 1.4bn (USD 1.5bn), mainly driven by lower air freight forwarding revenue. Gross profit increased by 2.2% to USD 274m (USD 268m), positively impacted by growth in profitable geographical areas for intermodal and from new and existing warehouse facilities, partly offset by lower margins and volumes in sea freight forwarding and lower air freight forwarding volumes. EBITDA increased to USD 51m (USD 45m).

Supply chain management volumes continued to develop positively, although at a lower growth rate than seen in 2018, supported by new customer wins. Intermodal volumes grew significantly in parts of Europe, while air freight forwarding volumes decreased due to reduced volumes among some large customers.

## Financial and operational performance

Revenue decreased by USD 7m to USD 1.4bn (USD 1.5bn) negatively impacted by air freight forwarding. Gross profit increased to USD 274m (USD 268m) supported by new warehouse facilities becoming operational during second half of 2018 as well as improvements in Eastern European warehouse facilities, higher inter-modal volume in profitable geographical areas and optimisation of less profitable areas.

This was partly offset by lower margins and volumes in sea freight forwarding and lower volumes in air freight forwarding.

EBITDA came at USD 51m (USD 45m) supported by lower staff-related costs because of the merger of the commercial organisations of Logistics & Services and Ocean, offset by higher IT spend as well as higher cost from the impact of new warehouse facilities. EBITDA was negatively impacted by small restructuring

provisions in Europe and Africa to strengthen the Inland services portfolio.

**Supply chain management** revenue decreased to USD 201m (USD 206m) negatively impacted by foreign exchange rate partly offset by increased volume of 1.1% to 17,155 kcbm (16,975 kcbm) driven by new customer wins. Gross profit increased to USD 79m (USD 77m) supported by the higher volumes and increasing margins to 4.6 USD/cbm (4.5 USD/cbm).

## → Logistics & Services highlights

| USD million   | 2019         | Q1 <sup>1</sup><br>2018 | Full year <sup>1</sup><br>2018 |
|---|--------------|-------------------------|--------------------------------|
| <b>Revenue</b>  | <b>1,448</b> | <b>1,455</b>            | <b>6,082</b>                   |
| Direct cost   | 1,174        | 1,187                   | 4,961                          |
| <b>Gross profit</b>   | <b>274</b>   | <b>268</b>              | <b>1,121</b>                   |
| Selling, General & Administration (SG&A) and other costs, etc.                            | 223          | 223                     | 930                            |
| <b>Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)</b> | <b>51</b>    | <b>45</b>               | <b>191</b>                     |
| EBITDA margin   | 3.5%         | 3.1%                    | 3.1%                           |
| Gross capital expenditure, excl. acquisitions and divestments (CAPEX)                     | 9            | 8                       | 47                             |
| <b>Operational and financial metrics, USD million</b>                                     |              |                         |                                |
| EBIT conversion (EBIT/gross profit - %)   | 6.8%         | 7.0%                    | 6.8%                           |
| Supply chain management volumes ('000 cbm)  | 17,155       | 16,975                  | 75,309                         |
| Supply chain management revenue   | 201          | 206                     | 867                            |
| Intermodal revenue  | 633          | 623                     | 2,569                          |
| Inland services revenue   | 143          | 144                     | 595                            |
| Sea freight volumes (TEU)   | 144,917      | 145,687                 | 639,132                        |
| Sea freight revenue   | 146          | 147                     | 646                            |
| Air freight volumes (tonne)   | 32,086       | 40,159                  | 175,502                        |
| Air freight revenue   | 101          | 141                     | 608                            |
| Other services revenue  | 224          | 194                     | 797                            |

<sup>1</sup> Q1 and full year 2018 are presented as if IFRS 16 had been implemented in 2018, for comparison purposes.

## Key initiatives in Q1

Maersk acquired the American based customs house broker Vandegrift in Q1 2019. The acquisition will complement Maersk's current customs house brokerage offering in North America with product expertise and added capacity.

Significant resources have been invested to reinforce Twill's organisation in several strategic countries like the United States, Germany, the Netherlands and India, and Twill has reached a total of 29 countries with instant quote availability on all port trade lanes. Customer retention remains high around 70-75%, with more customers signing up for Twill via online channels.

To help customers cover logistics-related risks and address our clients potential insurance gap seamlessly, Maersk is rolling out Value Protect, which offers an alternative extended compensation to cargo on ocean containers in case of cargo damage while under the care and custody of Maersk.

Inland services strengthened and expanded its portfolio globally, including new depot and container freight stations.

Initiatives put in place throughout 2018 pay off for the intermodal product. The growth strategy in Africa translates across the continent as new corridors are opened, bringing volume and profit growth. North America continues to focus on optimising equipment flows bringing cost savings. UK focuses on improving rates while optimising fixed capacity utilisation with positive results.

The merger of the commercial organisations of Logistics & Services and Ocean progressed according to plan during Q1 and is on track.

**Inland services** revenue of USD 143m (USD 144m) was in line with Q1 2018 as lower volumes in Costa Rica, India and Ghana were offset by growth initiatives mainly in Latin America and some of the European entities. Gross profit was USD 61m (USD 63m).

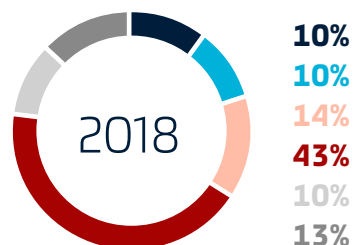
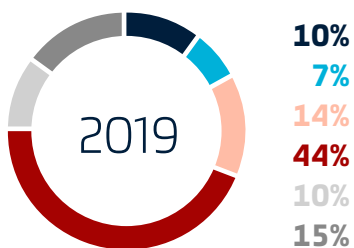
**Intermodal revenue** increased by 1.7% to USD 633m (USD 623m) supported by volume growth of 1.8% to 904k FFE (888k FFE). Volume increased in the European region as markets

in Eastern Europe and Eastern Mediterranean experienced growth above 20%. Gross profit surged to USD 21m (USD 7m), as volume also expanded in geographical pockets of profitability in Africa and West Central Asia, and due to optimisation of areas with lower profitability primarily by reducing unit cost in North America, China and the United Kingdom. The overall decrease in costs was mainly a result of a reduction in overall empty costs due to lower flow imbalances.

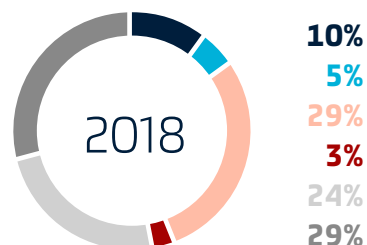
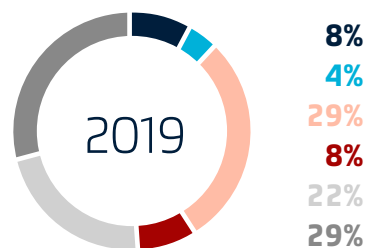
**Activity overview**

● Sea ● Air ● Supply chain management ● Intermodal ● Inland services ● Other services

Revenue, %



Gross profit, %



**Logistics & Services**

The Logistics & Services segment comprises five main activities:

**Intermodal** refers to all operating activities under Maersk Line, 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.

**Freight forwarding** with sea and air freight continuing to operate in a non-integrated way under the Damco brand name.

**Supply chain management** activities, where Maersk manages the customers' supply chain.

**Inland services** are operating activities in inland service facilities with the main revenue stream being container storage, bonded warehousing, empty depot and local transportation.

**Other services** include warehousing, distribution and other value-added services as well as trade finance.

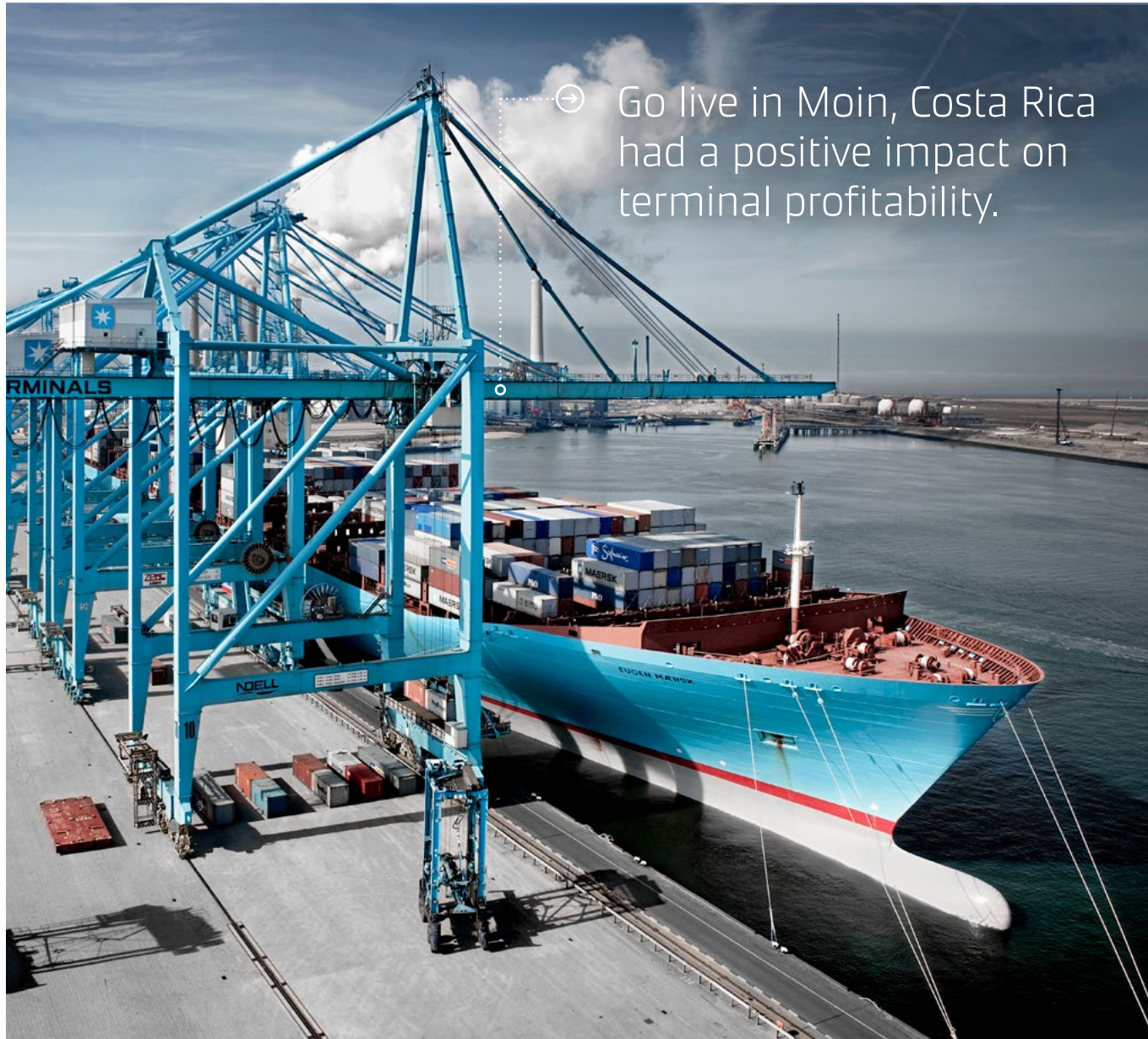
**Sea freight forwarding** revenue was unchanged at USD 146m (USD 147m) whereas volume slightly decreased by 0.5% to 145k TEU (146k TEU). Gross profit declined to USD 21m (USD 28m) as margins declined to 145 USD/TEU (194 USD/TEU).

**Air freight forwarding** revenue decreased to USD 101m (USD 141m) with volumes decreasing by 20% to 32k tonnes (40k tonnes), mostly due to reduced volumes among some large

customers. Gross profit decreased to USD 12m (USD 14m), reflecting the lower volumes while margin increased to 374 USD/tonne (351 USD/tonne).

**EBIT** conversion of 6.8% (7.0%) decreased mainly because of loss on debtors' provision, restructuring provisions and a one-off gain in Q1 2018 in Inland services. Adjusted for this, the EBIT conversion slightly improved.





⊖ Go live in Moin, Costa Rica had a positive impact on terminal profitability.

# Terminals & Towage

**Terminals & Towage reported an increase in revenue of 8.8% to USD 991m (USD 911m), and an increase in EBITDA of 9.4% to USD 267m (USD 244m). The increase in revenue and EBITDA in gateway terminals was driven by Moin, Costa Rica, ramp-up, increased storage, SG&A cost reductions and higher volumes. The decrease in revenue from towage activity was mainly driven by foreign exchange rate and volume decreases in Australia.**

APM Terminals inaugurated its new container terminal in Moin, Costa Rica, at the end of February, opening direct routes to European and Asian markets for the world's largest exporter of pineapples and the third largest exporter of bananas. All other projects under implementation are progressing as planned. CAPEX increased to USD 85m (USD 77m), mainly driven by equipment replacement.

For Towage, activity increased in the Americas driven by increase in market share in ports entered during 2018 and new terminal towage operations in Costa Rica. Also, the activity grew in the Asia, Middle East & Africa region from towage operation in Bangladesh being in full operations and new contracts commencing in Tangier Med II, Morocco, and Monrovia, Liberia.

## Terminals

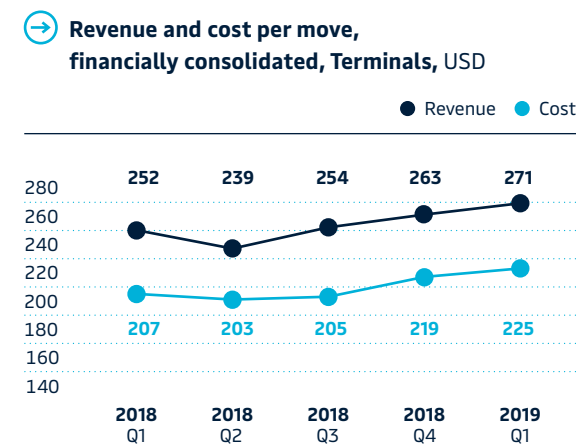
### Financial and operational performance

Revenue increased by 12% to USD 824m (USD 736m) and EBITDA increased by 15% to USD 210m (USD 184m) due to Moin, Costa Rica, ramp-up, increased storage income, SG&A cost reductions and 3.5% volume growth measured in financially consolidated moves. Gross capital expenditure increased to USD 85m (USD 77m) mainly driven by equipment replacement.

Gateway terminals reported volume growth of 3.5% (3.0% like-for-like adjusted for divested terminals, new terminals and terminals in ramp-up stage. Moin, Costa Rica, Izmir, Turkey, and Kobe, Japan, are excluded in like-for-like for Q1 2019) compared to estimated market growth of 1.7%, mainly driven by new contracts won and the opening of Moin, Costa Rica partially offset by lower volumes in Barcelona, Spain. Utilisation grew by 10 percentage points to 79% (69%) due to volume growth, project related capacity reductions in selected terminals, and impact of APM Terminals exits from Izmir, Turkey, and Kobe, Japan. Ocean segment

contributed with 2.5% of this volume growth (4.9% like-for-like) and external customers 4.1% (2.0% like-for-like). On an equity-weighted basis, volume grew 4.9% (4.5% like-for-like) and utilisation was 83% (75%).

Revenue per move increased by 7.5% to USD 271 (USD 252), driven by higher revenue from storage in West Africa and Latin America, renewal of contracts, go-live of Moin, Costa Rica, and positive effect of higher volumes in North America where rates are higher on average. These positive developments were partly offset by negative EUR rate of exchange impact. Adjusted for



### → Terminals & Towage highlights

| USD million   | 2019       | Q1 <sup>1</sup><br>2018 | Full year <sup>1</sup><br>2018 |
|---|------------|-------------------------|--------------------------------|
| <b>Revenue</b>  | <b>991</b> | <b>911</b>              | <b>3,772</b>                   |
| Concession fees   | 62         | 60                      | 262                            |
| Labour cost (blue collar)   | 333        | 277                     | 1,222                          |
| Other operational cost  | 182        | 161                     | 651                            |
| Selling, General & Administration (SG&A) and other costs, etc.                            | 147        | 169                     | 639                            |
| <b>Total operating cost</b>   | <b>724</b> | <b>667</b>              | <b>2,774</b>                   |
| <b>Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)</b> | <b>267</b> | <b>244</b>              | <b>998</b>                     |
| EBITDA margin   | 26.9%      | 26.8%                   | 26.5%                          |
| Gross capital expenditure, excl. acquisitions and divestments (CAPEX)                     | 121        | 101                     | 556                            |
| <b>Operational and financial metrics</b>  |            |                         |                                |
| Terminal volumes – financially consolidated (moves, m)                                    | 2.8        | 2.7                     | 11.4                           |
| Ocean segment   | 1.0        | 0.9                     | 4.1                            |
| External customers  | 1.8        | 1.8                     | 7.3                            |
| Terminal revenue per move – financially consolidated (USD)                                | 271        | 252                     | 252                            |
| Terminal cost per move – financially consolidated (USD)                                   | 225        | 207                     | 211                            |
| Result from joint ventures and associated companies (USD m)                               | 51         | 54                      | 164                            |
| Number of operational tug jobs (harbour towage) ('000)                                    | 33         | 33                      | 131                            |
| Annualised EBITDA per tug (terminal towage) (USD in '000)                                 | 918        | 797                     | 892                            |

<sup>1</sup> Q1 and full year 2018 are presented as if IFRS 16 had been implemented in 2018, for comparison purposes.

### Key initiatives in Q1

The greenfield terminal in Moin, Costa Rica, was inaugurated in February and ramping up as planned. The construction of APM Vado Terminal in Italy and TC2 in Abidjan are progressing as planned.

Gateway terminals continued to grow above market for both Ocean and external customers during Q1. The growth rate is slowing down compared to 2018, reflecting that most of Ocean synergies have been realised.

APM Terminals successfully transferred the Kobe, Japan concession to its Japanese partner MLC as of 1 January 2019. The transaction value of this transfer is immaterial.

foreign exchange rate, volume mix effects and portfolio changes, revenue per move increased by around 3% compared to Q1 2018. The volume mix effect relates to the impact on revenue per move from changes in the share of volumes from different terminals.

Cost per move was 8.7% higher than Q1 2018 at USD 225 (USD 207), mainly due to higher volumes in higher cost locations and operational challenges in Port Elizabeth, USA, at the beginning of Q1 caused by congestion on the connecting railway. The negative impact from Port Elizabeth offsets the benefits of several cost reduction initiatives, which successfully impacted unit cost in several terminals globally. It is expected that Port Elizabeth, USA will be back to normal operations during Q2. Adjusted for foreign exchange rate impact and volume mix effects between operating terminals and from divested and newly operated terminals, cost per move increased by around 5%.

Volume growth was driven by North America by 30% mainly due to external customers in Los Angeles, USA which more than offset the impact from operational challenges in Port Elizabeth, USA. Latin America volumes grew 21% supported by the operational start of the Moin Terminal, Costa Rica, by 18 percentage points and higher volumes from existing services. In Europe, volumes decreased by 13% following the divestment of Izmir, Turkey and lower volumes in Barcelona, Spain, and Asia decreased by 10% mainly driven by the exit from Kobe, Japan, by five percentage points and lower volumes in India. Volumes remained stable in Africa and Middle East.

EBITDA margin decreased by 8.3 percentage points in Americas partly due to cost related to congestion in Port Elizabeth, USA, partly offset by the volume increases related to the Moin go-live. In Europe, EBITDA margin was stable (negative 1.1 percentage points) despite

lower volumes. In Africa and Middle East, the EBITDA margin increased by 5.3 percentage points due to the higher storage revenue in the West African terminals. Asia decreased by 7.5 percentage points, due to lower volumes in India and exit from Kobe, Japan.

### Results from joint ventures and associated companies

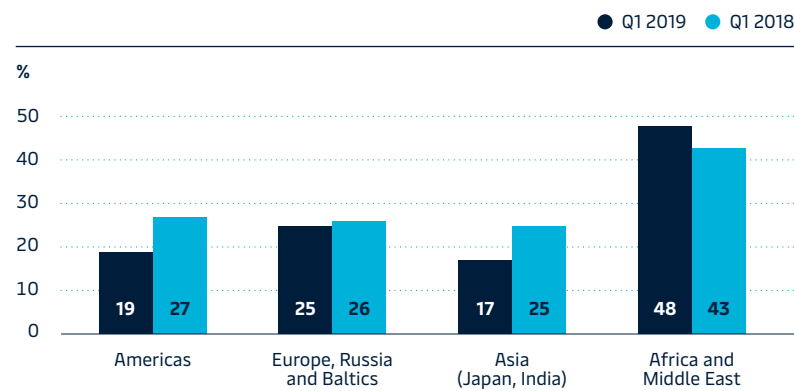
The lower share of profit in joint ventures and associated companies of USD 46m (USD 48m) was mainly driven by a one-off loss on a purchase contract, and higher operational cost in Russia.

### Financially consolidated volume, terminals



| Million moves              | Q1 2019    | Q1 2018    | Growth (%) |
|----------------------------|------------|------------|------------|
| Americas                   | 1.3        | 1.0        | 25.3       |
| Europe, Russia and Baltics | 0.6        | 0.7        | -13.0      |
| Asia                       | 0.5        | 0.5        | -10.3      |
| Africa and Middle East     | 0.4        | 0.5        | -2.4       |
| <b>Total</b>               | <b>2.8</b> | <b>2.7</b> | <b>3.5</b> |

### Financially consolidated EBITDA-margin per region, terminals



### Terminals

● 2019 ● 2018

16 / 15

Americas

18 / 19

Europe, Russia and Baltics

17 / 18

Asia

14 / 13

Africa and Middle East



3 / 4

Terminals under implementation (opening year):

**Tema**  
Ghana (2019)

**Vado**  
Italy (2019)

**Abidjan**  
Ivory Coast (2021)

## Towage

### Financial and operational performance

Revenue from towage activity decreased by 2.2% to USD 173m (USD 177m), mainly driven by negative currency development in the Australian dollar, the British pound and the euro and volume decreases in Australia, partly offset by volume increases in the Americas and in the Asia, Middle East & Africa region. Like-for-like revenue growth adjusted for currency development was 4.3%. EBITDA was USD 56m (USD 60m) impacted by volume increases offset by negative currency development. Cash flow used for capital expenditure amounted to USD 36m (USD 27m).

Harbour towage activities measured by the number of tug jobs increased by 2.3%, driven by increased activity in the Americas and the Asia, Middle East & Africa region. In the Americas, the growth was achieved by increase in market share in ports entered during 2018, while growth in the Asia, Middle East & Africa region was driven by entry into new ports. This was partially offset by lower volumes in Australia.

For terminal towage, annualised EBITDA per tug improved, positively impacted by contracts commenced during 2018 including Darwin, Australia, Bangladesh, Costa Rica and Monrovia, Liberia, partially offset by negative currency development.


The activity in Australia increased slightly driven by improved terminal towage activity while harbour towage activity decreased due to lower commodity exports and lower port

share in various competitive ports after competitive entry in late 2018.

While activity in Europe remained stable with positive impact from more weather-related tug jobs in the UK and in the Sound/Nordics as well as additional volume in the Sound following the acquisition of Port Towage Nordic, the market share for harbour towage in multi operator ports dropped in Q1 2019, mainly driven by lower market share in the UK. The activities in Portugal were transferred to held for sale subsequently sold in April pending approval from the authorities.


In the Americas, the activity in Brazil grew in both volumes and market share, mainly in the ports of Santos, Rio Grande and Paranagua while harbour towage activity in Argentina remained stable across the ports of Buenos Aires, Necochea and Bahia Blanca. Also, the terminal towage activities ramped up with Costa Rica in full operation from Q1 2019.

Revenue in the Asia, Middle East & Africa region increased due to towage operations in Bangladesh being in full operation in Q1 2019 as well as contracts commencing in Tangier Med II, Morocco and Monrovia, Liberia.

| → Revenue, towage  |            |            |             |
|---|------------|------------|-------------|
| Per region, USD million   | Q1 2019    | Q1 2018    | Growth %    |
| Australia   | 65         | 70         | -7.7        |
| Europe  | 62         | 64         | -3.3        |
| Americas  | 25         | 23         | 5.9         |
| Asia, Middle East and Africa  | 21         | 20         | 11.7        |
| <b>Total</b>  | <b>173</b> | <b>177</b> | <b>-2.2</b> |

| Per activity, USD million |            |            |             |
|---------------------------|------------|------------|-------------|
|                           | Q1 2019    | Q1 2018    | Growth %    |
| Harbour towage            | 119        | 125        | -5.2        |
| Terminal towage           | 55         | 52         | 6.3         |
| Eliminations, etc.        | -1         | -          | N/A         |
| <b>Total</b>              | <b>173</b> | <b>177</b> | <b>-2.2</b> |

| → Fleet overview, towage  |            |            |
|--|------------|------------|
| Number of vessels  | Q1 2019    | Q4 2018    |
| Owned  | 339        | 339        |
| Chartered  | 37         | 26         |
| <b>Total</b>   | <b>376</b> | <b>365</b> |

| Newbuilding                  |           |          |
|------------------------------|-----------|----------|
|                              | Q1 2019   | Q4 2018  |
| Delivery within current year | 3         | 2        |
| Delivery next year           | 7         | -        |
| <b>Total</b>                 | <b>10</b> | <b>2</b> |

The towage fleet increased by 11 vessels to 376 vessels, with 339 owned and 37 chartered at the end of March 2019. A total of 10 vessels are on order with delivery of three vessels in 2019 and seven vessels in 2020.

### Key initiatives in Q1

Optimisation of the existing market portfolio progressed with focus on growth in selected markets and on improving customer satisfaction, along with efforts to strengthen the relationships with global customers. During Q1 2019 contracts were secured in the Suez Canal, Egypt, and in Sohar, Oman, while the Caribbean joint venture was awarded a new contract in Saint Croix with start in Q2 2019.

To address the increased commercial pressure from fewer new projects, slow growth in vessel calls and overcapacity of towage tonnage in certain geographic markets, optimisation of the fleet utilisation continued through repositioning or selling idle vessels, leading to the disposal of one idle vessel in Q1 2019.





↻ Maersk Supply Service reclassified as continuing operations.

## Manufacturing & Others

**Manufacturing & Others' revenue decreased by 18% to USD 558m (USD 672m) while EBITDA came at USD 21m (USD 48m). The result is mainly impacted by restructuring cost in Maersk Container Industry following the announcement in January to close production in Dongguan, China.**

Towards the end of Q1, it was announced to reclassify Maersk Supply Service to continuing operations, ending the process of finding a structural solution. All financials related to Maersk Supply Service have been restated accordingly. In January, Maersk Container Industry announced to focus fully on growing cold chain business and exit the dry container business, including the manufacturing in Dongguan. EBITDA is negatively impacted by restructuring costs of USD 31m.

## Maersk Container Industry Financial and operational performance

Maersk Container Industry reported a revenue of USD 140m (USD 288m), negatively impacted by the exit from the dry business and 30% lower revenue in reefer business. The reefer factory in Qingdao, China has been running near full capacity throughout Q1, but a change in delivery terms has pushed part of the revenue to later periods.

The negative EBITDA of USD 15m (positive USD 32m) is heavily impacted by the closing of the dry factory with USD 31m in restructuring costs and the exit of the dry business in general. EBITDA in the reefer business decreased by 5.5% despite the 30% lower revenue, and

EBITDA margin in the reefer business increased to 14% (10%). The better profitability in the reefer business is due to lower commodity prices, the consolidation of reefer manufacturing in China and a different mix of products.

In both Dongguan, China, and San Antonio, Chile, a minimum level of staff is retained to handle the decommissioning of the factories.

## Maersk Supply Service Financial and operational performance

Maersk Supply Service reported a 15% increase in revenue to USD 69m (USD 60m), reflecting higher rates in the Subsea Supply Vessel segment, and an EBITDA of USD 5m (USD 3m).

Cash flow used for capital expenditure was USD 175m (USD 179m) due to payment of two (two) newbuildings during Q1.

Maersk Supply Service had 12 (14) vessels laid up at the end of Q1, corresponding to 27% of its fleet, where the industry number was around 30%. When including both laid-up and idle vessels, the industry percentage increases to approx. 43%.

## Other

For other businesses, revenue ended at USD 350m (USD 324m), impacted by a higher level of oil/bunker trading with third parties as well as the divestment of bulk activities originally acquired from Hamburg Süd. EBITDA was negative USD 31m (positive USD 13m).

## → Manufacturing & Others highlights

| USD million  | 2019  | Q1 <sup>1</sup><br>2018 | Full year <sup>1</sup><br>2018 |
|--|-------|-------------------------|--------------------------------|
| Revenue  | 558   | 672                     | 2,787                          |
| Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA) | 21    | 48                      | 163                            |
| EBITDA margin  | 3.8%  | 7.1%                    | 5.8%                           |
| Gross capital expenditure, excl. acquisitions and divestments (CAPEX)              | 177   | 184                     | 358                            |
| <b>Operational and financial metrics, USD million</b>                              |       |                         |                                |
| <b>Maersk Container Industry</b>   |       |                         |                                |
| Sales volume (unit)  | 9,906 | 31,762                  | 117,481                        |
| Sales to third party   | 95    | 88                      | 601                            |
| EBITDA   | -15   | 32                      | 40                             |
| <b>Maersk Supply Service</b>   |       |                         |                                |
| Gross utilisation  | 59%   | 59%                     | 60%                            |
| Revenue backlog  | 302   | 265                     | 323                            |
| EBITDA   | 5     | 3                       | 3                              |

<sup>1</sup> Q1 and full year 2018 are presented as if IFRS 16 had been implemented in 2018, for comparison purposes.

## Key initiatives in Q1

### Maersk Container Industry

The reefer factory in China has been running near full capacity throughout Q1. Total demand in Q1 from Maersk ended at 32% (70%). Maersk Container Industry continues to focus on volumes from a broad customer base and a higher share of third party customers.

The world of reefers is changing fast with recent technologies. Alongside Sekstant™, Maersk Container Industry's reefer digitalisation and connectivity solution announced in November 2018, Maersk Container Industry continues to work on developing several other digital innovations. These include the Star Cool Service app, which supports daily operations, and the Box inspection app. Both services are already available and will be further refined in the coming year.

### Maersk Supply Service

Maersk Supply Service successfully completed its first major contract within the new work scope of Light Well Intervention during Q1. A newbuild SSV completed the six-month contract on time offshore Angola. Maersk Supply Service has two additional ongoing contracts for Light Well Intervention work scopes in Mexico and Africa.

Maersk Decom, the joint venture between Maersk Supply Service and Maersk Drilling, has completed its first study contracts and submitted its first bids for decommissioning projects involving both plug and abandonment and engineering, preparation, removal and disposal scopes.

# Statement of the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the Interim Report of A.P. Møller - Mærsk A/S for the period 1 January 2019 to 31 March 2019.

The interim consolidated financial statements of A.P. Møller - Mærsk A/S have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and additional Danish disclosure requirements for interim financial reporting of listed companies. In our opinion, the interim consolidated financial statements (pages 28-38) give a true and fair view of A.P. Møller - Mærsk's consolidated assets, liabilities and financial

position at 31 March 2019 and of the results of A.P. Møller - Mærsk's consolidated operations and cash flows for the period 1 January to 31 March 2019. Furthermore, in our opinion the Directors' report (pages 3-26) includes a fair review of the development in A.P. Møller - Mærsk's operations and financial conditions, the results for the period, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that A.P. Møller - Mærsk faces.

**Copenhagen, 24 May 2019**

## Executive Board

**Søren Skou** – CEO

**Claus V. Hemmingsen** – Vice CEO

**Carolina Dybeck Happe** – CFO

**Vincent Clerc**

**Morten Engelstoft**

**Søren Toft**

## 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**

# Financials

# Q1 2019

## A.P. Moller - Maersk

(In parenthesis the corresponding figures for 2018)

### Interim consolidated financial statements Q1 2019

Condensed income statement

Condensed statement of comprehensive income

Condensed balance sheet

Condensed cash flow statement

Condensed statement of changes in equity

Notes to the consolidated financial statements



## Condensed income statement

| Note   | 2019         | Q1<br>2018   | Full year<br>2018 |
|--|--------------|--------------|-------------------|
| 1 Revenue  | 9,540        | 9,312        | 39,280            |
| 1 <b>Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)</b> | <b>1,236</b> | <b>672</b>   | <b>3,809</b>      |
| Depreciation, amortisation and impairment losses, net                                  | 1,082        | 785          | 3,737             |
| Gain on sale of non-current assets, etc., net  | 18           | 33           | 148               |
| Share of profit/loss in joint ventures   | 24           | 37           | 116               |
| Share of profit/loss in associated companies   | 34           | 26           | -115              |
| <b>Profit/loss before financial items</b>  | <b>230</b>   | <b>-17</b>   | <b>221</b>        |
| Financial items, net   | -228         | -120         | -401              |
| <b>Profit/loss before tax</b>  | <b>2</b>     | <b>-137</b>  | <b>-180</b>       |
| Tax  | 106          | 98           | 398               |
| <b>Profit/loss for the period – continuing operations</b>                              | <b>-104</b>  | <b>-235</b>  | <b>-578</b>       |
| 2 Profit/loss for the period – discontinued operations                                 | -552         | 2,981        | 3,787             |
| <b>Profit/loss for the period</b>  | <b>-656</b>  | <b>2,746</b> | <b>3,209</b>      |
| <i>Of which:</i>   |              |              |                   |
| Non-controlling interests  | 3            | 16           | 52                |
| <b>A.P. Møller - Mærsk A/S' share</b>  | <b>-659</b>  | <b>2,730</b> | <b>3,157</b>      |
| <b>Earnings per share – continuing operations, USD</b>                                 | <b>-5</b>    | <b>-12</b>   | <b>-30</b>        |
| <b>Diluted earnings per share – continuing operations, USD</b>                         | <b>-5</b>    | <b>-12</b>   | <b>-30</b>        |
| <b>Earnings per share, USD</b>   | <b>-32</b>   | <b>132</b>   | <b>152</b>        |
| <b>Diluted earnings per share, USD</b>   | <b>-32</b>   | <b>132</b>   | <b>152</b>        |

Maersk Oil and Maersk Drilling were classified as discontinued operations in 2017, and the businesses are presented separately on an aggregated level in the income statement, balance sheet and cash flow statement.

## Condensed statement of comprehensive income

| Note  | 2019        | Q1<br>2018   | Full year<br>2018 |
|---|-------------|--------------|-------------------|
| <b>Profit/loss for the period</b>   | <b>-656</b> | <b>2,746</b> | <b>3,209</b>      |
| Translation from functional currency to presentation currency                                 | -4          | 111          | -346              |
| Cash flow hedges  | -22         | 83           | -138              |
| Tax on other comprehensive income   | 8           | -24          | 8                 |
| Share of other comprehensive income of joint ventures and associated companies, net of tax    | -           | -            | 2                 |
| <b>Total items that have been or may be reclassified subsequently to the income statement</b> | <b>-18</b>  | <b>170</b>   | <b>-474</b>       |
| Other equity investments  | 169         | 9            | -134              |
| Actuarial gains/losses on defined benefit plans, etc.   | -           | -            | -7                |
| Tax on other comprehensive income   | -23         | -            | -38               |
| <b>Total items that will not be reclassified to the income statement</b>                      | <b>146</b>  | <b>9</b>     | <b>-179</b>       |
| <b>Other comprehensive income, net of tax</b>   | <b>128</b>  | <b>179</b>   | <b>-653</b>       |
| <b>Total comprehensive income for the period</b>  | <b>-528</b> | <b>2,925</b> | <b>2,556</b>      |
| <i>Of which:</i>  |             |              |                   |
| Non-controlling interests   | -1          | 19           | 38                |
| <b>A.P. Møller - Mærsk A/S' share</b>   | <b>-527</b> | <b>2,906</b> | <b>2,518</b>      |

## Condensed balance sheet at 31 March

| Note                               | 2019          | 31 March<br>2018 | Full year<br>2018 |
|------------------------------------|---------------|------------------|-------------------|
| Intangible assets                  | 4,338         | 4,320            | 4,278             |
| Property, plant and equipment      | 37,474        | 32,643           | 31,107            |
| Financial non-current assets, etc. | 3,030         | 3,630            | 2,994             |
| Deferred tax                       | 258           | 314              | 267               |
| <b>Total non-current assets</b>    | <b>45,100</b> | <b>40,907</b>    | <b>38,646</b>     |
| Inventories                        | 1,059         | 963              | 1,073             |
| Receivables, etc.                  | 5,176         | 5,964            | 5,687             |
| Equity investments, etc.           | 1             | 5,582            | 2,448             |
| Cash and bank balances             | 4,998         | 3,205            | 2,863             |
| 2 Assets held for sale             | 5,367         | 5,001            | 5,905             |
| <b>Total current assets</b>        | <b>16,601</b> | <b>20,715</b>    | <b>17,976</b>     |
| <b>1 Total assets</b>              | <b>61,701</b> | <b>61,622</b>    | <b>56,622</b>     |

| Note   | 2019          | 31 March<br>2018 | Full year<br>2018 |
|--|---------------|------------------|-------------------|
| Equity attributable to A.P. Møller - Mærsk A/S     | 32,083        | 33,487           | 32,608            |
| Non-controlling interests                          | 760           | 808              | 771               |
| <b>Total equity</b>                                | <b>32,843</b> | <b>34,295</b>    | <b>33,379</b>     |
| Lease liabilities, non-current                     | 7,734         | 2,230            | 1,858             |
| Borrowings, non-current                            | 7,484         | 13,127           | 8,036             |
| Other non-current liabilities                      | 1,504         | 1,693            | 1,642             |
| <b>Total non-current liabilities</b>               | <b>16,722</b> | <b>17,050</b>    | <b>11,536</b>     |
| Lease liabilities, current                         | 1,256         | 406              | 408               |
| Borrowings, current                                | 1,356         | 1,693            | 1,586             |
| Other current liabilities                          | 7,587         | 7,778            | 7,764             |
| 2 Liabilities associated with assets held for sale | 1,937         | 400              | 1,949             |
| <b>Total current liabilities</b>                   | <b>12,136</b> | <b>10,277</b>    | <b>11,707</b>     |
| <b>1 Total liabilities</b>                         | <b>28,858</b> | <b>27,327</b>    | <b>23,243</b>     |
| <b>Total equity and liabilities</b>                | <b>61,701</b> | <b>61,622</b>    | <b>56,622</b>     |

## Condensed cash flow statement

| Note   | 2019          | 31 March<br>2018 | Full year<br>2018 |
|--|---------------|------------------|-------------------|
| Profit/loss before financial items   | 230           | -17              | 221               |
| Non-cash items, etc.   | 1,012         | 761              | 3,727             |
| Change in working capital  | 370           | -255             | -339              |
| Cash flow from operating activities before tax                                   | 1,612         | 489              | 3,609             |
| Taxes paid   | -130          | -39              | -381              |
| <b>Cash flow from operating activities</b>                                       | <b>1,482</b>  | <b>450</b>       | <b>3,228</b>      |
| Purchase of intangible assets and property, plant and equipment (CAPEX)          | -778          | -1,359           | -3,219            |
| Sale of intangible assets and property, plant and equipment                      | 62            | 26               | 432               |
| Sale of other equity investments   | 2,615         | 36               | 3,033             |
| Acquisition/sale of subsidiaries and activities, financial investments etc., net | 30            | 50               | -39               |
| Dividends received   | 74            | 67               | 439               |
| <b>Cash flow used for investing activities</b>                                   | <b>2,003</b>  | <b>-1,180</b>    | <b>646</b>        |
| Repayment of/proceeds from loans, net  | -1,092        | -293             | -5,651            |
| Financial payments, net  | -204          | -287             | -577              |
| Dividends distributed  | -             | -                | -517              |
| Dividends distributed to non-controlling interests                               | -3            | -                | -75               |
| Other equity transactions  | -2            | -60              | -45               |
| <b>Cash flow from financing activities</b>                                       | <b>-1,302</b> | <b>-640</b>      | <b>-6,865</b>     |
| <b>Net cash flow from continuing operations</b>                                  | <b>2,183</b>  | <b>-1,370</b>    | <b>-2,991</b>     |
| 2 Net cash flow from discontinued operations                                     | 47            | 2,293            | 3,967             |
| <b>Net cash flow for the period</b>  | <b>2,230</b>  | <b>923</b>       | <b>976</b>        |
| Cash and cash equivalents 1 January  | 3,149         | 4,077            | 4,077             |
| Currency translation effect on cash and bank balances                            | -7            | -1,761           | -1,904            |
| Cash and cash equivalents, end of period   | 5,372         | 3,239            | 3,149             |
| Of which classified as assets held for sale                                      | -426          | -55              | -372              |
| <b>Cash and cash equivalents, end of period</b>                                  | <b>4,946</b>  | <b>3,184</b>     | <b>2,777</b>      |
| <i>Cash and cash equivalents</i>   |               |                  |                   |
| Cash and bank balances   | 4,998         | 3,205            | 2,863             |
| Overdrafts   | 52            | 21               | 86                |
| <b>Cash and cash equivalents, end of period</b>                                  | <b>4,946</b>  | <b>3,184</b>     | <b>2,777</b>      |

Cash and bank balances include USD 1.0bn (USD 1.2bn) 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.

# Condensed statement of changes in equity

|   | A.P. Møller - Mærsk A/S |                     |                                      |                    |                   |               |                           |               |  |
|---|-------------------------|---------------------|--------------------------------------|--------------------|-------------------|---------------|---------------------------|---------------|--|
|   | Share capital           | Translation reserve | Reserve for other equity investments | Reserve for hedges | Retained earnings | Total         | Non-controlling interests | Total equity  |  |
| Equity 1 January 2019   | 3,774                   | -619                | -202                                 | -103               | 29,757            | 32,607        | 773                       | 33,380        |  |
| <i>2019</i>   |                         |                     |                                      |                    |                   |               |                           |               |  |
| Other comprehensive income, net of tax  | -                       | -2                  | 146                                  | -11                | -1                | 132           | -4                        | 128           |  |
| Profit/loss for the period  | -                       | -                   | -                                    | -                  | -659              | -659          | 3                         | -656          |  |
| <b>Total comprehensive income for the period</b>  | -                       | -2                  | <b>146</b>                           | <b>-11</b>         | <b>-660</b>       | <b>-527</b>   | <b>-1</b>                 | <b>-528</b>   |  |
| Dividends to shareholders   | -                       | -                   | -                                    | -                  | -                 | -             | -12                       | -12           |  |
| Value of share-based payment  | -                       | -                   | -                                    | -                  | 3                 | 3             | -                         | 3             |  |
| Transfer of gain/loss on disposal of equity investments to retained earnings <sup>1</sup> | -                       | -                   | 56                                   | -                  | -56               | -             | -                         | -             |  |
| Other equity movements  | -                       | -                   | -                                    | -                  | -                 | -             | -                         | -             |  |
| <b>Total transactions with shareholders</b>   | -                       | -                   | <b>56</b>                            | -                  | <b>-53</b>        | <b>3</b>      | <b>-12</b>                | <b>-9</b>     |  |
| <b>Equity 31 March 2019</b>   | <b>3,774</b>            | <b>-621</b>         | <b>-</b>                             | <b>-114</b>        | <b>29,044</b>     | <b>32,083</b> | <b>760</b>                | <b>32,843</b> |  |
| Equity 1 January 2018   | 3,774                   | -288                | 26                                   | 26                 | 27,070            | 30,608        | 817                       | 31,425        |  |
| Other comprehensive income, net of tax  | -                       | 109                 | 10                                   | 60                 | -3                | 176           | 3                         | 179           |  |
| Profit/loss for the period  | -                       | -                   | -                                    | -                  | 2,730             | 2,730         | 16                        | 2,746         |  |
| <b>Total comprehensive income for the period</b>  | -                       | <b>109</b>          | <b>10</b>                            | <b>60</b>          | <b>2,727</b>      | <b>2,906</b>  | <b>19</b>                 | <b>2,925</b>  |  |
| Value of share-based payment  | -                       | -                   | -                                    | -                  | 4                 | 4             | -                         | 4             |  |
| Acquisition of non-controlling interests  | -                       | -                   | -                                    | -                  | -32               | -32           | -27                       | -59           |  |
| Sale of non-controlling interests   | -                       | -                   | -                                    | -                  | 1                 | 1             | -1                        | -             |  |
| Transfer of gain/loss on disposal of equity investments to retained earnings              | -                       | -                   | -21                                  | -                  | 21                | -             | -                         | -             |  |
| Other equity movements  | -                       | -                   | -                                    | -                  | -                 | -             | -                         | -             |  |
| <b>Total transactions with shareholders</b>   | -                       | -                   | <b>-21</b>                           | -                  | <b>-6</b>         | <b>-27</b>    | <b>-28</b>                | <b>-55</b>    |  |
| <b>Equity 31 March 2018</b>   | <b>3,774</b>            | <b>-179</b>         | <b>15</b>                            | <b>86</b>          | <b>29,791</b>     | <b>33,487</b> | <b>808</b>                | <b>34,295</b> |  |

<sup>1</sup> To reduce the net interest-bearing debt, A.P. Møller - 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 loss, net of tax, of USD 56m has been transferred within equity.

# Notes

|   |    |
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Note 1

## Segment information

|  | Ocean        | Logistics & Services | Terminals & Towage | Manufacturing & Others | Total        |
|--|--------------|----------------------|--------------------|------------------------|--------------|
| <i>Q1 2019</i>   |              |                      |                    |                        |              |
| External revenue   | 6,833        | 1,402                | 792                | 508                    | 9,535        |
| Inter-segment revenue  | 96           | 46                   | 199                | 50                     | 391          |
| <b>Total segment revenue</b>   | <b>6,929</b> | <b>1,448</b>         | <b>991</b>         | <b>558</b>             | <b>9,926</b> |
| Unallocated and eliminations   |              |                      |                    |                        | -386         |
| <b>Total revenue</b>   | <b>-</b>     | <b>-</b>             | <b>-</b>           | <b>-</b>               | <b>9,540</b> |
| <b>Segment profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)</b>      | <b>927</b>   | <b>51</b>            | <b>267</b>         | <b>21<sup>2</sup></b>  | <b>1,266</b> |
| Unallocated items  |              |                      |                    |                        | -31          |
| Eliminations   |              |                      |                    |                        | 1            |
| <b>Consolidated profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)</b> |              |                      |                    |                        | <b>1,236</b> |
| Gross capital expenditures, excl. acquisitions and divestments (CAPEX)                                 | 469          | 9                    | 121                | 177                    | 776          |

|  | Ocean        | Logistics & Services | Terminals & Towage | Manufacturing & Others | Total        |
|--|--------------|----------------------|--------------------|------------------------|--------------|
| <i>Q1 2018</i>   |              |                      |                    |                        |              |
| External revenue   | 6,716        | 1,407                | 711                | 457                    | 9,291        |
| Inter-segment revenue  | 94           | 48                   | 200                | 215                    | 557          |
| <b>Total segment revenue</b>   | <b>6,810</b> | <b>1,455</b>         | <b>911</b>         | <b>672</b>             | <b>9,848</b> |
| Unallocated and eliminations   |              |                      |                    |                        | -543         |
| IFRS 16 impact   |              |                      |                    |                        | 7            |
| <b>Total revenue</b>   | <b>-</b>     | <b>-</b>             | <b>-</b>           | <b>-</b>               | <b>9,312</b> |
| <b>Segment profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)</b>      | <b>652</b>   | <b>45</b>            | <b>244</b>         | <b>48</b>              | <b>989</b>   |
| Unallocated items  |              |                      |                    |                        | -51          |
| Eliminations   |              |                      |                    |                        | -7           |
| IFRS 16 impact   |              |                      |                    |                        | -259         |
| <b>Consolidated profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)</b> |              |                      |                    |                        | <b>672</b>   |
| Gross capital expenditures, excl. acquisitions and divestments (CAPEX)                                 | 1,074        | 8                    | 101                | 184                    | 1,367        |

| USD million  | Types of revenue                   | 2019         | Q1 2018      | Full year 2018 |
|--|------------------------------------|--------------|--------------|----------------|
| Ocean  | Freight revenue                    | 6,015        | 5,980        | 24,925         |
|  | Other revenue, including hubs      | 914          | 830          | 3,441          |
| Logistics & Services                                 | Ocean revenue                      | 146          | 147          | 646            |
|  | Supply chain management revenue    | 201          | 206          | 867            |
|  | Air freight revenue                | 101          | 141          | 608            |
|  | Intermodal revenue                 | 633          | 623          | 2,569          |
|  | Inland services revenue            | 143          | 144          | 595            |
|  | Other services revenue             | 224          | 194          | 797            |
| Terminals & Towage                                   | Terminal services                  | 824          | 736          | 3,095          |
|  | Towage services                    | 173          | 177          | 692            |
| Manufacturing & Others                               | Sale of containers and spare parts | 140          | 288          | 978            |
|  | Offshore supply services           | 69           | 60           | 263            |
|  | Other Shipping activities          | 156          | 147          | 719            |
|  | Other services                     | 193          | 177          | 827            |
| Unallocated activities and eliminations <sup>1</sup> |                                    | -392         | -545         | -1,765         |
|  |                                    | <b>9,540</b> | <b>9,305</b> | <b>39,257</b>  |
| IFRS 16 impact                                       |                                    | -            | -7           | -23            |
| <b>Total revenue</b>                                 |                                    | <b>9,540</b> | <b>9,312</b> | <b>39,280</b>  |

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

<sup>2</sup> Includes restructuring cost of USD 31m due to closing of factory in China.

The segment disclosures provided above 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).

## → Note 2

## Discontinued operations and assets held for sale

|   | 2019        | Q1<br>2018   | Full year<br>2018 |
|---|-------------|--------------|-------------------|
| <i>Profit/loss for the period – discontinued operations</i> |             |              |                   |
| Revenue   | 308         | 928          | 1,977             |
| Expenses (incl. net financial expenses, eliminations, etc.) | 233         | 392          | 1,021             |
| Gains/losses on sale of assets and businesses               | -           | 2,634        | 2,633             |
| Fair value adjustment                                       | -628        | -            | 445               |
| <b>Profit/loss before tax, etc.</b>                         | <b>-553</b> | <b>3,170</b> | <b>4,034</b>      |
| Tax   | -           | 189          | 247               |
| <b>Profit/loss for the period – discontinued operations</b> | <b>-553</b> | <b>2,981</b> | <b>3,787</b>      |
| <br>  |             |              |                   |
| A.P. Møller - Mærsk A/S' share of profit/loss               | -552        | 2,981        | 3,787             |
| Earnings per share  | -27         | 143          | 183               |
| Diluted earnings per share                                  | -27         | 143          | 183               |
| <b>Net cash flow from discontinued operations</b>           | <b>47</b>   | <b>2,293</b> | <b>3,967</b>      |

Discontinued operations include Maersk Oil up to closing in March 2018, as well as Maersk Drilling where A.P. Møller - Mærsk has pursued a demerger via separate listing on Nasdaq Copenhagen on 4 April 2019. The results of the discontinued operations are presented in one separate line in the income statement, balance sheet and cash flow statement.

A.P. Møller - Mærsk entered into an agreement in 2017 for Total S.A. to acquire Maersk Oil for USD 7,450m in a combined share and debt transaction, and in Q3 2018 announced that it would pursue a demerger through a separate listing of Maersk Drilling in 2019. In March 2019, A.P. Møller - Mærsk announced its intention to list Maersk Drilling on 4 April 2019.

In the consolidated financial statements, the results for Maersk Oil up to closing in March 2018 and Maersk Drilling are classified under discontinued operations with a net loss of USD 553m (profit of USD 3bn). Total cash flow from the discontinued operations amounted to USD 47m (USD 2.3bn).

|   | 2019         | 31 March<br>2018 | 31 December<br>2018 |
|---|--------------|------------------|---------------------|
| <i>Balance sheet items comprise:</i>                    |              |                  |                     |
| Intangible assets                                       | 91           | 92               | 91                  |
| Property, plant and equipment                           | 4,441        | 4,356            | 4,964               |
| Deferred tax assets                                     | -14          | 9                | -8                  |
| Other assets  | 63           | 16               | 59                  |
| <b>Non-current assets</b>                               | <b>4,581</b> | <b>4,473</b>     | <b>5,106</b>        |
| Current assets  | 786          | 528              | 799                 |
| <b>Assets held for sale</b>                             | <b>5,367</b> | <b>5,001</b>     | <b>5,905</b>        |
| <br>  |              |                  |                     |
| Provisions  | 27           | 12               | 75                  |
| Deferred tax liabilities                                | 59           | 64               | 66                  |
| Other liabilities                                       | 1,851        | 324              | 1,808               |
| <b>Liabilities associated with assets held for sale</b> | <b>1,937</b> | <b>400</b>       | <b>1,949</b>        |

Intangible assets held for sale amounts to USD 91m (USD 92m) and property plant and equipment held for sale amounts to USD 4.4bn (USD 4.4bn) mainly related to the Maersk Drilling activity.

### Maersk Drilling activity

In the first three months of 2019, A.P. Møller - Mærsk recognised a loss of USD 553m (profit of USD 164m) for the Maersk Drilling activity mainly due to a negative fair value adjustment of USD 628m.

 Note 2 – continued

## Discontinued operations and assets held for sale

### Maersk Oil

On 21 August 2017, A.P. Møller - Maersk announced the sale of Maersk Oil to Total S.A. 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. Møller - 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 before elimination of internal interests. The gain and cash flow from closing the transaction is summarised below:

|   | 2019     | Q1<br>2018   | Full year<br>2018 |
|---|----------|--------------|-------------------|
| <b>Cash flow from sale</b>                                |          |              |                   |
| <i>Carrying amount</i>                                    |          |              |                   |
| Intangible assets   | 0        | 779          | 779               |
| Property, plant and equipment                             | 0        | 6,750        | 6,750             |
| Financial assets – non-current                            | 0        | 433          | 433               |
| Deferred tax asset  | 0        | 233          | 233               |
| Current assets  | 0        | 1,338        | 1,338             |
| Provisions  | 0        | -2,767       | -2,767            |
| Liabilities   | 0        | -3,831       | -3,831            |
| <b>Net assets sold</b>                                    | <b>0</b> | <b>2,935</b> | <b>2,935</b>      |
| Non-controlling interests                                 | 0        | 0            | 0                 |
| <b>A.P. Møller - Mærsk A/S' share</b>                     | <b>0</b> | <b>2,935</b> | <b>2,935</b>      |
| Gain/loss on sale   | 0        | 2,632        | 2,632             |
| Repayment of loan   | 0        | 2,500        | 2,500             |
| Locked box interest received                              | 0        | 156          | 156               |
| <b>Total consideration</b>                                | <b>0</b> | <b>8,223</b> | <b>8,223</b>      |
| Shares in Total S.A. received                             | 0        | -5,567       | -5,567            |
| Contingent considerations asset                           | 0        | 0            | 0                 |
| Cash and bank balances transferred at closing             | 0        | -633         | -633              |
| <b>Cash flow from sale of subsidiaries and activities</b> | <b>0</b> | <b>2,023</b> | <b>2,023</b>      |

### Secondary decommissioning liability

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

The potential beneficiaries of the declaration of secondary liability are the other participants in Dansk Undergrunds Consortium (DUC) and the Danish state. The declaration covers decommissioning costs related to DUC's offshore facilities in Denmark which existed at 28 February 2018. The secondary liability is limited to decommissioning costs related to MOGAS's participating interest in DUC at that point in time which was 31.2%. At closing on 8 March 2018, MOGAS's provision for these decommissioning costs amounted to USD 1.2bn. APMM's secondary liability will be reduced as facilities are decommissioned at the cost of Dansk Undergrunds Consortium.

The payment obligation under the declaration of secondary liability is triggered towards the other participants in DUC if: (a) MOGAS or a potential successor of MOGAS does not perform its payment obligations in respect of decommissioning costs, (b) the non-defaulting DUC participants have exhausted the special remedies in the joint operating agreement; and (c) payment of the full amount under the guarantee(s) issued by or on behalf of MOGAS has not been made upon receipt of a payment request. The payment obligation is triggered towards the Danish state if the Danish state has paid the decommissioning costs and MOGAS, a potential successor or a guarantor does not pay in full its share of the costs upon receipt of a payment request.

In case APMM is held liable under the secondary liability described above, APMM will have full recourse for such liability against Total S.A. (the buyer of MOGAS).

## → Note 3

## Financial risks, etc.

Except of the below, the financial risks, etc. are not significantly different from those described in note 17 of the consolidated financial statements for 2018, to which reference is made.

| Liquidity risk                         | 2019   | 31 March<br>2018 | 31 December<br>2018 |
|--|--------|------------------|---------------------|
| Borrowings                             | 17,830 | 17,456           | 11,888              |
| Net interest-bearing debt <sup>1</sup> | 12,565 | 13,562           | 8,730               |
| Liquidity reserve <sup>2</sup>         | 12,306 | 10,540           | 10,296              |

<sup>1</sup> For continuing businesses

<sup>2</sup> 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.

In addition to the liquidity reserve, the Group has USD 0.5bn 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).

The increase in borrowings and net interest-bearing debt from 31 December 2018 is due to addition of lease liabilities of USD 7.0bn following the implementation of IFRS 16.

## → Note 4

## Commitments – continuing operations

### Operating lease commitments

At 31 March 2019, the net present value of operating lease commitments totalled USD 0.1bn.

| Capital commitments   | Ocean        | Logistics &<br>Services | Terminals<br>& Towage | Manu-<br>facturing<br>& Others | Total        |
|---|--------------|-------------------------|-----------------------|--------------------------------|--------------|
| <i>31 March 2019</i>  |              |                         |                       |                                |              |
| Capital commitments relating to acquisition of non-current assets | 452          | 16                      | 343                   | -                              | 810          |
| Commitments towards concession grantors                           | 261          | -                       | 948                   | -                              | 1,209        |
| <b>Total capital commitments</b>                                  | <b>713</b>   | <b>16</b>               | <b>1,291</b>          | <b>-</b>                       | <b>2,019</b> |
| <i>31 December 2018</i>   |              |                         |                       |                                |              |
| Capital commitments relating to acquisition of non-current assets | 726          | 16                      | 309                   | 83                             | 1,134        |
| Commitments towards concession grantors                           | 280          | -                       | 961                   | -                              | 1,241        |
| <b>Total capital commitments</b>                                  | <b>1,006</b> | <b>16</b>               | <b>1,270</b>          | <b>83</b>                      | <b>2,375</b> |

USD 0.2bn of the total capital commitments is related to the newbuilding programme for ships etc. at a total contract price of USD 0.3bn, including owner-furnished equipment. The remaining capital commitments of USD 1.8bn relate to investments mainly 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.

| Newbuilding programme at 31 March 2019 | 2019     | No<br>2020 | Total     |
|--|----------|------------|-----------|
| Container vessels                      | 2        | -          | 2         |
| Tugboats                               | 3        | 7          | 10        |
| <b>Total</b>                           | <b>5</b> | <b>7</b>   | <b>12</b> |

| Capital commitments relating to the newbuilding programme at 31 March 2019 | USD million |           | Total      |
|--|-------------|-----------|------------|
|  | 2019        | 2020      |            |
| Container vessels  | 138         | -         | 138        |
| Tugboats   | 16          | 28        | 48         |
| <b>Total</b>   | <b>154</b>  | <b>28</b> | <b>186</b> |



 Note 5

## Accounting policies, judgements and significant estimates

The interim consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) and adopted by the EU and additional Danish disclosure requirements for listed companies.

The accounting policies, judgements and significant estimates are consistent with those applied in the consolidated financial statements for 2018 in notes 23 and 24 of the Annual Report, to which reference is made, apart from change described below:

### Discontinued operations and assets held for sale

Discontinued operations represent a separate major line of business disposed of or in preparation for sale. At Q1 2019, discontinued operations include Maersk Drilling activities only.

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. Impact on Q1 2018 is disclosed on page 6.

### New financial reporting requirements

A number of changes to accounting standards are effective from 1 January 2019 and endorsed by EU. Those of relevance to A.P. Moller - Maersk are:

- 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, IFRS16. 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 IFRS16 in accordance with the modified retrospective approach, therefore previous period comparative figures will not be adjusted in the financial statements. Additionally, the definition of a lease under IAS 17 and its related interpretations has been retained. Leases classified as finance leases at 31 December 2018 were transitioned to IFRS16 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 will be recognised in the income statement as incurred. Approximately a third of vessel charter fees relate to such service components.
- Terminal concession agreements to which A.P. Moller - Maersk is committed, but which will only begin operations during Q1 2019 or later are not capitalised at transition.
- A.P. Moller - Maersk will 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         |
| <b>Undiscounted lease liabilities</b>               | <b>9,010</b> |
| Discounting effect                                  | 2,766        |
| <b>Lease liability</b>                              | <b>6,245</b> |

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 36.5bn.

### Uncertainty over income tax treatments (IFRIC 23)

A.P. Moller - Maersk follows most of 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 net amount of tax positions.

Following the application of IFRIC 23, A.P. Moller - Maersk recognises uncertain tax positions as current tax. The 2018 ending balances have been restated by USD 410m from provisions to current tax.

[→ Note 5 – continued](#)

## Accounting policies, judgements and significant estimates

### Valuation of discontinued operations

According to IFRS 5, discontinued operations are valued at fair value less cost to sell. A.P. Møller - Maersk decided to pursue a listing of Maersk Drilling via a demerger on 2 April 2019. For the measurement of the fair value of Maersk Drilling, A.P. Møller - 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 an approximation of the fair value at 31 March 2019, considering an assessment that no significant events have occurred between 31 March 2019 and 4 April 2019. The fair value of the new listed company of USD 3.4bn has resulted in a fair value adjustment being recognised in Q1 2019 of USD 628m. Measurement of the fair value of the disposal group is categorised as level 2 in the fair value hierarchy, as measurement is based on observable market data at another point in time and adjusted for any events that could affect the valuation.

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[→ Note 6](#)

## Subsequent events

On 2 April 2019, the Annual General Meeting approved the Board's proposal to complete the demerger of A.P. Møller - Mærsk A/S as described in the demerger plan of 4 March 2019.

A.P. Møller - Mærsk A/S injected 100% of the shares in Maersk Drilling Holding A/S, including this company's subsidiaries as well as certain other assets and liabilities related to A.P. Møller - Mærsk's drilling activities to the new company, The Drilling Company of 1972 A/S.

The shares of The Drilling Company of 1972 A/S have been admitted to trading and are officially listed on Nasdaq Copenhagen A/S, with the first trading day being 4 April 2019.

As per 31 March 2019, the fair value of the Drilling segment has been adjusted to reflect the opening market value of The Drilling Company of 1972 A/S, resulting in an impairment of USD 628m.

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# Additional information

Quarterly summary

Definition of terms



# Quarterly summary

| Income statement  | 2019   |        |        |        | 2018   |
|---|--------|--------|--------|--------|--------|
|   | Q1     | Q4     | Q3     | Q2     | Q1     |
| Revenue   | 9,540  | 10,235 | 10,149 | 9,568  | 9,305  |
| Profit before depreciation, amortisation and impairment losses, etc. (EBITDA) | 1,236  | 1,449  | 1,456  | 1,162  | 931    |
| Depreciation, amortisation and impairment losses, net                         | 1,082  | 1,168  | 1,402  | 1,166  | 1,020  |
| Gain on sale of non-current assets, etc., net                                 | 18     | 58     | 44     | 13     | 33     |
| Share of profit/loss in joint ventures  | 24     | -      | 40     | 39     | 37     |
| Share of profit/loss in associated companies                                  | 34     | -80    | -78    | 17     | 26     |
| Profit/loss before financial items (EBIT)                                     | 230    | 259    | 60     | 65     | 7      |
| Financial items, net  | -228   | -222   | -170   | -154   | -220   |
| Profit/loss before tax  | 2      | 37     | -110   | -89    | -213   |
| Tax   | 106    | 127    | 109    | 64     | 98     |
| Profit/loss for the period – continuing operations                            | -104   | -90    | -219   | -153   | -311   |
| Profit/loss for the period – discontinued operations                          | -552   | 116    | 569    | 121    | 2,981  |
| Profit/loss for the period  | -656   | 26     | 350    | -32    | 2,670  |
| A.P. Møller - Mærsk A/S' share  | -659   | 14     | 338    | -41    | 2,656  |
| Underlying profit/loss  | -69    | 65     | 188    | 15     | -329   |
| <b>Balance sheet</b>  |        |        |        |        |        |
| Total assets  | 61,701 | 62,690 | 67,872 | 67,157 | 67,641 |
| Total equity  | 32,843 | 33,205 | 33,959 | 33,435 | 34,217 |
| Invested capital  | 46,491 | 49,255 | 52,591 | 53,854 | 53,794 |
| Net interest-bearing debt   | 12,565 | 14,953 | 18,718 | 20,517 | 19,630 |
| Investments in non-current assets – continuing operations                     | 7,761  | 10,772 | 9,754  | 8,889  | 7,601  |
| <b>Cash flow statement</b>  |        |        |        |        |        |
| Cash flow from operating activities   | 1,482  | 1,697  | 1,387  | 630    | 728    |
| Gross capital expenditure, excl. acquisitions and divestments (gross CAPEX)   | 778    | 669    | 409    | 782    | 1,359  |
| Net cash flow from discontinued operations                                    | 47     | 1,402  | 98     | 175    | 2,293  |
| <b>Financial ratios</b>   |        |        |        |        |        |
| Revenue growth  | 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   | 13.0%  | 14.2%  | 14.3%  | 12.1%  | 10.0%  |
| Cash conversion   | 120%   | 117.1% | 95.3%  | 54.2%  | 78.2%  |
| Return on invested capital after tax – continuing operations (ROIC)           | 1.3%   | 1.2%   | -0.2%  | 0.1%   | -0.5%  |
| <b>Stock market ratios</b>  |        |        |        |        |        |
| Share price (B share), end of period, DKK                                     | 8,442  | 8,184  | 9,020  | 7,948  | 9,344  |
| Share price (B share), end of period, USD                                     | 1,270  | 1,255  | 1,401  | 1,243  | 1,556  |

# 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.

## Backlog

The value of future contract coverage (revenue backlog).

## CAPEX

Cash payments for intangible assets and property, plant and equipment, excluding acquisitions and divestments.

## Cash conversion

Cash flow from operations to EBITDA ratio.

## Cash flow from operating activities per share

A.P. Møller - Maersk's operating cash flow from continuing operations divided by the number of shares (of DKK 1,000 each), excluding A.P. Møller - Maersk's holding of own shares.

## Cash return on invested capital, %

Cash return on invested capital is calculated based on free cash flow excluding acquisitions/divestments (CFFO – Gross capex) divided by the average invested capital.

## Contract coverage

Percentage indicating the part of vessel/rig days that are contracted for a specific period.

## 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 Oil up to closing in March 2018, Maersk Tankers up to closing in October 2017 as well as Maersk Drilling and Maersk Supply Service.

## EBITDA

Earnings Before Interest, Taxes, Depreciation and Amortisation.

## Equity ratio

Calculated as equity divided by total assets.

## FFE

Forty Foot container Equivalent unit.

## 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<sub>2</sub>) content in fuels for shipping will enter 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, Terminal & 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 port 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 of USD 200/tonne excluding intermodal but including hubs and time charter income. Hamburg Süd is not excluding intermodal.

## Return on equity

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.

## 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. Møller - Maersk's share of mentioned items in associates and joint ventures.

## 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.

# Colophon

## Editors

Stig Frederiksen  
Finn Glismand

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## Board of Directors, A.P. Møller - Mærsk A/S

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Bernard L. Bot

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