2020 Annual Report

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

MAERSK

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FROM OUR BUSINESS MODEL

For more than a century, we have built partnerships with customers, enabling them to prosper by facilitating global trade.

[1] Part of Financials [2] Part of the Directors' Report

The Annual Report for 2020 of A.P. Møller - Mærsk A/S (hereinafter referred to as A.P. Moller - Maersk as the consolidated group of companies and A.P. Møller - Mærsk A/S as the parent company) has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

Changes in presentation and comparative figures
From Q1 2020, as part of the refinement of A.P. Moller - Maersk's segment structure to align with the internal management structure and demarcation between the reportable segment activities, a number of changes have been made, see note 23 Significant accounting policies. Comparison figures have been restated.

Unless otherwise stated, all figures in parenthesis refer to the corresponding figures for the same period prior year.

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

Cover photo
In Alaska, sisters Claire and Emma (pictured) launched a clothing brand, Salmon Sisters, based on their upbringing and work as fishermen. Container shipping helps bring their catch (and clothing) to customers around the world and sustain the unique lifestyle of their remote community.

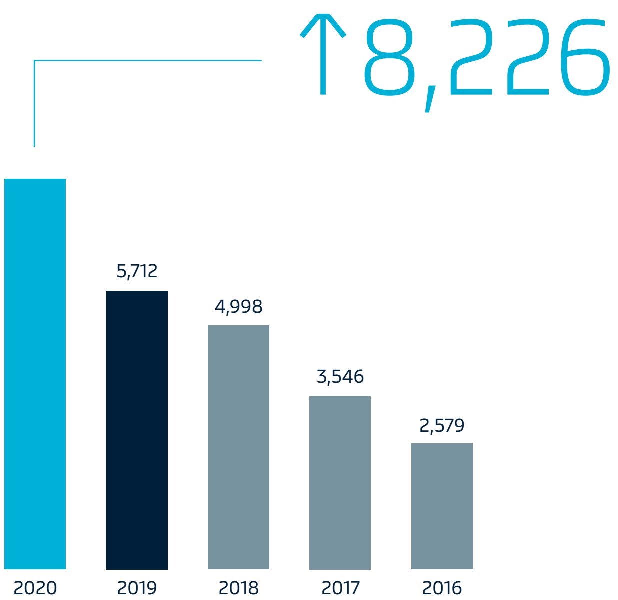
Directors' Report

The progress towards becoming the global integrator of container logistics accelerated in 2020

At a glance

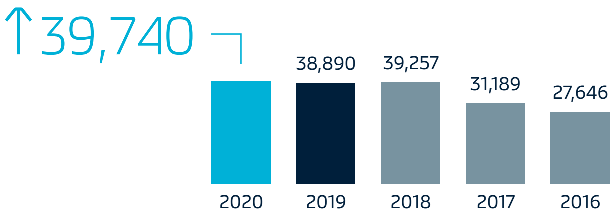
A.P. Moller - Maersk is an integrated container logistics company, connecting and simplifying trade to help customers grow and succeed. With a dedicated team of over 80,000 employees, operating in 130 countries, we go all the way to enable global trade for a growing world. A.P. Moller - Maersk comprises four business segments with the consolidated key results presented below.

EBITDA (USD million)



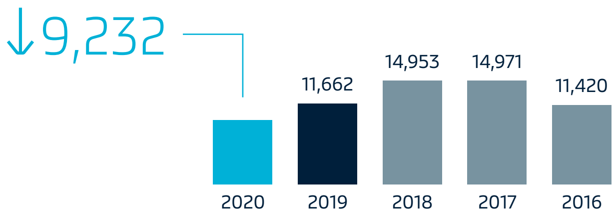
EBITDA increased by USD 2.5bn, with improvements across all segments and with Ocean improving the most by USD 2,1bn.

Revenue (USD million)



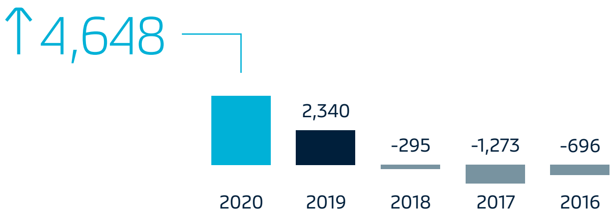
Revenue increased by USD 850m, despite lower volumes in Ocean and gateway terminals due to the negative impacts from COVID-19.

Net interest-bearing debt (USD million)



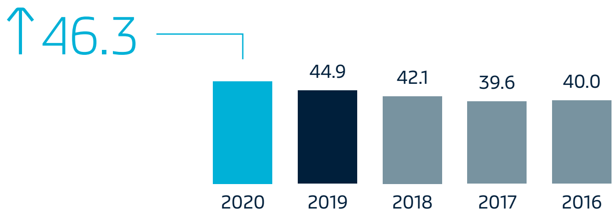
Net interest-bearing debt decreased by USD 2.4bn, mainly driven by increased free cash flow, partly offset by share buy-back, dividends and acquisitions.

Free cash flow (USD million)



Free cash flow increased by USD 2.3bn, reflecting a continued capital discipline and higher cash flow from operating activities, lower gross CAPEX and a continued high cash conversion.

Relative CO_2 reduction[1] (percentage)



Relative CO_2 efficiency improved 2.5% (year-over-year) compared to 2019 driven by both technical and operational improvement initiatives.

[1] Percentage improvement in Energy Efficiency Operational Indicator (EEOI) relative to 2008 baseline. A more exact calculation was implemented in 2020, and comparison figures have been restated.

Note: 2018 presented as if IFRS 16 had been implemented in 2018, for comparison purposes. For 2016 and 2017, lease liabilities are not included in net interest-bearing debt. Consequently, comparatives for EBITDA and net Interest-bearing debt for the period 2016-2017 are not comparable with the period 2018-2020.

Highlights

Progressing on the strategy

The transformation towards becoming the global integrator of container logistics accelerated in 2020 and all transformation metrics improved further. The metrics relate to growing the A.P. Moller - Maersk logistics business and improve earnings in infrastructure and logistics, while generating free cash flow to ensure a strong balance sheet and to create value for the shareholders of A.P. Moller - Maersk.

A.P. Moller - Maersk significantly improved the free cash flow and generated a cash return on invested capital of 16.6% (10.0%), based on stronger cash flow from operations, lower gross CAPEX and slightly lower invested capital.

Infrastructure and logistics revenue (excl. freight forwarding) increased to USD 9.4bn (USD 9.2bn), mainly due to increased revenue in logistics from warehousing and distribution, due to acquisitions, and supply chain management despite headwinds from gateway terminals, given impacts from COVID-19.

Logistics & Services EBITDA (excl. freight forwarding and restructuring costs) improved to USD 470m (USD 221m) as a result of margin optimisation in intermodal and warehousing and distribution, supported by the acquisition of Performance Team, a US-based warehousing and distribution company, as well as KGH Customs Services, a leading specialist in trade and customs services management in Europe.

Return on invested capital (ROIC), last twelve months, increased significantly to 9.4% (3.1%), as earnings were strong and invested capital decreased slightly. The underlying return on invested capital increased to 9.6% (3.2%).

New acquisitions
Performance Team
KGH Customs Services

A.P. Moller - Maersk's progress towards becoming the global integrator of container logistics accelerated in 2020

9.4bn
Infrastructure and Logistics revenue, USD
(excl. freight forwarding)

470m
Logistics & Services EBITDA, USD
(excl. freight forwarding)

Significant improvement in profitability

Revenue increased to USD 39.7bn (USD 38.9bn) and the continued focus on a tight cost control, profitability and stronger rates led to a 44% increase in EBITDA to USD 8.2bn and a margin of 20.7% (14.7%). The strong improvement was mainly driven by strong cost savings in Ocean focusing on agile capacity deployment, lower bunker costs and an increase in short-term freight rates. Logistics & Services improved EBITDA 110%, supported by margin optimisation in intermodal and increased profitability in warehousing and distribution facilities in North America, mainly driven by acquisitions. Gateway terminals reported an 8.3% improvement in EBITDA despite of a 3.6% decline in volume, as a result of lower costs.

EBIT improved to USD 4.2bn (USD 1.7bn) reflecting an improvement in the margin to 10.5% (4.4%), while underlying profit was USD 3.0bn (USD 546m).

Guidance for 2021

A.P. Moller - Maersk expects earnings before interest, tax, depreciation and amortisation (EBITDA) in the range of USD 8.5-10.5bn, before restructuring and integration costs and free cash flow above USD 3.5bn.

The outlook for 2021 is subject to uncertainties related to COVID-19, bunker fuel prices and freight rates given the uncertain macroeconomic conditions.

Free cash flow improved due to significantly higher earnings and reduced CAPEX

Following the strong earnings development and a cash conversion ratio of 95% (104%), cash flow from operating activities was USD 7.8bn (USD 5.9bn). CAPEX was USD 1.3bn (USD 2.0m), and free cash flow was USD 4.6bn (USD 2.3bn).

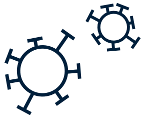
CAPEX discipline remains a key focus area, reflected in the accumulated CAPEX guidance of USD 4.5-5.5bn for 2021-2022.

Digital momentum

2020 has been a year that has reinforced the customer interest for A.P. Moller - Maersk's digital offerings. Maersk Spot continued to gain significant traction during the year and the use of the Maersk App increased by 300%. Twill has increased weekly volumes which was 13 times larger compared to the same period the previous year and new digital solutions such as Maersk Flow, NeoNav and the Transformation Management System platform in the logistics business were launched to further enhance customer experience and engagement.

Key activities in 2020

Feb



The COVID-19 pandemic

Keeping our people safe, serving our customers, and helping society become our three top priorities as the pandemic impacts people and supply chains globally.

Apr

Performance Team

A.P. Moller - Maersk closes the acquisition of the US-based warehousing and distribution company, making it one of North America's leading providers.

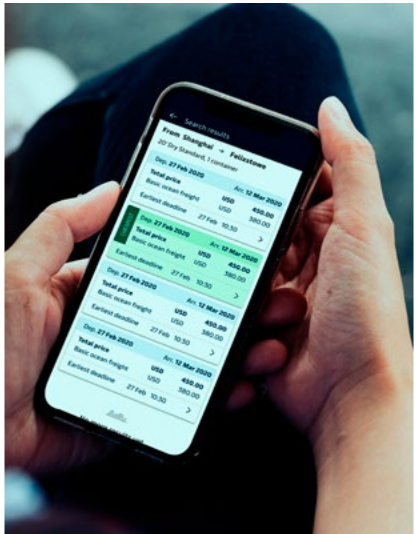
Apr

Digital solutions in demand

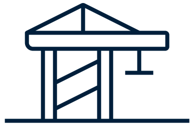
With customers working from home, their reliance on e-commerce leads to record-high demand for digital solutions, such as the Maersk app, Maersk Spot, Twill and TradeLens.

300%* increase in usage of the Maersk app

*Year-over-year growth



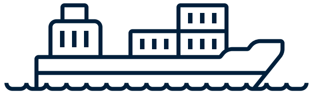
May



New terminal went live in Tema, Ghana

The terminal has 16 meters of draught and can handle 23 TEU wide vessels. Once fully ramped up, the terminal will have a throughput capacity of 3.5m TEU.

Jun

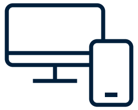


3% of global carbon emissions come from shipping

Launch of Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping

by the A.P. Møller Foundation and a group of leading industry players to develop new net-zero fuel types and technologies.

Jul



Maersk Flow

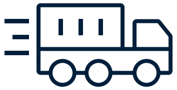
A.P. Moller - Maersk launches Maersk Flow, a digital supply chain management platform to support small and medium-sized businesses.

Sep

KGH Customs Services

A.P. Moller - Maersk completes the acquisition of the European customs services specialist to further enhance its logistics and services offering.

Oct



A simplified Ocean and Logistics organisation

The reorganisation of Ocean and Logistics & Services is complete, and the integration of the Safmarine brand, Damco air freight and LCL will improve customer experience and end-to-end service delivery.

Message from the Chairman and the CEO

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

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

Real momentum as strategy delivers tangible results

The transformation of A.P. Moller - Maersk from a diversified conglomerate to a focused and integrated global logistics company is well under way.

A.P. Moller - Maersk today offers a broad and global portfolio of logistics products from ocean and air transport to inland transportation, warehousing and distribution – including cold storage, customs services and lead logistics products, such as supply chain management services and e-com fulfilment, as well as container port services and towage.

Our strategy is built on three core elements: Firstly, we offer our customers end-to-end digitally enabled transport and logistics services that help them manage their supply chains, sell their products globally, and source from the most competitive suppliers worldwide. For us to deliver superior value to our customers, we have built our land-based logistics and service offerings in a way that seamlessly integrates with our strong, leading and sustainable Ocean business. This enables us to leverage the commercial synergies inherent in selling land-based logistics services to our 70,000 customers in our Ocean business.

Secondly, we are leveraging the financial and operational synergies between our Ocean business and our Terminals business for lower cost as well as higher productivity and asset utilisation. Owning and operating container ports enables us to control our global transhipment hubs that are crucial for the reliability and cost effectiveness of our Ocean network.

And thirdly, we are building competitive advantage through technology. We are digitising the interaction with our customers while offering unique digital products and leveraging Maersk.com, which is one of the biggest B2B transaction platforms in the world. We are standardising, automating and digitising our core processes as well as our assets, such as ships, containers, warehouses and ports, to manage fuel cost and improve visibility in supply chains, while lowering the overall cost base.

"We have improved our financial performance while we transformed our business."

Disciplined execution enables us to perform and transform

Since we embarked on our transformation to become the global integrator of container logistics, we have executed the strategy consistently and with discipline. Despite a backdrop of weak trade growth, ongoing trade tensions, geopolitical uncertainty and a pandemic in 2020, we have improved our financial performance while we transformed our business.

We achieved good results in a year with extraordinary demand fluctuations due to COVID-19, which led from a sharp oversupply of capacity in Q1 to a shortage of vessels and equipment in the second half as demand rebounded, leading to a significant increase in short-term freight rates. We leave 2020 with a strong balance sheet which enable us to both increase payouts to our shareholders and fund the transformation that will enable the long-term growth of the company.

The work we have done over the past five years to improve the performance of our Ocean business delivered solid results in 2020. Our acquisition of Hamburg Süd in 2017, our focus on cost, and our disciplined approach to CAPEX were all contributing factors to the delivery of excellent results and strong cash flow in 2020. In parallel, we developed new, unique products such as Maersk Spot, which offers loading guarantee, easy online booking and a fixed price for our short-term customers.

Our Logistics & Services business delivered excellent margin growth in 2020 and good revenue growth, mainly through acquisitions. We restructured further to reduce cost and develop end-to-end products. We began the implementation of new technology platforms and recruited new leadership and logistics experts globally. Our

"Since we embarked on our transformation to become the global integrator of container logistics, we have executed the strategy consistently and with discipline."

Logistics & Services business grew revenue to almost USD 7bn with competitive margins and a sound foundation to accelerate growth in the coming years.

In Terminals, we have executed a turnaround since 2016 and the business has shifted its focus from developing new terminals to becoming a world-class terminal operator. Results and cash generation have steadily improved, also in 2020, despite lower volumes. Due to strong cost performance across all segments, we now have an infrastructure business with resilient returns.

Continuing the transformation

At the Annual General Meeting in 2020, we announced three metrics to track progress on our strategic transformation. During 2020, we progressed well despite challenging market conditions:

- Cash return on invested capital (CROIC), last twelve months, increased to 16.6% (10.0%), due to stronger cash flow from operations, lower gross CAPEX, and lower invested capital.
- Infrastructure and Logistics revenue (excl. freight forwarding) increased to USD 9.4bn (USD 9.2bn), mainly due to the acquisition of Performance Team, a leading US-based warehousing and distribution company, only partly offset by lower revenue in gateway terminals because of the impacts from COVID-19.
- Logistics & Services EBITDA (excl. freight forwarding) improved to USD 470m (USD 221m) as a result of margin optimisation in intermodal and supported by the acquisition of Performance Team.

ROIC, which is the overall return ambition of A.P. Moller - Maersk increased to 9.4% compared to 3.1%, driven by significantly improved earnings.

Strategic milestones strengthen integrated offering

In 2020, we finished the restructuring of our Ocean and Logistics & Services businesses into one, integrated and simplified organisation to enable further improvements in the customer experience and end-to-end service delivery.

> "Technology and digitisation of our industry are key to the transformation at A.P. Moller - Maersk."

The Safmarine brand and Damco's Air and LCL (Less than Container Load) offerings were integrated into the Maersk brand to enhance customer access to the global offering, while Damco's ocean freight forwarding business has closed from 1 January 2021.

In April 2020, we acquired Performance Team, and in September, we closed the deal on KGH Customs Services, a leading specialist in trade and customs services management in Europe. Both companies are logistics experts within their fields, customer feedback is positive, and we have added important capabilities and immensely strengthened our logistics offering and geographical footprint.

On the digital side, we have benefited from our early investments in digitisation and seen a huge uptake on Maersk.com and the Maersk App, as customers have embraced the digital space even more this year on the back of the pandemic.

Our customers also appreciate the predictability, reliability and ease that Maersk Spot offers. The online booking solution has grown exponentially from 20% of short-term volume in the last four weeks of 2019 to 51% in the same period of 2020 under the Maersk brand. Twill, an online service for small and medium-sized businesses, has also experienced immense growth this year. In 2020, more than 2,500 new customers booked on Twill with volumes exceeding 100,000 FFE, representing a 13 fold year-over-year growth.

In the terminal space, our Pier 400 terminal in Los Angeles is progressing on a multi-year automation programme and has carried out the first commercial, fully automated moves in the third quarter. Digitising our assets enables speed, operational ease, safer operations and lower cost.

Building competitive advantage from technology

Technology and digitisation of our industry are key to the transformation at A.P. Moller - Maersk. Through technology, we are offering new products, connecting and simplifying the customer experience and enabling more efficient operations and utilisation of assets. We want to build sustainable, competitive advantage through the following focus areas:

Firstly, we are building new digital platforms, which enable integrated offerings, standardisation and automation. In particular, TradeLens, which is an open and neutral supply chain platform jointly developed with IBM, continues to gain momentum as new customers, partners, and suppliers onboard. The tenants of this platform are already benefiting from increased visibility of events in their supply chains and reduced costs from having access to a digital bill of lading.

Secondly, we are strengthening our investment in Internet of Things (IoT) and automation of our terminals to drive better management of our physical assets and efficiencies in our operations. In particular, we are building a roadmap to harness near real-time data from devices in our vessels, containers and terminals and drive intelligent decision making in our operations and for our customers.

Thirdly, we are committed to leveraging data as a discrete and differentiating asset that will offer data products, such as visibility, and democratise access to data to serve our customers better.

Our technology roadmap is enabled through a common and scalable enterprise architecture, a cloud-first strategy, and continued investment in digital cyber security. This is made possible through focused efforts to insource high-value IT-capabilities to develop one of the leading IT organisations in the industry.

Our response to a global emergency

The COVID-19 pandemic continues to impact the world. As a global company and industry leader, we have remained focused on protecting our employees, supporting our customers and contributing to the societies we are part of by keeping goods flowing throughout the pandemic – ensuring essential food, protective equipment and medical supplies.

Our colleagues at sea, in our ports and at our warehouses have been in the eye of the storm. They have kept the world's goods moving by showing up to work every day. In particular, our colleagues at sea have contributed by taking longer shifts on board than anyone would have imagined. Our single biggest challenge has been to relieve our seafarers after their tour has ended, due to travel restrictions, closed borders and the constant change of local regulations and requirements. By the end of the year, we had succeeded in relieving due crew members from our vessels and bringing them home to their families and friends.

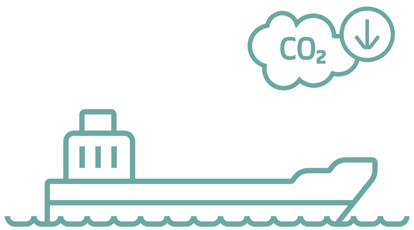
On shore, we have taken extraordinary measures to protect our workers at ports, warehouses and other frontline locations. Our office-based colleagues have shown their resilience by adapting to working from home to the extent possible, and we have done our outmost to support this change, mentally and physically.

Amid a pandemic that has large impacts on supply chains, customers need flexible and robust solutions. With our integrated approach, we are supporting their end-to-end logistics needs, while controlling the most central assets and offering alternative solutions as borders close, air traffic stops and roads are blocked.

Unwavering commitment to sustainability

Sustainability continues to be at the top of our agenda, and we are fully committed to our ambition of reducing CO_2 emissions as we continue to work towards carbon neutrality in 2050. Our customers are supporting the ambition and demanding responsible transportation of their goods so they can limit their own footprint, and this expectation is also reflected among our investors.

In 2020, we updated our sustainability priorities. Our key focus areas reached a level of maturity where they are now fully integrated into our business practices.



"We are fully committed to our ambition of reducing CO_2 emissions as we continue to work towards carbon neutrality in 2050."

Decarbonising logistics is the one commitment where we can make the greatest contribution to climate action. In June 2020, the A.P. Møller Foundation established the Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping to take the next step to develop new fuel types and technologies together with a group of likeminded global industry leaders.

The centre is a non-profit, independent research centre that will work across the entire shipping sector with industry, academia and authorities to find real-life solutions.

We would like to thank the A.P. Møller Foundation for making this possible thereby demonstrating the essence of our shared values and strong leadership in the efforts towards reducing the industry's carbon emissions to zero by 2050.

In addition, we remain committed to our broader sustainability agenda, including our role in multiplying the benefits of trade, contributing to halving food loss and improving the ship recycling industry.

We are proud of the progress made so far and remain committed to all our stakeholders to be an innovative and responsible global integrator of container logistics.

2021 – continuing to perform while we complete the transformation

In 2021, we will continue to focus on growing our landside logistics, expanding our product portfolio to all relevant markets and increasing cross-selling and upselling to our customers to deliver profitable, organic growth. In addition, we expect to continue to acquire capabilities and growth platforms, particularly within warehousing and distribution, air freight as well as customs services to further strengthen our integrated product offerings.

In Ocean, our focus will be on developing our existing products further as well as adding new and unique products to our portfolio. We will remain focused on optimising our network and cost structure to ensure we stabilise earnings and deliver good, sustainable returns in our largest business.

In Terminals, our focus continues to be on improving the operating performance of our portfolio of ports, financially and operationally. We will drive further synergies with our Ocean business, complete our automation project in Los Angeles and our construction project for a new terminal in Abidjan, Ivory Coast, and mature plans for future growth in our portfolio, including automation.

Thank you for your continued support

On May 1, we welcomed our new CFO and member of the Executive Board, Patrick Jany. Patrick brings solid financial experience and a proven record of managing cost discipline and profitable growth through M&As and innovation. We are also happy to welcome Blythe S. J. Masters to the Board of Directors. Blythe has added critical capabilities to the Board with her international outlook and experience within financial services and technology, having extensive knowledge in start-ups, platforms and blockchain.

We would like to thank our 80,000 colleagues deeply for their truly extraordinary efforts to keep trade moving under such challenging conditions.

In times of increased uncertainty, open supply chains and free global trade is more relevant than ever. We remain optimistic about society's ability to recover and committed to building on the strong business momentum and foundation that has now been established as we enter another transformative year for A.P. Moller - Maersk.

Jim Hagemann Snabe
Chairman

Søren Skou
CEO

Financial review

A.P. Moller - Maersk reported an EBITDA of USD 8.2bn, and USD 8.3bn excluding restructuring and integration costs, compared to the original guidance of around USD 5.5bn given in February 2020, and in line with the upgraded EBITDA expectations announced in November 2020. The increase in EBITDA of USD 2.5bn was mainly driven by improved earnings in Ocean, led by lower cost from agile capacity deployment and lower bunker cost, as well as increased freight rates. Logistics & Services more than doubled its EBITDA, while Terminals & Towage proved their resilience by maintaining profitability despite a strong impact from the pandemic. Free cash flow increased significantly supported by strong cash flow from operations and continued capital discipline, and as a result, net interest-bearing debt has been significantly reduced and a second share buy-back launched.

Return on invested capital (ROIC), last twelve months, increased to 9.4% (3.1%)

Highlights for the year

USD million	Revenue		EBITDA		CAPEX[1]	
	2020	2019	2020	2019	2020	2019
Ocean	29,175	28,782	6,545	4,436	653	1,172
Logistics & Services	6,963	6,331	454	216	109	126
Terminals & Towage	3,807	3,948	1,205	1,118	457	532
Manufacturing & Others	1,254	1,376	165	136	33	204
Unallocated activities, eliminations, etc.	-1,459	-1,547	-143	-194	70	1
A.P. Moller - Maersk consolidated – continuing operations	**39,740**	**38,890**	**8,226**	**5,712**	**1,322**	**2,035**

1 See definition on page 148.

Financial and operational performance

A.P. Moller - Maersk reported a revenue of USD 39.7bn (USD 38.9bn) with an increase in Ocean of USD 393m with negative effects from COVID-19 on loaded volumes predominantly in Q2 offset by higher short-term rates and a strong rebound in volumes Q4. In Logistics & Services revenue increased by USD 632m, driven by warehousing and distribution including Performance Team acquired in April 2020, and air freight forwarding. Terminals & Towage and Manufacturing & Others reported a decrease in revenue of USD 141m and USD 122m, respectively, negatively impacted by COVID-19.

EBITDA increased by 44% to USD 8.2bn (USD 5.7bn) with increases in all segments, primarily in Ocean by USD 2.1bn, driven by higher revenue and a lower cost base mainly due to agile capacity deployment combined with a lower bunker price and consumption. This was also supported by the exceptional situation with demand surge leading to bottlenecks in the supply chain and equipment shortage experienced in the second half of 2020. Logistics & Services delivered a strong increase of 110% or USD 238m, driven by acquisitions and profitability increases in intermodal, air freight and warehousing and distribution. The impact from foreign exchange rates was negligible.

EBIT was USD 4.2bn (USD 1.7bn), positively impacted by the improved EBITDA, and the net result from the sale of containers, vessels and facilities, partly offset by impairments du to the market environment in 2020.

Return on invested capital (ROIC), last twelve months, increased to 9.4% (3.1%), as earnings improved significantly and invested capital was slightly reduced.

Financial expenses, net, amounted to USD 879m (USD 758m), positively impacted by lower gross debt, more than offset by negative foreign exchange rate impacts and costs relating to pre-payment of borrowings.

Tax decreased to USD 407m (USD 458m). The effective tax rate decreased as a larger proportion of profit before tax was earned in the Ocean segment, subject to tonnage taxation.

Net profit was USD 2.9bn (loss of USD 44m) due to significant improvement in operating earnings, while the result for discontinued operations in 2019 negatively impacted the net loss of USD 553m due to a fair value adjustment with Maersk Drilling being demerged on 2 April 2019.

The underlying net profit after financial items and tax was USD 3.0bn (USD 546m), due to the improved operational performance.

Cash flow from operating activities was USD 7.8bn (USD 5.9bn), positively impacted by an increase in EBITDA of USD 2.5bn, a decrease in tax paid of USD 77m, offset by negative change in net working capital of USD 239m (positive USD 476m), leading to a cash conversion of 95% (104%).

Gross capital expenditure (CAPEX) was USD 1.3bn (USD 2.0bn), and lower than guidance of USD 1.5bn due to lower investments in all segments.

Free cash flow was USD 4.6bn (USD 2.3bn), positively impacted by higher cash flow from operating activities and lower gross CAPEX, but partly offset by higher increased lease payments.

Cash flow from borrowings was negative USD 1.9bn (negative USD 1.5bn), due to repayments of USD 3.2bn, partly offset by USD 1.3bn of new funding, which was driven by precautions taken due to COVID-19 in Q2.

Contractual capital commitments totalled USD 1.7bn (USD 1.7bn), of which USD 1.3bn is related to commitments towards terminal concession grantors. Strong commitment to capital discipline and free cash flow generation continue to be a key strategic focus.

Capital structure, issue of bonds and credit rating

Net interest-bearing debt decreased to USD 9.2bn (USD 11.7bn), as free cash flow of USD 4.6bn was partly offset by share buy-back of USD 806m, dividends of USD 520m including dividend to non-controlling interest, acquisitions of USD 425m, and a net increase in lease liabilities of USD 170m. Net interest-bearing debt excluding lease liabilities decreased to USD 485m (USD 3.1bn).

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

Total equity was USD 30.9bn (USD 28.8bn), mainly due to a net profit of USD 2.9bn and addition of non-controlling interest of USD 288m partly offset by dividends of USD 520m and share buy-back of USD 806m, resulting in an equity ratio of 55.0% (52.1%).

The liquidity reserve of USD 11.0bn (USD 10.5bn), composed of liquid funds of USD 4.8bn excluding restricted cash (USD 3.8bn) and undrawn revolving credit facilities of USD 6.2bn (USD 6.6bn).

The ordinary dividend of DKK 150 per A.P. Møller - Mærsk A/S share of nominally DKK 1,000 (in total equal to USD 430m) declared at the Annual General Meeting on 23 March 2020 was paid on 26 March 2020. Of the DKK 150, DKK 75 was related to the underlying profit of the financial year 2019, and DKK 75 was related to gain from the sale of Total S.A. shares.

FROM OUR BUSINESS MODEL

We have a strong balance sheet and are committed to remaining investment grade-rated.

The Board of Directors proposes an ordinary dividend to the shareholders of DKK 330 per share of DKK 1,000 (DKK 150 per share of DKK 1,000) corresponding to 35% of underlying net result as per the company's dividend policy of distributing between 30-50% of the underlying net result to shareholders in dividend.

The proposed dividend payment represents an ordinary dividend yield of 2.4% (1.6%), based on the Maersk B share's closing price of DKK 13,595 as of 30 December 2020. Payment is expected to take place on 26 March 2021.

Share buy-back

The share buy-back programme initiated in Q2 2019 was concluded on 24 July 2020 and A.P. Moller - Maersk has repurchased USD 1.5bn worth of shares.

On 1 June 2020, the cancellation of 156,977 A shares and 627,938 B shares was completed corresponding to 3.77% of the total share capital in A.P. Moller - Maersk.

In November 2020, the Board of Directors decided to initiate a new share buy-back programme of DKK 10bn (around USD 1.6bn) and the programme will run from December 2020 over a period of up to 15 months.

This will conclude the distribution associated with the sale of Maersk Oil and any further distribution to shareholders will come from the continuing business activities.

During Q4, A.P. Moller - Maersk bought back 10,306 A shares and 41,232 B shares worth DKK 673m (around USD 110m).

At 31 December 2020, A.P. Moller - Maersk owns a total of 119,176 A-shares and 505,281 B-shares as treasury shares, corresponding to 3.47% of the share capital.

Full-year guidance for 2021

Given the current outlook and high degree of uncertainty related to the continued impact from COVID-19 on the economic growth and global demand patterns, A.P. Moller - Maersk expects for the full-year 2021:

- Underlying EBITDA in the range of USD 8.5-10.5bn compared to USD 8.3bn in 2020
- Underlying EBIT in the range of USD 4.3-6.3bn compared to USD 4.2bn in 2020
- Free cash flow (FCF) above USD 3.5bn compared to USD 4.6bn in 2020.

As part of the full-year guidance for 2021, A.P. Moller - Maersk expects the current exceptional situation with the demand surge leading to bottlenecks in the supply chain and equipment shortage, which contributed by approximately USD 1.5bn to EBIT in 2020, to continue in Q1 and normalise thereafter. Consequently, A.P. Moller - Maersk expects profitability in Q1 2021 to be above Q4 2020.

Ocean is expected to grow in line with the global container demand at an expected 3-5% in 2021, with the highest growth seen in the first half-year.

For the years 2021-2022, the accumulated CAPEX is still expected to be USD 4.5-5.5bn.

Underlying EBITDA is earnings before interest, taxes, depreciation and amortisation adjusted for restructuring and integration costs.

Underlying EBIT is operating profit before interest and taxes adjusted for restructuring and integration costs, net gains/losses from sale of non-current assets and net impairment losses.

Sensitivity guidance

Financial performance for A.P. Moller - Maersk for the full year 2021 depends on several factors and is subject to uncertainties related to COVID-19, bunker fuel prices and freight rates given the uncertain macroeconomic conditions.

All else being equal, the sensitivities for the full year 2021 for four key assumptions are listed in the table below:

Factors	Change	Effect on EBIT (midpoint of guidance) (Full year 2021)
Container freight rate	+/- 100 USD/FFE	+/- USD 1.3bn
Container freight volume	+/- 100,000 FFE	+/- USD 0.1bn
Bunker price (net of expected BAF coverage)	+/- 100 USD/tonne	+/- USD 0.4bn
Rate of exchange (net of hedges)	+/- 10% change in USD	+/- USD 0.2bn

14 A.P. Moller - Maersk Annual Report 2020 Directors' Report Five-year summary Amounts in USD million

Five-year summary 1/2

Income statement	2020	2019	2018[1]	2017[5]	2016[5]
Revenue	39,740	38,890	39,257	31,189	27,646
Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)	8,226	5,712	4,998	3,546	2,579
Depreciation, amortisation and impairment losses, net	4,541	4,287	4,756	3,263	3,851
Gain on sale of non-current assets, etc., net	202	71	166	153	189
Share of profit/loss in joint ventures and associated companies	299	229	1	-30	75
Profit/loss before financial items (EBIT)	4,186	1,725	409	406	-1,008
Financial items, net	-879	-758	-766	-620	-549
Profit/loss before tax	3,307	967	-357	-214	-1,557
Tax	407	458	398	232	146
Profit/loss for the year – continuing operations	2,900	509	-755	-446	-1,703
Profit/loss for the year – discontinued operations[1]	-	-553	3,787	-719	-194
Profit/loss for the year	2,900	-44	3,032	-1,165	-1,897
A.P. Møller - Mærsk A/S' share	2,850	-84	2,985	-1,205	-1,939
Underlying profit/loss – continuing operations[2]	2,960	546	-61	286	-547
Balance sheet					
Total assets	56,117	55,399	62,690	63,227	61,118
Total equity	30,854	28,837	33,205	31,425	32,090
Invested capital	40,121	40,555	49,255	46,297	43,491
Net interest-bearing debt[3]	9,232	11,662	14,953	14,971	11,420
Investments in non-current assets – continuing operations	4,430	9,809	10,772	9,656	4,710
Cash flow statement					
Cash flow from operating activities[4]	7,828	5,919	4,442	3,115	1,675
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	1,322	2,035	3,219	4,050	2,105
Cash flow from financing activities	5,618	4,800	8,080	532	725
Free cash flow	4,648	2,340	-295	-1,273	-696
Net cash flow from discontinued operations	-	-372	3,968	1,824	822

1 Following the classification of Maersk Oil, Maersk Tankers, Maersk Drilling and Maersk Supply Service as discontinued operations in 2017, the businesses are presented separately on an aggregated level in the income statement, balance sheet and cash flow statements. In accordance with IFRS, the income statement and cash flow statement have both been restated in previous periods, while the balance sheet has not been restated in previous periods. The Maersk Tankers transaction was closed 10 October 2017, the Maersk Oil transaction 8 March 2018 and Maersk Drilling was demerged on 2 April 2019. 2018 is presented as if IFRS 16 had been implemented in 2018.

2 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 associated companies and joint ventures.

3 Compared to prior periods, the definition of net interest-bearing debt has been adjusted to include fair value of the derivatives hedging the underlying debt. The adjustment is not reflected in 2016 and 2017.

4 Excluding Hamburg Süd for comparison purposes end of December 2017.

5 2016 and 2017 are presented without impact of IFRS 16.

Five-year summary 2/2

Financial ratios[2]	2020	2019	2018[1]	2017[5]	2016[5]
Revenue growth	2.2%	-0.9%	25.9%	12.8%	-10.1%
EBITDA margin	20.7%	14.7%	12.7%	11.4%	9.3%
Cash conversion	95%	104%	89%	88%	65%
Return on invested capital after tax – continuing operations (ROIC)	9.4%	3.1%	0.2%	0.6%[3]	-3.4%
Return on equity after tax	9.7%	-0.1%	9.3%	-3.6%	-5.8%
Equity ratio	55.0%	52.1%	53.0%	49.7%	52.5%
Stock market ratios					
Earnings per share – continuing operations, USD	145	23	-37	-11	-25
Diluted earnings per share – continuing operations, USD	145	23	-37	-11	-25
Cash flow from operating activities per share, USD	399	288	214	150	61
Ordinary dividend per share, DKK	330	150	150	150	150
Ordinary dividend per share, USD	55	22	23	24	21
Share price (B share), end of year, DKK	13,595	9,608	8,184	10,840	11,270
Share price (B share), end of year, USD	2,246	1,439	1,255	1,746	1,597
Total market capitalisation, end of year, USD million	41,957	28,000	25,256	35,419	32,215
Environmental and social data					
Relative CO_2 reduction (percentage vs 2008 baseline)[4]	46.3%	44.9%	42.1%	39.6%	40%
Fatalities	1	5	7	7	2
Lost-time injury frequency (LTIf)	1.27	1.16	1.29	0.89	N/A
Women in leadership (% based on headcount)	28%	27%	25%	23%	N/A

1 Following the classification of Maersk Oil, Maersk Tankers, Maersk Drilling and Maersk Supply Service as discontinued operations in 2017, the businesses are presented separately on an aggregated level in the income statement, balance sheet and cash flow statements. In accordance with IFRS, the income statement and cash flow statement have both been restated in previous periods, while the balance sheet has not been restated in previous periods. The Maersk Tankers transaction was closed 10 October 2017, the Maersk Oil transaction 8 March 2018 and Maersk Drilling was demerged on 2 April 2019. 2018 is presented as if IFRS 16 had been implemented in 2018.

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3 Excluding Hamburg Süd for comparison purposes end of December 2017.

4 Relative CO_2 reduction is measured using EEOI (Energy Efficiency Operational Indicator) as defined by IMO in MEPC.1/Circ.684 and calculated as g CO_2/(tonne x NM). In 2020, improvement of the underlying methodology resulted in a more exact calculation of historical performance. Data for previous years are restated to align with the updated methodology.

5 2016 and 2017 are presented without impact of IFRS 16.

Market update

The global economy sharply deteriorated in the spring and early summer of 2020 as a direct consequence of the COVID-19 led country lockdowns. Since then, a moderate recovery occurred as countries partially reopened and households and businesses were supported by fiscal transfers. However, the pandemic entered a second wave towards the end of 2020, which adds to the downside risk in early 2021. Social distancing and country lockdowns weighed more heavily on consumptions of services than on goods consumption, which supported a faster recovery of container trade compared to the broader economy, and at the end of 2020, global container volumes were higher than at the end of 2019. Dynamics in economic activity, trade and demand patterns will be highly dependent on the further development of the COVID-19 pandemic also in 2021 with the roll-out of a vaccine during the year.

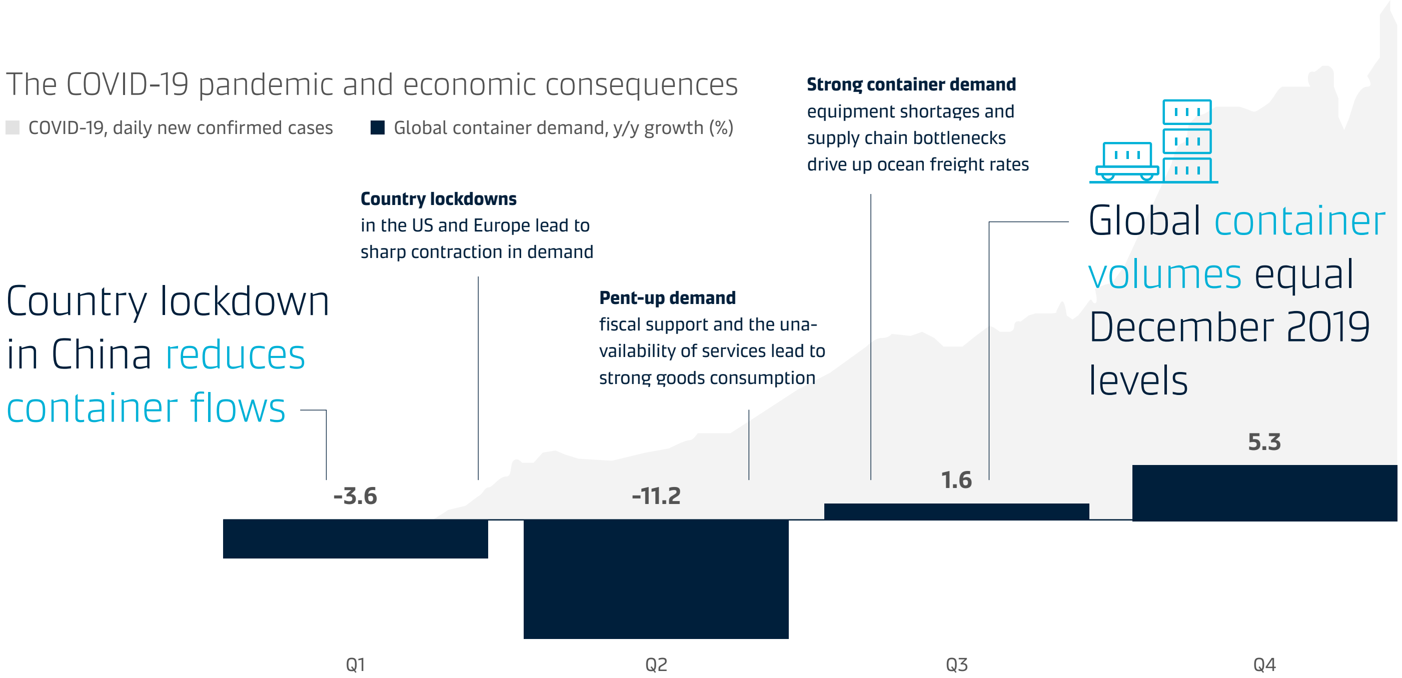
This development was most noticeable in the US. Despite the ongoing partial lockdown, US personal disposable income rose by 6.3% in 2020, due to fiscal support through the CARES Act to tackle economic implications of COVID-19. The act included recovery rebates and extra unemployment insurance benefits. However, a good part of the higher incomes was set aside as extra savings, and total US consumption decreased by around 4.6% in 2020. The consumption decline was entirely driven by services down by 7.3%, while goods consumption increased by 3.8%. The increase in US goods consumption drove up container demand in H2. In fact, North American container imports were 24% higher at the end of 2020, compared to the end of 2019. A similar division of growth between goods and services consumption was recorded in Europe, although European COVID-19 restrictions were tougher and the increase in goods demand was more muted.

Going forward, it is highly uncertain if goods consumption will continue to drive up container demand. The support from higher household income may diminish as unemployment has remained high and consumer confidence is well below pre-COVID-19 levels. Moreover, a continuation of the massive fiscal support is uncertain in the near-term, particularly in the US, if political gridlock prolongs decision making. Finally, households' appetite for services, such as travelling, could initially take up a larger share of the wallet than usual if a vaccine becomes widely available and countries reopen later in 2021.

Goods demand recovered quickly during country lockdowns

As a direct consequence of the COVID-19 pandemic, household salary income declined in 2020. While a substantial part of the income loss was compensated by extensive supporting fiscal programmes and monetary policy in many countries, total consumption demand suffered, some parts of consumption more than others (chart 1). The country lockdowns in H1 and the subsequent social distancing and travel restrictions led to a collapse in services consumption. At the same time, consumers spent a larger part of their income on physical goods such as electronics and furniture on the back of the protected disposable income and pent-up demand. This pattern coincided with a surge in e-commerce. Consequently, the fall in goods demand became much less pronounced than in services demand.

The COVID-19 pandemic and economic consequences



Ocean market update

Global container trade declined in 2020, following the COVID-19 pandemic. Growth improved to around 5% in Q4 2020, but the sharp contraction in Q2 led to a full-year negative growth of 2%, considerably weaker than in 2019. The 2020 slowdown reflected the broad-based crisis across all the main economies, although the H2 2020 recovery was faster than projections made during spring. The second wave of COVID-19 weighs on the early part of 2021, while the roll-out of an effective vaccine could have a positive impact on H2 2021.

Effective supply growth was contained during the year, as the industry adjusted fleet capacity to the deteriorating demand, and market fundamentals were broadly balanced. However, a significant demand rebound in the US and partially in Europe together with extensive equipment shortages drove up freight rates in H2, and freight rates increased by 18% compared to 2019.

COVID-19 and container demand

Container trade growth on the East-West trades declined by 2% in 2020 (table 1). European import growth from Asia was heavily impacted by the COVID-19 pandemic in H1 and declined by 13%, first by lockdowns in China and later by lockdowns in Europe. The subsequent recovery in H2 was not strong enough to offset the initial decline. North American container imports from Asia also declined in H1 by 9.5%, but inventory restocking and a significant spike in US goods consumption fuelled by a housing boom and fiscal stimulus lifted full year import growth to around 4% in 2020. Asian imports from the US and Europe (East-West backhaul) showed a moderate decline during most quarters in 2020, reflecting the decline in global activity. North-South container trade dropped sharply in 2020. Latin American imports decreased by 9%, reflecting strong negative impact from COVID-19 in all major economies in the region. African imports decreased by 5%. Finally, intra-regional trades recorded a milder downturn, as mainly Intra-Asia with around 0% growth in 2020 proved fairly resistant to the global crisis.

As a COVID-19 vaccine becomes widely available during 2021, there is reason to believe that container demand will grow, possibly by 3-5% in 2021.

Chart 1
US consumption and North American container imports

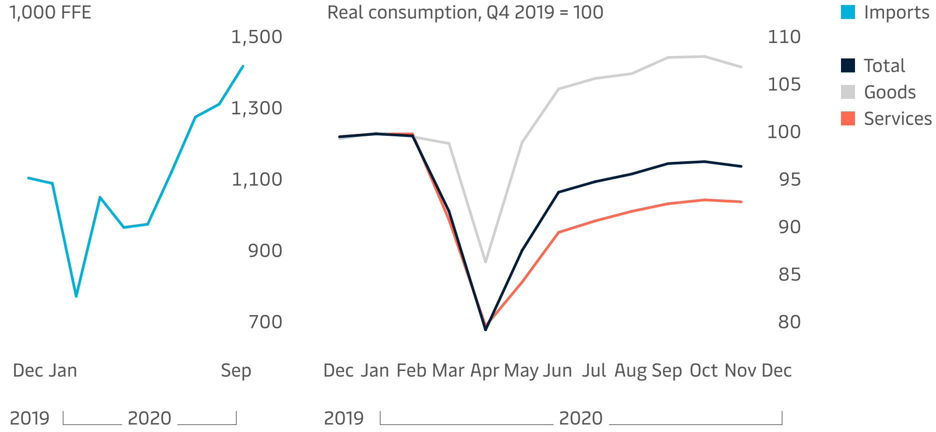
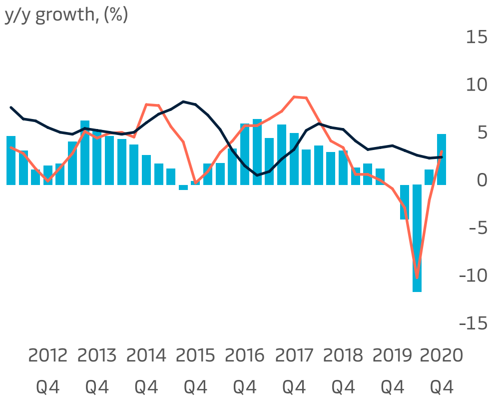


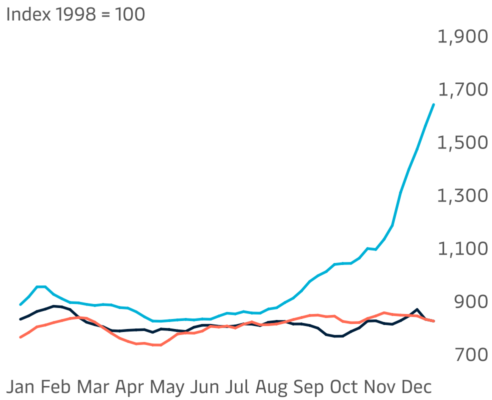
Chart 2
Global container demand and nominal supply growth



Global container demand
Nominal supply
Effective supply

Source: Demand and effective supply is internal Maersk and nominal supply is Alphaliner.

Chart 3
Freight rates



CCFI 2020
CCFI 2019
CCFI 2018

Source: Thomson/Reuters.
Source: CCFI, Shanghai Shipping Exchange.
Note: 2020 freight rates were significantly higher than in 2019.

Particularly Q2 2021 will likely be high compared to Q2 2020 when country lockdowns were at their peak. However, there is substantial uncertainty about the container demand outlook in 2021. The strong goods demand that supported container volumes in 2020 could partially reverse if spending on services makes up for lost ground in 2021. Moreover, the continuation of adequate fiscal transfers in 2021 is uncertain. Finally, labour markets remain under pressure, and unemployment rates are still significantly higher than before the pandemic broke out. Upside potential mainly stems from further inventory restocking and a very fast and effective broadly distributed COVID-19 vaccine that stimulates broad-based recovery in labour markets, incomes, and business investment.

Container fleet supply
The global container fleet stood at 24m TEU at the end of 2020, 3% higher than at the end of 2019. Deliveries amounted to 856k TEU (135 vessels) and mainly entered the fleet in H2. 205k TEU were scrapped, with most deletions occurring in Q2 when container demand declined sharply. Idling totalled 1% (311 TEU) of the fleet at the end of 2020. The idle fleet had increased extensively in the beginning of the year as the container industry adjusted the active fleet to the very weak demand (chart 2). As demand recovered in Q3, the idle fleet was swiftly reactivated. Effective capacity declined 3% in 2020 (chart 2). 1,148 TEU were ordered in 2020, corresponding to orderbook-to-fleet ratio of 11% at the end of the year. According to Alphaliner, the nominal global container fleet will grow by 4% in 2021.

Ocean container market, annual growth(%)

US consumer demand increased extensively in H2 2020

Table 1
Market demand growth

Growth % (Y/Y)	2020	2019
Global market	-2.0	1.5
East-West	-2.3	1.3
– Headhaul	-1.7	0.6
Asia-Europe	-4.2	2.9
Asia-North America	4.4	-2.1
– Backhaul	-3.6	2.7
North-South	-4.1	1.2
Intra-regional	-0.2	2.1

Key numbers

-2%
Market demand growth
The COVID-19 led contraction in Q2 was followed by strong recovery in H2

+18%
Freight rates
Consumption pick-up and vessel and equipment shortages pushed freight rates higher

+3%
Container fleet supply
While the nominal container fleet increased, adjustments to idling and blanked sailings led to a decline in the effective supply

Freight rates

Freight rates, as measured by the China Composite Freight Index (CCFI), were on average 18% higher in 2020 compared to 2019 (chart 3). While global supply and demand was broadly balanced, the unprecedented demand pick-up on key headhaul trades such as Asia-US in H2 2020 together with vessel and equipment shortages and bottlenecks across the entire supply chain supported freight rates. Asia to US West Coast freight rates increased by 28%, and Asia to US East Coast rose by 18%. Freight rates also increased on the Asia to North Europe trades, albeit at a more moderate pace of 13%, but strengthened by 23% from Asia to Mediterranean Europe. Uncertainties relating to the strength of container demand continue to pose a risk to the developments of freight rates in 2021, including the normalisation of the situation with vessel and equipment shortages and bottlenecks across the entire supply chain experienced in the last part of 2020.

Bunker prices

Towards the end of 2019, the industry's switch to 0.5% sulphur fuel oils amid a tight and nervous market pushed low sulphur fuel oil prices higher. High sulphur fuel oil prices in Singapore and Rotterdam hence declined by 33% and 29% from 2019 to 2020, respectively, as market supply and demand dynamics calmed and the pandemic spread worldwide, averaging USD 273/tonne and USD 248/tonne in 2020. Similarly, low sulphur fuel oil prices fell by 34% and 37% in Singapore and Rotterdam from 2019 to 2020, averaging USD 371/tonne and USD 329/tonne, respectively. Lower sulphur 0.1%S marine gasoil prices followed the downwards trend as it dived 35% to USD 390/tonne in Singapore and 35% to USD 367/tonne in Rotterdam in 2020 over 2019. Fuel oil prices have not fallen as drastically as the rest of the refined oil products in light of the demand destruction from the global pandemic and are supported by the strong and robust container shipping industry.

Singapore strengthened its position as the world's largest bunker port, with its total bunker sales increasing by an impressive 5% in 2020 amid a global pandemic and economic downturn. Bunker prices have experienced an extremely volatile period last year at the crux of the COVID-19-induced pandemic. The difference between the low sulphur 0.5% fuel oil and high sulphur 3.5% fuel oil spread, also known as the hi5, plunged drastically since the start of the year, but there are signs that the spread may pick up in 2021 with Singapore continuing to be the more active pricing centre followed by Rotterdam. A.P. Moller - Maersk expects further volatility in the fuel prices in major trading regions through mid-2021 during this uncertain period.

North American container imports were 24% higher at the end of 2020, compared to the end of 2019

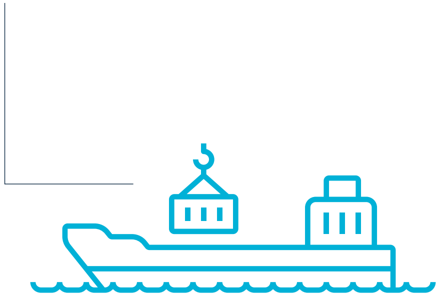
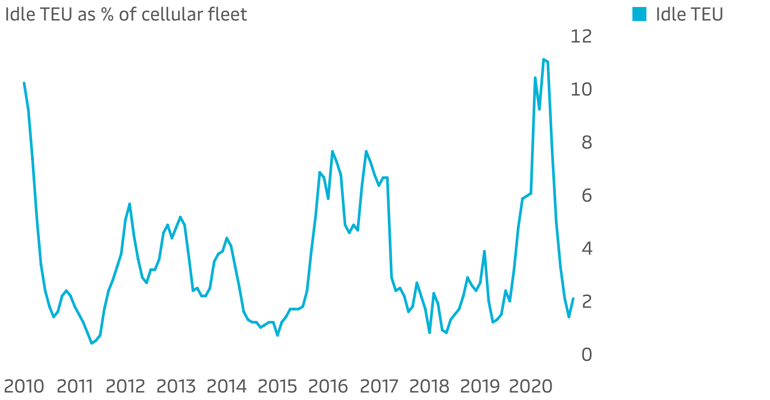


Chart 4
Idling



Terminals and Logistics & Services market update

The other transport and logistics markets were in broad terms impacted by the dynamics and market drivers that steered the ocean industry, above all the COVID-19 pandemic. According to Drewry, port throughput volumes decreased by 2.1% in 2020, with ports in most regions recording negative growth rates. In line with projections for ocean trade, global port throughput growth is expected to grow significantly in 2021. The container port industry continues to combat structural challenges stemming from the cascading of large container vessels, reinforced carrier alliances and capacity increases in many ports.

The large shifts in global trade volumes in 2020 also impacted the broader logistics segment. While the deterioration of trade and country lockdowns in H1 led to a volume decline in most segments, the subsequent recovery, above all in the US, supported volume activity in the freight forwarding market. The air forwarding market additionally gained from increased e-commerce trading during the lockdowns.

Our business

Throughout the year under very difficult circumstances, A.P. Moller - Maersk was never closed for business

Business model

Strategy

Customer interview

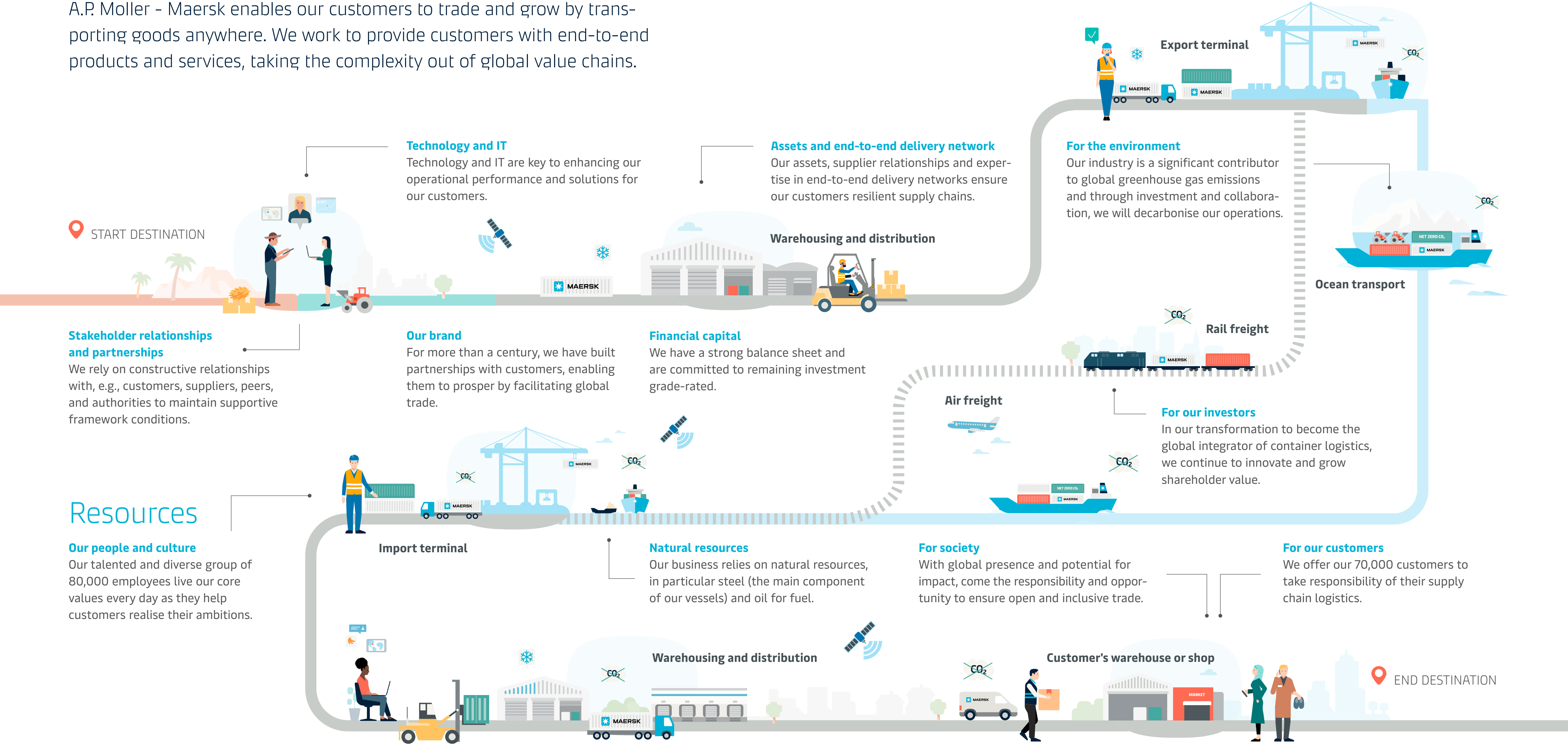
Sustainability

Risk management

BUSINESS MODEL

What we do and how we create value

A.P. Moller - Maersk enables our customers to trade and grow by transporting goods anywhere. We work to provide customers with end-to-end products and services, taking the complexity out of global value chains.



Resources

Our people and culture
Our talented and diverse group of 80,000 employees live our core values every day as they help customers realise their ambitions.

Stakeholder relationships and partnerships
We rely on constructive relationships with, e.g., customers, suppliers, peers, and authorities to maintain supportive framework conditions.

Technology and IT
Technology and IT are key to enhancing our operational performance and solutions for our customers.

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

Assets and end-to-end delivery network
Our assets, supplier relationships and expertise in end-to-end delivery networks ensure our customers resilient supply chains.

Financial capital
We have a strong balance sheet and are committed to remaining investment grade-rated.

Natural resources
Our business relies on natural resources, in particular steel (the main component of our vessels) and oil for fuel.

Value created

For our people
Our people bring key skills and capabilities to our business and in turn we must keep them safe and engaged while offering interesting career paths in enabling global trade.

For the environment
Our industry is a significant contributor to global greenhouse gas emissions and through investment and collaboration, we will decarbonise our operations.

For our investors
In our transformation to become the global integrator of container logistics, we continue to innovate and grow shareholder value.

For society
With global presence and potential for impact, come the responsibility and opportunity to ensure open and inclusive trade.

For our customers
We offer our 70,000 customers to take responsibility of their supply chain logistics.

Strategy

2020 marked the fourth year of A.P. Moller - Maersk's transformation from a conglomerate to the global integrator of container logistics.

3 pillars in the vision of becoming the global integrator of container logistics

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

2 Seamless customer engagement

3 Superior delivery network end-to-end

Despite the subversive effects of COVID-19 on the lives and business of A.P. Moller - Maersk employees and customers alike, the disciplined and consistent strategy execution continued and delivered tangible results through the year. Financial performance improved markedly, and previous year's efforts to improve customer service in general and digitisation in particular paid off. Through outstanding efforts from its front line personnel, not least from its seafarers, A.P. Moller - Maersk took pride in being able to sustain its global operation and keep global supply chains moving throughout the pandemic.

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

An important element of the global integrator strategy is to strengthen the logistics product portfolio, notably on the landside by improving and innovating existing products, as well as acquiring capabilities and product offerings through acquisitions. In 2020, A.P. Moller - Maersk strengthened its product offering to customers along the end-to-end value chain.

On 1 April, A.P. Moller - Maersk closed the acquisition of Performance Team, a US-based warehousing and distribution company, which, combined with the 2019 acquisition of Vandegrift, a US-based customs services company, has meant a significant strengthening of the land-based logistics services to US customers. On 2 September, A.P. Moller - Maersk closed the acquisition of KGH Customs Services, a Sweden-based pan-European customs services provider, hereby enhancing the end-to-end offering to customers with European imports and exports. These acquisitions were part of a general upgrade and improvement of A.P. Moller - Maersk's Logistics & Services business, which through the year grew EBITDA to USD 470m or more than twice the size of 2019.

The Ocean product offering was also strengthened through 2020 as the Maersk Spot product, launched in Q2 2019, was rolled out globally and with its superior offering of transparent price and equipment guarantee, it saw strong uptake with customers. By the end of 2020, the Spot product made up 51% of the total loaded short-term, volumes under Maersk brand (excl. Sealand and Hamburg Süd), and is well under way to becoming A.P. Moller - Maersk's primary offering in the short-term market.

6,000 FFE

Weekly bookings for Ocean customers

13x

More weekly volumes than the same period the previous year

Twill

2 Seamless customer engagement

With the launch of Maersk Flow in Q3 of 2020, A.P. Moller - Maersk is now offering a digital supply chain management tool for mid-size customers to improve their supply chain performance through better visibility and control of their shippers, carriers and shipments. This marked the entry into a customer segment A.P. Moller - Maersk has earlier struggled to serve well and which was extra challenged by the supply chain disruptions caused by the COVID-19 pandemic.

Maersk NeoNav, launched in December 2020, have significantly upgraded A.P. Moller - Maersk's capabilities in the supply chain planning and orchestration areas. With Maersk NeoNav, A.P. Moller - Maersk is among others able to connect customers' demand data with data on inventories and cargo flows and thus optimise these parts of the supply chain in near real time, leading to very significant value realisation. This innovative new product has been well received by customers with large, global supply chains and is currently in the implementation phase with two very large customers.

Adding more products is fundamental towards becoming the global integrator of container logistics, but equally important is the ability to combine these products into tailored customer value propositions, and more effectively serve the customers' needs, notably through digital solutions. The COVID-19 situation accelerated A.P. Moller - Maersk's customers' need for digital engagement and services, and A.P. Moller - Maersk benefited from previous investments into its technology stack, including maersk.com and other online offerings.

Twill, a solution dedicated for small and medium-sized Ocean customers, ended the year with weekly bookings in excess of 6,000 FFE, which was more than 13 times the weekly volumes compared to the same period the previous year. In July, a new digital offering, Maersk Flow, was introduced for small and medium-sized customers and partners to take control of their supply chain from factory to market. In October, a new cloud-based supply chain management platform was launched, aimed at larger customers with complex supply chains. The new platform will replace A.P. Moller - Maersk's existing offering and provide more integrated services and solutions, high levels of automation, self-service opportunity, as well as improved analytical functionalities.

TradeLens

120

Ports and terminals

50%

Of the global Ocean market is covered by TradeLens

Another important platform and enabler of digitisation is TradeLens, the open and neutral supply chain platform underpinned by blockchain technology, which A.P. Moller - Maersk is developing jointly with IBM. In October, the world's second and third largest container carriers, MSC and CMA-CGM, announced that they were integrated onto TradeLens. This means that TradeLens now covers more than 50% of the global Ocean market. The other parts of the TradeLens ecosystem also grew in 2020 and now covers more than 120 ports/terminals, 24 customs authorities, and a growing inland presence.

From an organisational perspective, A.P. Moller - Maersk simplified its organisation in Ocean and Logistics further by streamlining the frontline organisation and integrating and closing down the Safmarine and Damco brands. Furthermore, A.P. Moller - Maersk initiated a re-organisation of the headquarter technology and commercial functions into a number of platforms, each delivering dedicated business and customer outcomes. This reorganisation marked a further integration of digital technology into the A.P. Moller - Maersk organisation and enables faster and more agile development of new products and services, as well as a quicker and more effective modernisation of legacy technology.

Customer satisfaction was impacted by the disruptive effects of COVID-19, but is now again increasing and has remained strong with key customers throughout the year.

3 Superior delivery network end-to-end

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

The COVID-19 pandemic stressed the global supply chains to a degree never experienced before. A.P. Moller - Maersk takes pride in being able to continue to serve its customers' global transportation needs and supply chains throughout the year under very difficult circumstances. A.P. Moller - Maersk was never closed for business.

The many challenges caused by the pandemic and the related volatility in supply and demand emphasised the strength of having operational control over the critical parts of the global logistics supply chains. A.P. Moller - Maersk was able to leverage its operational control of vessels, warehouses, and terminals and co-developed new innovative solutions and products with customers in response to the disruptions. The main customer problems typically related to speed and/or flexibility of the supply chain, and examples of new solutions were storage in transit, dedicated air charters, and seaborne e-commerce solutions.

CASE: PERFORMANCE TEAM

On 1 April 2020, A.P. Moller - Maersk closed the acquisition of Performance Team, which has further strengthened the capabilities of A.P. Moller - Maersk as an integrated container logistics company offering customers end-to-end services.

The integration of Performance Team's engineered solutions and distribution centre capabilities to retail, wholesale and direct to consumer services with Maersk Warehousing & Distribution0s regional network in the US and Canada is progressing according to plan. In a time where transparency and resilience in supply chains have been increasingly important for customers, the extended offering of increased flexibility and value adding services have contributed significantly to the growth of Logistics & Services with a revenue of USD 398m and an EBITDA of USD 59m. Looking ahead into 2021, our focus will be on driving commercial synergies and cross-selling to Maersk Ocean customers as part of the integrated container logistics strategy.

> "Having premium assets in warehousing and distribution in 2020 was vital to meet unprecedented customer demand and keep pace with ecommerce growth."
>
> **— Craig Kaplan, CEO Performance Team.**

Transformation metrics

	2020	2019
A.P. Moller - Maersk cash return on invested capital[1]	16.6%	10.0%
Infrastructure and Logistics revenue[2], USDm	9,428	9,201
Logistics & Services EBITDA[2], USDm	470	221
Long-term targets		
Return on invested capital[1]	9.4%	3.1%
Underlying return on invested capital[1]	9.6%	3.2%

1 Last twelve months
2 Excluding freight forwarding and restructuring costs

Transformation metrics

To measure the strategic transformation towards becoming the global integrator of container logistics and the ability of A.P. Moller - Maersk to create shareholder value, three metrics are tracked besides the overall ROIC target (see table).

On the back of the improvement in profitability and positive cash flow generation during 2020, positive developments were seen across all transformation metrics.

Cash return on invested capital (CROIC), last twelve months, increased to 16.6% (10.0%), due to stronger cash flow from operations, lower gross CAPEX and slightly lower invested capital.

Infrastructure and Logistics revenue (excl. freight forwarding) increased to USD 9.4bn (USD 9.2bn), mainly due to the increased revenue in logistics from warehousing and distribution and supply chain management, only partly offset by lower revenue in gateway terminals because of the impacts of COVID-19.

Logistics & Services EBITDA (excl. freight forwarding and restructuring costs) improved to USD 470m (USD 221m) due to margin optimisation in intermodal and warehousing and distribution, supported by the acquisition of Performance Team in April, as well as KGH Customs Services in September.

We have made big strides to enable our vision

Bringing the global integrator to life

2016

A.P. Moller - Maersk embarked on our journey to become an integrated transport and logistics company

A.P. Moller - Maersk's vision to become the global integrator of container logistics was introduced

2017

Hamburg Süd
The acquisition of Hamburg Süd was closed in December 2017

2018

Maersk Tankers
A.P. Møller Holding acquired Maersk Tankers

TradeLens
A.P. Moller - Maersk and IBM developed the first platform to truly digitise paperwork in the supply chains

Maersk Oil
Total S.A. acquired Maersk Oil

2019

Simplified customer experience
The commercial frontlines of Ocean and Logistics & Services were merged to improve customer interaction and accelerate organic growth

2020

Maersk Spot
The digital booking solution offers simpler and more reliable short-term shipping

Maersk Drilling
Demerger from A.P. Moller - Maersk via a separate listing on Nasdaq Copenhagen

Vandegrift
US-based customs brokerage company acquired

Performance Team
US-based warehousing and distribution company is acquired

KGH Customs Services
A leading provider of customs brokerage in Europe is acquired

Reorganisation
The reorganisation of Ocean and Logistics & Services is complete and the integration of the Safmarine brand, Damco air freight, and LCL will improve customer experience and end-to-end service delivery

CUSTOMER INTERVIEW

"Our specialty is not logistics"

ENABLING GROWTH | Learn how the digital benefits of Twill help SMEs spend less efforts on supply chains and more time growing their business. Interview with Jan Peacock, International Sales Manager at Isaac H. Grainger & Son Ltd.

By Jesper Toft Madsen

"Our specialty is manufacturing steel products and that's where I want to spend my time."

Jan Peacock, International Sales Manager at Isaac H. Grainger & Son Ltd.

Can you tell me a bit about your business?

» Isaac H. Grainger & Son Ltd. is a 150-year-old manufacturing company based outside Birmingham in the UK. We manufacture metal products for Raised Access Flooring, which is the type of floor you're standing on in your office so that you can plug your computers into the floor or install air conditioning rather than cables coming down the wall. We manufacture this product in the UK and in India, and it's used around Europe.

What are your biggest pain points when it comes to transport and logistics?

» To manufacture the full flooring system, we need to ship products from the UK to Spain and from India to the UK and Spain. That's where seamless, door-to-door shipping becomes very important.

» We're not a huge customer that ships thousands of containers and has a fixed contract. We order containers as we need them, and the biggest issue for us has been reliability as we operate with a door-to-door policy. This means that if a customer wants a container, we need to tell them the cost of the product, the transportation cost and the arrival date. The biggest problem has been to get a price as this could take as long as two weeks via an agent or freight forwarder. The delivery was also very hard to track and manage when it wasn't on a vessel. Twill solved these problems.

What you need to know about Twill

- Twill is a tailor-made, end-to-end customer experience built to serve small and medium-sized businesses
- The current solution includes ocean, intermodal, customs house brokerage and value protect (insurance), and all can be booked and managed online
- Twill is live in 154 countries

In 2020, more than 2,500 new customers booked on Twill with volumes exceeding 100,000 FFE, representing a 13 fold year-over-year growth.

How critical are these transportation issues in running a smooth operation?

» For our import business in the UK, they are absolutely critical as we're known for producing products with fairly short notice. The customers don't care if we manufacture in the UK or in India, they just want their product delivered to the construction site on time.

How far can platforms such as Twill take you in overcoming these challenges?

» The platform is very useful. If I log into Twill today, I should be able to, let's say ship a container in ten days' time from India to our factory outside Madrid, Spain, by checking the available ships and the price.

» If our factory manager in India says we're able to ship a bit earlier, I can do this via the platform rather than having to call someone and wait for confirmation. This flexibility is very important to us because we save time and hassle. Shipping should be like Amazon, that's the standard these days. Twill knows who you are, you make your booking, get confirmation and my guys in India can log in and talk to their Twill contact locally – it's a smooth system.

» Our specialty is not logistics. In the past, we spent 10-15% of our time chasing logistics. Our specialty is manufacturing steel products and that's where I want to spend my time. That's why I'm enthusiastic about Twill as there wasn't anything like it when it came. It's like Amazon for shipping.

Sustainability

In an unprecedented year of pandemic, sustainability remained at the top of the agenda of A.P. Moller - Maersk and core to the its values. Efforts on decarbonisation are being intensified while integrating sustainability even further into business strategy.

A.P. Moller - Maersk's sustainability efforts have matured over the last decade with increasing ambitions matching the maturity of the field and the expectations of leading customers. A.P. Moller - Maersk wants to take responsibility in line with the company's values and commitments, and to assume a leadership position on global issues where the competencies and leverage are sufficient to make a real difference.

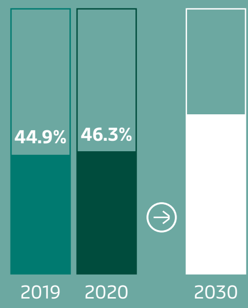
In 2020, this approach led to a review of the sustainability strategy, customer expectations, climate scenarios and transition pathways. As a result, ambitions on sustainability are being intensified with decarbonisation as the single-most important strategic sustainability imperative, and further integrating sustainability priorities in A.P. Moller - Maersk's global integrator strategy.

Continued acceleration of expectations from key stakeholders for companies to manage their impact on sustainability was seen in 2020. The financial community is asking companies to demonstrate credible decarbonisation plans that align with the Paris Agreement's 1.5 target across the full supply chain, considering the physical effects of climate change and securing a viable business for the future.

This is true not only for A.P. Moller - Maersk, but for customers as well, as they convert the financial sector demands on their business, and the opportunities they see for carbon-neutral products in the consumer market, into requirements for A.P. Moller - Maersk to deliver a decarbonised supply chain solution. Today, 90 of the 200 most important customers have set or are in the process of setting ambitious science-based or zero carbon targets covering their supply chain.

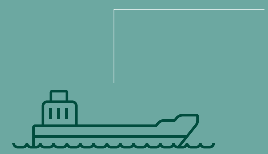
Furthermore, lawmakers – particularly the EU – are moving rapidly on legislation related to sustainability, also on issues beyond climate change and decarbonisation. For example, the EU is enacting the taxonomy on sustainable activities, which through demands on the financial community will push requirements for transparency and reliable data on to other sectors, and it is expected to introduce mandatory requirements for companies to conduct social and environmental due diligence in their supply chains.

Our commitments on decarbonisation



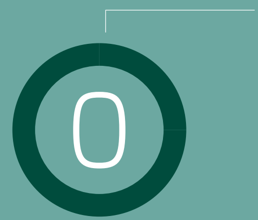
60%

Relative reduction in CO_2 emissions from shipping by 2030 compared to 2008[1]



No later than **2030**

Net-zero emissions vessels in operation in our network



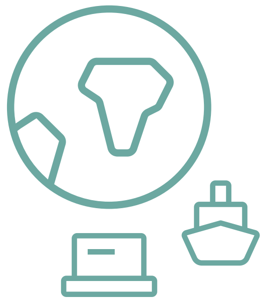
2050

Net-zero CO_2 emissions from ocean operations by 2050

1 Relative CO_2 reduction is measured using EEOI (Energy Efficiency Operational Indicator) as defined by IMO in MEPC.1/Circ.684 and calculated as g CO_2/(tonne x NM). In 2020, improvement of the underlying methodology resulted in a more exact calculation of historical performance. The data for 2019 is restated to align with the updated methodology.

A new level of integration

The approach of A.P. Moller - Maersk and this landscape of expectations were driving forces behind the decision to fully integrate sustainability into business activities, which was announced at the end of 2019. To fully deliver on sustainability as a strategic imperative, responsibilities must be embedded in the business and owned by business leaders. Governance and organisational structures that correspond with this decision have been established, including a dedicated decarbonisation function.



2025

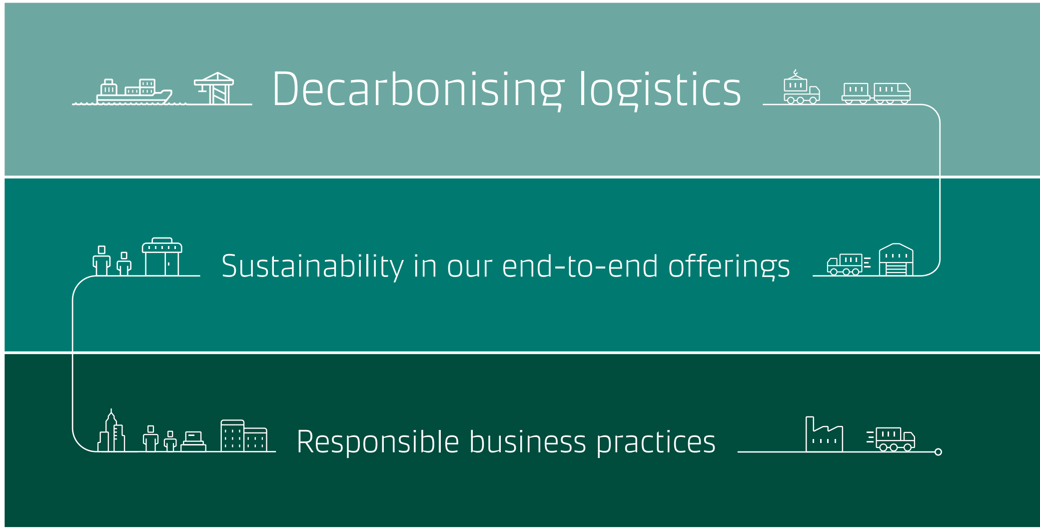
We aim to connect 50% of global containerised trade to digital solutions that reduce supply chain barriers.

Sustainability priorities for the global integrator strategy were defined in 2020: Enabling sustainable trade by decarbonising logistics, sustainability in our end-to-end offerings and responsible business practices. Taking leadership on decarbonisation of logistics is the single-most important strategic sustainability priority for A.P. Moller - Maersk, as decarbonisation of the fleet is the area beyond comparison with the greatest potential for impact. Furthermore, A.P. Moller - Maersk aims to increase focus on sustainability in end-to-end offerings in response to the increased responsibility and opportunity to manage supply chain risks for customers as part of its global integrator business strategy. Commitments on inclusive trade, food loss and ship recycling are now fully owned and driven in the line of business. Responsible business practices continue to form the strong foundation including solid governance structures, accountability and transparency on policies, commitments and performance across sustainability issues.

A.P. Moller - Maersk's business activities enable open, inclusive and sustainable global trade, and the company continues to actively engage in the global debate through advocacy, projects and partnerships. Even more importantly still more elements are being added to the products and services offered that can ease the access of SMEs to participate in and benefit from global trade. A.P. Moller - Maersk's work on helping to halve food loss during transportation is run as an integrated part of the Cold Chain Logistics business of A.P. Moller - Maersk, focusing on developing and scaling solutions to connect and integrate customers' cold chains. This area now covers several hundred customers across nearly 50 countries. Investments made by the company's venture arm, Maersk Growth, also contribute to the overall sustainable development goal of reducing food loss.

Enabling sustainable trade

Sustainability priorities for the global integrator



Decarbonising logistics

As an industry leader and with the resources available at hand, A.P. Moller - Maersk has an obligation to do what it can to get to a carbon-neutral fleet as fast as possible, and to help customers decarbonise global supply chains end-to-end.

Vessel decarbonisation is beyond comparison the area with the greatest direct impact. The majority of efforts and investments in the near future will be on decarbonising ocean activities, as this holds the potential for the greatest impact and market leadership that enables setting the direction for an entire industry. However, expanding customer offerings in line with being the global integrator also makes it necessary to identify how the end-to-end supply chain can be decarbonised.

The decarbonisation strategy spans across three complementary pathways:

Building a market for carbon-neutral shipping

Building on customers' increasing momentum, integration of a new commercial strategy on sustainability began, aiming to respond to and aid customers on their decarbonisation journey.

One key feature in this is the Maersk ECO Delivery product. Launched in 2019, it remains one of only a few options for carbon-neutral shipping on the global market so far. Read more about the product on page 40.

Four primary fuels for net-zero shipping

Fuel	Key advantages	Key limitations/risks
Biodiesel	Can be used as drop-in fuel in existing vessels and engines	Limited availability of biomass feedstock a challenge to scalability Price pressure due to high demand from competing industries
Methanol (bio-methanol and e-methanol)	Already in operation as marine fuel Engine is available Liquid at normal conditions, well-known handling	Bio-methanol: Production at scale is challenged by uncertainty over availability of biomass E-methanol: Availability of biogenic CO_2 source at production site, cost and maturity of electrolyser technology
Lignin fuels A new biofuel based on biomass residue (lignin) and alcohols (methanol or ethanol)	Lignin fuel has the potential of being the most price-competitive carbon-neutral fuel with the lowest price estimates almost on par with fossil fuels	In the development stage, production needs to be scaled up to create a new value chain and infrastructure for supply Engine requirements would be the same as for methanol, but additional handling of contaminants may be required
Ammonia (green ammonia)	Fully zero emissions fuel Can be produced at scale from renewable electricity alone	Safety and toxicity challenges Infrastructure challenges at ports Future cost depends on cost of renewable electricity and cost/maturity of electrolyser technology

Importantly, this product demonstrates that the commoditised freight market is open for price differentiation. Driven by the end-consumers' increased willingness to pay for sustainability, and growing climate urgency, this represents a solid contribution to the development of a business model for decarbonised logistics and transport. A multi-tier value proposition has been developed, as a way to respond to relevant customer needs aligned with their maturity and ambition level for carbon reductions, and building stronger ties and partnerships with the group of customers who also have ambitious decarbonisation strategies.

Technology: The future of fuels

In the past two years extensive analyses of the available technology and fuel options for net-zero operations have been conducted. Based on this work, four primary pathways are being pursued, as seen in the table.

In response to the increased urgency of delivering on decarbonisation, A.P. Moller - Maersk's position is that the right thing to do is to leapfrog to pure net-zero vessel technology without any transitional technologies.

Fuel transformation involves the entire supply chain, and part of the work consists of overcoming barriers to progress, including scaling fuel production and associated technology, lack of fuel infrastructure and safety related issues, while managing the impact on company profitability.

Policies: The need for broad-based action

The final piece of the decarbonisation strategy relates to the policy frameworks established to further this process. Policies must not only secure that lowest performers are held accountable, but also that first movers are rewarded for the risks taken on behalf of the whole industry.

With very few exceptions the political and thus legislative debate is currently not moving fast enough to fulfil its role. A.P. Moller - Maersk advocate for more ambitious targets in the International Maritime Organization (IMO) and for lawmakers to build incentive structures that reward first movers and remove a share of the financial risk related to decarbonisation. There is a risk that regulators are out of sync with the progress and development pushed by industry, which would be to no one's benefit.

At regional level, there is no doubt that shipping will be part of the EU Emissions Trading System within a few years. However, this needs to be done with the objective of actually lowering shipping emissions and with a view to supporting an international greenhouse gas (GHG) reduction agreement, while still supporting modal shift of cargo to sea, which will remain the most sustainable way of transporting large quantities of cargo.

Frontline heroes stuck at sea

Enabling global trade has been A.P. Moller - Maersk's finest task for decades. In extraordinary circumstances, due to the COVID-19 pandemic, A.P. Moller - Maersk employees across the world have gone to extraordinary lengths during 2020 to keep goods moving freely from the start of the pandemic.

A.P. Moller - Maersk's executive leadership established that the company's focus during the COVID-19 crisis would be on three priorities: Protecting our people, supporting our customers, and helping society get through the crisis.

Everyone's safety was sought to be ensured by enabling employees to work from home wherever possible, providing personal protection equipment, and changing procedures to allow for adequate disinfection of equipment in for example port terminals. The greatest challenge has been for seafarers.

Normally, a crew member stays on a vessel from two to six months. The Maritime Labour Convention states that crews can spend a maximum of 11 months on board. These norms were broken in 2020, as crew changes were made impossible by restrictions on entry to countries and travel restrictions. At its highest point, more than 2,500 out of 6,000 colleagues could not be relieved of their duties.

The challenge was brought to the highest levels at the UN and IMO as well as to legislators and NGOs, and agreements with governments, airlines, airport operators, hotels and port authorities were established to enable crews to have essential worker status and safely travel to and from major port hubs with major international airports, including special A.P. Moller - Maersk charter flights. Company quarantine safe centres were created in strategic locations as well as hubs for local quarantine in high volume areas. These measures helped seafarers reach their destination and by the end of the year overdue crew members were relieved.

To help society in the fight against the pandemic, the capabilities and partnerships of A.P. Moller - Maersk, including the Logistics Emergency Team, were put to use to support communities, countries and regions. The company also endorsed a World Economic Forum charter in support of safe and sustainable distribution of COVID-19 vaccines globally. A.P. Moller - Maersk is heavily involved in developing a global plan for distribution of vaccines, with planning for large-scale distribution beginning in the summer of 2020, including the establishment of a global logistics partnership with COVAXX to distribute up to a billion doses of the COVAXX vaccine worldwide in 2021.

Safety differently

Integrating the updated approach to safety across the company continued with positive examples of progress and true mitigation of risks to human health through new processes of collaboration and deliberation.

In 2020, the safety organisation was reorganised to reinforce that A.P. Moller - Maersk has one and only one safety strategy, which is implemented and enforced equally across the company. The new central Safety and Resilience team creates a strong pool of resources and tools, including implementation support available at all levels across the company. In this way, the integrated company that A.P. Moller - Maersk is becoming is being matched and mirrored, assuring customers that when they leave their supply chain obligations in the hands of A.P. Moller - Maersk, the capacity for safe operations is in place.

Deeply regrettable, one person lost his life while performing tasks under A.P. Moller - Maersk management, when a roofer working for a contractor fell as scaffolding collapsed after being hit by a crane that tipped. This tragic event reinforces the company's commitment to working more with suppliers on safety and sustainability issues.

Commitment to responsible ship recycling

Four years after the first A.P. Moller - Maersk vessel landed in a ship recycling yard in Alang, India, an impact study clearly demonstrated very significant improvements in safety, environment, workers' conditions and access to health in the wider community. The ambition is to create responsible ship recycling opportunities that are also commercially viable for the ship owners and changing the ship recycling industry at the same time.

> A.P. Moller - Maersk worked towards three key priorities during the COVID-19 crisis: Protecting our people, supporting our customers, and helping society to get through the crisis.

The prospect of broad, sustained change is, however, challenged. No yards from the Alang area – despite collaboration with the EU Commission and investments over the past two years – have yet been included in the EU List of yards outside the OECD that can be legally used for recycling of ships registered in EU countries. In addition, a new legislative barrier has arisen, because legislation has come into force that prohibits exporting of hazardous waste from a list of OECD countries to developing (non-OECD) countries, which some, including the EU Commission, are applying to vessels for recycling. This has currently stalled the Alang yard applications and now awaits an internationally negotiated resolution of this regulatory challenge.

This situation is highly detrimental to the developments in Alang, as well as to ship owners. A.P. Moller - Maersk's position, based on thorough legislative analysis, is that there are legal options available to the EU, and the company is engaging with a multitude of stakeholders to find both a short and long-term solution to this gridlock.

A further challenge is that within the next few years, even larger vessels than today will be nearing end of life and ready for recycling, but these vessels will be too large for many of the yards offering financially viable solutions.

Because the work in Alang documents that responsible ship recycling is possible outside yards in OECD countries, A.P. Moller - Maersk's ambition for the work on ship recycling has changed from radically changing the industry, starting in Alang, to creating opportunities for responsible ship recycling globally.

IMO 2020 conversion successful

From January 2020, the IMO's 0.5% global cap on the content of sulphur in fuels came into effect. The enforcement mechanism for this legislation is a ban on carrying non-compliant fuels on vessels, except for vessels where scrubbers are installed to clean exhaust gasses.

The main concern in the years leading up to the cap taking effect was uneven enforcement. While the level of control is not as stringent as A.P. Moller - Maersk would prefer, there is no indication that compliance is lacking. Oil market shares are a useful proxy for this, and it appears that the low-sulphur fuel uptake is at the expected level.

A.P. Moller - Maersk has installed open-loop scrubbers on a share of the vessels as a risk management measure, as the price gap between heavy fuel oil and low-sulphur fuel was expected to be significant. The use of scrubbers remains a discussion point and no independent, global survey of the effects of scrubbers has yet been produced to support global legislation. Increasingly, legislation is being implemented regionally, for example in the EU and in some US states and Australia, requiring vessels to shut off the scrubber system when entering near-coastal waters and switch to low-sulphur fuel.

The A.P. Moller - Maersk 2020 Sustainability Report provides more information about the work and progress on sustainability priorities. For an overview of Environmental, Social and Governance (ESG) performance data including Sustainability Accounting Standards Board (SASB) and Task force on Climate-Related Financial Disclosures (TCFD) indices, please see the 2020 ESG data overview on A.P. Moller - Maersk's investor relations website.

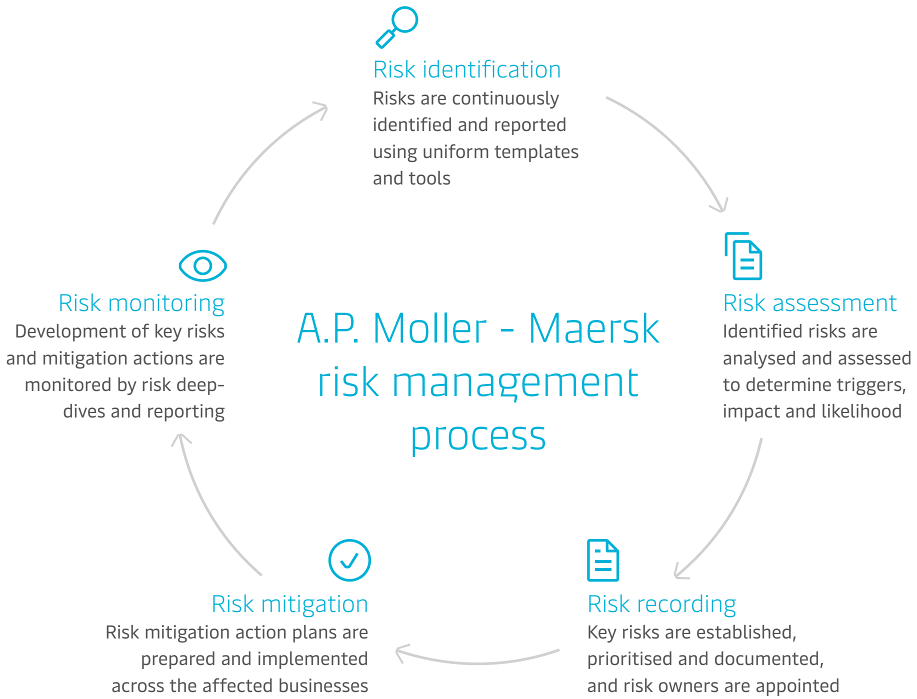
Risk management

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

A.P. Moller - Maersk is accelerating its transformation to become the global integrator of container logistics. The transformation success hinges on the ability to perform and transform at the same time through deployment of critical change levers such as technology, processes and people. It is essential that risks inherent to the business activities and risks associated with the transformation are managed well to keep the potential financial and reputational impact of such risks within acceptable levels.

With a defined roadmap in place for the transformation, the risks associated with the transformation at its current stage are largely execution risks relating to, e.g., customer service levels, technology roadmap, market risks for the Ocean segment, growth capabilities for the Logistics & Services segment, and people capabilities. These risks require active management and monitoring as described in the 2021 Key risk analysis described below.

A.P. Moller - Maersk is exposed to a variety of risks in the conduct of its business and execution of its strategy. A.P. Moller - Maersk has a well-established Enterprise Risk Management (ERM) process to



The Coronavirus (COVID-19)

The COVID-19 pandemic continues to impact the global economy and the world's supply chains. The global demand growth for containers contracted by around 2% in 2020, albeit with large fluctuations in demand during the year. Overall, A.P. Moller - Maersk was able to manage the impact on demand through tight cost and agile capacity deployment.

After the initial steep disruption of demand in the first quarter, a strong and unexpected recovery in the demand for containerised goods during a period where services remained curtailed, implied an extreme challenge to cope with in terms of cost and capacity management.

As A.P. Moller - Maersk manages its way through the pandemic, three objectives continue to guide its decisions: protecting its employees, serving its customers by keeping its global network and ports operating, and helping societies fight the virus.

Proactive risk management, deployment of effective crisis and business continuity management, and a strong resolve from employees ensure that so far, the operational impact of COVID-19 has been minimised.

One of the biggest COVID-19 challenges for A.P. Moller - Maersk has been performance of crew changes for the vessels, mainly due to prevailing restrictions. A.P. Moller - Maersk proactively addressed this serious issue through collaboration with governments, airlines, airport operators, hotels, and port authorities, and use of special A.P. Moller - Maersk charter flights.

The pandemic continues to impact the transportation and logistics industry operationally and financially. It is difficult to predict the business impact in 2021, which will depend wholly on the duration of the pandemic and the resulting lockdowns of countries and economies globally, as well as on the associated changes in demand patterns.

identify, assess and respond to key risks that can threaten A.P. Moller - Maersk's ability to achieve its business objectives. The process is integrated into strategy review, business planning and performance management.

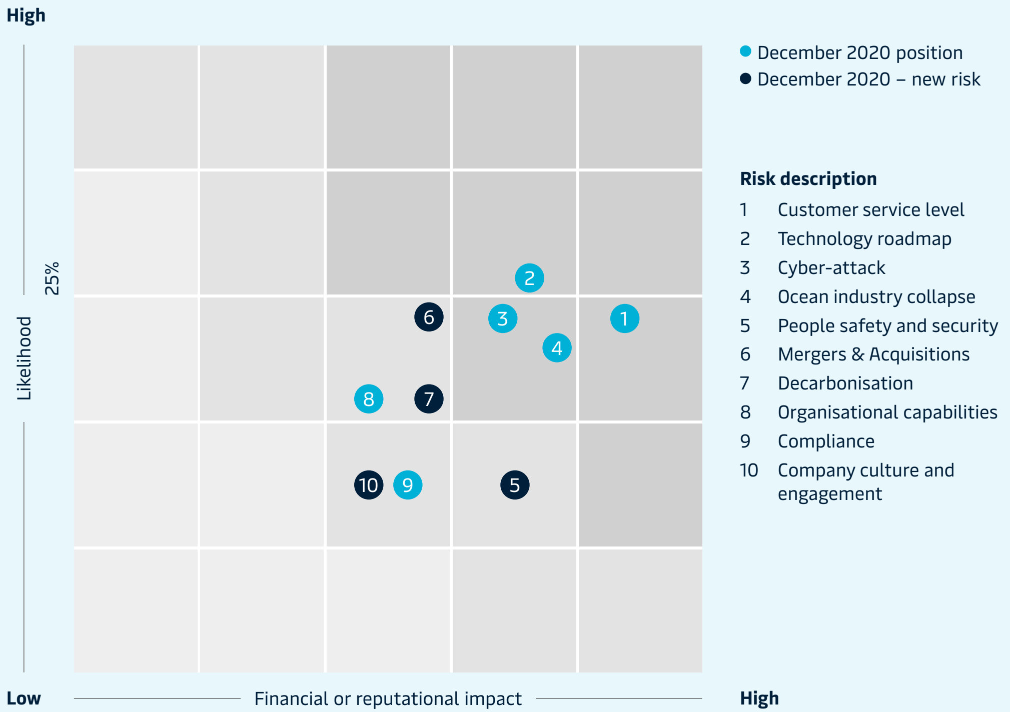
Each year, risks are identified and assessed following a comprehensive process covering the enterprise and the individual brands. The enterprise risks identified are validated for relevance and significance by senior business leaders. Finally, the Executive Leadership Team reviews the risks and decides the key risks to the strategy and the business plan.

The Executive Leadership Team appoints a risk owner for each key risk to oversee the management of the risk, including the preparation and execution of mitigation action plans. Once the plans for the management of the risks are finalised, the progress and effect of such plans are monitored by the Executive Leadership Team and the Audit Committee in designated and regular sessions. Where the progress of mitigating actions is falling behind schedule, or where mitigating actions are not achieving the effect they were designed to have, corrective actions are taken.

The ERM process for 2021 was carried out in the second half of 2020. It identified ten key risks that may have a significant impact on the business plan, including on earnings, financial position and achievement of other strategic objectives.

2021 Key risk analysis

The key risks to achieving the A.P. Moller - Maersk 2021-2025 business plan, the assessment of each risk, and the mitigation strategies deployed are described in the following.



All positions are residual risk after current mitigation.

During 2020, A.P. Moller - Maersk has worked systematically on mitigating key risks shown in the Annual Report 2019 to further reduce residual risk levels. Among other things, the risk reductions achieved in 2020 imply that risks relating to IMO 2020 low sulphur fuel, cost excellence in Ocean, and the APM Terminals transformation are not perceived to be among key risks into 2021. Also, the risk relating to standardisation of core processes is now included in the technology roadmap risk. Residual risk levels of continuing risks and new risks by December 2020 are depicted on the heatmap above.

	1 Customer service level	2 Technology roadmap	3 Cyber-attack	4 Ocean industry collapse	5 People safety and security
Risk description	A.P. Moller - Maersk's strategy to become a global integrator of container logistics hinges on the ability to deliver a superior service level to customers. A.P. Moller - Maersk needs to deliver operationally on the service level promised to customers in order to build long-term trust and brand reliability.	A.P. Moller - Maersk's growth strategy is dependent on its ability to transform its digital foundation. If there is serious delay or failure to modernise technology, execute the Technology roadmap, and standardise core business processes, there is a risk that Maersk is unable to orchestrate value and stable revenue streams via its technology platforms.	As A.P. Moller - Maersk becomes increasingly digitalised, more devices and control systems are connected online resulting in a wider technology surface across the Information Technology and Operational Technology infrastructure, which could be compromised. Should a successful cyberattack materialise, operational disruption and/or data breaches may occur.	Although there have been signs of structural improvements in the Ocean segment, there is still a non-negligible risk that the Ocean industry could again become financially challenged in another downturn cycle.	The business of A.P. Moller - Maersk requires many of the employees and other external contractors to work in high-risk locations both in terms of frontline operations as well as in terms of working in geographical areas with elevated risk.
2021 Risk assessment	The delivery promise introduced as part of the integrator strategy is key to building customer trust and thereby retaining strong brand reputation of A.P. Moller - Maersk. Not being able to deliver operationally can weaken the foundation of the A.P. Moller - Maersk global integrator strategy.	A.P. Moller - Maersk has made progress on its technology roadmap and standardisation of its core business processes. However, since A.P. Moller - Maersk is expanding into new business areas, the business processes and workflows are complex, and the current IT landscape is fragmented, it is likely that A.P. Moller - Maersk will see some delays, as it progresses the road map.	Following the cyberattack in 2017 several measures to improve cyber security have been implemented. However, as the external threat continues to develop, a cyberattack could still occur leading to financial losses, loss of customer confidence, reputational damage, regulatory sanctions for data breaches, and/or operational accidents.	Another downturn of the Ocean industry over the coming years could become a distraction to A.P. Moller - Maersk's strategy execution and hamper its ability to invest. If the risk materialises, A.P. Moller - Maersk may be forced to focus on improving its short-term financial performance.	A.P. Moller - Maersk has over the years continued to have accidents, some of which have unfortunately had very serious and even fatal outcomes. This not only causes business disruption and affects A.P. Moller - Maersk's name and reputation, but more importantly brings into focus the duty of care towards people.
Mitigation strategies	A.P. Moller - Maersk is permanently improving its business processes and systems to deliver on the new delivery promises. In addition, the service levels are continuously monitored for swift actions to mitigate adverse developments, and business continuity strategies are designed and rolled out to withstand operational disruptions.	A.P. Moller - Maersk has prioritised technology modernisation, standardisation of core business processes and development of data as a differentiating asset. To achieve the right customer and business outcomes, A.P. Moller - Maersk is transforming the engagement model between Technology and business platform owners to drive greater cross functional collaboration and accountability.	Current mitigation includes a cyber security programme, business continuity plans, and cyber-risk insurance. The initial three-year cyber security program was completed in 2020. The next phase to further mitigate the threat associated with the enhanced digital interface with customers is already underway.	A.P. Moller - Maersk has limited levers to impact the overall demand for container shipping. However, multiple mitigation strategies exist, such as closely monitoring supply and demand, de-commoditising products and services, focus on cost leadership, and growing Logistics & Services to reduce the exposure to Ocean volatility.	A new Safety & Resilience function has been established to combine knowledge and expertise in this area, have a unified strategy around the topic, embed the strategy through a leader-led approach across the organisation and through management of critical risks.

	6 Mergers & Acquisitions	7 Decarbonisation	8 Organisational capabilities	9 Compliance	10 Company culture and engagement
Risk description	A key driver to long-term Logistics & Services growth is the expansion of product and people capabilities through successful Mergers & Acquisitions (M&A). Acquiring new capabilities is a prerequisite to serve customers end-to-end, and A.P. Moller - Maersk will need to make acquisitions in the coming years.	Decarbonisation is becoming a business necessity and a license to operate. It is critical for A.P. Moller - Maersk to decarbonise the end-to-end supply chain at a speed that meets customers' and investors' expectations. Primary focus is the decarbonisation of own emissions.	Delivering a digitally transformed business model as part of A.P. Moller - Maersk's global integrator strategy requires right balance of capabilities and skills at all levels in the organisation.	It is imperative for A.P. Moller - Maersk to conduct its business in compliance with legislation and regulatory standards. The regulatory landscape is becoming increasingly complex, and A.P. Moller - Maersk could be hit by a major compliance case in respect of violations of anti-corruption laws, anti-trust regulations, and/or international sanctions.	The A.P. Moller - Maersk culture is strong with many elements that must be retained. These strong cultural elements were critical in getting through the cyberattack in 2017 and most recently in the COVID-19 pandemic, but there is a need to change and adapt parts of this culture and to further enhance employee engagement to support the transformed business model.
2021 Risk assessment	Some of the acquisitions may be substantial, and if A.P. Moller - Maersk fails to integrate one or more of these, it will create a risk to successfully executing the A.P. Moller - Maersk integrator strategy.	A.P. Moller - Maersk has made a commitment of carbon neutrality by 2050. With increasing demand from customers and investors, A.P. Moller - Maersk needs to further innovate sustainable supply chain solutions and accelerate its decarbonisation initiatives.	A.P. Moller - Maersk made good progress in acquiring new and diverse capabilities and skills, especially for Logistics & Services and Technology. Still, the strategy execution could be hampered if the right balance of capabilities and skills are not maintained at all levels of the organisation.	In respect of corruption, A.P. Moller - Maersk operates in high-risk geographies and high-risk sectors (e.g. the terminals and logistics services sectors). A.P. Moller - Maersk is the largest container carrier and in an industry with many industry cooperation agreements. A.P. Moller - Maersk thereby naturally has the attention of competition authorities globally.	Most notably, customer centricity is a cultural attribute, which must be honed to a different level than today. Another element that must be further cultivated is the ability to work across functions with shared ownership and accountability for outcomes.
Mitigation strategies	A post-merger integration office has been established to develop and manage integration processes and embed learnings. Integration capabilities have been upskilled through external sourcing. Further actions are planned to develop seamless transition between acquisition and integration activities, with clear accountabilities and business ownership.	In 2020, a strategic review of climate scenarios and transition pathways was conducted with the conclusion that climate action is a strategic imperative for A.P. Moller - Maersk. Consequently, a new Decarbonisation function has been launched in 2021 to further embed and accelerate the decarbonisation agenda, including coordinating the efforts to reduce the climate impact of operations and developing relevant customer offerings.	A.P. Moller - Maersk Capability Framework was established to define key organisational capabilities to support strategic goals. Further actions are in progress to build/buy competencies through functional and leadership programmes and targeted recruitment campaigns.	A.P. Moller - Maersk has a robust compliance programme for anti-corruption, competition law and economic sanctions, and export controls designed to fulfil the global requirements and many initiatives are in place to improve focus and emphasis on compliance awareness and training.	Actions were launched to assess and address employee engagement levels on a more frequent basis. Further initiatives will be launched to further strengthen the A.P. Moller - Maersk behaviours and elevate the company culture.

Performance 2020

EBITDA increased by 44% to USD 8.2bn with increases in all segments

Performance overview

Revenue EBITDA

Ocean

↑ USD 29,175m
↑ USD 6,545m

Ocean revenue was USD 29.2bn (USD 28.8bn) with negative effects from COVID-19 on loaded volumes, predominantly in Q2, offset by the effects of higher freight rates. EBITDA increased to USD 6.5bn (USD 4.4bn), yielding an EBITDA margin of 22.4% (15.4%). Profitability improved in 2020 as a result of higher rates, lower costs and timely responses to changing market conditions where agile capacity deployment was executed to meet both mid-year global demand downturn and demand surges towards the end of the year. The average loaded freight rate increased by 7.9% due to short-term rate increases, and total operating costs decreased by 5.8% from improved cost management, higher utilisation and lower bunker cost.

Ocean has actively deployed capacity to accommodate the significant demand fluctuations by withdrawing in H1 and increasing in H2, which helped mitigate the worsened schedule reliability caused by the global supply chain disruptions to service Ocean customers best possible.

Maersk Spot gained significant momentum in 2020 and, measured on the last four weeks in 2020, accounted for 51% (20%) of total loaded short-term volume under the Maersk brand.

Logistics & Services

↑ USD 6,963m
↑ USD 454m

Logistics & Services reported a revenue of USD 7.0bn (USD 6.3bn), driven by increasing revenue in warehousing and distribution including Performance Team, air freight forwarding and supply chain management, offset by decrease in intermodal and sea freight forwarding. Gross profit grew to USD 1.6bn (USD 1.2bn) reflecting a gross profit margin of 23% (20%) with margins improving throughout the year. The improvement was supported by margin optimisation in especially intermodal and warehousing and distribution and effects from the acquisition of Performance Team, partially offset by lower margins in supply chain management. EBITDA increased to USD 454m (USD 216m).

Air freight forwarding and less container load (LCL) products was integrated into Maersk logistics and services to complement the end-to-end offering effective as of October. The Damco brand was discontinued.

The combined warehousing and distribution, and customs services presence has increased with the integration of Performance Team in North America and KGH Customs Services in Europe.

Terminals & Towage

↓ USD 3,807m
↑ USD 1,205m

Terminals & Towage reported an increased EBITDA of USD 1.2bn (USD 1.1bn), despite revenue decreased by 3.6% to USD 3.8bn (USD 3.9bn). In gateway terminals, revenue decreased with lower volumes due to COVID-19. EBITDA increased to USD 989m (USD 913m), mainly driven by consolidation of Pipavav, India, and cost savings partly offset by lower volumes. The decrease in volumes of 3.6% was driven by lower volume of 1.2% from the Ocean segment and 4.9% from external customers. Towage reported a revenue of USD 681m (USD 695m), with an EBITDA of USD 216m (USD 205m), mainly due to lower costs, aligned to the strategic growth initiatives launched in 2019.

All terminals remained operational throughout the COVID-19 pandemic. The new terminal in Vado, Italy, began operations in Q1 and the terminal in Tema, Ghana, ramped up during 2020.

Towage signed new contracts and negotiated extensions to existing contracts. Operations were updated with new locations and planned exit of others.

Manufacturing & Others

↓ USD 1,254m
↑ USD 165m

Manufacturing & Others revenue decreased to USD 1.3bn (USD 1.4bn) while EBITDA increased to USD 165m (USD 136m). Maersk Container Industry EBITDA increased to USD 77m (USD 29m), which was the strongest financial year of its core marine reefer business. Maersk Supply Service EBITDA decreased to USD 21m (USD 28m), reflecting lower activity offset by cost reductions. For other businesses, revenue was USD 415m (USD 484m), and EBITDA was USD 66m (USD 80m).

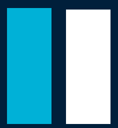
Maersk Container Industry saw higher Star Cool Unit sales compensating for lost Star Cool Integrated production in Q1 due to COVID-19 and achieved the highest ever third-party unit bookings total.

Maersk Supply Service was awarded several contracts in the North Sea and Africa for its integrated solution service.

Ocean

■ 2020 ■ 2019

Revenue



USD 29,175m
USD 28,782m

EBITDA

USD 6,545m
USD 4,436m

CAPEX

USD 653m
USD 1,172m

At the heart of the integrator strategy, Ocean enables trade through strategic brands and digital channels providing customers the flexibility and stability needed to manage and simplify end-to-end supply chains. Operating the largest container ship fleet in the world, Ocean carries more than 12 million forty-foot-equivalent units per annum, split approximately 45/55 between long-term and short-term contracts calling over 300 ports around the world.

Financial and operational performance

Revenue was USD 29.2bn (USD 28.8bn), with a decrease in volumes to 12,634k FFE (13,296k FFE) as a result of COVID-19, more than offset by improved freight rates, which increased to 2,000 USD/FFE (1,853 USD/FFE).

Despite restructuring cost from strategic changes announced in Q3, EBITDA increased by 48% to USD 6.5bn (USD 4.4bn), driven by higher revenue and a lower cost base mainly due to agile capacity deployment combined with a lower bunker price and consumption. As a result of this, the EBITDA margin increased by 7.0 percentage points to 22.4%.

Ocean highlights

USD million	2020	2019
Freight revenue	24,920	24,466
Other revenue, including hubs	4,255	4,316
Revenue	**29,175**	**28,782**
Container handling costs	8,474	8,988
Bunker costs	3,835	4,566
Network costs, excluding bunker costs	6,625	7,025
Selling, General & Administration (SG&A)	2,698	2,786
Cost of goods sold and other operational costs	1,252	919
Total operating costs	**22,884**	**24,284**
Other income/costs, net	254	-62
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**6,545**	**4,436**
EBITDA margin	22.4%	15.4%
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	653	1,172
Operational and financial metrics		
Loaded volumes (FFE in '000)	12,634	13,296
Loaded freight rate (USD per FFE)	2,000	1,853
Unit cost, fixed bunker (USD per FFE incl. VSA income)	1,973	1,954
Bunker price, average (USD per tonne)	372	412
Bunker consumption (tonne in '000)	10,322	11,092
Average nominal fleet capacity (TEU in '000)	4,081	4,132
Fleet owned (end of year)	301	307
Fleet chartered (end of year)	405	401

Volumes were 5.0% lower at 12,634k FFE (13,296k FFE) due to COVID-19, predominantly in Q2, mainly due to decreases in East-West and North-South trades. The decrease in East-West was driven by Europe and Middle East trades, while North America saw higher volumes in H2 2020. The decrease in North-South was driven by the weak demand across Latin America, Africa and Oceania trades. Total headhaul decreased by 4.3%, mainly for Latin America, Europe and Middle East, while total backhaul decreased by 6.3%.

The average loaded freight rate increased by 7.9% to 2,000 USD/FFE (1,853 USD/FFE), driven by an increase of 14.1% on East-West supported by strong demand, vessel and equipment shortages and bottlenecks across the entire supply chain. On North-South the average freight rates increased by 7.8%, driven by headhaul increase in Latin America and Africa combined with higher backhaul rates in Oceania. The rate increases on East-West and North-South trades were partly offset by lower rates on intra-regional trades driven by a 7.0% decrease in intra-Americas rates. The average loaded freight rate was positively impacted by mix effects from relatively higher headhaul volumes especially in North America and negatively affected by developments in foreign exchange rate and the bunker price change. The average loaded freight rate at fixed bunker increased by 9.8%.

Freight revenue was USD 24.9bn (USD 24.5bn), while other revenue was flat at USD 4.3bn (USD 4.3bn). Adjusted for the foreign exchange rate effects, the freight revenue increased by 2.4%.

Loaded volumes

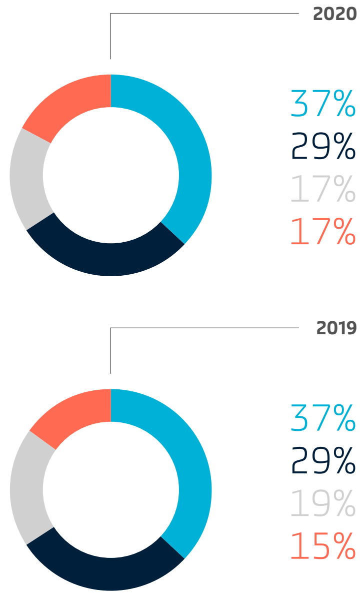
FFE ('000)	2020	2019	Change	Change %
East-West	5,948	6,194	-246	-4.0
North-South	3,900	4,268	-368	-8.6
Intra-regional	2,786	2,834	-48	-1.7
Total	**12,634**	**13,296**	**-662**	**-5.0**

Average freight rates

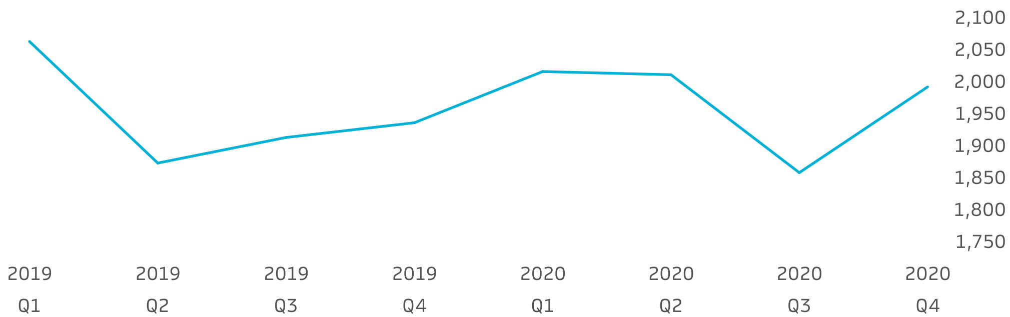
USD/FFE	2020	2019	Change	Change %
East-West	2,008	1,760	248	14.1
North-South	2,529	2,347	182	7.8
Intra-regional	1,345	1,366	-21	-1.5
Total	**2,000**	**1,853**	**147**	**7.9**

Cost split % EBITDA level

- Container handling and equipment cost
- Network cost excl. bunker
- Bunker
- Non-operational cost



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



- Unit cost fixed at 450 USD/tonne

Unit cost at fixed bunker price was 1.0% above 2019, despite a reduction in total operating costs. Unit cost was driven by lower volumes, offset partially by improved bunker efficiency and foreign exchange rate effects. Compared to 2019, the unit cost at fixed bunker increased by 1.6% adjusting for the foreign exchange rate effects.

Total operating costs decreased by 5.8% to USD 22.9bn (USD 24.3bn), impacted by lower volumes, lower fuel costs and agile capacity management, as well as favourable impact from development in foreign exchange rates and lower container-related costs. Network costs excluding bunker costs decreased by 5.7%, mainly due to agile capacity deployment through the COVID-19, leading to a high utilisation, and lower port costs due to reduced calls. Adjusting for the positive impact from the developments in foreign exchange rates, the operating costs decreased by 5.2%. Based on the lower cost base, container handling cost, bunker cost and SG&A and other cost decreased their share of total costs, while network costs, excluding bunker increased slightly.

Total unit cost decreased by 0.7% to 1,909 USD/FFE (1,922 USD/FFE), driven by a decrease in fuel cost caused by a 6.9% lower consumption and a decreased average bunker price of 9.7%, equal to 40 USD/tonne. The combined effect of lower average prices and lower consumption resulted in a total bunker cost decrease of 16% to USD 3.8bn (USD 4.6bn). Out of the total decrease, USD 0.5bn was due to the lower average bunker price, with the remaining decrease due to lower consumption partly, given a 0.8% improvement in bunker

Decarbonising ocean shipping

Moving the market with Maersk ECO Delivery

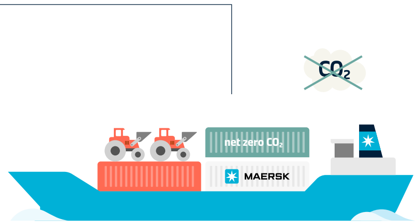
A core element of the strategy to decarbonise shipping is to develop and commercialise products that reduce the carbon footprint of customer supply chains. In 2019, A.P. Moller - Maersk was the first to launch a carbon-neutral solution for ocean transport, Maersk ECO Delivery, based on sustainable biofuel from waste sources such as used cooking oil. It provides direct carbon savings, not carbon offsets, by ensuring that for any Maersk ECO Delivery container transport, enough sustainable biofuel will be purchased and used in the A.P. Moller - Maersk network to neutralise the carbon emissions that would have occurred using standard fuel. These CO_2 savings are allocated to the customer and verified by the Roundtable on Sustainable Biomaterials.

In 2020, customer uptake of Maersk ECO Delivery exceeded expectations. So far, around ten major customers have chosen to purchase this carbon-neutral emissions transport solution, and this number is expected to increase. Conversations with customers on the possibility of converting all their shipments to the Maersk ECO delivery product are ongoing. While this is very promising, it represents a small share of the total amount of containers transported by A.P. Moller - Maersk, and we need much more customer demand to scale net-zero emissions offerings and enable a transition to full decarbonisation.

Customer uptake of Maersk ECO Delivery exceeded expectations in 2020

FROM OUR BUSINESS MODEL

Our industry is a significant contributor to global greenhouse gas emissions, and through investment and collaboration, we will decarbonise our operations.



efficiency to 40.9 g/TEU*NM (41.2 g/TEU*NM) compared to 2019.

Unit cost at fixed bunker increased by 1.0% to 1,973 USD/FFE (1,954 USD/FFE), driven by lower volumes, somewhat offset by improved bunker efficiency and development in foreign exchange rates. Adjusting for the positive impact from the developments in foreign exchange rates, the unit cost at fixed bunker increased by 1.6%.

The average nominal capacity of 4,081k TEU decreased by 1.2% due to agile capacity development executed to meet mid-year global demand downturn, which has since increased with demand surges towards the end of the year. There were no vessels in the newbuilding programme at the end of Q4, and the fleet consisted of 301 owned and 405 chartered vessels, of which 99k TEU or 2.4% of the fleet were idle (12 vessels), mainly due to repairs, scrubbers retrofitting, and capacity adjustments.

Fleet overview, year-end

	TEU		Number of vessels	
	2020	2019	2020	2019
Own container vessels				
0 – 2,999 TEU	106,222	116,165	53	58
3,000 – 4,699 TEU	365,351	365,351	90	90
4,700 – 7,999 TEU	311,230	344,844	50	55
8,000 – 11,499 TEU	408,774	428,054	50	48
11,500 – 14,999 TEU	122,123	69,018	6	6
15,000 – 17,499 TEU	292,282	292,282	19	19
> 17,500 TEU	593,048	593,048	31	31
Total	**2,199,030**	**2,208,762**	**301**	**307**
Chartered container vessels				
0 – 2,999 TEU	388,524	381,688	188	179
3,000 – 4,699 TEU	311,179	286,067	77	71
4,700 – 7,999 TEU	408,118	410,119	68	69
8,000 – 11,499 TEU	523,677	544,568	51	59
11,500 – 14,999 TEU	214,387	293,656	21	23
Total	**1,845,885**	**1,916,098**	**405**	**401**
Total fleet	**4,044,915**	**4,124,860**	**706**	**708**

Key initiatives 2020

- Sustained operational resilience
- Simplification of the organisation
- Maersk Spot, a preferred choice

Ocean continued to deliver on its strategy with a rigorous focus on servicing customers and limit the negative impact from disruptions to their supply chains during the COVID-19 outbreak. Q2 saw a significant decrease in volumes and major changes to the fleet were applied to adjust capacity to the impact of global lockdown of economies. From Q3, unexpected pick-up in demand on some routes resulted in strong pricing dynamics, with bottlenecks and space access combined with vessel and equipment shortages becoming a challenge for most customers. Additional flexibility was provided, focusing on long-term customers to cater for additional demand, despite the strong short-term freight rate market, while adding extra capacity to accommodate volumes.

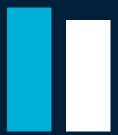
In H2, strategic changes were announced in order to further enhance the customer experience and end-to-end service delivery. Safmarine will no longer be marketed as a separate brand, as A.P. Moller - Maersk and Safmarine have converged, both focusing on building a customer-centric culture with digital interactions. While continuing to meet customers as two separate brands with a differentiated service model, the front offices of A.P. Moller - Maersk and Hamburg Süd will come closer together into more customer-centric teams.

Maersk Spot, launched in Q2 2019 offering transparent prices and loading guarantee, gained significant momentum in 2020, growing its share of loaded short-term volumes consistently. On a four-week average basis, Maersk Spot volumes at year-end were 51% of the total loaded short-term volumes under A.P. Moller - Maersk brand (excl. Sealand and Hamburg Süd).

Logistics & Services

2020 2019

Revenue



USD 6,963m
USD 6,331m

EBITDA

USD 454m
USD 216m

CAPEX

USD 109m
USD 126m

Logistics & Services is the core growth element of A.P. Moller - Maersk's' integrator strategy: Logistics & Services seek to fulfil more of the customers' needs at every step of their supply chain through the integrated logistics offerings. Key offerings, all enabled by digital platforms, include truck and rail landside transportation, consolidation/deconsolidation and fulfilment warehousing with distribution services, depot operations, customs brokerage services, air forwarding services, less than container load services, cargo insurance, supply chain management and 4PL products. The portfolio also includes vertical-specific solutions in cold chain logistics and E-commerce logistics as well as TradeLens, a blockchain platform.

Financial and operational performance

Revenue increased by 10% to USD 7.0bn (USD 6.3bn), driven by increasing revenue in warehousing and distribution, including Performance Team, air freight forwarding and intermodal, offset by decrease in sea freight forwarding. Gross profit grew to USD 1.6bn (USD 1.2bn) with a gross profit margin of 23% (20%), driven by the continued focus on profitable business and margin optimisation in intermodal and increased profitability in warehousing and distribution facilities in North America, specifically driven by Performance Team. Despite restructuring cost of USD 40m from the discontinuation of the Damco brand, EBITDA increased to USD 454m (USD 216m) with an EBITDA margin of 6.5% (3.4%), driven by the margins optimisation and focus on profitability.

Volumes in supply chain management increased by 7.5% to 77,023 kcbm (71,664 kcbm). Intermodal volumes decreased by 3.9% to 3,640k FFE (3,789k FFE) due to impact from COVID-19 in the first three quarters of the year, while volumes have recovered in Q4. Volumes in air freight forwarding declined by 13% to 138k tonnes (158k tonnes) and declined by 16% in sea freight forwarding to 401k TEU (475k TEU), impacted by COVID-19 and the discontinuation of the Damco brand.

Logistics & Services highlights

USD million	2020	2019
Revenue	**6,963**	**6,331**
Direct cost	5,328	5,091
Gross profit	**1,635**	**1,240**
Selling, General & Administration (SG&A) and other costs, etc.	1,181	1,024
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**454**	**216**
EBITDA margin	6.5%	3.4%
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	109	126
Operational and financial metrics		
EBIT conversion (EBIT/gross profit - %)	16.1%	1.5%
Supply chain management volumes ('000 cbm)	77,023	71,664
Intermodal volumes (kFFE)	3,640	3,789
Sea freight volumes (TEU)	401,369	475,210
Air freight volumes (tonne)	138,086	158,405

The revenue in supply chain management improved by 12% to USD 961m (USD 861m), while revenue in intermodal decreased by 6.7% to USD 2.7bn (USD 2.9bn), mainly due to lower volumes.

In supply chain management gross profit increased by 2.9% to USD 350m (USD 340m), due to a bounce back in kcbm volumes in H2, while H1 saw a decrease in volumes due to COVID-19. Profitability improved in intermodal, driven by the ongoing margin optimisation and better corridor mix with an increase in gross profit of 75% to USD 296m (USD 169m). The operational efficiencies are mainly achieved by focus on higher margin corridors and lower cost from less imbalance between import and export in North America, West Central Asia and Europe.

In air freight forwarding, revenue was up 61% to USD 780m (USD 485m) and gross profit was up 66% to USD 88m (USD 53m). Profitability increased despite a volume decrease, driven by the continued high rates in Asia Pacific, where urgent air freight solutions were developed during the COVID-19 pandemic.

Other services revenue and gross profit increased, driven by positive contribution from warehousing and distribution including the activity from Performance Team in North America with a revenue of USD 398m and an EBITDA of USD 59m. This is a result of a significant turnaround of the US based sites during 2020. While increased handling volume was a positive contributing factor, the combined effect of automation investment in sorters and the deployment of operation excellence expertise acquired via Performance Team heavily contributed to strong profitability in the core US facilities, notably Santa Fe, Southgate, and Sumner. The Customs House Brokerage activity was expanded with the acquisition of KGH Customs Services in Europe with a revenue of USD 33m and an EBITDA of USD 5m.

The combined acquisitions in 2020 contributed with a revenue of USD 431m and an EBITDA of USD 64m.

EBIT conversion improved to 16.1% (1.5%), with positive impact from SG&A savings and optimised cost base. Further, 2019 was impacted by impairment, reducing the EBIT for Logistics & Services in December.

FROM OUR BUSINESS MODEL

Our assets, supplier relationships and expertise in end-to-end delivery networks ensure our customers resilient supply chains.

Revenue and gross profit

	Revenue		Gross profit	
	2020	2019	2020	2019
Intermodal	2,736	2,932	296	169
Supply chain management	961	861	350	340
Inland services	527	519	201	210
Sea freight forwarding	460	546	62	86
Air freight forwarding	780	485	88	53
Other services	1,499	988	638	382

Key initiatives 2020

- Freight forwarding integration
- Performance Team and KGH Customs Services
- End-to-end offerings

The integration of Damco's air freight and less container load (LCL) products into the Maersk logistics and services products to complement the end-to-end offering was effective as of 1 October. The Damco brand was discontinued.

The agreement to acquire Performance Team, was signed in February with start in April. The acquisition more than doubles the combined warehousing and distribution presence in the North America region, bringing enhanced scale and expertise for the combined customers.

KGH Customs Services was acquired in September. The acquisition increases the combined number of clearances by five times in the Europe region, allowing for a larger footprint and enhanced ability to service customers end-to-end.

The product offering has expanded by adding Maersk Cargo Insurance to the portfolio, a product that protects customers' goods against physical loss or damage. Further, in support of the global integrator vision, a new product called Maersk Flow was launched in July. It is a digital solution which provides small and medium sized customers and their partners with everything they need to take control of their supply chain from factory to market.

Work has progressed on the new supply chain management platform and the new Transportation Management System platform for intermodal, to enhance the scope, quality and efficiency of the services offered to customers, thereby contributing to an end-to-end integrated offering.

Terminals & Towage

■ 2020 ■ 2019

Revenue

USD 3,807m
USD 3,948m

EBITDA

USD 1,205m
USD 1,118m

CAPEX

USD 457m
USD 532m

Terminals & Towage includes **Terminals** operating activities in ports fully or partially controlled by the APM Terminals brand, with the main revenue stream being port activities, and **Towage** operating activities under the Svitzer brand, a provider of offshore towage and salvage services.

Terminals

Financial and operational performance

Revenue decreased by 3.9% to USD 3.2bn (USD 3.3bn), with lower volumes due to COVID-19. EBITDA increased by 8.3% to USD 989m (USD 913m), reflecting an increase in the EBITDA margin to 31% (28%), driven by higher revenue per move and cost reductions in several terminals. CAPEX was USD 327m (USD 441m). The terminal in Vado, Italy, began operations in Q1, and Pipavav, India, was fully consolidated as of June.

Significant COVID-19 impact in especially Q2 led to a full year volume decrease of 3.6% (decrease of 6.6% like-for-like, adjusted for new terminal in Vado and Pipavav). The impact varied across regions, and volume volatility was high throughout the year. North America was impacted the most with 8.7% volume reduction, mainly driven by Los Angeles, USA, which handled just 447 moves in the worst week of March as compared to an average of 24k moves per week in Q4.

Terminals & Towage highlights

USD million	2020	2019
Revenue	**3,807**	**3,948**
Concession fees	287	249
Labour cost (blue collar)	1,236	1,313
Other operational cost	520	628
Selling, General & Administration (SG&A) and other costs, etc.	559	640
Total operating costs	**2,602**	**2,830**
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**1,205**	**1,118**
EBITDA margin	31.7	28.3
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	457	532
Operational and financial metrics		
Terminal volumes – financially consolidated (moves, m)	11.5	11.9
Ocean segment	4.1	4.1
External customers	7.4	7.8
Terminal revenue per move – financially consolidated (USD)	275	272
Terminal cost per move – financially consolidated (USD)	232	233
Result from joint ventures and associated companies (USD m)	236	206
Number of operational tug jobs (harbour towage) ('000)	138	134
Annualised EBITDA per tug (terminal towage) (USD in '000)	956	889

Europe was impacted by a 3.8% reduction followed by Africa and Middle East with a 2.2% reduction in volume. In Latin America, volume decreased by 2.1%, while volume in Asia increased by 1.1%.

Volume from the Ocean segment decreased by 1.2% (decreased by 5.4% like-for-like), and volume from external customers decreased by 4.9% (decreased by 7.2% like-for-like). Utilisation decreased to 70% (80%), as volume decreased by 3.6%, while capacity was higher due to Pipavav consolidation, in Vado driven by the ramp-up, and in Port Elizabeth, USA, due to a modernisation project in Q4 2019.

On an equity-weighted basis, volume decreased by 3.2% (decreased by 3.0% like-for-like, adjusted for Vado and the exit from Douala, Cameroon), and utilisation was 78% (85%).

Revenue per move increased by 1.3% to USD 275 (USD 272), positively impacted by terminal mix, and supported by higher storage income in Los Angeles, partially offset by negative rate of exchange impact in the African and Latin American regions. Adjusted for foreign exchange rate, volume mix effects, portfolio changes and one-offs, revenue per move increased by 2.5%.

Cost per move decreased by 0.3% to USD 232 (USD 233), positively impacted by rate of exchange in the African and Latin American regions, partially offset by lower utilisation, terminal mix and higher cost in Apapa, Nigeria. Adjusted for foreign exchange rates, volume mix effects and portfolio changes, cost per move increased by 3.9%.

The EBITDA margin in gateway terminals increased by 3.5 percentage points to 31.4% (27.8%), as higher revenue per move and SG&A cost reductions as well as operational cost reductions

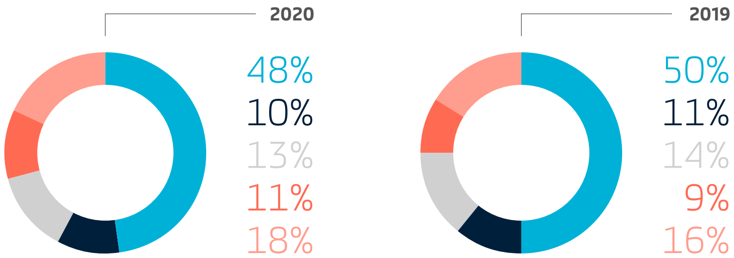
Regional volume, Terminals[1]

Million moves	2020	2019	Growth %
North America	2.8	3.0	-8.7
Latin America	2.3	2.4	-2.1
Europe, Russia and the Baltics	2.4	2.5	-3.8
Asia	2.0	2.0	1.1
Africa and Middle East	1.9	2.0	-2.2
Total	**11.5**	**11.9**	**-3.6**

1 Financially consolidated.

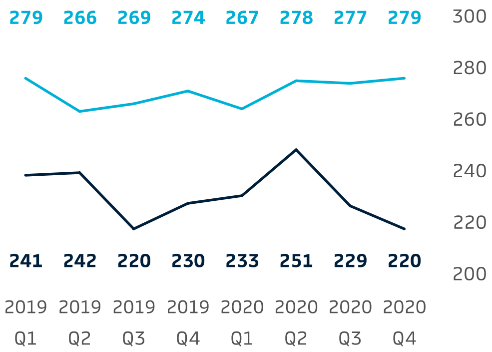
Cost split % Terminals

Labour | Concession fee | Service & Administration | Depreciation | Other operational cost



Revenue and cost per move Financially consolidated, Terminals, USD

Revenue | Cost



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

Key initiatives 2020

- A new automated gate infrastructure was launched in Port Elizabeth, USA, in Q2
- New terminal in Vado, Italy, and Tema, Ghana, ramped up during 2020
- Several cost management programmes carried out by the terminals

Terminals signed an agreement with the Yokohama-Kawasaki International Port Corporation (YKIP) in Q2 for two additional modern berths, thereby becoming the only terminal in Japan capable of handling 20,000 TEU vessels. The berths were handed over to APM Terminals in July, and operations on the first berth began in July. The second berth is scheduled in 2021 and by then, the terminal capacity will have increased to 2.4m TEU from previously 1.1m TEU annually.

The construction of the second container terminal in Abidjan, Ivory Coast, began following the handover from the Port Authority in March, and the expected go-live is in 2022. Once construction is completed, the new terminal will have an annual throughput capacity of 1.2m TEU and will be capable of handling 14,000 TEU vessels.

APM Terminals Poti, Georgia, and Poti New Terminals Corporation have signed an agreement for the joint development of the dry and bulk cargo facility on the northern side of Poti Port, where an expansion project is being planned with construction expected to begin in 2021.

APM Terminals launches a new facility in Kalundborg, Denmark in 2021.

Decarbonising energy supply

Port terminals contribute to decarbonisation

APM Terminals consumes 73% of the electricity used by A.P. Moller - Maersk. To sustain leadership on decarbonisation and to match customer needs and stakeholder demands, A.P. Moller - Maersk is working to identify ways in which emissions across all scopes – directly from operations, emissions related to the purchase of energy, and emissions in the value chain – can be tackled as part of the company's decarbonisation efforts. Decarbonisation of port terminals will be one of the elements contributing to achieve this goal.

In January 2020, the Green Gateway Gothenburg was launched as a showcase for decarbonisation of existing terminals. Switching to renewable electricity to power the cranes and offices, biogas for heating, and using biodiesel made from recycled waste vegetable oils in mobile equipment, the Gothenburg terminal reduced its CO_2 emissions by 88%.

Ways to eliminate the last 12% of emissions are being pursued with terminal customers to provide a fully CO_2 neutral container handling service.

Other paths to decarbonisation of the energy supply for ports are being tested as well, with solar projects in Pipavav, India, and Aqaba, Jordan, grid optimisation trial projects in two further sites, and further switches to renewable electricity in the European and US terminals in 2021.

APM Terminals Gothenburg switched to renewable energy in 2020.

Regional EBITDA margin, Terminals[1]

Percentage	2020	2019
North America	24	20
Latin America	42	34
Europe, Russia and the Baltics	28	28
Asia	31	19
Africa and Middle East	33	45
Total	**31**	**28**

1 Financially consolidated.

more than compensated for the lower utilisation. In Asia, the EBITDA margin increased by 11 percentage points mainly due to Pipavav consolidation. In Latin America, the EBITDA margin increased by 8.6 percentage points, due to risks not materialising, and ramp-up in Moin, Costa Rica, followed by North America, where the EBITDA margin increased by 3.6 percentage points. In Europe, the EBITDA margin increased by 0.6 percentage points, mainly due to ramp-up of Vado. The EBITDA margin decreased in Africa and Middle East by 12 percentage points partly due to operational challenges in Apapa.

Results from joint ventures and associated companies

The equity-weighted EBITDA increased to USD 1.4bn (USD 1.3bn), mainly driven by ramp-up of Tema, Ghana, and increased EBITDA from consolidated terminals, offset by exit from Douala.

The share of profit in joint ventures and associated companies of USD 216m (USD 185m) was positively impacted by ramp-up of Tema and foreign exchange rate gain. Cash contribution from joint ventures and associated companies through dividends was USD 120m (USD 188m).

Terminals

Number of terminals	2020	2019
North America	5	5
Latin America	11	11
Europe, Russia and the Baltics	18	18
Asia	17	17
Africa and Middle East	15	16
Total	**66**	**67**

One terminal under implementation in Abidjan, Ivory Coast, opening in 2022.

Towage

Financial and operational performance

Towage reported a revenue of USD 681m (USD 695m), mainly impacted by lower rate per tug job as well as volume decreases due to negative COVID-19 impact, partly offset by increased activity in Europe with the acquisition of Port Towage Amsterdam, as well as increased activity in Brazil and ramp-up of activities in Tangier Med II, Morocco.

Currency impact was negligible for the full year. EBITDA increased to USD 216m (USD 205m), mainly due to lower costs, partly offset by one-offs such as restructuring costs in Australia.

Harbour towage activities measured by the number of tug jobs increased by 2.5%, driven by positive impact from the full consolidation of Port Towage Amsterdam from beginning of 2020, partly offset by lower activity in Australia, the UK and Scandinavia, mainly due to COVID-19. The Americas and the Asia, Middle East and Africa regions had increased activities compared to 2019.

For terminal towage, annualised EBITDA per tug increased, primarily impacted by increase in the Bahamas, in the Americas and in Egypt, in the Asia, Middle East and Africa region, partly offset by declines in Australia and in Europe.

Results from joint ventures and associated companies

The share of profit in joint ventures and associated companies decreased by 6% to USD 20m (USD 22m), impacted by the acquisition of the remaining 50% of Port Towage Amsterdam, which has been consolidated as a 100% owned subsidiary from early January 2020.

Equity-weighted EBITDA increased by 4% to USD 237m (USD 227m), driven by Port Towage Amsterdam now consolidating at 100%, as well as by increase in EBITDA in consolidated entities across all regions except for Australia.

Fleet overview Towage

Number of vessels	2020	2019
Owned	355	344
Chartered	22	22
Total	**377**	**366**
Newbuilding		
Delivery 2021 and onwards	6	1
Total	**6**	**1**

The towage fleet increased by eleven vessels to 377 vessels, with 355 owned and 22 chartered at the end of 2020. A total of 6 vessels are on order with delivery in 2021.

Revenue Towage

Per region, USD million	2020	2019	Growth %
Australia	235	253	-7%
Europe	240	240	0%
Americas	106	109	-3%
Asia, Middle East and Africa	100	93	8%
Total	**681**	**695**	**-2%**
Per activity, USD million			
Harbour towage	459	472	-3%
Terminal towage	228	226	1%
Eliminations, etc.	-6	-3	-
Total	**681**	**692**	**-2%**

Key initiatives 2020

- Contract extensions
- Operations initiatives
- Cost initiatives

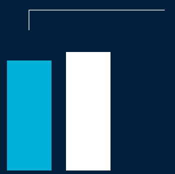
During 2020, a five-year harbour towage contract was signed for Nacala Port, Mozambique, which started operations in Q3 2020, and operations in Bremerhaven, Germany, were expanded with mooring services. Furthermore, eight contract extensions were secured across the regions, including a 10-year extension of the marine service contract in Sakhalin, Russia, a five-year extension with Egyptian LNG, a five-year extension in Point Tupper, Canada, a five-year extension of the ship assist contract in St. Eustatius, and various contract extensions in Oman, Australia, Argentina, and Brazil. In Q4, preparations were made to start operations in Emden, Germany, in January 2021, and in Australia, a plan was implemented to exit the port in Geelong and significantly reduce the workforce in Port Jackson.

Also, the strategic growth initiatives launched in 2019 have progressed throughout the year together with projects focusing on crew optimisation and general cost reductions.

Manufacturing & Others

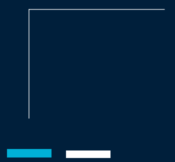
2020 2019

Revenue



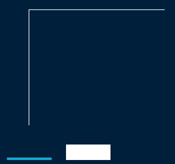
USD 1,254m
USD 1,376m

EBITDA



USD 165m
USD 136m

CAPEX



USD 33m
USD 204m

Maersk Container Industry is a manufacturer of reefer containers at the factory in China. **Maersk Supply Service** provides marine services and integrated solutions to the energy sector worldwide with a large fleet of anchor handling tug supply vessels and subsea support vessels. **Others** consists of Maersk Training, a provider of training services to the maritime, oil and gas, offshore wind and crane industries, tanker activity acquired as part of the Hamburg Süd acquisition and other shipping related businesses.

Financial and operational performance

Revenue was USD 1.3bn (USD 1.4bn) with an EBITDA of USD 165m (USD 136m).

Maersk Container Industry experienced the strongest financial year of its core marine reefer business. Revenue remained stable at USD 587m (USD 586m) with the majority of revenue related to third-party customers. Higher Star Cool Unit (SCU) sales offset lost production of the Star Cool Integrated (SCI) product, when the company's factory in Qingdao, China was forced to close for a portion of Q1 due to COVID-19. Additionally, the company achieved its highest ever third-party unit bookings.

EBITDA increased to USD 77m (USD 29m), due to disciplined cost control and 2019 was negatively impacted by restructuring costs.

Maersk Supply Service reported a 17% decrease in revenue to USD 252m (USD 306m), and an EBITDA of USD 21m (USD 28m), reflecting lower activity offset by cost reductions. Cash flow used for capital expenditure was USD 17m (USD 188m), due to zero (two) payments of new buildings.

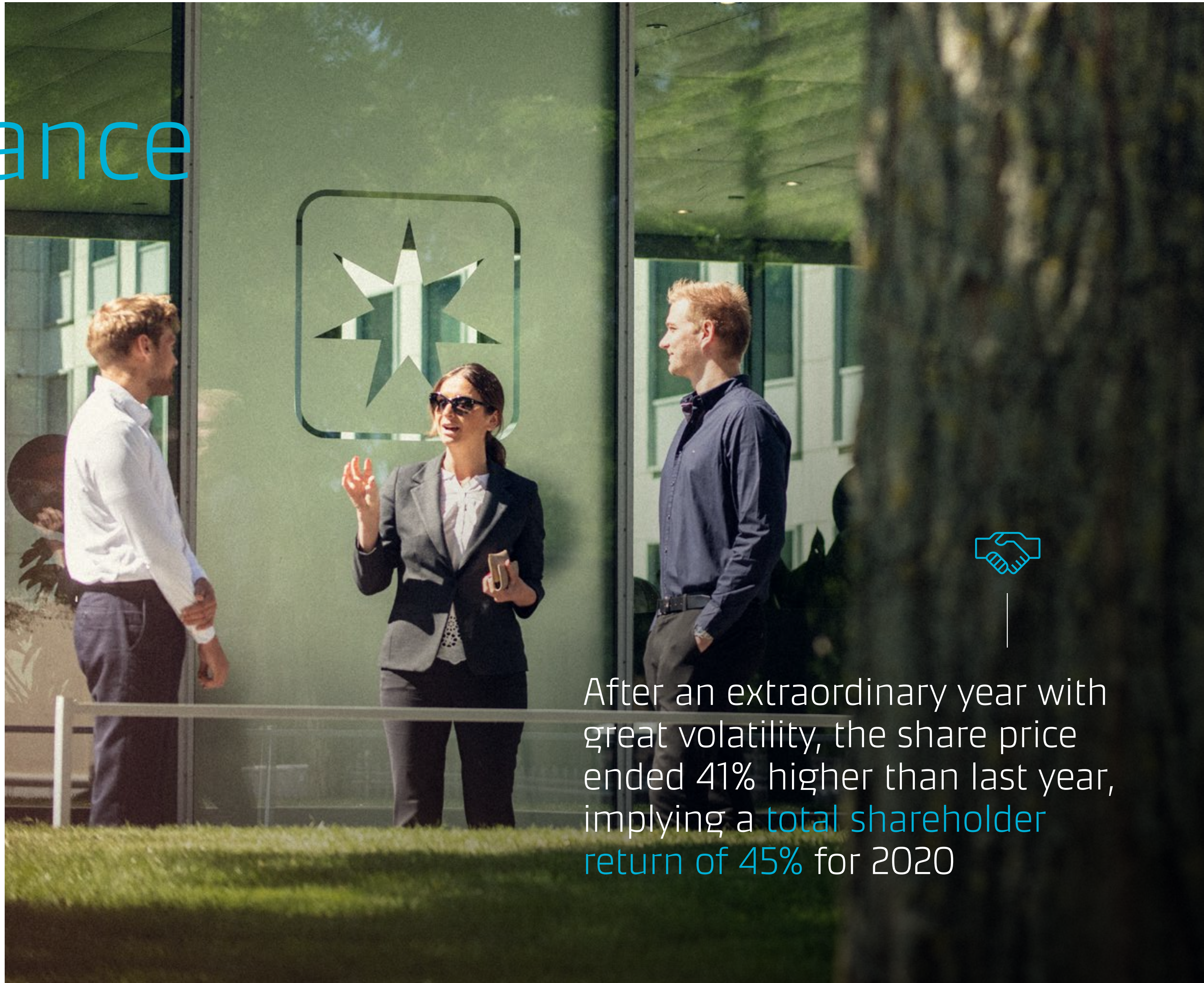
Maersk Supply Service was awarded several contracts in the North Sea and Africa for its integrated solution service, demonstrating the synergies gained from combining the role of the vessel owner with project contractor.

For Others, revenue was USD 415m (USD 484m), and EBITDA was USD 66m (USD 80m).

Manufacturing & Others highlights

USD million	2020	2019
Revenue	1,254	1,376
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**165**	**136**
EBITDA margin	13.2%	9.9%
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	33	204

Governance



After an extraordinary year with great volatility, the share price ended 41% higher than last year, implying a total shareholder return of 45% for 2020

Corporate governance

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

Core values

Constant Care
Take care of today, actively prepare for tomorrow

Humbleness
Listen, learn, share, give space to others

Uprightness
Our word is our bond

Our Employees
The right environment for the right people

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

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

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

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

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

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

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

Board evaluation

During September 2020, an externally facilitated Board evaluation process was conducted, among others covering the cooperation between the Board of Directors and the Executive Board, the Chairman's role, the Board's and Board committees' work and an assessment of Board capabilities relative to those best supporting the company's strategy. All members of the Board of Directors participated in the evaluation and provided input via questionnaires, thus forming the basis of a comprehensive evaluation report. The results were discussed in plenary sessions by the Board of Directors, and agreed improvements were implemented.

Main conclusions and outcome of the board evaluation

The Board's work has undergone a positive development in 2018-2020 by improving dynamics, engagement and the level of challenges and sparring offered by and among the Board of Directors and the Executive Board. The Board evaluation confirmed the alignment on the top strategic issues and continued focus on priorities and transparency.

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

Board composition

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

Consequently, the Nomination Committee initiated a search for Board candidates with relevant additional competencies to complete the Board's overall, collective capabilities. At the Annual General Meeting in 2019, Bernard L. Bot and Marc Engel were elected members of the Board of Directors bringing competencies within global transport and logistics. At the Annual General Meeting in 2020, Blythe S. J. Masters was elected, bringing competencies within financial services, technology, start-ups and blockchain.

Diversity

When assessing the composition of the Board, the Nomination Committee also considers diversity and setting of the target for the underrepresented gender on the Board of Directors in accordance with the Danish Company's Act § 139c. In 2019, the Board of Directors re-adopted the target for the underrepresented gender on the Board of Directors: Three female Board members elected by the general meeting if the Board consists of less than 12 members and four female Board members elected by the general meeting if the Board consists of 12 or more members. The target has to be met by end 2023. As the Board consists of ten members of which three are female the target is currently met. The Board will continuously assess whether the target set in 2019 is still ambitious. The company keeps focus on driving diversity both on managerial levels and on the Board.

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

Disclosure regarding change of control

The EU Takeover Bids Directive, as partially implemented by the Danish Financial Statements Act, requires listed companies to disclose information that may be of interest to the market and potential take-over bidders, in particular in relation to disclosure of change-of-control provisions.

A.P. Møller - Mærsk A/S discloses that the group in the ordinary course of business has agreements with business partners which could be terminated in case of a change of control. However, given the ownership structure of A.P. Moller - Maersk, the risk is considered to be very remote.

Recommendations for corporate governance

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

The Board of Directors has prepared a statement on corporate governance for the financial year 2020. This statement includes a description of the company's approach to the recommendations in the 'Recommendations for Corporate Governance'. Reporting on compliance with the Corporate Governance recommendations can be found on http://investor.maersk.com/corporate-governance

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

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

Control environment

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

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

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

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

Risk assessment and management

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

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

Control activities

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

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

Information and communication

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

Monitoring

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

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

The auditors elected by the Annual General Meeting account for any identified significant deficiencies in the internal control systems related to financial reporting in the Auditor's Long-form Report to the Board of Directors. Identified deficiencies in internal control systems are reported in management letters to the Executive Board.

Framework for corporate governance

Governance structure

Shareholders and the General Meetings

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

Board of Directors

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

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

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

At the Annual General Meeting on 23 March 2020, Niels B. Christiansen stepped down from the Board of Directors, and the Annual General Meeting elected Blythe S. J. Masters as a new member. The Board of Directors consists of 10 members, all elected by the General Meeting. Six of the members of the Board of Directors, including the Chairman, are independent. The Chairman of the Board of Directors and the chairmen of the committees, except the Nomination Committee, are independent.

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

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

The Board of Directors has established the following committees:

The Chairmanship

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

The Audit Committee

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

The Nomination Committee

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

The Remuneration Committee

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

The Transformation & Innovation Committee

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

Rules of procedure

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

Group Internal Audit

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

Overview of committee members and attendance rate for 2020

	Board of Directors	Chairmanship	Audit Committee	Nomination Committee	Remuneration Committee	Transformation & Innovation Committee
Jim Hagemann Snabe[1]	8/8 (Chairman)	7/7	6/6	5/5	4/4 (Chairman)	4/4
Ane Mærsk Mc-Kinney Uggla	8/8 (Vice Chairman)	7/7		5/5 (Chairman)		
Dorothee Blessing[1]	8/8					
Bernard L. Bot[1]	8/8[2]		6/6			
Niels Bjørn Christiansen[1]	1/8[4]				1/4[4]	1/4[4]
Marc Engel[1]	8/8					4/4
Arne Karlsson[1]	8/8		6/6 (Chairman)		3/4[3]	
Thomas Lindegaard Madsen	8/8					
Blythe S. J. Masters[1]	6/7[2]					3/4[2]
Jacob Andersen Sterling	8/8					
Robert Mærsk Uggla	8/8			5/5	4/4	4/4
Overall attendance rate	98.8%	100%	100%	100%	100%	100%

1 Considered independent cf. Recommendations for Corporate Governance.
2 Joined the Board or Committee in March 2020
3 Joined the Committee in March 2020
4 Stepped down in March 2020

The Executive Board (registered management of the company)

The Executive Board is appointed by the Board of Directors to carry out the day-to-day management of the company in accordance with the directions provided by the Board of Directors. The tasks include but are not limited to:

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

As of 1 January 2020, the Executive Board of A.P. Møller - Mærsk A/S consisted of Søren Skou (CEO), Carolina Dybeck Happe (CFO), Vincent Clerc (CEO of Ocean & Logistics), Morten H. Engelstoft (CEO of APM Terminals) and Henriette Hallberg Thygesen (CEO Fleet & Strategic Brands). After having announced her resignation 25 November 2019, Carolina Dybeck Happe left the company at the end of February 2020. 1 May 2020 Patrick Jany was appointed new CFO and was appointed member of the Executive Board.

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

Matters handled by the Board of Directors during 2020 (including but not limited to):

- Strategy and business plan review, target setting and budget approval
- Follow-up on M&A activities to ensure growth of Logistics & Services
- Review the implementation of a new safety framework within the organisation
- Monitor the company's financial policy, credit rating, debt levels and capital structure, including decision on dividend policy and share buy-back programme
- Monitor the implementation of the Tech strategy and cyber security standards
- Monitor the transformation and reorganisation of the company to become the 'Global integrator of container logistics'
- Conduct Board evaluation
- Nominate Blythe S. J. Masters as Board member for the election to the Board at the Annual General Meeting 2020
- Approval of the Annual Report 2019 and the 2020 Interim Reports as well as review of monthly and quarterly financial reporting and forecasting
- Approval of a Remuneration Policy for the Board of Directors and Executive Board.

Matters handled by the Board Committees in 2020 (including but not limited to):

The Chairmanship

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

The Audit Committee

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

The Nomination Committee

- Review and assess the composition, succession planning, competencies, and diversity of the Board of Directors as a part of the Board evaluation
- Identify candidates (Blythe S. J. Masters) for membership of the Board of Directors
- Assess independence criteria of the Board members.

The Remuneration Committee

- Review and define benchmarks for executive remuneration
- Review, monitor and propose to the Board the scorecards and remuneration packages of the Executive Board for 2020 and 2021
- Review and propose a new Remuneration Policy
- Prepare the Remuneration Report
- Propose fees for the members of the Board of Directors.

The Transformation & Innovation Committee

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

Board of Directors

The Board of Directors moves online
Like thousands of colleagues around the world, the Board of Directors adopted new habits and conducted virtual meetings throughout the year.

Jim Hagemann Snabe

Born: 1965
Gender: Male
Joined the Board: 2016
Current election period: 2020-2022

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

Considered independent.

Former Co-CEO, SAP AG, Germany

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

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

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

Attendance in Board and Committee meetings during 2020
8 out of 8 Board meetings
7 out of 7 Chairmanship meetings
6 out of 6 Audit Committee meetings
5 out of 5 Nomination Committee meetings
4 out of 4 Remuneration Committee meetings
4 out of 4 Transformation & Innovation Committee meetings

[1] Listed company

Ane Mærsk Mc-Kinney Uggla

Born: 1948
Gender: Female
Joined the Board: 1991
Current election period: 2020-2022

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

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

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

Education
- Master of Arts, 1977

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

Attendance in Board and Committee meetings during 2020
8 out of 8 Board meetings
7 out of 7 Chairmanship meetings
5 out of 5 Nomination Committee meetings

Dorothee Blessing

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

Considered independent.

Co-Head EMEA Investment Banking, Managing Director, J.P. Morgan Securities plc. [1]

Other management duties, etc.
- Member of the Board of Directors of the Association of German Banks

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

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

Attendance in Board and Committee meetings during 2020
8 out of 8 Board meetings

[1] Listed company

Bernard L. Bot

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

Member of the Audit Committee.

Considered independent.

CFO, Kingfisher Plc.[1]

Other management duties, etc.
- None

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

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

Attendance in Board and Committee meetings during 2020
8 out of 8 Board meetings
6 out of 6 Audit Committee meetings

[1] Listed company

Marc Engel

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

Member of the Transformation & Innovation Committee.

Considered independent.

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

Other management duties, etc.
- IDH (Sustainable Trade Initiative), the Netherlands, supervisory director
- AndGreen Fund as Advisory Board Member

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

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

Attendance in Board and Committee meetings during 2020
8 out of 8 Board meetings
4 out of 4 Transformation & Innovation Committee meetings

[1] Listed company

Arne Karlsson

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

Chairman of the Audit Committee, member of the Remuneration Committee.

Considered independent.

Former CEO of Ratos AB

Other management duties, etc.
- Ecolean (Chairman)
- Einar Mattsson (Chairman)
- FAPM Fastighets AB (Chairman)
- KANA I Ramundberget AB (Chairman)
- ROL AB (Chairman)
- Rödingbäcken I Ramundberget AB (Chairman)
- Swedish Corporate Governance Board (Chairman)
- TAK Advisory Ltd (Chairman)
- WCPF (World's Children's Prize Foundation) (Chairman)
- Swedish Securities Council (Board member)
- Girovent Holding AB (Board member)
- Advisory Board for The ESS (European Spallation Source) (member)

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

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

Attendance in Board and Committee meetings during 2020

8 out of 8	Board meetings
6 out of 6	Audit Committee meetings
3 out of 4[1]	Remuneration Committee meetings

[1] In 2020, the Remuneration Committee held four meetings; one before Arne Karlsson joined.

Thomas Lindegaard Madsen

Born:	1972
Gender:	Male
Joined the Board:	2018
Current election period:	2020-2022

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

Captain, Maersk Line

Other management duties, etc.
- None

Education
- Graduated Master, Svendborg Navigations Skole, 1996

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

Attendance in Board and Committee meetings during 2020

8 out of 8	Board meetings

Blythe S. J. Masters

Born:	1969
Gender:	Female
Joined the Board:	2020
Current election period:	2020-2022

Member of the Transformation & Innovation Committee

Considered independent

Industry Partner at the private equity firm Motive Partners and CEO of the special purpose acquisition corporation, Motive Capital Corp, sponsored by Motive's funds

Other management duties, etc.
- Member of the International Advisory Board of Santander Group
- Board Member of Santander Open Digital Services
- Board Member and Audit Committee Chair of GCM Grosvenor [1]
- Board Chair and Audit Committee Chair of Phunware Inc. [1] (Nasdaq: PHUN)
- Advisory Board Member of Figure Technologies, Inc.
- Advisory Board Member of Maxex, LLC

Education
- Bachelor of Arts: Economics, Trinity College, Cambridge

Qualifications
Experienced financial services and technology executive with extensive knowledge in start-ups and blockchain and extensive corporate governance and advisory experience.

Attendance in Board and Committee meetings during 2020

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

[1] Listed company
[2] In 2020 the Board held eight meetings; one before Blythe S. J. Masters joined.
[3] One Transformation & Innovation Committee meeting was held prior to joining.

Jacob Andersen Sterling

Born:	1975
Gender:	Male
Joined the Board:	2018
Current election period:	2020-2022

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

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

Other management duties, etc.
- Member of the Board of Directors, NEPCon
- Member of the Board of Trustees, Sustainable Shipping Initiative

Education
- MSc in Biology, University of Copenhagen, 2002

Qualifications
Relevant knowledge within product management, technical innovation and sustainability, through employment in Maersk Line since 2009.

Attendance in Board and Committee meetings during 2020

8 out of 8	Board meetings

Robert Mærsk Uggla

Born:	1978
Gender:	Male
Joined the Board:	2014
Current election period:	2020-2022

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

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

CEO, A.P. Møller Holding A/S

Other management duties, etc.
- The Drilling Company of 1972, A/S[1] (Vice Chairman)
- A.P. Møller Capital P/S (Chairman)
- Maersk Tankers A/S (Chairman)
- Maersk Product Tankers A/S (Chairman)
- ZeroNorth A/S (director)
- Agata ApS (CEO)
- Estemco XII ApS (CEO)
- IMD (director of the foundation board)
- International Business Leaders' Advisory Council (member)
- Board positions in a number of controlled subsidiaries of A.P. Møller Holding A/S

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

Qualifications
Leadership experience within investments, incubation, transportation & infrastructure activities.

Attendance in Board and Committee meetings during 2020

8 out of 8	Board meetings
5 out of 5	Nomination Committee meetings
4 out of 4	Remuneration Committee meetings
4 out of 4	Transformation & Innovation Committee meetings

[1] Listed company

Executive Board

Søren Skou

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

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

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

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

Other management duties, etc.
- Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping (Chairman)
- MITHEL Invest ApS
- International Council of Containership Operators (ICCO)
- European Round Table of Industry (member)
- Nokia Corporation (Board member)

Education
- MBA (honours), IMD, Switzerland
- Business Administration, Copenhagen Business School
- Maersk International Shipping Education

Patrick Jany

Chief Financial Officer (CFO) of A.P. Møller - Mærsk A/S

Born: 1968
Gender: Male
Joined the Executive Board: 2020

Patrick Jany has been CFO of A.P. Møller - Mærsk A/S since May 2020.

Before joining A.P. Moller - Maersk, Patrick was CFO and member of the Executive Committee in Clariant AG, Switzerland. Prior to his role as CFO, Patrick Jany held several leadership positions within finance, general management and corporate development in Clariant in Germany, Mexico, Singapore, Indonesia and Spain.

Other management duties, etc.
- Comet AG, Switzerland (Board member)

Education
- Master in Business Administration, Finance, ESCP (Ecole Supérieure de Commerce de Paris)

Vincent Clerc

Chief Executive Officer (CEO), Ocean & Logistics

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

Vincent Clerc has been with A.P. Møller - Mærsk A/S since 1997.

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

Other management duties, etc.
- None

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

Morten H. Engelstoft

Chief Executive Officer (CEO), APM Terminals

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

Morten H. Engelstoft has been with A.P. Møller - Mærsk A/S since 1986.

Morten H. Engelstoft has had a long tenure with A.P. Moller - Maersk and other brands, including postings in the the US, Vietnam, Taiwan, Singapore and Italy.

Morten H. Engelstoft has been CEO of APM Terminals since 2016.

Other management duties, etc.
- TT Club Mutual Insurance Ltd. (Board member)

Education
- Executive MBA, IMD, Lausanne, Switzerland
- Maersk International Shipping Education

Henriette Hallberg Thygesen

Chief Executive Officer (CEO), Fleet & Strategic Brands

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

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

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

Other management duties, etc.
- Cowi Holding A/S (Board member)

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

Remuneration

2020 has been a strong year for A.P. Moller - Maersk despite the ongoing impacts of the COVID-19 pandemic. The remuneration of the Executive Board members for the financial year 2020 reflects a solid year with strong financial results and a satisfying progress towards the strategic transformation, whilst the remuneration to the members of the Board of Directors remains unchanged from the previous year.

The following sections set out key elements of the Remuneration Policy ('Policy'), and the total remuneration awarded to the members of Board of Directors and the Executive Board for 2020.

Remuneration policy at a glance

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

The objectives of the Policy are to:

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

2016–2020 Remuneration

Remuneration awarded (USD million)	2020	2019	2018	2017	2016
Board of Directors					
Fixed annual fee	3	3	3	3	3
Total	**3**	**3**	**3**	**3**	**3**
Executive Board					
Fixed base salary	8	10	10	8	13
Short-term cash incentive	6	5	5	2	2
Long-term share-based incentives	2	1	1	1	-2
Remuneration in connection with redundancy, resignations and release from duty to work	-	6	4	-	22
Lump sum retirement payment	-	-	-	-	-1
Total	**16**	**22**	**20**	**11**	**34**

The current Policy applies to members of the Executive Board and the Board of Directors and was adopted at the company's Annual General Meeting in 2020.

Board of Directors

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

- The Chairman receives a fixed amount inclusive of committee work and all other additional duties
- Ordinary Board members receive a fixed amount and the Vice Chairman receives fixed multiples thereof.

Board of Directors members serving on the Board committees or performing ad hoc work beyond the normal responsibilities receive an additional fee. This does not apply to the Chairman where the fixed annual fee is all inclusive.

Executive Board

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

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

Total remuneration 2020

The table shows the total remuneration awarded to members of the Board of Directors and the Executive Board in aggregate from 2016 to 2020, as set out in note 2 of the consolidated financial statements.

Further information regarding the share-based payments is detailed in note 11 of the consolidated financial statements as calculated under IFRS2. This is different in both reporting and methodology in the company's Remuneration Report 2020 which is available at the company's website on: https://investor.maersk.com/remuneration.

Shareholder information

After an extraordinary year with great volatility in the share price, the share price ended the year 41% higher than last year, implying a total shareholder return of 45% for 2020. The Board of Directors in A.P. Møller - Mærsk A/S proposes an ordinary dividend of DKK 330 per share corresponding to a dividend payout of 35%.

Share price development

The Maersk B share price increased by 41% to DKK 13,595 from its closing price at the end of 2019 of DKK 9,608. By comparison, the benchmark indices MSCI World Transportation and OMXC25 increased by 5% and 34%, respectively. The Maersk B share price reached its highest price of DKK 14,115 on 18 December 2020, and its lowest price of DKK 5,034 on 19 March 2020. The total market value of A.P. Møller - Mærsk A/S was USD 43bn at the end of 2020. The positive development of the share price was driven by a very strong financial performance in the second half of the year, as demand picked up faster than anticipated after the first lockdown related to the pandemic outbreak in the early days of 2020. The sudden uptick in demand led to a significant increase in freight rates during the third quarter. The continued focus on the cost base and agile capacity deployment, coupled with the higher freight rates lead to improved financial performance and a total of three earnings upgrades after having suspended the guidance in March 2020.

Share capital

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

The A.P. Møller - Mærsk A/S share capital amounts to nominally DKK 20,031,947,000, divided between 10,599,401 A shares of nominally DKK 1,000 and 9,432,546 B shares of nominally DKK 1,000.

Ownership

The total number of registered shareholders increased by 3,000 to around 76,000 during 2020. Shareholders with more than 5% of share capital or votes held 53% of the share capital, while the 20 largest institutional shareholders together owned around 16% of the total share capital and 37% adjusted for the free-float. Danish retail investors decreased their ownership slightly from 11% to 10% of the total share capital since the end of 2019.

Own shares

A.P. Moller - Maersk holding of own shares comprised 3.12% of the share capital at the end of 2020, cf. note 11 in the consolidated financial statements.

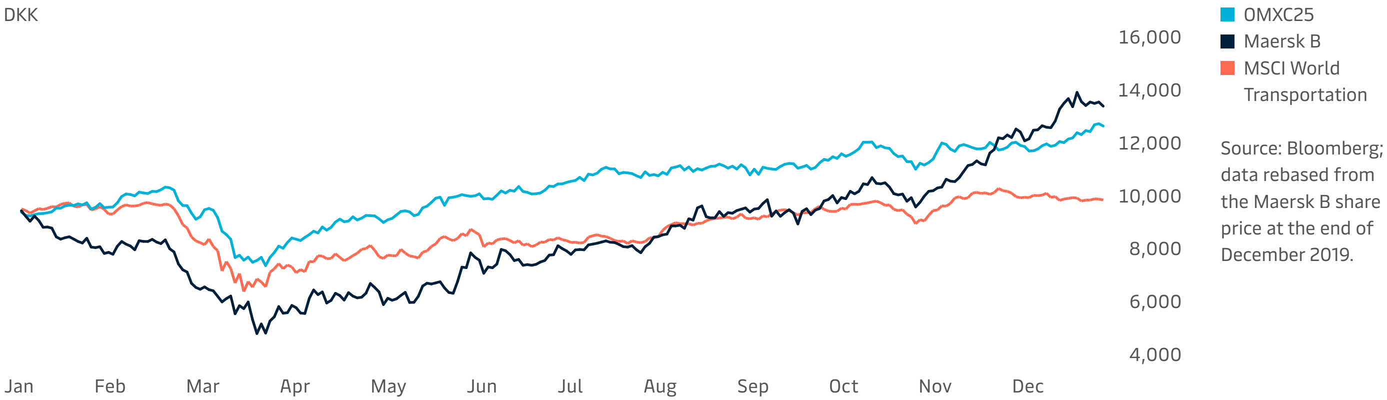
Dividend

The dividend policy is an annual pay-out ratio of 30-50% of underlying net result, adjusted for gains, impairments and restructurings, to be implemented from the financial year 2020.

In the medium-term and during the strategic phase of transforming the company to become a global integrator of container logistics, the annual pay-out ratio should be expected at the low to midpoint of the range.

Distribution to shareholders will take place through dividends potentially combined with share buy-backs, and the annual pay-out ratio and distribution will be decided from an evaluation

Share price development



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

Financial calendar

23 March
Annual General Meeting

5 May
Interim Report Q1 2021

6 August
Interim Report Q2 2021

2 November
Interim Report Q3 2021

of the outlook, cash flow, capital expenditures for organic use and merger and acquisition transactions and investment grade rating.

The Board of Directors proposes an ordinary dividend to the shareholders of DKK 330 per share of DKK 1,000 (DKK 150 per share of DKK 1,000). The proposed dividend payment represents an ordinary dividend yield of 2.4% (1.6%) and 35% of the net underlying profit, based on the Maersk B share's closing price of DKK 13,595 as of 30 December 2020. Payment is expected to take place on 26 March 2021.

Capital structure

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

In terms of capital allocation, a strict CAPEX discipline is applied with an accumulated CAPEX guidance for 2021-2022 of USD 4.5-5.5bn.

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

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

Funding strategy

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

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

Share buy-back

In Q2 2019, the Board of Directors decided to exercise its authority to buy back shares of up to DKK 10bn (around USD 1.5bn) over a period of up to 15 months.

The share buy-back programme was concluded on 24 July 2020 and A.P. Moller - Maersk has repurchased USD 1.5bn worth of shares, of which USD 98m was repurchased in Q3 2020. On 1 June 2020, the cancellation of 156,977 A-shares and 627,938 B-shares was completed corresponding to 3.77% of the total share capital in A.P. Moller - Maersk.

In November 2020, the Board of Directors decided to initiate a new share buy-back programme of up to DKK 10bn (around USD 1.6bn) and a maximum of 1.79 million shares to be acquired over a period of up to 15 months.

The share buy-back will be carried out in several phases. The first phase of the share buy-back programme of DKK 3.3bn (around USD 500m) is expected to run from 1 December 2020 until April 2021. The remaining part of the programme will be initiated after approval by the Annual General Meeting in March 2021 of the proposed prolongation of the authority to acquire own shares.

By the end of 2020, a total of 119,176 A shares and 505,281 B shares was owned by the company, corresponding to 3.12% of the share capital.

The A.P. Moller - Maersk share

Key figures	2020	2019	2018	2017	2016
Year-end share price (DKK, B share)[1]	13,595	9,608	8,184	10,840	11,270
Share price range (DKK, B share)[1]	9,081	3,410	4,005	3,990	4,140
Market capitalisation at year-end (USD bn, A and B share)[1]	42	28.0	25.3	35.4	32.2
Earnings per share (USD)	145	-4	152	-58	-93
Dividend per share (DKK, A and B share)[2]	330	150	150	150	150
Dividend yield (B share)	2.4%	1.6%	1.8%	1.4%	1.3%
Total dividends (USD m)	1,092	468	479	503	443
Share buy-back programme (DKK bn)[3]	5.4	5.3	-	-	3.2
Share buy-back programme (USD m)	806	791	-	-	475

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

The decision to initiate a new share buy-back programme is supported by the strong earnings and free cash flow generation seen in 2020, which has led to further deleveraging of the company and improved credit metrics in line with investment grade rating.

The new programme is in alignment with previously announced intention to distribute a material part of the value of shares received in Total S.A. (value USD 4.5bn) as part of the sale of Maersk Oil, subject to maintaining investment grade rating. With the announced new share buy-back programme the total distribution from the sale of the shares in Total S.A. will be around USD 3.4bn or around 75% of the initial value of the shares received.

The share buy-back is carried out with the purpose to adjust the capital structure of A.P. Moller - Maersk. Shares which are not used for hedging purposes for the long-term incentive programmes will be proposed cancelled at the Annual General Meetings in 2021 and 2022.

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

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

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

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

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

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

Annual General Meeting

The Annual General Meeting will be held on 23 March 2021 in Copenhagen, Denmark.

FROM OUR BUSINESS MODEL

In our transformation to become the global integrator of container logistics, we continue to innovate and grow shareholder value.

Shareholders with more than 5% of share capital or votes

Shareholders according to section 55 of the Danish Companies Act are	Share capital	Votes
A.P. Møller Holding A/S, Copenhagen, Denmark	40.29%	50.88%
A.P. Møller og Hustru Chastine Mc-Kinney Møllers Familiefond, Copenhagen, Denmark	9.18%	13.31%
Den A.P. Møllerske Støttefond, Copenhagen, Denmark	3.23%	6.07%

Investor Relations

To keep investors and analysts updated on the company's strategic development, market outlook and financial performance, A.P. Moller - Maersk arranges road-shows and participates in investor and industry conferences. Investor Relations, besides meeting domestic investors, also travels extensively to ensure that international investors are kept updated on the latest developments. In the vast majority of 2020, these meetings have been online due to restrictions following the pandemic. In 2020, the Executive Board and the Investor Relations team had more than 500 meetings with the participation of more than 1,200 investors and analysts across Europe, Asia and North America.

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

Financials

Consolidated financial statements 2020

A.P. Moller - Maersk

(In parenthesis, the corresponding figures for 2019)

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Consolidated income statement

Note		2020	2019
1	Revenue	39,740	38,890
2	Operating costs	31,804	33,130
16	Other income	290	12
	Other costs	-	60
1	**Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)**	**8,226**	**5,712**
6,7,8,10	Depreciation, amortisation and impairment losses, net	4,541	4,287
3	Gain on sale of non-current assets, etc., net	202	71
	Share of profit/loss in joint ventures	122	93
	Share of profit/loss in associated companies	177	136
	Profit/loss before financial items (EBIT)	**4,186**	**1,725**
4	Financial income	895	511
4	Financial expenses	1,774	1,269
	Profit/loss before tax	**3,307**	**967**
5	Tax	407	458
	Profit/loss for the year– continuing operations	**2,900**	**509**
10	Profit/loss for the year– discontinued operations	-	-553
	Profit/loss for the year	**2,900**	**-44**
	Of which:		
	Non-controlling interests	50	40
	A.P. Møller - Mærsk A/S' share	**2,850**	**-84**
11	**Earnings per share – continuing operations, USD**	**145**	**23**
11	**Diluted earnings per share – continuing operations, USD**	**145**	**23**
11	**Earnings per share, USD**	**145**	**-4**
11	**Diluted earnings per share, USD**	**145**	**-4**

Maersk Drilling was classified as discontinued operations in 2019, and the business is presented separately on an aggregated level in the income statement, balance sheet and cash flow statement.

Consolidated statement of comprehensive income

Note		2020	2019
	Profit/loss for the year	**2,900**	**-44**
	Translation from functional currency to presentation currency:		
	Translation impact arising during the year	195	-81
	Reclassified to income statement, gain on sale of non-current assets, etc., net	64	6
16	Cash flow hedges:		
	Value adjustment of hedges for the year	30	-141
	Reclassified to income statement		
	– revenue	-5	5
	– operating costs	-16	78
	– financial expenses	49	32
	– discontinued operations	-	1
	Reclassified to non-current assets	-15	2
5	Tax on other comprehensive income	10	16
	Share of other comprehensive income of joint ventures and associated companies, net of tax	5	-1
	Total items that have been or may be reclassified subsequently to the income statement	**317**	**-83**
17	Other equity investments (FVOCI), fair value adjustments for the year	2	165
14	Actuarial gains/losses on defined benefit plans, etc.	-207	91
5	Tax on other comprehensive income	-4	10
	Total items that will not be reclassified to the income statement	**-209**	**266**
	Other comprehensive income, net of tax	**108**	**183**
	Total comprehensive income for the year	**3,008**	**139**
	Of which:		
	Non-controlling interests	47	29
	A.P. Møller - Mærsk A/S' share	**2,961**	**110**

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Consolidated balance sheet at 31 December

Assets

Note		2020	2019
6	**Intangible assets**	**5,145**	**4,219**
7	**Property, plant and equipment**	**26,481**	**27,516**
8	**Right-of-use-assets**	**8,323**	**8,460**
	Investments in joint ventures	1,260	1,204
	Investments in associated companies	951	937
17	Other equity investments	107	78
16	Derivatives	269	161
14	Pensions, net assets	225	409
	Loan receivables	136	160
	Other receivables	235	318
	Financial non-current assets, etc.	**3,183**	**3,267**
9	**Deferred tax**	**249**	**237**
	Total non-current assets	**43,381**	**43,699**
	Inventories	**1,049**	**1,430**
16	Trade receivables	3,634	3,531
	Tax receivables	238	161
16	Derivatives	307	43
	Loan receivables	91	239
	Other receivables	869	857
	Prepayments	464	520
	Receivables, etc.	**5,603**	**5,351**
	Equity investments, etc.	**1**	**2**
	Cash and bank balances	**5,865**	**4,768**
10	**Assets held for sale or distribution**	**218**	**149**
	Total current assets	**12,736**	**11,700**
	Total assets	**56,117**	**55,399**

Equity and liabilities

Note		2020	2019
11	Share capital	3,632	3,774
	Reserves	26,218	24,324
	Equity attributable to A.P. Møller - Mærsk A/S	**29,850**	**28,098**
	Non-controlling interests	1,004	739
	Total equity	**30,854**	**28,837**
13	**Lease liabilities, non-current**	**7,356**	**7,295**
13	**Borrowings, non-current**	**5,868**	**7,455**
14	Pensions and similar obligations	297	272
15	Provisions	556	636
16	Derivatives	289	328
9	Deferred tax	525	362
	Tax payables	237	335
	Other payables	81	44
	Other non-current liabilities	**1,985**	**1,977**
	Total non-current liabilities	**15,209**	**16,727**
13	**Lease liabilities, current**	**1,391**	**1,282**
13	**Borrowings, current**	**758**	**721**
15	Provisions	725	458
	Trade payables	5,156	5,567
	Tax payables	305	307
16	Derivatives	228	87
	Other payables	1,279	1,170
	Deferred income	121	168
	Other current liabilities	**7,814**	**7,757**
10	**Liabilities associated with assets held for sale or distribution**	**91**	**75**
	Total current liabilities	**10,054**	**9,835**
	Total liabilities	**25,263**	**26,562**
	Total equity and liabilities	**56,117**	**55,399**

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Consolidated cash flow statement

Note		2020	2019
	Profit/loss before financial items	4,186	1,725
6,7,8,10	Depreciation, amortisation and impairment losses, net	4,541	4,287
3	Gain on sale of non-current assets, etc., net	-202	-71
	Share of profit/loss in joint ventures	-122	-93
	Share of profit/loss in associated companies	-177	-136
20	Change in working capital	-239	476
	Change in provisions and pension obligations, etc.	158	70
20	Other non-cash items	107	162
	Cash flow from operating activities before tax	8,252	6,420
	Taxes paid	-424	-501
	Cash flow from operating activities	**7,828**	**5,919**
20	Purchase of intangible assets and property, plant and equipment	-1,322	-2,035
	Sale of intangible assets and property, plant and equipment	435	186
21	Acquisition of subsidiaries and activities	-425	-44
21	Sale of subsidiaries and activities	36	-40
	Sale of associated companies	-12	46
	Dividends received	177	297
	Sale of other equity investments	5	2,617
	Other financial investments, net	81	-152
	Purchase/sale of securities, trading portfolio	1	-1
	Cash flow used for investing activities	**-1,024**	**874**
	Repayment of borrowings	-3,163	-2,533
13	Repayments of lease liabilities	-1,710	-1,291
	Proceeds from borrowings	1,303	1,077
	Financial income received	92	91
	Financial expenses paid	-384	-350
4	Financial expenses paid on lease liabilities	-468	-477
	Purchase of own shares	-806	-791
	Sale of own shares	30	-
	Dividends distributed	-430	-469
	Dividends distributed to non-controlling interests	-92	-70
	Sale of non-controlling interests	-	-
	Acquisition of non-controlling interest	-14	-1
	Other equity transactions	24	14
	Cash flow from financing activities	**-5,618**	**-4,800**
	Net cash flow from continuing operations	**1,186**	**1,993**
10	Net cash flow from discontinued operations	-	-372
	Net cash flow for the period	**1,186**	**1,621**
	Cash and cash equivalents 1 January	4,758	3,149
	Currency translation effect on cash and cash equivalents	-80	-12
	Cash and cash equivalents 31 December	5,864	4,758
	Of which classified as assets held for sale	-19	-
	Cash and cash equivalents 31 December	**5,845**	**4,758**
	Cash and cash equivalents		
	Cash and bank balances	5,865	4,768
	Overdrafts	20	10
	Cash and cash equivalents 31 December	**5,845**	**4,758**

Cash and bank balances include USD 1.0bn (USD 0.9bn) 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.

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Consolidated statement of changes in equity

		A.P. Møller - Mærsk A/S							
Note		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	-616	-202	-103	29,756	32,609	771	33,380
	Other comprehensive income, net of tax	-	-76	180	6	84	194	-11	183
	Profit/loss for the period	-	-	-	-	-84	-84	40	-44
	Total comprehensive income for the period	**-**	**-76**	**180**	**6**	**-**	**110**	**29**	**139**
	Dividends to shareholders	-	-	-	-	-469	-469	-73	-542
12	Value of share-based payment	-	-	-	-	10	10	-	10
	Purchase of own shares	-	-	-	-	-791	-791	-	-791
11	Capital increases and decreases	-	-	-	-	-	-	12	12
17	Transfer of gain/loss on disposal of equity investments to retained earnings	-	-	18	-	-18	-	-	-
	Distribution of shares in The Drilling Company of 1972 A/S to shareholders in A.P. Møller - Mærsk A/S	-	-	-	-	-3,371	-3,371	-	-3,371
	Total transactions with shareholders	**-**	**-**	**18**	**-**	**-4,639**	**-4,621**	**-61**	**-4,682**
	Equity 31 December 2019	**3,774**	**-692**	**-4**	**-97**	**25,117**	**28,098**	**739**	**28,837**
	2020								
	Other comprehensive income, net of tax	-	260	1	55	-205	111	-3	108
	Profit/loss for the period	-	-	-	-	2,850	2,850	50	2,900
	Total comprehensive income for the period	**-**	**260**	**1**	**55**	**2,645**	**2,961**	**47**	**3,008**
	Dividends to shareholders	-	-	-	-	-430	-430	-90	-520
12	Value of share-based payment	-	-	-	-	11	11	-	11
	Addition of non-controlling interests	-	-	-	-	-14	-14	302	288
	Purchase of own shares	-	-	-	-	-806	-806	-	-806
	Sale of own shares	-	-	-	-	30	30	-	30
11	Capital increases and decreases	-142	-	-	-	142	-	6	6
17	Transfer of gain/loss on disposal of equity investments to retained earnings	-	-	-3	-	3	-	-	-
	Total transactions with shareholders	**-142**	**-**	**-3**	**-**	**-1,064**	**-1,209**	**218**	**-991**
	Equity 31 December 2020	**3,632**	**-432**	**-6**	**-42**	**26,698**	**29,850**	**1,004**	**30,854**

Notes

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Note 1 Segment information

Table 1.1	Ocean	Logistics & Services	Terminals & Towage	Manufacturing & Others	Total
Full year 2020					
External revenue	28,705	6,752	3,007	1,212	39,676
Inter-segment revenue	470	211	800	42	1,523
Total segment revenue	**29,175**	**6,963**	**3,807**	**1,254**	**41,199**
Unallocated					83
Eliminations					-1,542
Total revenue	-	-	-	-	**39,740**
Segment profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**6,545**	**454**	**1,205**	**165**	**8,369**
Unallocated					-140
Eliminations					-3
Consolidated profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)[1]					**8,226**
Profit/loss from joint ventures	**15**	**9**	**99**	**-2**	**121**
Segment gross capital expenditures, excl. acquisitions and divestments (CAPEX)	653	109	457	33	1,252
Unallocated					71
Eliminations					-1
Consolidated gross capital expenditures, excl. acquisitions and divestments (CAPEX)					**1,322**

Table 1.2	Ocean	Logistics & Services	Terminals & Towage	Manufacturing & Others	Total
Full year 2019					
External revenue	28,400	6,162	3,135	1,159	38,856
Inter-segment revenue	382	169	813	217	1,581
Total segment revenue	**28,782**	**6,331**	**3,948**	**1,376**	**40,437**
Unallocated					54
Eliminations					-1,601
Total revenue	-	-	-	-	**38,890**
Segment profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**4,436**	**216**	**1,118**	**136**	**5,906**
Unallocated					-195
Eliminations					1
Consolidated profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)[1]					**5,712**
Profit/loss from joint ventures	**10**	**-2**	**87**	**-2**	**93**
Segment gross capital expenditures, excl. acquisitions and divestments (CAPEX)	1,172	126	532	204	2,034
Unallocated					-
Eliminations					1
Consolidated gross capital expenditures, excl. acquisitions and divestments (CAPEX)					**2,035**

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

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

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

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

The Manufacturing & Others segment with Maersk Container Industry, Maersk Supply Service and others.

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. The allocation of resources and the segment performance are evaluated based on revenue and profitability measured on earnings before interest, taxes, depreciation and amortisation (EBITDA).

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

Note 1 Segment information – continued

Table 1.3

USD million	Types of revenue	2020	2019
Ocean	Freight revenue	24,920	24,466
	Other revenue, including hubs	4,255	4,316
Logistics & Services	Intermodal revenue	2,736	2,932
	Supply chain management revenue	961	861
	Inland services revenue	527	519
	Sea freight revenue	460	546
	Air freight revenue	780	485
	Other services revenue	1,499	988
Terminals & Towage	Terminal services	3,151	3,278
	Towage services	681	695
Manufacturing & Others	Sale of containers and spare parts	587	586
	Offshore supply services	252	306
	Other shipping activities	347	404
	Other services	68	80
Eliminations[1]		**-1,484**	-1,572
Total revenue		**39,740**	**38,890**

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

Table 1.4	2020	2019
Revenue from contracts with customers	38,727	37,641
Revenue from other sources		
Vessel-sharing and slot charter income	929	1,188
Lease income	18	21
Others	66	40
Total revenue	**39,740**	**38,890**

Table 1.5

Contract balances	2020	2019
Trade receivables	3,634	3,248
Accrued income – contract asset	-	48
Accrued income – contract liability	149	-
Deferred income – contract liability	49	59

Table 1.3

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

Table 1.5

Accrued income included in trade receivables in the balance sheet constitutes contract assets comprising unbilled amounts to customers representing the Group's right to consideration for the services transferred to date. Any amount previously recognised as accrued income is reclassified to trade receivables at the time it is invoiced to the customer. Deferred income is recognised in the income statement within 12 months.

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

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

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

Impairment losses disclosed in note 16 relate to receivables arising from contracts with customers.

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Note 1 Segment information – continued

Table 1.6

Geographical split	External revenue 2020	2019	Non-current assets[1] 2020	2019
Denmark	268	310	18,087	19,375
Australia	1,612	1,241	361	321
Brazil	1,606	1,606	258	339
Canada	747	586	110	113
China and Hong Kong	2,193	2,056	2,360	2,593
Germany	772	1,204	446	475
Mexico	1,175	1,019	718	748
Netherlands	848	1,102	1,086	818
Nigeria	1,165	895	122	111
Singapore	335	445	4,699	4,950
South Africa	731	629	32	26
UK	708	1,391	476	579
USA	10,138	6,731	3,014	2,519
Other	17,442	19,675	8,180	7,228
Total	**39,740**	**38,890**	**39,949**	**40,195**

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

1 Comprise intangible assets and property, plant and equipment and right-of-use assets, excluding financial non-current assets relating to continuing operations.

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Note 2 Operating costs

Table 2.1	2020	2019
Costs of goods sold	1,471	998
Bunker costs	3,820	4,628
Terminal costs	6,425	6,775
Intermodal costs	3,699	4,151
Port costs	2,146	2,265
Rent and lease costs	1,295	1,502
Staff costs	5,209	4,955
Other	7,739	7,856
Total operating costs	**31,804**	**33,130**
Remuneration of employees		
Wages and salaries	4,560	4,321
Severance payments	148	118
Pension costs, defined benefit plans	29	31
Pension costs, defined contribution plans	197	170
Other social security costs	396	411
Total remuneration	**5,330**	**5,051**
Of which:		
Recognised in the cost of assets	1	4
Included in restructuring costs	120	92
Expensed as staff costs	**5,209**	**4,955**
Average number of employees[1]	83,624	83,512

Table 2.2

Fees and remuneration to the Executive Board	2020	2019
Fixed based salary	8	10
Short-term cash incentive	6	5
Long-term share-based incentives	2	1
Remuneration in connection with redundancy, resignations and release from duty to work	-	6
Total remuneration to the Executive Board	**16**	**22**

Table 2.3

Fees to the statutory auditors	2020	2019
Statutory audit	13	13
Other assurance services	1	1
Tax and VAT advisory services	1	1
Other services	2	2
Total fees	**17**	**17**

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

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

1 Total number of employees (YTD average) is 83,624 (2019: 86,279) of which 83,624 (2019: 83,512) relate to continuing operations and 0 (2019: 2,767) relate to discontinued operations.

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

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

Table 2.3
Fees for other services than statutory audit of the financial statements provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to A.P. Moller - Maersk mainly consist of audit of non-statutory financial statements, financial due diligence and transaction advice, accounting advisory services, and other advisory accounting and tax services.

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

Table 3.1	2020	2019
Gains	293	128
Losses	91	57
Gain on sale of non-current assets, etc., net	**202**	**71**

Table 3.1

Gains in 2020 primarily related to the sale of containers of USD 124m, sale of vessels of USD 44m, and to a lesser extent sale of a facility in China, and gaining control of Port Towage Amsterdam and Pipavav India terminal.

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

Note 4 Financial income and expenses

Table 4.1	2020	2019
Interest expenses on liabilities[1 4]	839	971
Of which borrowing costs capitalised on assets[2]	7	23
Interest income on loans and receivables	63	91
Fair value adjustment transferred from equity hedge reserve (loss)	40	28
Net interest expenses	**809**	**885**
Exchange rate gains on bank balances, borrowings and working capital	390	299
Exchange rate losses on bank balances, borrowings and working capital	629	250
Net foreign exchange gains/losses	**-239**	**49**
Fair value gains from derivatives	331	98
Fair value losses from derivatives	137	41
Net fair value gains/losses	**194**	**57**
Dividends received from securities[3]	1	13
Impairment losses on financial non-current receivables	33	2
Reversal of write-downs of loans and other non-current receivables	7	10
Financial expenses, net	**879**	**758**
Of which:		
Financial income	895	511
Financial expenses	1,774	1,269

Table 4.1

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

1 Of which USD 468m (USD 477m) relates to interest expense on lease liabilities.
2 The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 4.1% (5.2%).
3 Of which USD 1m (USD 1m) pertains to shares held at the end of the year and USD 0m (USD 12m) to shares sold during the year.
4 Of which USD 33m (USD 12m) relates to loss on prepayment of issued bonds.

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Note 5 Tax

Table 5.1	2020	2019
Tax recognised in the income statement		
Current tax on profits for the year	293	369
Adjustment for current tax of prior periods	-28	5
Utilisation of previously unrecognised deferred tax assets	-6	-6
Total current tax	**259**	**368**
Origination and reversal of temporary differences	11	-15
Adjustment for deferred tax of prior periods	7	3
Adjustment attributable to changes in tax rates and laws	-3	-3
Recognition of previously unrecognised deferred tax assets	-7	-4
Reassessment of recoverability of deferred tax assets, net	46	28
Total deferred tax	**54**	**9**
Total income tax	**313**	**377**
Tonnage and freight tax	94	81
Total tax expense	**407**	**458**
Tax reconciliation		
Profit/loss before tax	3,307	967
Profit/loss subject to Danish and foreign tonnage taxation, etc.	-2,210	-439
Internal gain/loss on sale of assets	1	-
Share of profit/loss in joint ventures	-122	-93
Share of profit/loss in associated companies	-177	-136
Profit/loss before tax, adjusted	**799**	**299**
Tax using the Danish corporation tax rate (22%)	176	65
Tax rate deviations in foreign jurisdictions	-123	-44
Non-taxable income	-65	-74
Non-deductible expenses	212	246
Adjustment to previous years' taxes	-21	8
Effect of changed tax rate	-3	-3
Change in recoverability of deferred tax assets	33	18
Deferred tax asset not recognised	32	126
Other differences, net	72	35
Total income tax	**313**	**377**
Tax recognised in other comprehensive income and equity	**-6**	**-26**
Of which:		
Current tax	-10	-32
Deferred tax	4	6

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Note 6 Intangible assets

Table 6.1	Goodwill	Terminal and service concession rights	Customer relations and brand name	Other rights	Total
Cost					
1 January 2019	1,039	2,978	1,136	562	5,715
Addition	-	43	-	121	164
Acquired in business combinations	26	-	25	-	51
Disposal	-	-	-	3	3
Disposal on sale of businesses	-	-	-	-	-
Transfer, assets held for sale	-4	-22	-	-8	-34
Exchange rate adjustment	-1	-24	-1	-3	-29
31 December 2019	**1,060**	**2,975**	**1,160**	**669**	**5,864**
Addition	-	23	-	203	226
Acquired in business combinations[1]	309	240	272	86	907
Disposal	-	-	-	1	1
Transfer	-	-7	3	-3	-7
Transfer, assets held for sale	-	-57	-	-4	-61
Exchange rate adjustment	53	41	6	27	127
31 December 2020	**1,422**	**3,215**	**1,441**	**977**	**7,055**
Amortisation and impairment losses					
1 January 2019	394	498	75	470	1,437
Amortisation	-	100	70	30	200
Impairment losses	35	6	-	6	47
Disposal	-	-	-	3	3
Transfer, assets held for sale	-4	-17	-	-6	-27
Exchange rate adjustment	-2	-7	-	-	-9
31 December 2019	**423**	**580**	**145**	**497**	**1,645**
Amortisation	-	113	82	38	233
Impairment losses	-	13	-	-	13
Disposal	-	-	-	1	1
Transfer	-	-4	-	-	-4
Transfer, assets held for sale	-	-18	-	-	-18
Exchange rate adjustment	31	1	-	10	42
31 December 2020	**454**	**685**	**227**	**544**	**1,910**
Carrying amount:					
31 December 2019	**637**	**2,395**[2]	**1,015**	**172**[3]	**4,219**
31 December 2020	**968**	**2,530**[2]	**1,214**[1]	**433**[3]	**5,145**

Table 6.1

1 Acquisition of KGH Customs Services, Performance Team LLC, Port Towage Amsterdam, and Pipavav Terminal cf. note 21.

2 Of which USD 22m (USD 95m) is under development. USD 27m (USD 31m) is related to terminal rights with indefinite useful life in Poti Sea Port Corp, Georgia. The impairment test is based on the estimated fair value according to business plans. An average discount rate of 11.8% (11.7%) p.a. after tax has been applied in the calculations. Furthermore, the developments in volumes and rates are significant parameters. Service concession rights with a carrying amount of USD 86m (USD 74m) have restricted title.

3 Of which USD 202m (USD 73m) is related to ongoing development of software.

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Note 6 Intangible assets – continued

Discount rates used in impairment tests of intangible assets and impairment losses recognised are specified as follows:

Table 6.2	Applied discount rate p.a.after tax		Impairment losses	
Operating segment	2020	2019	2020	2019
Goodwill				
Ocean	7.0%	7.7%	-	-
Terminals & Towage	6.2% - 12.7%	5.9% - 13%	-	6
Logistics & Services	7.2%	8.7%	-	29
Terminal and service concession rights				
Terminals & Towage	6.2% - 12.7%	5.9% - 13%	13	6
Other				
Terminals & Towage	6.2% - 12.7%	5.9% - 13%	-	3
Logistics & Services	7.2%	8.7%	-	3
Total			**13**	**47**

Table 6.3			
Operating segment	Cash-generating unit	2020	2019
Ocean	Ocean (Hamburg Süd acquisition)	316	316
Logistics & Services	Logistics & Services (KGH Customs Services, Performance Team and Vandergrift acquisitions)	350	72
Terminal & Towage	Multiple terminals (Grup Maritim TCB acquisition)	301	248
Other		1	1
Total		**968**	**637**

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

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

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

The most significant goodwill amount relates to the Logistics & Services segment, where the impairment test is based on the estimated value in use from five-year business plans where the volume and margin growth assumptions reflect current market expectations for the relevant period. A discount rate of 7.2% (8.7%) has been applied.

The impairment test for the Ocean segment is based on the estimated value in use from five-year business plans and a calculated terminal value with growth equal to the expected economic growth of 2% p.a. in both 2020 and 2019. A discount rate of 7.0 (7.7%) has been applied.

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

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Note 7 Property, plant and equipment

Table 7.1	Ships, containers, etc.	Production facilities and equipment, etc.	Construction work in progress and payment on account	Total
Cost				
1 January 2019	48,122	6,649	1,600	56,371
Transfer of IAS 17 finance leases	-4,169	-138	-	-4,307
Addition	432	78	1,315	1,825
Disposal	754	127	10	891
Transfer	1,153	943	-2,096	-
Transfer, assets held for sale	-3	-353	1	-355
Reclassification from/to right-of-use asset	62	6	-	68
Exchange rate adjustment	-3	-68	-15	-86
31 December 2019	**44,840**	**6,990**	**795**	**52,625**
Addition	268	163	711	1,142
Disposal	1,442	190	25	1,657
Additions from acquired companies	-	277	3	280
Transfer	486	617	-1,103	-
Transfer, assets held for sale	-67	-57	4	-120
Reclassification from/to right-of-use asset, net	793	75	-5	863
Exchange rate adjustment	39	156	-3	192
31 December 2020	**44,917**	**8,031**	**377**	**53,325**
Depreciation and impairment losses				
1 January 2019	21,705	3,354	205	25,264
Transfer of IAS 17 finance leases	-1,725	-30	-	-1,755
Depreciation	2,289	380	-	2,669
Impairment losses	46	35	-	81
Reversal of impairment losses	-	53	11	64
Disposal	654	120	2	776
Transfer	188	-	-188	-
Transfer, assets held for sale	-7	-280	-	-287
Reclassification from/to right-of-use	3	-	-	3
Exchange rate adjustment	8	-34	-	-26
31 December 2019	**21,853**	**3,252**	**4**	**25,109**

Table 7.1 continues on the next page.

Table 7.1
Pledges
Ships, buildings, etc. with carrying amount of USD 0.8bn (USD 1.9bn) have been pledged as security for loans of USD 0.6bn (USD 1bn).

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Note 7 Property, plant and equipment – continued

Table 7.1 – continued from previous page	Ships, containers, etc.	Production facilities and equipment, etc.	Construction work in progress and payment on account	Total
Depreciation	2,290	441	-	2,731
Impairment losses	82	34	-	116
Reversal of impairment losses	27	1	-	28
Disposal	1,261	137	-	1,398
Transfer, assets held for sale	-46	-27	-	-73
Reclassification from/to right-of-use	316	-3	-	313
Exchange rate adjustment	32	43	-1	74
31 December 2020	**23,239**	**3,602**	**3**	**26,844**
Carrying amount:				
31 December 2019	**22,987**	**3,738**	**791**	**27,516**
31 December 2020	**21,678**	**4,429**	**374**	**26,481**

Table 7.2		Impairment losses		Reversal of impairment losses		Applied discount rate p.a. after tax		Recoverable amount	
Operating segment	Cash-generating unit	2020	2019	2020	2019	2020	2019	2020	2019
Terminals & Towage	Terminals	34	-	1	-	6%	-	-	-
	Towage	5	16	-	-	-	13%	7	64
Manufacturing & Others	Anchor Handling Tug Supply vessels (onerous contracts)	77	31	-	-	-	-	361	-
	Container manufacturing facilities	-	34	-	13	-	-	392	-
	Others	-	-	27	51	-	-	-	-
Total		**116**	**81**	**28**	**64**				

Table 7.2
Impairment analysis
For more information on impairment tests reference is made to note 6 and note 24.

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

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Note 8 Right-of-use assets

Table 8.1	Ships, containers, etc.	Concession agreements (non-IFRIC 12)	Real estate and other leases	Total
Right-of-use assets				
1 January 2019	3,120	2,351	751	6,222
Transfer from IAS 17 finance leases	2,444	0	108	2,552
Additions	555	780	214	1,549
Disposal	321	2	18	341
Depreciation cost	1,023	188	185	1,396
Transfer, assets held for sale	-4	-58	-1	-63
Transfer to owned assets, etc.	-59	-1	-5	-65
Exchange rate adjustment	-	2	-	2
31 December 2019	**4,712**	**2,884**	**864**	**8,460**
Additions	1,040	240	281	1,561
Acquired in business combinations	0	0	313	313
Disposal	169	2	44	215
Depreciation cost	1,007	189	218	1,414
Transfer, assets held for sale	0	-5	-2	-7
Transfer to owned assets, etc.	-476	1	-72	-547
Exchange rate adjustment	2	137	33	172
31 December 2020	**4,102**	**3,066**	**1,155**	**8,323**

Table 8.2		Total
Amounts recognised in profit and loss	2020	2019
Depreciation cost on right-of-use assets	1,414	1,396
Interest expenses (included in finance costs)	468	477
Expenses relating to service elements of leases	799	861
Expenses relating to short-term leases	296	414
Expenses relating to variable lease payments	183	202
Expenses relating to leases of low-value assets	22	25
Total recognised in operating costs	**1,300**	**1,502**

Table 8.1 and Table 8.2

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

To optimise lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to equipment leases. At the end of 2020, the expected residual values were reviewed to determine if these reflect the actual residual values achieved on comparable assets and expectations about future prices. At 31 December 2020, USD 354m (USD 489m) is expected to be payable and is included in the measurement of the lease liabilities.

Leases to which A.P. Moller - Maersk is committed but for which lease term has not yet commenced have an undiscounted value of USD 557m (USD 481m). They comprise of approx. 64 contracts commencing in 2021 and 2022.

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

Lease liabilities are disclosed in note 13 and note 16.

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Note 9 Deferred tax

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

Table 9.1		Assets		Liabilities		Net liabilities
	2020	2019	2020	2019	2020	2019
Intangible assets	31	32	269	203	238	171
Property, plant and equipment	46	49	288	201	242	152
Provisions, etc.	128	110	66	42	-62	-68
Tax loss carry-forwards	87	129	-	-	-87	-129
Other	89	44	34	43	-55	-1
Total	**381**	**364**	**657**	**489**	**276**	**125**
Offsets	-132	-127	-132	-127	-	-
Total	**249**	**237**	**525**	**362**	**276**	**125**

Table 9.2

Change in deferred tax, net, during the year	2020	2019
1 January	**125**	**105**
Intangible assets	63	-15
Property, plant and equipment	-4	-6
Provisions, etc.	-1	36
Tax loss carry-forwards	46	31
Other	-50	-37
Recognised in the income statement	**54**	**9**
Transfer to held for sale	-12	-
Other including business combinations	109	11
31 December	**276**	**125**

Table 9.3

Unrecognised deferred tax assets – continuing operations	2020	2019
Deductible temporary differences	129	141
Tax loss carry-forwards	823	768
Unused tax credits	10	13
Total	**962**	**922**

Table 9.3

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

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Note 10 Discontinued operations and assets held for sale or distribution

Table 10.1	2020	2019
Profit/loss for the period - discontinued operations		
Revenue	-	308
Expenses	-	233
Negative fair value adjustment	-	628
Profit/loss before tax, etc.	**-**	**-553**
Profit/loss for the year – discontinued operations	**-**	**-553**
A.P. Møller - Mærsk A/S' share of profit/loss	-	-553
Earnings per share	-	-27
Diluted earnings per share	-	-27
Cash flows from discontinued operations		
Cash flow from operating activities	-	137
Cash flow used for investing activities	-	-488
Cash flow from financing activities	-	-21
Net cash flow from discontinued operations	**-**	**-372**

Table 10.2	2020	2019
Balance sheet items comprise:		
Intangible assets	39	7
Property, plant and equipment	94	135
Other assets	54	-
Non-current assets	**187**	**142**
Current assets	31	7
Assets held for sale or distribution	**218**	**149**
Provisions	-	1
Deferred tax liabilities	13	1
Other liabilities	78	73
Liabilities associated with assets held for sale or distribution	**91**	**75**

Table 10.1, table 10.2 and table 10.3
There have been no discontinued operations in 2020.

Discontinued operations in 2019 included Maersk Drilling up to the demerger in April 2019, which concluded the separation of the energy-related businesses. The results of the discontinued operations are presented in one separate line in the 2019 income statement, balance sheet and cash flow statement.

In the consolidated financial statements in 2019, the results for Maersk Drilling are classified under discontinued operations with a net loss of USD 553m in 2019. Total cash flow from the discontinued operations was USD 0m (positive USD 372m).

Assets held for sale in 2020 largely relate to two terminals reported as held for sale within Terminals & Towage and one terminal within Ocean.

The terminal in Ocean was transferred to assets held for sale in 2019, and an impairment of USD 62m has been made against the asset in 2020, being the difference between carrying value and fair value less costs to sell.

Maersk Drilling activity
On 2 April 2019, Maersk Drilling was demerged and listed separately.

Period ended 2 April 2019
A.P. Moller - Maersk recognised a loss of USD 553m for the Maersk Drilling activity, mainly due to a negative fair value adjustment of USD 628m. The cash flow from the demerger is summarised in Table 10.3.

The fair value of the new listed company of USD 3.4bn resulted in a negative fair value adjustment of USD 628m being recognised in Q1 2019. Measurement of the fair value of the disposal Group was categorised as level 1 in the fair value hierarchy, as measurement was based on observable market data.

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Note 10 Discontinued operations and assets held for sale or distribution – continued

Table 10.3

Cash flow from sale	2020	2019
Carrying amount		
Intangible assets	-	91
Property, plant and equipment	-	4,426
Financial assets, non-current	-	4
Deferred tax assets	-	-14
Current assets	-	792
Provisions	-	-24
Liabilities	-	-1,904
Net assets sold	**-**	**3,371**
Non-controlling interests	-	-
A.P. Møller - Mærsk A/S' share	**-**	**3,371**
Distribution of shares in The Drilling Company of 1972 A/S to shareholders in A.P. Møller - Mærsk A/S	-	-3,371
Total consideration	**-**	**-**
Cash and bank balances transferred at closing	-	-425
Cash flow from sale of subsidiaries and activities	**-**	**-425**

The net cash flow effect of USD 372m for the period mainly related to cash and bank balances disposed to Maersk Drilling at demerger. As part of the demerger, A.P. Moller - Maersk was subject to a statutory demerger liability for liabilities existing as of 4 March 2019 assigned to The Drilling Company of 1972 A/S, pursuant to section 254(2) of the Danish Company Act. The liability is deemed remote.

Note 11 Share capital and earnings per share

Development in the number of shares:

Table 11.1	A shares of		B shares of		Nominal value	
	DKK 1,000	DKK 500	DKK 1,000	DKK 500	DKK million	USD million
1 January 2019	10,756,262	232	10,060,398	172	20,817	3,774
Conversion	3	-6	3	-6	-	-
31 December 2019	**10,756,265**	**226**	**10,060,401**	**166**	**20,817**	**3,774**
Cancellation	156,977		627,938		785	142
Conversion	5	-10	-	-	-	-
31 December 2020	**10,599,293**	**216**	**9,432,463**	**166**	**20,032**	**3,632**

Development in the holding of own shares:

Table 11.2	No. of shares of DKK 1,000		Nominal value DKK million		% of share capital	
Own shares	2020	2019	2020	2019	2020	2019
A shares						
1 January	134,279	-	134	-	0.65%	0.00%
Addition	141,874	134,279	142	134	0.69%	0.65%
Cancellation	156,977	-	157	-	0.75%	0.00%
31 December	**119,176**	**134,279**	**119**	**134**	**0.59%**	**0.65%**
B shares						
1 January	587,949	55,515	588	56	2.82%	0.27%
Addition	567,493	537,143	567	537	2.83%	2.57%
Cancellation	627,938		628		3.02%	
Disposal	22,223	4,709	22	5	0.11%	0.02%
31 December	**505,281**	**587,949**	**505**	**588**	**2.52%**	**2.82%**

Table 11.1
All shares are fully issued and paid up.

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

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

Apart from a resolution for the dissolution of the company, other resolutions at the General Meetings are passed by simple majority, as long as legislation does not require particular voting majority. Reference is made to the company's Articles of Association. In the event of an increase of the company's share capital, the shareholders in the given share class shall have a pre-emptive right to subscribe for a proportionate share of the capital increase.

At the Annual General Meeting of A.P. Møller - Mærsk A/S on 23 March 2020, the shareholders decided on the cancellation of treasury shares, whereby the share capital was decreased. On June 2, 2020, the company's share capital was reduced from nominally DKK 20,816,862,000 with nominally DKK 784,915,000 in total, divided into 156,977 A shares and 627,938 B shares of DKK 1,000 to nominally DKK 20,031,947,000 by cancellation of own shares.

The capital decrease took place at a premium at a price of DKK 761.57 and DKK 809.51 for A and B shares, respectively, cf. section 188(2) of the Danish Companies Act, corresponding to the average price at which the shares have been repurchased. The amount from the capital decrease has been paid out to the company as owner of the shares as the amount was transferred from the company's capital reserves to the free reserves.

Table 11.2
The DKK 10bn share buy-back programme announced on 24 May 2019 was thereby concluded on 24 July 2020.

On 18 November 2020, A.P. Møller - Mærsk A/S decided to initiate a share buy-back programme of up to DKK 10bn (around USD 1.6bn) and a maximum of 1.79 million shares to be acquired over a period of up to 15 months.

The share buy-back programme is initiated pursuant to the authorisation granted to the Board of Directors by the Annual General Meeting in 2019, which entitled the company to acquire treasury shares at a nominal value not exceeding 15% of the share capital at the market price applicable at the time of acquisition with a deviation of up to 10%.

The first phase of the programme will run from 1 December 2020 up to 29 April 2021. The shares to be acquired will be limited to a total market value of DKK 3.3bn. A maximum of 158,586 A shares and 620,270 B shares can be acquired in the first phase of the buy-back programme.

The share buy-back is carried out with the purpose to adjust the capital structure of A.P. Moller - Maersk. Shares which are not used for hedging purposes for the long-term incentive programmes will be proposed cancelled at the Annual General Meetings in 2021 and 2022.

A.P. Moller - Maersk has appointed Skandinaviska Enskilda Banken ('SEB') as lead manager. SEB will execute the purchase of shares on behalf of A.P. Moller - Maersk within the announced limits and will make all share purchase decisions independently and without the involvement of A.P. Moller - Maersk.

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

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

Disposals of own shares are related to the Share Option Plans and the Restricted Shares Plan.

Note 11 Share capital and earnings per share – continued

The basis for calculating earnings per share is the following:

Table 11.3

A.P. Møller - Mærsk A/S' shareholders' share of:	2020	2019
Profit/loss for the period of continuing operations	2,850	469
Profit/loss for the period of discontinued operations	-	-553
Profit/loss for the year	**2,850**	**-84**

Table 11.4	2020	2019
Issued shares 1 January	20,816,862	20,816,862
Average number of own shares	729,307	275,236
Average number of cancelled shares	456,795	-
Average number of shares	**19,630,760**	**20,541,626**

Table 11.3
Dividend
The Board of Directors proposes a dividend to the shareholders of DKK 330 per share of DKK 1,000 – a total of DKK 6,611, equivalent to USD 1,092 at the exchange rate as per 31 December 2020. (DKK 150 per share of DKK 1,000 – total of DKK 3,123m equivalent to USD 468m). Payment of dividends is expected to take place on 26 March 2021.

Payment of dividends to shareholders does not trigger taxes to A.P. Moller - Maersk.

Table 11.4
Earnings per share
At 31 December 2020, there is dilution effect on earnings per share of the 66,971 (0) issued share options while there is no dilution effect on earnings per share of the 21,459 (67,825) issued shares options. The issued share options correspond to 0.33% (0%) and 0.11% (0.33%) of the total average number of shares in the Group respectively.

All the restricted shares of 17,691 have dilution effect. The issued restricted shares correspond to 0.09% of the total average number of shares in the Group.

Note 12 Share-based payment

Table 12.1	Members of the Executive Board	Employees	Total	Total fair value[1]
Outstanding restricted shares	No.	No.	No.	USD million
1 January 2019	1,002	12,786	13,788	
Granted	1,310	4,319	5,629	7
Granted in connection with Maersk Drilling demerger	294	1,286	1,580	
Exercised	-	4,756	4,756	
Forfeited	739	1,700	2,439	
Outstanding 31 December 2019	**1,867**	**11,935**	**13,802**	
Granted	1,626	6,165	7,791	7
Exercised	-	3,777	3,777	
Forfeited	-	125	125	
Outstanding 31 December 2020	**3,493**	**14,198**	**17,691**	

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

The transfer of restricted shares is contingent upon the employee still being employed and not being under notice of termination and takes place when three years have passed from the time of granting. For members of the Executive Board the vesting period is five years.

The members of the Executive Board as well as other employees are not entitled to any dividends during the vesting period. Special conditions apply regarding illness, death and resignation as well as changes in the company's capital structure, etc. A part of A.P. Møller - Mærsk A/S' holding of own B shares will be used to meet the company's obligations in connection with the restricted shares plan.

The fair value of restricted shares (A.P. Møller - Mærsk A/S B shares) granted to 96 (92) employees and five (five) members of the Executive Board was USD 7m (USD 7m) at the time of grant.

The fair value per restricted share at the time of grant is DKK 5,975 (DKK 8,668), which is equal to the volume weighted average share price on the date of grant, i.e. 1 April 2020.

The payroll expense related to the restricted shares plan is USD 6m (USD 5m).

On 1 April 2020, the restricted shares originally granted in 2017 were settled with the employees. The weighted average share price at that date was DKK 5,975.

The average remaining contractual life for the restricted shares as per 31 December 2020 is 1.8 years (1.7 years).

1 At the time of grant.

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Note 12 Share-based payment – continued

Table 12.2	Members of the Executive Board	Employees	Total	Average exercise price [1]
Outstanding share options	No.	No.	No.	DKK
1 January 2019	9,985	36,707	46,692	10,006
Granted	7,894	22,444	30,338	7,622
Forfeited	6,080	3,125	9,205	9,141
Outstanding 31 December 2019	**11,799**	**56,026**	**67,825**	**9,057**
Exercisable 31 December 2019	**-**	**18,435**	**18,435**	**10,630**
Granted	8,741	31,383	40,124	8,639
Exercised	-	18,446	18,446	9,968
Forfeited	-	1,073	1,073	9,636
Outstanding 31 December 2020	**20,540**	**67,890**	**88,430**	**8,670**
Exercisable 31 December 2020	**2,347**	**32,474**	**34,821**	**10,187**

The following principal assumptions are used in the valuation:

Table 12.3	Share options granted to members of the Executive Board		Share options granted to employees not members of the Executive Board	
	2020	2019	2020	2019
Share price, volume weighted average at the date of grant, 1 April, DKK	5,975	8,668	5,975	8,668
Share price, five days volume weighted average after publication of Annual Report, DKK	7,854	8,682	7,854	8,682
Exercise price, DKK	8,639	9,550	8,639	9,550
Exercise price following the demerger of Maersk Drilling, 2 April 2019, DKK	N/A	7,670	N/A	7,605
Expected volatility (based on historic volatility)	31%	32%	31%	32%
Expected term (years)	5	5	5.75	5.75
Expected dividend per share, DKK	150	150	150	150
Risk free interest rate	-0.66%	-0.36%	-0.63%	-0.28%

Table 12.2
Share option plans
In addition to the plan described above, A.P. Moller - Maersk has share option plans for members of the Executive Board and other employees. Each share option granted is a call option to buy an existing B share of nominal DKK 1,000 in A.P. Møller - Mærsk A/S.

The share options are granted at an exercise price corresponding to 110% of the average of the market price on the first five trading days following the release of A.P. Møller - Mærsk A/S' Annual Report. Exercise of the share options is contingent upon the option holder still being employed at the time of exercise. The share options can be exercised when at least three years and no more than six years (seven years for share options granted to employees not members of the Executive Board) have passed from the time of grant. Special conditions apply regarding illness, death and resignation as well as changes in the company's capital structure, etc.

The share options can only be settled in shares. A part of A.P. Møller - Mærsk A/S' holding of own B shares will be used to meet the company's obligations in respect of the share option plans.

The fair value of awards granted to five (five) members of the Executive Board and 89 (75) employees was USD 4m (USD 9m) at the time of grant.

The payroll expense related to the share option plan is USD 5m (USD 5m).

The weighted average share price at the dates of exercise of share options was DKK 12,389. No share options were exercised during 2019.

The average remaining contractual life as per 31 December 2020 is 5.1 years (5.2 years) and the exercise price for outstanding share options is DKK 8,670 (DKK 9,057).

1 Average exercise prices were reduced following the demerger of Maersk Drilling.

Table 12.3
The fair value per option granted to members of the Executive Board is calculated at DKK 625 (DKK 1,782) at the time of grant, based on Black & Scholes' option pricing model. The fair value per option granted to employees not members of the Executive Board is calculated at DKK 697 (DKK 1,914) at the time of grant based on the same option pricing model.

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Note 13 Borrowings and lease liability reconciliation

Table 13.1	Net debt as at 31 December	Cash flows			Non-cash changes		Net debt as at 31 December
	2019		Additions	Disposal	Foreign exchange movements	Other[1]	2020
Bank and other credit institutions	3,357	-637	96	-	-14	-	2,802
Issued bonds	4,819	-1,254	-	-	150	109	3,824
Total borrowings	**8,176**	**-1,891**[4]	**96**	**-**	**136**	**109**	**6,626**
Borrowings:							
Classified as non-current	7,455	-	-	-	-	-	5,868
Classified as current	721	-	-	-	-	-	758
Leases:							
Lease liabilities	8,577	-1,710[2]	1,896[3]	-217	195	6	8,747
Total leases	**8,577**	**-1,710**	**1,896**	**-217**	**195**	**6**	**8,747**
Leases:							
Classified as non-current	7,295	-	-	-	-	-	7,356
Classified as current	1,282	-	-	-	-	-	1,391
Total borrowing and leases	**16,753**	**-3,601**	**1,992**	**-217**	**331**	**115**	**15,373**
Derivatives hedge of borrowings, net	**172**	**27**	**-**	**-**	**-150**	**-13**	**36**

Table 13.1
The maturity analysis of lease liabilities is disclosed in note 16.

1 Other includes fair value changes and amortisation of fees.
2 Total cash outflow impact for leases for 2020 was USD 3.5bn, of which USD 1.3bn relates to other lease expenses and USD 468m to interest expense as disclosed separately in note 8.
3 Additions include USD 321m lease liabilities from businesses acquired during 2020.
4 Total cash flow from borrowings amounts to USD -1.9bn and cash flow from related hedges to USD 31m, in total USD -1,860m.

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Note 13 Borrowings and lease liability reconciliation – continued

Table 13.2	Net debt as at 31 December	Cash flows				Non-cash changes		Net debt as at 31 December
	2018		IFRS 16 adoption	Additions	Disposal	Foreign exchange movements	Other[1]	2019
Bank and other credit institutions	4,249	-997	-	-	-	7	98	3,357
Issued bonds	5,373	-543	-	-	-	-57	46	4,819
Total borrowings	**9,622**	**-1,540**[3]	**-**	**-**	**-**	**-50**	**144**	**8,176**
Borrowings:								
Classified as non-current	8,036	-	-	-	-	-	-	7,455
Classified as current	1,586	-	-	-	-	-	-	721
Leases:								
Lease liabilities	2,266	-1,311[2]	6,245	1,744	-323	5	-49	8,577
Total leases	**2,266**	**-1,311**	**6,245**	**1,744**	**-323**	**5**	**-49**	**8,577**
Leases:								
Classified as non-current	1,858	-	-	-	-	-	-	7,295
Classified as current	408	-	-	-	-	-	-	1,282
Total borrowing and leases	**11,888**	**-2,851**	**6,245**	**1,744**	**-323**	**-45**	**95**	**16,753**
Derivatives hedge of borrowings, net	**162**	**-84**	**-**	**-**	**-**	**57**	**37**	**172**

Table 13.2
The maturity analysis of lease liabilities is disclosed in note 16.

1 Other includes fair value changes and amortisation of fees.
2 Total cash outflow impact for leases for 2019 was USD 3.3bn, of which USD 1.5bn to other lease expenses and USD 477m relates to interest expense as disclosed separately in note 8.
3 Total cash flow from borrowings amounts to USD -1.5bn and cash flow from related hedges to USD 84m, in total USD -1.5bn.

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Note 14 Pensions and similar obligations

Table 14.1	UK 2020	Other 2020	Total 2020	UK 2019	Other 2019	Total 2019
Specification of net liability						
Present value of funded plans	2,427	516	2,943	2,248	490	2,738
Fair value of plan assets	-2,691	-416	-3,107	-2,690	-388	-3,078
Net liability of funded plans	-264	100	-164	-442	102	-340
Present value of unfunded plans	-	156	156	-	138	138
Impact of minimum funding requirement/asset ceiling	79	1	80	65	-	65
Net liability 31 December	**-185**	**257**	**72**	**-377**	**240**	**-137**
Of which:						
Pensions, net assets			225			409
Pensions and similar obligations			297			272

Table 14.2 Significant financial assumptions	UK 2020	Total 2020	UK 2019	Total 2019
Discount rate	1.6%	1.7%	1.9%	1.9%
Inflation rate	3.2%	3.0%	3.1%	3.1%

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

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

In 2021, the Group expects to pay contributions totalling USD 16m to funded defined benefit plans, USD 27m in 2020.

Table 14.2
The majority of the Group's defined benefit liabilities are 78% in the UK and 12% the US. All of the plans in the UK and the majority of the plans in the US are funded. Although all of the UK plans are now closed to new entrants, active members in the two largest plans continue to accrue new benefits. The smaller UK plans are all closed to new accruals, although a salary link remains in some of the plans.

Overall, the plans have an average duration of 15 years and approximately 56% of the obligation is in respect of pensioner members.

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

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Note 14 Pensions and similar obligations – continued

Table 14.3				31 December
Life expectancy	2020	2040	2019	2039
65-year-old male in the UK	21.8	23.2	21.6	23.0

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

Table 14.4		Increase	Decrease
Sensitivities for key assumptions in the UK Factors	'Change in liability'	2020	2020
Discount rate	Increase/(decrease) by 25 basis points	-101	106
Inflation rate	Increase/(decrease) by 25 basis points	61	-59
Life expectancy	Increase/(decrease) by one year	140	-136

Table 14.5	UK	Other	Total	UK	Other	Total
Specification of plan assets	2020	2020	2020	2019	2019	2019
Insurance contracts	1,734	69	1,803	199	58	257
Shares	77	137	214	179	131	310
Government bonds	379	107	486	1,403	99	1,502
Corporate bonds	331	86	417	652	79	731
Real estate	10	4	14	9	4	13
Other assets	160	13	173	248	17	265
Fair value 31 December	**2,691**	**416**	**3,107**	**2,690**	**388**	**3,078**

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

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

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

In 2020, the Trustees of one of the UK plans, Maersk Retirement Benefit Scheme (MRBS), entered into an insurance contract to provide further security for all future benefit payments and annual increases to which members are entitled under the scheme. Following this MRBS buy-in transaction, over 70% of the UK liabilities are now covered by insurance policies. Therefore, movement in the liabilities due to change in assumptions would equally impact the assets value related to the buy-in policies, resulting in a reduced movement in the overall balance sheet position.

The expected contributions to the UK plans for 2021 are USD 11m (USD 23m in 2020) of which USD 9m (USD 20m in 2020) is deficit recovery contributions. In most of the UK plans, any surplus remaining after the last member dies may be returned to the Group. However, the Merchant Navy Ratings Pension Fund (MNRPF), and the Merchant Navy Officers Pension Fund (MNOPF) contributions paid by the Group are not refundable in any circumstance and the balance sheet liability reflects an adjustment for any agreed deficit recovery contributions in excess of deficit determined using the Group's assumptions. In 2020 an adjustment of USD 3m (USD 2m) was applied in this respect.

Table 14.5
Other than the insurance contracts and a small proportion of other holdings, the plan assets held by the Group are quoted investments.

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Note 14 Pensions and similar obligations – continued

Table 14.6

Change in net liability	Present value of obligations	Fair value of plan assets	Adjustments	Net liability	Of which: UK
1 January 2019	**2,596**	**2,683**	**61**	**-26**	**-241**
Current service cost, administration cost etc.	30	-5	-	35	9
Calculated interest expense/income	73	77	-	-4	-7
Recognised in the income statement in 2019	**103**	**72**	**-**	**31**	**2**
Actuarial gains/losses from changes in financial and demographic assumptions, etc.	262	-	-	262	207
Return on plan assets, exclusive calculated interest income	-	352	-	-352	-310
Adjustment for unrecognised asset due to asset ceiling	-	-	-1	-1	-1
Recognised in other comprehensive income in 2019	**262**	**352**	**-1**	**-91**	**-104**
Contributions from the Group and employees	-	27	-	-27	-22
Benefit payments	-141	-130	-	-11	-
Settlements	-5	-5	-	-	-
Internal transfers	-1	-	1	-	-
Effect of business combinations and disposals	-11	-11	-	-	-
Exchange rate adjustment	73	90	4	-13	-12
31 December 2019	**2,876**	**3,078**	**65**	**-137**	**-377**
Current service cost, administration cost etc.	26	-6	-	32	9
Calculated interest expense/income	55	58	-	-3	-7
Recognised in the income statement in 2020	**81**	**52**	**-**	**29**	**2**
Actuarial gains/losses from changes in financial and demographic assumptions, etc.	180	-	-	180	148
Return on plan assets, exclusive calculated interest income	-	-15	-	15	50
Adjustment for unrecognised asset due to asset ceiling	-	-	11	11	9
Adjustment for minimum funding requirement	-	-	1	1	1
Recognised in other comprehensive income in 2020	**180**	**-15**	**12**	**207**	**208**
Contributions from the Group and employees	-	21	-	-21	-16
Benefit payments	-139	-127	-	-12	-
Effect of business combinations and disposals	1	-	-	1	-
Exchange rate adjustment	100	98	3	5	-2
31 December 2020	**3,099**	**3,107**	**80**	**72**	**-185**

Multi-employer plans

Under collective agreements, certain entities in the Group participate together with other employers in defined benefit pension plans as well as welfare/medical plans (multi-employer plans). In general, the contributions to the schemes are based on man hours worked or cargo tonnage handled, or a combination hereof.

For the defined benefit pension plans, the Group has joint and several liabilities to fund total obligations. While the welfare/medical plans are by nature contribution plans funded on a pay-as-you-go basis. In 2020, the Group's contributions to the pension and welfare/medical plans are estimated at USD 91m (USD 83m) and USD 277m (USD 295m), respectively. The contributions to be paid in 2021 are estimated at USD 92m for the pension plans and USD 279m for the welfare/medical plans.

No reliable basis exists for allocation of the schemes' obligations and plan assets to individual employer participants. For the pension plans where the Group has an interest and there is a deficit, the net obligations for all employers amounts to USD 0.3bn (USD 0.7bn). This net obligation is based on the most recent available financial data from the plan's trustees, calculated in accordance with the rules for such actuarial calculation in US GAAP. The deficit in some of the schemes may necessitate increased contributions in the future. Welfare/medical plans are 'pay as you go', and form a part of the Group's US collective bargain agreements. They cover a limited part of employees' medical costs as occurred.

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Note 15 Provisions

Table 15.1	Restructuring	Legal disputes, etc.	Other	Total
1 January 2020	107	618	369	1,094
Provision made	151	487	190	828
Amount used	78	144	50	272
Amount reversed	49	173	146	368
Addition from business combinations	-	3	10	13
Exchange rate adjustment	5	-14	-5	-14
31 December 2020	**136**	**777**	**368**	**1,281**
Of which:				
Classified as non-current	2	396	158	556
Classified as current	134	381	210	725
Non-current provisions expected to be realised after more than five years	-	57	10	67

Table 15.1
Restructuring includes provisions for decided and publicly announced restructurings. Legal disputes, etc. include among other things indirect tax and duty disputes. Other includes provisions for warranties and risk under certain self-insurance programmes. The provisions are subject to considerable uncertainty, cf. note 24.

Reversals of provisions primarily relate to legal disputes and contractual disagreements, which are recognised in the income statement under operating costs and tax.

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Note 16 Financial instruments and risks

Table 16.1

Derivatives recognised at fair value in the balance sheet	2020	2019
Non-current receivables	269	161
Current receivables	307	43
Non-current liabilities	289	328
Current liabilities	228	87
Assets, net	**59**	**-211**

Table 16.2

The gain/losses of the derivatives are recognised as follows:	2020	2019
Hedging foreign exchange risk on revenue	5	-5
Hedging foreign exchange risk on operating costs	16	-78
Hedging interest rate risk	-40	-28
Hedging foreign exchange risk on the cost of non-current assets	15	-2
Hedging foreign exchange risk on discontinued operations	-	-1
Total effective hedging	**-4**	**-114**
Ineffectiveness recognised in financial expenses	-9	-4
Total reclassified from equity reserve for hedges	**-13**	**-118**
Derivatives accounted for as held for trading:		
Currency derivatives recognised directly in financial income/expenses	198	56
Interest rate derivatives recognised directly in financial income/expenses	107	45
Oil prices and freight rate derivatives recognised directly in other income/costs	213	-64
Net gains/losses recognised directly in the income statement	**518**	**37**

Table 16.1
The Group derivatives are presented at fair value in the balance sheet.

The Group's activities are exposed to a variety of financial risks:

- Market risks, i.e. currency risk, interest rate risk and oil price risk
- Credit risk
- Liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central finance department under policies approved by the Board of Directors. The finance department identifies, evaluates and hedges financial risks in close cooperation with the Group's entities.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's profit or the value of its holdings of financial instruments. The sensitivity analyses in the currency risk and interest rate risk sections relate to the position of financial instruments at 31 December 2020.

The sensitivity analyses for currency risk and interest rate risk have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt, and the proportion of financial instruments in foreign currencies remain unchanged from hedge designations in place at 31 December 2020. Furthermore, it is assumed that the exchange rate and interest rate sensitivities have a symmetric impact, i.e. an increase in rates results in the same absolute movement as a decrease in rates.

The sensitivity analyses in table 16.5 show the effect on profit and equity of a reasonably possible change in exchange rates and interest rates.

Table 16.2
Hedges comprise primarily currency derivatives, interest rate derivatives and oil price hedges, which are further described in the following sections.

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Note 16 Financial instruments and risks – continued

Table 16.3

Hedge of operating cash flows and investments in foreign currencies	Fair value, asset	Fair value, liability	Nominal amount of derivative	Average hedge rate
Main currencies hedged				
2020				
EUR	36	1	681	1.17
DKK	13	1	246	6.37
HKD	-	-	161	7.76
Other currencies	64	2	1,064	N/A
Total	**113**	**4**		
2019				
EUR	3	7	647	1.14
DKK	1	4	260	6.55
HKD	-	-	165	7.82
Other currencies	28	7	1,113	N/A
Total	**32**	**18**		

Table 16.4

	Fair value	
Recognised at fair value through profit and loss	2020	2019
Currency derivatives	-2	-28
Interest derivatives	9	13
Total	**7**	**-15**

Table 16.5

	Profit before tax		Equity before tax	
Currency sensitivity for financial instruments	2020	2019	2020	2019
EUR	-38	15	-101	-43
CNY	15	53	8	44
Other	81	94	-17	-22
Total	**58**	**162**	**-110**	**-21**

Table 16.3

Currency risk

The Group's currency risk relates to the fact that while income from Ocean activities is denominated mainly in USD, the related expenses are incurred in both USD and a wide range of other currencies such as EUR, CNY, DKK, HKD, SGD and CAD. As the net income is in USD, this is also the primary financing currency. Income and expenses from other activities, including Terminals & Towage, are mainly denominated in local currencies, thus reducing the Group's exposure to these currencies.

The main purpose of hedging the Group's currency risk is to hedge the USD value of the Group's net cash flow and reduce fluctuations in the Group's profit. The Group uses various financial derivatives, including forwards, option contracts and cross-currency swaps, to hedge these risks. The key aspects of the currency hedging policy are:

- Net cash flows in other significant currencies than USD are hedged using a layered model with a 12-month horizon
- Significant capital commitments or divestments in other currencies than USD are hedged
- Most non-USD debt is hedged, however, depending on the asset-liability match and the currency of the generated cash flow.

Currency derivatives hedge future revenue, operating costs and investments/divestments, and are recognised when the hedged exposure occurs in the income statement or the cost of property, plant and equipment, respectively.

There is not any proxy hedging for the currency risk hedging, and therefore the economic relationship between the hedged exposure and the hedge is high. Effectiveness is measured with critical terms match approach according to IFRS 9.

Hedges of future revenue and operating costs matures within a year. There are no hedges of investments at the end of 2020 (2019: Mature within a year).

For hedges related to operating cash flows and investments, a gain of USD 95m in 2020 (gain of USD 48m) is recognised in other comprehensive income, and the cash flow hedge reserve amounts to a gain of USD 109m at 31 December (gain of USD 14m). For hedges where the cost of hedging is applied, the forward points are recognised in other comprehensive income and transferred with the effective hedge when the hedged transaction occurs. The cost of hedging reserve amounts to USD 0m (USD 0m). Ineffectiveness related to hedge of acquisition amounts to a gain of USD 3m (USD 0m).

Table 16.4

Besides the designated cash flow hedges in table 16.3, the Group enters into derivatives to hedge currency exposures that do not qualify for hedge accounting. These derivatives are classified as fair value through profit or loss.

Table 16.5

The Group's sensitivity to an increase in the USD exchange rate of 10% against all other significant currencies to which the Group is exposed is estimated to have the following impact in table 16.5.

The sensitivities are based only on the impact of financial instruments that are outstanding at the balance sheet date and are thus not an expression of the Group's total currency risk.

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Note 16 Financial instruments and risks – continued

Table 16.6[1]

Interest rate hedging of borrowings	Fair value, asset	Fair value, liability	Nominal amount of derivative	Maturity 0-1 year	Maturity 2-4 years	Maturity 5- years	Gain/loss on hedged item	Gain/loss on hedging instrument	Average hedge rate
2020									
Combined fair value hedge, hedge of borrowings									
EUR	45	-	559	-	-	559	-61	44	1.8%
GBP	-	7	95	-	95	-	-8	5	2.5%
JPY	17	-	121	-	121	-	-3	-2	1.8%
NOK	-	11	256	-	-	256	-5	-2	2.5%
Fair value hedge, hedge of borrowings									
USD	80	-	900	-	500	400	-79	80	3.1%
Cash flow hedge, hedge of borrowings									
EUR	-	35	461	-	-	461	-	-34	4.2%
GBP	-	49	313	-	313	-	-	-11	4.6%
NOK	-	4	81	51	30	-	-	-1	2.4%
USD	155	227	1,905	700	680	525	-	-68	2.1%
Total	**297**	**333**	**4,691**	**751**	**1,739**	**2,201**	**-156**	**11**	
2019									
Combined fair value hedge, hedge of borrowings									
EUR	17	35	733	-	224	509	-47	23	3.5%
GBP	-	14	92	-	-	92	-5	2	4.2%
JPY	10	11	206	92	-	114	-3	-3	3.6%
NOK	-	34	250	-	-	250	10	-18	4.2%
Fair value hedge, hedge of borrowings									
USD	14	-	900	-	-	900	-9	14	4.0%
Cash flow hedge, hedge of borrowings									
EUR	23	60	867	-	447	420	-	-17	3.9%
GBP	-	52	302	-	-	302	-	-1	4.6%
NOK	-	27	341	-	341	-	-	-4	3.5%
USD	82	98	1,182	-	730	452	-	-12	2.4%
Total	**146**	**331**	**4,873**	**92**	**1,742**	**3,039**	**-54**	**-16**	

Table 16.6

Interest rate risk

The Group has most of its debt denominated in USD, but part of the debt (e.g. issued bonds) is in other currencies such as EUR, NOK, GBP and JPY. The Group strives to maintain a combination of fixed and floating interest rates on its net debt, reflecting expectations and risks.

The hedging of the interest rate risk is governed by a duration range and is primarily obtained using interest rate swaps. The duration of the Group's debt portfolio is 2.1 years (2.2 years) excluding IFRS 16 leases.

A general increase in interest rates by one percentage point is estimated, all else being equal, to affect profit before tax and equity, excluding tax effect, positively by approx. USD 39m and positively by approx. USD 30m, respectively, (positively by approx. USD 11m and negatively by approx. USD 14m, respectively).

This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The hedging of the interest rate risk is done by cross-currency swaps and interest rate swaps. The hedging is a mix of fair value hedging, combined fair value hedging, and cash flow hedging.

Due to buy-back of issued bonds in 2020, ineffectiveness from cash flow hedges is recognised in the income statement with a loss of USD 12m (loss of USD 4m).

The hedges are expected to be highly effective due to the nature of the economic relationship between the exposure and the hedge. The source of ineffectiveness is the credit risk of the hedging instruments. For hedges where the cost of hedging is applied, the change in basis spread is recognised in other comprehensive income and is a time effect during the lifetime of the swap and at maturity amounts to 0. If the hedged transaction is prepaid, the change in basis spread will be recognised in profit or loss as ineffectiveness. The cost of hedging reserve amounts to a gain of USD 6m (gain of USD 6m).

1 Currency element of the cross-currency swaps is not designated into the hedge relationship and is recognised in financial items.

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Note 16 Financial instruments and risks – continued

Table 16.7

Borrowings by interest rate levels inclusive of interest rate swaps	Carrying amount	Next interest rate fixing 0-1 year	2-4 years	5- years
2020				
0-3%	4,560	4,381	-208	387
3-6%	9,902	884	4,648	4,370
6%-	911	117	250	544
Total	**15,373**	**5,382**	**4,690**	**5,301**
Of which:				
Bearing fixed interest	11,580			
Bearing floating interest	3,793			
2019				
0-3%	1,829	1,342	-	487
3-6%	13,994	5,038	4,673	4,283
6%-	930	106	253	571
Total	**16,753**	**6,486**	**4,926**	**5,341**
Of which:				
Bearing fixed interest	11,584			
Bearing floating interest	5,169			

Table 16.8

Commodity hedges	Fair value	Maturity 0-1 year	2-4 years	5- years
2020				
Commodity swaps	-13	-13	-	-
Commodity futures	-19	-19	-	-
Commodity options	11	-	11	-
Total	**-21**	**-32**	**11**	**-**
2019				
Commodity swaps	-12	-12	-	-
Commodity futures	-13	-13	-	-
Commodity options	-	-	-	-
Total	**-25**	**-25**	**-**	**-**

Table 16.8
Oil price risk
The majority of the Group's trading of commodity products is related to inventory stocks of crude oil and bunker oil, as the products are bought in large quantities and stored for processing and resale. The oil price risk arising from these oil price exposures is mitigated by entering into commodity derivative agreements. The overall risk limit is set in the Group's risk policy, defining a maximum net open position for the Group. The sensitivity of the consolidated net open position is calculated daily on a one day Value-at-Risk (VaR) with a confidence level of 95% and 255 days of historical observations. The Group VaR limit is USD 6m, and position as of 31 December 2020 of USD 3m (USD 3m). Due to the use of portfolio hedging, the Group does not use hedge accounting for these hedges. All gains and losses regarding these hedges are recognised in other income or other cost on a net basis, due to the nature of the hedging model.

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Note 16 Financial instruments and risks – continued

Table 16.9

Maturity analysis of trade receivables	2020	2019
Receivables not due	2,358	2,431
Less than 90 days overdue	1,133	1,020
91 – 365 days overdue	161	150
More than 1 year overdue	152	145
Receivables, gross	3,804	3,746
Provision for bad debt	170	215
Carrying amount	**3,634**	**3,531**

The loss allowance provision for trade receivables as at 31 December 2020 reconciles to the opening loss allowance as follows:

Table 16.10

Change in provision for bad debt	2020	2019
1 January	215	269
Provision made	238	217
Amount used	160	149
Amount reversed	124	121
Transfer, assets held for sale	-	-
Exchange rate adjustment and others	1	-1
31 December	**170**	**215**

Table 16.11

Net interest-bearing debt and liquidity	2020	2019
Borrowings	15,373	16,753
Net interest-bearing debt	9,232	11,662
Liquidity reserve[1]	10,962	10,485

Table 16.9 and table 16.10
Credit risk
Trade receivables
The Group has exposure to financial and commercial counterparties but has no particular concentration of customers or suppliers. To minimise the credit risk, financial vetting is undertaken for all major customers and financial institutions. Adequate security is required for commercial counterparties, and credit limits are set for financial institutions and key commercial counterparties.

The Group applies the simplified approach to providing the expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. In accordance with IFRS 9, not due trade receivables have also been impaired.

Approximately 89% (67%) of the provision for bad debt is related to trade receivables overdue by more than one year.

Other financial assets at amortised cost
Other financial assets at amortised cost comprise loans receivable, finance lease receivables and other receivables. These financial assets are considered to have low credit risk, and thus the impairment provision calculated based on 12 months of expected losses is considered immaterial. The financial assets are considered to be low risk when they have a low risk of default, and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Table 16.11
Liquidity risk
The Group's objective is to maintain a liquidity profile in line with an investment grade credit rating. Capital is managed for the Group. The equity share of total equity and liabilities was 55.0% at the end of 2020 (52.0% end of 2019).

For information about cash and bank balances in countries with exchange control or other restrictions, see text to the consolidated cash flow statement.

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 five years at 31 December 2019).

Further information about capital structure and funding strategy can be found on pages 60-62.

1 Liquidity reserve is defined as undrawn committed revolving facilities with more than one year to expiry, securities, term deposits and cash and bank balances, excluding securities and balances in countries with exchange control or other restrictions.

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Note 16 Financial instruments and risks – continued

Table 16.12	Carrying amount	Cash flows including interest			
Maturities of liabilities and commitments		0-1 year	2-4 years	5- years	Total
2020					
Bank and other credit institutions	2,802	476	1,135	1,502	3,113
Lease liabilities	8,747	1,791	4,832	5,360	11,983
– hereof interest		400	1,140	1,695	3,235
Issued bonds	3,824	461	2,108	1,909	4,478
Trade payables	5,156	5,156	-	-	5,156
Other payables	1,360	1,279	69	12	1,360
Non-derivative financial liabilities	**21,889**	**9,163**	**8,144**	**8,783**	**26,090**
Derivatives	517	228	134	155	517
Total recognised in balance sheet	**22,406**	**9,391**	**8,278**	**8,938**	**26,607**
Capital commitments		508	713	518	1,739
Total		**9,899**	**8,991**	**9,456**	**28,346**
2019					
Bank and other credit institutions	3,357	564	2,074	1,291	3,929
Lease liabilities	8,577	1,725	5,046	5,326	12,097
– hereof interest		444	1,331	1,745	3,520
Issued bonds	4,819	429	2,295	2,901	5,625
Trade payables	5,567	5,567	-	-	5,567
Other payables	1,214	1,170	32	12	1,214
Non-derivative financial liabilities	**23,534**	**9,455**	**9,447**	**9,530**	**28,432**
Derivatives	415	87	98	230	415
Total recognised in balance sheet	**23,949**	**9,542**	**9,545**	**9,760**	**28,847**
Capital commitments		570	531	642	1,743
Total		**10,112**	**10,076**	**10,402**	**30,590**

Table 16.12

It is of great importance for the Group to maintain a financial reserve to cover the Group's obligations and investment opportunities and to provide the capital necessary to offset changes in the Group's liquidity due to changes in the cash flow from operating activities.

The flexibility of the financial reserve is subject to ongoing prioritisation and optimisation, among other things by focusing on the release of capital and following up on the development in working capital.

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Note 17 Financial instruments by category

Table 17.1	Carrying amount		Fair value[3]	
	2020	2019	2020	2019
Carried at amortised cost				
Loan receivables	227	399	227	399
Lease receivables	21	31		
Other interest-bearing receivables and deposits	61	62	61	62
Trade receivables	3,634	3,531		
Other receivables (non-interest-bearing)	1,019	1,078		
Cash and bank balances	5,865	4,768		
Financial assets at amortised cost	**10,827**	**9,869**		
Derivatives	**576**	**204**	**576**	**204**
Carried at fair value through profit/loss				
Other receivables (non-interest-bearing)[1]	3	4	3	4
Bonds	-	1	-	1
Other securities	1	1	1	1
Financial assets at fair value through profit or loss	**4**	**6**	**4**	**6**
Carried at fair value through other comprehensive income				
Equity investments (FVOCI)[2]	107	78	107	78
Financial assets at fair value through OCI	**107**	**78**	**107**	**78**
Total financial assets	**11,514**	**10,157**		
Carried at amortised cost				
Bank and other credit institutions	2,802	3,357	2,835	3,415
Lease liabilities	8,747	8,577		
Issued bonds	3,824	4,819	4,047	5,040
Trade payables	5,156	5,567		
Other payables	1,302	1,213		
Financial liabilities at amortised cost	**21,831**	**23,533**		
Derivatives	**517**	**415**	**517**	**415**
Carried at fair value				
Other payables	58	1	58	1
Financial liabilities at fair value	**58**	**1**	**58**	**1**
Total financial liabilities	**22,406**	**23,949**		

Table 17.1

1 Relates to contingent considerations receivable.
2 Designated at initial recognition in accordance with IFRS 9.
3 Where no fair value is stated, the amount equals carrying amount.

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Note 17 Financial instruments by category – continued

Table 17.2

Movement during the year in level 3	Other equity investments (FVOCI)	Other receivables	Total financial assets	Other payables	Total financial liabilities
Carrying amount 1 January 2019	26	4	30	-	-
Addition	38	-1	37	-	-
Disposal	-	-	-	-	-
Gains/losses recognised in the income statement	-	-	-	1	1
Gains/losses recognised in other comprehensive income	-3	-	-3	-	-
Transfer, assets held for sale	-0	-	-0	-	-
Exchange rate adjustment, etc.	-2		-2	-	-
Carrying amount 31 December 2019	**59**	**3**	**62**	**1**	**1**
Addition	32	-	32	55	55
Disposal	4	-	4	-	-
Gains/losses recognised in the income statement	-	-	-	3	3
Gains/losses recognised in other comprehensive income	2	-	2	-	-
Transfer, assets held for sale	-	-	-	-	-
Exchange rate adjustment, etc.	-	-	-	-1	-1
Carrying amount 31 December 2020	**89**	**3**	**92**	**58**	**58**

Table 17.2

Financial instruments measured at fair value

Financial instruments measured at fair value can be divided into three levels:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities,

Level 2 — Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) and

Level 3 — Inputs for the asset or liability that are not based on observable market data.

Fair value of listed securities is within level 1 of the fair value hierarchy. Non-listed shares and other securities are within level 3 of the fair value hierarchy.

Fair value of derivatives is mainly within level 2 of the fair value hierarchy and is calculated based on observable market data as of the end of the reporting period. A minor amount of crude oil price derivatives is within level 1 of the fair value hierarchy.

Fair value of level 3 assets and liabilities is primarily based on the present value of expected future cash flows.

A reasonably possible change in the discount rate is not estimated to affect the Group's profit or equity significantly.

Financial instruments carried at amortised cost

Fair value of the short-term financial assets and other financial liabilities carried at amortised cost is not materially different from the carrying amount. In general, fair value is determined primarily based on the present value of expected future cash flows. Where a market price was available, however, this was deemed to be the fair value.

Fair value of listed issued bonds is within level 1 of the fair value hierarchy. Fair value of the remaining borrowing items is within level 2 of the fair value hierarchy, and is calculated based on discounted future cash flows.

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Note 18 Commitments – continuing operations

The future charter and operating lease payments are:

Table 18.1 Lease commitments	Ocean	Logistics & Services	Terminals & Towage	Manu-facturing & Others	Total
2020					
Within one year	152	2	19	4	177
Total	**152**	**2**	**19**	**4**	**177**
2019					
Within one year	79	23	24	91	217
Total	**79**	**23**	**24**	**91**	**217**

Table 18.2 Capital commitments	Ocean	Logistics & Services	Terminals & Towage	Manu-facturing & Others	Total
2020					
Capital commitments relating to the acquisition of non-current assets	311	-	162	8	481
Commitments towards concession grantors	294	-	964	-	1,258
Total capital commitments	**605**	**-**	**1,126**	**8**	**1,739**
2019					
Capital commitments relating to the acquisition of non-current assets	345	12	202	2	561
Commitments towards concession grantors	269	-	913	-	1,182
Total capital commitments	**614**	**12**	**1,115**	**2**	**1,743**

Table 18.1
Operating lease commitments
As part of the Group's activities, customary agreements are entered into regarding charter and operating leases of ships, containers, port facilities, etc. From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 8 for further information.

Table 18.2, table 18.3 and table 18.4
The decrease in capital commitments is primarily related to contractual payments during 2020.

USD 1.7bn relates to investments mainly within the Ocean and Terminals & Towage segments. Commitments related to the newbuilding programme for tugs is USD 18m.

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Note 18 Commitments – continuing operations – continued

Table 18.3

Newbuilding programme at 31 December 2020	2021	Total
Tugboats	6	6
Total	**6**	**6**

Table 18.4

Capital commitments relating to the newbuilding programme at 31 December 2020	2021	Total
Tugboats	18	18
Total	**18**	**18**

Note 19 Contingent liabilities

Except for customary agreements within the Group's activities, no material agreements have been entered into that will take effect, change or expire upon changes of the control over the company.

Custom bonds of USD 503m (USD 484m) have been provided to various port authorities in India.

Maersk Line and APM Terminals have entered into certain agreements with terminals and port authorities, etc., containing volume commitments including an extra payment in case minimum volumes are not met.

The Group is involved in a number of legal cases, tax and other disputes. Some of these involve significant amounts and are subject to considerable uncertainty. Management continuously assess the risks associated with the cases and disputes, and their likely outcome. It is the opinion of Management that, apart from items recognised in the financial statements, the outcome of these cases and disputes are not probable or cannot be reliably estimated in the term of amount or timing. The Group does not expect these to have a material impact on the Consolidated financial statements.

Tax may crystallise on repatriation of dividends. Through participation in a joint taxation scheme with A.P. Møller Holding A/S, the Danish companies are jointly and severally liable for taxes payable, etc., in Denmark.

As part of the divestment of Mærsk Olie & Gas A/S (MOGAS) to Total S.A. in 2018, A.P. Møller - Mærsk A/S has assumed a secondary liability related to the decommissioning of the offshore facilities in Denmark by issuance of a declaration. A.P. Møller - Mærsk A/S assesses the risk of economic outflows because of this secondary liability as very remote.

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Note 20 Cash flow specifications

Table 20.1	2020	2019
Change in working capital		
Trade receivables	-115	195
Other working capital movements	-88	291
Exchange rate adjustment of working capital	-36	-10
Total	**-239**	**476**
Purchase of intangible assets and property, plant and equipment		
Addition	-2,929	-9,757
Of which right-of-use assets, etc.	1,575	7,989
Of which borrowing costs capitalised on assets	7	23
Change in payables to suppliers regarding purchase of assets	25	-290
Total	**-1,322**	**-2,035**

Note 21 Acquisition/sale of subsidiaries and activities

Table 21.1

Cash flow from acquisition	Performance Team	KGH	Pipavav	Total 2020
Fair value at time of acquisition				
Intangible assets	192	161	240	593
Property, plant and equipment	326	9	260	595
Financial assets	2	1	48	51
Deferred tax assets	-	3	-	3
Current assets	49	50	120	219
Provisions	-2	-9	-3	-14
Liabilities	-345	-155	-125	-625
Net assets acquired	**222**	**60**	**540**	**822**
Non-controlling interests	-	-	-308	-308
A.P. Møller - Mærsk A/S' share	**222**	**60**	**232**	**514**
Goodwill	95	172	-	267
Gain on business acquisition	-	-	-46	-46
Purchase price	**317**	**232**	**186**	**735**
Contingent consideration assumed	-10	-44	-	-54
Derecognition of associate company	-	-	-182	-182
Cash and bank balances assumed	2	-16	-92	-106
Cash flow used for acquisition of subsidiaries and activities	**309**	**172**	**-88**	**393**

Table 21.1
Acquisitions during the year 2020
Performance Team LLC
On 1 April 2020, the Group acquired 100% of the shares in Performance Team LLC, a US-based warehousing and distribution company, to further strengthen its capabilities as an integrated container logistics company, offering end-to-end supply chain solutions to its customers.

Taking control of Performance Team LLC has positioned A.P. Moller - Maersk among North America's leading warehouse and distribution providers with 56 warehouses for customers and accelerates the company's regional logistics and services model.

The total enterprise value of USD 622m consisted of a total purchase price of USD 317m on a cash and debt-free basis and acquired lease liabilities of around USD 305m. The purchase price mainly relates to fixed assets and customer list. The lease liabilities have been adjusted in accordance with IFRS 16 from the last communication.

The goodwill of USD 95m is attributable to workforce and commercial/operational synergies between Performance Team and A.P. Moller - Maersk and is deductible for tax purposes.

From the acquisition date to 31 December 2020, Performance Team LLC contributed with a revenue of USD 398m and a minor contribution to net profit.

If the acquisition had occurred on 1 January 2020, the impact on the Group's revenue would have been USD 512m. The net profit contributed to the Group would have been minor.

The accounting for the business combination is considered provisional at 31 December 2020 due to certain contingencies, indemnities etc.

Note 21 Acquisition/sale of subsidiaries and activities – continued

Gujarat Pipavav Port Ltd
The Group had a stake of 43.01% in Gujarat Pipavav Port Ltd (GPPL) and treated the entity as an associated company. On 9 June 2020, the Group obtained the majority of seats on the Board of Directors of GPPL, thereby obtaining control of the entity.

The acquisition consists of net assets of USD 540m at fair value of which USD 240m is terminal rights and non-controlling interest of USD 308m, offset by the derecognition of associate company of USD 182m. A gain of USD 45m was recognised for disposing GPPL as an associate, and the cumulative translation reserve loss of USD 61m related to the associate was also recycled to profit/loss. Liquid funds acquired amounted to USD 92m. On the date of acquisition, the fair value of the net assets acquired exceeded the listed share price, therefore, the transaction has been reported as the bargain purchase. The gain from bargain purchase has been reported at USD 46m.

From the acquisition date to 31 December 2020, Pipavav terminal contributed positively to the results with a revenue of USD 59m. If the acquisition had occurred on 1 January 2020, the impact on the Group's revenue would have been USD 95m.

The accounting for the business combination is considered provisional at 31 December 2020.

Dovana Holdings AB (KGH Customs Service Group)
On 1 September 2020, the Group acquired 100% of the shares in Dovana Holding AB, KGH Customs Services, a leading Sweden-based specialist in trade and customs services management in Europe, further enhancing its capabilities as an integrated container logistics company, offering end-to-end supply chain solutions to its global customers.

The total enterprise value of USD 294m consisted of a total purchase price of USD 288m on a cash and debt-free basis and acquired lease liabilities of around USD 6m.

Out of the purchase price of USD 288m, debt of USD 100m has been deducted, and discounted maximum earn-out of USD 45m has been added to arrive at the USD 233m in aggregate purchase consideration as reported.

The goodwill of USD 172m is mainly attributable to the synergies between KGH Customs Services and A.P. Moller - Maersk.

From the acquisition date to 31 December 2020, KGH Customs Services contributed positively to the results. If the acquisition had occurred on 1 January 2020, the impact on the Group's revenue would have been USD 91m.

The accounting for the business combination is considered provisional at 31 December 2020 due to certain contingencies, indemnities, etc.

In addition to the above acquisitions, there has been a small acquisition in Terminals & Towage and therefore the total of all acquisitions sums up to USD 425m.

For the year 2020, total acquisition cost for the acquisitions recognised in the income statement amounted to USD 8m.

Acquisitions during 2019
No acquisitions of subsidiaries or activities, to an extent of significance to the Group, were completed in 2019.

Sales during 2020
No material external sales were performed during 2020.

Sales during 2019
No material external sales were performed during 2019.

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Note 22 Related parties

Table 22.1	Controlling parties		Associated companies		Joint ventures		Management[1]	
	2020	2019	2020	2019	2020	2019	2020	2019
Income statement								
Revenue	36	41	29	35	91	114	-	-
Operating costs	38	19	525	524	583	550	7[2]	8[2]
Remuneration to management	-	-	-	-	-	-	21	27
Financial income	59	10	-	-	-	-	-	-
Other	-	-	-	-	1	1	-	-
Assets								
Other receivables, non-current	25	27	-	-	151	124	-	-
Trade receivables	4	16	26	21	14	15	-	-
Other receivables, current	55	19	44	39	27	40	-	-
Cash and bank balances	555	736	-	-	-	-	-	-
Liabilities								
Bank and other credit institutions, etc., current	-	-	-	-	23	30	-	-
Trade payables	0	1	66	71	86	75	0	1
Other	48	45	-	-	19	-	-	-
Purchase of property, plant and equipment, etc.								
Sale of companies, property, plant and equipment, etc.								
Capital increase	-	-	9	-	64	13	-	-
Dividends	-	-	86	92	93	156	-	-

Table 22.1

Joint usage agreement with A.P. Møller Holding A/S

With the objective of further strengthening the value of the brands, A.P. Møller - Mærsk A/S entered into a joint usage agreement with A.P. Møller Holding A/S in 2018 regarding the use of commonly used trademarks which historically have benefited both A.P. Møller - Mærsk A/S and A.P. Møller Holding A/S. A.P. Møller Holding A/S is the controlling shareholder of A.P. Møller - Mærsk A/S, and is wholly owned by A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal. The joint usage agreement establishes a framework and a branding strategy for the commonly used trademarks and a joint brand board, where the parties can cooperate regarding the use of these trademarks.

A.P. Møller Holding A/S, Copenhagen, Denmark, has control over the company and prepares consolidated financial statements. A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal is the ultimate owner.

Share buy-back programme

According to separate agreement, A.P. Møller Holding A/S participates on a pro rata basis to the shares purchased in the company's share buy-back programme. A.P. Møller Holding A/S, Copenhagen, Denmark, has control over the company and prepares consolidated financial statements. A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal is the ultimate owner.

Dividends distributed are not included.

1 The Board of Directors and the Executive Board in A.P. Møller - Mærsk A/S, A.P. Møller Holding A/S, A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal and their close relatives (including undertakings under their significant influence). Trade receivables and payables include customary business-related accounts regarding shipping activities.

2 Includes commission and commercial receivables to Maersk Broker K/S from chartering as well as the purchase and sale of ships.

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Note 23 Significant accounting policies

Basis of preparation
The consolidated financial statements for 2020 for A.P. Moller - Maersk have been prepared on a going concern basis and in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for listed companies. The consolidated financial statements are also in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements of A.P. Moller - Maersk are included in the consolidated financial statements of A.P. Møller Holding A/S.

The accounting policies are consistent with those applied in the consolidated financial statements for 2019, except for the changes to the accounting standards that were effective from 1 January 2020 and were endorsed by the EU.

iXBRL reporting
From 2020, A.P. Møller - Mærsk A/S is required to file the annual report in the new European Single Electronic Format (ESEF) and the annual report in 2020 is therefore prepared in the XHTML format that can be displayed in a standard browser. The primary statements in the consolidated financial statements are tagged using inline eXtensible Business Reporting Language (iXBRL). The iXBRL tags comply with the ESEF taxonomy, which is included in the ESEF Regulation and developed based on the IFRS taxonomy published by the IFRS Foundation. Where a financial statement line item is not defined in the ESEF taxonomy, an extension to the taxonomy has been created. Extensions are anchored to elements in the ESEF taxonomy, except for extensions which are subtotals.

The annual report submitted to the Danish Financial Supervisory Authority consists of the XHTML document together with certain technical files, all included in a file named APMM-2020-12-31.zip.

Change to reportable segments
As part of the refinement of A.P. Moller - Maersk's segment structure to further align with internal management structure and demarcation between the reportable segment activities, a number of changes have been made. The main changes involve moving the Maersk Oil Trading activity to the Ocean segment from Manufacturing & Others, and the intermodal activity in Hamburg Süd to Logistics & Services from Ocean.

Comparison figures for note 1 have been restated as if the changes had been implemented in 2019. The reportable segments are disclosed below.

A number of changes to accounting standards are effective from 1 January 2020 and endorsed by the EU:
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 3: Business Combinations.

A.P. Moller - Maersk follows the guidelines in the above amendments, and the implementation did not change the accounting policies.

Consolidation
The consolidated financial statements comprise the parent company A.P. Møller - Mærsk A/S, its subsidiaries and proportionate shares in joint arrangements classified as joint operations.

Subsidiaries are entities controlled by A.P. Møller - Mærsk A/S. Control is based on the power to direct the relevant activities of an entity and the exposure, or right, to variable returns arising from it. In that connection, relevant activities are those that significantly affect the investee's returns. Control is usually achieved by directly or indirectly owning or in other ways controlling more than 50% of the voting rights or by other rights, such as agreements on management control.

Joint arrangements are entities in which A.P. Moller - Maersk, according to contractual agreements with one or more other parties, has joint control. The arrangements are classified as joint ventures, if the contracting parties' rights are limited to net assets in the separate legal entities, and as joint operations, if the parties have direct and unlimited rights to the assets and obligations for the liabilities of the arrangement.

Entities in which A.P. Moller - Maersk exercises a significant but non-controlling influence are considered associated companies. A significant influence is usually achieved by directly or indirectly owning or controlling 20-50% of the voting rights. Agreements and other circumstances are considered when assessing the degree of influence.

Consolidation is performed by summarising the financial statements of the parent company and its subsidiaries, including the proportionate share of joint operations, part-owned vessels and pool arrangements, which have been prepared in accordance with A.P. Moller - Maersk's accounting policies. Intra-group income and expenses, shareholdings, dividends, intra-group balances and gains on intra-group transactions are eliminated. Unrealised gains on transactions with associated companies and joint arrangements are eliminated in proportion to A.P. Moller - Maersk's ownership share. Unrealised losses are eliminated in the same way, unless they indicate impairment.

Non-controlling interests' share of profit/loss for the year and of equity in subsidiaries is included as part of A.P. Moller - Maersk's profit and equity respectively, but shown as separate items.

Foreign currency translation
The consolidated financial statements are presented in USD, the functional currency of the parent company. In the translation to the presentation currency for subsidiaries, associates or joint arrangements with functional currencies other than USD, the total comprehensive income is translated into USD at average exchange rates, and the balance sheet is translated at the exchange rates as at the balance sheet date. Exchange rate differences arising from such translations are recognised directly in other comprehensive income and in a separate reserve of equity.

The functional currency varies from business area to business area. For A.P. Moller - Maersk's principal shipping activities, the functional currency is typically USD. This means, among other things, that the carrying amounts of property, plant and equipment and intangible assets and, hence, depreciation and amortisation, are maintained in USD from the date of acquisition. For other activities, including container terminal activities and land-based container activities, the functional currency is generally the local currency of the country in which such activities are performed, unless circumstances suggest a different currency is appropriate.

Transactions in currencies other than the functional currency are translated at the exchange rate prevailing at the date of the transaction. Monetary items in foreign currencies not settled at the balance sheet date are translated at the exchange rate as at the balance sheet date. Foreign exchange gains and losses are included in the income statement as financial income or expenses.

Segment information
The allocation of business activities into segments reflects A.P. Moller - Maersk's character as an integrated container logistics business and is in line with the internal management reporting. The reportable segments are as follows:

Ocean	Global container shipping activities including strategic transhipment hubs and sale of bunker oil
Logistics & Services	Freight forwarding, supply chain management, inland haulage and other logistics services
Terminals & Towage	Gateway terminal activities, towage and related marine activities
Manufacturing & Others	Production of reefer and dry containers, providing off-shore supply service and trading and other businesses

Operating segments have not been aggregated.

The reportable segments comprise:

Ocean
Ocean activities
Activities under Maersk Line, Safmarine, Sealand – A Maersk company, and Hamburg Süd brands with Ocean container freight being the main revenue stream. Ocean container freight is defined as the cost-per-weight measure of transporting goods on board a container vessel across the ocean, including demurrage and detention, terminal handling, documentation services, container services as well as container storage.

Note 23 Significant accounting policies – continued

Hub activities
Activities under the APM Terminals brand generating revenue by providing port services only in major transshipment ports such as Rotterdam, Maasvlakte-II, Algeciras, Tangier, Tangier-Med II, Port Said, and joint ventures in Salalah, Tanjung Pelepas and Bremerhaven. The respective terminals are included under the Ocean segment, as the primary purpose of those ports is to provide transhipment services to A.P. Moller - Maersk's Ocean business, whereas third-party volumes sold in those locations are considered secondary.

Maersk Oil Trading
Sourcing marine fuels and lubricants for A.P. Moller - Maersk's fleet in addition to refinery activities and sales to external parties, including Maersk Tankers.

Logistics & Services
Supply chain management
Activities within supply chain management and 4PL services.

Intermodal
Operating activities with the main stream of revenue deriving from the transportation of containers from vendors (shippers) to the port of shipment, and from discharge port to the point of stripping (consignee) by truck and/or rail.

Inland services
Operating activities in inland activities facilities fully or partially controlled by APM Terminals, with the main revenue stream being inland services such as full container storage, bonded warehousing, empty depot, local transportation, etc.

Freight forwarding
Operating activities within sea and air freight forwarding services.

Other services
Operating activities within warehousing and distribution, trade finance with export finance solutions, post-shipment and import finance solutions, and Star Air, operating cargo aircrafts on behalf of UPS.

Terminals & Towage
Terminals activities
Activities in ports fully or partially controlled by the APM Terminals brand, with the main revenue stream being port activities not considered a hub activity as described above.

Towage activities
Activities under the Svitzer brand, a provider of offshore towage and salvage services.

Manufacturing & Others
Maersk Container Industry
Manufacturer that produces dry containers and reefer containers.

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

Hamburg Süd tramp activity
Bulk and tanker activity acquired as part of the Hamburg Süd acquisition.

Other businesses
Consists of Maersk Training, a provider of training services to the maritime, oil and gas, offshore wind and crane industries.

The reportable segments do not comprise costs in A.P. Moller - Maersk's corporate functions. These functions are reported as unallocated items.

Revenue between segments is limited, except for the Terminals & Towage segment, where a large part of the services is delivered to the Ocean segment as well as the sale of containers from Maersk Container Industry to the Ocean segment. Sales of products and services between segments are based on market terms.

Income statement
Revenue for all businesses is recognised when the performance obligation has been satisfied, which happens upon the transfer of control to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the goods and services.

Revenue from shipping activities is recognised over time as the performance obligation is satisfied, including a share of revenue from incomplete voyages at the balance sheet date. Invoiced revenue related to an estimated proportion of remaining voyage time and activities at the destination port is deferred. Number of days of a voyage, as a percentage of the total number of days a voyage is estimated to last, is considered as a close approximation of percentage of completion. Detention and demurrage fees are recognised over time up until the time of the customer's late return or pick-up of containers. Retrospective volume rebates provided to certain customers which give rise to variable consideration are based on the expected value method and allocated to Ocean freight revenue.

Revenue from terminal operations and towing activities is recognised upon completion of the service. In container terminals operated under certain restrictive terms of pricing and service, etc., the value of tangible assets constructed on behalf of the concession grantor is recognised as revenue during the construction.

Revenue from most freight forwarding activities is recognised over time.

Revenue from the sale of goods is recognised upon the transfer of control to the buyer.

Share of profit/loss in associated companies and joint ventures is recognised net of tax and corrected for the share of unrealised intra-group gains and losses. The item also comprises any impairment losses for such investments and their reversal.

Tax comprises an estimate of current and deferred income tax as well as adjustments to previous years of those. Income tax is tax on taxable profits, and consists of corporation tax, withholding tax of dividends, etc. In addition, tax comprises tonnage tax. Tonnage tax is classified as tax when creditable in, or paid in lieu of, income tax. Tax is recognised in the income statement to the extent that it arises from items recognised in the income statement, including tax on gains on intra-group transactions that have been eliminated in the consolidation.

Earnings per share are calculated as the A.P. Møller - Mærsk A/S' share of the profit/loss for the year divided by the number of shares (of DKK 1,000 each), excluding A.P. Moller - Maersk's holding of own shares. Diluted earnings per share are adjusted for the dilution effect of share-based compensation issued by the parent company.

Statement of comprehensive income
Other comprehensive income consists of gains and losses not recognised in the income statement, including exchange rate adjustments arising from the translation from functional currency to presentation currency, fair value adjustments of other equity investments (at FVOCI), cash flow hedges, forward points and currency basis spread as well as actuarial gains/losses on defined benefit plans, etc. A.P. Moller - Maersk's share of other comprehensive income in associated companies and joint ventures is also included.

On disposal or discontinuation of an entity, A.P. Moller - Maersk's share of the accumulated exchange rate adjustment relating to the relevant entity with a non-USD functional currency is reclassified to the income statement. Accumulated value adjustments of equity instruments classified as equity instruments at fair value through other comprehensive income will remain in equity upon disposal.

Other comprehensive income includes current and deferred income tax to the extent that the items recognised in other comprehensive income are taxable or deductible.

Balance sheet
Intangible assets are measured at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets. Intangible assets regarding acquired customer relationships and brand names are amortised over a useful life of 15 and 20 years, respectively. IT software is amortised over a useful life of 3-5 years.

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Note 23 Significant accounting policies – continued

For container terminals operated under certain restrictive price and service conditions, etc., concessional rights to collect usage charges are included under intangible assets. The cost includes the present value of minimum payments under concession agreements and the cost of property, plant and equipment constructed on behalf of a grantor of a concession. The rights are amortised from the commencement of operations over the concession period.

Property, plant and equipment are valued at cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight-line basis over the useful lives at an estimated residual value. The useful lives of new assets are typically as follows:

Ships, etc.	20-25 years
Containers, etc.	12 years
Buildings	10-50 years
Terminal infrastructure	10-20 years or concession period, if shorter
Plant and machinery, cranes and other terminal equipment	5-20 years
Other operating equipment, fixtures, etc.	3-7 years

Estimated useful lives and residual values are reassessed on a regular basis.

The cost of an asset is divided into separate components, which are depreciated separately if the useful lives of the individual components differ. Dry-docking costs are recognised in the carrying amount of ships when incurred and depreciated over the period until the next dry-docking.

The cost of assets constructed by A.P. Moller - Maersk includes directly attributable expenses. For assets with a long construction period, borrowing costs during the construction period from specific as well as general borrowings are attributed to cost. In addition, the cost includes the net present value of estimated costs of removal and restoration.

Right-of-use assets: The Group mainly leases vessels, containers, concessions arrangements and real estate property. Lease contracts for vessels and containers are typically made for fixed periods of about five years but may have extension options as described below. Concession arrangements and real estate contracts are negotiated on an individual basis and contain a wide range of terms and conditions.

Leases are recognised as a right-of-use asset with a corresponding leases liability at the date on which the leased asset is available for use by the Group. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Intercompany leases will continue to be presented according to IFRS 8 – Segment Reporting, as operating leases in accordance with the old lease standard, IAS 17.

Impairment losses are recognised when the carrying amount of an asset or a cash-generating unit exceeds the higher of the estimated value in use and fair value less costs of disposal. Goodwill is attributed to cash-generating units on acquisition and impaired before other assets.

Intangible assets and property, plant and equipment are tested for impairment if there is an indication of impairment. However, annual impairment tests are carried out for goodwill and other intangible assets with indefinite useful lives as well as intangible assets that are not yet in use.

Assets are *held for sale*, when the carrying amount of an individual non-current asset, or disposal groups, will be recovered principally through a sale transaction rather than through continuing use. Assets are classified as held for sale when activities to carry out a sale have been initiated, when the activities are available for immediate sale in their present condition, and when the activities are expected to be disposed of within 12 months. Liabilities directly associated with assets held for sale are presented separately from other liabilities.

Assets held for sale are measured at the lower of carrying amount immediately before classification as held for sale and fair value less costs to sell, and impairment tests are performed immediately before classification as held for sale. Non-current assets are not depreciated or amortised while classified as held for sale. Measurement of deferred tax and financial assets and liabilities is unchanged.

Investments in associated companies and joint ventures are recognised as A.P. Moller - Maersk's share of the equity value inclusive of goodwill less any impairment losses. Goodwill is an integral part of the value of associated companies and joint ventures and is therefore subject to an impairment test together with the investment as a whole. Impairment losses are reversed to the extent the original value is considered recoverable.

Equity instruments, etc., including shares, bonds and similar securities, are recognised on the trading date at fair value, and subsequently measured at the quoted market price for listed securities and at estimated fair value for non-listed securities. Fair value adjustments from equity investments at fair value through other comprehensive income (FVOCI) remain in equity upon disposal. Dividends are recognised in the income statement.

Inventories mainly consist of bunker, containers (manufacturing), spare parts not qualifying for property, plant and equipment, and other consumables. Inventories are measured at cost, primarily according to the FIFO method. The cost of finished goods and work in progress includes direct and indirect production costs.

Loans and receivables are initially recognised at fair value, plus any direct transaction costs, and subsequently measured at amortised cost using the effective interest method. For loans and other receivables, write-down is made for anticipated losses based on specific individual or group assessments. For trade receivables, the loss allowance is measured in accordance with IFRS 9 applying a provision matrix to calculate the minimum impairment. The provision matrix includes an impairment for non-due receivables.

Equity includes total comprehensive income for the year comprising the profit/loss for the year and other comprehensive income. Proceeds on the purchase and sale of own shares and dividend from such shares are recognised in equity.

The translation reserve comprises A.P. Moller - Maersk's share of accumulated exchange rate differences arising on translation from functional currency into presentation currency. The reserve for other equity investments comprises accumulated changes in the fair value of equity investments (at FVOCI), net of tax. Reserve for hedges includes the accumulated fair value of derivatives qualifying for cash flow hedge accounting, net of tax, as well as forward points and currency basis spread.

Equity-settled restricted shares and share options allocated to the executive employees of A.P. Moller - Maersk as part of A.P. Moller - Maersk's long-term incentive programme are recognised as staff costs over the vesting period at estimated fair value at the grant date and a corresponding adjustment in equity. Cash-settled performance awards allocated to employees below executive levels as part of A.P. Moller - Maersk's long-term incentive programme are recognised as staff costs over the vesting period and a corresponding adjustment in other payables.

At the end of each reporting period, A.P. Moller - Maersk revises its estimates of the number of awards that are expected to vest based on the non-market vesting conditions and service conditions. Any impact of the revision is recognised in the income statement with a corresponding adjustment to equity and other payables.

Provisions are recognised when A.P. Moller - Maersk has a present legal or constructive obligation from past events. The item includes, among other things, legal disputes, provisions for onerous contracts, unfavourable contracts acquired as part of a business combination, as well as provisions for incurred, but not yet reported, incidents under certain insurance programmes, primarily in the US. Provisions are recognised based on best estimates, and are discounted where the time element is significant and where the time of settlement is reasonably determinable.

Pension obligations are the net liabilities of defined benefit obligations and the dedicated assets adjusted for

Note 23 Significant accounting policies – continued

the effect of minimum funding and asset ceiling requirements. Plans with a funding surplus are presented as net assets on the balance sheet. The defined benefit obligations are measured at the present value of expected future payments to be made in respect of services provided by employees up to the balance sheet date. Plan assets are measured at fair value. The pension cost charged to the income statement consists of calculated amounts for vested benefits and interest in addition to settlement of gains or losses, etc. Interest on plan assets is calculated with the same rates as used for discounting the obligations. Actuarial gains/losses are recognised in other comprehensive income.

Pension plans where A.P. Moller - Maersk, as part of collective bargaining agreements, participates together with other enterprises – so called multi-employer plans – are treated as other pension plans in the financial statements. Defined benefit multi-employer plans, where sufficient information to apply defined benefit accounting is not available, are treated as defined contribution plans.

Deferred tax is calculated on temporary differences between the carrying amounts and tax bases of assets and liabilities. Deferred tax is not recognised for differences on the initial recognition of assets or liabilities, where at the time of the transaction neither accounting nor taxable profit/loss is affected, unless the differences arise in a business combination. In addition, no deferred tax is recognised for undistributed earnings in subsidiaries, when A.P. Moller - Maersk controls the timing of dividends, and no taxable dividends are currently expected. A deferred tax asset is recognised to the extent that it is probable that it can be utilised within a foreseeable future.

Financial liabilities are initially recognised at fair value less transaction costs. Subsequently, the financial liabilities are measured at amortised cost using the effective interest method, whereby transaction costs and any premium or discount are recognised as financial expenses over the term of the liabilities. Fixed interest loans subject to fair value hedge accounting are measured at amortised cost with an adjustment for the fair value of the hedged interest component. Liabilities in respect of leases are measured at the interest rate implicit in the lease, if practicable to determine, or else at A.P. Moller - Maersk's incremental borrowing rate.

Lease liabilities are initially measured at the present value of the lease payments over the lease term, discounted using the incremental borrowing rate.

The following lease payments are included in the net present value:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit/loss.

Extension and termination options in lease contracts are included in contracts, where A.P. Moller - Maersk will probably exercise the options. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended or not terminated. Most of the extension and termination options held are exercisable only by A.P. Moller - Maersk and not by the respective lessor. This assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment, and which is within the control of the lessee. Where A.P. Moller - Maersk will probably exercise specific purchase options, those options are included in the measurement of the lease liability with corresponding right-of-use asset depreciated over the asset's useful life rather than lease term.

Lease payments are discounted at the implicit interest rate, to the extent this can be determined, otherwise discounted using incremental borrowing rates (IBRs). A.P. Moller - Maersk's IBR reflects the Group's credit risk, leased amount and contract duration, as well as the nature and quality of the asset's security and economic environment in which the leased assets operate. To determine the IBR, where possible, A.P. Moller - Maersk uses recent third-party financing received by the individual lessee as a starting point, with adjustments to reflect changes in financing conditions since that financing was received. Where such financing is not available, A.P. Moller - Maersk uses a build-up approach that starts with a risk-free interest rate adjusted by credit risk and specific risks faced by the lessee such as asset type, geographical risks, etc.

Subsequently, the lease liability is measured at amortised cost with each lease payment allocated between the repayment of the liability and financing cost. The finance cost is charged to the income statement over the lease period using the IBR that was used to discount the lease payments.

Derivative financial instruments

Derivative financial instruments are recognised on the trading date and measured at fair value using generally acknowledged valuation techniques based on relevant observable swap curves and exchange rates.

The effective portion of changes in the value of derivative financial instruments designated to hedge highly probable future transactions is recognised in other comprehensive income until the hedged transactions are realised. At that time, the accumulated gains/losses are transferred to the items under which the hedged transactions are recognised. The effective portion of changes in the value of derivative financial instruments used to hedge the value of recognised financial assets and liabilities is recognised in the income statement together with changes in the fair value of the hedged assets or liabilities that can be attributed to the hedging relationship. Currency basis spread and forward points are considered a cost of hedging and deferred in equity.

The ineffective portion of hedge transactions and changes in the fair values of derivative financial instruments, which do not qualify for hedge accounting, are recognised in the income statement as financial income or expenses for interest and currency-based instruments, and as other income/costs for oil price hedges and forward freight agreements.

Cash flow statement

Cash flow from operating activities includes all cash transactions other than cash flows arising from investments and divestments, received dividends, principal payments of loans, instalments on lease liabilities, paid and received financial items and equity transactions. Capitalisation of borrowing costs is considered as a non-cash item, and the actual payments of these borrowing costs are included in cash flow from financing.

Cash and cash equivalents comprise cash and bank balances net of bank overdrafts where overdraft facilities form an integral part of A.P. Moller - Maersk's cash management.

Business combinations and disposal of subsidiaries

Upon acquisition of new entities, the acquired assets, liabilities and contingent liabilities are measured at fair value at the date when control was achieved using the acquisition method. Identifiable intangible assets are recognised if they arise from a contractual right or can otherwise be separately identified. The difference between the fair value of the acquisition cost and the fair value of acquired identifiable net assets is recognised as goodwill. Contingent consideration is measured at fair value and any subsequent changes to contingent consideration are recognised as other income or other costs in the income statement. Transaction costs are recognised as operating costs as they are incurred.

When A.P. Moller - Maersk ceases to have control of a subsidiary, the value of any retained investment is re-measured at fair value, and the value adjustment is recognised in the income statement as a gain/loss on the sale of non-current assets. The difference between sales proceeds and the carrying amount of the subsidiary is recognised in the income statement including fair value of

Note 23 Significant accounting policies – continued

contingent consideration at the time of sale. Contingent consideration is re-measured at fair value with changes recognised in the income statement.

The effect of the purchase and sale of non-controlling interests without changes in control is included directly in equity.

Discontinued operations and assets held for sale
Discontinued operations represent a separate major line of businesses disposed of or in preparation for sale. The results of discontinued operations are presented separately in the income statement, and the cash flows from discontinued operations are presented separately in the cash flow statement with restatement of comparative figures.

Assets and liabilities held for sale from discontinued operations are presented as separate items in the balance sheet with no restatement of comparative figures. Elimination between continuing and discontinued operations is presented to reflect continuing operations as post-separation, which entails the elimination of interest, borrowing, dividends and capital increases.

Assets and liabilities from discontinued operations and assets held for sale, except financial assets, etc., are measured at the lower of carrying amount immediately before classification as held for sale and fair value less cost to sell, and impairment tests are performed immediately before classification as held for sale. Non-current assets held for sale are not depreciated.

New financial reporting requirements
A.P. Moller - Maersk has not yet adopted the following accounting standards/requirements:

IFRS 17 - Insurance contracts
IFRS 17: An analysis of the impact is being assessed and is expected to be concluded in due course ahead of the implementation date.

Other changes to IFRS are not expected to have any significant impact on recognition and measurement.

Note 24 Significant accounting estimates and judgements

The preparation of the consolidated financial statements requires management, on an ongoing basis, to make judgements and estimates and form assumptions that affect the reported amounts. Management forms its judgements and estimates based on historical experience, independent advice and external data points, as well as on in-house specialists and on other factors believed to be reasonable under the circumstances.

In certain areas, the outcome of business plans, including ongoing negotiations with external parties to execute those plans or to settle claims that are raised against A.P. Moller - Maersk, is highly uncertain. Therefore, assumptions may change, or the outcome may differ in the coming years, which could require a material upward or downward adjustment to the carrying amounts of assets and liabilities. This note includes the areas in which A.P. Moller - Maersk is particularly exposed to a material adjustment of the carrying amounts as at the end of 2020.

Significant accounting judgements
Determination of cash-generating units
Judgement is applied in the definition of cash-generating units and in the selection of methodologies and assumptions for impairment tests.

The determination of cash-generating units differs for the various business areas. Ocean operates its fleet of container vessels and hub terminals in an integrated network. Consequently, the Ocean activities are tested for impairment as a single cash-generating unit. In addition, the intermodal activities reported under Logistics & Services are included in the Ocean cash-generating unit for impairment testing to apply consistency between the asset base and related cash flows. In Logistics & Services, apart from intermodal, each main product is defined as a cash-generating unit. In gateway terminals, each terminal is considered individually in impairment tests, except when the capacity is managed as a portfolio. Towage groups vessels according to type, size, etc. in accordance with the structure governing management's ongoing follow-up. Projected cash flow models are used when fair value is not obtainable or when fair value is deemed lower than value in use. External data is used to the extent possible, and centralised processes, involving corporate functions, ensure that indices or data sources are selected consistently while observing differences in risks and other circumstances. Current market values for vessels, etc. are estimated using acknowledged brokers.

Operations in countries with limited access to repatriating surplus cash
A.P. Moller - Maersk operates worldwide, and in this respect, has operations in countries where access to repatriating surplus cash is limited. In these countries, management makes judgements as to whether these cash positions can be recognised as cash or cash equivalents.

Significant accounting estimates
Aspects of uncertainty
In its assumption setting, management deals with different aspects of uncertainty. One aspect of uncertainty is whether an asset or liability exists, where the assessment forms the basis for recognition or derecognition decisions, including assessment of control. Another aspect is the measurement uncertainty, where management makes assumptions about the value of recognised assets and liabilities. These assumptions concern the timing and amount of future cash flows, and the risks inherent in these.

Impairment tests
The outcome of impairment tests is subject to estimates of the development of freight rates, volumes, bunker prices and discount rates.

The future development in freight rates is an uncertain and significant factor impacting especially the Ocean segment, whose financial results are directly affected by fluctuations in container freight rates. Freight rates are influenced by both regional and global economic environment and trade patterns, as well as by industry-specific trends in respect of capacity supply and demand. The long-term economic consequences of COVID-19 are still unknown and could cause a shift in freight rates or volumes.

The future development in the oil price is an uncertain and significant factor impacting accounting estimates across A.P. Moller - Maersk, either directly or indirectly. The Ocean segment is directly impacted by the price of bunker oil, where the competitive landscape determines the extent to which the development is reflected in the freight rates charged to the customer. APM Terminals is indirectly impacted by the oil price as terminals located in oil-producing countries, e.g. Nigeria, Angola, Egypt, Russia and Brazil, are indirectly impacted by the development in oil prices and the consequences on the countries' economies, which not only affect volume handled in the terminals, but also exchange rates.

A.P. Moller - Maersk carries goodwill of USD 968m (USD 637m).

In Ocean, the cash flow projection is based on forecasts as per Q3 2020, covering plans for 2021-2025. Management has applied an assumption of growth in volumes, pressure on freight rates and continued cost efficiency. The impairment test continues to show headroom from value in use to the carrying amount. Management is of the opinion that the assumptions applied are sustainable.

Note 24 Significant accounting estimates and judgements – continued

In Terminals & Towage, management assesses impairment triggers and based on these, estimates recoverable amounts on the individual terminals. For APM Terminals' interest in Global Port Investments, being the share of equity and significant intangible assets acquired, management assesses the recoverable amount of its interest on an ongoing basis. Uncertain variables in the estimate are the economic outlook, local competition, effect on volumes, operating expenses and discount rate. The carrying amount of the investment may not be sustainable in the next few years if markets develop significantly adversely compared to current expectations. Estimates of recoverable amounts were also prepared for other terminals where decreasing volumes triggered impairment tests. Key sensitivities are expected volumes, local port rates, concession right extensions as well as discount rate. The impairment tests showed headroom from fair value less cost of disposal and value in use calculations compared to carrying amount for all terminals in continued use. Therefore, no impairment was recognised in 2020 (USD 0m in 2019) related to terminals in markets with challenging commercial conditions. For assets held for sale, USD 62m was recognised in impairments. Continued economic deterioration and a lack of cash repatriation opportunities in certain oil-producing countries can potentially put pressure on carrying amounts of individual terminals.

Reference is made to notes 6 and 7 for information about impairment losses, recoverable amounts and discount rates.

Amortisation, depreciation and residual values
Useful lives are estimated based on experience. Management decides from time to time to revise the estimates for individual assets or groups of assets with similar characteristics due to factors such as quality of maintenance and repair, technical development and environmental requirements. Please refer to note 23 for the useful lives typically used for new assets.

Residual values are difficult to estimate given the long lives of vessels, the uncertainty as to future economic conditions and the future price of steel, which is considered the main determinant of the residual price. Generally, the residual values of vessels are initially estimated at 10% of the purchase price excluding dry-docking costs. The long-term view is prioritised to disregard, to the extent possible, temporary market fluctuations, which may be significant.

Provisions for pension and other employee benefits
For defined benefit schemes, management makes assumptions about future remuneration and pension changes, employee attrition rates, life expectancy, inflation and discount rates. When setting these assumptions, management takes advice from the actuaries performing the valuation. The inflation and discount rates are determined centrally for the major plans on a country-by-country basis. All other assumptions are determined on a plan-by-plan basis. Refer to note 14 for information about key assumptions and the sensitivity of the liability to changes in these assumptions.

Plan assets are measured at fair value by fund administrators.

Provision for legal cases, disputes, uncertain tax positions etc.
Management's estimate of the provisions regarding legal cases and disputes, including disputes on taxes and duties, is based on the knowledge available on the actual substance of the cases and a legal assessment of these. The resolution of legal disputes, through either negotiations or litigation, can take several years to complete and the outcome is subject to considerable uncertainty.

A.P. Moller - Maersk is engaged in a number of disputes with tax authorities of varying scope. Appropriate provisions and recognition of uncertain tax positions have been made where the probability of the tax position being upheld in individual cases is considered less than 50%. Claims, for which the probability of A.P. Moller - Maersk's tax position being upheld is assessed by management to be at least 50%, are not provided for. Such risks are instead evaluated on a portfolio basis by geographical area, and country risk provisions and uncertain tax liabilities are recognised where the aggregated probability of the tax position being upheld is considered less than 50%.

Deferred tax assets
Judgement has been applied in the measurement of deferred tax assets with respect to A.P. Moller - Maersk's ability to utilise the assets. Management considers the likelihood of utilisation based on the latest business plans and recent financial performances of the individual entities. Net deferred tax assets recognised in entities having suffered an accounting loss in either the current or preceding period amount to USD 87m (USD 98m) for continuing operations, excluding entities participating in joint taxation schemes. These assets mainly relate to unused tax losses or deductible temporary differences generated during the construction of terminals, where taxable profits have been generated either in the current period or are expected within a foreseeable future.

Vessel-sharing agreements
(Cost-sharing arrangements)
Vessel-sharing agreements in shipping require that some vessels are committed towards specific service routes. The committed vessel's capacity is then shared with one or more container shipping providers in proportion to each party's contribution to the joint service service on multi-year agreements. In practice, it is not always possible to provide tonnage precisely as agreed in the sharing arrangements, therefore financial settlement often takes place on the basis of relative capacity over/under utilised on a mutually agreed cycle. At A.P. Moller - Maersk, these capacity adjustments are settled as close to actual costs incurred as possible based on market rates applicable at that time.

Parent company financial statements 2020

A.P. Møller - Mærsk A/S

(In parenthesis, the corresponding figures for 2019)

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Income statement

Note		2020	2019
1	Revenue	17	18
2	Operating costs	90	178
	Profit/loss before depreciation, amortisation and impairment losses, etc.	**-73**	**-160**
3	Gain/loss on sale of companies and non-current assets, etc., net	1	4
	Profit/loss before financial items	**-72**	**-156**
4	Dividends	413	324
4	Financial income	1,452	1,598
4	Financial expenses	1,056	1,663
	Profit/loss before tax	**737**	**103**
5	Tax	136	113
	Profit/loss for the year	**601**	**-10**
	Appropriation:		
	Proposed dividend	1,092	468
	Retained earnings	-491	-478
		601	**-10**
	Proposed dividend per share, DKK	**330**	**150**
	Proposed dividend per share, USD	**55**	**22**

Statement of comprehensive income

Note		2020	2019
	Profit/loss for the year	**601**	**-10**
12	Cash flow hedges:		
	Value adjustment of hedges for the year	-50	-54
	Reclassified to income statement	32	30
5	Tax on other comprehensive income	10	13
	Total items that have been or may be reclassified subsequently to the income statement	**-8**	**-11**
13	Other equity investments (FVOCI), fair value adjustments for the year	3	-
	Total items that will not be reclassified to the income statement	**3**	**-**
	Other comprehensive income, net of tax	**-5**	**-11**
	Total comprehensive income for the year	**596**	**-21**

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Balance sheet at 31 December

Note	Assets	2020	2019
6	Investments in subsidiaries	17,823	13,435
6	Investments in associated companies	1	2
13	Other equity investments	1	2
13	Interest-bearing receivables from subsidiaries, etc.	15,044	7,913
12	Derivatives	259	165
	Other receivables	4	9
	Financial non-current assets, etc.	**33,132**	**21,526**
	Total non-current assets	**33,132**	**21,526**
	Trade receivables	3	8
13	Interest-bearing receivables from subsidiaries, etc.	2,122	12,804
12	Derivatives	317	65
	Other receivables	125	112
	Other receivables from subsidiaries, etc.	249	286
	Prepayments	33	74
	Receivables, etc.	**2,849**	**13,349**
	Cash and bank balances	**4,491**	**3,395**
	Total current assets	**7,340**	**16,744**
	Total assets	**40,472**	**38,270**

Note	Equity and liabilities	2020	2019
8	Share capital	3,632	3,774
	Reserves	20,500	20,958
	Total equity	**24,132**	**24,732**
10	**Borrowings, non-current**	**5,631**	**7,154**
10	**Interest-bearing debt to subsidiaries, etc.**	**13**	**-**
11	Provisions	43	78
12	Derivatives	287	324
7	Deferred tax	48	33
	Other non-current liabilities	**378**	**435**
	Total non-current liabilities	**6,022**	**7,589**
10	**Borrowings, current**	**598**	**543**
10	**Interest-bearing debt to subsidiaries, etc.**	**9,078**	**5,031**
11	Provisions	-	3
	Trade payables	54	58
	Tax payables	51	43
12	Derivatives	302	94
	Other payables	213	156
	Other payables to subsidiaries, etc.	15	15
	Deferred income	7	6
	Other current liabilities	**642**	**375**
	Total current liabilities	**10,318**	**5,949**
	Total liabilities	**16,340**	**13,538**
	Total equity and liabilities	**40,472**	**38,270**

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Cash flow statement

Note		2020	2019
	Profit/loss before financial items	-72	-156
3	Gain/loss on sale of companies and non-current assets, etc., net	-	-4
17	Change in working capital	141	-37
	Change in provisions, etc.	-38	-
	Other non-cash items	-3	14
	Cash from operating activities before tax	28	-183
	Taxes paid	-104	-185
	Cash flow from operating activities	**-76**	**-368**
	Capital increases in subsidiaries and activities	-136	-
	Sale of subsidiaries and associates	-	62
	Dividends received	123	2,792
	Other financial investments, net	6	-
	Cash flow used for investing activities	**-7**	**2,854**
	Repayment of borrowings	-2,941	-2,132
	Proceeds from borrowings	1,245	1,081
	Purchase of own shares	-806	-791
	Financial income received	978	1,140
	Financial expenses paid	-295	-423
	Sale of own shares	30	-
	Dividends distributed	-430	-469
	Movements in interest-bearing loans to/from subsidiaries, etc., net	3,407	1,341
	Cash flow from financing activities	**1,188**	**-253**
	Net cash flow for the year	**1,105**	**2,233**
	Cash and cash equivalents 1 January	3,390	1,147
	Currency translation effect on cash and cash equivalents	-7	10
	Cash and cash equivalents 31 December	**4,488**	**3,390**
	Cash and cash equivalents		
	Cash and bank balances	4,491	3,395
	Overdrafts	3	5
	Cash and cash equivalents 31 December	**4,488**	**3,390**

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Statement of changes in equity

Note		Share capital	Reserve for other equity investments	Reserve for hedges	Retained earnings	Total equity
	Equity 1 January 2019	3,774	-	-34	25,634	29,374
	Other comprehensive income, net of tax	-	-	-11	-	-11
	Profit/loss for the year	-	-	-	-10	-10
	Total comprehensive income for the year	**-**	**-**	**-11**	**-10**	**-21**
	Dividends to shareholders	-	-	-	-469	-469
9	Value of share-based payments	-	-	-	10	10
8	Purchase of own shares	-	-	-	-791	-791
	Distribution of shares in The Drilling Company of 1972 A/S to shareholders in A.P. Møller - Mærsk A/S	-	-	-	-3,371	-3,371
	Total transactions with shareholders	**-**	**-**	**-**	**-4,621**	**-4,621**
	Equity 31 December 2019	**3,774**	**-**	**-45**	**21,003**	**24,732**
	2020					
	Other comprehensive income, net of tax	-	3	-8	-	-5
	Profit/loss for the year	-	-	-	601	601
	Total comprehensive income for the year	**-**	**3**	**-8**	**601**	**596**
	Dividends to shareholders	-	-	-	-430	-430
9	Value of share-based payments	-	-	-	10	10
8	Purchase of own shares	-	-	-	-806	-806
8	Sale of own shares	-	-	-	30	30
8	Capital increases and decreases	-142	-	-	142	-
13	Transfer of gain/loss on disposal of equity investments to retained earnings	-	-3	-	3	-
	Total transactions with shareholders	**-142**	**-3**	**-**	**-1,051**	**-1,196**
	Equity 31 December 2020	**3,632**	**-**	**-53**	**20,553**	**24,132**

Notes

Parent company financial statements
Activities comprise holding of shares in subsidiaries and associated companies, as well as funding, procurement and cash management.

In the parent company financial statements, shares in subsidiaries and associated companies are recognised at cost, cf. note 19, less impairment losses, and in the income statement, dividends from subsidiaries and associated companies are recognised as income.

The net profit for the year was USD 601m (loss of USD 10m). The main difference is financial expenses as 2019 was impacted by impairment loss on the Maersk Drilling Holding A/S demerger. Furthermore, reversal of provisions, etc. reduces operational costs compared to 2019.

Cash flow from operating activities was negative USD 76 (negative USD 368). Total assets amounted to USD 40.5bn (USD 38.3bn) and total equity was USD 24.1bn (USD 24.7bn) at 31 December 2020.

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Note 1 Revenue

Table 1.1	2020	2019
Other revenue	17	18
Total revenue	**17**	**18**

Table 1.1
Other revenue is internal lease income.

Note 2 Operating costs

Table 2.1	2020	2019
Rent and lease costs	11	14
Staff costs reimbursed to Rederiet A.P. Møller A/S[1]	149	124
Other, including recharging of operating costs, net[2]	-70	40
Total operating costs	**90**	**178**
Average number of employees directly employed by the company	2	2

Table 2.2 The company's share of fees and remuneration to the Executive Board	2020	2019
Fixed base salary	6	5
Short-term cash incentive	4	2
Long-term share-based incentive plans	1	-
Remuneration in connection with redundancy, resignation and release from duty to work	-	5
Total remuneration to the Executive Board	**11**	**12**

Table 2.3 Fees to the statutory auditors	2020	2019
Statutory audit	1	1
Other assurance services	-	-
Tax and VAT advisory services	-	-
Other services	1	1
Total fees	**2**	**2**

Table 2.1

1 Wages and salaries USD 127m (USD 116m) and pension plan contributions USD 22m (USD 8m). Staff costs included in integration and restructuring costs amount to USD 0m (USD 3m).

For information about share-based payment, reference is made to note 9.

2 Other operating costs are positively impacted by USD 35m reversal of other provisions, ref. note 11, other reversals and recharging of cost, etc.

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

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

Table 2.3
Fees for other services than statutory audit of the financial statements provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to A.P. Møller - Mærsk A/S mainly consist of audit of non-statutory financial statements, financial due diligence and transaction advice, accounting advisory services, review of the interim report and other advisory accounting and tax services.

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

Table 3.1	2020	2019
Gains	1	4
Gain/loss on sale of companies and non-current assets, etc., net	**1**	**4**

Table 3.1
One subsidiary and two associated companies were liquidated in 2020 after activities ceased.

In 2019, gains were liquidation of two dormant subsidiaries.

Note 4 Financial income and expenses

Table 4.1	2020	2019
Interest expenses on liabilities	325	490
Interest income on loans and receivables	887	1,143
Fair value adjustment transferred from equity hedge reserve (loss)	25	26
Net interest income	**537**	**627**
Exchange rate gains on bank balances, borrowings and working capital	76	71
Exchange rate losses on bank balances, borrowings and working capital	190	30
Net foreign exchange gains/losses	**-114**	**41**
Fair value gains from derivatives	193	113
Fair value losses from derivatives	49	73
Net fair value gains/losses	**144**	**40**
Dividends received from subsidiaries, associated companies and joint ventures, net[1]	413	324
Total dividend income	**413**	**324**
Reversal of impairment losses, investments in subsidiaries and associated companies[2]	296	116
Impairment losses, investments in subsidiaries and associated companies[3]	467	1,042
Reversal of write-down of loans[4]	-	155
Write-down of loan receivables from subsidiaries	-	2
Financial income/expenses, net	**809**	**259**
Of which:		
Dividends	413	324
Financial income	1,452	1,598
Financial expenses	1,056	1,663

Table 4.1
Reference is made to note 12 for an analysis of gains and losses from derivatives.

Refer to note 20 for significant accounting estimates.

Dividends
1 Mainly dividend from A.P. Moller Finance SA (in 2019 Orion Limited, Maersk FPSOs A/S and A.P. Moller Finance SA each paid around USD 0.1bn).

Reversal of impairment losses
2 Reversal of impairment losses mostly relates to Maersk Oil Trading and Investments A/S (in 2019 A.P. Moller Finance SA, Star Air A/S and Maersk Container Industry A/S).

Impairment losses and fair value adjustments
3 Impairment losses to recoverable amount relate to fair value adjustment of A.P. Moller Finance SA and Maersk Supply Service A/S (in 2019 Maersk Supply Service A/S, Damco International A/S, Maersk FPSOs A/S and demerger of Maersk Drilling Holding A/S).

Reversal of write-down of loan receivables
4 2019 reversal of write-down of loan concerns Maersk Supply Service A/S and Maersk Container Industry A/S.

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Note 5 Tax

Table 5.1	2020	2019
Tax recognised in the income statement		
Current tax on profit for the year	119	70
Adjustment of tax provision	-26	45
Adjustment for current tax of prior periods	18	-49
Withholding taxes	10	15
Total current tax	**121**	**81**
Origination and reversal of temporary differences	2	24
Adjustment for deferred tax of prior periods	13	8
Total deferred tax	**15**	**32**
Total tax expense	**136**	**113**
Tax reconciliation:		
Profit/loss before tax	737	103
Tax using the Danish corporation tax rate (22%)	162	23
Non-deductible expenses	13	34
Gains/losses related to shares, dividends, etc.	-46	50
Adjustment to previous years' taxes	5	4
Other differences, net	2	2
Total income tax	**136**	**113**
Tax recognised in other comprehensive income and equity	**10**	**13**
Of which:		
Current tax	10	13

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Note 6 Investments in subsidiaries and associated companies

Table 6.1

	Investments in subsidiaries	Investments in associated companies
	2020	2020
Cost		
1 January 2019	21,305	819
Addition[1]	850	-
Return of capital[2]	5,780	-
Disposal	250	-
Transfer from assets held for sale[3]	1,465	-
31 December 2019	**17,590**	**819**
Addition[4]	4,565	-
Disposal	10	4
31 December 2020	**22,145**	**815**
Impairment losses		
1 January 2019	2,552	814
Impairment losses[5]	480	3
Disposal	226	-
Reversal of impairment losses	116	-
Transfer from assets held for sale[3]	1,465	-
31 December 2019	**4,155**	**817**
Impairment losses[5]	467	1
Disposal	4	4
Reversal of impairment losses	296	-
31 December 2020	**4,322**	**814**
Carrying amount:		
31 December 2019	**13,435**	**2**
31 December 2020	**17,823**	**1**

Table 6.1

Reference is made to pages 144-146 for a list of significant subsidiaries and associated companies.

1 Capital increase in Maersk Container Industry A/S, Maersk Supply Service A/S and Damco International A/S.
2 Maersk Oil Trading and Investments A/S returned USD 5.8bn after disposing the Total S.A. shares.
3 Maersk Supply Service A/S transferred back to continuing operations.
4 Capital increase in mainly Maersk A/S USD 2.8bn, Svitzer A/S USD 0.9bn, Maersk Holding B.V. USD 0.5bn and Damco International A/S USD 0.2bn.
5 Impairment losses are recognised when carrying amount exceeds recoverable amount as explained in notes 4, 19 and 20.

Note 7 Deferred tax

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

Table 7.1	Assets		Liabilities		Net liabilities	
	2020	2019	2020	2019	2020	2019
Liabilities, etc.	-	-	48	33	48	33
Total	**-**	**-**	**48**	**33**	**48**	**33**

Table 7.2		
Change in deferred tax, net during the year	2020	2019
1 January	33	1
Recognised in the income statement	15	32
31 December	**48**	**33**

Table 7.1 and Table 7.2
There are no unrecognised deferred tax assets.

There are no material unrecognised tax liabilities on investments in subsidiaries, associated companies and joint ventures.

Note 8 Share capital

Development in the number of shares:

Table 8.1	A shares of		B shares of		Nominal value	
	DKK 1,000	DKK 500	DKK 1,000	DKK 500	DKK million	USD million
1 January 2019	10,756,262	232	10,060,398	172	20,817	3,774
Conversion	3	-6	3	-6	-	-
31 December 2019	**10,756,265**	**226**	**10,060,401**	**166**	**20,817**	**3,774**
Cancellation	156,977	-	627,938	-	785	142
Conversion	5	-10	-	-	-	-
31 December 2020	**10,599,293**	**216**	**9,432,463**	**166**	**20,032**	**3,632**

Shareholder disclosure subject to section 104 of the Danish Financial Statements Act:

Table 8.2	Share capital	Votes
A.P. Møller Holding A/S, Copenhagen, Denmark	40.29%	50.88%
A.P. Møller og Hustru Chastine Mc-Kinney Møllers Familiefond, Copenhagen, Denmark	9.18%	13.31%
Den A.P. Møllerske Støttefond, Copenhagen, Denmark	3.23%	6.07%

Table 8.1
All shares are fully issued and paid up.

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

At the Annual General Meeting of the company on 23 March 2020, it was decided to decrease the company's share capital by cancellation of treasury shares. The capital decrease was completed and registered with the Danish Business Authority on 2 June 2020.

Note 8 Share capital – continued

Development in the holding of own shares:

Table 8.3	No. of shares of DKK 1,000		Nominal value DKK million		% of share capital	
Own shares	2020	2019	2020	2019	2020	2019
A shares						
1 January	134,279	-	134	-	0.65%	0.00%
Addition	141,874	134,279	142	134	0.69%	0.65%
Cancellation	156,977	-	157	-	0.75%	0.00%
31 December	**119,176**	**134,279**	**119**	**134**	**0.59%**	**0.65%**
B shares						
1 January	587,949	55,515	588	56	2.82%	0.27%
Addition	567,493	537,143	567	537	2.83%	2.57%
Cancellation	627,938	-	628	-	3.02%	0.00%
Disposal	22,223	4,709	22	5	0.11%	0.02%
31 December	**505,281**	**587,949**	**505**	**588**	**2.52%**	**2.82%**

Table 8.3
Note 11 in the consolidated financial statements includes rules for changing the share capital, and information regarding the authorisation of the Board of Directors to acquire own shares as well as the total number of own shares held by the Group.

Addition of own shares relates to the share buy-back programme announced in May 2019. Note 11 in the consolidated financial statements provides more information about the share buy-back programme. Disposal of own shares relates to the share option plan and the restricted shares plan.

Note 9 Share-based payment

Table 9.1	Members of the Executive Board [1]	Employees [1]	Total	Total fair value [1]
Outstanding restricted shares	No.	No.	No.	USD million
1 January 2019	1,002	12,786	13,788	
Granted	1,310	4,319	5,629	7
Granted in connection with Maersk Drilling demerger	294	1,286	1,580	
Exercised	-	4,756	4,756	
Forfeited	739	1,700	2,439	
Outstanding 31 December 2019	**1,867**	**11,935**	**13,802**	
Granted	1,626	6,165	7,791	7
Exercised	-	3,777	3,777	
Forfeited	-	125	125	
Outstanding 31 December 2020	**3,493**	**14,198**	**17,691**	

Table 9.1
Restricted shares plan
The restricted shares plan was introduced in 2013 and grants have been awarded to employees on a yearly basis since 2013. Beginning in 2018, grants have also been awarded to members of the Executive Board.

The transfer of restricted shares is contingent upon the employee still being employed and not being under notice of termination and takes place when three years have passed from the time of granting. For members of the Executive Board the vesting period is five years.

The members of the Executive Board as well as other employees are not entitled to any dividends during the vesting period. Special conditions apply regarding illness, death and resignation as well as changes in the company's capital structure, etc. A part of A.P. Møller - Mærsk A/S' holding of own B shares will be used to meet the company's obligations in connection with the restricted shares plan.

The fair value of restricted shares (A.P. Møller - Mærsk A/S B shares) granted to 96 (92) employees and five (five) members of the Executive Board was USD 7m (USD 7m) at the time of grant.

The fair value per restricted share at the time of grant is DKK 5,975 (DKK 8,668), which is equal to the volume weighted average share price on the date of grant, i.e. 1 April 2020.

The payroll expense related to the restricted shares plan is USD 1m (USD 1m).

On 1 April 2020, the restricted shares originally granted in 2017 were settled with the employees. The weighted average share price at that date was DKK 5,975.

The average remaining contractual life for the restricted shares as per 31 December 2020 is 1.8 years (1.7 years).

1 At the time of grant.

Note 9 Share-based payment – continued

Table 9.2	Members of the Executive Board [1]	Employees [1]	Total	Average exercise price [2]	Total fair value [1]
Outstanding share options	No.	No.	No.	DKK	USD million
1 January 2019	9,985	36,707	46,692	12,791	
Granted	7,894	22,444	30,338	7,622	9
Forfeited	6,080	3,125	9,205	9,141	
Outstanding 31 December 2019	**11,799**	**56,026**	**67,825**	**12,156**	
Exercisable 31 December 2019	**-**	**18,435**	**18,435**	**10,630**	
Granted	8,741	31,383	40,124	8,639	4
Exercised	-	18,446	18,446	9,968	
Forfeited	-	1,073	1,073	9,636	
Outstanding 31 December 2020	**20,540**	**67,890**	**88,430**	**8,670**	
Exercisable 31 December 2020	**2,347**	**32,474**	**34,821**	**10,187**	

The following principal assumptions are used in the valuation:

Table 9.3	Share options granted to members of the Executive Board		Share options granted to employees not members of the Executive Board	
	2020	2019	2020	2019
Share price, volume weighted average at the date of grant, 1 April, DKK	5,975	8,668	5,975	8,668
Share price, five days volume weighted average after publication of Annual Report, DKK	7,854	8,682	7,854	8,682
Exercise price, DKK	8,639	9,550	8,639	9,550
Exercise price following the demerger of Maersk Drilling, 2 April 2019, DKK	n/a	7,670	n/a	7,605
Expected volatility (based on historic volatility)	31%	32%	31%	32%
Expected term (years)	5.00	5.00	5.75	5.75
Expected dividend per share, DKK	150	150	150	150
Risk free interest rate	-0.66%	-0.36%	-0.63%	-0.28%

Table 9.2
Share option plans
In addition to the plan described above, the company has share options plans for members of the Executive Board and other employees. Each share option granted is a call option to buy an existing B share of nominal DKK 1,000 in A.P. Møller - Mærsk A/S.

The share options were granted at an exercise price corresponding to 110% of the average of the market price on the first five trading days following the release of A.P. Møller - Mærsk A/S' Annual Report. Exercise of the share options is contingent on the option holder still being employed at the time of exercise. The share options can be exercised when at least three years and no more than six years (seven years for share options granted to employees not members of the Executive Board) have passed from the time of granting. Special conditions apply regarding illness, death and resignation as well as changes in the company's capital structure, etc.

The share options can only be settled in shares. A part of A.P. Møller - Mærsk A/S' holding of own B shares will be used to meet the company's obligations in respect of the share option plans.

The fair value of awards granted to five (five) members of the Executive Board and 89 (75) employees was USD 4m (USD 9m) at the time of grant.

The payroll expense related to the share options plan is USD 1m (USD 1m).

The weighted average share price at the dates of exercise of share options was DKK 12,389. No share options were exercised during 2019.

The average remaining contractual life as per 31 December 2020 is 5.1 years (5.2 years) and the exercise price for outstanding share options is DKK 8,670 (DKK 9,057).

1 At the time of grant.
2 Average exercise prices were reduced following the demerger of Maersk Drilling in 2019.

Table 9.3
The fair value per option granted to members of the Executive Board is calculated at DKK 625 (DKK 1,782) at the time of grant based on Black & Scholes' option pricing model. The fair value per option granted to employees not members of the Executive Board is calculated at DKK 697 (DKK 1,914) at the time of grant based on the same option pricing model.

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Note 10 Borrowings and lease liability reconciliation

Table 10.1	Net debt as at 31 December	Cash flow		Other changes	Net debt as at 31 December
	2019		Foreign exchange movements	Other[1]	2020
Bank and other credit institutions	2,865	-464	-	-	2,401
Lease liabilities	13	-9	-	-	4
Issued bonds	4,819	-1,254	150	109	3,824
Subsidiaries, etc., net	-15,686	3,407	32	4,172	-8,075
Total borrowings, net	**-7,989**	**1,680**[2]	**182**	**4,281**	**-1,846**
Derivatives hedge of borrowings, net	**156**	**27**	**-150**	**-69**	**-36**
Borrowings classification:					
Classified as non-current	7,154				5,644
Classified as current	5,574				9,676

Table 10.2	Net debt as at 31 December	Cash flow		Other changes	Net debt as at 31 December
	2018		Foreign exchange movements	Other[1]	2019
Bank and other credit institutions	3,373	-508	-	-	2,865
Lease liabilities	-	-	-	13	13
Issued bonds	5,373	-543	-57	46	4,819
Subsidiaries, etc., net	-14,426	1,341	-25	-2,576	-15,686
Total borrowings, net	**-5,680**	**290**	**-82**	**-2,517**	**-7,989**
Derivatives hedge of borrowings, net	**187**	**-84**	**57**	**-4**	**156**
Borrowings classification:					
Classified as non-current	7,573				7,154
Classified as current	9,916				5,574

Table 10.1 and Table 10.2

1 Non-cash dividends, capital increases, fair value adjustments, IFRS 16 lease liabilities, etc.

2 Total cash flow from borrowings amounts to USD 1,680m and cash flow from related hedges at USD 31m, in total USD 1,711m.

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Note 11 Provisions

Table 11.1	Restructuring	Other	Total
1 January 2020	3	78	81
Amount used	3	-	3
Amount reversed	-	35	35
31 December 2020	**-**	**43**	**43**
Of which:			
Classified as non-current	-	43	43

Table 11.1
Other includes provisions for unsettled claims, legal disputes, etc.

The provisions are subject to considerably uncertainty, cf. note 20.

Note 12 Financial instruments and risks

The company's derivatives are presented in the balance sheet with the following amounts:

Table 12.1	2020	2019
Non-current receivables	259	165
Current receivables	317	65
Non-current liabilities	287	324
Current liabilities	302	94
Assets/liabilities, net	**-13**	**-188**

The gains/losses of the derivatives are recognised as follows:

Table 12.2	2020	2019
Hedging interest rate risk	-25	-26
Total effective hedging	**-25**	**-26**
Ineffectiveness recognised in financial expenses	-12	-4
Total reclassified from equity reserve for hedges	**-37**	**-30**
Derivatives accounted for as held for trading		
Currency derivatives recognised directly in financial income/expenses	199	66
Interest rate derivatives recognised directly in financial income/expenses	59	19
Oil prices and freight rate derivatives recognised directly in other income/costs	-	-1
Net gains/losses recognised directly in the income statement	**258**	**84**
Total	**221**	**54**

Table 12.1
The company's activities expose it to a variety of financial risks:

- Market risks, i.e. currency risk and interest rate risk
- Credit risk
- Liquidity risk.

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the company's financial performance. The company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central finance department under policies approved by the Board of Directors. The finance department identifies, evaluates and hedges financial risks in close cooperation with the company's entities.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the company's profit or the value of its holdings of financial instruments. The sensitivity analyses in the currency risk and interest rate risk sections relate to the position of financial instruments at 31 December 2020.

The sensitivity analyses for currency risk and interest rate risk have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt, and the proportion of financial instruments in foreign currencies remain unchanged from hedge designations in place at 31 December 2020. Furthermore, it is assumed that the exchange rate and interest rate sensitivities have a symmetric impact, i.e. an increase in rates results in the same absolute movement as a decrease in rates.

The sensitivity analyses show the effect on profit and equity of a reasonably possible change in exchange rates and interest rates.

Table 12.2
Hedges comprise primarily currency derivatives and interest rate derivatives, which are further described in the following sections.

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Note 12 Financial instruments and risks – continued

Table 12.3		Fair value
Recognised at fair value through profit and loss	2020	2019
Currency derivatives	13	-20
Interest derivatives	-62	1
Total	**-49**	**-19**

Table 12.4	Profit before tax		Equity before tax	
	2020	2019	2020	2019
EUR	-91	-307	-91	-307
Other currencies	-65	-50	-65	-50
Total	**-156**	**-357**	**-156**	**-357**

Table 12.3
Currency risk
The company's currency risk arises primarily from its treasury activities where financing is obtained and provided in a wide range of currencies other than USD such as EUR, GBP and NOK.

The main purpose of hedging the company's currency risk is to hedge the USD value of the company's net cash flow and reduce fluctuations in the company's profit. The company uses various financial derivatives, including forwards, option contracts and cross-currency swaps, to hedge these risks. The key aspects of the currency hedging policy are as follows:

- Net cash flows in other significant currencies than USD are hedged using a layered model with a 12-month horizon
- Significant capital commitments or divestments in other currencies than USD are hedged
- Most non-USD debt is hedged, however, depending on the asset-liability match and the currency of the generated cash flow.

Table 12.4
The company enters into derivatives to hedge currency exposures that do not qualify for hedge accounting. These derivatives are classified as fair value through profit or loss.

An increase in the USD exchange rate of 10% against all other significant currencies to which the company is exposed is presented in the table.

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Note 12 Financial instruments and risks – continued

Table 12.5

	Fair value, asset	Fair value, liability	Nominal amount of derivative	Maturity 0-1 years	Maturity 2-4 years	Maturity 5- years	Gain/loss on hedged item	Gain/loss on hedging instrument	Average hedge rate
2020									
Combined fair value hedge, hedge of borrowings									
EUR	45	-	559	-	-	559	-61	44	1.8%
GBP	-	7	95	-	95	-	-8	5	2.5%
JPY	17	-	121	-	121	-	-3	-2	1.8%
NOK	-	11	256	-	-	256	-5	-2	2.5%
Fair value hedge, hedge of borrowings									
USD	80	-	900	-	500	400	-79	80	3.1%
Cash flow hedge, hedge of borrowings									
EUR	-	35	461	-	-	461	-	-34	4.2%
GBP	-	49	313	-	313	-	-	-11	4.6%
NOK	-	4	81	51	30	-	-	-1	2.4%
Total	**142**	**106**	**2,786**	**51**	**1,059**	**1,676**	**-156**	**79**	
2019									
Combined fair value hedge, hedge of borrowings									
EUR	17	35	733	-	224	509	-47	23	3.5%
GBP	-	14	92	-	-	92	-5	2	4.2%
JPY	10	11	206	92	-	114	-3	-3	3.6%
NOK	-	34	250	-	-	250	10	-18	4.2%
Fair value hedge, hedge of borrowings									
USD	14	-	900	-	-	900	-9	14	4.0%
Cash flow hedge, hedge of borrowings									
EUR	23	60	867	-	447	420	-	-17	3.9%
GBP	-	52	302	-	-	302	-	-1	4.6%
NOK	-	27	341	-	341	-	-	-4	3.5%
Total	**64**	**233**	**3,691**	**92**	**1,012**	**2,587**	**-54**	**-4**	

Table 12.5
Sensitivity table
The sensitivities are based only on the impact of financial instruments that are outstanding at the balance sheet date and are thus not an expression of the company's total currency risk.

Interest rate risk
The company has most of its debt denominated in USD, but part of the debt (e.g. issued bonds) is in other currencies such as EUR, NOK, GBP and JPY. The company strives to maintain a combination of fixed and floating interest rates on its net debt, reflecting expectations and risks.

The hedging of the interest rate risk is governed by a duration range and is primarily obtained using interest rate swaps. The duration of the company's debt portfolio is 2.1 years (2.2 years) excluding IFRS 16 leases.

A general increase in interest rates by one percentage point is estimated, all else being equal, to affect profit before tax and equity, excluding tax effect, positively by approx. USD 151m and positively by approx. USD 96m, respectively (positively by approx. USD 192m and positively by approx. USD 127m, respectively).

This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The hedging of the interest rate risk is done by cross-currency swaps and interest rate swaps. The hedging is a mix of fair value hedging, combined fair value hedging and cash flow hedging.

Due to buy-back of issued bonds in 2020, ineffectiveness from cash flow hedges is recognised in the income statement with a loss of USD 12m (loss of USD 4m).

The hedges are expected to be highly effective due to the nature of the economic relationship between the exposure and the hedge. The source of ineffectiveness is the credit risk of the hedging instruments. For hedges where the cost of hedging is applied, the change in basis spread is recognised in other comprehensive income and is a time effect during the lifetime of the swap and at maturity amounts to 0.

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Note 12 Financial instruments and risks – continued

Table 12.6

Borrowings and interest-bearing debt to subsidiaries by interest rate levels inclusive of interest rate swaps	Carrying amount	Next interest rate fixing 0-1 year	2-4 years	5- years
2020				
0-3%	12,942	13,172	-330	100
3-6%	2,378	-366	1,853	891
Total	**15,320**	**12,806**	**1,523**	**991**
Of which:				
Bearing fixed interest	2,668			
Bearing floating interest	12,652			
2019				
0-3%	6,081	6,181	-300	200
3-6%	6,647	3,696	1,987	964
Total	**12,728**	**9,877**	**1,687**	**1,164**
Of which:				
Bearing fixed interest	2,862			
Bearing floating interest	9,866			

Table 12.7

Maturity analysis of trade receivables incl. subsidiaries, etc.	2020	2019
Receivables not due	2	1
Less than 90 days overdue	1	7
Receivables, gross	3	8
Provision for bad debt	-	-
Carrying amount	**3**	**8**

If the hedged transaction is prepaid, the change in basis spread will be recognised in profit or loss as ineffectiveness. The cost of hedging reserve amounts to a gain of USD 6m (gain of USD 6m).

The borrowing interest levels is specified in table 12.6

Table 12.6
Credit risk
The company has substantial exposure to financial and commercial counterparties but has no particular concentration of customers or suppliers. To minimise the credit risk, financial vetting is undertaken for all major customers and financial institutions, adequate security is required for commercial counterparties, and credit limits are set for financial institutions and key commercial counterparties.

Financial assets at amortised cost comprise loans receivable, lease receivables, and other receivables. These are all considered to have low credit risk and thus the impairment provision calculated based on 12 months of expected losses is considered immaterial. The financial assets are considered to be low risk when they have low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

A.P. Møller - Mærsk A/S applies the simple approach to providing the expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. In accordance with IFRS 9, also non-due trade receivables have been impaired.

Other financial assets at amortised cost include loans to subsidiaries. As of 31 December 2020, the loans amount to USD 17.2bn (USD 20.7bn) and are considered to have a low credit risk, thus the impairment provision to be recognised during the period is limited to 12 months of expected losses. The credit risk has not increased significantly since the initial recognition and is considered low based on the investment grade credit rating for the Group and consequently the financial strength of the major subsidiaries within the Group. Prior years' loan write-down balance on Maersk Supply Service A/S loan receivables remains recognised in 2020, while Maersk Container Industry A/S loan is settled.

Table 12.7
Liquidity risk
It is of great importance for the company to maintain a financial reserve to cover the company's obligations and investment opportunities and to provide the capital necessary to offset changes in the company's liquidity due to changes in the cash flow from operating activities.

The flexibility of the financial reserve is subject to ongoing prioritisation and optimisation, among other things by focusing on the release of capital and following up on the development in working capital.

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Note 12 Financial instruments and risks – continued

Table 12.8 Maturities of liabilities and commitments	Carrying amount	Cash flows including interest 0-1 year	2-4 years	5- years	Total
2020					
Bank and other credit institutions	2,401	285	872	1,494	2,651
Lease liabilities	4	4	-	-	4
Issued bonds	3,824	461	2,108	1,909	4,478
Interest bearing loans from subsidiaries, etc.	9,091	9,085	13	-	9,098
Trade payables	54	54	-	-	54
Other payables	213	213	-	-	213
Other payables to subsidiaries, etc.	15	15	-	-	15
Non-derivative financial liabilities	**15,602**	**10,117**	**2,993**	**3,403**	**16,513**
Derivatives	589	302	132	155	589
Total recognised in balance sheet	**16,191**	**10,419**	**3,125**	**3,558**	**17,102**
Total		**10,419**	**3,125**	**3,558**	**17,102**
2019					
Bank and other credit institutions	2,865	336	1,745	1,247	3,328
Lease liabilities	13	9	4	-	13
Issued bonds	4,819	429	2,295	2,901	5,625
Interest bearing loans from subsidiaries, etc.	5,031	5,048	-	-	5,048
Trade payables	58	58	-	-	58
Other payables	156	156	-	-	156
Other payables to subsidiaries, etc.	15	15	-	-	15
Non-derivative financial liabilities	**12,957**	**6,051**	**4,044**	**4,148**	**14,243**
Derivatives	418	94	94	230	418
Total recognised in balance sheet	**13,375**	**6,145**	**4,138**	**4,378**	**14,661**
Total		**6,145**	**4,138**	**4,378**	**14,661**

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Note 13 Financial instruments by category

Table 13.1	Carrying amount		Fair value[2]	
	2020	2019	2020	2019
Carried at amortised cost				
Interest-bearing receivables from subsidiaries, etc.	17,166	20,717	17,217	20,723
Lease receivables	9	19		
Total interest-bearing receivables	**17,175**	**20,736**	**17,217**	**20,723**
Trade receivables	3	8		
Other receivables (non-interest-bearing)	120	102		
Other receivables from subsidiaries, etc.	249	286		
Cash and bank balances	4,491	3,395		
Financial assets at amortised cost	**22,038**	**24,527**		
Derivatives	576	230	576	230
Equity investments (FVOCI)[1]	1	2	1	2
Other financial assets	**577**	**232**	**577**	**232**
Total financial assets	**22,615**	**24,759**		
Carried at amortised cost				
Bank and other credit institutions	2,401	2,865	2,428	2,918
Lease liabilities	4	13		
Issued bonds	3,824	4,819	4,047	5,040
Interest-bearing loans from subsidiaries, etc.	9,091	5,031	9,091	5,031
Total borrowings	**15,320**	**12,728**	**15,566**	**12,989**
Trade payables	54	58		
Other payables	213	156		
Other payables to subsidiaries and associated companies, etc.	15	15		
Financial liabilities at amortised cost	**15,602**	**12,957**		
Carried at fair value				
Derivatives	589	418	589	418
Financial liabilities at fair value	**589**	**418**	**589**	**418**
Total financial liabilities	**16,191**	**13,375**		

Table 13.1
Equity investments at fair value through other comprehensive income

1 The company holds only minor equity investments at fair value through other comprehensive income (FVOCI).

2 Where no fair value is stated the amount equals carrying amount.

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Note 13 Financial instruments by category – continued

Table 13.2	Non-listed shares	Total financial assets
Movement during the year in level 3	Equity investments (FVOCI)	
Carrying amount 1 January 2019	2	2
Carrying amount 31 December 2019	**2**	**2**
Disposal	4	4
Gains/losses recognised in other comprehensive income	3	3
Carrying amount 31 December 2020	**1**	**1**

Table 13.2

Financial instruments measured at fair value

Financial instruments measured at fair value can be divided into three levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 – Inputs for the asset or liability that are not based on observable market data.

Fair value of listed shares falls within level 1 of the fair value hierarchy. Non-listed shares and other securities fall within level 3 of the fair value hierarchy.

Fair value of derivatives falls mainly within level 2 of the fair value hierarchy and is calculated on the basis of observable market data as of the end of the reporting period.

Fair value of level 3 assets and liabilities is primarily based on the present value of expected future cash flows. A reasonably possible change in the discount rate is not estimated to affect the company's profit or equity significantly.

Financial instruments carried at amortised cost

Fair value of the short-term financial assets and other financial liabilities carried at amortised cost is not materially different from the carrying amount. In general, fair value is determined primarily based on the present value of expected future cash flows. Where a market price was available, however, this was deemed to be the fair value.

Fair value of listed issued bonds is within level 1 of the fair value hierarchy. Fair value of the remaining borrowing items is within level 2 of the fair value hierarchy and is calculated on the basis of discounted interests and instalments.

Note 14 Pledges

After separating the drilling activities in 2019, the company holds no property, plant and equipment.

Pledges

Vessels and containers, etc., owned by subsidiaries with a carrying amount of USD 0.7bn (USD 1.4bn) have been pledged as security for loans of USD 0.3bn (USD 0.6bn).

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Note 15 Commitments

The future charter and operating lease payments for continuing operations are:

Table 15.1	2020	2019
Within one year	5	5
Total	**5**	**5**

Table 15.1

Operating lease commitments

As part of the company's activities, customary agreements are entered into regarding operating lease of vessels, equipment and office buildings, etc.

Total operating lease costs incurred are stated in note 2.

Capital commitments

The company has no material capital commitments at the end of 2020.

Note 16 Contingent liabilities

As part of the divestment of Mærsk Olie og Gas A/S (MOGAS) to Total S.A. in 2018, the company has assumed a secondary liability related to the decommissioning of the offshore facilities in Denmark by issuance of a declaration. The company assesses the risk of economic outflows due to this secondary liability as very remote.

Guarantees amount to USD 0.3bn (USD 0.4bn). Thereof, USD 0.3bn (USD 0.4bn) is related to subsidiaries. The guarantees are not expected to be realised, but they can mature within one year.

Except for customary agreements within the company's activities, no material agreements have been entered into that will take effect, change or expire upon changes of the control over the company.

The company is involved in a number of legal cases, tax, and other disputes. Some of these involve significant amounts and are subject to considerable uncertainty. Management continuously assess the risks associated with the cases and disputes, and their likely outcome. It is the opinion of Management that, apart from items recognized in the financial statements, the outcome of these cases and disputes are not probable or cannot be reliably estimated in the term of amount or timing. The Company does not expect these to have a material impact on the financial statements.

Tax may crystallise on repatriation of dividends. Through participation in joint taxation scheme with A.P. Møller Holding A/S, the company is jointly and severally liable for taxes payable, etc. in Denmark.

Note 17 Cash flow specifications

Table 17.1	2020	2019
Change in working capital		
Trade receivables	5	-2
Other receivables and prepayments	70	-64
Trade payables and other payables, etc.	53	28
Exchange rate adjustment of working capital	13	1
Total	**141**	**-37**

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Note 18 Related parties

Table 18.1	Controlling parties		Subsidiaries		Associated companies		Joint ventures		Management[1]	
Continuing operations	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Income statement										
Revenue	-	-	17	18	-	-	-	-	-	-
Operating costs	-	-	11	12	-	-	-	-	-	-
Remuneration to management	-	-	-	-	-	-	-	-	14	15
Dividends	-	-	413	305	-	-	-	19	-	-
Financial income	59	12	895	1,151	-	-	-	-	-	-
Financial expenses	-	2	169	141	-	-	-	-	-	-
Assets										
Interest-bearing receivables, non-current	-	-	15,044	7,913	-	-	-	-	-	-
Derivatives, non-current	-	-	-	4	-	-	-	-	-	-
Other receivables, non-current	25	27	-	-	-	-	-	-	-	-
Trade receivables	-	-	3	8	-	-	-	-	-	-
Interest-bearing receivables, current	-	-	2,121	12,804	-	-	1	-	-	-
Derivatives, current	-	-	19	24	-	-	-	-	-	-
Other receivables, current	49	5	249	286	-	-	-	-	-	-
Cash and bank balances	487	644	-	-	-	-	-	-	-	-
Liabilities										
Interest-bearing debt, non-current	-	-	13	-	-	-	-	-	-	-
Derivatives, non-current	-	33	6	1	-	-	-	-	-	-
Interest-bearing debt, current	-	-	9,078	5,031	-	-	-	-	-	-
Trade payables	-	-	23	20	-	-	-	-	-	-
Derivatives, current	44	5	107	35	-	-	-	-	-	-
Other liabilities, current	4	6	15	15	-	-	-	-	-	-
Sale of companies, property, plant and equipment	-	-	10	-	4	-	-	-	-	-
Capital increases and purchase of shares	-	-	4,565	850	-	-	-	-	-	-
Return of capital	-	-	-	5,780	-	-	-	-	-	-

Table 18.1

Joint usage agreement with A.P. Møller Holding A/S

With the objective of further strengthening the value of the brands, A.P. Møller - Mærsk A/S entered into a joint usage agreement with A.P. Møller Holding A/S in 2018 regarding the use of commonly used trademarks which historically have benefited both A.P. Møller - Mærsk A/S and A.P. Møller Holding A/S. A.P. Møller Holding A/S is the controlling shareholder of A.P. Møller - Mærsk A/S, and is wholly owned by A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal. The joint usage agreement establishes a framework and a branding strategy for the commonly used trademarks and a joint brand board, where the parties can cooperate regarding the use of these trademarks.

Share buy-back programme

According to separate agreement, A.P. Møller Holding A/S participates on a pro rata basis to the shares purchased in the company's share buy-back programme.

A.P. Møller Holding A/S, Copenhagen, Denmark, has control over the company and prepares consolidated financial statements. A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal is the ultimate owner.

Dividends distributed are not included.

1 The Board of Directors and the Executive Board in A.P. Møller - Mærsk A/S, A.P. Møller Holding A/S, A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal and their close relatives (including undertakings under their significant influence).

Note 19 Significant accounting policies

The financial statements for 2020 for A.P. Møller - Mærsk A/S have been prepared on a going concern basis and in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for listed companies. The consolidated financial statements are also in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

The accounting policies of the company are consistent with those applied in the financial statements for 2019, apart from the fact that the company in December 2019 elected to early adopt the amendments to IFRS 9, IAS 39 and IFRS 7 included in IASB's project 'Interest Rate Benchmark Reform'.

The accounting policies are furthermore consistent with the accounting policies for the Group's financial statements (note 23 in the consolidated financial statements) with the following exceptions:

- Shares in subsidiaries and associated companies are measured at cost or a lower recoverable amount
- Dividends from subsidiaries and associated companies are recognised as income at the time of declaration unless considered a return of capital in subsidiary
- No segment information is disclosed
- Value of granted share options, restricted shares and performance shares to employees in subsidiaries is expensed directly in the relevant subsidiary. At the time of the grant, the subsidiary settles the amount with A.P. Møller - Mærsk A/S and the counter posting is made in equity. At the time of exercising, the proceeds are included in the company's equity.

New financial reporting requirements

The company has not yet adopted the following accounting standards/requirements:

IFRS 17 – Insurance contracts

IFRS 17: An analysis of the impact is being assessed and is expected to be concluded in due course ahead of the implementation date.

Other changes to IFRS are not expected to have any significant impact on recognition and measurement.

Note 20 Significant accounting estimates and judgements

When preparing the financial statements of the company, management undertakes a number of accounting estimates and judgements to recognise, measure and classify the company's assets and liabilities.

Estimates that are material to the company's financial reporting are made on the basis of, inter alia, determination of impairment of financial non-current assets including subsidiaries and associated companies (including assets held for sale) and recognition and measurements of provisions. Reference is made to notes 4, 6 and 11.

Management assesses impairment indicators for investments in subsidiaries and associated companies and determines recoverable amount generally consistent with the assumptions described in notes 6, 7 and 24 of the consolidated financial statements.

The accounting estimates and judgements are described in further detail in note 24 of the consolidated financial statements.

Statement of the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the Annual Report of A.P. Møller - Mærsk A/S for 2020.

The Annual Report for 2020 of A.P. Møller - Mærsk A/S has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act, and in our opinion gives a true and fair view of A.P. Moller - Maersk's and the company's assets and liabilities and financial position at 31 December 2020 and of the results of A.P. Moller - Maersk's and the company's operations and cash flows for the financial year 2020.

In our opinion, the Directors' Report includes a fair review of the development in A.P. Moller - Maersk's and the company's operations and financial conditions, the results for the year, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that A.P. Moller - Maersk and the company face.

In our opinion, the annual report of A.P. Møller - Mærsk A/S for the financial year 1 January to 31 December 2020 identified as with the file name APMM-2020-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

We recommend that the Annual Report be approved at the Annual General Meeting on 23 March 2021.

Copenhagen, 10 February 2021

Executive Board

Søren Skou — CEO

Patrick Jany — CFO

Vincent Clerc

Morten Engelstoft

Henriette Hallberg Thygesen

Board of Directors

Jim Hagemann Snabe — Chairman

Ane Mærsk Mc-Kinney Uggla — Vice Chairman

Dorothee Blessing

Bernard L. Bot

Marc Engel

Arne Karlsson

Thomas Lindegaard Madsen

Blythe S. J. Masters

Jacob Andersen Sterling

Robert Mærsk Uggla

Independent Auditor's Reports

To the shareholders of A.P. Møller - Mærsk A/S.

Report on the audit of the financial statements

Our opinion

In our opinion, the consolidated financial statements and the parent company financial statements (pages 64-135 and 144-146, respectively) give a true and fair view of the Group's and the parent company's financial position at 31 December 2020 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January to 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The consolidated financial statements and parent company financial statements of A.P. Møller - Mærsk A/S for the financial year 1 January to 31 December 2020 comprise income statement and statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes, including summary of significant accounting policies for the Group as well as for the parent company. Collectively referred to as the 'financial statements'.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of our report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of A.P. Møller - Mærsk A/S on 12 April 2012 for the financial year 2012. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of nine years including the financial year 2020.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue is complex due to the volume of transactions and the variety of different revenue streams within the segments. We focused on this area due to the significance of amounts involved and because recognition of revenue involves accounting policy decisions, and judgements made by Management originating from different customer behavior, market conditions, terms and nature of services in the various segments. Further, the volume of transactions and extent of different revenue streams require various IT setups to ensure correct revenue recognition, which are complex and introduce an inherent risk to the revenue recognition process. Reference is made to notes 1 and 23 in the consolidated financial statements.	Our audit procedures included considering the appropriateness of the revenue recognition accounting policies and assessing compliance with applicable accounting standards. We tested the IT setups supporting the revenue recognition as well as relevant internal controls and Management's monitoring of internal controls. We used data analytics on selected revenue streams and performed substantive procedures over invoicing and relevant contracts in order to assess the accounting treatment and principles applied, and tested journal entries on revenue. Further, we tested timing to ensure that the revenue is recognised in the correct financial year.

Recoverability of the carrying amount of property, plant and equipment

Key audit matter	How our audit addressed the key audit matter
The most significant risks in relation to Management's assessment of the recoverability of the carrying amount of property, plant and equipment relate to the definition of cash-generating units (CGUs), identification of CGUs with indicators of impairment and, where relevant, the estimate of the fair values less costs to sell and the values in use, including determination of key assumptions. Bearing in mind the generally long-lived nature of the assets, the most critical assumptions in estimating the future cash flows are Management's long-term outlook for freight and terminal rates, volume growth, bunker price and capital expenditures as well as determining the discount rates. We focused on this area, as the carrying amounts are significant and because Management is required to exercise considerable judgement because of the inherent complexity in estimating the fair values less costs to sell or the values in use. Reference is made to notes 7 and 23, 24 in the consolidated financial statements.	In addressing the risks, we considered the appropriateness of the defined CGUs within the businesses. We examined the methodology used by Management to assess the carrying amount of property, plant and equipment assigned to CGUs, and the process for identifying CGUs that required impairment testing to determine compliance with IFRS as adopted by the EU. We performed detailed testing for the assets where indicators of impairment were identified. For those assets, we reviewed Management's testing of the fair values less costs to sell or the values in use, including analysed the reasonableness of key assumptions in relation to the ongoing operation of the assets. We corroborated Management's estimates of future cash flows and challenged whether these are appropriate in respect of key assumptions, such as freight and terminal rates, volume growth, bunker price and capital expenditures. We used our internal valuation specialists to independently challenge the discount rates. In calculating the discount rates, the key inputs used were independently sourced from market data, and we assessed the methodology applied. Further, we tested the mathematical accuracy of the relevant fair value less cost to sell and value in use models prepared by Management.

Statement on Directors' Report

Management is responsible for Directors' Report (pages 3-62, 142-143 and 149, respectively).

Our opinion on the financial statements does not cover Directors' Report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Directors' Report and, in doing so, consider whether Directors' Report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Directors' Report includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Directors' Report is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Directors' Report.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the parent company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on compliance with the ESEF Regulation

As part of our audit of the financial statements we performed procedures to express an opinion on whether the annual report of A.P. Møller - Mærsk A/S for the financial year 1 January to 31 December 2020 with the filename APMM-2020-12-31.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the consolidated financial statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the consolidated financial statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited consolidated financial statements.

In our opinion, the annual report of A.P. Møller - Mærsk A/S for the financial year 1 January to 31 December 2020 with the file name APMM-2020-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 10 February 2021

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Mogens Nørgaard Mogensen
State Authorised Public Accountant
mne21404

Lars Baungaard
State Authorised Public Accountant
mne23331

Additional information

1 Part of Financials
2 Part of the Directors' Report

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Quarterly summary 1/2

				2020				2019
Income statement	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	11,255	9,917	8,997	9,571	9,668	10,055	9,627	9,540
Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)	2,711	2,297	1,697	1,521	1,463	1,656	1,357	1,236
Depreciation, amortisation and impairment losses, net	1,222	1,097	1,149	1,073	1,160	1,021	1,024	1,082
Gain on sale of non-current assets, etc., net	30	8	145	19	1	36	16	18
Share of profit/loss in joint ventures and associated companies	75	81	58	85	38	66	67	58
Profit/loss before financial items (EBIT)	1,594	1,289	751	552	342	737	416	230
Financial items, net	-272	-160	-232	-215	-212	-148	-170	-228
Profit/loss before tax	1,322	1,129	519	337	130	589	246	2
Tax	21	182	76	128	191	69	92	106
Profit/loss for the period – continuing operations	1,301	947	443	209	-61	520	154	-104
Profit/loss for the period – discontinued operations	-	-	-	-	-	-	-1	-552
Profit/loss for the period	1,301	947	443	209	-61	520	153	-656
A.P. Møller - Mærsk A/S' share	1,299	927	427	197	-72	506	141	-659
Underlying profit/loss – continuing operations	1,361	1,043	359	197	29	452	134	-69
Balance sheet								
Total assets	56,117	56,162	55,319	53,990	55,399	55,662	56,555	61,701
Total equity	30,854	29,547	28,569	27,945	28,837	28,879	28,997	32,843
Invested capital	40,121	40,404	40,186	39,977	40,555	40,938	41,910	46,491
Net interest-bearing debt	9,232	10,804	11,564	11,978	11,662	12,056	12,910	12,565
Cash flow statement								
Cash flow from operating activities	2,569	2,176	1,867	1,216	1,535	1,732	1,170	1,482
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	370	280	362	310	469	343	445	778
Cash flow from financing activities	-2,400	-1,539	-59	-1,620	-1,209	-1,520	-769	-1,302
Free cash flow	1,666	1,486	1,051	445	800	946	270	324
Net cash flow from discontinued operations	-	-	-	-	-	-	-419	47

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Quarterly summary 2/2

				2020				2019
Financial ratios	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
EBITDA margin	24.1%	23.2%	18.9%	15.9%	15.1%	16.5%	14.1%	13.0%
Cash conversion	95%	95%	110%	80%	105%	105%	86%	120%
Return on invested capital after tax – continuing operations (ROIC)	9.4%	5.9%	4.7%	3.8%	3.1%	3.0%	1.4%	0.6%
Return on equity after tax, annualised	17.2%	13.0%	6.3%	2.9%	-0.8%	7.2%	2.0%	-7.9%
Equity ratio	55.0%	52.6%	51.6%	51.8%	52.1%	51.9%	51.3%	53.2%
Stock market ratios								
Earnings per share – continuing operations, USD	66	48	21	10	-3	24	7	-5
Diluted earnings per share – continuing operations, USD	66	48	21	10	-3	24	7	-5
Cash flow from operating activities per share, USD	132	111	95	61	76	84	57	71
Share price (B share), end of period, DKK	13,595	10,080	7,728	6,092	9,608	7,746	8,142	8,442
Share price (B share), end of period, USD	2,246	1,585	1,161	894	1,439	1,132	1,241	1,270
Total market capitalisation, end of period, USD-m	41,957	29,583	21,827	17,002	28,000	22,309	24,749	25,743

Company overview

A.P. Moller - Maersk comprises more than 790 companies of which the largest are listed below. The Danish Financial Statements Act section 97a, par. 4 has been applied in the company overview.

A more comprehensive list of companies is available at https://investor.maersk.com/financials.cfm

Subsidiaries

Company	Country of incorporation	Owned share
A.P. Moller Finance SA	Switzerland	100%
A.P. Moller Singapore Pte. Ltd.	Singapore	100%
Addicks & Kreye Container Service GmbH & Co. KG	Germany	51%
Aliança Navegação e Logística Ltda.	Brazil	100%
APM Terminals - Aarhus A/S	Denmark	100%
APM Terminals Algeciras S.A.	Spain	100%
APM Terminals Apapa Ltd.	Nigeria	94%
APM Terminals B.V.	Netherlands	100%
APM Terminals Bahrain B.S.C.	Bahrain	64%
APM Terminals Callao S.A.	Peru	64%
APM Terminals China Co. Ltd.	Hong Kong	100%
APM Terminals Elizabeth, LLC	United States	100%
APM Terminals Gothenburg AB	Sweden	100%
APM Terminals India Pvt. Ltd.	India	100%
APM Terminals Inland Services S.A.	Peru	100%
APM Terminals North America B.V.	Netherlands	100%
APM Terminals Pacific LLC	United States	90%
APM Terminals Rotterdam B.V.	Netherlands	100%
APM Terminals Tangier SA	Morocco	90%
Aqaba Container Terminal Company (Pvt) Co.	Jordan	50%
Bermutine Transport Corporation Ltd.	Bermuda	100%
Coman SA	Benin	100%
Container Operators S.A.	Chile	100%
Damco (UAE) FZE	United Arab Emirates	100%
Damco A/S	Denmark	100%
Damco Australia Pty. Ltd.	Australia	100%
Damco Belgium NV	Belgium	100%
Damco China Ltd.	China	100%
Damco Distribution Services Inc.	United States	100%
Damco France SAS	France	100%
Damco India Pvt. Ltd.	India	100%
Damco International A/S	Denmark	100%
Damco Logistics Uganda Ltd.	Uganda	100%
Damco Sweden AB	Sweden	100%
Damco USA Inc.	United States	100%
Farrell Lines Inc.	United States	100%
Gateway Terminals India Pvt. Ltd.	India	74%
Gujarat Pipavav Port Ltd.	India	44%
Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft A/S & Co KG[1]	Germany	100%
Lilypond Container Depot Nigeria Ltd.	Nigeria	100%
Maersk (China) Shipping Company Ltd.	China	100%
Maersk A/S	Denmark	100%
Maersk Agency U.S.A. Inc.	United States	100%
Maersk B.V.	Netherlands	100%
Maersk Bangladesh Ltd.	Bangladesh	100%

1 Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft A/S & Co KG, Hamburg, is in accordance with paragraph 264b HGB (German commercial code) exempt from preparing, auditing and disclosing statutory financial statements as well as a management report in accordance with the German commercial law.

Subsidiaries

Company	Country of incorporation	Owned share
Maersk Container Industry A/S	Denmark	100%
Maersk Container Industry Qingdao Ltd.	China	100%
Maersk Denizcilik A.S.	Turkey	100%
Maersk Egypt For Maritime Transport SAE	Egypt	100%
Maersk FPSOs A/S	Denmark	100%
Maersk Gabon SA	Gabon	100%
Maersk Global Service Centres (Chengdu) Ltd.	China	100%
Maersk Global Service Centres (India) Pvt. Ltd.	India	100%
Maersk Holding B.V.	Netherlands	100%
Maersk Hong Kong Ltd.	Hong Kong	100%
Maersk Inc.	United States	100%
Maersk Inter Holding B.V.	Netherlands	100%
Maersk Line Agency Holding A/S	Denmark	100%
Maersk Line UK Ltd.	United Kingdom	100%
Maersk Line, Limited	United States	100%
Maersk Logistics Warehousing China Company Ltd.	Hong Kong	100%
Maersk Oil Trading and Investments A/S	Denmark	100%
Maersk Oil Trading Inc.	United States	100%
Maersk Shipping Hong Kong Ltd.	Hong Kong	100%
Maersk Supply Service (Angola) Lda.	Angola	49%
Maersk Supply Service A/S	Denmark	100%
Maersk Supply Service Canada Ltd.	Canada	100%
Maersk Supply Service International A/S	Denmark	100%
Maersk Supply Service UK Ltd.	United Kingdom	100%
Maersk Vietnam Ltd.	Vietnam	100%
New Times International Transport Service Co. Ltd.	China	100%
Poti Sea Port Corporation	Georgia	100%
PT Damco Indonesia	Indonesia	98%
Rederiaktieselskabet Kuling	Denmark	100%
Rederiet A.P. Møller A/S	Denmark	100%
Safmarine (Pty) Ltd.	South Africa	100%
Safmarine MPV NV	Belgium	100%
Sealand Europe A/S	Denmark	100%
Sealand Maersk Asia Pte. Ltd.	Singapore	100%
Sogester - Sociedade Gestora De Terminais S.A.	Angola	51%

Subsidiaries

Company	Country of incorporation	Owned share
Suez Canal Container Terminal SAE	Egypt	55%
Svitzer A/S	Denmark	100%
Svitzer Australia Pty Ltd	Australia	100%
Svitzer Marine Ltd.	United Kingdom	100%
Terminal 4 S.A.	Argentina	100%
West Africa Container Terminal BVI Ltd.	British Virgin Islands	100%
West Africa Container Terminal Nigeria Ltd.	Nigeria	100%

Associated companies

Company	Country of incorporation	Owned share
Abidjan Terminal SA	Côte d'Ivoire	49%
Brigantine International Holdings Ltd.	Hong Kong	30%
Brigantine Services Ltd.	Hong Kong	30%
Congo Terminal Holding SAS	France	30%
Congo Terminal SA	Republic of the Congo	15%
Cosco Ports (Nansha) Ltd.	British Virgin Islands	34%
Guangzhou South China Oceangate Container Terminal Co. Ltd.	China	20%
Höegh Autoliners Holdings AS	Norway	39%
Meridian Port Services Ltd.	Ghana	35%
Pelabuhan Tanjung Pelepas Sdn. Bhd.	Malaysia	30%
Salalah Port Services Company SAOG	Oman	30%
Shanghai Tie Yang Multimodal Transportation Co. Ltd.	China	29%
South Asia Gateway Pvt. Ltd.	Sri Lanka	33%
Tianjin Port Alliance International Container Terminal Co. Ltd.	China	20%

Joint ventures

Company	Country of incorporation	Owned share
Anchor Storage Ltd.	Bermuda	51%
Brasil Terminal Portuario S.A.	Brazil	50%
Cai Mep International Terminal Co. Ltd.	Vietnam	49%
Douala International Terminal S.A.	Cameroon	44%
Eurogate Container Terminal Wilhelmshaven Beteiligungsgesellschaft GmbH	Germany	30%
First Container Terminal ZAO	Russian Federation	31%
Global Ports Investments PLC	Cyprus	31%
North Sea Terminal Bremerhaven Verwaltungsgesellschaft GmbH	Germany	50%
Petrolesport Inc.	Russian Federation	31%
Qingdao New Qianwan Container Terminal Co. Ltd.	China	19%
Qingdao Qianwan Container Terminal Co. Ltd.	China	20%
Shanghai East Container Terminal Co. Ltd.	China	49%
Smart International Logistics Company Ltd.	China	49%
South Florida Container Terminal LLC	USA	49%
Vostochnaya Stevedore Company OOO	Russian Federation	31%
Xiamen Songyu Container Terminal Co. Ltd.	China	25%

Stock exchange announcements

The complete list of announcements is available at
http://investor.maersk.com/press-releases

12 February
- Management change

20 February
- Annual Report 2019
- Interim Report Q4 2019

28 February
- Notice convening the Annual General Meeting 2020 in A.P. Møller - Mærsk A/S

4 March
- Initiates third phase of share buy-back programme

19 March
- Proposal for election of new members for the Board of Directors

20 March
- Trading update for Q1 and suspension of 2020 full-year guidance

23 March
- Development of the Annual General Meeting on Monday 23 March 2020
- Articles of Association for A.P. Møller - Mærsk A/S

13 May
- Interim Report Q1 2020

2 June
- Registration of capital decrease in connection with cancellation of treasury shares completed

17 June
- Trading update for Q2 2020

30 June
- Information about changed number of votes and share capital

19 August
- Interim Report Q2 2020

13 October
- Trading update for Q3 2020 and 2020 full-year guidance adjustment

17 November
- Upgrading the full-year EBITDA guidance for 2020

18 November
- Interim Report Q3 2020
- Financial Calendar 2021
- Share buy-back programme of DKK 10 billion (around USD 1.6 billion)

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 analyses.

Backhaul
The direction of the trade route that has the lowest volumes, whereas the opposite direction is referred to as headhaul.

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

Cash conversion
Cash flow from operating activities to EBITDA ratio.

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

Cash return on invested capital (CROIC), %
Cash return on invested capital is calculated as free cash flow excluding acquisitions/divestments (cash flow from operating activities less gross CAPEX) divided by average invested capital for continuing operations.

Cost base
EBIT costs including VSA income and hub income and adjustments for restructuring costs, the result from associated companies and gains/losses.

Demurrage and detention
Compensation payable when a customer holds A.P. Moller - Maersk's containers beyond the agreed amount of free time, including any storage costs that A.P. Moller - Maersk may have incurred in connection therewith as well as compensation by way of liquidated damages for not having the containers available for circulation.

Discontinued operations
Discontinued operations are a major line of business (disposal group) that is either held for sale or has been sold in previous periods. The disposal group is reported separately in a single line in the income statement and cash flow statement. Comparison figures are restated. In the balance sheet assets and liabilities are classified and disclosed separately on an aggregate level as assets held for sale and liabilities associated with assets held for sale. In the balance sheet comparison figures are not restated. Discontinued operations include Maersk Drilling up to demerger in April 2019.

EBITDA
Earnings Before Interest, Taxes, Depreciation and Amortisation.

Equity ratio
Calculated as equity divided by total assets.

Equity-weighted EBITDA
EBITDA weighted on terminal ownership percentages of all entities (subsidiaries, joint ventures and associated companies).

Fatalities
The headcount number of accidents leading to the death of the employee.

FFE
Forty Foot container Equivalent unit.

Free cash flow
Cash flow from operating activities less cash flow from investing activities. Lease payments (repayments of lease liabilities and financial expenses paid on lease liabilities) are not included in the free cash flow.

Gross profit
The sum of revenue, less variable costs and loss on debtors.

Headhaul
The direction of the trade route that has the highest volume, whereas the return direction is referred to as backhaul.

IMO 2020
The International Maritime Organization's (IMO) 0.5% global cap on sulphur dioxide (SO_x) content in fuels for shipping has entered into force on 1 January 2020.

Infrastructure and Logistics revenue
A sum of revenue for Terminals & Towage and Logistics & Services reporting segments less freight forwarding revenue and excluding eliminations between the segments.

Invested capital
Segment assets less liabilities.

kcbm
1,000 cubic meter is the freight volume of the shipment for domestic and international freight. Cubic meter (CBM) measurement is calculated by multiplying the width, height and length together of the shipment.

Loaded volumes
Loaded volumes refer to the number of FFEs loaded on a shipment which is loaded on first load at vessel departure time excluding displaced FFEs.

Lost-Time Injury frequency (LTIf)
Measures the number of lost-time injuries per million exposure hours. Lost-time injuries are the sum of fatalities, permanent total disability, permanent partial disability and lost workday cases.

Net interest-bearing debt (NIBD)
Equals interest-bearing debt, including lease liabilities, fair value of derivatives hedging the underlying debt, less cash and bank balances as well as other interest-bearing assets.

Non-Ocean revenue growth, %
Non-Ocean includes the current Logistics & Services, Terminals & Towage and Manufacturing & Others segments, but excludes Maersk Oil Trading and tramp activities acquired as part of the Hamburg Süd transaction.

Ocean, hub productivity (PMPH)
Productivity is calculated as the average of the gross moves per hour for each call. Gross moves per hour for a single vessel call is defined as the total container moves (on load, off load and repositioning) divided by the number of hours for which the vessel is at berth.

Ocean, loaded freight rate (USD per FFE)
Average freight rate per FFE for all the Maersk containers loaded in the period in either Maersk Line or Hamburg Süd vessels or third parties (excluding intermodal). Hamburg Süd is not excluding intermodal.

Ocean, unit cost, fixed bunker (USD per FFE incl. VSA income)
Cost per FFE assuming a bunker price at USD 200/tonne excluding intermodal but including hubs and time charter income. Hamburg Süd is not excluding intermodal.

Return on equity after tax
Calculated as the profit/loss for the year divided by the average equity.

Return on invested capital after tax (ROIC)
Profit/loss before financial items for the year (EBIT) less tax on EBIT divided by the average invested capital.

Revenue backlog
The value of future revenue covered by contracts.

Terminals & Towage, annualised EBITDA per tug (terminal towage) (USD in '000)
Annualised EBITDA per tug equivalent (pilot boats and others count for 0.5).

Terminals & Towage, number of operational tug jobs (harbour towage) ('000)
Tug jobs on which Svitzer performs the physical job, including jobs where Svitzer has the commercial contract with the customer as well as jobs that Svitzer receives from the competitor through over-flow or other agreements.

TEU
Twenty-foot container Equivalent Unit.

Time charter
Hire of a vessel for a specified period.

Total market capitalisation
Total number of shares – excluding A.P. Møller - Mærsk A/S' holding of own shares – multiplied by the end-of-year price quoted by Nasdaq Copenhagen.

Underlying profit/loss
Underlying profit/loss is profit/loss for the year from continuing operations adjusted for net gains/losses from sale of non-current assets, etc., and net impairment losses as well as transaction, restructuring and integration costs related to major transactions. The adjustments are net of tax and include A.P. Moller - Maersk's share of mentioned items in joint ventures and associated companies.

VSA
A 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.

Women in leadership
The percentage of women referenced as Senior Managers, Leaders, Senior Leaders, and Executives, compared to total headcount of the same levels.

4PL
A 4PL is a fourth-party logistics provider managing resources, technology, infrastructure, and managing external 3PLs to design, build and provide supply chain solutions for businesses.

External financial reporting for A.P. Moller - Maersk

A.P. Moller - Maersk provides additional disclosure to satisfy legal requirements and stakeholder interests. Supplementary reports can be downloaded from https://investor.maersk.com/financial-reports, while additional information can be found here.

Annual report

The statutory annual report is available in electronic format at https://investor.maersk.com/financial-reports

The annual report has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

Interim reports

A.P. Moller- Maersk also produces quarterly interim reports.

Additional information

To further add value and with a focus on the professional segment and others with more specific interests, detailed presentations are available each quarter following the release of the interim reports and the annual report.

The interim reports, presentations and webcasts can be found on our Investor Relations website at https://investor.maersk.com/

Quarterly figures for 2010-2020 are available at https://investor.maersk.com/financials.cfm

Recommendations for Corporate Governance

The Board of Directors of A.P. Møller - Mærsk A/S continues to consider the 'Recommendations for Corporate Governance' implemented by Nasdaq Copenhagen. For further information, see page 51 of the annual report.

Remuneration report

The remuneration report includes the total remuneration received by each member of the Board of Directors and the Executive Board of A.P. Møller - Mærsk A/S for 2020. The report is available at https://investor.maersk.com/remuneration

Sustainability and gender composition of management

An independently assured Sustainability Report for 2020 has been published, which provides detailed information on A.P. Moller - Maersk's sustainability performance. The report serves as A.P. Moller - Maersk's Communication on Progress as required by the UN Global Compact and ensures compliance with the requirements of Section 99a of the Danish Financial Statements Act on corporate social responsibility.

The report further ensures compliance with the requirements of Section 99b of the Danish Financial Statements Act on reporting on the gender composition of management.

Finally the report ensures compliance with section 107d of the Danish Financial Statements Act on A.P. Moller - Maersk's statutory statement on social responsibility, underrepresented gender and diversity. The report is available on Investor Relations website https://investor.maersk.com/ and at https://www.maersk.com/about/sustainability/reports

Additional information on how A.P. Moller - Maersk manages issues and explains implementation, progress and relevant commitments and frameworks can be found on the Sustainability website at https://www.maersk.com/about/sustainability

An overview of Environmental, Social and Governance (ESG) performance data, including Sustainability Accounting Standards Board (SASB) and Task force on Climate-Related Financial Disclosures (TCFD) indices, is available in the 2020 ESG data overview on the Investor Relations website at https://investor.maersk.com/

Colophon

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

Jim Hagemann Snabe, Chairman

Ane Mærsk Mc-Kinney Uggla, Vice Chairman

Dorothee Blessing

Bernard L. Bot

Marc Engel

Arne Karlsson

Thomas Lindegaard Madsen

Blythe S. J. Masters

Jacob Andersen Sterling

Robert Mærsk Uggla

Executive Board, A.P. Møller - Mærsk A/S

Søren Skou, Chief Executive Officer (CEO)

Patrick Jany (CFO)

Vincent Clerc

Morten H. Engelstoft

Henriette Hallberg Thygesen

Audit Committee

Arne Karlsson, Chairman

Bernard L. Bot

Jim Hagemann Snabe

Remuneration Committee

Jim Hagemann Snabe, Chairman

Arne Karlsson

Robert Mærsk Uggla

Nomination Committee

Ane Mærsk Mc-Kinney Uggla, Chairman

Jim Hagemann Snabe

Robert Mærsk Uggla

Transformation & Innovation Committee

Jim Hagemann Snabe, Chairman

Marc Engel

Blythe S. J. Masters

Robert Mærsk Uggla

Auditor

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Statsautoriseret Revisionspartnerselskab

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