A.P. MØLLER HOLDING A/S ANNUAL · REPORT 2018

A·P·MØLLER

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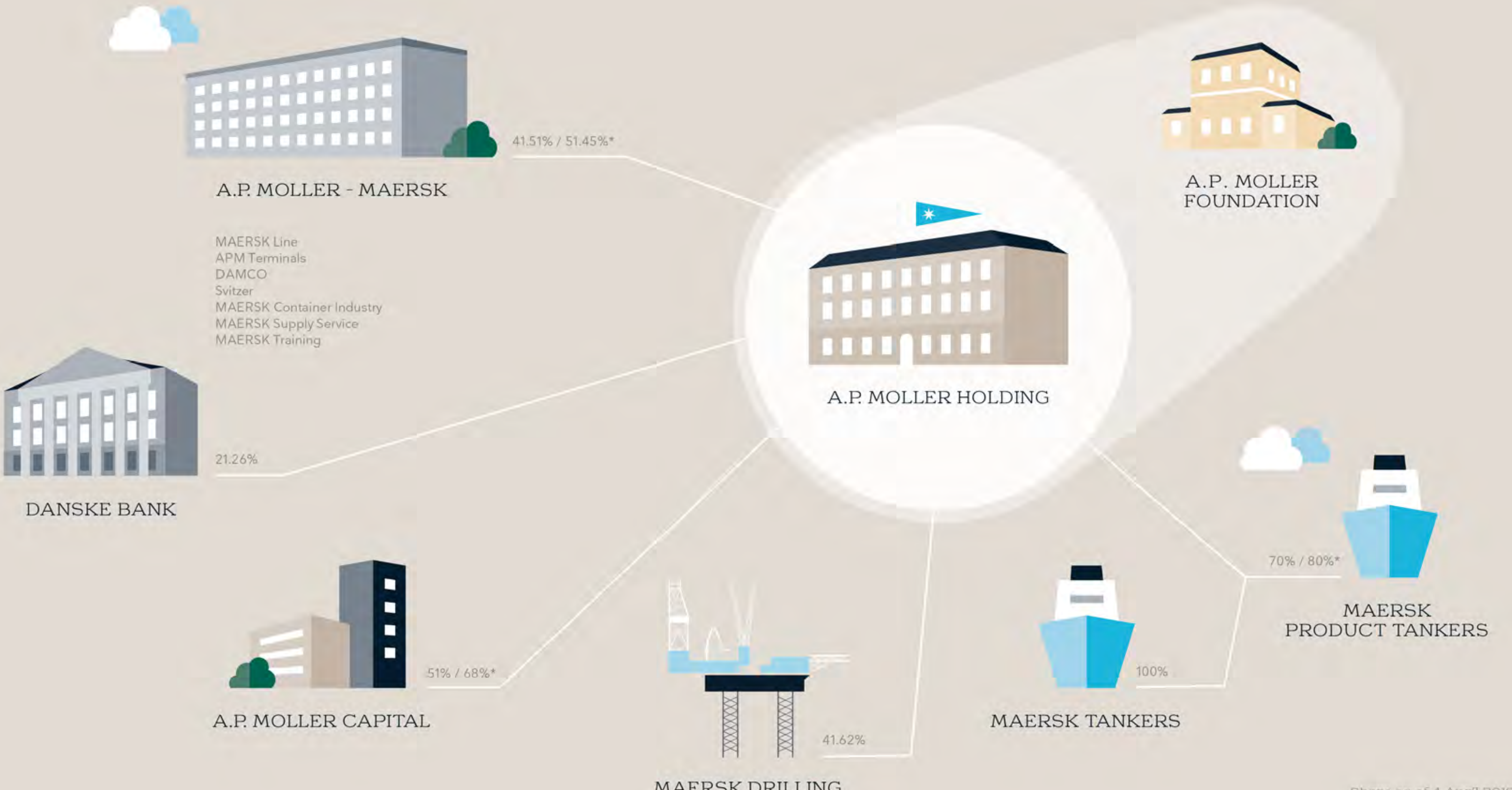
Date 11 April 2019
Chairman Lars-Erik Brenøe

A.P. MOLLER HOLDING
AT A GLANCE



Share as of 4 April 2019
*Ownership/Voting share

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The Annual Report of A.P. Møller Holding A/S (hereafter referred to as A.P. Moller Holding) includes the financial statements of A.P. Møller – Mærsk A/S (A.P. Moller – Maersk), Danske Bank A/S (Danske Bank), Maersk Drilling Holding A/S (Maersk Drilling), Maersk Tankers A/S (Maersk Tankers), Maersk Product Tankers A/S (Maersk Product Tankers) and A.P. Møller Capital P/S (A.P. Moller Capital) as well as the financial statements of A.P. Moller Holding's investment companies.

2017 comparative figures are stated in brackets.

MANAGEMENT REVIEW

LETTER FROM THE CEO

ROBERT M. UGGLA, CEO

Dear Reader

The A.P. Moller Group looks back on a momentous year. Some of the most noteful events include the closing of the divestment of Maersk Oil to Total S.A., the announcement and planning of the demerger of Maersk Drilling, the successful closing of the Africa Infrastructure Fund, the extraordinary general meeting (EGM) of Danske Bank, the partial sale of Maersk Product Tankers to Mitsui & Co. Ltd and the initial build-up of A.P. Moller Holding's investment team.

The Group holds a solid financial position with a 2018 revenue of DKK 261bn, a net result of DKK 10.9bn, and consolidated assets of DKK 413bn. A.P. Moller Holding, the Group's parent company, is debt free and saw a net cash inflow of DKK 4.1bn. Despite and beyond these fairly impressive figures, 2018 proved to be a challenging year for several of our portfolio companies.

Our consolidated book equity grew 11% to DKK 256bn, of which our share was DKK 126bn, but the portfolio's market values, defined as net asset values, dropped to DKK 98bn or 28%. The discrepancy between the market and book values of our listed companies demonstrates the disconnect between how capital markets and the companies themselves assess the intrinsic value of their activities. Simply put, investors assume that every dollar of equity invested by these companies is only worth 80 cent. In the case of A.P. Moller - Maersk, the company has to demonstrate an ability to deliver a return above its cost of capital across the cycle. For several consecutive years, Danske Bank has traded above its book value, based on a healthy return and competitive results compared to peers. The bank's current discount reflects the uncertainty surrounding the outcome and wider implications of the AML case.

The discount of both companies' share price is a function of shareholders' dissatisfaction with both companies' performance. From our vantage point, it also represents a significant opportunity for the management teams and boards to create long term value for their shareholders, which we see as a pressing objective. The closing of the gap between market and book value would equal value creation to the tune of DKK 87bn for the shareholders in these two companies.

REBUILDING DANSKE BANK'S CREDIBILITY AND POSITION AS A LEADING NORDIC BANK

Danske Bank is one of the largest financial institutions in Northern Europe. It provides valuable and critical financial infrastructure and services to many parts of the Nordic economy. It is our conviction that Danish society as well as the Danish financial ecosystem benefit widely from having a universal bank like Danske Bank with a significant balance sheet to provide attractive funding, a deep bench of financial talent (also moving on to other roles outside the bank), and institutional know how.

With that said, Danske Bank's role in society comes with a major responsibility. We find it critical that the board and management of Danske Bank instil and safeguard a sound business culture, in line with the expectations of society, regulators, customers and shareholders.

Based on what came to light during the last year in the AML case, A.P. Moller Holding took the unusual step and called for an EGM, in coordination with other large shareholders. We assessed that the board of the bank required new leadership to rebuild the bank's credibility. In many respects, the EGM was a unique event which carried risks. With this in mind, we are grateful for the impressive turnout of national and international shareholders, who, with approximately 95% of the registered votes, endorsed A. P. Moller Holding's nominated candidates Karsten Dybvad and Jan T. Nielsen.

The newly formed Chairmanship, and the additional three new Directors elected at the 2019 annual general meeting, hold valuable perspectives and capabilities to be leveraged as the bank rebuilds its credibility. They are also in a better position to create stronger alignment between the board and Danske Bank's regulators, societal stakeholders as well as shareholders. At the same time, we are grateful that Carol Sergeant, Lars-Erik Brenøe and Jens Due Olsen remain part of the board in 2019 as they all hold important competencies, and the significant changes to the board need to be balanced with a degree of stability and business continuity.

Performance vs. indices

(Indexed, 2014 = 100 as base year)	2015	2016	2017	2018	CAGR (2014-2018)
Our Net Asset Value Index	93.2	117.1	118.5	85.6	-3.8%
ProCapture Global AC Index	108.9	119.9	130.3	123.1	5.3%
SCFI Index	79.8	90.7	78.6	86.8	-3.5%
Brent oil price (per BBL)	65.0	99.1	116.6	93.8	-1.6%

A.P. Moller Holding's nomination process for the chairmanship candidates, which had to run separately from the board's nomination committee's work, had its practical challenges. These practical challenges also highlight the risks of prevailing Danish governance practices, with the responsibility of the board's succession often at the hands of an independent Chairman, who may not always be in tune with the owners (in practice, this also often means that an independent Chairman's own succession is steered by the Chairman himself). We do not believe this practice always serves shareholders' interests. Thus, we welcome the changes to Danske Bank's nomination committee, which is no longer steered by the board's independent Chairman. We also welcome the establishment of the Conduct and Compliance Committee to develop a strong compliance culture.

Danske Bank has just started its new journey. The board and management team of Danske Bank are facing a massive challenge to, on one hand, improve the culture, systems and processes to become best in class in terms of compliance. And, on the other hand, also continue to develop Danske Bank's leadership position as a successful commercial bank in the Nordic countries, in terms of customer service, digital solutions, credit management and cost control. The board of Danske Bank, executive leadership team and colleagues across the bank deserve acknowledgment for their undertaking, which requires courage, personal commitment and stewardship.

As shareholders, A.P. Moller Holding will do its utmost to support Danske Bank's ambition to regain its position as the leading bank in the Nordics. However, the shareholders' support is not sufficient. We are mindful that the bank's position as an independent Nordic bank, headquartered in Copenhagen, and competing with other Nordic banks based in Oslo, Stockholm and Helsinki, also requires strong backing from Danish regulators and law makers.

THE RESTRUCTURING OF THE MAERSK GROUP SOON FINALISED

A.P. Moller – Maersk, Maersk Tankers and Maersk Drilling are all recognised as strong operators compared to peers. But they are facing industries with structural head wind, which calls for innovative business development and careful considerations around capital deployment.

Maersk Tankers has stepped up its investment in digital capabilities, to improve decision making in the positioning of vessels to reduce waste in the product tanker supply chain and find new potential profit pools not linked to asset ownership.

Maersk Drilling offers a strong backlog of contracts, a focus on the fairly stable North Sea jack-up market, combined with a young fleet and a strong balance sheet. Over the last years, the company has developed a very client-centric business model to drive industry efficiencies.

A.P. Moller – Maersk saw significant revenue growth in 2018, but the financial returns remained bleak. To build a viable company long-term, the liner shipping activities (part of the segment 'ocean') need to stand on its own legs from a financial point of view, generating at least its cost of capital, while it also needs to decouple its capital dependency on proceeds from the Energy activities. A.P. Moller – Maersk has communicated that it desires to shift investments to other parts of its transport & logistics portfolio, including its digital foot print, which we believe is the right approach, to build a more balanced and financially attractive company.

On a positive note, A.P. Moller – Maersk continues to see good traction on its restructuring plans. With the demerger of Maersk Drilling, A.P. Moller – Maersk has largely concluded the separation of the Energy related activities (exception being Maersk Supply Service). As shareholders, we support the new structure, with more focused businesses, as we expect it to underpin agile decision making and stronger capital discipline. The separation of companies also enables them to have industry relevant expertise on their boards. Two new Directors are nominated for APMM's board in 2019, bringing on board valuable experience in supply chain management, logistics and technology. And the boards of Maersk Tankers and Maersk Drilling are benefiting from independent Directors with a deep understanding of the energy markets.

WHILE OUR GROUP HAS CHANGED FUNDAMENTALLY, the Group is still intact with A.P. Moller Holding as the new parent company, consolidating the results and activities of the Maersk companies, and filing taxes on behalf of the Group in Denmark. We desire to see mutually beneficial collaboration across the A.P. Moller portfolio, as these companies continue to be part of a broader network, offering shared values and heritage, in some cases a common brand, a large pool of talent, strong relationships and valuable know how

PLANTING THE SEEDS FOR THE FUTURE

The purpose of A.P. Moller Holding is to invest in and build companies, which have a positive impact on society: "nyttig virksomhed". As engaged owners, we passionately support our companies to further develop their activities. As an investment company, A.P. Moller Holding also has the task of investing in new companies. In this respect, A.P. Moller Holding's broader investment strategy is still being shaped, as we are in the midst of reviewing a number of macro themes and investment areas. In August 2018, our new Chief Investment Officer Jan T. Nielsen joined our team from a position as Senior Managing Director of Blackstone, based in Hong Kong. Together with Jan, we are building a small, agile and international investment organisation in A.P. Moller Holding fully focused on investing in future portfolio companies.

Our investment aspiration is to pursue industries, which are benefiting from long term secular growth trends, where we have an opportunity to be an engaged and valued owner. This approach is not unique but follows the footsteps of the founders of our company. Ever since Peter Mærsk Møller acquired the steamship vessel LAURA in 1886, betting that the steam engine would replace the sail, and the later formation of the steamship company of Svendborg by Arnold Peter Møller, our Group has benefited from investing in businesses underpinned by a strong macro tail wind. Global trade and strong demand for oil, due to the emergence of the combustion engine, have benefited many of our early investments for the last hundred years. As A.P. Moller Holding's current portfolio of holdings is seeing a more muted outlook, due to structural shifts in our economy and the emergence of new technologies and markets, it becomes critical that we plant more seeds for our future.

While it will take a long time to build a significant portfolio of new companies in A.P. Moller Holding, we expect to see the first investments in new companies materialize in the coming 1-2 years.

On a positive note, we have proven that we can monetise ideas and mobilise teams, if we set our minds to it. A.P. Moller Capital closed its first fund of USD 1bn in 2018 and has established its investment team over the last year. The team intends to invest in critical Africa infrastructure projects to support economic growth on a continent about to double its population over the next thirty years.

We are also exploring other incubation projects. In 2018, A.P. Moller Holding announced that it is reviewing the merits of geothermal energy on an industrial scale. Geothermal energy is a renewable, largely untapped energy source, which has the potential to cover approximately 30% of Denmark's energy requirements for district heating. To better assess the opportunity, we have hired a team of talented geologists and well engineers holding capabilities within subsurface handling, drilling and large construction projects. They have had a dialogue with municipalities in Denmark, where the combination of attractive subsurface water reservoirs and well-developed district heating systems are in place. In October, the team announced a letter of intent with Aarhus Municipality with the objective to transfer geothermal heating to the radiators of 100,000 Aarhus citizens. We find it exciting that Aarhus holds the opportunity to become a global front runner for this form of renewable energy.

Our geothermal project is still in its early stages with a number of uncertainties, well knowing that geothermal based district heating inside and outside of Denmark holds great potential. A predictable and stable regulatory framework is a prerequisite for the significant, long-term private investments that are needed in the green transformation of the Danish heat sector. In A.P. Moller Holding we are committed to working with relevant parties to enable such private investments and thereby assist in reaching the Danish and international goals for reduction of greenhouse gas emissions.

HELPING HANDS AND EFFORTS ARE DULY RECOGNISED

As a concluding remark, let me as CEO extend my sincere thanks to our team members in A.P. Moller Holding for their many efforts and contributions. I am truly excited to see so many talented colleagues join A.P. Moller Holding, taking on our many challenges and opportunities. Collectively, our team holds shared values, deep functional expertise with a strong desire and ability to have a real, positive impact.

Many of our colleagues have been burning the midnight oil over the last year, not least to support our portfolio companies. Their helping hands and relentless enthusiasm are duly recognised.

On the same note, I would like to thank hard working and diligent Directors and Executives in our portfolio companies for their many efforts and for a constructive dialogue with A.P. Moller Holding.

FIVE-YEAR SUMMARY

Amounts in DKKm	2018	2017	2016	2015	2014
INCOME STATEMENT					
Revenue	260,964	219,319	204,575	226,659	214,152
Share of profit in associated companies	2,201	4,863	502	3,200	2,499
Profit/loss before financial items (EBIT)	12,814	- 3,725	- 897	26,170	35,022
Financial items, net	- 2,815	- 4,125	- 3,916	- 2,827	- 3,337
Profit/loss for the year	22,464	- 2,991	- 11,051	7,656	40,264
A.P. Møller Holding A/S' share of profit/loss	**10,942**	**1,388**	**- 1,349**	**3,466**	**11,754**
Average number of employees	83,527	80,992	82,011	81,868	82,642
BALANCE SHEET					
Total assets as of 31 December	413,174	435,298	464,366	458,279	425,174
Equity as of 31 December	255,819	229,502	256,376	267,107	262,203
CASH FLOW STATEMENT					
Cash flow from operating activities	24,771	25,004	11,170	30,619	45,750
Purchase of property, plant and equipment	- 19,857	- 35,950	- 14,991	- 31,183	- 35,160
FINANCIAL RATIOS					
Return on equity	9.3%	-1.2%	-4.2%	2.9%	16.3%
Equity ratio	61.9%	52.7%	55.2%	58.3%	61.7%

The five-year key figures are based on the consolidation for A.P. Moller Holding group and have been adjusted for discontinued operations (Maersk Oil and Maersk Supply Service).

HIGHLIGHTS

A.P. Moller - Maersk continued progressing their transformation from a conglomerate to a focused global container integrator. During the year, A.P. Moller - Maersk completed the sale of Maersk Oil to Total S.A. and announced the demerger of Maersk Drilling. Maersk Drilling was listed separately in April 2019.

Danske Bank experienced a challenging year due to the AML case, leading to A.P. Moller Holding requesting an extraordinary general assembly electing a new chairmanship for Danske Bank. The underlying financial result reflected the steady development in the Nordic economies.

A.P. Moller Holding completed the partial sale of Maersk Product Tankers to Mitsui & Co. Ltd. who as co-investor provides valuable insight to the product tanker market. The tanker market was challenged in large part of the year with rates below breakeven, but with a strong pick up at year end.

A.P. Moller Capital successfully closed fundraising for their first fund “Africa Infrastructure Fund I” with USD 1bn funding commitment obtaining support from a strong investor base. It was the biggest fund raised in the Nordics by a first time fund manager.

A.P. Moller Holding announced the ambition to introduce geothermal energy on a large scale in Denmark, based on a LOI with Aarhus municipality and potentially outside Denmark over time.

FINANCIAL PERFORMANCE

A.P. Moller Holding delivered a consolidated result of DKK 10.9bn (DKK 1.4bn) and a return on equity of 9.3% (-1.2%). We benefited from a cash flow from investment activities of DKK 5.7bn, while net asset values decreased to DKK 98bn.

A.P. Moller Holding, the parent company of the fully consolidated activities of A.P. Moller – Maersk, Maersk Drilling, Maersk Product Tankers, Maersk Tankers, A.P. Moller Capital, as well as the financial activities of A.P. Moller Holding, and it accounts for its share of Danske Bank's result. A.P. Moller Holding delivered a consolidated revenue of DKK 261bn, a net result of DKK 10.9bn and consolidated equity of DKK 126bn. We saw an increase in revenue, operating profit and earnings compared to 2017, reflecting improvements in the underlying performance in mainly A.P. Moller - Maersk and the full year impact of the Hamburg Süd acquisition, which was closed in November 2017. Furthermore, the result was positively impacted by an accounting gain related to the sale of Maersk Oil and reversal of impairment losses. Other investments of A.P. Moller Holding had minor impact on the overall results.

A.P. Moller Holding recorded a cash flow from investment activities of DKK 5.7bn. Our net asset values contracted by 28% as the share price of Danske Bank and A.P. Moller – Maersk coming under pressure in 2018. Danske Bank's shares dropped 46.6% and A.P. Moller – Maersk shares dropped 24.5% in 2018.

During the year, we closed the partial sale of the shareholding in Maersk Product Tankers A/S to Mitsui & Co. Ltd., which, as co-investor, provides valuable insight and relationships to our product tanker activities.

OPERATING ACTIVITIES

Revenue for 2018 grew with 19.0% to DKK 261bn (DKK 219bn), in line with the topline growth of A.P. Moller - Maersk.

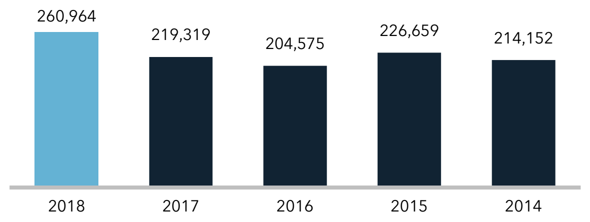
Total income in Danske Bank decreased by 29.7% partly due to the donation of DKK 1.5bn related to the AML case. Volatile financial markets also impacted the bank's trading results negatively.

TOTAL COSTS

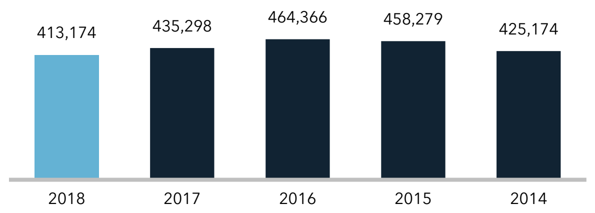
Operating costs increased by 22.3%, mainly related to higher activity level and increased bunker costs of A.P. Moller – Maersk.

A.P. Moller Holding's administrative costs have increased as a result of establishing and hiring an organisation, which is managing the company's reporting, compliance and investment functions. At the end of 2018, the organisation counted 23 employees, up from 18 the year before.

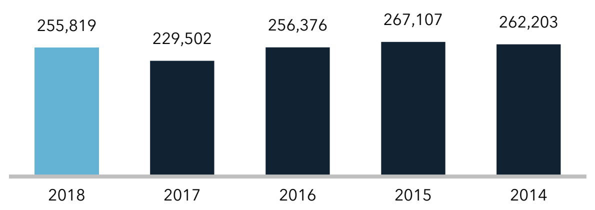
REVENUE (DKKm)



TOTAL ASSETS (DKKm)



CONSOLIDATED EQUITY (DKKm)



EBIT

EBIT increased to DKK 12.8bn from negative DKK 3.7bn in 2017, mainly due to reversal of impairment losses in 2018 compared to impairment losses in 2017, net effect of DKK 12.2bn.

TAX

Tax for the year amounted to DKK 2.6bn compared to DKK 1.2bn in 2017. The corporate tax rate is affected by the allocation of net profit before tax between tonnage tax and other activities.

PROFIT FOR THE YEAR

Profit for the year improved to DKK 22.5bn from a loss of DKK 3.0bn last year, mainly driven by the reversal of impairment losses and an accounting gain of DKK 16.4bn from the Maersk Oil sale. A.P. Moller Holding's share of the profit ended at DKK 10.9bn, an improvement of DKK 9.6bn.

The results were negatively impacted by a decrease in the USD average exchange rate of 4.3% compared to last year as A.P. Moller – Maersk, Maersk Tankers and Maersk Product Tankers reported in USD.

The result for the year was below our expectations, primarily due to downward adjustments in A.P. Moller – Maersk and Danske Bank resulting in lower results from Our Large Investments.

EQUITY

As of 31 December 2018, total equity amounted to DKK 256bn (DKK 230bn) reflecting an increase of 11.5%. The improvement was mainly the result of the distribution of net profit for the year. The return on equity amounted to 9.3% (-1.2%) and equity ratio 61.9% (52.7%).

A.P. Moller Holding's share of the equity increased to DKK 126bn (DKK 114bn) corresponding to 11.1%.

INVESTMENT ACTIVITY

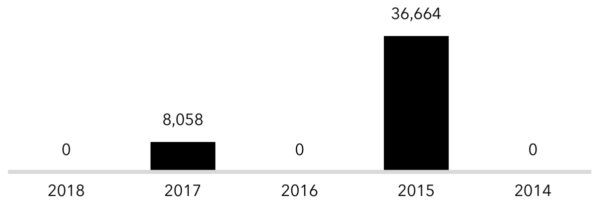
A Chief Investment Officer was hired in August 2018, in addition to several investment managers, to oversee investments in new activities. The team has initiated a strategy review of A.P. Moller Holding's investment scope.

The return from A.P. Moller Holding's financial investment portfolio was 0.4%, due to a relatively high level of cash holdings.

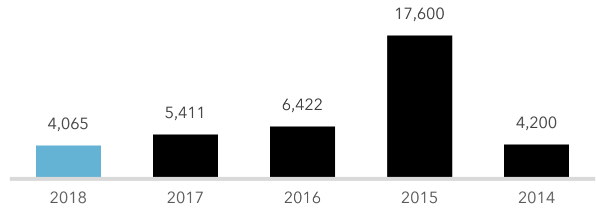
Cash flow used for investing activities was positive by DKK 5.7bn in 2018 and relates primarily dividends and the partial sale of Maersk Product Tankers. Cash flow from financing activities related to repayment of debt regarding the acquisition of Maersk Tankers in 2017. The total capital inflow from dividends and share buy-back programmes was DKK 4.1bn (DKK 5.4bn).

Amounts in DKKm	2018	2017	2016	2015	2014
KEY FIGURES: A.P. Moller Holding's investment activities					
Cash flow from operating activities	- 47	2,886	1,523	- 303	- 7
Cash flow used for investing activities	5,749	- 3,495	909	- 28,184	- 842
Cash flow from financing activities	- 5,334	1,304	- 2,858	27,785	0
Net asset value (market value)	98,085	135,857	134,229	106,871	114,653
Dividend to A.P. Moller Foundation	500	500	500	1,000	1,000
Average number of employees	21	12	3	2	2

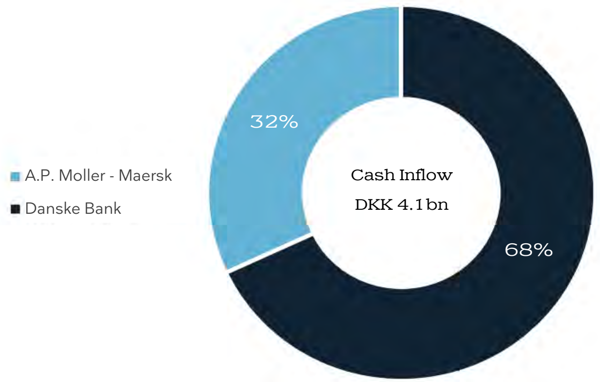
NEW DIRECT INVESTMENTS (DKKm)



CASH INFLOW (DIVIDENDS AND SHARE BUY-BACK) (DKKm)



DISTRIBUTION OF CASH INFLOW



DIVIDEND

Based on the financial result for 2018, the board of directors proposes a dividend of DKK 500m to A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal (A.P. Moller Foundation).

NET ASSET VALUE

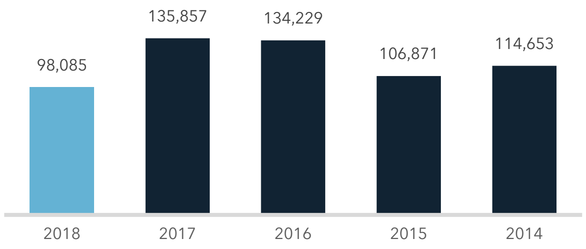
The net asset value decreased to DKK 98.1bn corresponding to 27.9%. The decrease reflected the significant decline in the share prices of A.P. Moller – Maersk (negatively 24.5%) and Danske Bank (negatively 46.6%) during the year. Both companies now trade below book value. The net asset value is a volatile measurement, not least over a shorter period, given the portfolio's significant exposure to two holdings.

DKKbn Entity	Value	Change in 2018
A.P. Moller - Maersk	68.0	-25.3
Danske Bank	23.6	-19.6
Maersk Tankers Group	3.2	0.3
Financial Portfolio	2.8	2.8
Other net assets	0.5	4.0
Total	**98.1**	**- 37.8**

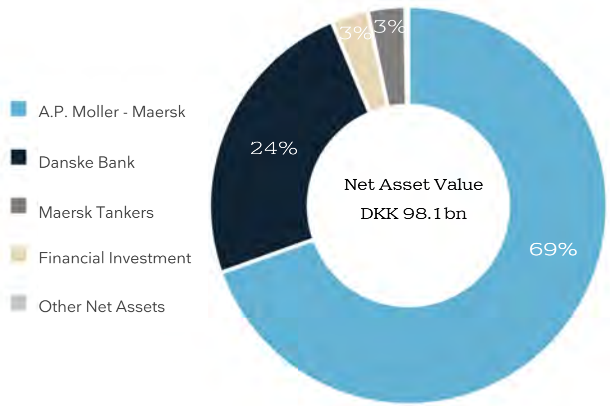
The net asset value calculation is based on different valuation methods. A.P. Moller – Maersk and Danske Bank are assessed using their share prices at Nasdaq OMX Copenhagen. Maersk Product Tankers is based on third-party valuation of the fleet while our financial investment portfolio is based on market capitalisation (primarily quoted prices).

The market value of A.P. Moller – Maersk and Danske Bank corresponds to 93.4% (almost 100.0% in 2017) of total net asset value as of 31 December 2018. We expect that the value of A.P. Moller – Maersk and Danske Bank will comprise a smaller part of the total net asset value over time.

NET ASSET VALUE (DKKm)



DISTRIBUTION OF NET ASSET VALUE



FINANCIAL OUTLOOK

A.P. Moller Holding's portfolio is generally exposed to the global economic markets, hence the outlook for our financial performance in 2019 is subject to significant uncertainties.

Our performance mainly depends on the development of the commercial activities in A.P. Moller – Maersk, Danske Bank, Maersk Drilling, Maersk Product Tankers, Maersk Tankers as well as the development of the financial markets.

Based on our holdings' guidance we expect the result for 2019 for our continuing operations to be above the result for 2018, when including the expected effect of the implementation of IFRS 16, Leases.

This statement is based on the current expectations for the financial markets and are by nature subject to a number of uncertainties that could cause actual results and performance to differ materially from the expectations.

DEFINING OUR FUTURE INVESTMENT STRATEGY

Building on our legacy

During 2018, A.P. Moller Holding has been focusing on framing the strategy for our future investments as well as building our investment team. In this, we are guided by the purpose coined by our founding fathers, namely creating "nyttig virksomhed" - building businesses with a positive impact on society.

We are also guided by the long-term view that has been applied and executed by the past generations. This implies that we are building an investment organisation and strategy beyond a pure financial focus. While we do need to deliver a satisfactory financial return to the A.P. Moller Foundation, we will be seeking to do so by continuing to be focused on the long-term trends that shape our society as a whole and by continuing to be entrepreneurial. One such example is our activities around geothermal energy where we are seeking to support a basic need for heating with renewable energy. Today, this is a small and entrepreneurial set-up that in our view has the potential to grow into a large and sustainable business.

Our investment strategy will also build on our legacy where impactful businesses and engaged ownership are key words. Ever since the first steamship vessel LAURA was acquired by Peter Mærsk Møller in 1886, the strategy of the A.P. Moller Group has been based on operating businesses that have strong positions in large markets, backed by long-term secular growth trends. Multiple times since its formation 115 years ago, the A.P. Moller Group has taken firm positions in numerous sectors and been a part of building long lasting businesses through engaged ownership.

There are numerous such examples. Firstly, seeing the potential and need for a responsible owner and investor to develop Denmark's subsurface potential for oil and gas extraction. Secondly, the part ownership of Dansk Supermarked that over decades has defined Danish retail. And thirdly, the long-term investment and stewardship around Danske Bank, where we currently are spending a significant part of our time and efforts as engaged owners seeking to strengthen a business we see as critical to Denmark's financial infrastructure.

In addition to defining a robust investment strategy, our investment team is crucial. We need a second to none investment team with an expansive mindset. We aim to have a small and agile team of highly motivated and skilled colleagues who share our views and can benefit our organisation. Historically, the A.P. Moller Group has had a global spirit and business reach, so as we grow, it is important for us to have a team with a global mindset, diverse cultural, ethnical and educational backgrounds. We have made several hires during 2018 that fit these criteria and we are continuing in 2019.

OUR STRATEGIC BELIEFS

A.P. Moller Holding is an owner and investor in the spirit of our founder A.P. Møller; investing in and building new businesses that have a positive impact on society ("nyttig virksomhed").

A.P. Moller Holding is the cultural custodian of the A.P. Moller and Maersk name and values.

A.P. Moller Holding is an engaged long-term owner with a point of view on key matters.

A.P. Moller Holding seeks portfolio renewal to safeguard the long-term viability of its portfolio. We believe portfolio renewal comes from building new businesses inside and outside of our core holdings.

A.P. Moller Holding is open to reconsider ownership of a business, if its business model does not have a positive impact on society, and/or lacks prospects for competitive value creation over time. A.P. Moller Holding's ownership in A.P. Moller – Maersk is to be neither diluted nor divested.

A.P. Moller Holding aspires to hold a diversified and financially robust portfolio to sustain black swans and unforeseen negative events.

A.P. Moller Holding pays dividends to the A.P. Moller Foundation, in order for the Foundation to contribute to and support society in the form of donations.

OUR HOLDINGS

A.P. MOLLER - MAERSK

A.P. Moller - Maersk delivered a result of USD 3.2bn (loss of USD 1.2bn) and continues to execute on the strategy transforming the conglomerate to an integrated transport and logistics company.

A.P. Moller – Maersk was founded by A.P. Møller in 1904. The A.P. Moller Foundation has since its establishment in 1953 been the controlling shareholder of the entities which today make up A.P. Moller – Maersk.

The Foundation's shareholding is held by A.P. Møller Holding A/S, which holds 41.51% of the shares and 51.45% of the voting rights in A.P. Møller - Mærsk A/S.

THE YEAR IN BRIEF

A.P. Moller - Maersk continued to progress on the transformation journey. The sale of Maersk Oil was completed in March 2018, and in August the intention to pursue a demerger of A.P. Moller - Maersk via a separate listing of Maersk Drilling was announced. Maersk Drilling was listed on Copenhagen stock exchange in April 2019.

The transformation from a conglomerate to one focused company continues, including forming a new global frontline simplifying engagement with customers and integrating support functions into global teams improving service offering while reducing costs. During 2018, Hamburg Süd has been integrated and positively contributed to industry consolidation and the financial results. A.P. Moller - Maersk continued working on improving the customer experience by offering 24/7 availability platforms and improving the network reliability.

Initiatives on improving the terminal and manufacturing businesses show progress with 11% volume growth in terminal business as well as improvements in productivity.

Regrettably, seven people lost their lives while engaged in operational activities, including the Honam incident.
A.P. Moller – Maersk works continuously on improving the safety standards.

STRATEGY REVIEW

The transformation of A.P. Moller – Maersk was initiated in 2016, based on the strategy to become the global integrator of container logistics. During 2018, progress has been made in key areas, including important steps in the digital journey, which is a key enabler in transforming both A.P. Moller – Maersk and the industry.

However, the synergies expected in connection with merging the existing businesses are delayed. A.P. Moller – Maersk still expects to realise synergies up to USD 600m in 2020. The integration of Hamburg Süd has delivered USD 420m in synergies in 2018, and the expectations for synergy in 2019 have been increased to USD 500m.

The ambition is to transform the business such that it becomes as easy to ship a container as it is for the customers to send a parcel. Changing the way in which container logistics currently is handled and leading the way in the digitisation of the industry are important steps in the transformation and hold potential for improving the customer experience. Twill, a multicarrier platform, and TradeLens, offering infrastructure solutions for document sharing across the supply chain, are examples of digital initiatives which strive to put the customer in the center.

A.P. Moller – Maersk's ambition by 2023 is to balance the earnings level between the Ocean and non-Ocean segments. To track the transformation progress A.P. Moller - Maersk has defined 4 key metrics: Non-Ocean revenue growth, Logistics and Services' gross profit growth, Realisation of annual synergies worth approx. USD 1bn by 2019 and Cash return on invested capital.

FINANCIALS

A.P. Moller – Maersk reported an increase in revenue of 26% to USD 39.0bn (USD 30.9bn) with positive contribution from all segments. EBITDA was USD 3.8bn (USD 3.5bn) with positive impact of USD 0.6bn from Hamburg Süd (pro forma). Net profit for the year ended at USD 3.2bn for 2018, driven by the discontinued operations. The underlying profit for continuing operations was USD 220m (USD 356m).

The cash flow from operating activities was USD 3.2bn (in line with 2017, USD 3.1bn), with a cash conversion of 85%. EBITDA improvement of USD 0.3bn was offset by the abolishment of the Danish export VAT scheme.

Gross capital expenditure amounted to USD 2.9bn (USD 3.6bn, net of Hamburg Süd acquisition). The development mainly related to the disposal of Maersk Oil. A.P. Moller - Maersk sold for USD 3bn Total S.A. shares during 2018. Therefore, the free cash flow was USD 4.2bn and USD 1.2bn excluding sale of Total shares.

A.P. Moller – Maersk proposed a dividend of DKK 150 per share.

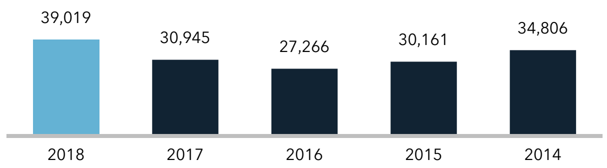
EXECUTIVE BOARD

- Søren Skou (CEO)
- Claus V. Hemmingsen (Vice CEO)
- Carolina Dybeck Happe (CFO)
- Vincent Clerc
- Morten Engelstoft
- Søren Toft

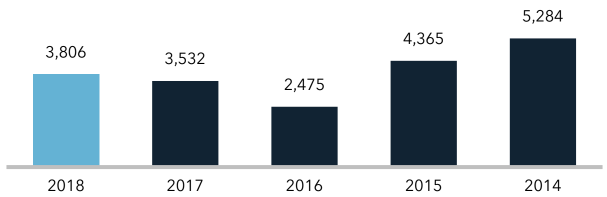
BOARD OF DIRECTORS

- Jim Hagemann Snabe (Chairman)
- Ane M. M. Uggla (Vice Chairman)
- Arne Karlsson
- Robert M. Uggla
- Dorothee Blessing
- Niels Bjørn Christiansen
- Bernard Bot (elected April 2019)
- Marc Engel (elected April 2019)
- Thomas Lindegaard Madsen
- Jacob Andersen Sterling

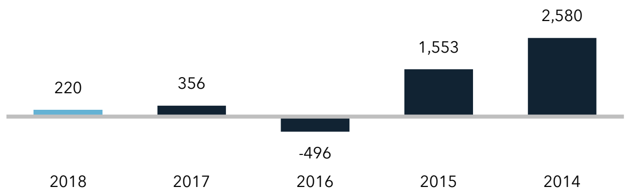
REVENUE (USDm) – CONTINUING BUSINESS



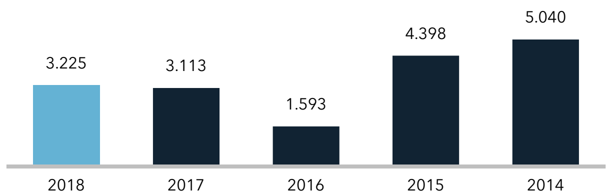
EBITDA (USDm) – CONTINUING BUSINESS



UNDERLYING PROFIT (USDm) – CONTINUING BUSINESS



FREE CASH FLOW (USDm) – CONTINUING BUSINESS



DANSKE BANK

Danske Bank delivered a financial result with a net profit of DKK 15bn (DKK 21bn) and a return on shareholders' equity of 9.8%. The financial result was overshadowed by the AML case.

Danske Bank is a Nordic focused universal bank with four core Nordic markets - Denmark, Norway, Sweden and Finland - and four business segments - personal, business, corporate and institutions and wealth. The universal banking model provides a strong diversified platform delivering synergies across core markets.

A.P. Moller has been involved in Danske Bank since 1928. In 2015, A.P. Moller Holding acquired a 20% direct ownership stake in Danske Bank, and at the end of 2018 A.P. Moller Holding held 20.5% of the shares in Danske Bank. A.P. Moller Holding continues to see the importance and value of a leading Nordic bank, with a strong presence in Denmark.

THE YEAR IN BRIEF

2018 proved to be a challenging year for Danske Bank, with the continued development of the serious issues related to the non-resident portfolio in Estonia (the AML case), which continues to negatively impact the bank in a number of ways.

Following the release of the report on the AML case, there has been changes in the management team and in the Board of Directors elected on the extraordinary general meeting held in December 2018. The extraordinary general meeting was called by Danske Bank at A.P. Moller Holding's request and was fully supported by other main shareholders. The purpose was to ensure that the Board of Directors has strong integrity and comprehensive experience in engaging with regulators, as well as financial competencies, to support the bank's talented employees in re-establishing a new, sound foundation and to strengthen Danske Bank's position as a leading Nordic bank.

The decrease in net profit from 2017 was driven mainly by difficult conditions on the financial markets, which had a negative impact on trading as well as on fee income. The results also reflect the donation of the estimated gross income from the non-resident portfolio in Estonia from 2007 to 2015 of DKK 1.5bn.

In June 2018, Danske Bank acquired SEB Pension Denmark adding 300,000 new customers and increasing the assets under management approximately DKK 100bn.

Danske Bank decided to discontinue their share buy-back program on 4 October 2018 as a consequence of the ongoing AML case.

In December 2018, Danske Bank announced its intention to sell the Swedish pension activities to a consortium of investors. However, Danske Bank and the new owners of Danica Pension Sweden will continue to collaborate.

STRATEGY REVIEW

Danske Bank launched their "Nordic Integrator Bank" strategy in May 2018 with the vision of becoming a trusted financial partner and setting new ambitions for the value creating for all its customers.

Danske Bank is executing on its strategy based on eight strategic priorities: Win on customer experience, Make compliance a business enabler, Increase the focus on people and culture, Build a harmonised Nordic core, Drive efficiency and agility, Make partnerships a growth lever, Lead data and analytics and Integrate societal impact into their business model.

Danske Bank will work within the framework to create the best possible customer experience.

FINANCIALS

Net profit amounted to DKK15bn, a decrease of 28% from the level in 2017. The underlying business remained solid and saw good developments. The profit was primarily affected by a decrease in net trading income of DKK 2.4bn and the one-off expense of DKK 1.5bn relating to the donation. In addition, the result was negatively affected by increased compliance costs, including costs relating to the AML case and the integration of SEB Pension Danmark.

The CET1 capital ratio was 17.0% end of 2018 (17.6% end of 2017). Danske Bank has set the ratio target at around 16%. Danske Bank thus meets the regulatory requirement of 14%.

Danske Bank's overall liquidity position remained robust. Stress tests show that the bank has a sufficient liquidity buffer well beyond 12 months. At the end of 2018, the liquidity coverage ratio stood at 121%, with a liquidity reserve of DKK 512bn. Danske Bank maintains its dividend policy of paying out between 40% and 60% of net profit and proposes a dividend of DKK 8.50 per share, corresponding to 51% of reported net profit.

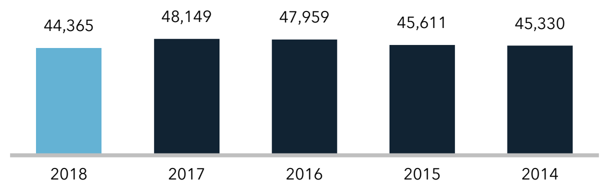
EXECUTIVE LEADERSHIP

- Jesper Nielsen (Interim CEO)
- Christian Baltzer (CFO)
- Jacob Aarup-Andersen
- Jim Ditmore
- Carsten Egeriis
- Jakob Groot
- Glenn Söderholm
- Frederik Vinten
- Phillippe Vollot

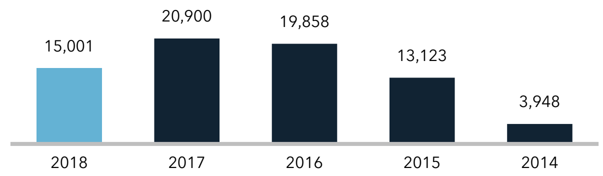
BOARD OF DIRECTORS

- Karsten Dybvad (Chairman)
- Carol Sergeant (Vice Chairman)
- Jan T. Nielsen (Vice Chairman)
- Bente Avnung Landsnes (elected March 2019)
- Christian Sagild (elected March 2019)
- Gerrit Zalm (elected March 2019)
- Jens Due Olsen
- Lars-Erik Brenøe
- Bente Bang
- Charlotte Hoffmann
- Kirsten Ebbe Brich
- Thorbjørn Lundholm Dahl

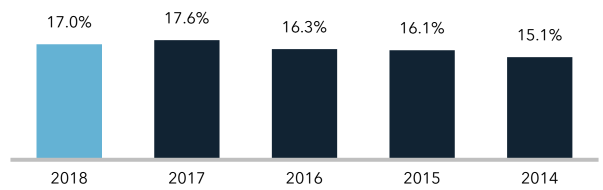
TOTAL INCOME (DKKm)



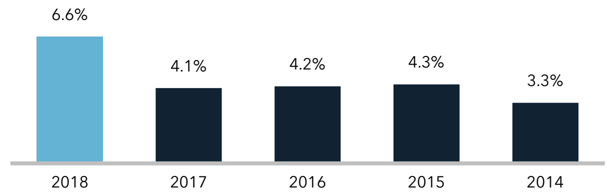
NET PROFIT (DKKm)

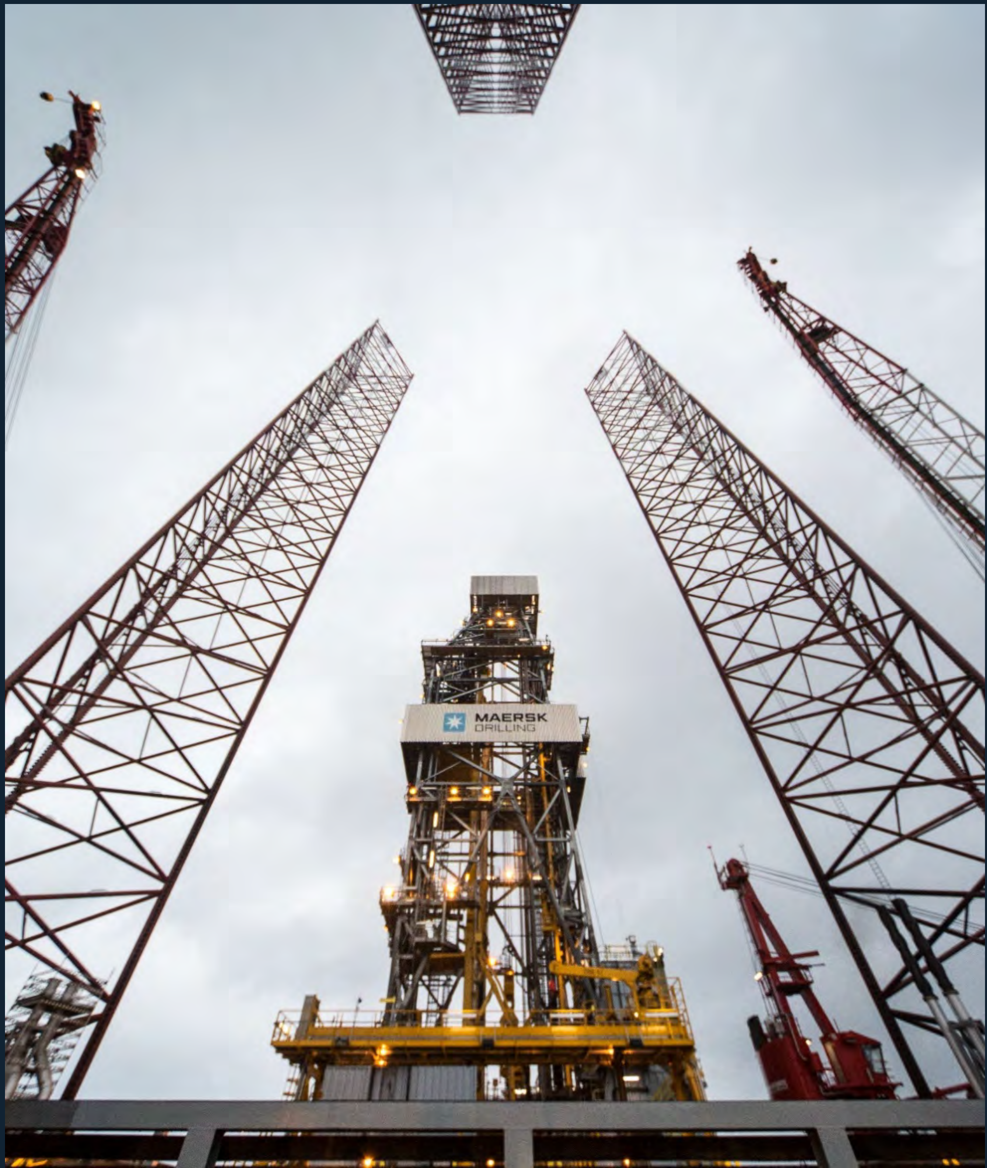


CET1 CAPITAL RATIO (%)



DIVIDEND YIELD (%)





MAERSK DRILLING

Maersk Drilling will be separately listed on 4 April 2019 following demerger from A.P. Moller-Maersk.

Maersk Drilling, established in 1972 as part of A.P. Moller - Maersk, obtained a stand-alone public listing in April 2019 with A.P. Moller Holding as the largest shareholder holding 41.6% of the shares.

Since the inception, Maersk Drilling has been on the forefront of developing high-end rigs and providing high-efficiency drilling services to oil and gas companies around the world.

Maersk Drilling owns and operates 23 mobile offshore drilling units specialising in the harsh environment and deep-water operations.

In 2016, A.P. Moller – Maersk announced it would focus its business operations and set out to define new structural solutions for the energy related businesses including Maersk Drilling.

THE YEAR IN BRIEF

In August 2018, A.P. Moller – Maersk announced the intention to demerge Maersk Drilling via a separate listing on the Copenhagen Stock Exchange. Hereby shareholders in A.P. Moller - Maersk would receive shares in the separately listed drilling company.

At the same time A.P. Moller Holding announced its intention to remain a significant shareholder in Maersk Drilling post the de-merger.

In December 2018, Maersk Drilling announced that they had concluded a separate debt financing package with a group of financial institutions. In January 2019, they announced a strengthening of their Board of Directors. Following these events Maersk Drilling is well prepared to operate as a standalone company both from a financial as well as an organisation perspective. Maersk Drilling will be listed on Copenhagen Stock Exchange on 4 April 2019.

STRATEGY REVIEW

Maersk Drilling is well positioned in the most attractive segments of the offshore drilling industry with its modern and high spec drilling units. Maersk Drilling owns and operates 23 units.

Safe operation is the foundation of Maersk Drilling's business both seen in terms of "licence to operate" as well as the company's ability to attract new business and convert it into profits.

Maersk Drilling's service delivery model looks to differentiate from the mainstream drilling companies through building alliances with oil and gas companies through long-term customer relationships and partnerships with the aim of improving efficiencies by reducing waste and increasing predictability in the drilling process for the customers.

One example of the strong customer relationships is the 5 year alliance agreement entered into in 2017 with AkerBP, with the aim of reducing cost per barrel and increasing profitability for all alliance partners (including Halliburton) through implementation of digital solutions, increased collaboration, standardizing and simplifying processes.

Maersk Drilling intends to continue to distinguish itself from the competition by providing a leading operational performance on safety, efficiency and reliability through a combination of its high-specification assets, operational excellence and innovation with partners across the value chain.

FINANCIALS

The result for 2018 was a profit of USD 941m (loss of USD 1.5bn) positively impacted by impairment reversals of USD 810m. The reversal reflected the increased activity levels and improved long-term projections. Maersk Drilling saw an increase in tender activity leading to the number of contracted days increasing compared with 2017 with 8.5% to 6,024 days (5,553 days) which lead to a utilisation of the assets of 69% (66%).

Maersk Drilling benefited from a solid contract backlog and delivered an EBITDA before special items of USD 611m (USD 683m) - an industry leading margin of 43% (47%) based on a revenue of USD 1.4bn (USD 1.4bn).

Maersk Drilling delivered a free cash flow (adjusted for newbuild cash flow) of USD 457m (USD 653m) after a cash flow from investments of USD 136m (USD 448m). Net interest-bearing debt ended at USD 1.1bn and the liquidity reserves amounted to USD 772m, comprising of USD 372m cash and USD 400m in committed long-term credit lines.

Maersk Drilling left 2018 with a committed contract backlog of USD 2.5bn (excluding value of options) (USD 3.3bn), which includes USD 503m added to the contract backlog during 2018. Maersk Drilling started 2019 with contract coverage of 63% and 37% for 2020.

Maersk Drilling has been reported as discontinued operations in A.P. Moller – Maersk.

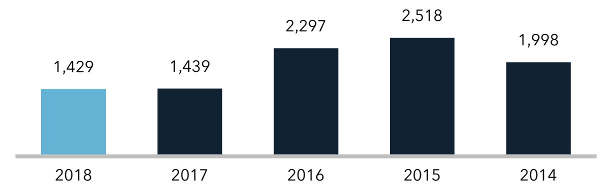
EXECUTIVE LEADERSHIP

- Jørn Madsen (CEO)
- Jesper Ridder Olsen (CFO)

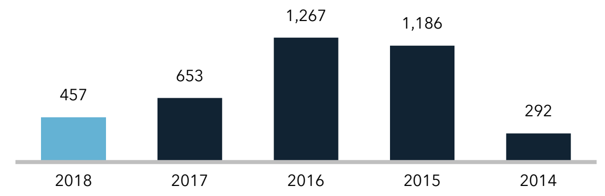
BOARD OF DIRECTORS

- Claus V. Hemmingsen (Chairman)
- Robert M. Uggla (Vice Chairman)
- Alastair Maxwell (elected April 2019)
- Kathleen McAllister
- Martin N. Larsen
- Robert Routs

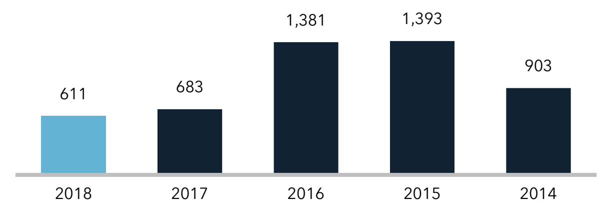
REVENUE (USDm)



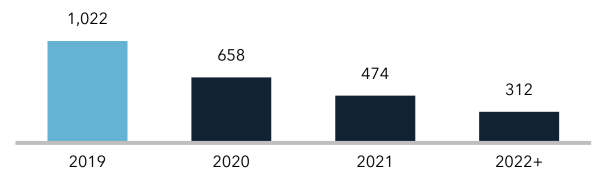
ADJUSTED FREE CASH FLOW (USDm)



EBITDA BEFORE SPECIAL ITEMS (USDm)



REVENUE BACKLOG (USDm)



MAERSK TANKERS & MAERSK PRODUCT TANKERS

Maersk Tankers Group delivered a loss of USD 45m (USD 524m) due to challenging market conditions across most product tanker vessel segments.

Maersk Tankers and Maersk Product Tankers (together Maersk Tankers Group), established in 1928 and 2017, respectively. Together they facilitate the trade of energy to meeting world's needs.

Maersk Tankers operates more than 160 vessels and leads the industry in digitisation. Maersk Tankers delivered a USD 14m loss (USD 34m) due to restructuring costs and loss on legacy time-charter contracts.

Maersk Product Tankers, a leading company in the product tanker industry, owns one of the largest fleets in the industry, comprising more than 80 vessels in the Aframax, LR2, MR, Handy and intermediate segments. Maersk Product Tankers delivered a loss of USD 31m (USD 490m) due to challenging market conditions across most of the product tanker vessel segments.

THE YEAR IN BRIEF

The fundamentals for the product tanker market across all vessel segments continued to be challenged in 2018. Maersk Tankers has retained a cost leadership position as measured by external benchmarks and has outperformed the market by taking advantage of Maersk Tankers' newly developed digital and data-driven trading platform.

Maersk Product Tankers increased revenue to USD 647m (USD 621m) despite the lowest spot market rates seen in a decade (down 14.5% from 2017).

After the first 9 months of the year with historically low rates, rates improved helped by lower bunker prices, supply disruption in the Middle East and an increase in long-haul voyages.

In April 2018, Mitsui & Co. Ltd.'s acquisition of a part of the shareholding in Maersk Product Tankers closed following the approvals from the relevant authorities. In August, Maersk Product Tankers launched a project testing wind-propulsion technology onboard the first vessel. During the year, Maersk Product Tankers continued its fleet renewal placing an order for 6 LR2 (with an option for 4 additional vessels) and taking delivery of 4 MR vessels. Slowing in global fleet growth and stronger demands are expected to improve the market conditions in the coming years and new regulation limiting sulphur content in marine fuel will offer opportunities for the product tanker industry.

STRATEGY REVIEW

Maersk Tankers is guided by a strategy aimed at delivering industry-leading commercial performance, cost leadership and partner services. As a frontrunner in digitisation, Maersk Tankers is building new digital solutions improving the commercial performance, increasing efficiencies and reducing costs through a scalable IT platform. The data-driven operating model combined with spot-trading using time charters opportunistically to lock in high returns and the strategic partnership with Maersk Product Tankers, creates the potential for maximising earnings over the life of the business cycle.

Maersk Product Tankers' strategic priorities are: dynamic vessel portfolio, allowing agile decision process aiming for delivering financial solid returns, and retaining a cost leadership position.

Digital tools aiming to optimise daily operations e.g. bunker usage are being tested. Bunker accounts for up to 60% of a vessel's total voyage costs and is expected to increase, when the global sulphur cap is introduced in 2020.

Maersk Product Tankers will continue to strengthen the asset-trading business, take advantage of Maersk Tankers' commercial digitisation to optimise time charter equivalent earnings and reduce vessel running costs. Furthermore, the company will prepare to meet the new sulphur regulation by installing the first of four scrubbers on selected LR2 vessels before the end of 2019 while continuing to test new vessel technology.

FINANCIALS

Maersk Tankers reported a loss for the year of USD 14m, negatively impacted by restructuring costs and loss on legacy time-charter contracts.

Maersk Product Tankers reported a loss for the year of USD 35m. The result was negatively impacted by challenging market conditions, which was partly offset by improved commercial performance and efficiency improvements. Cash flow from operating activities was USD 92m (USD 86m). Net cash flow from capital expenditure was USD 118.5m (USD - 56.5m) driven by newbuilding instalments and delivery of 4 MR's. During 2018, Maersk Product Tankers established separate financing from a consortium of international banks and financial institutions. Maersk Product Tankers' order book stands at five MR and six LR2 product tanker vessels to be delivered in 2018–2020 as well as an optional order of 4 LR2s.

EXECUTIVE LEADERSHIP

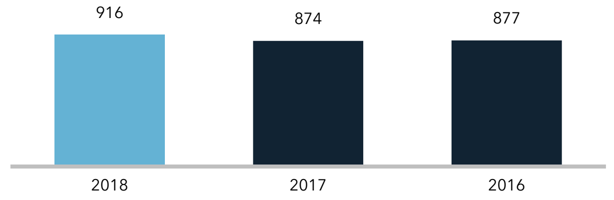
- Christian M. Ingerslev (CEO)
- Morten M. Christensen (CFO)
- Claus Grønborg
- Tommy Thomassen
- Søren C. Meyer
- Prakash Thangachan

BOARD OF DIRECTORS

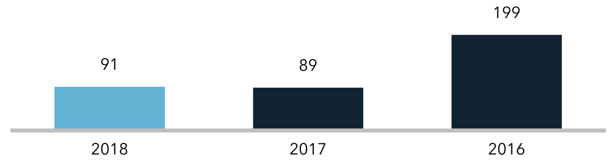
- Robert M. Uggla (Chairman)
- Paul Reed (Vice Chairman)
- Ibrahim Gokcen (elected in Maersk Tankers)
- Tatsuya Okamoto (elected in Maersk Product Tankers)
- Martin N. Larsen
- Maria Pejter

MAERSK TANKERS GROUP PRO FORMA CONSOLIDATED

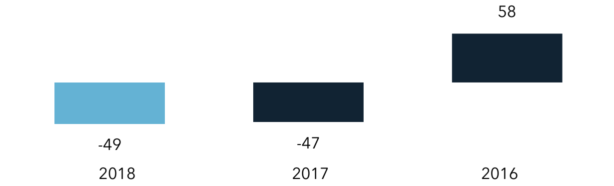
REVENUE (USDm)



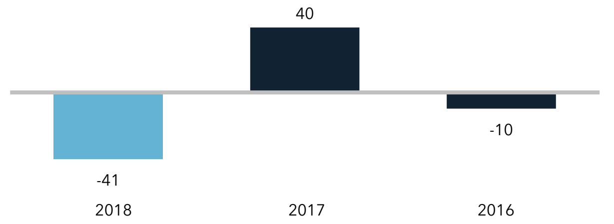
EBITDA (USDm)



UNDERLYING PROFIT (USDm)



FREE CASH FLOW (USDm)



A.P. MOLLER CAPITAL

A.P. Moller Capital successfully closed their "Africa Infrastructure Fund I" with total commitment of USD 1 bn.

A.P. Moller Capital was established in 2017 with A.P. Moller Holding as the largest shareholder with the purpose of managing stand-alone capital funds. A.P. Moller Capital is headquartered in Denmark and is regulated by the Danish Financial Supervisory Authority (FSA).

In August 2018, A.P. Moller Capital reached financial close of its first fund, The Africa Infrastructure Fund I (AIF I), with a total commitment of USD 982m. The fund aims to build/acquire and operate infrastructure opportunities in Africa, targeting projects within transportation and energy such as rail, roads, ports and warehousing as well as power plants, transmission, pipelines and distribution.

STRATEGY REVIEW

The investment thesis for AIF I is strong. With the population of Africa estimated to double by 2050, and an already existing infrastructure gap, the need for enhancing infrastructure in Africa is clear. The investments to be done by AIF I are critical to build a foundation for job creation and prosperity in Africa. A.P. Moller related companies have more than a century of history and engagement in Africa. Their global mindset, long experience and local knowledge will support the continued development in Africa.

RECENT DEVELOPMENTS

The final close constitutes USD 982m in commitments from a list of institutional investors including the anchor investors PFA Pension, PKA, PensionDanmark, Lægernes Pension as well as A.P. Moller Holding.

2018 marked the end of the first full year for A.P. Moller Capital and AIF I. With the final close in 2018, the fund has now entered its four year investment period and the fund manager is focused on maturing the acquisition and construction opportunities in Africa, developed over the last year.

In 2018, A.P. Moller Capital continued to build the organisation in order to have the best capabilities for investments in transportation and energy sectors in Africa. The four partners forming the executive leadership team have over a century of combined industry and investment experience and are personally invested in the fund.

The fund manager employs 25 employees across its headquarter in Copenhagen and operating office in Dubai. The team has many years of project and operational management experience, private equity experience and a substantial network in Africa. Therefore, the team is well positioned to collaborate with its network of advisors and partners across Africa. A.P. Moller Capital has also had focus on implementation of structures and systems to secure a solid base for future investments. Especially structures and systems for risk assessments have been in focus.

READY FOR OPPORTUNITIES

A.P. Moller Capital is interested in exploring a range of opportunities related to its target sectors. The team is looking into opportunities, and the investment pipeline is building up within various sectors.

The fund has an initial target of ten to fifteen investments and a fund duration of ten years.

EXECUTIVE LEADERSHIP

- Kim Fejfer (Managing Partner and CEO)
- Lars Reno Jakobsen (Senior Partner)
- Joe N. Nielsen (Partner and CFO)
- Jens Thomassen (Partner)

BOARD OF DIRECTORS

- Robert M. Uggla (Chairman)
- Lars-Erik Brenøe
- Martin N. Larsen
- Jan T. Nielsen

BOARD OF DIRECTORS

ANE M. M. UGGLA
CHAIRMAN, THE BOARD OF DIRECTORS

Chairman, the Board of Directors
A.P. Møller og Hustru Chastine Mc-Kinney
Møllers Fond til almene Formaal
Den A.P. Møllerske Støttefond
Maersk Broker A/S
Maersk Broker K/S

Member of the Board of Directors
A.P. Møller - Mærsk A/S (Vice Chairman)

Other management duties
Estemco III ApS (CEO)
Timer ApS (CEO)

JAN LESCHLY
MEMBER OF THE BOARD OF DIRECTORS

Chairman, the Board of Directors
Care Capital, LLC

Member of the Board of Directors
Universal Tennis Ranking LLC

Other management duties
Adjunct Professor at Copenhagen Business School

LARS-ERIK BRENØE
MEMBER OF THE BOARD OF DIRECTORS

Chairman, the Board of Directors
Navigare Capital Partners A/S
Maersk Training A/S
Maersk Property A/S

Member of the Board of Directors
Danske Bank A/S
Danish Committee on Foundation Governance (Vice Chairman)
The Confederation of Danish Industry (DI)
A.P. Møller og Hustru Chastine Mc-Kinney
Møllers Fond til almene Formaal
A.P. Møller og Hustru Chastine Mc-Kinney
Møllers Familiefond
A.P. Møller Capital P/S
LINDØ port of Odense A/S
Maersk Broker A/S
Maersk Broker K/S (and Chairman of five affiliated undertakings)

Other management duties
Interessentskabet Firmaet A.P. Møller

EXECUTIVE BOARD & MANAGEMENT

ROBERT MÆRSK UGGLA
CHIEF EXECUTIVE OFFICER

Robert M. Uggla, Msc in Business Administration, joined A.P. Møller - Mærsk A/S in 2004 and has held various roles in A.P. Møller - Mærsk A/S, latest CEO for Svitzer A/S.

Chairman, the Board of Directors
A.P. Møller Capital P/S
Maersk Product Tankers A/S

Member of the Board of Directors
A.P. Møller – Mærsk A/S
Foundation Board of IMD
The Drilling Company of 1972 A/S (Maersk Drilling) (Vice Chairman)

Other management duties
Agata ApS
Estemco XII ApS

Robert M. Uggla is actively involved in the management of four entities fully owned by A.P. Møller Holding A/S

JAN THORSGAARD NIELSEN
CHIEF INVESTMENT OFFICER

Jan T. Nielsen, Msc in Economics, has extensive experience in private equity and investment banking in Europe, U.S. and Asia. Before joining A.P. Moller, he was Senior Managing Director at Blackstone Private Equity, Hong Kong.

Member of the Board of Directors
Danske Bank A/S (Vice Chairman)
A.P. Møller Capital P/S
LEGO A/S

Jan T. Nielsen is actively involved in the management of two entities fully owned by A.P. Møller Holding A/S

MARTIN NØRKJÆR LARSEN
CHIEF FINANCIAL OFFICER

Martin N. Larsen, Msc in Economics & Finance, joined A.P. Møller - Mærsk A/S in 2003 and has held several roles in A.P. Møller - Mærsk A/S, latest VP, Head of Financial Planning & Analysis.

Member of the Board of Directors
The Drilling Company of 1972 A/S (Maersk Drilling)
Maersk Product Tankers A/S
A.P. Møller Capital P/S
Navigare Capital Partners A/S
Assuranceforeningen SKULD (Gjensidige)

Martin N. Larsen is actively involved in the management of five entities fully owned by A.P. Møller Holding A/S

ANNE MARIE VIG
HEAD OF COMPLIANCE & RISK

Anne Marie Vig, MSc in Economics, has comprehensive experience heading compliance and risk management at group level in the financial sector.

BIRGITTE SCHOU
HEAD OF ACCOUNTING & TAX

Birgitte Schou, MSc in Business Administration & Auditing, is a state-authorized public accountant and has a strong track record as a former Partner in a leading global audit firm.

ERIK BERGOO
HEAD OF FINANCIAL INVESTMENTS

Erik Bergoo, MSc in Industrial Engineering & Management, has considerable experience from various roles in global financial markets in Scandinavia, UK and Singapore.

MARIA PEJTER
HEAD OF HUMAN RESOURCES

Maria Pejter, BSc in Political Science, has since 1997 held several top-level positions within organizational strategy and development in A.P. Møller - Mærsk A/S.

MIKA B. LASSEN
HEAD OF BRANDING & COMMUNICATIONS

Mika Bildsøe Lassen, MSc in Communication & Public Relations, has extensive experience in international corporate communication and brand management.

MORTEN STAKROGE
GENERAL COUNSEL

Morten Stakroge, LL.M and attorney-at-law, has substantial experience from practicing law, primarily within M&A and corporate matters.

RISK MANAGEMENT

Our risk management setup allows us to safeguard the long-term viability of our portfolio companies by understanding the inherent risks associated with each investment and to support the companies in managing these risks in a changing environment

A.P. Møller Holding A/S's investments consist of Our Large Investments, Our incubations and Our Financial Investments.

The ambition of A.P. Moller Holding is to hold a diversified and financially robust portfolio to sustain unexpected credit events as well as safeguarding the A.P. Moller Foundation. Hence, risks are consolidated and monitored centrally in A.P. Moller Holding.

Given our large holdings in A.P. Moller – Maersk and Danske Bank, it is evident that the business risks for A.P. Moller Holding related to these two holdings are material however deviating as a consequence of their different activities. With Constant Care embedded in our corporate DNA we continuously monitor and evaluate risks, small and large, in our businesses throughout the year.

Risk reporting is an integrated part of our business processes allowing A.P. Moller Holding to respond appropriately to changing environments. Portfolio performance reports are prepared for the Board of Directors.

In 2018, we have expanded the organisation significantly and have built operational capabilities within the organisation. We are continuously developing our framework and have embedded controls and operational risk mitigation processes in our critical daily operations. We have a constant focus on IT- security and have implemented procedures to continuously assess and ensure that we follow market standards and developments.

In the overall mitigation of risks, the company is insured against relevant material risks that may inflict losses to the company.

OUR LARGE INVESTMENTS & OUR INCUBATIONS

Risks regarding Our Large Investments and Our incubations include business and financial risks associated with the operation and performance of our holdings. Such risks are effectively defined and managed decentrally in each of the individual affiliates which have implemented their own risk management policies and procedures.

As owner and a member of the Board of Directors of each affiliate, we monitor business performance in the affiliates closely, and reports on business and risk-related issues are appropriately provided to our Board of Directors.

We have further expanded our investment team during 2018. The team will be focusing on large and long-term investments and brings valuable investment expertise. As we evaluate investment opportunities, the investments will undergo committees and investment gates, where thorough risk analysis and mitigation will form part of the evaluation.

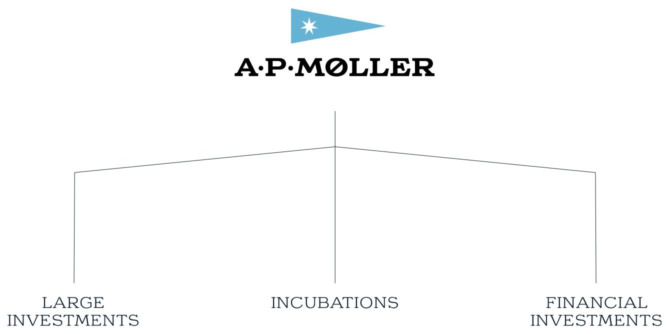
As the large investments are expected to have a long-term ownership horizon, there are inherent increased risks related to such investments. At all times it is part of our inherent strategic beliefs to invest in and build businesses that have a positive impact on society. Hence, we strive to ensure that all our partners acknowledge our values and share our commitment to conduct business in an ethical, legal and socially responsible manner.

FINANCIAL INVESTMENTS

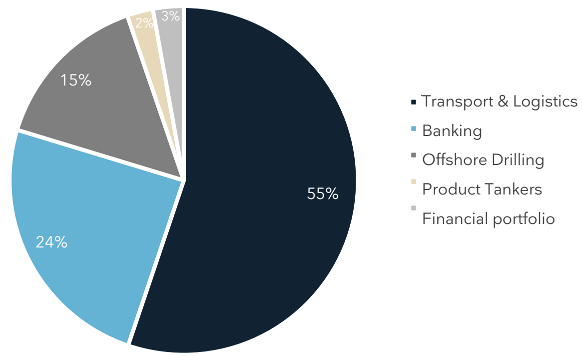
A.P. Moller Holding also has a portfolio of fixed income and equities, managed by its own investment team. The overall objective of the portfolio is to create economic value in line with our values and ensures a part of our portfolio remains ultra-liquid.

The Board of Directors defines the investment policy. We manage the market, credit and currency risks related to our portfolio investments by limiting maximum exposure to individual asset classes and underlying assets. The guidelines are reviewed regularly to ensure they reflect the market situation, and our financial situation at any given time.

Although having a long-term portfolio investment perspective, the financial investments are to a large extent invested in highly liquid assets, acting as a buffer in order for the company to be flexible and able to react as needed in relation to our large investments or significant changes in our cash flows.



ASSET DISTRIBUTION 2018



CORPORATE SOCIAL RESPONSIBILITY

As the investment arm of the A. P. Moller Foundation, our purpose is to exercise the Foundation's role as an engaged owner in the spirit of A. P. Møller and to ensure that the Foundation can continue to contribute to society in the form of donations for generations to come. We fulfil this purpose by safeguarding the long-term viability of our companies and by investing in and building new businesses that have a positive impact on society, "nyttig virksomhed", and on our name.

As stated in our strategic beliefs, we are investing in and building new businesses that have a positive impact on society "Nyttig virksomhed", as defined by our founder A.P. Møller. Our Africa Infrastructure Investment Fund and our focus on Geothermal energy are examples of such, and "Nyttig virksomhed" is a key element in our investment strategy going forward. We are open to reconsider ownership of a business, if its business model does not have a positive impact on society. Social responsibility is integrated into our purpose and is core in everything we do.

In 2018, we continued the implementation of new policies and systems to secure a solid basis for our future activities as an engaged investment company. We have among other things been implementing General Data Protection Regulation (GDPR) policies and systems as well as formulated Anti Money Laundering (AML) and Anti Bribery and Corruption (ABC) policies. As such we have high focus on mitigating the risk of being abused for money laundering or financing of terrorism by third parties that A.P. Moller Holding engages with. This is especially relevant in relation to our investments, where we always conduct proper and adequate AML due diligence measures on relevant counterparties being advisors, co-investors etc.

Our ABC policy illustrates our zero tolerance towards fraud and bribery. This is one of the cornerstones in our overall framework for how to exercise due care to prevent bribery and corruption internally as well as in relation to third parties acting on behalf of A.P. Moller Holding. The policy gives the overall guidelines in relation to procedures to be followed when investing, when interacting with other business relationships e.g. government officials, in relation to gifts and hospitality etc.

STATUTORY REPORT CF. SECTION 99A OF THE DANISH FINANCIAL STATEMENTS ACT

As an international investment company with a broad range of investment activities, A.P. Moller Holding has a significant influence on society. We acknowledge the responsibilities that this entails and make an effort to ensure that we are recognized as a trustworthy group of companies.

The Board of Directors of each of our Large Investments, A.P. Moller - Maersk, Danske Bank, Maersk Drilling, Maersk Tankers, Maersk Product Tankers, as well as A.P. Moller Capital define their own specific CSR policies and Code of Conduct. We are represented on each board, and these representatives ensure that CSR policies, including human rights, climate change and environmental impact, are enforced. Policies are adapted to meet the circumstances in which each of the affiliates operates.

For A.P. Moller Holding's statutory statement on CSR in accordance with section 99A of The Danish Financial Statements Act please refer to: http://www.apmoller.com/wp-content/uploads/2019/04/CSR.pdf

STATUTORY REPORT CF. SECTION 99B OF THE DANISH FINANCIAL STATEMENTS ACT

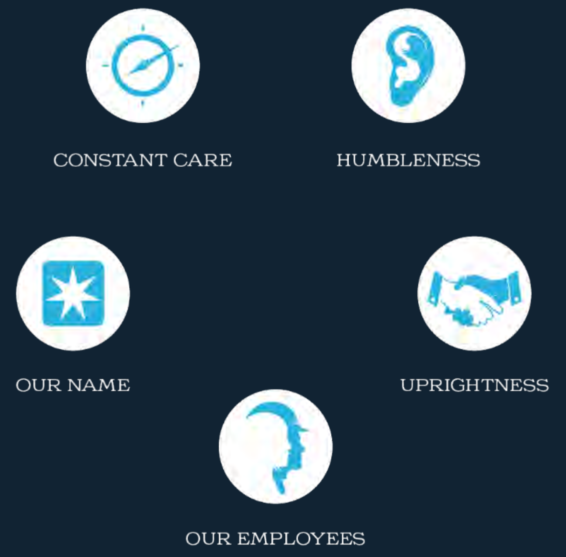
The Board of Directors counts one woman and two men. This constitutes gender balance in accordance with the guidelines issued by The Danish Business Authority in March 2016.

A.P. Moller Holding has not set a consolidated target for the underrepresented gender across its holdings but has ensured that all subsidiaries which fall under the requirements as reporting class large C or D have set targets for their supreme management body individually. Furthermore, our subsidiaries report on their individual target in their annual report, as well as for their individual policies concerning gender balance at the other management levels, if applicable.

Government payments cf. section 99c of the Danish Financial Statements Act

Disclosure of tax payments on a country-by-country basis for 2018 in accordance with the EU Accounting Directive and as implemented in the Danish Financial Statements Act is provided in a separate report, A.P. Møller – Mærsk A/S Payments to Governments 2018. The report is available on: http://investor.maersk.com/financials.cfm

WE ARE GUIDED BY OUR FIVE CORE VALUES



FINANCIAL STATEMENTS

Consolidated financial statements | Parent company financial statements | Management's statement | Independent auditor's report

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement | Consolidated statement of comprehensive income | Consolidated balance sheet as of 31 December | Consolidated cash flow statement | Consolidated statement of changes in equity | Notes to the consolidated financial statements

FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT FOR 1 JANUARY TO 31 DECEMBER

Note	Amounts in DKKm	2018	2017
1	Revenue	260,964	219,319
2, 3	Operating costs	- 233,557	- 191,048
	Other income	2,219	1,293
	Other costs	- 1,082	- 1,264
	Profit before depreciation, amortisation and impairment losses, etc.	**28,544**	**28,300**
8, 9	Depreciation, amortisation and impairment losses, net	- 19,758	- 37,881
4	Gain on sale of non-current assets, etc., net	1,094	1,858
	Share of profit/loss in joint ventures	733	- 865
	Share of profit/loss in associated companies	2,201	4,863
	Profit/loss before financial items	**12,814**	**- 3,725**
5	Financial income	6,660	9,614
5	Financial expenses	- 9,475	- 13,739
	Profit/loss before tax	**9,999**	**- 7,850**
6	Tax	- 2,644	- 1,174
	Profit for the year - continuing operations	**7,355**	**- 9,024**
7	Profit for the year - discontinued operations	15,109	6,033
	Profit/loss for the year	**22,464**	**- 2,991**
	Of which:		
16	Non-controlling interests	11,522	- 4,379
	A.P. Møller Holding A/S' share of profit for the year	**10,942**	**1,388**

Maersk Oil and Maersk Supply Service are classified as discontinued operations and assets held for sale. Comparative figures have been restated for the income statement and cash flow statement, while the balance sheet has not been restated.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Note	Amounts in DKKm	2018	2017
	Profit/loss for the year	**22,464**	**- 2,991**
	Translation to functional currency		
	Translation impact arising during the year	- 2,179	2,404
	Reclassified to income statement, gain on sale of non-current assets, etc., net[1]	0	396
	Cash flow hedges		
11	Value adjustment of hedges for the year	- 1,006	2,237
11	Reclassified to income statement	158	20
11	Reclassified to cost of property, plant and equipment	- 38	- 185
6	Tax on other comprehensive income	51	- 211
10	Share of other comprehensive income of joint ventures and associated companies, net of tax	- 36	- 863
	Total items that have been or may be reclassified subsequently to the income statement	**- 3,050**	**3,798**
12	Other equity investments (FVOCI), fair value adjustments for the year	- 846	911
18	Actuarial gains/losses on defined benefit plans, etc.	- 45	1,050
	Translation from functional currency to presentation currency	10,109	- 26,623
6	Tax on other comprehensive income	- 236	- 66
10	Share of other comprehensive income of joint ventures and associated companies, net of tax	- 53	0
	Total items that will not be reclassified to the income statement	**8,929**	**- 24,728**
	Other comprehensive income, net of tax	**5,879**	**- 20,930**
	Total comprehensive income for the year	**28,343**	**- 23,921**
	Of which:		
16	Non-controlling interests	15,208	- 16,568
	A.P. Møller Holding A/S' share	**13,135**	**- 7,353**

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER

Note	Amounts in DKKm	2018	2017
8	**Intangible assets**	**28,281**	**27,130**
9	**Property, plant and equipment**	**236,682**	**199,955**
10	Investments in joint ventures	8,693	8,652
10	Investments in associated companies	37,541	38,584
	Other equity investments	356	251
11	Derivatives	880	1,614
18	Pensions, net assets	1,859	1,850
	Loans receivable	1,122	912
	Other receivables	1,794	1,896
	Financial non-current assets, etc.	**52,245**	**53,759**
14	**Deferred tax**	**1,676**	**1,911**
	Total non-current assets	**318,884**	**282,755**
	Inventories	**7,132**	**6,209**
13	Trade receivables	27,139	24,680
	Tax receivables	900	1,566
11	Derivatives	524	724
	Loans receivable	1,304	1,468
	Other receivables	5,863	5,693
	Prepayments	4,063	3,668
	Receivables, etc.	**39,793**	**37,799**
	Securities	**17,338**	**215**
	Cash and bank balances	**23,395**	**15,234**
7	**Assets held for sale**	**6,632**	**93,086**
	Total current assets	**94,290**	**152,543**
	Total assets	**413,174**	**435,298**

Note	Amounts in DKKm	2018	2017
15	Share capital	2,000	2,000
	Reserves	123,626	111,049
	Proposed dividend	500	500
	Equity attributable to A.P. Møller Holding A/S	**126,126**	**113,549**
16	Non-controlling interests	129,693	115,953
	Total equity	**255,819**	**229,502**
17	**Borrowings, non-current**	**78,097**	**95,743**
18	Pensions and similar obligations	1,682	1,781
19	Provisions	6,874	6,309
11	Derivatives	1,578	857
14	Deferred tax	2,691	2,863
	Other payables	274	447
	Other non-current liabilities	**13,099**	**12,257**
	Total non-current liabilities	**91,196**	**108,000**
17	**Borrowings, current**	**14,273**	**20,413**
19	Provisions	3,978	3,429
	Trade payables	35,154	33,152
	Tax payables	1,882	1,754
11	Derivatives	841	810
	Other payables	6,776	7,899
	Deferred income	1,527	1,030
	Other current liabilities	**50,158**	**48,074**
7	**Liabilities associated with assets held for sale**	**1,728**	**29,309**
	Total current liabilities	**66,159**	**97,796**
	Total liabilities	**157,355**	**205,796**
	Total equity and liabilities	**413,174**	**435,298**

CONSOLIDATED CASH FLOW STATEMENT

Note	Amounts in DKKm	2018	2017
	Profit/loss before financial items	12,814	- 3,725
8, 9	Depreciation, amortisation and impairment losses, net	19,758	37,881
	Gain on sale of non-current assets, etc., net	- 1,094	- 1,826
	Share of profit/loss in joint ventures	- 733	865
	Share of profit/loss in associated companies	- 2,201	- 4,863
20	Change in working capital	- 2,119	- 1,720
	Change in provisions and pension obligations, etc.	226	- 855
	Other non-cash items	601	973
	Cash flow from operating activities before tax	**27,252**	**26,730**
	Taxes paid	- 2,481	- 1,726
	Cash flow from operating activities	**24,771**	**25,004**
20	Purchase of intangible assets and property, plant and equipment	- 20,140	- 27,658
	Sale of intangible assets and property, plant and equipment	2,963	2,995
	Acquisition of subsidiaries and activities	208	- 27,015
23	Sale of subsidiaries and activities	- 486	2,073
	Sale of associated companies	69	2,358
	Dividends received	4,656	3,184
20	Purchase of other financial investments	- 242	- 103
20	Sale of other financial investments	20,247	5,367
	Purchase/sale of securities, trading portfolio	- 1,312	375
	Cash flow used for investing activities	**5,963**	**- 38,424**
	Repayment of borrowings	- 54,574	- 21,762
	Proceeds from borrowings	25,645	28,791
	Sale of own shares	0	92
	Financial income received	762	1,059
	Financial expenses paid	- 4,463	- 6,280
	Dividends distributed	- 500	- 500
	Dividends distributed to non-controlling interests	- 2,380	- 2,158
	Sale of non-controlling interests	1,049	26
	Other equity transactions	- 442	24
	Cash flow from financing activities	**- 34,903**	**- 708**
	Net cash flow from continuing operations	**- 4,169**	**- 14,128**
7	Net cash flow from discontinued operations	10,788	2,587
	Net cash flow for the year	**6,619**	**- 11,541**

Note	Amounts in DKKm	2018	2017
	Cash and cash equivalents at 1 January	15,160	28,859
	Currency translation effect on cash and cash equivalents	1,137	- 1,438
	Net cash flow for the year	6,619	- 11,541
	Cash and cash equivalents at 31 December	**22,916**	**15,880**
	Of which classified as assets held for sale	- 82	- 720
	Cash and cash equivalents at 31 December	**22,834**	**15,160**
	Cash and bank balances	23,395	15,234
	Overdrafts	- 561	- 74
	Cash and cash equivalents at 31 December	**22,834**	**15,160**

Cash and bank balances include DKK 6.5bn (DKK 6.3bn) relating to cash and bank balances in countries with exchange rate control or other restrictions. These funds are not readily available for other group companies.

In 2018, A.P. Moller Holding has changed the presentation of financial items in the cash flow statement. Comparative figures have been restated (please refer to note 26).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in DKKm	Share capital	Translation reserve	Reserve for other equity investments	Reserve for hedges	Retained earnings	Proposed dividend	Total	Non-controlling interests	Total equity
Equity as of 1 January 2017	2,000	- 2,068	- 680	- 748	122,514	500	121,518	134,858	256,376
Impact due to implementation of new accounting standards	0	0	0	0	- 418	0	- 418	0	- 418
Adjusted equity as of 1 January 2017	**2,000**	**- 2,068**	**- 680**	**- 748**	**122,096**	**500**	**121,100**	**134,858**	**255,958**
Other comprehensive income, net of tax	0	1,335	427	817	- 11,320	0	- 8,741	- 12,189	- 20,930
Profit/loss for the year	0	0	0	0	888	500	1,388	- 4,379	- 2,991
Total comprehensive income for the year	**0**	**1,335**	**427**	**817**	**- 10,432**	**500**	**- 7,353**	**- 16,568**	**- 23,921**
Dividends to shareholders	0	0	0	0	0	- 500	- 500	- 2,158	- 2,658
Value of share-based payment	0	0	0	0	26	0	26	40	66
Sale of non-controlling interests	0	0	0	0	0	0	0	- 106	- 106
Sale of own shares	0	0	0	0	39	0	39	53	92
Capital increases and decreases	0	0	0	0	- 24	0	- 24	123	99
Transfer of loss on disposal of equity investments at FVOCI to retained earnings	0	0	322	0	- 322	0	0	0	0
Change in non-controlling interests	0	- 6	- 2	- 2	280	0	270	- 270	0
Other equity movements	0	0	0	0	- 9	0	- 9	- 19	- 28
Total transactions with shareholders	**0**	**- 6**	**320**	**- 2**	**- 10**	**- 500**	**- 198**	**- 2,337**	**- 2,535**
Equity as of 31 December 2017	**2,000**	**- 739**	**67**	**67**	**111,654**	**500**	**113,549**	**115,953**	**229,502**
2018									
Other comprehensive income, net of tax	0	- 933	- 465	- 375	3,966	0	2,193	3,686	5,879
Profit/loss for the year	0	0	0	0	10,442	500	10,942	11,522	22,464
Total comprehensive income for the year	**0**	**- 933**	**- 465**	**- 375**	**14,408**	**500**	**13,135**	**15,208**	**28,343**
Dividends to shareholders	0	0	0	0	0	- 500	- 500	- 2,380	- 2,880
Value of share-based payment	0	0	0	0	36	0	36	52	88
Acquisition of non-controlling interests	0	0	0	0	- 82	0	- 82	- 297	- 379
Sale of non-controlling interests	0	0	0	0	37	0	37	1,077	1,114
Capital increases and decreases	0	0	0	0	- 6	0	- 6	70	64
Transfer of loss on disposal of equity investments at FVOCI to retained earnings	0	0	- 150	0	150	0	0	0	0
Change in non-controlling interests	0	0	0	0	- 39	0	- 39	39	0
Other equity movements	0	0	0	0	- 4	0	- 4	- 29	- 33
Total transactions with shareholders	**0**	**0**	**- 150**	**0**	**92**	**- 500**	**- 558**	**- 1,468**	**- 2,026**
Equity as of 31 December 2018	**2,000**	**- 1,672**	**- 548**	**- 308**	**126,154**	**500**	**126,126**	**129,693**	**255,819**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Revenue

Types of revenue	2018	2017
A.P. Moller - Maersk	246,152	204,046
Maersk Drilling	9,026	9,500
Maersk Tankers / Maersk Product Tankers	5,786	5,773
Total	**260,964**	**219,319**

Contracts with customers

Below is the reconciliation of the revenue from contracts with customers to the amounts disclosed as revenue:

Contracts with customers	2018	2017
Revenue from contracts with customers	249,177	208,393
Revenue from other sources		
Vessel-sharing and slot charter income	6,512	5,473
Lease income	5,148	5,387
Others	127	66
Total	**260,964**	**219,319**

Contract balances

Contract balances	2018	2017
Trade receivables	25,655	25,943
Accrued income - contract assets	456	441
Deferred income - contract liability	711	472

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

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

Part of the deferred income presented in the balance sheet constitutes contract liabilities which represents 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 13 relate to receivables arising from contracts with customers.

Performance obligations

The transaction price allocated to the performance obligations that are to be completed as of the end of each year relates to the service element of rigs and vessels contracted to customers under the day rate model. As such, the amounts below exclude the estimated lease elements, which are presented in note 9. Jointly the two elements amount to the group's revenue backlog.

Future performance obligations	2018	2017
Within one year	3,116	3,479
Between one and five years	4,301	5,625
After five years	202	449
Total	**7,619**	**9,553**

Note 2: Operating costs

Amounts in DKKm	2018	2017
Costs of goods sold	7,466	3,070
Bunker costs	34,296	23,448
Terminal costs	44,656	37,379
Intermodal costs	26,263	20,611
Port costs	16,021	14,809
Rent and lease costs	19,635	16,095
Staff costs	33,178	30,773
Other costs	52,042	44,863
Total operating costs	**233,557**	**191,048**
Remuneration of employees		
Wages and salaries	28,553	26,645
Severance payments	472	204
Pension costs, defined benefit plans	224	152
Pension costs, defined contribution plans	1,865	1,730
Other social security costs	2,487	2,194
Total remuneration	**33,601**	**30,925**
Of which:		
Recognised in the cost of assets	- 126	- 60
Included in other costs	- 297	- 92
Expensed as staff costs	**33,178**	**30,773**
Average number of employees[1]	**83,527**	**80,992**

[1] The average number of employees including discontinued operations is 84,857 (85,686).

Rent and lease costs include contingent rent totalling DKK 1.6bn (DKK 1.3bn), which relates entirely to operating leases. Rent and lease costs include the service element.

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

For information about share-based payment, reference is made to note 3.

Fees and remuneration to the Executive Board and Board of Directors

Amounts in DKKm	2018	2017
Executive Board		
Fixed annual fee and short-term cash incentive	17	14
Long-term cash incentive	4	3
Total remuneration to the Executive Board	**21**	**17**
Board of Directors		
Annual fee	5	5
Total fee to the Board of Directors	**5**	**5**
Fees and remuneration to the Board of Directors and Executive Board	**26**	**22**

The group has introduced a cash-settled incentive plan to members of the Executive Board. The incentive plan provides an annual bonus and long-term incentive programmes, which outcomes depend on the development of the company's investments.

Fees to statutory auditors

PricewaterhouseCoopers including network firms

Amounts in DKKm	2018	2017
Statutory audit	91	122
Other assurance services	13	17
Tax and VAT advisory services	6	13
Other services	21	43
Total fees	**131**	**195**

Note 3: Share-based payment

Equity-settled incentive plans (excluding share option plan)

A.P. Møller – Mærsk A/S

A.P. Moller - Maersk (APMM) has two different equity-settled incentive plans. 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 in APMM. In 2014, APMM established a three-year performance shares plan for members of APMM's Executive Board and other employees. The performance shares plan lapsed in 2017.

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 APMM's Executive Board, the vesting period is five years.

The members of APMM's 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. APMM's holding of own B shares will be used to meet the company's obligations regarding the restricted shares plan.

Outstanding awards under equity-settled incentive plans (excl. share option plans)	Restricted Shares Plan Employees[1]	Restricted Shares Plan Members of the Executive Board[1]	Performance Shares Plan Employees[1]	Total fair value[1]
	No.	No.	No.	DKKm
Outstanding as of 1 January 2017	15,067	0	843	
Granted	5,024	0	66	53
Exercised	4,591	0	842	
Adjustment[2]	0	0	- 67	
Forfeited	968	0	0	
Outstanding as of 31 December 2017	**14,532**	**0**	**0**	
Granted	4,241	1,002	0	51
Exercised	5,324	0	0	
Forfeited	663	0	0	
Outstanding as of 31 December 2018	**12,786**	**1,002**	**0**	

[1] At the time of grant.
[2] Primarily due to changes in the degree of certain financial goals being achieved.

The fair value of restricted shares (A.P. Møller - Mærsk A/S' B shares) granted to 105 (132) employees and 5 (0) members of APMM's Executive Board was DKK 51m (DKK 53m) at the time of grant. The total value of granted restricted shares recognised in the income statement is DKK 51m (DKK 53m).

The fair value per restricted share at the time of grant is DKK 9,273 (DKK 11,550), which is equal to the volume-weighted average share price on the date of grant, i.e. 1 April 2018.

On 1 April 2018, the restricted shares originally granted in 2015 were settled with the employees. The weighted average share price on that date was DKK 9,273.

The average remaining contractual life for the restricted shares is 1.4 years (1.3 years) as of 31 December 2018.

Cash-settled incentive plan

A.P. Møller – Mærsk A/S

In 2015, A.P. Moller - Maersk (APMM) introduced the performance shares plan to a broader range of employees. A share of the cash-settled Performance Plan lapsed in 2017, and the remaining shares lapsed in 2018. The actual settlement of the awards was contingent upon the degree of certain financial goals being achieved, the employee still being employed and not being under notice of termination at the date of settlement. This meant that the number of awards that eventually will vest was adjusted during the vesting period. Depending on the agreement, the settlement did take place two or three years after the initial granting and the employee had the option to settle the awards in shares.

The employees were not entitled to any dividends during the vesting period. Special conditions applied regarding illness, death and resignation as well as changes in APMM's capital structure, etc.

Note 3: Share-based payment - continued

Outstanding awards under cash-settled performance share plan	Employ-ees No.	Total fair value[1] DKKm	Carrying amount of liabilities DKKm
Outstanding as of 1 January 2017	0		
Granted	780		
Adjustment[2]	- 780		
Forfeited	0		
Outstanding as of 31 December 2017	**0**		**0**
Granted	0		
Adjustment	0		
Outstanding as of 31 December 2018	**0**		**0**

[1] At the time of grant.
[2] Due to changes in the degree of certain financial goals being achieved.

The fair value of awards granted to 0 (42) employees was DKK 0m (DKK 0m) at the time of grant. The total value of the awards recognised in the income statement is DKK 0m (DKK 0m).

The average remaining contractual life for the cash-settled incentive plan is 0 years (0.3 years) as of 31 December 2018.

Share option plans

A.P. Møller – Mærsk A/S

In addition to the plans described above, A.P. Moller - Maersk (APMM) has share option plans for members of APMM's Executive Board and other employees. Each share option granted is a call option to buy an existing B share of nominally 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. Exercising 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 two years (three years for share options granted to APMM's Executive Board members) and no more than seven years (six years for share options granted to employees not members of APMM's Executive Board) have passed from the time of grant. Special conditions apply regarding illness, death and resignation as well as changes in APMM's capital structure, etc.

	Members of the Executive Board[1] No.	Employ-ees[1] No.	Total No.	Average exercise price DKK	Total fair value[1] DKKm
Outstanding as of 1 January 2017	3,840	7,635	11,475	8,298	
Granted	4,928	20,839	25,767	12,791	53
Exercised	- 3,840	- 7,530	- 11,370	8,298	
Expired	0	- 105	- 105	8,298	
Forfeited	0	- 237	- 237	12,791	
Outstanding as of 31 December 2017	**4,928**	**20,602**	**25,530**	**12,791**	
Exercisable as of 31 December 2017	**0**	**0**	**0**		
Granted	6,230	18,137	24,367	11,537	44
Forfeited	- 1,173	- 2,032	- 3,205	12,507	
Outstanding as of 31 December 2018	**9,985**	**36,707**	**46,692**	**12,156**	
Exercisable as of 31 December 2018	**0**	**0**	**0**		

[1] At the time of grant.

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

The fair value of awards granted to five (three) members of APMM's Executive Board and 80 (79) employees was DKK 44m (DKK 53m) at the time of grant. The total value of granted share options recognised in the income statement is DKK 38m (DKK 20m).

The weighted average share price at the dates of exercise of share options was DKK 11,778 in 2017. No share options were exercised during 2018.

The average remaining contractual life is 5.5 years (6.1 years) as of 31 December 2018, and the exercise price for outstanding share options is DKK 12,156 (DKK 12,791).

The fair value per option granted to members of APMM's Executive Board is calculated at DKK 1,712 (DKK 2,130) at the time of grant, based on Black & Scholes' option pricing model. The fair value per option granted to employees who are not members of APMM's Executive Board is calculated at DKK 1,875 (DKK 2,281) at the time of grant based on the same option pricing model.

Note 3: Share-based payment - continued

The following principal assumptions are used in the valuation:

	Share options granted to members of the Executive Board 2018	Share options granted to employees not members of the Executive Board 2018	Share options granted to members of the Executive Board 2017	Share options granted to employees not members of the Executive Board 2017
Share price, volume-weighted average at the date of grant, 1 April, DKK	9,273	9,273	11,550	11,550
Share price, five days volume weighted average after publication of Annual Report, DKK	10,476	10,476	11,628	11,628
Exercise price, DKK	11,524	11,524	12,791	12,791
Expected volatility (based on historic volatility)	33%	33%	31%	31%
Expected term	5	5.75	5	5.75
Expected dividend per share, DKK	150	150	300	300
Risk free interest rate	0.21%	0.29%	-0.12%	0.01%

Note 4: Gain on sale of non-current assets, etc., net

Amounts in DKKm	2018	2017
Gains	1,618	2,187
Losses	- 524	- 329
Gain on sale of non-current assets, etc., net	**1,094**	**1,858**

In 2018, gains were primarily related to the disposal of shares in associates, of DKK 497m, to the sale and leaseback of three Cap San vessels of DKK 240m, and to container sales of DKK 107m.

In 2017, gains were primarily related to disposal of shares in associates and sale of activities.

Note 5: Financial income and expenses

Amounts in DKKm	2018	2017
Interest expenses on liabilities	- 5,439	- 4,566
Of which borrowing costs capitalised on assets[1]	389	475
Interest income on loans and receivables	524	877
Fair value adjustment transferred from equity hedge reserve (loss)	- 357	- 387
Unwind of discount on provisions	- 7	34
Net interest expenses	**- 4,890**	**- 3,567**
Exchange rate gains on bank balances, borrowings and working capital	4,101	4,526
Exchange rate losses on bank balances, borrowings and working capital	- 3,670	- 7,307
Net foreign exchange gains/losses	**431**	**- 2,781**
Fair value gains from derivatives	480	3,968
Fair value losses from derivatives	- 349	- 2,017
Fair value gains from securities	36	230
Fair value losses from securities	- 187	- 1
Net fair value gains/losses	**- 20**	**2,180**
Dividends received from securities[2]	1,519	13
Impairment losses on financial non-current receivables	- 19	30
Reversal of write-downs of loans and other non-current receivables	164	0
Financial expenses, net[3]	**- 2,815**	**- 4,125**
Of which:		
Financial income	6,660	9,614
Financial expenses	- 9,475	- 13,739

1 The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 4.3% (4.1%).
2 Of which DKK 878m (DKK 7m) pertains to shares held at the end of the year and DKK 631m (DKK 0m) pertains to shares sold during the year.
3 Of which DKK 284m relates to a loss on the prepayment of issued bonds and DKK 189m net of swaps, etc.

For an analysis of gains and losses from derivatives, reference is made to note 11.

Note 6: Tax

Amounts in DKKm	2018	2017
Tax recognised in the income statement		
Current tax on profits for the year	3,047	2,070
Adjustment for current tax of prior periods	- 565	- 703
Utilisation of previously unrecognised deferred tax assets	- 38	- 33
Total current tax	**2,444**	**1,334**
Origination and reversal of temporary differences	- 429	- 705
Adjustment for deferred tax of prior periods	- 158	198
Adjustment attributable to changes in tax rates and laws	6	- 165
Recognition of previous unrecognised deferred tax assets	- 44	- 78
Reassessment of recoverability of deferred tax assets, net	265	107
Total deferred tax	**- 360**	**- 643**
Total income tax	**2,084**	**691**
Tonnage and freight tax	560	483
Total tax expense	**2,644**	**1,174**

Amounts in DKKm	2018	2017
Tax reconciliation		
Profit/loss before tax	9,999	- 7,850
Profit/loss subject to Danish and foreign tonnage taxation, etc.[1]	1,232	- 1,073
Internal gain/loss on sale of assets	- 6	0
Share of profit/loss in joint ventures	- 733	865
Share of profit/loss in associated companies	- 2,201	- 4,863
Profit/loss before tax, adjusted	**8,291**	**- 12,921**
Tax using the Danish corporation tax rate (22.0%)	1,824	- 2,843
Effect of other income taxes distinct from operation tax	0	- 125
Tax rate deviations in foreign jurisdictions	- 32	375
Non-taxable income	- 502	1,340
Non-deductible expenses	301	736
Adjustment to previous years' taxes	- 723	- 505
Effect of changed tax rate	6	- 119
Change in recoverability of deferred tax assets	183	- 4
Deferred tax asset not recognised	778	1,174
Other differences, net	249	662
Total income tax	**2,084**	**691**
Tax recognised in other comprehensive income and equity	**- 185**	**- 277**
Of which:		
Current tax	- 191	- 79
Deferred tax	6	- 198

[1] Including impairment losses and reversals on vessels and rigs under tonnage taxation.

Note 7: Discontinued operations and assets held for sale

The results of the discontinued operations are presented in one separate line in the income statement, cash flow statement and balance sheet. Both the income statement and cash flow statement have been restated in previous periods.

A.P. Moller – Maersk has decided to pursue a demerger with a separate listing on Nasdaq Copenhagen on 4 April 2019 for Maersk Drilling. A.P. Moller Holding has agreed to a 360 day lockup of its shareholding in Maersk Drilling, subject to certain customary exemptions. As a consequence, Maersk Drilling has been reclassified to continuing operations as from 2018. Comparative figures in the income statement and cash flow statement have been restated accordingly while the balance sheet has not been restated.

Discontinued operations include Maersk Oil up to closing in March 2018 and Maersk Supply Service, where a structural solution is expected within 12 months. Total S.A. acquired Maersk Oil for USD 7,450m (DKK 47bn) in a combined share and debt transaction.

In the consolidated financial statements, the result for Maersk Oil and Maersk Supply Service are classified under discontinued operations with a net profit of DKK 15.1bn (DKK 6.0bn), positively impacted by the gain of DKK 16.7bn on the sale of Maersk Oil. The cash flow from operating activities was DKK 2.1bn (DKK 9.0bn), while the cash flow from investing activities, including the net cash proceeds from the Maersk Oil transaction, amounted to DKK 10.1bn (negative DKK 8.6bn). Total cash flow from the discontinued operations amounted to DKK 10.8bn (DKK 2.6bn).

Property plant and equipment held for sale amount to DKK 5.5bn for Maersk Supply Service.

Amounts in DKKm	2018	2017
Profit/loss for the period - discontinued operations		
Revenue	5,116	29,250
Expenses	- 2,887	- 11,430
Gains/losses on sale of assets and businesses	16,658	89
Depreciation, amortisation and impairment losses, net	0	- 5,083
Negative fair value adjustments	- 2,527	0
Profit/loss before tax, etc.	**16,360**	**12,826**
Tax[1]	- 1,251	- 6,793
Profit/loss for the year - discontinued operations	**15,109**	**6,033**
Cash flow from discontinued operations		
Cash flow from operating activities	2,078	8,973
Cash flow used for investing activities	10,062	- 8,647
Cash flow from financing activities	- 1,352	2,261
Net cash flow from discontinued operations	**10,788**	**2,587**

[1] The tax relates to the profit from the ordinary activities of discontinued operations. There is no tax related to the gain on the sale of Maersk Oil, DKK 16.7bn.

Amounts in DKKm	2018	2017
Balance sheet items comprise		
Intangible assets	39	5,431
Property, plant and equipment	5,595	73,982
Deferred tax assets	0	1,514
Other assets	359	3,048
Non-current assets	**5,993**	**83,975**
Current assets	639	9,111
Assets held for sale	**6,632**	**93,086**
Provisions	606	18,986
Deferred tax liabilities	0	1,403
Other liabilities	1,122	8,920
Liabilities associated with assets held for sale	**1,728**	**29,309**

Note 7: Discontinued operations and assets held for sale - continued

Maersk Oil

On 21 August 2017, A.P. Moller - Maersk announced the sale of Maersk Oil to Total S.A. The transaction, which was based on a locked box mechanism from 30 June 2017, closed on 8 March 2018 with an accounting gain of DKK 16bn. In addition to the net cash proceeds of DKK 13bn after closing adjustments and free cash flow of DKK 2bn up to closing, A.P. Moller – Maersk received 97.5m shares in Total S.A., equivalent to an ownership interest of 3.7%. The market value of the Total S.A. shares was DKK 34bn at closing on 8 March 2018. The accounting gain comprises the original gain calculated on 30 June 2017 of DKK 18bn less the profit of DKK 7bn recognised in the period from 1 July 2017 up to closing and the addition of the locked box interest and positive Total S.A. share price development totalling DKK 5bn.

Period ended 8 March 2018

Maersk Oil reported a profit of DKK 0.9bn (DKK 8bn) before elimination of internal interests. The gain and cash flow from closing the transaction is summarised below:

Cash flow from sale

Amounts in DKKm	2018
Carrying amount	
Intangible assets	4,920
Property, plant and equipment	42,635
Financial assets - non-current	2,735
Deferred tax assets	1,472
Current assets	8,451
Provisions	- 17,477
Liabilities	- 24,198
Net assets sold	**18,538**
Non-controlling interests	0
A.P. Møller Holding A/S' share	**18,538**
Gain/loss on sale	16,625
Repayment of loan	15,791
Locked box interest received	985
Total consideration	**51,939**
Shares in Total S.A. received	- 35,163
Contingent consideration assets	0
Cash and bank balances transferred at closing	- 3,998
Cash flow from sale of subsidiaries and activities	**12,778**

Secondary decommissioning liability

As part of the divestment of Mærsk Olie & Gas A/S (MOGAS) to Total S.A., A.P. Møller – Mærsk A/S (APMM) has assumed a secondary liability related to the decommissioning of the offshore facilities in Denmark by issuance of a declaration. APMM assesses the risk of economic outflows due to this secondary liability as very remote.

Potential beneficiaries of the declaration of secondary liability are the other participants in Danish Underground Consortium (DUC) and the Danish state. The declaration covers decommissioning costs related to DUC's offshore facilities in Denmark which existed as at 28 February 2018. The secondary liability is limited to decommissioning costs related to MOGAS's participating interest in DUC at that point in time (which was 31.2%). At close on 8 March 2018, MOGAS's provision for these decommissioning costs amounted to DKK 7bn. APMM's secondary liability will be reduced as facilities are decommissioned at the cost of DUC.

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

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

Maersk Supply Service

Full year 2018

Maersk Supply Service reported loss of DKK 2.6bn (loss of DKK 1.7bn), impacted by negative fair value adjustment of DKK 2.5bn recognised in Q3 2018 due to continued challenging market conditions. The result was positively impacted by no depreciation being recognised after classification as discontinued operations in Q4 2017.

Note 8: Intangible assets

Amounts in DKKm	Goodwill	Terminal and service concession rights[2]	Oil concession rights	Customer relations and brand name	Other intangible assets[3]	Total
Cost						
As of 1 January 2017	5,149	18,139	52,503	0	5,131	80,922
Addition	0	1,617	495	0	255	2,367
Acquired in business combinations[1]	2,561	0	0	7,546	0	10,107
Disposal	0	0	- 1,175	0	- 24	- 1,199
Transfer, assets held for sale	0	0	- 48,451	0	- 1,591	- 50,042
Exchange rate adjustment	- 571	- 1,695	- 3,372	- 458	- 440	- 6,536
As of 31 December 2017	**7,139**	**18,061**	**0**	**7,088**	**3,331**	**35,619**
Addition	0	1,143	0	0	209	1,352
Acquired in business combinations	- 455	0	0	0	0	- 455
Disposal	0	0	0	0	- 25	- 25
Transfer, assets held for sale	0	- 309	0	853	- 32	512
Exchange rate adjustment	92	525	0	348	101	1,066
As of 31 December 2018	**6,776**	**19,420**	**0**	**8,289**	**3,584**	**38,069**
Amortisation and impairment losses						
As of 1 January 2017	2,791	1,936	47,198	0	3,459	55,384
Amortisation	0	522	277	40	387	1,226
Impairment losses	0	845	0	0	172	1,017
Disposal	0	- 20	0	0	- 58	- 78
Disposal on sale of businesses	0	0	- 1,083	0	0	- 1,083
Transfer, assets held for sale	0	0	- 43,361	0	- 865	- 44,226
Exchange rate adjustment	- 141	- 235	- 3,031	- 3	- 341	- 3,751
As of 31 December 2017	**2,650**	**3,048**	**0**	**37**	**2,754**	**8,489**
Amortisation	0	486	0	619	179	1,284
Impairment losses	25	0	0	0	6	31
Disposal	0	0	0	0	- 25	- 25
Transfer, assets held for sale	0	- 309	0	316	- 32	- 25
Exchange rate adjustment	- 106	23	0	32	85	34
As of 31 December 2018	**2,569**	**3,248**	**0**	**1,004**	**2,967**	**9,788**
Carrying amount:						
As of 31 December 2017	**4,489**	**15,013**	**0**	**7,051**	**577**	**27,130**
As of 31 December 2018	**4,207**	**16,172**	**0**	**7,285**	**617**	**28,281**

[1] Acquisition of Hamburg Süd, please refer to note 23 "Acquisition/sale of subsidiaries and activities".

[2] Of which DKK 5.4bn (DKK 4.0bn) is under development. DKK 222m (DKK 211m) is related to terminal rights with indefinite useful life in Poti Sea Port Corp. The impairment test is based on the estimated fair value according to business plans. An average discount rate of 8.97% (14.8%) 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 DKK 522m (DKK 583m) have restricted title.

[3] Of which DKK 196m (DKK 124m) is related to ongoing development of software and DKK 23m (DKK 0m) to other ongoing development projects.

Note 8: Intangible assets - continued

Impairment analysis

The recoverable amount of each cash generating unit (CGU) is determined on the basis of 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 judgment 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.

During 2017, certain terminals were faced with challenging market outlooks with decreasing volumes and rates which resulted in impairment losses as recoverable amounts were lower than the carrying amount.

For the intangible assets in Terminals & Towage, the impairment losses can be specified as follows:

	Applied discount rate p.a. after tax		Impairment losses	
	2018	2017	2018	2017
Goodwill	6.6%		25	0
Terminal and service concession rights		6.5% - 12.5%	0	845
Other rights	6.6%	6.5%-8%	6	172
Total			**32**	**1,017**

After impairment losses the recoverable amount of the impaired intangible assets is nil.

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.

		Carrying amount	
Operating segment	Cash generating unit	2018	2017
Ocean	Ocean (Hamburg Süd acquisition)	2,061	2,408
Terminals & Towage	Multiple terminals (Group Maritim TCB acquisitions)	1,617	1,539
Other		529	542
Total		**4,207**	**4,489**

The most significant goodwill amount relates to the Ocean segment, where the impairment test is based on the estimated value in use from five-year business plans and a calculated terminal value with growth equal to the expected economic growth of 2% p.a. in both 2018 and 2017. A discount rate of 7.7% (8.7%) has been applied.

The key assumptions for Terminals & Towage's value calculations are container moves, revenue and cost per move and discount rates. 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.

For further information on impairment considerations, reference is made to note 27.

Note 9: Property, plant and equipment

Amounts in DKKm	Ships, containers, etc.	Production facilities and equipment, etc.	Rigs	Construction work in progress and payment on account	Total
Cost					
As of 1 January 2017	310,693	223,991	70,420	39,424	644,528
Addition	10,041	396	7	25,506	35,950
Acquired in business combinations	25,093	198	0	244	25,535
Disposal	- 1,040	- 62,451	- 7	- 21	- 63,519
Transfer	14,335	9,381	4,278	- 27,994	0
Transfer, assets held for sale	- 38,179	- 115,406	- 70,177	- 24,968	- 248,730
Exchange rate adjustment	- 36,057	- 14,960	- 4,521	- 2,549	- 58,087
As of 31 December 2017	**284,886**	**41,149**	**0**	**9,642**	**335,677**
Addition	4,895	523	455	13,984	19,857
Acquired in business combinations	- 51	164	0	6	119
Disposal	- 5,325	- 626	- 1,289	- 32	- 7,272
Transfer	12,216	1,459	720	- 14,395	0
Transfer, assets held for sale	- 171	- 196	66,801	613	67,047
Exchange rate adjustment	13,947	932	2,164	269	17,312
As of 31 December 2018	**310,397**	**43,405**	**68,851**	**10,087**	**432,740**

Amounts in DKKm	Ships, containers, etc.	Production facilities and equipment, etc.	Rigs	Construction work in progress and payment on account	Total
Depreciation and impairment losses					
As of 1 January 2017	140,925	171,797	30,175	8,878	351,775
Depreciation	15,885	7,413	2,291	0	25,589
Impairment losses	3,789	1,221	11,223	1,657	17,890
Reversal of impairment losses	- 78	- 1,591	0	0	- 1,669
Disposal	- 4,002	- 62,265	- 7	- 46	- 66,320
Transfer	522	1,083	522	- 2,127	0
Transfer, assets held for sale	- 24,058	- 87,441	- 42,271	- 7,401	- 161,171
Exchange rate adjustment	- 16,516	- 11,340	- 1,933	- 583	- 30,372
As of 31 December 2017	**116,467**	**18,877**	**0**	**378**	**135,722**
Depreciation	16,934	2,425	3,228	0	22,587
Impairment losses	69	928	0	82	1,079
Reversal of impairment losses[1]	- 6	- 13	- 5,116	0	- 5,135
Disposal	- 3,562	- 461	- 1,017	- 44	- 5,084
Transfer	145	0	- 114	- 32	- 1
Transfer, assets held for sale	- 101	- 297	39,578	0	39,180
Exchange rate adjustment	6,133	396	1,187	- 6	7,710
As of 31 December 2018	**136,079**	**21,855**	**37,746**	**378**	**196,058**
Carrying amount:					
As of 31 December 2017	**168,419**	**22,272**	**0**	**9,264**	**199,955**
As of 31 December 2018	**174,318**	**21,550**	**31,105**	**9,709**	**236,682**
Finance leased assets included in carrying amount:					
As of 31 December 2017	**18,949**	**669**	**0**	**24**	**19,642**
As of 31 December 2018	**15,938**	**659**	**0**	**26**	**16,623**

1 Reversal of impairment losses are included in the accounting item "Depreciation, amortisations and impairment losses, net", in the consolidated income statement.

Note 9: Property, plant and equipment - continued

Acquired in business combinations

The additions of DKK 25.5bn in 2017 were related to the acquisition of Hamburg Süd.

Transfers

In 2017, transfer to assets held for sale relate to Maersk Oil and Maersk Supply Service. In 2018, as a consequence of the demerger with a separate listing of Maersk Drilling the transfer to assets held for sale have been reversed and reclassified to continuing operations. Reference is made to note 7.

In 2017, transfers were primarily related to Maersk Oil, Maersk Drilling and Maersk Supply Service.

Finance leases

As part of the group's activities, customary leasing agreements are entered into, especially regarding the chartering of vessels and lease of containers and other equipment. In some cases, the leasing agreements comprise purchase options for the group and options for extension of the lease term. In the financial statements, assets held under finance leases are recognised in the same way as owned assets.

Operating leases as lessor

Property, plant and equipment include rigs and vessels which are leased out as part of the group's activities. The amounts below comprise the future minimum lease payments for the assets and exclude the estimated service elements, which are presented in note 1. Jointly the two elements amount to the group's revenue backlog.

Operating lease receivables	2018	2017
Within one year	3,646	4,643
Between one and five years	4,614	6,443
After five years	228	509
Total	**8,488**	**11,595**

Pledges

Property, plant and equipment with a carrying amount of DKK 51.8bn (DKK 18.2bn) have been pledged as security for loans of DKK 23.3bn (DKK 12.7bn).

In addition, certain bank accounts and shares in the subsidiaries being owners of the collateral rigs are pledged as security for term loans with a carrying amount as of 31 December 2018 of DKK 9.6bn (DKK 0bn) and undrawn credit facilities of DKK 2.6bn.

In certain circumstances, earnings in respect of drilling contracts for the collateral rigs will be assigned in favour of the lenders under the loan agreements.

Impairment reversal

Following the improved market outlook for offshore drilling with increased activity and improved long-term projections part of the prior year impairment losses were reversed in 2018. The impairment reversals of DKK 5.1bn related to both the jack-up and floater segment. The impairment losses recognised in 2017 were due to challenging market conditions.

The value in use calculations for the individual cash generating units are sensitive to the day rates expected to apply when contracts expire and to the risks of idle periods in the forecasts. In addition, the discount rate, growth rate and EBITDA margin after the budget period are critical variables.

The sensitivity analysis shows that the impairment reversals in 2018, for the CGU's where impairment reversals were recognised, would have been respectively:

- DKK 7.5bn and DKK 3.0bn with a +/- 1 percentage point change in the discount rate
- DKK 6.0bn and DKK 4.2bn with a +/- 1 percentage point change in growth rate after budget period
- DKK 9.0bn and DKK 1.7bn with a +/- 5 percentage point change in EBITDA margin

The analysis assumes that all other variables remain constant.

For general information on basis for calculating recoverable amount reference is made to note 26 and note 8.

Impairment analysis

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

Note 9: Property, plant and equipment - continued

Amounts in DKKm	Cash generating unit	Impairment losses 2018	Impairment losses 2017	Reversal of impairment losses 2018	Reversal of impairment losses 2017	Applied discount rate p.a. after tax 2018	Applied discount rate p.a. after tax 2017	Recoverable amount 2018	Recoverable amount 2017
APM Terminals[1]	Terminals	126	1,241	0	0	8.5%	6.5%-18.3%	126	3,017
Maersk Oil[2]	Denmark	0	0	0	1,551			0	6,272
Maersk Drilling	Floaters	0	6,760	2,811	0	10.0%	10.5%	12,171	10,206
Maersk Drilling	Jack-up rigs	0	4,463	2,305	0	10.0%	10.5%	18,191	17,369
Maersk Supply[2]	Anchor Handling Tug Supply Vessels	0	1,030	0	0			0	0
Maersk Supply[2]	SSV	0	1,096	0	0		10.1%	0	2,614
Maersk Supply[2]	Others	0	92	0	0		10.1%	0	92
Manufacturing & Others[3]	Container manufacturing facilities	884	0	0	0			284	0
A.P. Moller - Maersk - Other		69	67	19	40			0	0
Maersk Product Tankers[4]	All vessels	0	3,141	0	78			0	6,958
Total		**1,079**	**17,890**	**5,135**	**1,669**				

1 Both in 2017 and 2018, the impairment losses relate to certain terminals in commercially challenged markets.

2 For Maersk Oil and Maersk Supply Service, impairment losses were recognised immediately before the initial classification of the businesses as assets held for sale. For Maersk Supply Service the impairment analysis is based on a discounted cash flow calculation for the remaining lifetime of the assets. The key assumptions for these calculations are expected day rates, utilisation and discount rate.

3 For Maersk Container Industry, the impairment losses relate to the close-down of production facilities. For further information refer to note 27.

4 Maersk Product Tankers' impairment analysis for 2018 did not reveal a need for further impairments or reversal of the previous impairment, as the long term expectations has not changed significantly since the last impairment analysis.

Note 10: Investments in joint ventures and associated companies

Investments in joint ventures

Amounts in DKKm	2018	2017
A.P. Møller Holding A/S' share of:		
Profit for the year	733	- 865
Comprehensive income	0	13

Investments in associated companies

Amounts in DKKm	2018	2017
A.P. Møller Holding A/S' share of:		
Profit for the year	2,201	4,863
Comprehensive income	- 102	- 876

Below is summarised financial information for individual associates material for the group:

The associated company Danske Bank A/S (100%) only

Amounts in DKKm	2018	2017
Total income	98,033	127,081
Operating costs, depreciations, financials, tax, etc.	- 83,344	- 106,181
Profit for the year	**14,689**	**20,900**
Comprehensive income	- 482	- 265
Comprehensive income, total	**14,207**	**20,635**
Non-current assets	2,292,579	2,271,639
Current assets	1,285,888	1,267,471
Non-current liabilities	- 2,412,003	- 2,415,575
Current liabilities	- 1,017,486	- 970,037
Total assets, net	**148,978**	**153,498**
Cash and bank balances	**40,997**	**82,818**

A.P. Moller Holding's share of the associated company Danske Bank A/S:

Amounts in DKKm	2018	2017
A.P. Møller Holding A/S' share of:		
Profit for the year	2,927	4,196
Comprehensive income	- 102	- 876
Dividends received during the year	1,874	1,771
A.P. Møller Holding A/S' share of:		
Ownership interest	31,660	31,643
Goodwill	964	964
Carrying amount	**32,624**	**32,607**

A.P. Møller Holding A/S' share of Danske Bank A/S' market value at 31 December 2018 amounted to DKK 23.6bn (DKK 45.3bn).

Danske Bank is under criminal investigation regarding the terminated non-resident portfolio at Danske Bank's Estonian branch in various countries, including Estonia, Denmark and the US. At present, it is not possible to reliably estimate the timing of completion and the outcome of the investigations and lawsuit, or the amount of any potential settlement of fines, which could be material.

Reference is made to note 27.

Note 11: Derivatives

The group enters into derivative transactions in order to mitigate foreign exchange rate exposure related to costs incurred in local currencies, and interest rate exposure on term loans. Hedges comprise primarily currency derivatives and interest rate derivatives. Foreign exchange forwards and option contracts are used to hedge the currency risk related to recognised and unrecognised transactions. Interest rate and cross currency swaps are used to hedge interest rate exposure on borrowings. Price hedge derivatives are used to hedge crude oil prices and bunker prices.

Amounts in DKKm	2018	2017
Non-current receivables	880	1,614
Current receivables	524	724
Non-current liabilities	- 1,578	- 857
Current liabilities	- 841	- 810
Liabilities, net	**- 1,015**	**671**

Note 11: Derivatives - continued

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

Amounts in DKKm	Fair value, asset 2018	Fair value, liability 2018	Nominal amount of derivative 2018	Fair value, asset 2017	Fair value, liability 2017	Nominal amount of derivative 2017
Hedge of borrowings						
Cross currency swaps						
- DKK	0	7	0	0	0	0
- EUR	633	920	17,588	1,490	99	3,515
- GBP	0	483	2,478	12	230	437
- JPY	65	78	1,330	43	87	200
- SEK	0	0	0	0	422	305
- NOK	0	339	3,887	37	254	693
Interest rate swaps						
- cash flow hedges	215	75	13,961	26	75	1,037
- fair value hedges	0	98	3,261	0	37	500
Total	**913**	**2,000**		**1,608**	**1,204**	
Hedge of operating cash flows and investments in foreign currencies						
Main currencies hedged						
- EUR	0	80	3,448	99	0	674
- GBP	0	13	443	68	0	480
- DKK	0	68	1,874	93	0	579
Other currencies	13	66	3,225	174	43	1,098
Total	**13**	**227**		**434**	**43**	

Held for trading Amounts in DKKm	Fair value 2018	Fair value 2017
Currency derivatives	117	- 99
Interest derivatives	0	0
Price hedges	169	- 25
Total as of 31 December	**286**	**- 124**

The hedges are expected to be highly effective due to the nature of the economic relation between the exposure and hedge. The source of ineffectiveness is the credit risk of the hedging instruments. For hedges where cost of hedging is applied, the forward points and change in basis spread is recognised in other comprehensive income and transferred with the effective hedge when the hedged transaction occurs. The cost of hedging reserve amounts to DKK 7m (DKK 43m).

Other comprehensive income – Cash flow hedges

Amounts in DKKm	2018	2017
Value adjustment of hedges for the year	**- 1,006**	**2,237**
Reclassified to income statement:		
- revenue	6	- 26
- operating costs	0	- 297
- financial expenses	196	363
- discontinued operations	- 44	- 20
Total reclassified to income statement	**158**	**20**
Reclassified to cost of property, plant and equipment	**- 38**	**- 185**

For information about risk management strategy, currencies, maturities, etc. reference is made to note 13.

Hedge of borrowings

Cross currency swaps are used to swap all non-USD issued bonds. Fixed to floating rate swaps are designated as a combination of fair value and cash flow hedges. The principal amounts hereof are (USD equivalents): EUR 1,723 (EUR 1,835m), GBP 89m (GBP 95m), JPY 204m (JPY 200m), SEK 0m (SEK 171m) and NOK 252m (NOK 268m). The remaining swaps are fixed to fixed rate or floating to fixed rate swaps and are designated as cash flow hedges of currency and interest risk.

The hedge ratio is 1:1. The maturity of the hedge instruments 0-5 years are (USD equivalents): EUR 1,746m (EUR 3,419m), GBP 32m, JPY 91m (JPY 89m), SEK 0m (SEK 305m) and NOK 344m (NOK 303m). 5-10 years: EUR 859m (EUR 0m), GBP 380m (405m), JPY 113m (JPY 111m) and NOK 252m (NOK 390m). Above 10 years: EUR 92m (EUR 96m).

Cross currency swaps are designated as a combination of hedge of principal cash flow and hedge of interests at a weighted average rate of 4.5% (3.7%).

Note 11: Derivatives - continued

Interest rate swaps are all denominated in USD and pays either floating (fair value hedge) or fixed interest rates (cash flow hedge). The hedge ratio is 1:1 and the weighted average interest rate is 2.5% (2.2%). The maturity of the interest rate swaps 0-5 years: DKK 6.0bn (DKK 2.7bn) and 5-10 years DKK 7.4bn (DKK 6.8bn).

For cash flow hedges related to borrowings, a loss of DKK 505m (gain of DKK 192m) is recognised in other comprehensive income and the cash flow hedges reserve is a loss of DKK 309m (gain of DKK 192m). Reference is made to other comprehensive income.

The carrying amount of the borrowings in fair value hedge relation is DKK 18.1bn (DKK 19.0bn) and the accumulated fair value adjustment of the loans is a loss of DKK 82m (loss of DKK 174m). The loss on the hedging instrument in fair value hedges recognised in the income statement for the year amounts to DKK 95m (loss of DKK 218m) and the gain on hedged item amounts to DKK 95m (gain DKK 218m).

Due to bond buy-back in 2018, the ineffectiveness from cash flow hedges is recognised in profit or loss at DKK 126m in 2018.

Hedge of operating cash flows and investments in foreign currencies

Currency derivatives hedge future revenue, operating costs and investments/divestments are recognised on an ongoing basis in the income statement and the cost of property, plant and equipment respectively.

Hedges of future revenue and operating costs matures within a year. For hedges related to operating cash flows and investment DKK 562m (DKK 363m) is recognised in other comprehensive income and the cash flow hedge reserve is negative DKK 215m (positive DKK 363m).

Other economic hedges (no hedge accounting applied)

Furthermore, the group enters into derivatives to hedge economic risks that are not accounted for as hedging. These derivatives are accounted for as held for trading. The gains/losses, including realised transactions, are recognised as follows:

Amounts in DKKm	2018	2017
Hedging foreign exchange risk on revenue	13	26
Hedging foreign exchange risk on operating costs	- 4	317
Hedging interest rate risk	- 357	- 387
Hedging investment in associated companies	0	- 26
Hedging foreign exchange risk on the cost of non-current assets	0	786
Hedging foreign exchange risk on discontinued operations	89	- 544
Total effective hedging	**- 259**	**172**
Ineffectiveness recognised in financial expenses	139	- 7
Total reclassified from equity reserve for hedges	**- 120**	**165**
Derivatives accounted for as held for trading		
Currency derivatives recognised directly in financial income/expenses	74	2,205
Interest rate derivatives recognised directly in financial income/expenses	- 189	- 244
Oil prices and freight rate derivatives recognised directly in other income/costs	163	- 132
Derivatives recognised in income statement for discontinued operations	- 20	- 40
Net gains/losses recognised directly in the income statement	**28**	**1,789**
Total	**- 92**	**1,954**

For information about currencies, maturities, etc., reference is made to note 13.

Note 12: Financial instruments by category

Amounts in DKKm	Carrying amount 2018	Fair value 2018	Carrying amount 2017	Fair value 2017
Carried at amortised cost				
Loans receivable	2,426	2,432	2,380	2,402
Finance lease receivables	163	170	173	180
Other interest-bearing receivables and deposits	417	391	386	385
Trade receivables	27,139		24,680	
Other receivables (non-interest-bearing)	7,077		7,030	
Cash and bank balances	23,395		15,234	
Financial assets at amortised cost	**60,617**		**49,883**	
Derivatives	**1,404**	**1,404**	**2,338**	**2,338**
Carried at fair value through profit/loss				
Bonds	141	141	106	106
Shares	1,298	1,298	103	103
Other securities[1]	29	55	6	6
Financial assets at fair value through profit/loss	**1,468**	**1,494**	**215**	**215**
Carried at fair value through other comprehensive income				
Other equity investments (FVOCI)[2]	16,225	16,225	251	251
Financial assets at fair value through OCI	**16,225**	**16,225**	**251**	**251**
Total financial assets	**79,714**		**52,687**	
Carried at amortised cost				
Bank and other credit institutions	42,573	37,732	50,692	51,773
Finance lease liabilities	14,758	15,573	17,029	19,315
Issued bonds	35,039	35,176	48,435	49,779
Trade payables	35,154		33,152	
Other payables	7,053		8,306	
Financial liabilities at amortised cost	**134,577**		**157,614**	
Derivatives	**2,419**	**2,419**	**1,667**	**1,667**
Carried at fair value				
Other payables	0	0	43	43
Financial liabilities at fair value	**0**	**0**	**43**	**43**
Total financial liabilities	**136,996**		**159,324**	

1 Relates to contingent consideration receivables.
2 Designated at initial recognition in accordance with IFRS 9.

Equity Investments at fair value through other comprehensive income (FVOCI)

As of 31 December 2018, DKK 16.0bn in equity investments at FVOCI classified as current pertains to the shares in Total S.A. received from the sale of Maersk Oil. Subject to meeting A.P. Moller – Maersk's investment-grade credit rating it is the plan to return a material portion of the value of the received shares to the A.P. Moller – Maersk shareholders during 2019, and therefore the shares have been classified as current.

Disposal of the remaining 19% share in Dansk Supermarked Group

In 2017, as the Salling Companies could complete the final transaction agreed on in 2014, A.P. Møller - Mærsk A/S sold its remaining 19% share of Dansk Supermarked Group for DKK 5.5bn to Salling Companies.

The accumulated loss, DKK 812m has been transferred within equity. The loss can be attributed to the development in the DKK/USD exchange rate since initial recognition.

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 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 on the basis of 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 reasonable 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.

Note 12: Financial instruments by category - continued

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 future cash flows.

Financial assets and liabilities measured at fair value as of 31 December

Amounts in DKKm	Level 1	Level 2	2018 Level 3
Financial assets			
Derivatives	0	1,404	0
Securities	17,463	0	256
Financial assets at fair value as of 31 December	**17,463**	**1,404**	**256**
Financial liabilities			
Derivatives	0	2,419	0
Other payables	0	0	0
Financial liabilities at fair value as of 31 December	**0**	**2,419**	**0**

Financial assets and liabilities measured at fair value at 31 December

Amounts in DKKm	Level 1	Level 2	2017 Level 3
Financial assets			
Derivatives	0	2,338	0
Securities	320	0	146
Financial assets at fair value as of 31 December	**320**	**2,338**	**146**
Financial liabilities			
Derivatives	0	1,667	0
Other payables	0	0	43
Financial liabilities at fair value as of 31 December	**0**	**1,667**	**43**

Movement during the year in level 3

Amounts in DKKm	Other equity Investments (FVOCI)	Other equity investments	Other receivables	Total financial assets
Carrying amount as of 1 January 2017	5,510	0	0	5,510
Addition	66	0	185	251
Disposal	- 5,790	0	0	- 5,790
Gains/losses recognised in the income statement	0	0	- 119	- 119
Gains/losses recognised in other comprehensive income	911	0	0	911
Transfer, assets held for sale	- 205	0	0	- 205
Exchange rate adjustment, etc.	- 346	0	- 4	- 350
Carrying amount as of 31 December 2017	**146**	**0**	**62**	**208**
Addition	82	22	25	129
Disposal	0	0	0	0
Gains/losses recognised in the income statement	0	0	- 63	- 63
Gains/losses recognised in other comprehensive income	0	0	0	0
Transfer	0	0	0	0
Transfer, assets held for sale	0	0	0	0
Exchange rate adjustment, etc.	7	0	2	9
Carrying amount as of 31 December 2018	**235**	**22**	**26**	**283**

Movement during the year in level 3

Amounts in DKKm	Other payables	Total financial liabilities
Carrying amount as of 1 January 2017	49	49
Exchange rate adjustment, etc.	- 6	- 6
Carrying amount as of 31 December 2017	**43**	**43**
Disposal	- 32	- 32
Gains/losses recognised in the income statement	- 13	- 13
Exchange rate adjustment, etc.	2	2
Carrying amount as of 31 December 2018	**0**	**0**

Note 13: Financial risks, etc.

Risk management is most effectively managed de-centrally. Consequently, management in A.P. Moller Holding, A.P. Moller – Maersk, Maersk Drilling, Maersk Tankers, Maersk Product Tankers, and A.P. Moller Capital define their own risk management policies and procedures, respectively. As a member of the Board of Directors of each affiliate, we monitor business performance in the affiliates closely.

The group's activities expose it to a variety of financial risks:

- Market risks, i.e. currency risk, interest rate risk, and quoted 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.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, and that will affect the group's profit or the value of its holdings of financial instruments. Below sensitivity analyses relate to the position of financial instruments at 31 December 2018.

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 2018. Furthermore, it is assumed that the exchange rate and interest rate sensitivities have a symmetric impact, i.e. an increase in rates results in the same absolute movement as a decrease in rates.

The sensitivity analyses show the effect on profit or loss and equity of a reasonable possible change in exchange rates, interest rates and quoted prices.

Currency risk

The group's currency risk relates to the fact that while income from shipping and oil-related activities is denominated mainly in USD, the related expenses are incurred in both USD and a wide range of other currencies such as EUR, NOK, GBP, CNY, JPY, and DKK. As the primary net income is in USD, this is also the primary financing currency. Income and expenses from other activities are mainly denominated in local currencies, thus reducing the group's exposure to these currencies.

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

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

Cash kept in countries with limited access to repatriating surplus cash is subject to currency risk.

An increase in the USD exchange rate of 10% against all other significant currencies to which the group is exposed is estimated to have a negative impact on the group's profit before tax by DKK 0.5bn (positive impact of DKK 2.1bn) and to affect the group's equity, excluding tax, negatively by USD 1.8bn (positively by DKK 0.1bn). The sensitivities are based only on the impact of financial instruments that are outstanding at the balance sheet date, cf. notes 12 and 13, and exclude translation to the presentation currency DKK and are thus not an expression of the group's total currency risk. The analysis assumes that all other variables remain constant. A 10 % decrease would have a corresponding inverse effect.

Interest rate risk

Interest rate risk comprises the risk that future cash flows from financial instruments will fluctuate because of changes in market interest rates as well as interest rate swaps. The interest rate exposure arises from loans and other credit facilities carrying floating interest rates. The exposure towards interest rates are mitigated by entering into fixed rate loans or interest rate swaps.

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, SEK and JPY.

Note 13: Financial risks, etc. - continued

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 through the use of interest rate swaps. The duration of the group's debt portfolio is 2.2 years (1.8 years).

A general increase in interest rates by one percentage point is estimated, all other things being equal, to affect profit before tax negatively and equity, excluding tax effect, positively by approximately DKK 138 m and DKK 20m, respectively (negatively by approximately DKK 198m and DKK 137m, respectively). A one percentage point decrease would have a corresponding inverse effect.

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

Borrowings by interest rate levels inclusive of interest rate swaps

		Next interest rate fixing		
Amounts in DKKm	Carrying amount	0-1 year	1-5 years	5- years
2018				
0-3%	1,356	1,056	254	46
3-6%	83,782	40,710	29,700	13,372
6%-	7,232	117	2,811	4,304
Total	**92,370**	**41,883**	**32,765**	**17,722**
Of which:				
Bearing fixed interest	52,555			
Bearing floating interest	39,815			
2017				
0-3%	45,398	31,242	10,967	3,189
3-6%	63,172	28,056	23,703	11,413
6%-	7,586	194	1,334	6,058
Total	**116,156**	**59,492**	**36,004**	**20,660**
Of which:				
Bearing fixed interest	52,335			
Bearing floating interest	63,821			

Share price risk on shares in Total S.A.

The value of the shares in Total S.A. was DKK 16.0bn (level 1) as on 31 December 2018. A 10% change in the share price will affect the group's equity, excluding tax, positively/negatively by DKK 1.6b. Changes in the share price will not affect the group's profit, as value adjustments are recognised directly in equity (other comprehensive income). The shares are denominated in EUR and are measured at EUR/DKK spot rate. The underlying business of the shares is based on USD. Dividends from these shares amount to DKK 1.5b, of which DKK 0.9bn (DKK 0.0bn) pertains to shares held at the end of the year and DKK 0.6bn (DKK 0.0bn) pertains to shares sold during the year.

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. Customer contracts does not include unusual payment terms or material financing components. 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.

Note 13: Financial risks, etc. - continued

Maturity analysis of trade receivables

Amounts in DKKm	2018	2017
Receivables not due	17,837	15,107
Less than 90 days overdue	8,113	8,332
91-365 days overdue	1,759	1,860
More than 1 year overdue	1,228	1,101
Receivables, gross	**28,937**	**26,400**
Provision for bad debt	- 1,798	- 1,720
Carrying amount as of 31 December	**27,139**	**24,680**

The loss allowance provision for trade receivables as of 31 December 2018 reconciles to the opening loss allowance as follows:

Change in provision for bad debt

Amounts in DKKm	2018	2017
Provision as of 1 January	1,720	1,971
Provision made	1,272	1,329
Amount used	- 763	- 726
Amount reversed	- 525	- 435
Transfer, assets held for sale	19	- 165
Exchange rate adjustment	75	- 254
Provision as of 31 December	**1,798**	**1,720**

Approx. 68% (64%) 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. All of these financial assets are considered to have low credit risk and thus the impairment provision calculated basis of 12 months 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.

Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting its obligations when they occur or ceasing to have access to adequate funding to pursue its strategic ambitions. The overall objective is to maintain adequate liquidity reserves to meet the group's obligations and sustain from volatility in cash flow from operations.

Capital is managed de-centrally for the group. The equity share of total equity and liabilities was 61.9% at the end of 2018 (52.7%).

Amounts in DKKm	2018	2017
Borrowings	92,370	116,156
Net interest-bearing debt[1]	67,494	100,369
Liquidity reserve[2]	85,823	68,412

1 For continuing operations.
2 Liquidity reserve is defined as undrawn committed revolving facilities with more than one year to expiry, securities and cash and bank balances, excluding securities and balances in countries with exchange control or other restrictions.

In addition to the liquidity reserve, the group has DKK 3.3bn (DKK 25.4bn) undrawn committed loans which are dedicated to financing of specific assets, part of which will therefore only become available at certain times in the future.

Based on the liquidity reserve, loans for the financing of specific assets, the maturity of outstanding loans, and the current investment profile, the group's financial resources are deemed satisfactory.

The average term to maturity of loan facilities in the group was about four years (about four years as of 31 December 2017).

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 release of capital and following up on the development in working capital.

Note 13: Financial risks, etc. - continued

Maturities of liabilities and commitments

Amounts in DKKm	Carrying amount	Cash flows including interest 0-1 year	1-5 years	5- years	Total
2018					
Bank and other credit institutions	42,584	9,717	31,098	9,844	50,659
Finance lease liabilities	14,749	3,391	10,197	4,663	18,251
Issued bonds	35,037	4,806	16,336	18,860	40,002
Trade payables	35,154	35,154	0	0	35,154
Other payables	7,053	6,779	215	59	7,053
Non-derivative financial liabilities	**134,577**	**59,847**	**57,846**	**33,426**	**151,119**
Derivatives	2,419	841	248	1,330	2,419
Total recognised in balance sheet	**136,996**	**60,688**	**58,094**	**34,756**	**153,538**
Operating lease commitments[1]		13,741	30,888	34,660	79,289
Capital commitments[1]		8,266	4,843	5,680	18,789
Total		**82,695**	**93,825**	**75,096**	**251,616**
2017					
Bank and other credit institutions	50,692	17,226	32,182	6,688	56,096
Finance lease liabilities	17,028	3,619	11,271	6,703	21,593
Issued bonds	48,435	3,153	37,451	13,754	54,358
Trade payables	33,152	33,152	0	0	33,152
Other payables	8,347	7,703	410	37	8,150
Non-derivative financial liabilities	**157,654**	**64,853**	**81,314**	**27,182**	**173,349**
Derivatives	1,667	794	534	323	1,651
Total recognised in balance sheet	**159,321**	**65,647**	**81,848**	**27,505**	**175,000**
Operating lease commitments[1]		12,648	28,076	36,328	77,052
Capital commitments[1]		14,308	5,090	6,955	26,353
Total		**92,603**	**115,014**	**70,788**	**278,405**

[1] Related to continuing operations.

Note 14: Deferred tax

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

Amounts in DKKm	Assets 2018	Assets 2017	Liabilities 2018	Liabilities 2017	Net liabilities 2018	Net liabilities 2017
Property, plant and equipment	459	427	1,826	1,373	1,367	946
Provisions, etc.	773	825	39	503	- 734	- 322
Tax loss carry forwards	1,083	1,201	0	0	- 1,083	- 1,201
Other	392	352	1,857	1,881	1,465	1,529
Total	**2,707**	**2,805**	**3,722**	**3,757**	**1,015**	**952**
Offsets	- 1,031	- 894	- 1,031	- 894	0	0
Total	**1,676**	**1,911**	**2,691**	**2,863**	**1,015**	**952**

Change in deferred tax, net during the year

Amounts in DKKm	2018	2017
As of 1 January	**952**	**97**
Property, plant and equipment	147	- 10,074
Provisions, etc.	- 464	4,810
Tax loss carry forwards	164	7,144
Other	- 166	- 1,434
Recognised in the income statement	**- 319**	**446**
Other including business combinations	58	317
Transfer, assets held for sale	298	0
Exchange rate adjustments	26	92
As of 31 December	**1,015**	**952**

Note 14: Deferred tax - continued

Unrecognised deferred tax assets - continuing operations

Amounts in DKKm	2018	2017
Deductible temporary differences	796	925
Tax loss carry forwards	4,290	3,198
Unused tax credit	85	0
Total[1]	**5,171**	**4,123**

[1] In addition, deductible temporary differences of DKK 0bn (DKK 5.6bn) and tax loss carry forward of DKK 0.2bn (DKK 2.9bn) relate to discontinued operations that are included under Liabilities associated with asset held for sale.

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.

Deferred taxes are subject to uncertainties due to tax disputes in certain countries. Reference is made to note 27.

Note 15: Share capital

The share capital comprises 2,000 shares of DKK 1,000,000.
Development in the number of shares and par value:

	Shares	DKKm
As of 31 December 2017	2,000	2,000
As of 31 December 2018	2,000	2,000

All shares are fully issued and paid up. No shares hold special rights.

Note 16: Non-controlling interests

Amounts in DKKm	2018	2017
Non-controlling interests as of 1 January	**115,953**	**134,858**
Share of profit/loss for the year	11,522	- 4,379
Share of other comprehensive income for the year	3,686	- 12,189
Dividends to shareholders	- 2,380	- 2,158
Value share-based payment	52	40
Acquisition of non-controlling interests	- 297	0
Sale of non-controlling interests[1]	1,077	- 106
Capital increase	70	123
Sale of own shares	0	53
Change in non-controlling interests	39	- 270
Other equity movements	- 29	- 19
Non-controlling interests as of 31 December	**129,693**	**115,953**

[1] Including disposal of 30% shareholding in Maersk Product Tankers A/S.

The group's subsidiaries with significant non-controlling interests include:

Amounts in DKKm	Registered office	Non-controlling interests	Percentage of votes
A.P. Møller - Mærsk A/S	Copenhagen	58.49	48.55
A.P. Møller Capital P/S	Copenhagen	49.00	32.00
Maersk Product Tankers A/S	Copenhagen	30.00	20.00

Note 16: Non-controlling interests – continued

Summarised financial information for each subsidiary with non-controlling interests that are material to the group:

Amounts in DKKm	2018	A.P. Møller - Mærsk A/S 2017	2018	A.P. Møller Capital P/S 2017	2018	Maersk Product Tankers A/S 2017
Statement of comprehensive income						
Revenue	246,465	204,293	106	23	4,087	4,100
Profit (loss) for the year	20,345	- 7,684	35	- 17	- 196	- 3,235
Total comprehensive income	16,245	- 1,103	0	0	- 221	- 3,235
Profit (loss) for the year attributable to non-controlling interests	11,564	- 4,371	17	- 8	- 59	0
Balance sheet						
Non-current assets	246,551	242,967	0	0	7,565	7,057
Current assets, including assets classified as held for sale	122,782	149,471	74	48	1,298	1,409
Non-current liabilities	77,193	105,793	0	0	4,624	4,382
Current liabilities, including liabilities classified as held for sale	74,388	91,592	16	17	1,193	981
Equity	217,759	195,046	58	31	3,039	3,110
Carrying amount of non-controlling interests of equity	128,757	115,938	25	15	911	0
Statement of cash flows						
Cash flows from operating activities	20,370	20,551	25	- 3	575	564
Cash flows from investing activities	6,184	- 39,096	0	0	- 752	- 373
Cash flows from financing activities	- 41,991	- 2,674	- 7	47	309	63
Cash flows from discontinued operations	21,608	8,260	0	0	13	6
Net cash flow for the year	6,171	- 12,959	18	44	145	260
Dividends paid to the non-controlling interests during the year	- 2,380	- 2,158	0	0	0	0

Note 17: Borrowings and net debt reconciliation

Amounts in DKKm	Net debt as of 31 December 2017	Cash flows[1]	Non-cash changes: Acquisitions	Non-cash changes: Foreign exchange movements	Non-cash changes: Other[2]	Net debt as of 31 December 2018
Bank and other credit institutions	50,692	- 10,479	1,566	650	155	42,584
Finance lease liabilities	17,029	- 4,188	0	948	960	14,749
Issued bonds	48,435	- 14,262	0	453	411	35,037
Total	**116,156**	**- 28,929**	**1,566**	**2,051**	**1,526**	**92,370**
Borrowings:						
Classified as non-current	95,743					78,097
Classified as current	20,413					14,273
Derivatives hedge of borrowings, net	**- 546**	**10**	**0**	**1,524**	**157**	**1,145**

1 Cash flows include prepayments of DKK 40.4 of which DKK 35.4 relates to prepayments made during Q4 2018
2 Other includes new finance leases and fair value changes.

Note 17: Borrowings and net debt reconciliation - continued

Amounts in DKKm	Net debt as of 31 December 2016	Cash flows[1]	Non-cash changes: Acquisitions	Non-cash changes: Foreign exchange movements	Non-cash changes: Other[2]	Net debt as of 31 December 2017
Bank and other credit institutions	38,226	14,992	964	- 2,097	- 1,393	50,692
Finance lease liabilities	16,020	- 2,040	4,001	- 2,088	1,136	17,029
Issued bonds	57,124	- 5,757	0	- 2,774	- 158	48,435
Total	**111,370**	**7,195**	**4,965**	**- 6,959**	**- 415**	**116,156**
Borrowings:						
Classified as non-current	93,972					95,743
Classified as current	17,398					20,413
Derivatives hedge of borrowings, net	**5,686**	**- 1,479**	**0**	**- 4,416**	**- 337**	**- 546**

[1] Difference from the net proceeds from borrowings as presented in the cash flow statement mainly relates to discontinued operations' repayment of borrowings.
[2] Other includes transfers to held for sale, new finance leases and fair value changes.

Finance lease liabilities Amounts in DKKm	Minimum lease payments 2018	Interest 2018	Carrying amount 2018	Minimum lease payments 2017	Interest 2017	Carrying amount 2017
Within one year	3,391	750	2,641	3,619	813	2,806
Between one and five years	10,197	1,735	8,462	11,262	1,812	9,450
After five years	4,663	1,017	3,646	6,703	1,930	4,773
Total	**18,251**	**3,502**	**14,749**	**21,584**	**4,555**	**17,029**

The finance lease agreements are described in note 9.

Note 18: Pensions and similar obligations

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

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

In 2019, the group expects to pay contributions totalling DKK 176m to funded defined benefit plans (DKK 223m in 2018).

Amounts in DKKm	United Kingdom 2018	Other 2018	Total 2018	United Kingdom 2017	Other 2017	Total 2017
Specification of net liability						
Present value of funded plans	13,036	3,137	16,173	13,915	3,302	17,217
Fair value of plan assets	- 15,013	- 2,491	- 17,504	- 15,728	- 2,638	- 18,366
Net liability of funded plans	- 1,977	646	- 1,331	- 1,813	664	- 1,149
Present value of unfunded plans	0	756	756	0	720	720
Impact of minimum funding requirement/ asset ceiling	398	0	398	360	0	360
Net liability as of 31 December	**- 1,579**	**1,402**	**- 177**	**- 1,453**	**1,384**	**- 69**
Of which:						
Pensions, net assets			1,859			1,850
Pensions and similar obligations			- 1,682			- 1,781

Note 18: Pensions and similar obligations - continued

The majority of the group's defined benefit liabilities are in the UK (77%) and US (13%). 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 16 years and approx. 53% 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).

Significant financial assumptions	United Kingdom 2018	Total 2018	United Kingdom 2017	Total 2017
Discount rate	2.8%	3.0%	2.5%	2.7%
Inflation rate	3.4%	3.1%	3.3%	3.1%
Future salary increase	3.6%	3.1%	3.5%	3.1%
Future pension increase	3.1%	2.6%	3.0%	2.5%

Rates of life expectancy reflect the most recent mortality investigations, and in line with market practice an allowance is made for future improvements in life expectancy. The group assumes that future improvements will be in line with the latest projections (1.25% in 2018 and in 2017) for all UK plans.

			31 December	
Life expectancy	2018	2038	2017	2037
65 year old male in the UK	21.7	23.1	21.8	23.3

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

Sensitivities to key assumptions in the UK		2018		2017	
Factors	"Change in liability"	Increase	Decrease	Increase	Decrease
Discount rate	Increase/(decrease) by 10 basis points	- 196	202	- 217	223
Inflation rate	Increase/(decrease) by 10 basis points	104	- 117	118	- 130
Life expectancy	Increase/(decrease) by 1 year	567	- 561	596	- 583

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 interest of plan members. Every three years, a formal valuation of the plan's liabilities is carried out using a prudent basis, and if the plan is in deficit, the trustees agree with the group or the sponsoring employer on a plan for recovering that deficit.

The expected contributions to the UK plans for 2019 are DKK 137m (DKK 223m in 2018) of which DKK 0m (DKK 56m in 2018) 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 2018, an adjustment of DKK 13m (DKK 192m) was applied in this respect.

Note 18: Pensions and similar obligations – continued

Specification of plan assets

Amounts in DKKm	United Kingdom 2018	Other 2018	Total 2018	United Kingdom 2017	Other 2017	Total 2017
Shares	1,702	861	2,563	1,999	1,099	3,098
Government bonds	6,300	567	6,867	6,114	484	6,598
Corporate bonds	3,567	450	4,017	3,556	441	3,997
Real estate	176	33	209	701	31	732
Other assets	3,261	580	3,841	3,358	583	3,941
Fair value as of 31 December	**15,006**	**2,491**	**17,497**	**15,728**	**2,638**	**18,366**

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

Change in net liability

Amounts in DKKm	Present value of obligations	Fair value of plan assets	Adjustments	Net liability	Of which: United Kingdom
Net liability as of 1 January 2018	17,937	18,365	359	- 69	- 1,453
Current service cost, administration cost etc.	215	- 39	0	254	143
Calculated interest expense/income	476	489	0	- 13	- 39
Recognised in the income statement in 2018	**691**	**450**	**0**	**241**	**104**
Actuarial gains/losses from changes in financial and demographic assumptions, etc.	- 724	0	0	- 724	- 476
Return on plan assets, exclusive calculated interest income	0	- 730	0	730	593
Adjustment for unrecognised asset due to asset ceiling	0	0	222	222	222
Adjustment for minimum funding requirement	0	0	- 183	- 183	- 189
Recognised in other comprehensive income in 2018	**- 724**	**- 730**	**39**	**45**	**150**
Contributions from the group and employees	26	450	0	- 424	- 404
Benefit payments	- 985	- 920	0	- 65	0
Effect of business combinations and disposals	26	0	0	26	0
Exchange rate adjustment	- 43	- 119	- 2	69	30
Net liability as of 31 December 2018	**16,928**	**17,496**	**396**	**- 177**	**- 1,573**

Change in net liability

Amounts in DKKm	Present value of obligations	Fair value of plan assets	Adjustments	Net liability	Of which: United Kingdom
Net liability as of 1 January 2017	17,723	17,292	573	1,004	29
Current service cost, administration cost etc.	125	- 40	0	165	46
Calculated interest expense/income	489	475	0	14	- 7
Recognised in the income statement in 2017	**614**	**435**	**0**	**179**	**39**
Actuarial gains/losses from changes in financial and demographic assumptions, etc.	158	0	0	158	33
Return on plan assets, exclusive calculated interest income	0	- 1,003	0	- 1,003	- 805
Adjustment for unrecognised asset due to asset ceiling	0	0	- 73	- 73	- 73
Adjustment for minimum funding requirement	0	0	- 132	- 132	- 132
Recognised in other comprehensive income in 2017	**158**	**- 1,003**	**- 205**	**- 1,050**	**- 977**
Contributions from the group and employees	6	577	0	- 571	- 546
Benefit payments	- 1,005	- 881	0	- 124	0
Settlements	- 12	0	0	- 12	0
Effect of business combinations and disposals	1,359	757	0	602	19
Exchange rate adjustment	- 906	1,188	- 9	- 97	- 17
Net liability as of 31 December 2017	**17,937**	**18,365**	**359**	**- 69**	**- 1,453**

Note 18: Pensions and similar obligations - continued

Multi-employer plans

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

For the defined benefit pension plans, the group has joint and several liabilities to fund total obligations. In 2018, the group's contributions are estimated at DKK 846m (DKK 885m), while the contributions to be paid in 2019 are estimated at DKK 985m. In general, the contributions to the schemes are based on man-hours worked or cargo tonnage handled, or a combination hereof.

No reliable basis exists for allocation of the schemes' obligations and plan assets to individual employer participants. For the plans where the group has an interest and there is a deficit, the net obligations for all employers totalled DKK 5.9bn (DKK 6.8bn). 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.

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

Note 19: Provisions

Amounts in DKKm	Restructuring	Legal disputes, etc.	Onerous and unfavourable contracts	Other	Total
As of 1 January 2018	341	5,753	2,149	1,495	9,738
Provision made	538	3,232	13	847	4,630
Amount used	- 228	- 1,112	- 209	- 347	- 1,896
Amount reversed	- 151	- 797	- 672	- 312	- 1,932
Addition from business combinations	7	0	0	111	118
Unwind of discount	0	0	6	0	6
Transfer	0	158	0	0	158
Transfer, assets held for sale	6	77	- 293	- 2	- 212
Exchange rate adjustment	15	123	100	4	242
As of 31 December 2018	**528**	**7,434**	**1,094**	**1,796**	**10,852**
Of which:					
Classified as non-current	13	4,617	920	1,324	6,874
Classified as current	515	2,817	174	472	3,978
Non-current provisions expected to be realised after more than five years		111		248	359

Restructuring includes provisions for decided and publicly announced restructurings. Legal disputes, etc. include among other things tax, indirect tax and duty disputes.

Onerous and unfavourable contracts are mainly related to Hamburg Süd's unfavourable lease contracts acquired in 2017.

Other includes provisions for warranties and risk under certain self-insurance programmes.

The provisions are subject to considerable uncertainty. Reference is made to note 27.

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

Note 20: Cash flow specifications

Amounts in DKKm	2018	2017
Change in working capital		
Inventories	- 20	- 1,610
Trade receivables	- 272	- 3,234
Other receivables and prepayments	583	- 237
Trade payables and other payables	- 2,058	3,250
Exchange rate adjustment of working capital	- 352	111
Total	**- 2,119**	**- 1,720**
Purchase of intangible assets and property, plant and equipment		
Addition	- 21,148	- 29,105
Of which finance leases, etc.	783	1,136
Of which borrowing costs capitalised on assets	389	475
Changes in trade payables, non-current assets	- 164	- 164
Total	**- 20,140**	**- 27,658**
Financial investments		
Addition, joint ventures	0	- 144
Addition, associated companies	1	0
Disposal, associated companies	885	2,359
Addition, assets held for sale	0	- 10
Disposal, assets held for sale	0	5,749
Addition, receivables	0	- 1,586
Payments regarding receivables	0	- 975
Disposal, other equity investments	19,119	0
Total	**20,005**	**5,393**

Other non-cash items related primarily to adjustment of provision for bad debt regarding trade receivables.

Note 21: Commitments

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. The future charter and operating lease payments are:

Amounts in DKKm	A.P. Moller - Maersk	Maersk Drilling	Maersk Tankers	Total
2018				
Within one year	13,337	59	345	13,741
Between one and two years	9,899	52	127	10,078
Between two and three years	8,008	46	25	8,079
Between three and four years	6,678	39	0	6,717
Between four and five years	5,974	39	0	6,013
After five years	34,589	72	0	34,661
Total	**78,485**	**307**	**497**	**79,289**
Net present value[1]	57,459	269	452	58,180
2017				
Within one year	12,104	0	544	12,648
Between one and two years	8,882	0	81	8,963
Between two and three years	7,585	0	53	7,638
Between three and four years	6,325	0	0	6,325
Between four and five years	5,115	0	36	5,151
After five years	36,327	0	0	36,327
Total	**76,338**	**0**	**714**	**77,052**
Net present value[1]	54,533	0	664	55,197

[1] The net present value has been calculated using a discount rate of 6% (6%).

About one-third of the time charter payments within shipping activities are estimated to relate to operating costs for the assets.

Total operating lease costs incurred are stated in note 2.

Note 21: Commitments - continued

Capital commitments

The group has the following capital commitments at the end of 2018 and 2017, respectively:

Capital commitments

Amounts in DKKm	A.P. Moller - Maersk	Maersk Tankers	Other	Total
2018				
Capital commitments relating to acquisition of non-current assets	6,913	2,477	1,256	10,646
Commitments towards concession grantors	8,143	0	0	8,143
Total capital commitments	**15,056**	**2,477**	**1,256**	**18,789**
2017				
Capital commitments relating to acquisition of non-current assets	14,362	1,510	924	16,796
Commitments towards concession grantors	9,557	0	0	9,557
Total capital commitments	**23,919**	**1,510**	**924**	**26,353**

The decrease in capital commitments is primarily related to contractual payments during 2018.

Newbuilding programme	2019	2020	No. Total
Container vessels	6	0	6
Tanker vessels	4	5	9
Tugboats	2	0	2
Total	**12**	**5**	**17**

Capital commitments relating to the newbuilding programme	2019	2020	DKKm Total
Container vessels	2,908	0	2,908
Tanker vessels	846	1,175	2,021
Tugboats	7	0	7
Total	**3,761**	**1,175**	**4,936**

DKK 4.9bn of the total capital commitments is related to the newbuilding programme for ships, rigs, etc. at a total contract price of DKK 3.9bn including owner-furnished equipment. The remaining capital commitments of DKK 12.9bn relate to investments mainly within APM Terminals.

Note 22: Contingent liabilities, pledges, etc.

The capital commitments will be financed by cash flow from operating activities as well as existing and new loan facilities.

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.

The necessary facility of DKK 1.6bn (DKK 1.3bn) has been established in order to meet the requirements for using US waters under the American Oil Pollution Act of 1990 (Certificate of Financial Responsibility).

Custom bonds of DKK 2.9bn (DKK 2.7bn) have been provided to various port authorities in India.

A.P. Moller - Maersk has entered into certain agreements with terminals and port authorities, etc. containing volume commitments including an extra payment in case minimum volumes are not met.

The group is involved in a number of legal disputes. The group is also involved in tax disputes in certain countries. Some of these involve significant amounts and are subject to considerable uncertainty.

Tax may crystallise if the companies leave the tonnage tax regimes and on repatriation of dividends.

Pledges

Fixed asset investments with a carrying amount of DKK 11.8bn (DKK 15.5bn) have been placed as pledge for the Company's debt to banks, DKK 0.0bn (DKK 5.0bn).

Reference is made to note 9 for pledges related to property, plant and equipment.

Note 23: Acquisition/sale of subsidiaries and activities

Acquisitions during 2018

Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft KG (Hamburg Süd)

In Q4 2018, the provisional purchase price allocation regarding Hamburg Süd, prepared at closing 30 November 2017, was finalised, resulting in a reduction of the calculated goodwill by DKK 0.4bn to DKK 2.1bn. The changes were primarily related to working capital balances.

Cash flow used for acquisitions in 2017

Amounts in DKKm	Hamburg Süd	Other	Total
Fair value at time of acquisition			
Intangible assets[1]	7,546	0	7,546
Property, plant and equipment[2]	25,536	0	25,536
Financial assets	1,334	0	1,334
Deferred tax assets	125	0	125
Current assets[3]	6,886	0	6,886
Provisions[4]	- 3,704	0	- 3,704
Liabilities[5]	- 11,560	0	- 11,560
Net assets acquired	**26,163**	**0**	**26,163**
Non-controlling interests	0	0	0
A.P. Møller Holding A/S' share	**26,163**	**0**	**26,163**
Goodwill	2,561	0	2,561
Purchase price[6]	**28,724**	**0**	**28,724**
Contingent consideration paid	7	0	7
Cash and bank balances assumed	- 1,320	0	- 1,320
Cash flow used for acquisition of subsidiaries and activities	**27,411**	**0**	**27,411**

1 Intangible assets consist mainly of customer relations and brand name rights.
2 Property, plant and equipment consist mainly of container vessels and containers.
3 Current assets consist mainly of trade and other receivables.
4 Of which DKK 2.1bn relate to unfavourable lease contracts, where DKK 1.5bn are reported as non-current provisions and DKK 0.5bn as current provisions. Furthermore, DKK 1.5bn relate to tax provisions, where an indemnification asset of DKK 1.0bn is recognised as a financial asset.
5 Non-current liabilities consist mainly of financial lease obligations, borrowings and other payables whereas current liabilities consist mainly of trade payables.
6 The purchase price of USD 4.4bn (approx. DKK 28.7bn) includes a positive hedge effect of DKK 0.8bn.

Acquisitions during 2017

Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft KG (Hamburg Süd)

As of 1 December 2017, the A.P. Moller – Maersk acquired 100% of the shares in Hamburg Süd including partnership shares in asset owning companies (SPCs) owning vessels, newbuild contracts and containers connected hereto. Hamburg Süd is included in the consolidated financial reporting from 1 December 2017.

The goodwill of DKK 2.6bn is primarily attributable to network synergies between Maersk Line and Hamburg Süd including its Brazilian subsidiary Aliança and is not deductible for tax purposes. From the acquisition date to 31 December 2017, Hamburg Süd Group contributed with a revenue of DKK 3.3bn, while the result was immaterial.

If the acquisition had occurred on 1 January 2017, the impact on group's revenue would have been DKK 35.7bn (pro forma), while the result would have increased by DKK 0.7bn.

For 2017, the acquisition and integration costs amounted to DKK 0.4bn.

The accounting for the business combination is considered provisional at 31 December 2017 as the acquisition was only completed on 1 December 2017.

Estimates and judgments

Fair value measurement

When applying the acquisition method of accounting, fair value assessments are made for identifiable assets acquired and liabilities assumed. Determining fair values at the date of acquisition, by nature entails management to apply estimates. Significant estimates are particularly applied in the valuation of vessels, containers, customer relationships, brands, finance lease obligations and unfavourable contracts. The inherent uncertainties in the fair value estimates may result in measurement adjustments in the 12 months following closing of the transaction. Goodwill has been assessed as recoverable at 31 December 2017.

Acquired material net assets for which significant accounting estimates have been applied are recognized using the following valuation techniques:

Intangible assets

Customer relationships have been measured using the excess earnings method, in which the present value of future cash flows from recurring customers expected to be retained after the date of acquisition is valued. The main input value drivers are estimated future retention rates and net cash flows of the acquired customer base. These have been estimated based on management's analysis of the acquired customer base, historical data and general business insights. The useful life of customer relationships is estimated at 15 years.

Note 23: Acquisition/sale of subsidiaries and activities - continued

The fair value of brands has been measured using the relief from royalty method, in which management, based on an analysis has assessed a royalty rate which an independent third party would charge for the use of the brands. Besides the royalty rate, the main input value driver is estimated future revenue. The useful life of brands is estimated at 20 years.

The valuation of intangible assets reflects a market participants' view applying a discount rate of 9-10%.

Property, plant and equipment

Fair value of vessels and containers is measured using the market comparison method based on internally prepared valuations compared with external valuations.

Financial lease obligations

The fair value of financial lease obligations has been measured using a discounted cash flow model in which present value of the obligations has been determined based on the contractual future lease payments and a calculated borrowing rate.

Unfavourable contracts

The fair value of unfavourable contracts is measured using the market comparison method based on the actual market rates for similar contracts.

Cash flow from sale

Amounts in DKKm	2018	2017
Carrying amount		
Property, plant and equipment	13	1,175
Financial assets	0	132
Deferred tax assets	0	343
Current assets	272	944
Provisions	0	- 53
Liabilities	- 82	- 969
Net assets sold	**203**	**1,572**
Non-controlling interests	0	- 172
A.P. Møller Holding A/S' share	**203**	**1,400**
Gain/loss on sale[1]	- 203	924
Proceeds from sale	**0**	**2,324**
Change in receivable proceeds, etc.	- 253	264
Contingent consideration recognised	- 25	0
Non-cash items	0	- 205
Cash and bank balances sold	- 208	- 310
Cash flow from sale of subsidiaries and activities	**- 486**	**2,073**

[1] Excluding accumulated exchange rate gain/loss previously recognised in equity.

Sales during 2018

The sale of discontinued operations is disclosed in note 7.

Sales during 2017

In continuing operations, sales during 2017 primarily comprise of Mercosul Line triggered by the Hamburg Süd acquisition, Pentalver in the UK, Dalian terminal in China and Zeebrugge terminal in Belgium.

Note 24: Related parties

	Associated companies		Joint ventures		Management[1]	
Amounts in DKKm	2018	2017	2018	2017	2018	2017
Income statement						
Revenue	259	191	663	667	0	0
Operating costs[2]	1,806	2,020	5,072	4,852	57	79
Remuneration to Executive Board	0	0	0	0	20	17
Financial income	150	109	0	0	0	0
Financial expenses	99	6	0	0	0	0
Other costs	0	0	6	7	0	0
Other income	6	0	0	0	0	0
Assets						
Other receivables, non-current	0	0	1,083	888	0	0
Other receivables, current	287	0	0	0	0	0
Trade receivables	235	43	202	248	0	0
Cash and bank balances	3,737	1,385	72	540	0	0
Liabilities						
Guarantees etc.	1,461	524	0	0	0	0
Issued bank guarantees	416	615	0	0	0	0
Credit institutions including loan commitments	7,549	10,310	163	149	0	0
Trade payables	222	248	724	776	7	0
Equity						
Capital increase	215	0	69	0	0	0
Dividends	2,316	2,141	777	1,036	0	0

1 The Board of Directors and the Executive Board in A.P. Møller Holding A/S and their close relatives (including undertakings under their significant influence). Trade receivables and payables include customary business related accounts in connection with shipping activities.

2 Operating costs regarding Management includes commission and commercial receivables to Maersk Broker K/S from chartering as well as purchase and sale of ships.

Dividends distributed to A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal are not included.

A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal, Denmark is the parent company and the ultimate owner.

Note 25: Events after the balance sheet date

On 29 March 2019, A.P. Møller – Mærsk A/S has announced that A.P. Moller – Maersk will retain full ownership of Maersk Supply Service. Consequently, Maersk Supply Service will be reclassified to continuing operations in 2019.

On the Annual General Meeting in A.P. Møller – Mærsk A/S 2 April 2019 it was approved by A.P. Moller – Maersk's shareholders to distribute the shares in Maersk Drilling. A single share class structure for Maersk Drilling has been established and distributed on a pro-rate basis based on the nominal value of the shares in A.P. Møller – Mærsk A/S. Accordingly, A.P. Møller Holding A/S has received two shares in Maersk Drilling for nominal A.P. Moller – Maersk DKK 1,000 share and A.P. Moller Holding's ownership in Maersk Drilling makes up 41.62% after the distribution. The shares in Maersk Drilling will be separately listed on Nasdaq Copenhagen. First day of trading will be 4 April 2019.

A.P. Moller Holding has agreed to a 360 day lockup of its shareholding in Maersk Drilling, subject to certain customary exemptions. Based on our analysis, A.P. Moller Holding expects to maintain control and consequently keep full consolidation in the financial statements.

No other events of importance to the Annual report have occurred during the period from the balance sheet date until the presentation of the financial statements.

Note 26: Significant accounting policies

Basis of preparation

The consolidated financial statements for 2018 for A.P. Møller Holding A/S have been prepared on a going concern basis and in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and further Danish disclosure requirements for large enterprises in class C. The consolidated financial statements are also in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

The accounting policies are consistent with those applied in the consolidated financial statements for 2017 except for the below areas.

Note 26: Significant accounting policies - continued

Changes to accounting policies

The group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018. The group's current practice for recognising revenue has shown to comply, in all material aspects, with the concepts and principles encompassed by the new standard.

For IFRS 15, the modified retrospective approach has been applied which entails that any cumulative effects are recognised in retained earnings as of 1 January 2018 and comparison periods have not been restated.

A number of other changes to accounting standards became effective 1 January 2018. Those relevant to the group are "Foreign currency transactions and advance consideration" (IFRIC 22) and "Classification and Measurement of Share-based Payment Transactions (amendments to IFRS 2) and "Annual Improvements 2014-2016" (amendments to IFRS 1 and IAS 28). The amendments encompass various guidance and clarifications, which only affects disclosures.

Changes in presentation

The group has changed the presentation of the cash flow statement. Net financial payments are included in cash flow from financing activities, and dividends received are included in cash flow from investing activities. These items were previously included in cash flow from operating activities. Comparative figures have been restated. The effects of the changes on the cash flow statement are as follows (including effect of reclassification of discontinued operations):

Amounts in DKKm	2018	2017
Cash flow from operating activities	- 955	2,037
Cash flow from investing activities	4,656	3,184
Cash flow from financing activities	- 3,701	- 5,221

New financial reporting requirements in 2019 or later

The following new accounting standards are relevant for the group for the years commencing from 1 January 2019 or later. The group has not yet adopted the following standards:

- IFRS 16 Leases
- IFRS 17 Insurance Contracts
- IFRIC 23 Uncertain tax positions
- IAS 12, Income Taxes (Amendment)

IFRS 16 is effective from 1 January 2019, and endorsed by the EU. The group has, in all material aspects, concluded analyses of the impending changes resulting from IFRS 16. The key findings are explained below.

IFRS 16 Leases

Effective 1 January 2019, the group applied the new reporting standard on Leases, IFRS 16 according to the adoption date stipulated by the International Accounting Standards Board, IASB. Post transition, leases will be recognised as a right-of-use asset and a corresponding lease liability at the date on which the leased asset is available for use by the group. Each lease payment is allocated between a reduction of the liability and an interest expense.

The interest expense is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term in a straight-line basis.

The group has transitioned to IFRS 16 in accordance with the modified retrospective approach, therefore previous period comparative figures will not be adjusted. Additionally, the definition of lease under IAS 17 and its related interpretations have been retained. Leases classified as finance leases as of 31 December 2018 have been transitioned to IFRS 16 at their carrying amount of DKK 16.6bn.

As of 31 December 2018, the group has non-cancellable operating lease commitments for continuing operations of DKK 79.3bn. As part of the transition the group applied the following adjustments before discounting lease payments:

- Service components included in the pricing of vessel charter fees are not included as part of the lease liability. These costs will be recognised in the income statements as incurred.
- Terminal concession agreements to which the group is committed, but which will only begin operations during 2019 or later, are not capitalised at transition.
- The group will not apply the new standard to leases with a remaining term of 12 months or less from 1 January 2019. Additionally, leases with a maximum lease term of less than 12 months are exempted from the provisions of the new standard.

After adjustments and discounting effect, the additional lease liability is estimated at approx. DKK 39bn. In discounting the future lease payments, incremental borrowing rates of 1.6%-11.1% have been applied for the significant leasing contracts. In 2019, the group will present a bridge between the lease commitments and the lease liability.

The new requirement to recognise a right-in-use asset and a related liability has a significant impact on the presentation of the group's gross debt and profit before depreciation, amortisation and impairment losses (EBITDA).

Note 26: Significant accounting policies - continued

The group's gross debt is estimated to increase by approx. DKK 39bn to DKK 132bn, while property, plant and equipment will increase by approx. DKK 39bn to approx. DKK 276bn.

Operating expenses are estimated to decrease, positively impacting EBITDA by approx. DKK 8bn in comparison to the previous lease standard IAS 17. The cost related to operating leases will be recognised as depreciation, negatively impacting profit before financial items (EBIT) and interest costs, negatively impacting profit before tax.

IFRS 17, Insurance Contracts

In May 2017, the IASB issued IFRS 17, Insurance Contracts. IFRS 17 replaces IFRS 4, Insurance Contracts. IFRS 17 is a comprehensive standard with principles for, for example, the measurement of insurance contracts at a current (fulfilment) value in the balance sheet, the recognition of insurance contract revenue in the income statement and the presentation of information on the performance in relation to insurance contracts. IFRS 17, which is yet to be adopted by the EU, will be effective from 1 January 2021. However, in November 2018, the IASB proposed to defer the effective date by one year to 1 January 2022.

The standard will have no effect on the group but may have significant impact on the financial statements of the associated company, Danske Bank, due to the new principles for calculating insurance provisions and for the presentation in the income statement and balance sheet. Danske Bank has initiated an analysis to map the effect on its financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

IFRIC 23 Uncertain tax position

The group follows most of the guidelines in IFRIC 23 for accounting for uncertain income tax positions and the implementation of the interpretation standard is not expected to result in a significant change to the net amount of tax provisions. The recognition in the balance sheet will change as the group currently recognises uncertain tax positions under provisions, whereas from 2019 these will be recognised as current and deferred tax.

Amendment to IAS 12, Income Taxes

In December 2017, the IASB issued amendments to IAS 12 as part of its Annual Improvements to IFRS Standards 2015-2017 cycle. The amendment to IAS 12 implies that income tax consequences of dividends are to be recognised in the income statement if the transactions that generated distributable profit are recognised in the income statement.

The amendment to IAS 12 will be effective from 1 January 2019, at which date the group will implement the amendment. The distribution of interest on Danske Bank's equity accounted additional tier 1 capital is deductible for tax purposes, and the tax income of DKK 37m in 2018 will be recognised in the income statement under Share of profit/loss in associated companies instead of directly in equity when the interest will be distributed to the capital holders. Comparative information will be restated.

Consolidation

The consolidated financial statements comprise the parent company A.P. Møller Holding A/S, its subsidiaries and proportionate shares in joint arrangements classified as joint operations.

Subsidiaries are entities controlled by A.P. Møller Holding 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 the group, 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 the group 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. Møller Holding A/S'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 the group'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 the group's profit and equity respectively but shown as separate items.

Note 26: Significant accounting policies - continued

Foreign currency translation

The consolidated financial statements are presented in DKK. The functional currency of the parent company is USD. In the translation to the presentation currency for the parent, subsidiaries, associates or joint arrangements with functional currencies other than DKK, the total comprehensive income is translated into DKK 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 (translation to the functional currency).

The functional currency varies from business area to business area. For A.P. Møller Holding A/S and its subsidiaries' principal shipping activities, the functional currency is typically USD. This means, among other things, that the carrying amounts of property, plant and equipment and intangible assets and, hence, depreciation and amortisation are maintained in USD from the date of acquisition. For other activities, including container terminal activities and land-based container activities, the functional currency is generally the local currency of the country in which such activities are performed, unless circumstances suggest a different currency is appropriate. The functional currency of oil and oil related businesses is USD.

Transactions in currencies other than the functional currency are translated at the exchange rate prevailing at the date of the transaction. Monetary items in foreign currencies not settled at the balance sheet date are translated at the exchange rate as at the balance sheet date. Foreign exchange gains and losses are included in the income statement as financial income or expenses.

Income Statement

Revenue

Revenue is recognised when the performance obligation has been satisfied, which happens upon the transfer of control to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for the goods and services.

Revenue from shipping activities is recognised over time as the performance obligation is satisfied, including a share of revenue from incomplete voyages at the balance sheet date. Invoiced revenue related to an estimated proportion of remaining voyage time and activities at the destination port is deferred. Detention and demurrage fees are recognised over time up until the time of customers' 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.

Revenue from drilling activities, is recognised in accordance with the agreed day rates for the work performed to date. Mobilisation fees are recognised straight-line over the contract period, along with amortisation of mobilisation costs. Compensations received, or receivable, for early termination are recognised as revenue with deferral of an estimated value of any obligations to standing ready for new engagements in the remaining contract period.

Lease income from operating leases is recognised over the lease term.

Operating costs

Operating costs comprise costs incurred in generating revenue for the year, this includes costs for crew, repair and maintenance, rent and lease costs and administrative costs.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, foreign exchange gains and losses, realised and unrealised gains and losses on financial instruments and bank fees and transaction costs related to borrowings. Financial income and expenses are recognised in the income statement on an accrual basis related to the year it is recognised.

Share of profit/loss in associated companies and joint ventures

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.

Note 26: Significant accounting policies - continued

Tax

Tax comprises an estimate of current and deferred income tax as well as adjustments to previous years. Income tax is tax on taxable profits and consists of corporation tax, withholding tax of dividends, etc. In addition, tax comprises tonnage tax. Tonnage tax is classified as tax when creditable in, or paid in lieu of, income tax.

Tax is recognised in the income statement to the extent it arises from items recognised in the income statement, including tax of gains on intra-group transactions that have been eliminated in the consolidation.

Statement of comprehensive income

Other comprehensive income consists of income and costs 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. The group's share of other comprehensive income in associated companies and joint ventures is also included.

Upon disposal or discontinuation of an entity, the group's share of the accumulated exchange rate adjustment relating to the relevant entity compared to the functional currency is reclassified to the income statement. Accumulated value adjustments of equity instruments classified as equity instruments at fair value through other comprehensive income will remain in equity upon disposal.

Other comprehensive income includes current and deferred income tax to the extent the items recognised in other comprehensive income are taxable or deductible.

BALANCE SHEET

Intangible assets

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 5 and 20 years respectively. IT software is amortised over a useful life of 3-5 years.

For container terminals operated under certain restrictive price and service conditions, etc., concessional rights to collect usage charges are included under intangible assets. The cost includes the present value of minimum payments under concession agreements and the cost of property, plant and equipment constructed on behalf of a grantor of a concession. The rights are amortised from the commencement of operations over the concession period.

Property, plant and equipment

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 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
Rigs and drilling equipment	5-25 years (residual value 0-30%)
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 the group 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.

Impairment of intangible asset and property, plant and equipment

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.

Note 26: Significant accounting policies - continued

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 held for sale

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, 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.

Leases

Lease contracts are classified as operating or finance leases at the inception of the lease. Once determined, the classification is not subsequently reassessed unless there are changes to the contractual terms. Contracts which transfer all significant risks and benefits associated with the underlying asset to the lessee are classified as finance leases. Assets held under finance leases are treated as property, plant and equipment.

Investment in associated companies and joint ventures

Investments in associated companies and joint ventures are recognised at the group'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.

Other financial investments

The financial assets in equity instruments measured at fair value is classified in the following measurement categories:

- through other comprehensive income, or
- through the income statement

For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income, otherwise they are recognised through the income statement.

Securities, 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 (FVOCI) remains in equity upon disposal. Dividends are recognised in the income statement.

Inventories

Inventories mainly consist of bunker, containers (manufacturing), spare parts not qualifying as 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

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, i.e. a provision matrix is applied in order to calculate the minimum impairment. The provision matrix does include an impairment for non-due receivables.

Equity

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. Møller Holding A/S's share of accumulated exchange rate differences arising on translation to functional 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.

Note 26: Significant accounting policies - continued

Share-based payments
Equity settled performance shares, restricted shares and share options allocated to the executive employees of the group as part of the group'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 as part of the group'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, the group 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 or other payables, when cash settled.

Provisions
Provisions are recognised when the group has a present legal or constructive obligation from past events. The item includes, among others, legal disputes, 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 USA. 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.

Defined benefit plans
Pension obligations are the net liabilities of defined benefit obligations and the dedicated assets adjusted for the effect of minimum funding and asset ceiling requirements. Plans with a funding surplus are presented as net assets on the balance sheet. The defined benefit obligations are measured at the present value of expected future payments to be made in respect of services provided by employees up to the balance sheet date. Plan assets are measured at fair value. The pension cost charged to the income statement consists of calculated amounts for vested benefits and interest in addition to settlement gains or losses, etc. Interest on plan assets is calculated with the same rates as used for discounting the obligations. Actuarial gains/losses are recognised in other comprehensive income.

Pension plans where the group, as part of collective bargaining agreements, participates together with other enterprises – so called multi-employer plans – are treated as other pension plans in the financial statements. For defined benefit multi-employer plans where sufficient information to apply defined benefit accounting is not available, the plans are treated as defined contribution plans.

Deferred tax
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. Møller Holding A/S 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
Financial liabilities are initially recognised at fair value less transaction costs. Subsequently, the financial liabilities are measured at amortised cost using the effective interest method, whereby transaction costs and any premium or discount are recognised as financial expenses over the term of the liabilities. Fixed interest loans subject to fair value hedge accounting are measured at amortised cost with an adjustment for the fair value of the hedged interest component. Liabilities in respect of finance leases are measured at the interest rate implicit in the lease, if practicable to determine, or else at the group's incremental borrowing rate.

Other areas

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 hedge and deferred in equity.

Note 26: Significant accounting policies - continued

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.

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 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.

Business combinations under common control are accounted for at carrying values using predecessor accounting i.e. pooling of interest when the entity acquired has been under control of another member of the same group company before the acquisition. A difference between the carrying value and the consideration paid are recognised directly in equity. Comparative information is restated as if the acquired entity has always been owned by the company.

When the group 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 gain (or loss) on sale of non-current assets. The difference between sales proceeds and the carrying amount of the subsidiary is recognised in the income statement including fair value of contingent consideration at the time of sale. Contingent consideration is re-measured at fair value with changes recognised in the income statement.

The effect of the purchase and sale of non-controlling interests without changes in control is included directly in equity.

Discontinued operations and assets held for sale

Discontinued operations represent a separate major line of business disposed of or in preparation for sale. The results of discontinued operations are presented separately in the income statement and comparative figures are restated. Assets held for sale and associated liabilities from discontinued operations are presented as separate items in the balance sheet, and the cash flows from discontinued operations are presented separately in the cash flow statement and comparative figures are restated.

Elimination between continuing business and discontinuing operations are presented in order to present continuing operations as post-separation which entails elimination of interest, borrowing, dividends and capital increases.

Assets and liabilities from discontinued operations and assets held for sale except financial assets, etc., are measured at the lower of carrying amount immediately before classification as held for sale and fair value less cost to sell and impairment tests are performed immediately before classification as held for sale. Non-current assets held for sale are not depreciated.

In addition to above general accounting policies the following is significant in regard to discontinued operations:

Revenue and costs

Oil and gas revenue is recognised as revenue upon discharge from the production site, reflecting the production entitlement quantities. In agreements where tax is settled in oil, an amount corresponding to the sales value is recognised as both revenue and tax.

Income tax consists of oil tax based on gross measures. Oil tax on gross measures is a special tax in certain countries on the production of hydrocarbons and is separately disclosed within tax.

Assets and liabilities

Intangible assets regarding acquired oil resources (concession rights, etc.) are amortised over the useful life of production until the fields' expected production periods end – a period of up to 20 years until classification as assets held for sale.

In Property, plant and equipment, oil production facilities, where oil is received as payment for the investment (cost oil), depreciation generally takes place concurrently with the receipt of cost oil until classification as assets held for sale.

The cost includes the net present value of estimated costs of abandonment.

Annual impairment tests are not carried out for oil concession rights in scope of IFRS 6.

The useful lives of assets are up to 20 years for oil and gas production facilities, etc. and based on the expected production periods of the fields.

Note 26: Significant accounting policies - continued

Provisions include provisions for abandonment of oil fields.

Cash flow statement
Cash flow from operating activities includes all cash transactions other than cash flows arising from investments and divestments, received dividends, principal payments of loans, instalments on finance lease liabilities paid and received financial items and equity transactions. Capitalisation of borrowing costs is considered non-cash items, 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 the group's cash management.

Note 27: Significant accounting estimates and judgments

The preparation of the consolidated financial statements requires management, on an ongoing basis, to make judgments and estimates and form assumptions that affect the reported amounts. Management forms its judgments and estimates on historical experience, independent advisors and external data points as well as in-house specialists and on other factors believed to be reasonable under the circumstances.

In certain areas, the outcome of business plans, including ongoing negotiations with external parties to execute those plans or to settle claims that are raised against A.P. Møller Holding A/S and its subsidiaries, 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 of the carrying amounts of assets and liabilities. This note includes the areas in which A.P. Møller Holding A/S is particularly exposed to a material adjustment of the carrying amounts as at the end of 2018.

General

Aspects of uncertainty
In its assumption setting, management deals with different aspects of uncertainty. One aspect of uncertainty is whether an asset or liability exist where the assessment form the basis for recognition or derecognition decisions, including assessment of control. Another aspect is the measurement uncertainty, where management makes assumptions about the value of the assets and liabilities that are deemed to exist. These assumptions concern the timing and amount of future cash flows and the risks inherent in these.

Container freight rates
The future development in the container freight rates is an uncertain and significant factor impacting especially A.P. Moller – Maersk's activities, where financial results are directly affected by the fluctuation in the container freight rates. Freight rates are influenced by the global economic environment and trade patterns, as well as industry specific trends in respect of supply and demand of capacity. In addition, the new global low sulphur bunker regulation (IMO 2020) which comes into effect in January 2020 is expected to increase the cost of compliant fuels significantly. Alternatively, installing scrubbers on vessels will enable the use of today's lower cost fuels but will instead require substantial capital expenditure. There is significant uncertainty that the increased cost regarding implementation and compliance with the IMO 2020 requirements cannot be recovered from customers through freight rates.

Oil and bunker prices
The future development in the oil price is an uncertain and significant factor impacting accounting estimates across the group either directly or indirectly.

A.P. Moller – Maersk and Maersk Tankers are directly impacted by the price of bunker oil, where the competitive landscape determines the extent of which the development is reflected in the freight rates charged to the customer.

A.P. Moller - Maersk 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 affects volume handled in the terminals, but also the exchange rates.

Note 27: Significant accounting estimates and judgments - continued

Maersk Drilling is impacted by the demand for rigs as the oil companies may cancel or defer projects and exert pressure for lower rates, more contract flexibility and low cost solutions when oil prices are low. Hence, the future long-term development in the oil price is indirectly impacting accounting estimates for Maersk Drilling through the demand for drilling rigs.

Intangible assets and property, plant and equipment

The group carries goodwill of DKK 4,207m (DKK 4,489m) and intangible assets with indefinite lives of DKK 222m (DKK 211m). The majority of non-current assets is amortised over their useful economic lives. Management assesses impairment indicators across this asset base. Judgment is applied in the definition of cash generating units and in the selection of methodologies and assumptions for impairment tests.

The determination of cash generating units differs for the various businesses. Ocean operates its fleet of container vessels, container and hub terminals in an integrated network for which reason the Ocean activities are tested for impairment as a single cash generating unit. In addition, the intermodal activities reported under Logistics & Services are included in the Ocean cash-generating unit for impairments testing to apply consistency between the asset base and related cash flows. In Logistics & Services, apart from Intermodal, each entity is defined as a cash generating unit. In gateway terminals, each terminal is considered individually in impairment tests, except when the capacity is managed as a portfolio, which is the case for certain terminals in Northern Europe and Global Ports Investments (Russia). Towage vessels according to type, size, etc. in accordance with the structure governing management's ongoing follow-up. Maersk Drilling considers rigs with similar functionality and operating environment as cash generating units due to largely interdependent cash flows. Maersk Product Tankers considers vessels with similar functionality (LR2, MR, Intermediate and Handy) and operating environment as cash generating units.

Projected cash flow models are used when fair value is not obtainable or when fair value is deemed lower than value in use. External data is used to the extent possible and centralised processes, involving corporate functions, ensure that indexes or data sources are selected consistently while observing differences in risks and other circumstances. Current market values for vessels, rigs etc. are estimated using acknowledged brokers.

Impairment considerations

A.P. Møller – Mærsk A/S

In Ocean, although freight rates improved compared to 2017, it was not enough to compensate for the 32% increase in average bunker cost, the continuing low freight rates and a historical inability in the industry to recoup costs due to increased bunker costs are impairment indicators. In addition, the estimated fair value of the fleet continues to be significantly lower than the carrying amount.

Consequently, an estimate of the recoverable amount has been prepared by a value in use calculation. The cash flow projection is based on forecasts as per December 2018 covering plans for 2019-2023. The key sensitivities are: development in freight rates, container volumes, bunker costs, effect of cost savings as well as the discount rate. Management has applied an assumption of growth in volumes and continued pressure on, but increasing freight rates, and continued cost efficiency. The impairment test continues to show headroom from value in use to the carrying amount. Management is of the opinion that the assumptions applied are sustainable.

In Terminals & Towage, the decline in activity in oil producing countries is an impairment indicator for the terminals in these countries. Management assesses impairment triggers and based on these estimate 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 in Russia, local competition, effect on volume, operating expenses and discount rate. The carrying amount of the investment may not be sustainable in the next few years, if markets develop significantly adverse 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. An impairment of DKK 126m was recognised in 2018 compared to DKK 4.1bn in 2017 related to terminals in markets with challenging commercial conditions. Continued economic deterioration and lack of cash repatriation opportunities in certain oil producing countries can potentially put further pressure on carrying amounts on terminals in these countries.

Maersk Container Industry decided to consolidate the manufacture of reefer containers at the facility in Qingdao, China, and exit the dry container business completely. Consequently, operation ceased at the facility in San Antonio, Chile, and Dongguan, China, in 2018, as it was announced in early 2019 that the factory would not reopen after a planned idle period. In addition to restructuring costs of DKK 114m with effect on EBITDA, the closing in Chile resulted in writing down of assets of DKK 891m including write-down of inventories. The closure in China resulted in a write-down of assets of DKK 417m. The recoverable amount for both factories are measured at fair value categorised as level 3 in the fair value hierarchy, as measurements are not based on observable market data and relate mainly to land and buildings which by nature are uncertain.

Note 27: Significant accounting estimates and judgments - continued

Maersk Drilling

Following the decline in the oil price from mid-2014, oil companies dramatically reduced their exploration and development activities adversely impacting offshore drilling activities. In addition, a decline in the break-even price for shale oil production made this the lowest cost option for new oil production. In 2018, free cash flow generation by the oil and gas companies increased compared to 2017, as a result of the higher average oil prices in 2018. Oil and gas operators continued to optimise their business models and structurally reduce offshore project costs through project optimisation, standardisation, digitisation, simplification, and service deflation. As a result of the structural approach to reducing offshore project costs, offshore project economics have improved significantly both in absolute terms as well as relative to other sources, including unconventional sources (shale oil). Consequently, offshore rig utilisation levels have been positively impacted by these demand- and supply-side factors.

Supply/demand imbalance in the offshore rig market along with any uncertainty in regards to the future oil price projections driving demand were the key drivers for the impairment losses in Maersk Drilling in 2017. Based on the challenging market conditions impairment losses of DKK 11.2bn were recognised by Maersk Drilling in 2017.

Operator demand for offshore drilling rigs rose during 2018, with demand for jack-up rigs growing slightly higher than the demand for floaters. Contractors continued to reduce offshore drilling rig supply, as 37 jack-ups and 20 floaters were scrapped during the year. Leading indicators continued to provide support for future drilling activity, as increased tendering activity translated into more awarded contracts throughout the year. Contracting activity also exhibited an element of direct awards, where operators, either through alliances or directly with selected drilling contractors, bypassed the tendering process.

These factors have led to a change in management's expectations of the long term prospects for the offshore drilling business, which is now more positive. The day rates in the medium term are expected to moderately increase compared to the all-time low rates but not to the same level as

before the decrease in the oil price in 2014. In line with analysts in the market, management expects a gradual move towards more economically sustainable rates in the long-term.

The fair value estimates using the market approach are highly uncertain due to the character of the assets and few transactions. The value in use calculations for the individual cash generating units are sensitive to the day rates and to the risks of idle periods in the forecasts. In addition, the discount rate, growth rate and EBITDA margin after the budget period are critical variables.

Refer to notes 8 and 9 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. Refer to note 26 for the useful lives typically used for new assets.

Residual values are difficult to estimate given the long lives of vessels and rigs, the uncertainty as to future economic conditions and the future price of steel, which is considered as the main determinant of the residual price. As a general rule, the residual values of vessels are initially estimated at 10% of the purchase price excluding dry-docking costs. The long-term view is prioritised in order to disregard, to the extent possible, temporary market fluctuations which may be significant.

Investments in associated companies

As of 31 December 2018, the carrying amount of the shares in Danske Bank amounted to DKK 32.6bn (DKK 32.6bn), including group goodwill DKK 1.0bn and the market value amounted to DKK 23.6bn (DKK 45.3bn). An impairment test has been prepared and supports that there is no impairment as of 31 December 2018.

Operations in countries with limited access to repatriating surplus cash

The group operates worldwide and in this respect, has operations in countries where the access to repatriating surplus cash is limited. In these countries, management makes judgments as to how these transactions and balance sheet items are recognised in the financial statement.

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 those 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 18 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.

Note 27: Significant accounting estimates and judgments - continued

Provisions for legal disputes, uncertain tax positions, etc.

Management's estimate of the provisions in connection with legal disputes, including disputes on taxes and duties, is based on the knowledge available on the actual substance of the cases and a legal assessment of these. The resolution of legal disputes, through either negotiations or litigation, can take several years to complete and the outcome is subject to considerable uncertainty.

The group is engaged in a number of disputes with tax authorities of varying scope. Appropriate provisions have been made where the probability of payment of additional taxes in individual cases is considered more likely than not. Claims, for which the probability of payment is assessed by management to be less than 50%, are not provided for. Such risks are instead evaluated on a portfolio basis by geographical area, and country risk provisions are established where the aggregated risk of additional payments is more likely than not.

Danske Bank is under criminal investigation regarding the terminated non-resident portfolio at Danske Bank's Estonian branch in various countries, including Estonia, Denmark and the US. At present, it is not possible to reliably estimate the timing of completion and the outcome of the investigations and lawsuit, or the amount of any potential settlement of fines, which could be material. Hence, no provision has been recognised.

Deferred tax assets

Judgment has been applied in the measurement of deferred tax assets with respect to the group'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 DKK 0,9bn (DKK 1.3bn) for continuing operations, excluding entities participating in joint taxation schemes. These assets mainly relate to unused tax losses or deductible temporary differences generated, during construction of terminals, where taxable profits have been generated either in the current period or are expected within a foreseeable future.

Assessment of control, joint control or significant influence

A.P. Moller Holding's control, joint control or significant influence over an entity or activity is subject to an assessment of power and exposure to variability in returns.

The assessment of control in oil and gas activities entails analysis of the status of operators in joint arrangements. Operators are responsible for the daily management of the activities carried out within the jointly established framework. Since operators are not exposed to, and have no right to, returns beyond the participating share, and since they can be replaced by agreement, the operators are regarded as agents as defined in IFRS 10. Operators of pool arrangements in shipping are assessed similarly. When assessing joint control, an analysis is carried out to determine which decisions require unanimity and whether these concern the activities that significantly affect the returns. Joint control is deemed to exist when business plans, work programmes and budgets are unanimously adopted. Within oil and gas activities, an assessment of joint control is carried out for each phase. These are typically exploration and development, production and decommissioning. Unanimity is often not required during the production phase. Given that the contracting parties have
direct and unrestricted rights and obligations in the arrangements' assets or liabilities regardless of voting rights, the arrangements are accounted for as joint operations during all phases.

For pool arrangements in shipping, unanimity is not required in decisions on relevant activities. However, the contracting parties have direct and unrestricted rights and obligations in the unit's assets or liabilities, and as the pool arrangements are not structured into separate legal entities, they are treated as joint operations.

Leasing

Judgment is applied in the classification of leasing as operating or finance leasing. The group enters into a substantial amount of lease contracts, some of which are combined leasing and service contracts such as time charter agreements.

Management applies a formalised process for classification and estimation of present values for finance leases with the use of specialised staff in corporate functions.

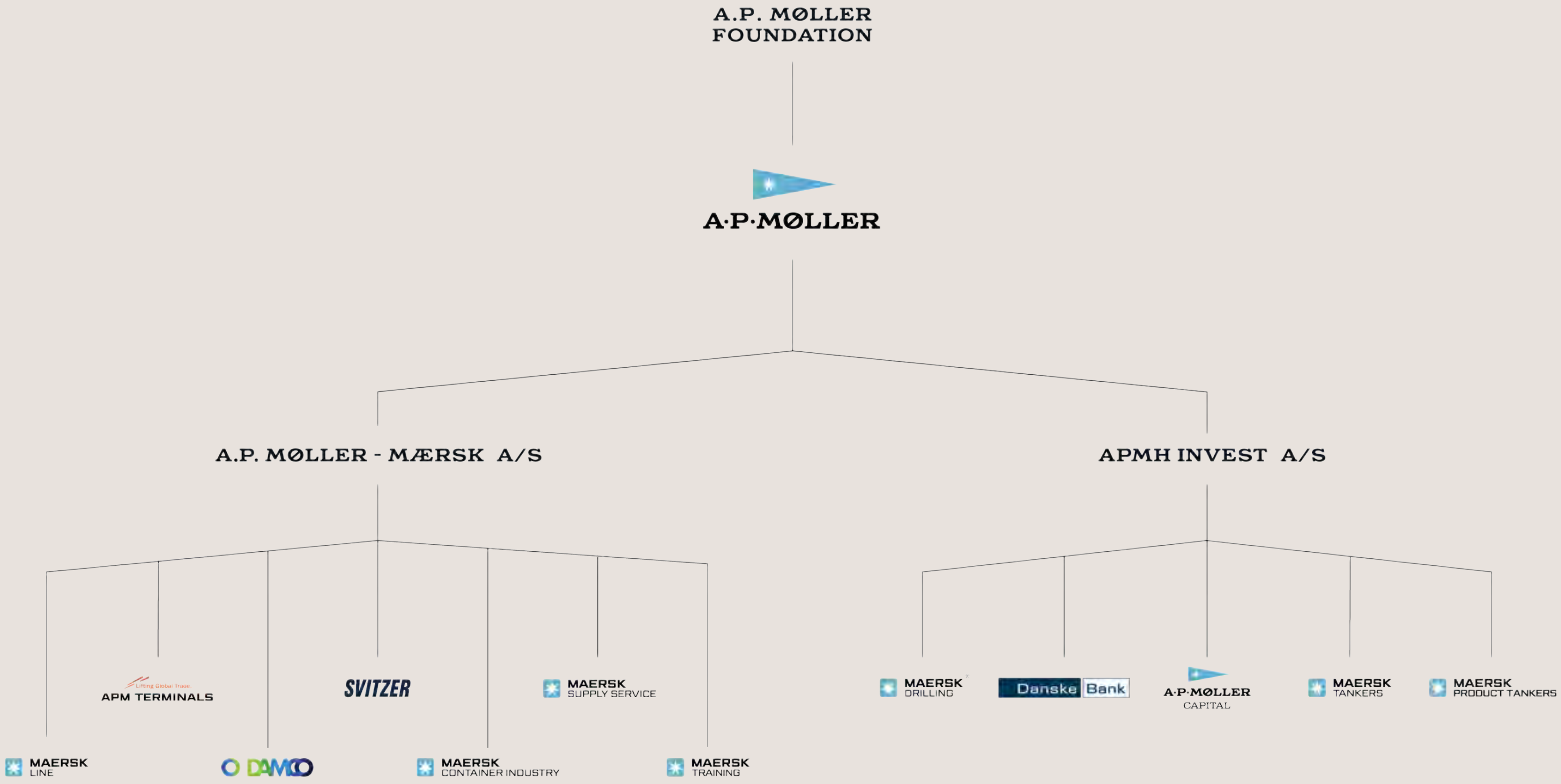
Valuation of discontinued operations

When classifying a disposal group as assets held for sale management applies judgment to the estimated fair value of the disposal group. Depending on the disposal group's activity, assets and liabilities, the estimated value is encompassed by different levels of uncertainty and thus subsequent adjustments are possible. Measurement of the fair value of disposal group is categorised as Level 3 in the fair value hierarchy as measurement is not based on observable market data.

According to IFRS 5, discontinued operations are valued at fair value less cost to sell.

In 2018, the group recognised a negative fair value adjustment of DKK 2.6bn in relation to Maersk Supply Service to reflect management's revised expectations of a fair value of the business based on received external value indications and in line with trading levels of listed peers. The fair value of Maersk Supply Service recognised at 31 December is DKK 4.6bn. The fair value estimate for Maersk Supply Service is subject to significant uncertainties given the overcapacity in the off-shore markets which is keeping day rates at a continued low level in addition to the limited number of transactions in the offshore business.

Note 28: Company overview



* As of 31 December 2018, Maersk Drilling was legally owned by A.P. Møller - Mærsk A/S

Note 28: Company overview - continued

A.P. Moller Holding group of companies comprises more than 900 companies.

Companies owned by A.P. Møller Holding A/S are listed below.

Subsidiary	Country of incorporation	Ownership share
A.P. Møller Mærsk A/S[1]	Denmark	41.51%
APMH Invest A/S	Denmark	100.00%

1 Voting rights 51.45%

Major companies of A.P. Møller-Mærsk A/S are listed below.

Subsidiary	Country of incorporation	Ownership 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.	The Netherlands	100%
APM Terminals Bahrain B.S.C.	Bahrain	80%
APM Terminals Callao S.A.	Peru	51%
APM Terminals China Co. Ltd.	Hong Kong	100%
APM Terminals Elizabeth, LLC	USA	100%
APM Terminals Gothenburg AB	Sweden	100%
APM Terminals India Pvt. Ltd.	India	100%
APM Terminals Inland Services S.A.	Peru	100%
APM Terminals Lazaro Cardenas S.A. de C.V.	Mexico	100%
APM Terminals Liberia Ltd.	Liberia	75%
APM Terminals Management B.V.	The Netherlands	100%
APM Terminals Mobile, LLC	USA	100%
APM Terminals Moin S.A.	Costa Rica	100%
APM Terminals Maasvlakte II B.V.	The Netherlands	100%
APM Terminals North America B.V.	The Netherlands	100%
APM Terminals Pacific LLC	USA	100%

Subsidiary	Country of incorporation	Ownership share
APM Terminals Rotterdam B.V.	The Netherlands	100%
APM Terminals Tangier SA	Morocco	90%
Aqaba Container Terminal Company Ltd.	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.	USA	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 UK Ltd.	Great Britain	100%
Damco USA Inc.	USA	100%
Farrell Lines Inc.	USA	100%
Gateway Terminals India Pvt. Ltd.	India	74%
Hambürg Sudamerikanische Dampfschifffahrts-Gesellschaft A/S and Co KG	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.	USA	100%
Maersk Aviation Holding A/S	Denmark	100%
Maersk B.V.	The Netherlands	100%
Maersk Bangladesh Ltd.	Bangladesh	100%
Maersk Container Industry A/S	Denmark	100%
Maersk Container Industry Dongguan Ltd.	China	100%
Maersk Container Industry Qingdao Ltd.	China	100%
Maersk Denizcilik A.Ş.	Turkey	100%
Maersk Drilling A/S	Denmark	100%
Maersk Drilling Deepwater A/S	Denmark	100%
Maersk Drilling Deepwater Egypt LLC	Egypt	100%
Maersk Drilling Holdings Singapore Pte. Ltd.	Singapore	100%
Maersk Drilling International A/S	Denmark	100%

Note 28: Company overview - continued

Subsidiary	Country of incorporation	Ownership share
Maersk Drilling Norge AS	Norway	100%
Maersk Drilling USA Inc.	USA	100%
Maersk Drillship III Singapore Pte. Ltd.	Singapore	100%
Maersk Drillship IV Singapore Pte. Ltd.	Singapore	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.	The Netherlands	100%
Maersk Hong Kong Ltd.	Hong Kong	100%
Maersk Inc.	USA	100%
Maersk Integrator Norge A/S	Denmark	100%
Maersk Inter Holding B.V.	The Netherlands	100%
Maersk Interceptor Norge A/S	Denmark	100%
Maersk Intrepid Norge A/S	Denmark	100%
Maersk Line A/S	Denmark	100%
Maersk Line Agency Holding A/S	Denmark	100%
Maersk Line, Limited Inc.	USA	100%
Maersk Logistics Warehousing China Company Ltd.	Hong Kong	100%
Maersk Oil Trading Inc.	USA	100%
Maersk Shipping Hong Kong Ltd.	Hong Kong	100%
Maersk Supply Service (Angola) Lda.	Angola	49%
Maersk Supply Service A/S	Denmark	100%
Maersk Supply Service Canada Ltd.	Canada	100%
Maersk Supply Service International A/S	Denmark	100%
Maersk Supply Service UK Ltd.	Great Britain	100%
Maersk Treasury Center (Asia) Pte. Ltd.	Singapore	100%
Maersk Vietnam Ltd.	Vietnam	100%
Maersk Viking LLC	USA	100%
MCC Transport Singapore Pte. Ltd.	Singapore	100%
Mærsk Innovator Norge A/S	Denmark	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%
Seago Line A/S	Denmark	100%
Sogester - Sociedade Gestora De Terminais S.A.	Angola	51%
Suez Canal Container Terminal SAE	Egypt	55%
SVITZER A/S	Denmark	100%
Svitzer Australia Pty Ltd	Australia	100%
SVITZER Marine Ltd.	Great Britain	100%
Terminal 4 S.A.	Argentina	100%
Maersk Line, Limited (State of Delaware)	USA	100%
West Africa Container Terminal Nigeria Ltd.	Nigeria	100%

Associate	Country of incorporation	Ownership share
Abidjan Terminal SA	Ivory Coast	40%
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	23%
Cosco Ports (Nansha) Ltd.	British Virgin Islands	34%
Guangzhou South China Oceangate Container Terminal Co. Ltd.	China	20%
Gujarat Pipavav Port Ltd.	India	43%
Höegh Autoliners Holdings AS	Norway	39%
Meridian Port Services Ltd.	Ghana	42%
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%

Note 28: Company overview - continued

Joint Ventures	Country of incorporation	Ownership share
Anchor Storage Ltd.	Bermuda	51%
Ardent Holdings Limited	Great Britain	50%
Brasil Terminal Portuario S.A.	Brazil	50%
Cai Mep International Terminal Co. Ltd.	Vietnam	49%
Douala International Terminal SA	Cameroon	40%
Eurogate Container Terminal Wilhelmhaven Beteiligungsgesellschaft GmbH	Germany	30%
First Container Terminal ZAO	Russia	31%
Global Ports Investments PLC	Cyprus	31%
North Sea Terminal Bremerhaven Verwaltungsgesellschaft GmbH	Germany	50%
Pelabuhan Tanjung Pelepas Sdn. Bhd.	Malaysia	30%
Petrolesport OAO	Russia	31%
Qingdao New Qianwan Container Terminal Co. Ltd.	China	16%
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	Russia	31%
Xiamen Songyu Container Terminal Co. Ltd.	China	25%

Companies of APMH Invest A/S are listed below.

Subsidiary	Country of incorporation	Ownership share
A.P. Møller Capital GP ApS	Denmark	100%
A.P. Møller Capital P/S	Denmark	51%
Africa Infrastructure Fund I GP ApS	Denmark	100%
AIF I Sponsor Invest K/S	Denmark	100%
APMH Invest III ApS	Denmark	100%
APMH Invest IV ApS	Denmark	100%
APMH Invest V ApS	Denmark	100%
Maersk Product Tankers A/S	Denmark	70%
Maersk Tankers A/S	Denmark	100%

Associate	Country of incorporation	Ownership share
Danske Bank A/S	Denmark	21%

Companies of Maersk Tankers A/S are listed below.

Subsidiary	Country of incorporation	Ownership share
Brostrom AB	Sweden	100%
Brostrom General Partner A/S	Denmark	100%
Brostrom K/S	Denmark	100%
Handytankers General Partner A/S	Denmark	100%
Handytankers K/S	Denmark	100%
Maersk Tankers Afra General Partner A/S	Denmark	100%
Maersk Tankers Afra K/S	Denmark	100%
Maersk Tankers Holland BV	Holland	100%
Maersk Tankers India Pvt. Ltd.	India	100%
Maersk Tankers LR2 General Partner A/S	Denmark	100%
Maersk Tankers LR2 K/S	Denmark	100%
Maersk Tankers MR General Partner A/S	Denmark	100%
Maersk Tankers MR K/S	Denmark	100%
Maersk Tankers Romania SRL	Romania	100%
Maersk Tankers US Inc.	USA	100%
Maersk Tankers US Personnel Inc.	USA	100%
OPSA Operadora Portuaria	Venezuela	100%

Joint ventures	Country of incorporation	Ownership share
Long Range 2 A/S	Denmark	50%
LR 2 Management K/S	Denmark	50%

Companies of Maersk Product Tankers A/S are listed below.

Subsidiary	Country of incorporation	Ownership share
Maersk Tankers Singapore Pte Ltd	Singapore	100%
Maersk Tankers UK Ltd.	UK	100%

PARENT COMPANY FINANCIAL STATEMENTS

Income statement | Balance sheet | Statement of changes in equity | Notes to the financial statements

PARENT COMPANY FINANCIAL STATEMENTS

CONTENTS

INCOME STATEMENT

Note	Amounts in DKKm	2018	2017
1	Share of profit in subsidiaries	10,292.7	1,753.4
2	Staff costs	-53.0	-33.5
	Other external expenses	-27.7	-20.8
	Other income	9.4	5.1
	Profit before financial items	**10,221.4**	**1,704.2**
3	Other financial income	195.3	18.6
4	Other financial expenses	-90.6	-10.8
	Profit before tax	**10,326.1**	**1,712.0**
5	Tax on profit for the year	-6.6	-15.2
6	**Net profit for the year**	**10,319.5**	**1,696.8**

BALANCE SHEET AT 31 DECEMBER

Note	Amounts in DKKm	2018	2017
	Non-current assets		
7	Property	140.7	90.4
1	Investments in subsidiaries	122,042.5	110,856.7
	Total non-current assets	**122,183.2**	**110,947.1**
	Current assets		
	Receivables from affiliates	0.0	36.8
8	Deferred tax	2.4	2.1
9	Tax receivables	43.5	56.5
	Other receivables	2.0	9.2
	Total receivables	**47.9**	**104.6**
	Securities	**381.8**	**108.8**
	Cash and bank balances	**1,202.0**	**615.5**
	Total current assets	**1,631.7**	**828.9**
	Total assets	**123,814.9**	**111,776.0**

Note	Amounts in DKKm	2018	2017
	Equity		
10	Share capital	2,000.0	2,000.0
	Reserve for net revaluation under the equity method	9,128.6	0.0
	Retained earnings etc	112,151.4	109,257.3
	Proposed dividend	500.0	500.0
	Total equity	**123,780.0**	**111,757.3**
	Short-term debt		
	Debt to banks	0.0	0.1
	Payables to affiliates	0.0	5.5
	Trade payables	14.7	2.1
	Other payables	20.2	11.0
	Total short-term debt	**34.9**	**18.7**
	Total liabilities	**34.9**	**18.7**
	Total equity and liabilities	**123,814.9**	**111,776.0**

11 Related parties
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13 Contingent liabilities
14 Events after the balance sheet date
15 Accounting policies

STATEMENT OF CHANGES IN EQUITY

Amounts in DKKm	Share capital	Reserve for net revaluation under the equity method	Retained earnings etc	Proposed dividend	Total
Equity at 1 January 2017	2,000.0	6,195.5	110,590.8	500.0	119,286.3
Dividend paid for the year	0.0	0.0	0.0	-500.0	-500.0
Net profit/loss for the year	0.0	1,753.4	-556.6	500.0	1,696.8
Dividend from subsidiaries	0.0	-1,296.3	1,296.3	0.0	0.0
Other adjustments etc[1]	0.0	-6,652.6	-2,073.2	0.0	-8,725.8
Equity at 31 December 2017	**2,000.0**	**0.0**	**109,257.3**	**500.0**	**111,757.3**
Impact due to implementation of new accounting standards	0.0	-346.2	0.0	0.0	-346.2
Adjusted equity as of 1 January 2018	**2,000.0**	**-346.2**	**109,257.3**	**500.0**	**111,411.1**
Dividend paid for the year	0.0	0.0	0.0	-500.0	-500.0
Net profit/loss for the year	0.0	10,292.7	-473.2	500.0	10,319.5
Dividend from subsidiaries	0.0	-1,296.3	1,296.3	0.0	0.0
Other adjustments etc[1]	0.0	478.4	2,071.0	0.0	2,549.4
Equity at 31 December 2018	**2,000.0**	**9,128.6**	**112,151.4**	**500.0**	**123,780.0**

[1] Other adjustments primarily comprise exchange rate adjustments.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

Note 1: Investments in subsidiaries

Amounts in DKKm	2018	2017
Cost as of 1 January	112,929.9	112,930.4
Additions	215.8	0.0
Disposals	-232.4	-0.5
Cost as of 31 December	**112,913.3**	**112,929.9**
Adjustment to carrying amount as of 1 January	-2,073.2	6,195.5
Share of profit for the year	10,292.7	1,753.4
Dividend	-1,296.3	-1,296.3
Other adjustments incl. exchange rate adjustments	2,206.0	-8,725.8
Adjustment to carrying amount as of 31 December	**9,129.2**	**-2,073.2**
Carrying amount as of 31 December	**122,042.5**	**110,856.7**

Company overview as at 31 December 2018

Subsidiaries	Country of incorpora-tion	Ownership share	Voting share
A.P. Møller - Mærsk A/S	Denmark	41.51%	51.45%
APMH Invest A/S	Denmark	100.00%	100.00%

Please refer to the company overview for A.P. Moller Holding's group of companies as stated in note 28, which is an integrated part of this note.

Note 2: Staff costs

Amounts in DKKm	2018	2017
Wages and salaries	51.3	32.6
Pensions	1.6	0.9
Other social security costs	0.1	0.0
Total	**53.0**	**33.5**
Average number of employees	21	12
Remuneration to the Executive Board	20.2	15.5
Remuneration to the Board of Directors	1.0	1.0

A.P. Møller Holding A/S has introduced a cash-settled incentive plan to members of the Executive Board. The incentive plan provides an annual bonus and long-term incentive programmes, which depend on the development of the company's investments. Long-term incentive programmes are included in Remuneration to the Executive Board with DKK 4m (DKK 3m).

Note 3: Other financial income

Amounts in DKKm	2018	2017
Interest income	25.8	2.0
Dividends	5.6	3.3
Exchange rate gains	155.7	9.4
Gains on securities	8.2	3.1
Other financial income	0.0	0.8
Total	**195.3**	**18.6**

Note 4: Other financial expenses

Amounts in DKKm	2018	2017
Interest expenses	0.1	2.1
Exchange rate losses	44.6	8.7
Losses on securities	45.9	0.0
Total	**90.6**	**10.8**

Note 5: Tax on profit for the year

Amounts in DKKm	2018	2017
Tax on profit for the year	7.6	-5.7
Adjustment of tax concerning previous years	-0.7	22.2
Adjustment of deferred tax	-0.3	-1.3
Total	**6.6**	**15.2**

Note 6: Distribution of net profit for the year

Amounts in DKKm	2018	2017
Proposed dividend	500.0	500.0
Reserve for net revaluation under the equity method	10,292.7	1,753.4
Retained earnings	-473.2	-556.6
Net profit for the year	**10,319.5**	**1,696.8**

Note 7: Property

Amounts in DKKm	2018	2017
Cost as of 1 January	90.4	0,0
Additions	50.3	90.4
Cost as of 31 December	**140.7**	**90.4**
Depreciation as of 31 December	**0.0**	**0.0**
Carrying amount as of 31 December	**140.7**	**90.4**

The property has been acquired as of 31 December 2017 and is under renovation.

Note 8: Deferred tax

Amounts in DKKm	2018	2017
Deferred tax asset as of 1 January	2.1	0.8
Adjustment of deferred tax for the year	0.3	1.3
Deferred tax asset as of 31 December	**2.4**	**2.1**

Deferred tax is calculated based on the difference between the carrying amount and the tax base of assets and liabilities. Management expects the deferred tax asset to be utilised by the Company itself or by the group of jointly taxed companies within a few years.

Note 9: Tax receivables

Amounts in DKKm	2018	2017
Tax receivables as of 1 January	56.5	4.5
Adjustment of tax concerning previous years	0.7	- 22.2
Tax on profit for the year	- 7.6	5.7
Tax paid for the year	- 6.1	68.5
Tax receivables as of 31 December	**43.5**	**56.5**

Note 10: Share capital

Amounts in DKKm	
Changes in share capital in the past 5 years	
On formation at 20 December 2013	999.0
Cash capital increase at 20 December 2013	1.0
Capital increase through non-cash contribution at 2 March 2015	1,000.0
Share capital as of 31 December 2018	**2,000.0**

The share capital consists of 2,000 shares with a nominal value of DKK 1m.

Note 11: Related parties

A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal (A.P. Moller Foundation) holds 100% of the Company's capital.

Related parties exercising controlling interest on the Company:
- A.P. Moller Foundation, Esplanaden 50, Copenhagen, Denmark.

The Company has not entered into any transactions with related parties that were not on an arm's length basis.

Note 12: Commitments

As part of the Company's activities, lease agreements are entered into regarding operating lease of equipment and office buildings, etc. The future charter and operating lease payments for the operations are:

Amounts in DKKm	2018	2017
Within one year	1.3	1.4
Between one and five years	0.2	0.5
After five years	0.0	0.0
Total	**1.5**	**1.9**

Commitments regarding supplier contracts amount to DKK 50m (DKK 0m).

Note 13: Contingent liabilities

The Company is included in national joint taxation with other Danish companies in the A.P. Møller Holding group of companies. The Company is jointly and severally liable for the payment of taxes and withholding tax.

Note 14: Events after the balance sheet date

On 29 March 2019, A.P. Møller – Mærsk A/S has announced that A.P. Moller – Maersk will retain full ownership of Maersk Supply Service. Consequently, Maersk Supply Service will be reclassified to continuing operations in 2019.

On the Annual General Meeting in A.P. Møller – Mærsk A/S 2 April 2019 it was approved by A.P. Moller – Maersk's shareholders to distribute the shares in Maersk Drilling. A single share class structure for Maersk Drilling has been established and distributed on a pro-rate basis based on the nominal value of the shares in A.P. Møller – Mærsk A/S. Accordingly, A.P. Møller Holding A/S has received two shares in Maersk Drilling for nominal A.P. Moller – Maersk DKK 1,000 share and A.P. Moller Holding's ownership in Maersk Drilling makes up 41.62% after the distribution. The shares will be contributed to APMH Invest A/S.

The shares in Maersk Drilling will be separately listed on Nasdaq Copenhagen. First day of trading will be 4 April 2019.

A.P. Moller Holding has agreed to a 360 day lockup of its shareholding in Maersk Drilling, subject to certain customary exemptions. Based on our analysis, A.P. Moller Holding expects to maintain control and consequently keep full consolidation in the financial statements.

No other events of importance to the Annual report have occurred during the period from the balance sheet date until the presentation of the financial statements.

Note 15: Accounting policies

The Financial Statements for 2018 for A.P. Møller Holding A/S have been prepared on a going concern basis and in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

A few adjustments have been made to the presentation form and designations in view of the nature of the Company. The adjustments have no effect on either profit or equity.

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared for the Parent Company.

Note 15: Accounting policies - continued

Compared to the accounting policies described for A.P. Møller Holding A/S as stated in note 26 to the consolidated financial statements, the Company's accounting policies differ mainly in the following areas:

- Shares in subsidiaries are measured under the equity method. The share of profit/loss after tax in the subsidiaries is recognised as a separate line item in the income statement, see below. Goodwill and other intangible assets with indefinite useful lives are recognised as part of the investment and amortised over a maximum of 10 years.
- Dividends from subsidiaries are recognised as a receivable at the time of declaration.
- All equity instruments where A.P. Møller Holding A/S does not have either control, joint control or significant influence is measured at fair value and the fair value adjustment is recognised in the income statement. Therefore equity instruments classified at fair value through other comprehensive income in the consolidated financial statement are recognised in the income statement.

The Financial Statements are presented in DKK million.

Change in accounting policies

The Company has changed the accounting policies for impairment of financial receivables. Previously, impairment of financial receivables have been recognized based on an incurred loss model, when objective indicators have been incurred. As from 2018, impairment of financial receivables are based on the expected loss model as described in IFRS 9.

The changes in accounting policies have affected equity as of 1 January 2018 with negatively DKK 346.2m.

Investment in subsidiaries

Investment in subsidiaries are accounted for under the equity method. The investments are initially recognised at cost and adjusted thereafter to recognise the company's share of the post-acquisition profits or losses of the subsidiary in profit or loss, and the company's share of movements in equity of the subsidiary. Dividends received or receivable from subsidiaries are recognised as a reduction in the carrying amount of the investment.

When the company's share of losses in a subsidiary equals or exceeds its investment in the entity, including any other unsecured long-term receivables, the company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the subsidiary.

Unrealised gains on transactions between the company and its subsidiaries are eliminated in full. Accounting policies of equity accounted subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the company.

Securities

All other equity instruments where APMH Invest A/S does not have either control, joint control or significant influence is measured at fair value and the fair value adjustment is recognised in the income statement under financial items.

Fair value of shares, bonds, etc, are recognised on the trade date at fair value and are subsequently measured at market price as regards listed securities and at an estimated fair value as regards other equity investments.

REPORTS

MANAGEMENT'S STATEMENT

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of A.P. Møller Holding A/S for the financial year 1 January – 31 December 2018.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and the Parent Company Financial Statements have been prepared in accordance with the Danish Financial Statements Act. Management's Review has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Group and the Parent Company and of the results of the Group and Parent Company operations and consolidated cash flows for the financial year 1 January - 31 December 2018.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 2 April 2019

Executive Board

Robert Mærsk Uggla
Chairman

Jan Thorsgaard Nielsen

Martin Nørkjær Larsen

Board of Directors

Ane Mærsk Mc-Kinney Uggla
Chairman

Jan Leschly

Lars-Erik Brenøe

INDEPENDENT AUDITOR'S REPORT

To the shareholder of A.P. Møller Holding A/S

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2018 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2018 and of the results of the Parent Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of A.P. Møller Holding A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group ("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 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review 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 Statement Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of Consolidated 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 the preparation of Parent Company Financial Statements that give a true and fair view in accordance with 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 in preparing the financial statements 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 conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 in preparing the financial statements 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 and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- 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.

Copenhagen, 2 April 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Mogens Nørgaard Mogensen
State Authorised Public Accountant
MNE-number 21404

Thomas Wraae Holm
State Authorised Public Accountant
MNE-number 30141