A.P. MØLLER HOLDING A/S ANNUAL REPORT 2019

A·P·MØLLER

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Date 20 April 2020
Chairman Lars-Erik Brenøe

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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), The Drilling Company of 1972 A/S (Maersk Drilling), Maersk Tankers A/S (Maersk Tankers), Maersk Product Tankers A/S (Maersk Product Tankers), KK Wind Solutions Holding A/S (KK Wind Solutions), 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. A.P. Moller Holding is the parent company of the A.P. Moller Group (the Group) which includes all the above mentioned companies. The term A.P. Moller Holding group (the group) is used in the Annual Report for controlled and consolidated companies.

The 2018 comparative figures are stated in brackets. The financials are impacted by the implementation of IFRS 16.

MANAGEMENT REVIEW

LETTER FROM THE CEO

ROBERT M. UGGLA
CEO

The A.P. Moller Group reflects on another eventful year. Financially, it ended on a fairly satisfactory note, with a 2019 revenue of DKK 275bn, a net result of DKK 6.6bn and consolidated assets of DKK 462bn (consolidated equity of DKK 263bn). A.P. Moller Holding, the Group's parent company, remains debt free and saw a net cash inflow of DKK 5.1bn. The gap between book value of equity and market value of equity was reduced during the year, although portfolio company returns have to improve further for such discount to be completely removed.

While the overall financial figures and year-on-year development paint a relatively rosy picture, and we acknowledge the many positive steps taken over the last year to strengthen our portfolio companies' market position and the balance sheets of the Group, we are mindful of the recent, very negative developments and dark clouds on the horizon, resulting from the COVID-19 pandemic.

A.P. MOLLER - MAERSK TURNS A PAGE

Our portfolio's single biggest holding, A.P. Moller - Maersk, concluded its separation process in 2019. The objective has been to create sufficient focus on the various businesses, which have their own set of opportunities and challenges, to increase capital discipline and enhance agility. This means that companies like Maersk Tankers and Maersk Drilling now operate with their own management teams and boards, who have relevant expertise in these specific industries. We believe all our group companies will continue to benefit from being part of the A.P. Moller Group, which encompasses a deep network of talent and know-how, but is based on a structure of independent companies, and not a corporate conglomerate. Moreover, following A.P. Moller - Maersk's sale of Maersk Oil, our Group has divested the portfolio's single biggest exposure to hydrocarbons, including the abandonment liabilities of our oil activities, seemingly at an opportune point in the cycle.

A.P. Moller - Maersk's strategy entails leveraging the liner activities' customer footprint, to provide an enhanced service and build a stronger presence ashore, through continued investments in the terminal and related infrastructure activities and in container related logistics. The financial merits of investments in infrastructure activities are well proven at this point, and we recognise the continued good performance of A.P. Moller Terminals in 2019, while the logistics acquisitions carry more uncertainty, as it is an area where A.P. Moller - Maersk has less of a record. With this in mind, we are encouraged by the approach of A.P. Moller - Maersk to make small logistics investments initially, to assess how to best adjust the operating model and harness promising synergies. As owners, we are also glad to see the increased capital discipline of A.P. Moller - Maersk, which is vital for the company in the coming period of great macro-economic uncertainty and slowdown in trade.

While the demerger of Maersk Drilling has started out as a bumpy ride, and with more headwind in 2020's depressed oil environment, we are grateful that the company has been separated from the container related activities allowing sufficient focus on its own activities. Maersk Drilling has a strong team in place, second to none balance sheet, a fairly robust backlog of contracts and a dedicated Board of Directors. The latter is not just highly qualified, but also one of the most diverse boards of all listed companies in Denmark.

With the recent election of new Directors, the company now have a board with five different nationalities, of which four are women and five men. As a separate listed company, we expect that Maersk Drilling may have more flexibility and options to find structural opportunities in what has become a very distressed industry.

In 2019, Maersk Tankers continued its transformation journey, initiated after A.P. Moller Holding acquired the company from A.P. Moller - Maersk. Having separated out its entire fleet of assets in a new company (Maersk Product Tankers), Maersk Tankers is now an asset light, agile services platform, using software to optimise vessel flows and reduce the carbon footprint of tramp shipping. 2019 was a momentous year for the company, as it became profitable in its own right, and with a growing fleet of vessels under management - out of the 200 vessels, a majority come from third party vessel owners.

We are equally encouraged by the development of A.P. Moller Capital, trying to be part of the bigger solution for a continent, holding 60% of the world's population growth. Africa is in dire need of foreign direct investments to create economic growth for a young workforce, in order to pre-empt the spread of poverty, radicalisation and large-scale migration. In 2019, A.P. Moller Capital expanded its team of investment professionals and industry advisors, and pursued several projects to support Africa's significant demand for energy and transport infrastructure. A.P. Moller Capital has just started its journey and we look forward to following its progress in the coming years.

DANSKE BANK MOVES FORWARD

During 2019, A.P. Moller Holding was pleased to see fundamental changes to the board and management of Danske Bank, as a first step in regaining the credibility of the bank. The new CEO, Chris Vogelzang, is facing a highly challenging leadership task, as he has to rebuild trust in the bank from customers and society at large, but also improve its financial situation. We have a belief that Denmark benefits from a large-scale bank with its headquarters in Copenhagen, not least because the bank is a source of vital knowledge, talent and capital for the local business community. We welcome and support Chris and his team's societal and financial plans for the bank. Our ownership in the bank is based on the premise that the bank acts with integrity and that it generates an attractive risk adjusted return over the cycle. In our view, this is essential for any bank to remain independent in a global consolidating banking industry.

We are witnessing an increased regulatory burden on banks. If financial institutions fail to live up to society's expectations of them, as was the case with Danske Bank, relevant directors of such companies should be replaced at the general meeting by the shareholders. As owners and through our participation in several board nomination committees, we are seeing a worrying trend that many qualified directors no longer have an interest in joining the boards of financial institutions, especially in Denmark. Potential directors express concerns about the personal liabilities of being on a bank board (exemplified by the Amagerbanken case), an overwhelming work burden (a single board meeting of a Danish bank may include more than a thousand pages of pre-reading) and with less time available in the boardroom for strategic, commercial and technology related topics.

Politicians and regulators should closely follow this development as the Nordic financial sector needs directors with integrity, who hold relevant experience and domain expertise, including from the

Performance vs. indices

	2015	2016	2017	2018	2019	CAGR (2015-2019)
Our Net Asset Value Index (DKK)	106,871	134,229	135,857	98,085	116,605	2.2%
MSCI World Index (DKK)	11,421	12,345	13,025	12,282	15,694	8.3%
SCFI Index (USD)	837	952	824	911	959	3.4%
Brent oil price (per BBL, USD)	37	57	67	54	66	15.3%

financial sector and from the technology sector. From our vantage point, making a director's role more attractive in financial institutions is as pressing as it is paramount for the long-term viability of the sector. Regulation alone, will not create a better banking system. We need to be able to attract the best qualified managers and directors to the sector.

THE INVESTMENT STRATEGY EVOLVES FROM OUR HISTORY

An important part of our mission is to ensure the Group remains relevant over time. Some of our future direction is guided by our past learnings.

As the shipping industry moved from sail to hydrocarbons, more than a century ago, the master Peter Mærsk Møller and his son Arnold Peter founded, what is today, the A.P. Moller Group. The initial investments were tramp ships, propelled by coal and steam, but soon the company became more diversified. Much of the Group's value creation came as a result of the two great tailwinds of the 20th century: the rise of the combustion engine, which created demand for oil products, and the rise of trade, creating demand for shipping. As a Group, we have so far managed to navigate difficult waters, and survive hardship, whether it has been world wars or great recessions, but we are now facing maybe our most daunting task: how to revive the Group's growth prospects, by finding the next tailwind.

An important part of our long-term continued importance and relevance will happen in our current portfolio businesses. As an example, A.P. Moller - Maersk is at the forefront of trying to address the global shipping industry's carbon footprint (today the shipping industry emits 2-3% of all greenhouse gases). A.P. Moller - Maersk's vocal industry leadership and 2050 zero carbon plan does not only make sense for society and our environment, but is also integral to creating a viable business model long-term.

The A.P. Moller Group's continued importance and relevance is also closely linked to A.P. Moller Holding's plans to invest in and develop a portfolio of new companies. Over the last 1.5 years, we have hired a diverse team of highly capable investment professionals, who have worked diligently on defining our investment strategy and developing a pipeline of opportunities. This investment strategy is based on three important criteria:

Firstly, we invest in companies and activities that have a positive impact on society. In the 1950s, our family established the A.P. Moller Foundation, the ultimate owner of A.P. Moller Holding, to secure the long-term ownership of the Maersk activities, and, as it is specifically spelled out in the charter, to re-invest proceeds in 'nyttig virksomhed'. This mindset of being a good corporate citizen running a profitable business, while also supporting wide ranging societal goals, is also an important parameter for our future investments.

Secondly, we invest in companies benefiting from long-term macro tailwinds. As long-term owners of companies, we rely on the overall macro environment of such companies.

Thirdly, we invest in companies, where we, as engaged owners, can impact the outcome or degree of success and add value, e.g. by bringing certain insights or networks to the table or attracting highly qualified and talented directors. In this respect, we are also mindful that there are better owners for certain industries, where we as a Group do not have the relevant expertise or capabilities.

NEW INVESTMENTS IN THE RESOURCE EFFICIENCY SEGMENT

The above three criteria were fulfilled when we acquired KK Wind Solutions during 2019.

The investment case started with an extensive review of how the increased demand for resource efficiency impacts industries, such as the shift to green power and energy, including electrification. We eventually turned our sights to KK Wind Solutions, which is a world leading supplier of electromechanical systems and solutions to the wind industry, with products today generating wind power to approximately five million additional homes every year. KK Wind Solutions is not only benefiting from the strong and global long-term demand for wind power, but also from a general industry trend with large OEM's outsourcing a bigger part of their production to suppliers like KK Wind Solutions, to reduce costs and capital deployed.

> Access to goods, energy and financial services remains the backbone of a well-functioning society. In this respect, I am encouraged to see how our organisations take necessary precautions to minimise the risks for our employees and their families, while we try our best to continue to serve our communities across the world.

KK Wind Solutions is headquartered in Denmark, but with a desire to follow its customers to other parts of the world, with new interesting projects in Asia and the Americas. We are excited to be part of KK Wind Solutions' journey to build an industrial champion in the renewables space, to create meaningful jobs in Denmark and internationally and to be part of the solution for the green energy transition. We are also excited that the KK Wind Solutions team is part of our network, as they bring new important insights and capabilities to our Group.

A.P. Moller Holding is also exploring the opportunity to establish a geothermal company, with a team of highly talented and qualified colleagues, who hold vast knowledge and experience from the upstream industry. The objective of our incubation effort is to develop geothermal energy for district heating in Denmark and, potentially, internationally. The Aarhus municipality stands out in its ambition to create Europe's biggest geothermal plant, as a greener and more sustainable replacement of biomass. However, the viability of the project largely depends on the government implementing a robust regulatory framework, to enable what constitutes an investment of up to several billion DKK in a new form of green energy.

KUDOS TO OUR TEAMS

As a concluding remark, let me as CEO extend my sincere thanks to our team members in A.P. Moller Holding for their relentless efforts, long hours and valuable contributions during 2019. We are blessed to have a team of talent, who often stand out in their endeavours, and with a joint desire to not just build a great company, but also a company that makes a real difference, as owner and investor.

I would also like to extend my gratitude to the many 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. At times, we may appear to be very demanding owners, but we share the same long-term aspirations and passion for our portfolio companies. I know the entire team of A.P. Moller Holding feels very blessed to be part of the same Group and network as you!

A BLACK SWAN AND STORM: COVID-19

As the last decade was coming to an end, the world suddenly found itself in dire straits. At the time of writing this letter, COVID-19 is having a profound impact on our society and economy in many ways. Lives and livelihoods have been extinguished by the virus. Most of our businesses are hit very hard by the pandemic and the economic outlook is uncertain.

We have faced adversity in the past. I am confident that we have the means and capabilities to also overcome these challenges, by working closely together and by applying 'constant care'. Access to goods, energy and financial services remains the backbone of a well-functioning society. In this respect, I am encouraged to see how our organisations take necessary precautions to minimise the risks for our employees and their families, while we try our best to continue to serve our communities across the world.

As seafarers have said for centuries: make sure to keep one hand for yourself and one for the ship for a safe voyage.

> We believe all our group companies will continue to benefit from being part of the A.P. Moller Group, which encompasses a deep network of talent and know-how, but is based on a structure of independent companies, and not a corporate conglomerate.

FIVE YEAR SUMMARY

Amounts in DKKm	2019	2018	2017	2016	2015
INCOME STATEMENT					
Revenue	275,032	262,613	220,930	207,171	230,777
Share of profit in associated companies	3,944	2,201	4,863	502	3,200
Profit/loss before financial items (EBIT)	15,187	10,325	- 5,276	- 9,318	27,225
Financial items, net	- 5,281	- 2,891	- 4,290	- 4,003	- 2,982
Profit/loss for the year	6,577	22,464	- 2,991	- 11,051	7,656
A.P. Møller Holding A/S share of profit/loss	**4,772**	**10,942**	**1,388**	**- 1,349**	**3,466**
Average number of employees	88,006	86,113	82,306	83,737	83,934
BALANCE SHEET					
Total assets as of 31 December	462,222	413,113	435,298	464,366	458,279
Equity as of 31 December	262,940	255,758	229,502	256,376	267,107
CASH FLOW STATEMENT					
Cash flow from operating activities	43,846	24,795	25,011	11,715	32,332
Purchase of property, plant and equipment	- 16,037	- 19,857	- 38,927	- 15,818	- 32,957
FINANCIAL RATIOS					
Return on equity	2.5%	9.3%	- 1.2%	- 4.2%	2.9%
Equity ratio	56.9%	61.9%	52.7%	55.2%	58.3%

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).

IFRS 16 Leases have been applied from 1 January 2019 in accordance with the modified retrospective approach. Therefore, comparative figures from previous periods (2015-2018), are not adjusted.

HIGHLIGHTS

A.P. Moller - Maersk completed its transformation to become a focused global container integrator by the successful demerger and subsequent listing of The Drilling Company of 1972 (Maersk Drilling) in April 2019. A.P. Moller - Maersk initiated a share buy-back programme running for 15 months at a total value of DKK 10bn. A.P. Moller Holding is participating pro-rata.

Following the election of the new chairmanship in late 2018, Danske Bank has spent 2019 focusing on establishing the new leadership team, which can regain trust and drive the development of the bank to reach its potential. Also, Danske Bank launched its new strategy ‘Better Bank 2023’.

A.P. Moller Holding holds a 41.6% stake in Maersk Drilling following its separate stock listing. The offshore drilling industry has in recent years been challenged by subdued activity; however, Maersk Drilling has a strong competitive position with unique assets, a solid revenue backlog and a strong balance sheet.

Maersk Tankers operates as a platform company and saw solid improvement during the year. Furthermore, Maersk Tankers launched a number of digital solutions including SimBunker and applications aiming at reducing the tramp shipping industry’s CO_2 emissions, while optimising earnings for the vessel owners.

Maersk Product Tankers benefited from the improved tanker markets during 2019 with rates reaching a ten-year high. The improved markets supported the efforts of optimising the fleet during 2019 through a total of 25 vessel transactions.

A.P. Moller Capital closed the first investment in the “Africa Infrastructure Fund I”. The fund has developed its investment pipeline in 2019 and in Q1 2020 closed further investments resulting in total capital committed, reaching approximately 1/3 of the total committed funds of USD 1bn.

A.P. Moller Holding continued the progress on its geothermal project and advanced the dialogue with Aarhus municipality on delivering geothermal energy.

A.P. Moller Holding made its first direct investment outside of the Maersk group of companies by acquiring KK Wind Solutions in September 2019. The company is a global leader in the wind turbine supply industry and saw revenue growth of 40% in 2019.

FINANCIAL PERFORMANCE

A.P. Moller Holding delivered a consolidated result of DKK 6.6bn (DKK 22.5bn) and a return on equity of 2.5% (9.3%). We benefited from cash inflow of DKK 5.1 bn, seeing net asset values increased to DKK 117bn.

A.P. Moller Holding is the parent company of the fully consolidated activities of A.P. Moller - Maersk, Maersk Drilling, Maersk Tankers, Maersk Product Tankers, KK Wind Solutions, A.P. Moller Capital and the financial activities of A.P. Moller Holding and accounts for its share of Danske Bank's results. A.P. Moller Holding delivered a consolidated revenue of DKK 275bn, a net result of DKK 6.6bn and consolidated equity of DKK 263bn. Operating profit and earnings for the continuing operations increased compared to 2018, reflecting improvements in the underlying performance mainly in A.P. Moller - Maersk and Maersk Product Tankers. Our financial portfolio also contributed positively to the overall results supported by strong financial markets.

A.P. Moller Holding recorded a cash inflow from its holdings of DKK 5.1bn and spent DKK 1.5bn on new direct investments. The cash flow from investment activities ended at DKK 140m when adjusting for the activity in the financial investment portfolio.

Net asset values increased by 19% with mainly A.P. Moller - Maersk driving the recovery in 2019 in a mixed portfolio. Danske Bank's share price declined 19%, A.P. Moller - Maersk's share price increased 37% and Maersk Drilling saw a decline following the listing date. The privately-owned portfolio has developed positively throughout the year.

In April 2019, Maersk Drilling was separated from A.P. Moller - Maersk and listed on Nasdaq Copenhagen. On the day of listing, DKK 4bn of value was generated from the separation compared to prior date closing prices.

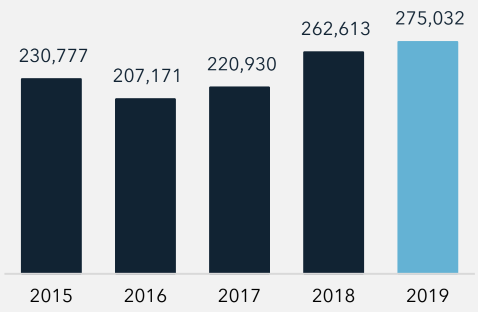
In September 2019, A.P. Moller Holding acquired all shares in KK Wind Solutions, a market leading manufacturer and developer of systems and technology for on- and offshore wind turbines.

OPERATING ACTIVITIES

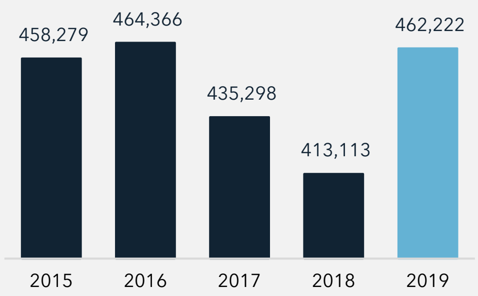
Revenue for 2019 grew with 4.6% to DKK 275bn (DKK 263bn), as a result of the acquisition of KK Wind Solutions and increased activity in Maersk Product Tankers, partly offset by flat and declining revenues in A.P. Moller - Maersk and Maersk Drilling.

Total income in Danske Bank increased by 2.6%. The financial result was impacted by a number of positive non-recurring items.

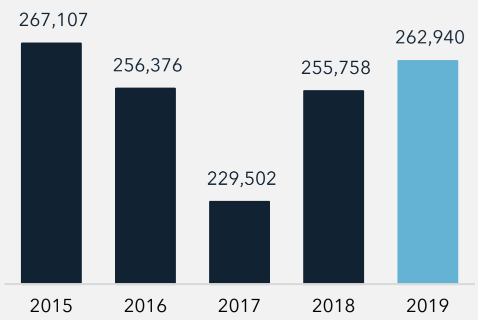
REVENUE* (DKKm)



TOTAL ASSETS* (DKKm)



CONSOLIDATED EQUITY (DKKm)



*) IFRS 16, Leases has been implemented as from 1 January 2019

Volatile financial markets, low interest rates, margin pressure and higher impairments impacted the bank's trading results negatively.

TOTAL COSTS

Operating costs declined with 1% during 2019, mainly related to a lower cost base in A.P. Moller - Maersk due to strong capacity management and lower bunker prices.

A.P. Moller Holding's administrative costs have increased as a result of the continuing development of the organisation, which is managing the company's reporting, compliance and investment functions. We have hired 14 new employees during 2019, mainly to strengthen our investment team further. At the end of 2019, the organisation counted 37 employees, up from 23 the year before.

EBITDA

Our operational profit increased to DKK 42.2bn from DKK 28.6bn in 2018, partly due to the implementation of IFRS 16, and reflects a flat cost development and improved revenue especially in A.P. Moller - Maersk's Ocean and Terminals & Towage segments. Maersk Product Tankers is another main contributor to the improvements.

EBIT

EBIT increased to DKK 15.2bn from DKK 10.3bn in 2018, reflecting the implementation of IFRS 16, the improved profitability in our holdings as well as improvement in the performance of associated companies. Our share of profit from associated companies increased to DKK 3.9bn from DKK 2.2bn in 2018. EBIT was negatively impacted by net impairments mainly related to A.P. Moller - Maersk.

FINANCIAL EXPENSES

The financial expenses ended at DKK 9.9bn (DKK 9.6bn) and net financial expenses increased with DKK 2.4bn to DKK 5.3bn reflecting interest expenses on lease liabilities due to the implementation of IFRS 16 partly set off by the lower interest rate levels and reduced borrowings.

TAX

Tax for the year amounted to DKK 3.3bn compared to DKK 2.7bn in 2018, reflecting the higher activity levels. 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 dropped to DKK 6.6bn from DKK 22.5bn in 2018. The 2018 result was positively impacted by a gain of DKK 16.4bn relating to A.P. Moller - Maersk's sale of Maersk Oil. A.P. Moller Holding's share of the profit ended at DKK 4.8bn, a decline of DKK 6.2bn compared to 2018.

The results were positively impacted by an increase in the USD average exchange rate of 5.6% compared to last year, as A.P. Moller - Maersk, Maersk Drilling, Maersk Tankers and Maersk Product Tankers report in USD.

The result for the year was in line with our expectations, with the continuing operations in general seeing improvement of results in our holdings.

EQUITY

As of 31 December 2019, total equity amounted to DKK 263bn (DKK 256bn) reflecting an increase of 2.7%. The improvement was mainly the result of the distribution of net profit for the year as well as exchange rate adjustments. The return on equity amounted to 2.5% (9.3%) and on equity ratio 56.9% (61.9%).

A.P. Moller Holding's share of the equity increased to DKK 133bn (DKK 126bn) corresponding to 5.6%.

DIVIDEND

Based on the financial result for 2019, the Board of Directors proposes a dividend of DKK 250m to A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal (A.P. Moller Foundation).

IFRS16 has impacted EBITDA positively by DKK 7.6bn compared to 2018.

INVESTMENT ACTIVITY

We have continued to build our investment team during 2019 and have concluded our investment strategy, which is further described on page 14-15.

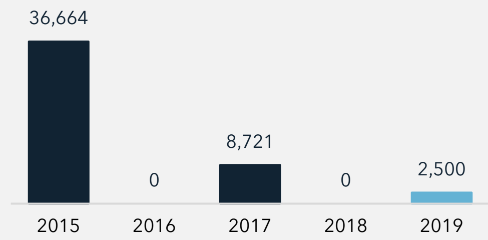
Cash flow used for investing activities was mainly impacted by the acquisition of KK Wind Solutions. The remaining part of investment activities relates to the development in our financial investment portfolio. The total capital inflow from dividends and share buy-back programmes was DKK 5.1bn (DKK 4.1bn).

The return from A.P. Moller Holding's financial investment portfolio was 14.8%, reflecting a solid risk adjusted return during the year.

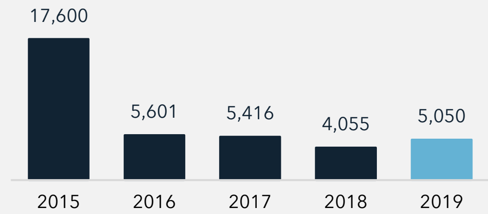
A.P. Moller Holding recorded a cash inflow from its holdings of DKK 5.1bn and invested DKK 1.5bn in new direct investments.

Amounts in DKKm	2019	2018	2017	2016	2015
KEY FIGURES: A.P. Moller Holdings investment activities					
Cash flow from operating activities	- 172	- 47	2,886	1,523	- 303
Cash flow used for investing activities inflow	5,099	7,146	5,452	5,601	2,357
Cash flow used for investing activities outflow	- 4,959	- 1,397	- 5,873	0	- 30,541
Cash flow from financing activities	- 477	- 5,334	1,304	- 2,858	27,785
Net asset value (market value)	116,605	98,085	135,857	134,229	106,871
Dividend to A.P. Moller Foundation	250	500	500	500	1,000
Average number of employees	28	21	12	3	2

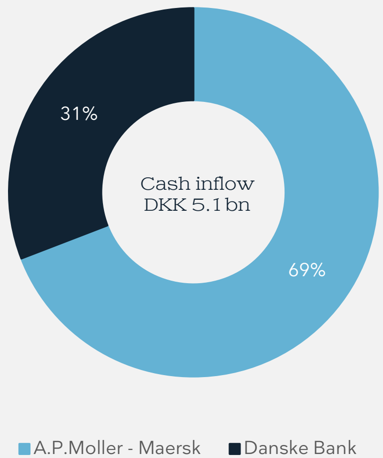
INVESTMENT COMMITMENTS (DKKm)



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



DISTRIBUTION OF CASH INFLOW



NET ASSET VALUE

The net asset value increased to DKK 116.6bn corresponding to 18.9%. The improvement in the share price of A.P. Moller - Maersk reflects the positive market momentum and the value from the Maersk Drilling shares received in connection with the demerger. The value of the Danske Bank shares continued to decline during 2019 as the uncertainty around the anti-money laundering case (the AML case) remains, coupled with a challenging market environment. The net asset value is a volatile measurement, not least over a shorter period, given the portfolio's significant exposure to three main holdings.

DKKbn Entity	Value	Change in 2019
A.P. Moller - Maersk[1]	77.2	9.2
Danske Bank	19.8	- 3.8
Maersk Drilling[1]	7.6	7.6
Maersk Tankers	0.4	0.2
Maersk Product Tankers	3.8	0.8
KK Wind Solutions	1.5	1.5
Financial Portfolio	6.0	3.2
Other net assets	0.3	- 0.2
Total	**116.6**	**18.5**

[1] Due to the demerger in April 2019, Maersk Drilling is presented separately in 2019

The net asset value calculation is based on different valuation methods. A.P. Moller - Maersk, Danske Bank and Maersk Drilling are assessed using their share prices at Nasdaq Copenhagen. Maersk Product Tankers is based on third-party valuation of the fleet, KK Wind Solutions is based on the acquisition value, while other holdings are based on recognised valuation methods, and the financial investment portfolio is based on market capitalisation (primarily quoted prices).

The market value of A.P. Moller - Maersk and Danske Bank corresponds to 83.2% (93.4% in 2018) of the total net asset value as of 31 December 2019. The change is mainly due to the separate listing of Maersk Drilling (7%). Over time, we expect that A.P. Moller - Maersk's and Danske Bank's relative share of our portfolio will further decrease.

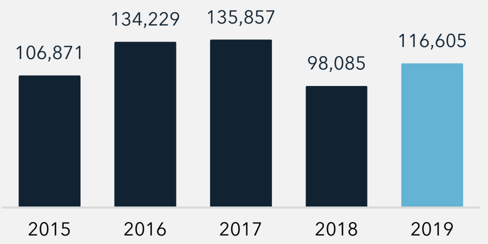
FINANCIAL OUTLOOK

A.P. Moller Holding's portfolio is generally exposed to the global economic activity levels. Hence, our outlook for 2020 is subject to significant uncertainties and will be impacted by the current outbreak of COVID-19, which is expected to have an impact on our holdings and has lowered the visibility of our 2020 performance significantly. Furthermore, all our shipping activities are exposed to the implementation of new low sulphur regulations (IMO 2020), impacting the bunker fuel prices and freight rates, which further increases the uncertainties in the guidance.

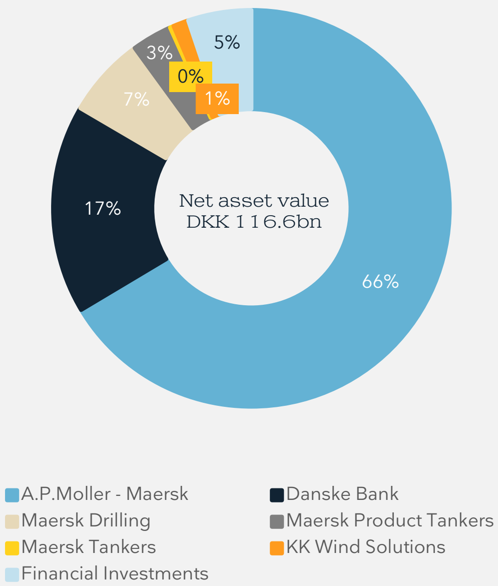
Our financial performance is closely linked to the development of the commercial activities in our main holdings A.P. Moller - Maersk, Danske Bank, Maersk Drilling, Maersk Tankers, Maersk Product Tankers and KK Wind Solutions as well as the development in the global financial markets. In March 2020, A.P. Moller - Maersk and Danske Bank suspended their financial guidance for 2020 because of the current situation with high uncertainties related to global container demand and macroeconomic prospects as well as the measures being taken by governments to contain the outbreak.

As a consequence of the significant uncertainties and lack of visibility related to our Group and businesses at the time of presenting these Financial Statements, we are not able to make a relevant and reliable statement of the financial effect and impact on future reporting periods and therefore we cannot express any expectations for 2020 either.

NET ASSET VALUE (DKKm)



DISTRIBUTION OF NET ASSET VALUE



INVESTMENT STRATEGY

During 2019, A.P. Moller Holding continued to make progress on the mission to drive portfolio renewal. Highlights for the year include adding six additional members to the investment team, achieving internal alignment on the investment strategy and making the first large investment by committing DKK 1.5bn of equity to KK Wind Solutions.

In the past year, A.P. Moller Holding has been working on refining the investment strategy including framework and approach. This has been an interactive process involving many people in the A.P. Moller Group – on the one hand attempting to create a robust strategy for the future, while at the same time seeking inspiration from the Group's legacy, assets and network over the past 115 years. Dialogue, interaction and alignment have been essential.

THE CORE OF THE INVESTMENT FOCUS

In defining the strategy for where to focus future investments, several choices have been made, all rooted in how (in the best possible way) to realise the ambition of being engaged owners in businesses, that have enduring financial potential, while delivering a positive contribution to society ('nyttig virksomhed'). The core focus is at the intersection of the three circles – seeking to invest in businesses or incubation projects that:

- are rooted in and driven by long-term megatrends,
- deliver a positive impact on society, and
- where A.P. Moller Holding can impact the outcome or degree of success by being a value-add and engaged owner.

The main focus is to make investments in large, global and established businesses; but, adhering to A.P. Moller Holding's entrepreneurial genes, also evaluating incubation platforms such as the current geothermal project.

A STRUCTURE TO SUPPORT THE LONG-TERM FOCUS

A.P. Moller Holding is a long-term owner of businesses, so the core focus must be on the long-term drivers of value and less on short-term opportunities to optimise. This approach implies investing time and resources in seeking investments within a theme that will be relevant for several business cycles. Investments will be made across multiple sectors and countries, but the work is initiated around long-term trends. To ensure this focus, the investment team is organised around themes and, unlike institutional investors, not focused on traditional sectors. Once invested, A.P. Moller Holding exercises engaged ownership from the boards of the respective companies. By leveraging the company's network, it is possible to recruit highly capable, international profiles that, together with the investment team, can help drive the respective businesses forward.

RESOURCE EFFICIENCY

In 2019, a key theme, or mega trend, has been 'resource efficiency'. It is a very broad theme that offsets the fact that global consumption of several resources is under pressure. For some resources, this implies that more sustainable replacements are being adapted and for others it implies that use and utilisation of such resources must be optimised. The shift to green power and energy, including electrification, is therefore part of the resource efficiency thematic.

In 2019, A.P. Moller Holding invested in KK Wind Solutions, which is a company that addresses and grows as this trend proliferates. With its products and solutions, KK Wind Solutions is creating wind power generating assets, that each year power approximately five million additional homes.

During 2019, A.P. Moller Holding also advanced the work on the geothermal incubation project, which is another investment within resource efficiency. In both cases, engaged ownership is exercised by providing network, capital and relevant capabilities to the businesses in line with A.P. Moller Holding's strategic approach.

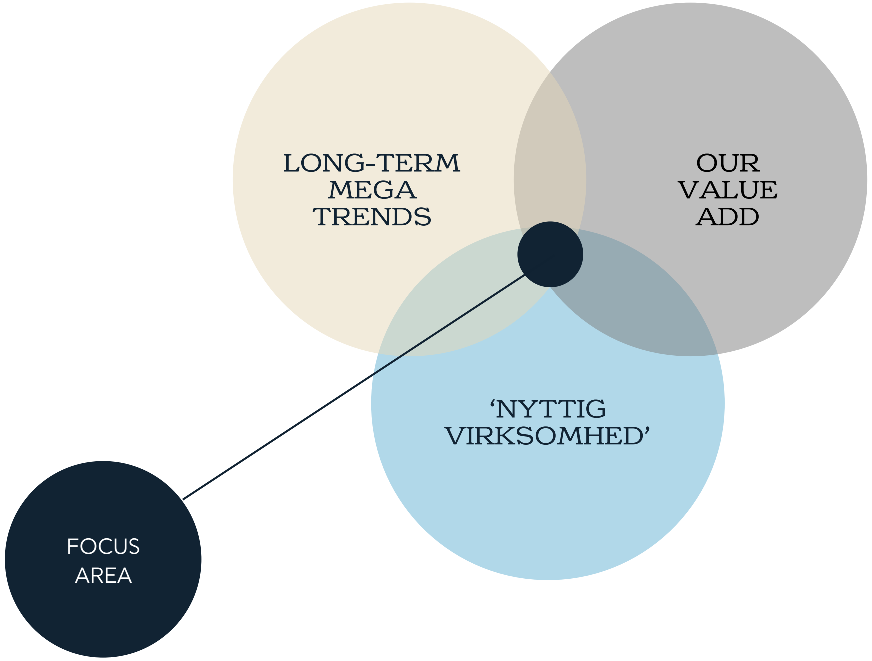
LONG-TERM OWNERSHIP

The above two examples also highlight the different roles A.P. Moller Holding seeks to have as long-term engaged owners, considering incubation projects such as the geothermal start-up as well as large existing businesses with a promising future. The desire is, however, to invest large amounts of capital and the focus is on investments with deployment opportunities of several hundred million dollars at a minimum, once scale is reached. This is a way to maintain a lean internal structure with focus and discipline.

The investment team continues to increase human capital and now counts ten professionals up from four at the end of 2018. The plan is to continue to selectively add relevant expertise, aiming for a diverse team that presently includes six different nationalities and working experiences from three different continents.

A.P. Moller Group has had a global footprint for 115 years, so the team and thinking must have the same global outlook to be able to build on the legacy.

INVESTMENT STRATEGY
FROM HIGH-LEVEL MEGA TRENDS TO THREE TANGIBLE INVESTMENT THEMES



OUR STRATEGIC BELIEFS

A.P. Moller Holding is the cultural custodian of the Maersk name and values. We safeguard the name and we make sure it is developed in the spirit of our forefathers. We ensure the values are understood and lived by the Supervisory and Executive Boards of the Maersk companies.

A.P. Moller Holding is an engaged and influential long-term owner with a point of view on key matters, acknowledged as a valued parent.

A.P. Moller Holding is an investor in the spirit of our founder A.P. Møller; investing in and building new businesses – based on access to certain insights, market positions, assets, capabilities and networks – to safeguard the growth and renewal, and thus viability of our portfolio for the next decades. We believe portfolio renewal comes from building new businesses inside and outside of our core holdings.

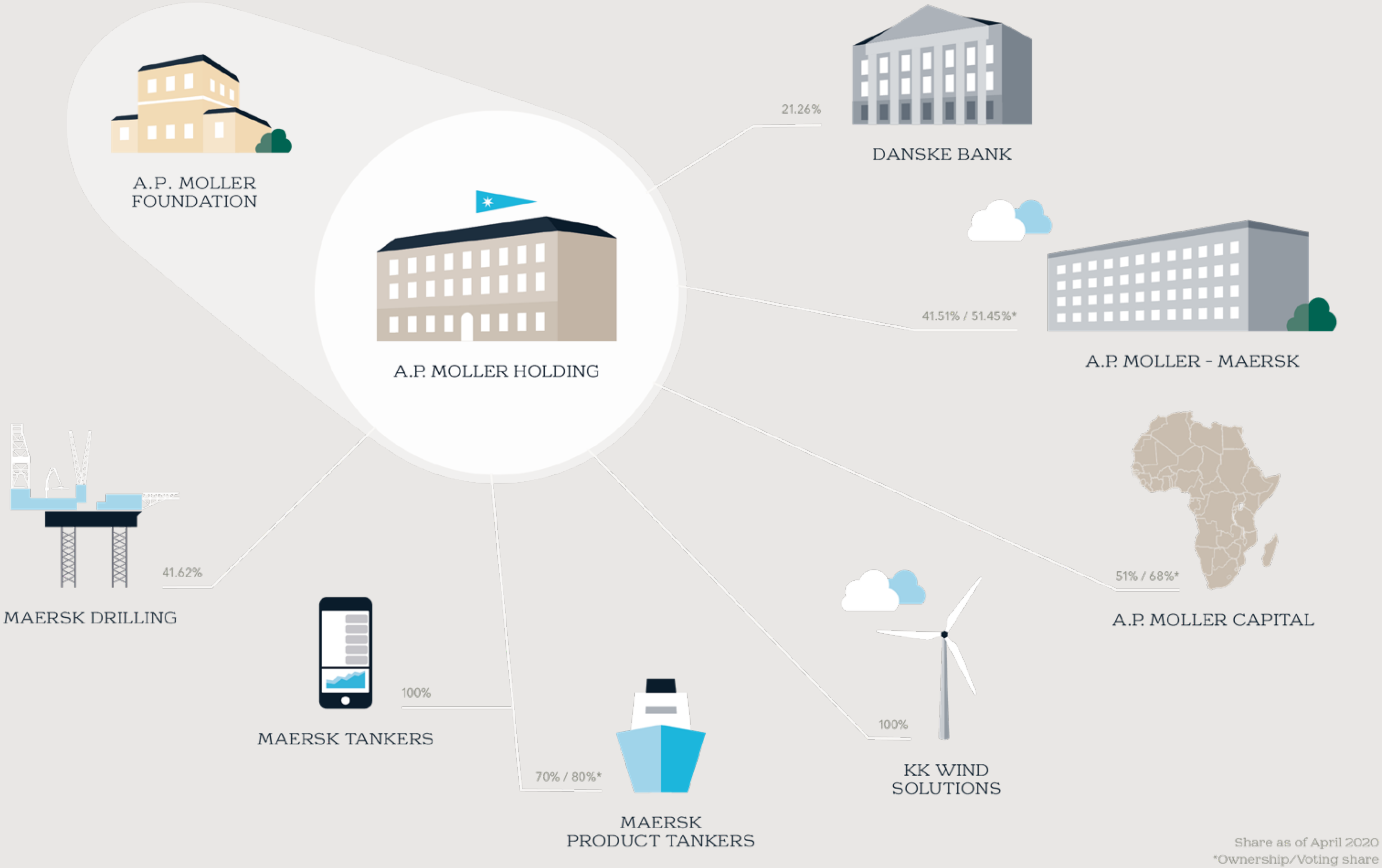
A.P. Moller Holding is open to reconsider ownership of a business in our portfolio, if its business model does not have a positive impact on our name or society, and/or lacks prospects for competitive value creation over a long time.

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

A.P. Moller Holding wants to safeguard our ability to pay dividends to the A.P. Moller Foundation over the next decades, in order for the Foundation to contribute to society in the form of donations.

Our holdings

A.P. MOLLER HOLDING
AT A GLANCE



A.P. MOLLER - MAERSK

A.P. Moller - Maersk delivered a solid EBITDA of USD 5.7bn (USD 5.0bn) and continues to execute on the strategy transforming the conglomerate to an integrated global 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 which was initiated in the autumn of 2016. In 2019, a number of important milestones were met, including the completion of the energy separation with the demerger and separate listing of Maersk Drilling and the integration of Hamburg Süd.

In connection with the full year 2018 results released in February 2019, A.P. Moller - Maersk announced four metrics to measure the progress on the strategic transformation (i) cash return on invested capital (CROIC), (ii) non-ocean revenue, (iii) gross profit in Logistics & Services and (iv) synergy target related to the Hamburg Süd acquisition. A.P. Moller - Maersk has during 2019 seen improvement on all four measures highlighted by an improvement in CROIC from 2.8% in 2018 to 9.3% in 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. In February 2020, A.P. Moller - Maersk announced the acquisition of the US based warehousing and distribution company Performance Team, to further strengthen its capabilities as an integrated container logistics company, offering end-to-end supply chain solutions to its customers.

Safety remains a priority for A.P. Moller - Maersk. Regrettably, three people lost their lives while engaged in operational activities in 2019. A.P. Moller - Maersk works continuously on improving the safety standards, and launched a new safety approach focusing on leadership, accountability and culture in 2019.

EXECUTIVE BOARD

- Søren Skou (CEO)
- Patrick Jany (CFO as of May 2020)
- Henriette Thygesen
- Morten H. Engelstoft
- Vincent Clerc

BOARD OF DIRECTORS

- Jim Hagemann Snabe (Chairman)
- Ane M. M. Uggla (Vice Chairman)
- Arne Karlsson
- Bernard Bot
- Blythe Masters
- Dorothee Blessing
- Marc Engel
- Robert M. Uggla
- Jacob Andersen Sterling
- Thomas Lindegaard Madsen

STRATEGY REVIEW

A.P. Moller - Maersk's strategic vision is to become the global integrator of container logistics. The vision is based on creating a portfolio of end-to-end products and services in a superior services delivery network with seamless customer engagement.

The strategic initiatives include focus on growing the businesses by innovative new products. Within Ocean, Maersk Spot was launched; a new Ocean product with fixed price and load guarantee. By the end of 2019, Maersk Spot made up approximately 24% of the total spot volumes. On the landside, A.P. Moller - Maersk acquired the brokerage firm Vandegrift in 2019 and announced the acquisition of Performance Team in February 2020, both strong additions to the US based Logistics & Services platform.

The digital initiatives are also progressing with the ambition to deliver a better customer experience. Tradelens, the digital platform developed jointly by IBM and Maersk in 2018, now has partners signing up representing 66% of global container capacity, 98 terminals and 22 customs authorities, all engaged in pilot projects or exchanging data.

During 2019, A.P. Moller - Maersk announced the vision to have net-zero CO_2 emissions from the Ocean operation by 2050. This is an important target and shows A.P. Moller - Maersk's responsibility to pioneer when it comes to climate change.

FINANCIALS

A.P. Moller - Maersk reported a flat development in revenue amounting to USD 38.9bn (USD 39.3bn) with a positive contribution from Ocean and Terminals & Towage offset by declined revenue in Logistics & Services of 1.9%. EBITDA was USD 5.7bn (USD 5.0bn) adjusted for IFRS 16 driven by improvement in all segments. Ocean improved its profitability through focused capacity management and lower bunker fuel costs.

Net profit for the year ended at negative USD 44m (USD 3.0bn, driven by the discontinued operations). The net profit for its continuing operations was USD 509m (negative USD 755m). A.P. Moller - Maersk delivered a strong cash conversion of 104% (85%) leading to cash flow from operating activities of USD 5.9bn (USD 4.4bn).

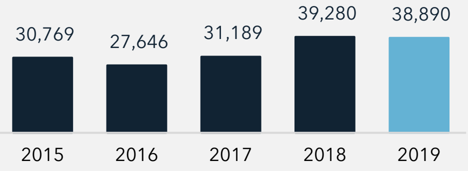
Gross capital expenditure amounted to USD 2.0bn (USD 3.2bn) reflecting the improved capital discipline. The main reduction was experienced in the Ocean segment.

The net interest-bearing debt decreased to USD 11.7bn (USD 15.0bn).

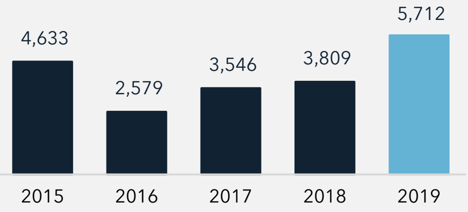
A.P. Moller - Maersk paid a dividend of DKK 150 per share for 2019.

> Leading the industry digitisation and changing the structure of how container logistics have been handled for decades, while improving the customer experience, are important steps in transforming A.P. Moller - Maersk.

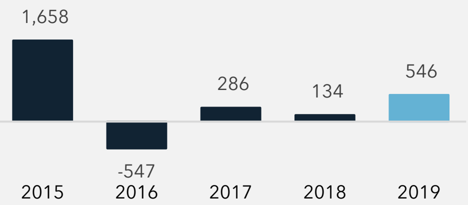
REVENUE (USDm) – CONTINUING BUSINESS



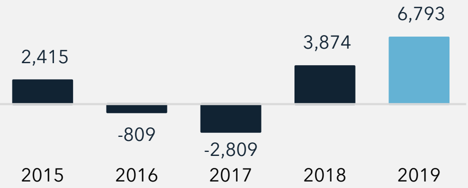
EBITDA (USDm) – CONTINUING BUSINESS



UNDERLYING PROFIT (USDm) – CONTINUING BUSINESS



FREE CASH FLOW (USDm) – CONTINUING BUSINESS



EXECUTIVE BOARD
- Chris Vogelzang (CEO)
- Stephan Engels (CFO)
- Berit Behring
- Carsten Rasch Egeriis
- Frans Woelders
- Glenn Söderholm
- Jacob Aarup-Andersen
- Jakob Groot
- Phillippe Vollot

BOARD OF DIRECTORS
- Karsten Dybvad (Chairman)
- Carol Sergeant (Vice Chairman)
- Jan T. Nielsen (Vice Chairman)
- Bente Avnung Landsnes
- Christian Sagild
- Gerrit Zalm
- Lars-Erik Brenøe
- Bente Bang
- Charlotte Hoffmann
- Kirsten Ebbe Brich
- Thorbjørn Lundholm Dahl

DANSKE BANK

Danske Bank delivered a financial result with a net profit of DKK 15.1bn (DKK 14.9bn) and a return on shareholders' equity of 9.6% (9.8%). The financial result was impacted by a number of positive non-recurring items. During the year, Danske Bank announced its ambitions for the period towards 2023.

Danske Bank is a Nordic focused universal bank with four core Nordic markets – Denmark, Norway, Sweden and Finland – that are addressed via its four customer focused business units: Banking Denmark, Banking Nordic, Corporate and Institutions and Wealth Management.

A.P. Møller has been involved in Danske Bank since 1928. At the end of 2019, A.P. Moller Holding held just above 20% 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
In May 2019, Danske Bank announced Chris Vogelzang as its new CEO, to lead the efforts in rebuilding trust in the bank while developing the bank in line with customer expectations and technological developments, ensuring that Danske Bank will remain a leading bank in the Nordic region.

2019 proved to be yet a challenging year with difficult financial markets, interest rates declining further, a slight worsening of the macroeconomic environment and strong competition in all markets. Furthermore, the industry saw further regulatory and compliance related requirements that impacted the performance.

The AML case continued to be a focus point for Danske Bank in 2019, and the bank has embarked on a multi-year enhancement programme, designed to materially upgrade systems and controls related to money laundering and financial crime. The bank has over the past couple of years increased costs by more than DKK 2bn in AML programmes and compliance related activities (including the AML case), and will continue to invest in these activities. Currently, the bank has around 2,800 full time employees working with compliance and AML in order to strengthen its lines of defence and secure progress on digitalisation efforts.

Danske Bank remains a fundamentally strong bank, however given recent years' developments and a number of structural challenges in the banking industry, including negative interest rates, digitalisation, rising customer expectations, increased costs and increased compliance focus, the bank needed to focus its priorities to accommodate these changes.

STRATEGY REVIEW

In the autumn of 2019, Danske Bank announced a new strategic plan named 'Better Bank 2023'. While remaining committed to the Nordic Integrator strategy, the Better Bank 2023 plan is addressing the challenges the bank is facing, both as part of the financial industry, like negative interest rates and changing customer expectations, as well as specific challenges to Danske Bank, like improving compliance and keeping costs under control.

Danske Bank has defined four ambitions to measure the progress; improve customer satisfaction, an engaged workforce, sustainable, ethical and transparent operations as well as achieving return on shareholders' equity of 9-10% with a cost income ratio in the low 50s.

In order to transform the bank, considerable investments will go into digitisation of core processes and simplifying products and operations over the coming years. A large part of these investments will come in 2020 and are expected to have a short term negative impact on the result.

FINANCIALS

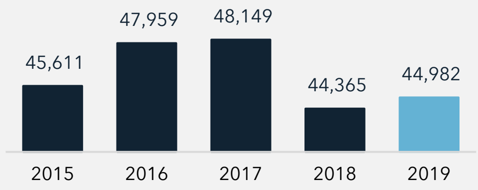
The total income in 2019 was DKK 45bn (DKK 44bn) and expenses were DKK 28bn (DKK 25bn). Net profit amounted to DKK15.1bn, in line with 2018. The result was impacted by an increase in operating expenses, mainly related to higher costs for compliance and AML related activities as well as an increase in loan impairment. The result was further positively impacted by a number of positive one-off items. The underlying business was impacted by the continued margin pressure and increased funding costs.

Danske Bank remains well capitalised with a CET1 capital ratio of 17.3% (17%) vs a regulatory CET1 requirement of 14.9%. During 2019, the Board of Directors set a CET1 capital ratio target level above 16%, ensuring a prudent buffer to the capital requirement.

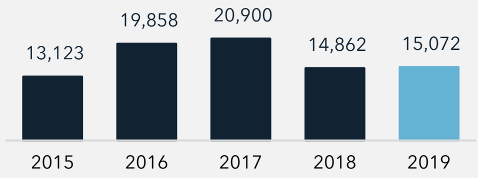
On 16 March 2020, Danske Bank announced that the bank had decided to suspend its financial guidance for 2020. Furthermore, Danske Bank announced that the Annual General Meeting, based on a recommendation from the Danish Financial Supervisory Authority (FSA) had been postponed due to the uncertainties whether the meeting could take place in accordance with the health and safety guidelines issued by the Danish Authorities due to COVID-19. On 23 March 2020, Danske Bank announced that the dividend of DKK 8.50 per share proposed in the Annual Report 2019 will be reassessed ahead of the Annual General Meeting. A new date for the Annual General Meeting has not yet been announced.

> The bank has taken several actions and continues to invest significantly in enhancing systems and controls related to AML and financial crime. This is part of rebuilding the trust in the bank in order to successfully achieve the targets set by the new management in the 'Better Bank 2023' plan.

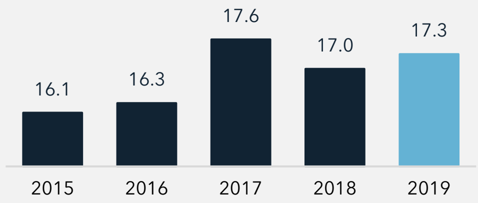
TOTAL INCOME (DKKm)



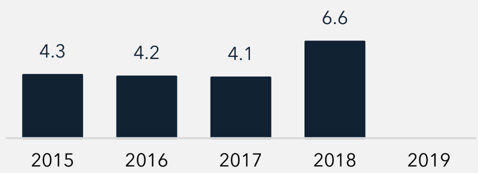
NET PROFIT (DKKm)



CET1 CAPITAL RATIO* (%)



DIVIDEND YIELD (%)



*) Common equity tier 1 capital ratio

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

BOARD OF DIRECTORS
- Claus V. Hemmingsen (Chairman)
- Robert M. Uggla (Vice Chairman)
- Alastair Maxwell
- Ann-Christin G. Andersen
- Kathleen McAllister
- Kristin H. Holth
- Martin N. Larsen
- Caroline Alting
- Glenn Gormsen

MAERSK DRILLING

Maersk Drilling was separately listed on 4 April 2019, following a demerger from A.P. Møller - Mærsk A/S, and delivered financial results for 2019 in accordance with expectations.

The Drilling Company of 1972 A/S (Maersk Drilling) was successfully listed as a stand-alone entity in April 2019 with A.P. Moller Holding as the largest shareholder holding 41.62% of the shares.

Since its inception in 1972 as part of A.P. Moller - Maersk, 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 22 mobile offshore drilling units specialising in harsh environment and deep-water operations.

THE YEAR IN BRIEF

2019 marks a new era for Maersk Drilling as this is the first year as a stand-alone company. The company was demerged from A.P. Moller - Maersk in the beginning of April 2019 and subsequently listed on Nasdaq Copenhagen.

Significant resources have been spent on preparing and successfully executing the demerger and listing of Maersk Drilling. The work has focused on establishing the governance model to reflect the new corporate structure, stand-alone financing and further build on the strong capabilities and heritage which have been developed over decades.

The separation process has not impacted the operational performance, and in 2019 Maersk Drilling continued delivering on the commercial and operational parameters, increasing utilisation to 77% (69%) and maintaining a high financial uptime of 98.9% (99.1%).

In connection with the Annual General Meeting 2019 in A.P. Moller - Maersk, Maersk Drilling's Board of Directors was elected. We believe the capabilities and relevant experience added to the Board of Directors in connection with the demerger will support Maersk Drilling going forward.

STRATEGY REVIEW

Maersk Drilling is fully focused on safe operations. It is a pivotal cornerstone embedded in the corporate values both on- and offshore and is Maersk Drilling's 'license to operate', as well as a determinant factor in attracting new business.

Maersk Drilling is well positioned in the more attractive segments of the offshore drilling industry with its modern and high spec drilling units. At the end of 2019, Maersk Drilling owned and operated 22 units.

'Smarter Drilling for Better Value' has since 2018 defined Maersk Drilling's strategy. The company intends to continue its proven operational efficiency combined with customer centricity and smarter IT solutions increasing value for its customers. Furthermore, it aims to increase the collaboration across the industry which eliminates inefficiencies and creates joint value through new service- and business models.

One example is the alliance with Aker BP, which aims to lower the cost per barrel and increase profitability for all alliance partners through the implementation of digital solutions, increased collaboration efficiency and standardisation and simplification of processes.

FINANCIALS

The result for 2019 was a loss of USD 113m (profit of USD 941m including an impairment reversal of USD 810m). Maersk Drilling continued its historically strong operational performance (financial uptime 98.9% vs. 99.1% in 2018) despite challenging market conditions.

Maersk Drilling saw an increase in activity levels leading to the number of contracted days increasing with 5% to 6,310 days (6,024 days), which leads to a utilisation of the assets of 77% (69%).

Maersk Drilling benefited from a solid contract backlog and delivered an EBITDA before special items of USD 415m (USD 611m) – an industry leading margin of 34% (43%) based on a revenue of USD 1.2bn (USD 1.4bn).

Maersk Drilling delivered a free cash flow of USD 109m (USD 457m) after cash flow from investments (excluding sales proceeds) of USD 311m (USD 136m). The company's balance sheet remained strong with a net interest-bearing debt of USD 1.1bn (leverage of 2.6x (NIBD/EBITDA)) and a liquidity reserve of USD 710m (USD 772m), comprising of USD 310m cash and USD 400m in committed long-term credit lines.

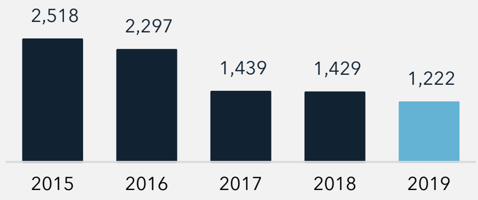
Maersk Drilling left 2019 with a committed contract backlog of USD 2.1bn (excluding value of options) (USD 2.5bn), which includes USD 828m (USD 503m) of new contracts added to the contract backlog during 2019. This implies a book-to-bill ratio of 75% (39%). The company enters 2020 with a contract coverage of 66%, slightly higher than last year (63%).

In connection with its Annual Report 2019, Maersk Drilling announced a capital allocation policy reflecting its robust capital structure and solid cash flow generation with the aspiration of creating long-term shareholder value while enabling the company to manage the cyclicality of the industry. Maersk Drilling will generally work towards a leverage target of around 2.5x (NIBD/EBITDA).

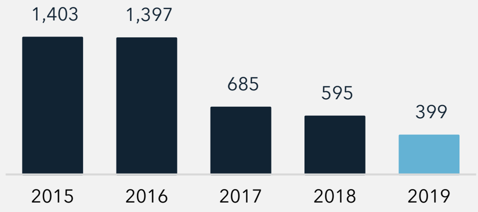
Maersk Drilling did not pay out a dividend for 2019.

> Maersk Drilling continues to deliver a strong operational and industry leading financial performance in the year of the demerger and separate listing on Nasdaq Copenhagen.

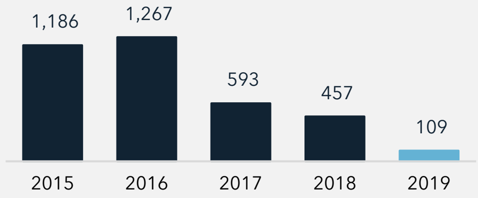
REVENUE (USDm)



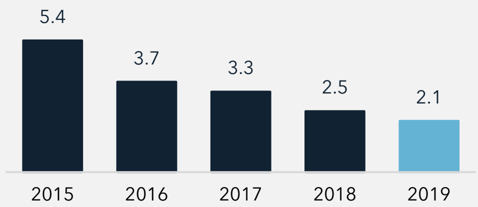
EBITDA (USDm)



ADJUSTED FREE CASH FLOW* (USDm)



REVENUE BACKLOG (USDbn)



*) Adjusted free cash flow defined as cash flow from operating activities less cash flow used for investing activities, adjusted for newbuild cash flow and proceeds from the divestment of assets or activities

EXECUTIVE BOARD
- Christian M. Ingerslev (CEO)
- Morten M. Christensen (CFO)

BOARD OF DIRECTORS
- Robert M. Uggla (Chairman)
- Paul Reed (Vice Chairman)
- Ibrahim Gokcen
- Maria Pejter
- Martin N. Larsen

MAERSK TANKERS

Maersk Tankers delivered a profit of USD 17.3m (loss of USD 14.2m) primarily due to reduced costs as well as an increased number of vessels under management.

Maersk Tankers dates back to 1928 and was established as an independent services business in 2017 following the spin-off of Maersk Product Tankers as the vessel owning entity. Since then, focus has been on developing a leading commercial manager in the product tanker segment, using digital tools to grow and improve profitability. During the year, Maersk Tankers has successfully transformed itself from being a loss-making business to a profitable one.

THE YEAR IN BRIEF

Maersk Tankers increased its vessels under management to 189 compared to 166 at the beginning of the year primarily driven by 25 third party vessels (net) entering the fleet from new and existing owners, as well as a new strategic partnership with Cargill. The development validates the company's business model, and the company will focus on increasing the number of vessels under management in the coming period, with a promising pipeline going into 2020.

Maersk Tankers supported its customers to achieve 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. The vessels in the Maersk Tankers pools have outperformed the spot market measured on time-charter equivalent earnings, and the results have been achieved through solid commercial decision-making drawing on Maersk Tankers' unique trading capabilities, processes and data utilisation.

In the beginning of January 2020, Maersk Tankers announced the launch of its new standalone digital business to reduce CO_2 emissions and optimise vessels' earnings. The digital solution, Sim-Bunker, optimises bunker spend which accounts for up to 60% of total voyage costs by determining optimal solutions for factors such as speed, bunker purchase and route. The business is an example of how focus on digital innovative solutions has given concrete results.

Maersk Tankers also launched a test version of SimTankers for the LR2 segment during the year. The system offers the charterers a decision-making process with data-driven trade signals based on historical trading data. The testing will continue in 2020, and

Maersk Tankers expects this to further support their competitive edge.

STRATEGY REVIEW

Maersk Tankers launched a three-year strategy in April 2019, ‘Shaping the Future’, with the aim of becoming the industry leader, deliver returns above 10% and drive the sustainability agenda within the tanker industry.

The strategy is based on the company’s purpose and mission statement; specifically, that it keeps the world moving and that it facilitates the trade of energy to meet the world’s needs.

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 and access to cargo programmes through its trading capabilities is used to lock in high returns for partners. This creates the potential for maximising earnings over the life of the business cycle and becoming an attractive partner for other shipowners.

While tanker shipping is an efficient and cost-effective method of transporting energy to meet the world’s growing energy demand, Maersk Tankers is part of the fossil fuel value chain, and manages vessels that discharge emissions, having a negative impact on the climate.

Maersk Tankers is focused on reducing its CO_2 footprint through investments, tests and use of fuel-efficient technologies, commercial initiatives and digital solutions. This can be exemplified by the test of wind-propulsion technology onboard a vessel in 2019 resulting in an 8.2% reduction in fuel and emissions. Furthermore, Maersk Tankers, Mitsui and Cargill have established a partnership with the ambition to accelerate the reduction of global greenhouse gases within shipping.

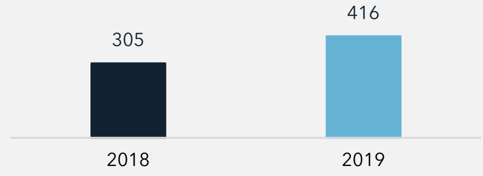
FINANCIALS

Maersk Tankers reported a profit for the year of USD 17.3m (loss of USD 14.2m), as the cost base was reduced following the carve out, and momentum in the business picked up, supported by good market conditions. The company reported a free cash flow of USD 56m driven by reduced costs and working capital improvements.

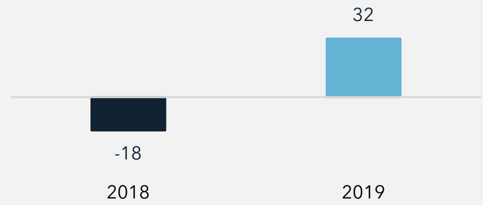
Despite some owners opting for time charter or selling vessels, pool growth is stable and the service revenues have been growing steadily quarter by quarter, from more vessels trading in pools and improved market conditions.

> Maersk Tankers has successfully transformed into a profitable commercial manager, continuing to focus on developing digital solutions to improve profitability for the pool partners, while aiming to reduce CO_2 emissions from the fleet under management.

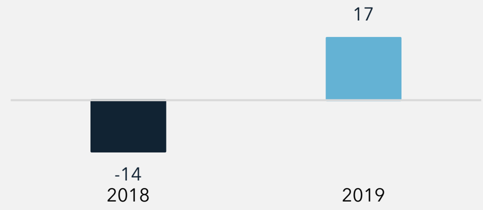
REVENUE (USDm)



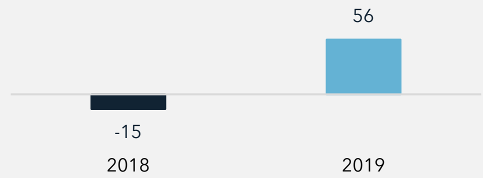
EBITDA (USDm)



NET PROFIT (USDm)



FREE CASH FLOW (USDm)



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

BOARD OF DIRECTORS
- Robert M. Uggla (Chairman)
- Paul J. Reed (Vice Chairman)
- Ibrahim Gokcen
- Maria Pejter
- Martin N. Larsen
- Tatsuya Okamoto

MAERSK PRODUCT TANKERS

Maersk Product Tankers delivered a profit of USD 92m (loss of USD 33m) mainly due to improved market conditions across all product tanker vessel segments and positive sales gains.

Maersk Product Tankers, established in 2017 as a joint venture between A.P. Moller Holding and Mitsui & Co., is a leading company in the product tanker industry and owns one of the largest fleets in the industry with more than 80 vessels in the LR2, MR, Handy and intermediate segments.

THE YEAR IN BRIEF

The product tanker market improved across all segments in 2019 and Maersk Product Tankers delivered an improved financial result, solid safety performance and continued to reduce its CO_2 emissions.

Maersk Product Tankers saw the positive impact of reduced vessel running costs from USD 5,696 per day compared to USD 6,055 per day in 2018 on average. This was achieved through optimised procurement agreements, increased cost transparency and focus, as well as the use of new technology. Maersk Product Tankers remains committed to continue to work with the cost base.

Market rates had a solid start to the year followed by a more natural seasonal pattern, before again gaining momentum towards the end of Q3 and throughout Q4 2019. The positive development in rates was impacted by several factors, amongst others, continued growth in demand, imposed sanctions limiting the supply of vessels towards the end of 2019 and the implementation of new low sulphur regulations (IMO 2020), increasing the transported distances. The market is characterised by significant volatility and is expected to continue to fluctuate going forward. While markets have benefited from greater tonne-miles demand and a slow growth in operational vessel capacity in the early part of 2020, the outlook for the full year is uncertain. The outbreak and spread of COVID-19 and countries' containment measures have led to global reductions in transport, industrial and commercial activity. This has caused a decline in the demand for oil and could eventually affect product tanker markets and freight rates.

During 2019, Maersk Product Tankers continued its fleet renewal strategy with the focus to remain competitive and enable attractive solutions for its customers. During the year, the company confirmed the order of four LR2s and acquired seven second hand Handy vessels and one MR, while divesting a total of 12 vessels some of which will be handed over in 2020. Maersk Product Tankers had a fleet of 84 vessels at the end of the year.

Over the past decades, the company has developed a strong framework for acting dynamically and opportunistically in terms of fleet composition and renewal of the same. As a consequence of the vessel transactions during 2019, Maersk Product Tankers booked USD 43m of sales gains and net impairment reversals in 2019.

Maersk Product Tankers is well positioned going into 2020 with relevant exposure to attractive markets. However, the company will continue its opportunistic approach to fleet renewal where attractive opportunities arise.

STRATEGY REVIEW

Maersk Product Tankers continued to deliver on its strategic priorities during 2019: Dynamic vessel portfolio, allowing an agile decision process aiming to deliver financially solid returns and retaining a cost leadership position.

IMO 2020 has in many ways attracted significant attention during 2019 and for good reason. Maersk Product Tankers will be compliant with IMO 2020 implemented as of 1 January 2020. In addition to operating on compliant fuel, the company decided to install scrubbers on four of its LR2 vessels while simultaneously investigating and testing new vessel technology to actively drive the environmental agenda forward.

In 2019, Maersk Product Tankers has successfully installed and tested solutions to reduce bunker fuel costs which account 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. An example hereof is the rotor sails installed on Maersk Pelican saving more than 8% fuel over 12 months equivalent to 1,400 tonnes CO_2.

To stay relevant to its customers Maersk Product Tankers will continue its efforts to reduce its environmental footprint and develop improved climate solutions.

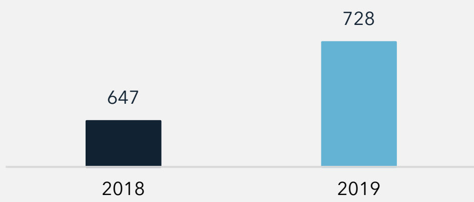
FINANCIALS

Maersk Product Tankers reported improved financial results with revenue increasing to USD 728m (USD 647m) and net profit of USD 92m (loss of USD 33m). The result was positively impacted by an average day rate for the fleet of USD 14.6k/day (USD 12k/day) and an improved average daily running cost. The cash flow from operating activities ended at USD 158m (USD 91m) and investment activities ended at a loss of USD 169m (loss of USD 119m) resulting in a negative free cash flow of USD 11m for the year (negative USD 28m).

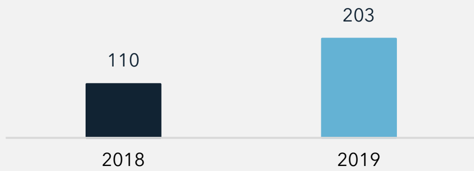
The company has outstanding payments related to ten LR2 newbuilds being delivered between 2020 and 2022 with an outstanding capital commitment of USD 421m.

> The prospects for the product tanker industry are positive, and in 2019 Maersk Product Tankers took important steps towards strengthening its position and securing long-term profitable growth, while continuing to optimise the fleet by taking initiatives to reduce its CO_2 footprint through innovative digital solutions and fuel-efficient technologies.

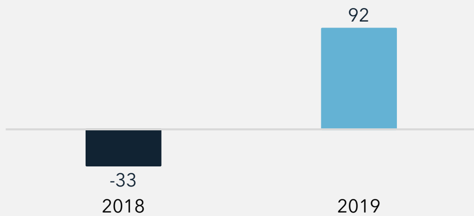
REVENUE (USDm)



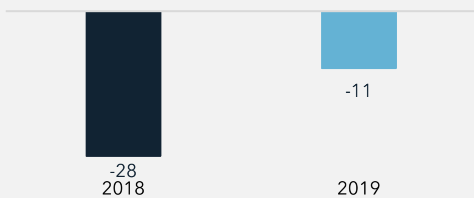
EBITDA (USDm)

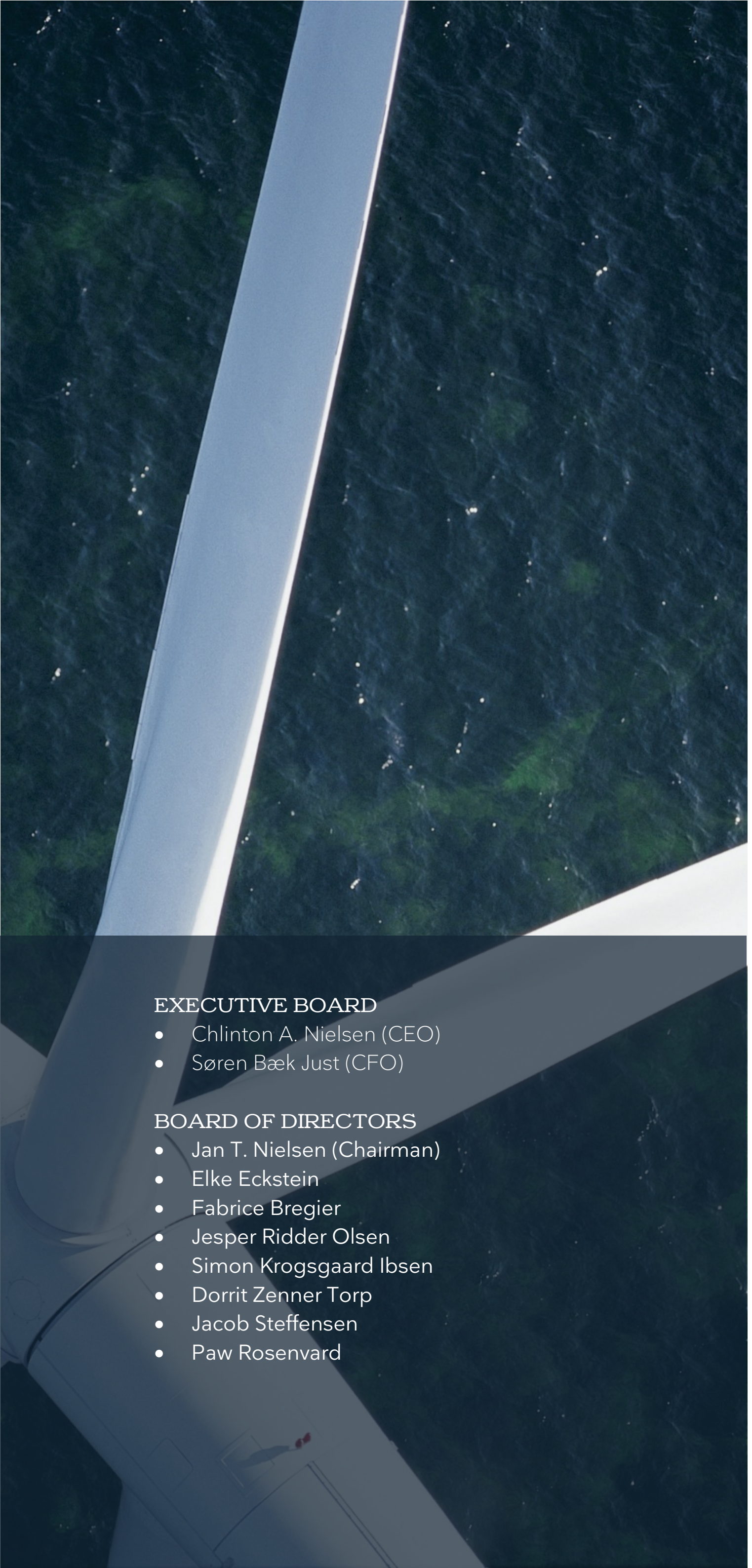


NET PROFIT (USDm)



FREE CASH FLOW (USDm)





KK WIND SOLUTIONS

KK Wind Solutions is a market leading manufacturer and developer of systems and technology for on- and offshore wind turbines including full range services across the supply chain: manufacturing, installation, operations and maintenance.

EXECUTIVE BOARD

- Chlinton A. Nielsen (CEO)
- Søren Bæk Just (CFO)

BOARD OF DIRECTORS

- Jan T. Nielsen (Chairman)
- Elke Eckstein
- Fabrice Bregier
- Jesper Ridder Olsen
- Simon Krogsgaard Ibsen
- Dorrit Zenner Torp
- Jacob Steffensen
- Paw Rosenvard

For decades, KK Wind Solutions has developed innovative and reliable electro-mechanical solutions for wind turbines. The company serves approximately 50% of the largest original equipment manufacturers (OEMs) globally and has operations spread across Asia, Europe and the US.

Headquartered in Denmark, KK Wind Solutions has operations in six countries, including production facilities in Poland and India and Sales & Engineering offices in Spain, China and the US. The company has more than 1,400 employees.

In September 2019, KK Wind Solutions was acquired by A.P. Moller Holding. A.P. Moller Holding welcomes KK Wind Solutions and its employees to the A.P. Moller Group.

THE YEAR IN BRIEF

In 2019, KK Wind Solutions delivered a record year with revenue of DKK 2.3bn (DKK 1.6bn) outgrowing the market significantly with an organic growth of 40%. The growth was primarily driven by high demand on existing products as well as the introduction of new products; all business units contributed to the revenue growth.

The impressive results in 2019 is the effect of KK Wind Solutions' strategy towards 2025 starting to materialise, successfully diversifying the customer portfolio with solutions in advanced technology and world class electro-mechanical system supply, and hereby further solidifying themselves as the leading system supplier within the wind industry. A journey that is expected to continue in the coming years.

Subsequent to the acquisition by A.P. Moller Holding, a new Board of Directors has been elected for KK Wind Solutions to further support the global expansion.

STRATEGY REVIEW

KK Wind Solutions is a leading player in the wind energy market. A market which has seen significant underlying growth in the last decade and which shows significant continued growth prospects, largely driven by the offshore wind market. Overall, the wind turbine generator market is expected to continue to grow and market forecasts support the positive outlook. The combined annual growth rate for on- and offshore is expected to be around 6%

towards 2028 with onshore growing approximately 3% and offshore around 16% in capacity terms.

Within the market, there are key trends for which KK Wind Solutions is uniquely positioned to benefit from. KK Wind Solutions expects to see a continued outsourcing trend from OEMs increasing KK Wind Solutions' addressable market. Additionally, the trend of growing turbine dimensions and search for technology innovations to boost power and efficiency, increases the turbines' electrical systems and implies greater need for KK Wind Solutions' products.

FINANCIALS

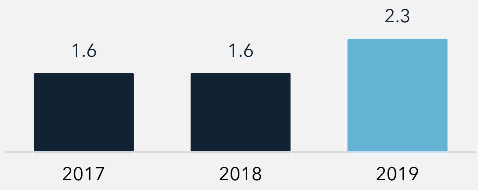
Revenue for the year was DKK 2.3bn (DKK 1.6bn) representing a 40% organic growth with a positive contribution from all business units. The cash flow from operations was DKK 66m impacted negatively by an increase in networking capital, resulting from the significant growth. The free cash flow for the year was DKK 16m.

From the acquisition date to 31 December 2019, KK Wind Solutions contributed with a revenue of DKK 672m, while the result was immaterial.

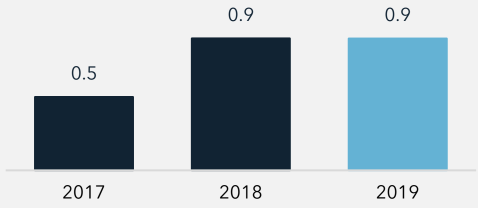
The company is delivering according to plan and is expected to continue to develop positively over the coming years given the continued drive towards green energy transition and increased deployment of wind turbines particularly offshore. KK Wind Solutions is well positioned to benefit from the underlying market growth as well as to capture market share at the large OEMs both on new and existing platforms.

> KK Wind Solutions delivered a 40% organic revenue growth in the year of acquisition by A.P. Moller Holding, further solidifying themselves as the leading system supplier within the wind industry.

REVENUE* (DKKbn)



ORDER BOOK* (DKKbn)



* A.P. Moller Holding acquired the company in September 2019

A.P. Moller Capital

A.P. Moller Capital was established in 2017 with A.P. Moller Holding as the largest shareholder and 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).

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

BOARD OF DIRECTORS
- Robert M. Uggla (Chairman)
- Jan T. Nielsen
- Martin N. Larsen

A.P. Moller Capital has reached financial close on its first fund, the Africa Infrastructure Fund I (AIF), with a total commitment of USD 992m. The fund aims to build/acquire and operate infrastructure opportunities in Africa, targeting projects mainly within transportation and energy such as rail, roads, ports and warehousing as well as power plants, transmission, pipelines and distribution. The company aims to create a positive social impact through job creation and industrial growth, while delivering an acceptable return to its investors.

The main investors of AIF are PKA, PensionDanmark, Lægernes Pension (The Medical Doctors' Pension Fund), PFA, Danica, Lærernes Pension (The Teachers' Pension Fund) as well as A.P. Moller Holding.

THE YEAR IN BRIEF

2019 marked the year where the first investments were committed by AIF. In total, A.P. Moller Capital has now committed more than 1/3 of the capital to three projects including the port and logistics investment announced in early 2020.

STRATEGY REVIEW

The investment thesis for AIF 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 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

AIF committed its first investment during 2019. AIF acquired 90% of Impala Energy Holdings (Impala) which holds comprehensive experience and capabilities within the capital power projects. The remaining 10% ownership share is held by Pegasus Capital LLC. Impala's core strategy is to deliver clean and reliable power to both the commercial and industrial power markets in Nigeria and potentially other countries.

In Q4 2019, AIF signed an agreement to acquire 100% of the shares in a thermal power plant in Kenya. The investment is subject to the usual condition precedents and approvals and expected to close in Q1 2020.

Furthermore, AIF signed an agreement to invest in the UK based platform company ARISE Ports & Logistics, focusing on ports and logistics activities in West-Africa. AIF holds a 43% ownership in the joint venture with Olam (31%) and Africa Finance Corporation (26%). The investment includes both brownfield and greenfield projects. The platform is an infrastructure ecosystem of ports, trucking, warehouses and rail services, which facilitates effective trade and creates a foundation for local growth. At the outset, the focus will be on investing in and expanding the ecosystem in connection with an existing general cargo port and a mineral port in Gabon, as well as developing new infrastructure ecosystems in other west African cargo centres.

Through 2019, 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 and now employs around 30 employees across its offices in Copenhagen and Dubai. The four partners forming the executive leadership team have more than century of combined industry and investment experience and are personally invested in the fund.

A.P. Moller Capital has, during 2019, further developed its corporate governance in terms of structures and systems to ensure a robust foundation for committed and future investments. Amongst other initiatives, A.P. Moller Capital has committed to UN's Principles for Responsible Investment (UNPRI).

Solid corporate governance principles and actively incorporating ESG as part of the investment process are key principles for the fund manager and is from A.P. Moller Capital's perspective viewed as its 'license to operate'.

READY FOR OPPORTUNITIES

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

> A.P. Moller Capital committed to its first investments in 2019 and is seeing solid traction in the investment pipeline for opportunities to mature in the transport and energy sectors also in 2020.

Our leadership

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

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
The Leschly Tennis Foundation

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 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
LINDØ port of Odense A/S
Maersk Training A/S
Maersk Broker A/S
Maersk Broker K/S (and Chairman of six affiliated undertakings)

Other management duties
Interessentskabet Firmaet A.P. Møller

EXECUTIVE BOARD & LEADERSHIP TEAM

ROBERT MÆRSK UGGLA
CHIEF EXECUTIVE OFFICER

Robert M. Uggla, MSc in Business Administration, joined A.P. Moller - Maersk in 2004 and has held various roles, latest as CEO for Svitzer A/S.

Chairman, the Board of Directors
A.P. Møller Capital P/S
Maersk Tankers A/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 appointed to the Board of Directors in a number of 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 from his role as Senior Managing Director at Blackstone Private Equity, Hong Kong.

Chairman, the Board of Directors
KK Wind Solutions Holding A/S

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 appointed to the Board of Directors in a number of 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. Moller - Maersk in 2003 and has held several roles, latest as VP, Head of Financial Planning & Analysis.

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

Martin N. Larsen is appointed to the Board of Directors in a number of 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-authorised 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 organisational strategy and development in A.P. Moller - Maersk.

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.

Our CSR & Risk management

WE ARE GUIDED BY OUR FIVE CORE VALUES

CONSTANT CARE
Take care of today, actively prepare for tomorrow

HUMBLENESS
Listen, learn, share, give space to others

OUR NAME
The sum of our Values, passionately striving higher

UPRIGHTNESS
Our word is our bond

OUR EMPLOYEES
The right environment for the right people

CORPORATE SOCIAL RESPONSIBILITY

A.P. Moller Holding invests in and builds businesses with a positive impact on society, 'nyttig virksomhed' – as defined by our founder A.P. Møller.

'Nyttig virksomhed' (purposeful business) is a key element in our investment strategy, and we are open to reconsider our ownership of a business, if its business model does not have a positive impact on society. Hence, social responsibility is integrated into our purpose and is core to everything we do.

In 2019, we continued the implementation of new policies and systems to secure a solid basis for our future activities as an engaged investment company. We focus highly on mitigating the risks 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 due diligence measures on relevant counterparties being advisors, co-investors etc.

An example is our Anti-Bribery and Anti-Corruption Policy which 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 and 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 recognised 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, KK Wind Solutions as well as A.P. Moller Capital, define their own specific CSR policies and Codes 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 operate.

For A.P. Moller Holding's statutory statement on CSR in accordance with section 99a of The Danish Financial Statements Act, please refer to: https://www.apmoller.com/wp-content/uploads/2020/03/AP-Moller-Holding-CSR-Report-2019.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 under-represented 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 targets in their annual reports, as well as for their individual policies concerning gender balance at other management levels, if applicable.

RISK MANAGEMENT

Our risk management setup allows us to safeguard the longevity of our portfolio companies by understanding the inherent risks associated with each of our holdings and to support the companies in managing these risks in a changing environment.

Risk management reporting is an integrated part of our business processes, allowing A.P. Moller Holding to respond appropriately to the changing environments our businesses are operating in. The Board of Directors receives portfolio performance reports including risk management measures on a regular basis throughout the year.

During 2019, we have continued to grow the organisation and have built operational capabilities within the organisation. Being an investor focusing on capital risk, we continuously develop our risk framework and have embedded controls and operational risk mitigation processes in our critical daily operations. We have a constant focus on good governance and have implemented procedures to continuously assess and ensure that we follow market standards and developments. Further, in line with the purpose of the A.P. Moller Foundation, and to ensure the long-term viability and longevity of A.P. Moller - Maersk, our holdings are structured as per visualisation on page 96.

OUR HOLDINGS

Risks related to our holdings include business and financial risks associated with the operation and performance of our holdings. Management of such risks is effectively anchored with the Board of Directors in each of the individual holdings. Each entity has defined and implemented their own risk management framework, managing specific defined risks. As owners, we monitor business performance in the holdings closely, and reports on business and risk-related issues are appropriately provided to our Board of Directors.

Our investment team is focusing on large and long-term investments and brings valuable global investment expertise. As we evaluate investment opportunities, the investments will undergo committees and investment gates where thorough risk analysis, due diligence and mitigation are natural parts of the investment evaluation process. Our risk management framework allows us to critically evaluate such risks and where risks/rewards are not deemed attractive and in line with our values as well as our financial and strategic beliefs, investments will not be committed.

As our investments are expected to have a long-term ownership horizon, we focus on the inherent risks related to such investments. At all times, it is part of our 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 has a financial portfolio primarily with exposure to global equity markets managed by our own internal investment team. The overall objective of the portfolio is i) to create economic value in line with our values ii) ensure a part of our portfolio remains highly liquid, 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 to significant changes in our cash flows and iii) deliver performance in line with a fixed benchmark.

The Board of Directors approves the investment policy and defines the acceptable risk limits including a variety of risk management factors such as single line limits, currency exposures and asset class weights. These, in combination with internal investment principles, guide the financial investments on a daily basis. We manage the market, credit, liquidity 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.

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

CONTENTS

CONSOLIDATED INCOME STATEMENT FOR 1 JANUARY TO 31 DECEMBER

Note	Amounts in DKKm	2019	2018
1	Revenue	275,032	262,613
2, 13	Operating costs	- 232,587	- 235,187
	Other income	4,285	2,219
	Other costs	- 4,537	- 1,082
	Profit before depreciation, amortisation and impairment losses, etc.	**42,193**	**28,563**
6, 7, 8	Depreciation, amortisation and impairment losses, net	- 32,156	- 22,285
3	Gain on sale of non-current assets, etc., net	572	1,119
	Share of profit/loss in joint ventures	634	727
	Share of profit/loss in associated companies	3,944	2,201
	Profit/loss before financial items	**15,187**	**10,325**
4	Financial income	4,584	6,729
4	Financial expenses	- 9,865	- 9,620
	Profit/loss before tax	**9,906**	**7,434**
5	Tax	- 3,329	- 2,719
	Profit for the year - continuing operations	**6,577**	**4,715**
11	Profit for the year - discontinued operations	0	17,749
	Profit/loss for the year	**6,577**	**22,464**
	Of which:		
14	Non-controlling interests	1,805	11,522
	A.P. Møller Holding A/S share of profit for the year	**4,772**	**10,942**

In 2019, Maersk Supply Service ceased to be classified as discontinued operations. In accordance with IFRS, the income statement and cash flow statement have been restated for previous periods.

In 2018, Maersk Oil was classified as discontinued operations and presented separately on an aggregated level in the income statement, balance sheet and cash flow statement until disposal.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Note	Amounts in DKKm	2019	2018
	Profit/loss for the year	**6,577**	**22,464**
	Translation to functional currency		
	Translation impact arising during the year	- 538	- 2,179
	Reclassified to income statement, gain on sale of non-current assets, etc., net	40	0
	Cash flow hedges		
18	Value adjustment of hedges for the year	- 1,135	- 1,006
18	Reclassified to income statement	820	158
18	Reclassified to cost of property, plant and equipment	13	- 38
5	Tax on other comprehensive income	87	51
9	Share of other comprehensive income of joint ventures and associated companies, net of tax	- 7	- 36
	Total items that have been or may be reclassified subsequently to the income statement	**- 720**	**- 3,050**
19	Other equity investments (FVOCI), fair value adjustments for the year	1,100	- 846
16	Actuarial gains/losses on defined benefit plans, etc.	608	- 45
	Translation from functional currency to presentation currency	5,218	10,109
5	Tax on other comprehensive income	67	- 236
9	Share of other comprehensive income of joint ventures and associated companies, net of tax	136	- 53
	Total items that will not be reclassified to the income statement	**7,129**	**8,929**
	Other comprehensive income, net of tax	**6,409**	**5,879**
	Total comprehensive income for the year	**12,986**	**28,343**
	Of which:		
14	Non-controlling interests	5,440	15,208
	A.P. Møller Holding A/S share	**7,546**	**13,135**

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER

Note	Amounts in DKKm	2019	2018
6	**Intangible assets**	**30,724**	**28,281**
7	**Property, plant and equipment**	**223,338**	**236,682**
8	**Right-of-use assets**	**57,062**	**0**
9	Investments in joint ventures	8,025	8,693
9	Investments in associated companies	40,430	37,480
	Other equity investments	651	356
18	Derivatives	1,075	880
16	Pensions, net assets	2,731	1,859
	Loans receivable	1,068	1,122
	Other receivables	2,137	1,794
	Financial non-current assets, etc.	**56,117**	**52,184**
10	**Deferred tax**	**1,604**	**1,676**
	Total non-current assets	**368,845**	**318,823**
	Inventories	**10,060**	**7,132**
19	Trade receivables	26,700	27,139
	Tax receivables	1,063	900
18	Derivatives	294	524
	Loans receivable	1,791	1,304
	Other receivables	6,268	5,863
	Prepayments	3,860	4,063
	Receivables, etc.	**39,976**	**39,793**
	Securities	**5,169**	**17,338**
	Cash and bank balances	**36,467**	**23,395**
11	**Assets held for sale**	**1,705**	**6,632**
	Total current assets	**93,377**	**94,290**
	Total assets	**462,222**	**413,113**

Note	Amounts in DKKm	2019	2018
12	Share capital	2,000	2,000
	Reserves	130,804	123,565
	Proposed dividend	250	500
	Equity attributable to A.P. Møller Holding A/S	**133,054**	**126,065**
14	Non-controlling interests	129,886	129,693
	Total equity	**262,940**	**255,758**
15	**Borrowings, non-current**	**64,212**	**65,980**
15	**Lease liabilities, non-current**	**49,123**	**12,117**
16	Pensions and similar obligations	1,816	1,682
17	Provisions	4,292	4,872
18	Derivatives	2,431	1,578
10	Deferred tax	2,944	2,691
	Tax payable, non-current	2,236	2,002
	Other payables	341	274
	Other non-current liabilities	**14,060**	**13,099**
	Total non-current liabilities	**127,395**	**91,196**
15	**Borrowings, current**	**6,432**	**11,641**
15	**Lease liabilities, current**	**8,787**	**2,632**
17	Provisions	3,201	3,358
	Trade payables	39,697	35,154
	Tax payables	2,394	2,502
18	Derivatives	622	841
	Other payables	8,824	6,776
	Deferred income	1,429	1,527
	Other current liabilities	**56,167**	**50,158**
11	**Liabilities associated with assets held for sale**	**501**	**1,728**
	Total current liabilities	**71,887**	**66,159**
	Total liabilities	**199,282**	**157,355**
	Total equity and liabilities	**462,222**	**413,113**

CONSOLIDATED CASH FLOW STATEMENT

Note	Amounts in DKKm	2019	2018
	Profit/loss before financial items	15,187	10,325
6, 7, 8	Depreciation, amortisation and impairment losses, net	32,156	22,285
3	Gain on sale of non-current assets, etc., net	- 572	- 1,119
9	Share of profit/loss in joint ventures	- 634	- 727
9	Share of profit/loss in associated companies	- 3,944	- 2,201
23	Change in working capital	3,691	- 1,999
	Change in provisions and pension obligations, etc.	384	220
	Other non-cash items	1,112	580
	Cash flow from operating activities before tax	**47,380**	**27,364**
	Taxes paid	- 3,534	- 2,569
	Cash flow from operating activities	**43,846**	**24,795**
23	Purchase of intangible assets and property, plant and equipment	- 17,450	- 22,306
	Sale of intangible assets and property, plant and equipment	2,052	3,039
24	Acquisition of subsidiaries and activities	- 2,048	208
	Sale of subsidiaries and activities	- 267	- 499
	Sale of associated companies	307	69
	Dividends received	3,597	4,656
	Purchase of other financial investments	0	- 242
	Sale of other financial investments[1]	16,254	20,247
	Purchase/sale of securities, trading portfolio	- 3,339	- 1,312
	Cash flow used for investing activities	**- 894**	**3,860**
	Repayment of borrowings	- 19,221	- 51,694
	Repayment of leases	- 8,787	- 3,973
	Proceeds from borrowings	9,582	25,645
	Purchase of own shares	- 3,079	0
	Financial income received	740	762
	Financial expenses paid	- 3,222	- 3,850
	Financial expenses paid on lease liabilities	- 3,189	- 903
	Dividends distributed	- 500	- 500
	Dividends distributed to non-controlling interests	- 2,340	- 2,380
	Acquisition of non-controlling interests	- 7	0
	Sale of non-controlling interests	0	1,049
	Other equity transactions	114	- 429
	Cash flow from financing activities	**- 29,909**	**- 36,273**
	Net cash flow from continuing operations	**13,043**	**- 7,618**
11	Net cash flow from discontinued operations	0	14,237
	Net cash flow for the year	**13,043**	**6,619**

Amounts in DKKm	2019	2018
Cash and cash equivalents as of 1 January	22,916	15,160
Currency translation effect on cash and cash equivalents	433	1,137
Net cash flow for the year	13,043	6,619
Cash and cash equivalents as of 31 December	**36,392**	**22,916**
Of which classified as assets held for sale	0	- 82
Cash and cash equivalents as of 31 December	**36,392**	**22,834**
Cash and bank balances	36,467	23,395
Overdrafts	- 75	- 561
Cash and cash equivalents as of 31 December	**36,392**	**22,834**

[1] In 2019, the group sold 46.27 million (51.25 million) Total S.A. shares, generating a cash flow of DKK 17.3bn (DKK 18.9bn)

Cash and bank balances include DKK 6.1bn (DKK 6.5bn) relating to cash and bank balances in countries with exchange rate control or other restrictions. These funds are not readily available for general use by the parent company or other subsidiaries.

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 2018	**2,000**	**- 739**	**67**	**67**	**111,654**	**500**	**113,549**	**115,953**	**229,502**
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
Sale of non-controlling interests	0	0	0	0	- 82	0	- 82	- 297	- 379
Sale of own shares	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**
2019									
Impact due to implementation of new accounting standards	0	0	0	0	- 61	0	- 61	0	- 61
Adjusted equity as of 1 January 2019	**2,000**	**- 1,672**	**- 548**	**- 308**	**126,093**	**500**	**126,065**	**129,693**	**255,758**
Other comprehensive income, net of tax	0	- 251	489	- 113	2,649	0	2,774	3,635	6,409
Profit/loss for the year	0	0	0	0	4,522	250	4,772	1,805	6,577
Total comprehensive income for the year	**0**	**- 251**	**489**	**- 113**	**7,171**	**250**	**7,546**	**5,440**	**12,986**
Dividends to shareholders	0	0	0	0	0	- 500	- 500	- 2,340	- 2,840
Value of share-based payment	0	0	0	0	36	0	36	51	87
Purchase of own shares	0	0	0	0	0	0	0	- 3,080	- 3,080
Capital increases and decreases	0	0	0	0	0	0	0	74	74
Transfer of loss on disposal of equity investments at FVOCI to retained earnings	0	0	50	0	- 50	0	0	0	0
Other equity movements	0	0	0	0	- 93	0	- 93	48	- 45
Total transactions with shareholders	**0**	**0**	**50**	**0**	**- 107**	**- 500**	**- 557**	**- 5,247**	**- 5,804**
Equity as of 31 December 2019	**2,000**	**- 1,923**	**- 9**	**- 421**	**133,157**	**250**	**133,054**	**129,886**	**262,940**

Notes to consolidated financial statements

Note 1: Revenue

TYPES OF REVENUE

Amounts in DKKm	2019	2018
A.P. Moller - Maersk	259,104	247,801
Maersk Drilling	8,130	9,026
Maersk Tankers	2,273	1,671
Maersk Product Tankers	4,853	4,115
KK Wind Solutions	672	0
Total	**275,032**	**262,613**

CONTRACTS WITH CUSTOMERS

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

Amounts in DKKm	2019	2018
Revenue from contracts with customers	262,995	250,826
Revenue from other sources		
Vessel-sharing and slot charter income	7,923	6,512
Lease income	3,735	5,148
Others	379	127
Total	**275,032**	**262,613**

CONTRACT BALANCES

Amounts in DKKm	2019	2018
Trade receivables	22,853	25,655
Accrued income - contract assets	819	456
Deferred income - contract liabilities	687	711

Accrued income included in trade receivables in the balance sheet, constitutes contract assets comprising unbilled amounts, including mobilisation and demobilisation 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 represent advance payments and billings in excess of the recognised revenue.

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

Impairment losses disclosed in note 20 relate to receivables arising from contracts with customers.

PERFORMANCE OBLIGATIONS

The transaction price allocated to the performance obligations that are to be completed under existing contracts, relates to the service element, which means that the amounts below exclude the estimated lease elements, which are presented in note 7. Jointly the two elements amount to the group's revenue backlog.

Future performance obligations

Amounts in DKKm	2019	2018
Within one year	5,479	3,116
Between one and five years	3,087	4,301
After five years	100	202
Total	**8,666**	**7,619**

Note 2: Operating costs

Amounts in DKKm	2019	2018
Cost of goods sold	7,136	7,466
Bunker costs	32,318	34,416
Terminal costs	45,185	44,656
Intermodal costs	27,684	26,263
Port costs	16,043	16,021
Rent and lease costs	10,788	19,641
Staff costs	36,138	33,924
Other costs	57,295	52,800
Total operating costs	**232,587**	**235,187**
Remuneration of employees		
Wages and salaries	31,058	29,222
Severance payments	814	473
Pension costs, defined benefit plans	227	224
Pension costs, defined contribution plans	2,038	1,903
Other social security costs	2,793	2,525
Total remuneration	**36,930**	**34,347**
Of which:		
Recognised in the cost of assets	- 178	- 126
Included in other costs	- 614	- 297
Expensed as staff costs	**36,138**	**33,924**
Average number of employees	**88,006**	**86,113**

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

For information about share-based payment, reference is made to note 13.

FEES AND REMUNERATION TO THE EXECUTIVE BOARD AND BOARD OF DIRECTORS

Amounts in DKKm	2019	2018
Executive Board		
Fixed annual fee and short-term cash incentive	29	17
Long-term cash incentive	16	4
Total remuneration to the Executive Board	**45**	**21**
Board of Directors		
Annual fee	3	5
Total fee to the Board of Directors	**3**	**5**
Fees and remuneration to the Board of Directors and Executive Board	**48**	**26**

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 are determined by the development of the investments.

FEES TO STATUTORY AUDITORS

PricewaterhouseCoopers including network firms

Amounts in DKKm	2019	2018
Statutory audit	96	91
Other assurance services	13	13
Tax and VAT advisory services	8	6
Other services	22	21
Total fees	**139**	**131**

Fees for other services than the statutory audit of the financial statements provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the group, mainly consist of audits of non-statutory financial statements, financial due diligence and transaction advice, accounting advisory services, tax advice and other services related to separating A.P. Moller - Maersk and Maersk Drilling, the listing of Maersk Drilling, review of the half-year interim report and other advisory accounting and tax services.

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

Amounts in DKKm	2019	2018
Gains	953	1,688
Losses	- 381	- 569
Gain on sale of non-current assets, etc., net	**572**	**1,119**

Gains in 2019 were primarily related to the sale of containers of DKK 540m, the sale and leaseback of vessels of DKK 126m and the sale of other assets of DKK 152m.

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

Note 4: Financial income and expenses

Amounts in DKKm	2019	2018
Interest expenses on liabilities	- 4,204	- 5,538
Of which borrowing costs capitalised on assets[1]	170	408
Interest expenses on lease liabilities	- 3,195	0
Interest income on loans and receivables	719	530
Fair value adjustment transferred from equity hedge reserve (loss)	- 207	- 335
Unwind of discount on provisions	0	- 6
Net interest expenses	**- 6,717**	**- 4,941**
Exchange rate gains on bank balances, borrowings and working capital	2,312	4,133
Exchange rate losses on bank balances, borrowings and working capital	- 1,873	- 3,714
Net foreign exchange gains/losses	**439**	**419**
Fair value gains from derivatives	653	512
Fair value losses from derivatives	- 273	- 393
Fair value gains from securities	782	34
Fair value losses from securities	- 336	- 183
Fair value gains on issued bonds	5	1
Fair value losses on issued bonds	- 1	- 4
Net fair value gains/losses	**830**	**- 33**
Dividends received from securities	113	1,519
Impairment losses on financial non-current receivables	- 13	- 19
Reversal of write-downs of loans and other non-current receivables	67	164
Financial expenses, net[2]	**- 5,281**	**- 2,891**
Of which:		
Financial income	4,584	6,729
Financial expenses	- 9,865	- 9,620

1 The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 5.2% (4.3%)
2 Of which DKK 80m relates to a loss on the prepayment of issued bonds

For an analysis of gains and losses from derivatives, reference is made to note 18.

Note 5: Tax

Amounts in DKKm	2019	2018
Tax recognised in the income statement		
Current tax on profits for the year	2,699	3,104
Adjustment for current tax of prior periods	177	- 565
Utilisation of previously unrecognised deferred tax assets	- 40	- 38
Total current tax	**2,836**	**2,501**
Origination and reversal of temporary differences	- 119	- 429
Adjustment for deferred tax of prior periods	- 68	- 158
Adjustment attributable to changes in tax rates and laws	- 20	6
Recognition of previous unrecognised deferred tax assets	- 28	- 44
Reassessment of recoverability of deferred tax assets, net	187	265
Total deferred tax	**- 48**	**- 360**
Total income tax	**2,788**	**2,141**
Tonnage and freight tax	541	578
Total tax expenses	**3,329**	**2,719**

Amounts in DKKm	2019	2018
Tax reconciliation		
Profit/loss before tax	9,906	7,434
Profit/loss subject to Danish and foreign tonnage taxation, etc.	- 3,771	2,742
Internal gain/loss on sale of assets	0	- 6
Share of profit/loss in joint ventures	- 634	- 727
Share of profit/loss in associated companies	- 3,944	- 2,201
Profit/loss before tax, adjusted	**1,557**	**7,242**
Tax using the Danish corporation tax rate (22%)	343	1,593
Tax rate deviations in foreign jurisdictions	- 162	- 57
Non-taxable income	- 500	- 478
Non-deductible expenses	1,843	781
Adjustment to previous years taxes	109	- 715
Effect of changed tax rate	- 20	6
Change in recoverability of deferred tax assets	119	183
Deferred tax asset not recognised	911	829
Other differences, net	145	- 1
Total income tax	**2,788**	**2,141**
Tax recognised in other comprehensive income and equity	**153**	**- 186**
Of which:		
Current tax	193	- 192
Deferred tax	- 40	6

Note 6: Intangible assets

Amounts in DKKm	Goodwill	Terminal and service concession rights[2]	Customer relations and brand name	Other intangible assets[3]	Total
Cost					
As of 1 January 2018	7,139	18,061	7,088	3,331	35,619
Addition	0	1,143	0	209	1,352
Acquired in business combinations	- 455	0	0	0	- 455
Disposal	0	0	0	- 25	- 25
Transfer, assets held for sale	0	- 309	853	- 32	512
Exchange rate adjustment	92	525	348	101	1,066
As of 31 December 2018	**6,776**	**19,420**	**8,289**	**3,584**	**38,069**
Addition	0	289	0	832	1,121
Acquired in business combinations[1]	1,281	0	1,294	131	2,706
Disposal	0	0	0	- 20	- 20
Transfer, assets held for sale	- 27	- 149	- 443	553	- 66
Exchange rate adjustment	154	301	178	80	713
As of 31 December 2019	**8,184**	**19,861**	**9,318**	**5,160**	**42,523**
Amortisation and impairment losses					
As of 1 January 2018	2,650	3,048	37	2,754	8,489
Amortisation	0	486	619	179	1,284
Impairment losses	25	0	0	6	31
Disposal	0	0	0	- 25	- 25
Transfer, assets held for sale	0	- 309	316	- 32	- 25
Exchange rate adjustment	- 106	23	32	85	34
As of 31 December 2018	**2,569**	**3,248**	**1,004**	**2,967**	**9,788**
Amortisation	0	667	623	300	1,590
Impairment losses	233	40	0	40	313
Disposal	0	0	0	- 20	- 20
Transfer, assets held for sale	- 27	- 113	- 313	405	- 48
Exchange rate adjustment	49	30	17	80	176
As of 31 December 2019	**2,824**	**3,872**	**1,331**	**3,772**	**11,799**
Carrying amount:					
As of 31 December 2018	**4,207**	**16,172**	**7,285**	**617**	**28,281**
As of 31 December 2019	**5,360**	**15,989**	**7,987**	**1,388**	**30,724**

1 Acquired in business combinations, please refer to note 24
2 Of which DKK 634m (DKK 5.4bn) is under development. DKK 207m (DKK 222m) is related to terminal rights with indefinite useful life. The impairment test is based on the estimated fair value according to business plans. An average discount rate of 11.70% (8.97%) 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 494m (DKK 522m) have restricted title

3 Of which DKK 487m (DKK 196m) is related to ongoing development of software and DKK 43m (DKK 23m) to other ongoing development projects

Note 6: 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. By nature, these projections are subject to judgments 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.

For the intangible assets, the impairment losses can be specified as follows:

	Applied discount rate p.a. after tax		Impairment losses	
Amounts in DKKm	2019	2018	2019	2018
Goodwill				
Terminals & Towage	13.0%	6.6%	40	25
Logistics & Services	8.7%	7.5%	193	
Terminal and service concession rights				
Terminals & Towage			40	0
Other rights				
Terminals & Towage	13.0%	6.6%	20	6
Logistics & Services			20	
Total			**313**	**31**

GOODWILL IMPAIRMENT TEST

The carrying amount of goodwill has been allocated to the following operating cash generating units based on the management structure.

Cash generating unit	Carrying amount	
Amounts in DKKm	2019	2018
Ocean	2,110	2,061
Multiple terminals	1,656	1,617
KK Wind Solutions	1,108	0
Other	486	529
Total	**5,360**	**4,207**

The most significant goodwill amount relates to Ocean, 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 2019 and 2018. A discount rate of 7.7% (7.7%) 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.

The recoverable value of KK Wind Solutions is based on a fair value corresponding to the acquisition price less costs to sell, since the company was acquired in a recent market transaction, and the business has performed in line with expectations.

Note 7: 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 2018	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**
Transfer of IAS 17 finance lease	20,823	1,109	- 1,030	1,304	22,206
Addition	3,612	627	0	11,798	16,037
Acquired in business combinations	0	110	0	9	119
Disposal	- 7,040	- 852	- 3,335	- 74	- 11,301
Transfer	9,008	6,556	1,107	- 15,990	681
Transfer, assets held for sale	- 1,295	- 2,354	- 1,554	0	- 5,203
Reclassification from/to right-of-use assets	- 27,805	- 920	0	0	- 28,725
Exchange rate adjustment	7,815	607	1,606	167	10,195
As of 31 December 2019	**315,515**	**48,288**	**65,645**	**7,301**	**436,749**

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 2018	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	- 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**
Transfer of IAS 17 finance lease	15,349	378	- 241	1,109	16,595
Depreciation	16,105	2,550	2,361	0	21,016
Impairment losses	504	233	227	0	964
Reversal of impairment losses	- 440	- 353	0	- 73	- 866
Disposal	- 5,665	- 803	- 3,335	- 13	- 9,816
Transfer	1,362	227	0	- 1,342	247
Transfer, assets held for sale	- 866	- 1,867	- 1,300	0	- 4,033
Reclassification from/to right-of-use assets	- 11,505	- 200	0	0	- 11,705
Exchange rate adjustment	3,727	302	888	34	4,951
As of 31 December 2019	**154,650**	**22,322**	**36,346**	**93**	**213,411**
Carrying amount:					
As of 31 December 2018	**174,318**	**21,550**	**31,105**	**9,709**	**236,682**
As of 31 December 2019	**160,865**	**25,966**	**29,299**	**7,208**	**223,338**
Of which carrying amount of finance leased assets:					
As of 31 December 2018	**15,938**	**659**	**0**	**26**	**16,623**

Following the IFRS 16 implementation in 2019, right-of-use assets are shown separately in note 8.

Note 7: Property, plant and equipment - continued

IMPAIRMENT ANALYSIS

For information on impairment tests, reference is made to note 6 and note 28.

In the cash generating units, the tests gave rise to impairment losses and reversals.

Cash generating unit

Amounts in DKKm	Impair-ment losses	Reversal of impair-ment losses	Applied discount rate p.a. after tax	Re-coverable amount
2019				
Towage	107	0	13.0%	427
Jack-up rigs[1]	227	0		254
Supply vessels[2]	207	0		
Tanker vessels	197	440	8.0%	694
Container manufacturing facilities	0	340		
Others	226	86		
Total	**964**	**866**		
2018				
Terminals	126	0	8.5%	126
Floaters	0	2,811	10.0%	12,171
Jack-up rigs	0	2,305	10.0%	18,191
Container manufacturing facilities	884	0		284
Others	69	19		
Total	**1,079**	**5,135**		

1 Impairment loss of DKK 227m relates to the impairment losses recognised on assets held for sale
2 Impairment loss of DKK 207m relates to the impairment losses recognised on newbuildings in the previous years (onerous contracts) and reflected as impairment upon delivery in 2019

Impairment reversal 2019

Reversal of impairments in 2019 includes vessels sold during the year and reversal due to sale and leaseback transactions, DKK 440m.

Impairment reversal 2018

The value in use calculations for jack-up rigs and floaters 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 cash generating units 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, keeping all other assumptions unchanged
- DKK 6.0bn and DKK 4.2bn with a +/- 1 percentage point change in growth rate after budget period, keeping all other assumptions unchanged
- DKK 9.0bn and DKK 1.7bn with a +/- 5 percentage point change in EBITDA margin, keeping all other assumptions unchanged

OPERATING LEASES AS LESSOR

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

Operating lease receivables

Amounts in DKKm	2019	2018
Within one year	3,307	3,646
Between one and five years	4,100	4,614
After five years	360	228
Total	**7,767**	**8,488**

PLEDGES

Property, plant and equipment with a carrying amount of DKK 50.4bn (DKK 51.8bn) have been pledged as security for loans of DKK 20.8bn (DKK 23.3bn).

Note 8: Right-of-use assets

Amounts in DKKm	Ships, contain-ers, etc.	Conces-sion agree-ments	Real estate and other leases	Total
Right-of-use assets				
As of 1 January 2019	20,790	15,332	5,158	41,280
Transfer from provisions	- 23	0	0	- 23
Transfer from IAS 17 finance lease	16,300	0	720	17,020
Additions	3,543	5,202	1,453	10,198
Acquired in business combinations	0	0	130	130
Disposal	- 2,141	- 13	- 120	- 2,274
Depreciation cost	- 6,872	- 1,254	- 1,291	- 9,417
Transfer, assets held for sale	- 26	- 387	- 7	- 420
Transfer to owned assets, etc.	- 393	- 7	- 33	- 433
Exchange rate adjustment	503	381	117	1,001
As of 31 December 2019	**31,681**	**19,254**	**6,127**	**57,062**

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

I 2018, The group recognised leased assets and corresponding liabilities in relation to leases that were classified as 'finance leases' under IAS 17. The assets were presented in property, plant and equipment and the finance lease liabilities as part of the group's borrowings. Following the adoption of IFRS 16, all capitalised leases are presented as right-of-use assets, including those previously presented under property, plant and equipment.

To optimise lease costs during the contract period, the group sometimes provides residual value guarantees in relation to equipment leases. At the end of 2019, the expected residual values were reviewed to reflect the actual residual values achieved on comparable assets and expectations about future prices. As of 31 December 2019, DKK 3.3bn is expected to be payable and is included in the measurement of lease liabilities.

Leases to which the group is committed, but for which the lease term has not yet commenced have an undiscounted value of DKK 3.2bn. They comprise 48 contracts commencing in 2020 and 2021.

The maturity of lease liabilities is presented in note 20.

Total cash outflow for leases amounts to DKK 12.0bn.

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

Amount recognised in profit and loss Amounts in DKKm	Total 2019
Depreciation cost on right-of-use assets	9,417
Interest expenses (included in financial expenses)	3,195
Expenses relating to service elements of leases	5,742
Expenses relating to short-term leases	3,532
Expenses relating to variable lease payments	1,347
Expenses relating to lease of low-value assets	173
Income from sublease of right-of-use assets	- 10
Total recognised in operating costs	**10,784**

Note 9: Investments in joint ventures and associated companies

Investments in joint ventures Amounts in DKKm	2019	2018
A.P. Møller Holding A/S share of:		
Profit for the year	634	727
Comprehensive income	- 7	12

Investments in associated companies Amounts in DKKm	2019	2018
A.P. Møller Holding A/S share of:		
Profit for the year	3,944	2,201
Comprehensive income	136	- 102

Note 9: Investments in associated companies - continued

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

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

Amounts in DKKm	2019	2018
Total income	154,227	98,033
Operating costs, depreciations, financials, tax, etc.	- 139,155	- 83,344
Profit for the year	**15,072**	**14,689**
Comprehensive income	639	- 482
Comprehensive income, total	**15,711**	**14,207**
Non-current assets	2,588,338	2,292,579
Current assets	1,172,711	1,285,888
Non-current liabilities	- 2,736,326	- 2,412,003
Current liabilities	- 854,216	- 1,017,486
Total assets, net	**170,507**	**148,978**
Cash and bank balances	**99,035**	**40,997**

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

Amounts in DKKm	2019	2018
A.P. Møller Holding A/S share of:		
Profit for the year	3,037	2,927
Comprehensive income	135	- 102
Dividends received during the year	1,558	1,874
A.P. Møller Holding A/S share of:		
Ownership interest	33,210	31,599
Goodwill	964	964
Carrying amount	**34,174**	**32,563**

A.P. Møller Holding A/S' share of Danske Bank A/S' market value at 31 December 2019 amounted to DKK 19.8bn (DKK 23.6bn).

Danske Bank remains in dialogue with various authorities regarding the terminated non-resident portfolio at Danske Bank's Estonian branch, which was active between 2007 and 2015. This includes criminal and regulatory investigations by authorities in Estonia, Denmark, France and the US. Danske Bank continues to cooperate with all authorities.

The overall timing of completion and the outcome of the investigations by, and subsequent discussions with, the authorities, are uncertain. It is not yet possible to reliably estimate the timing, form of resolution, or amount of potential settlement or fines, if any, which could be material.

Based on orders from the Danish FSA, Danske Bank's solvency need has been increased in 2018 by a Pillar II add-on in total DKK 10bn to ensure adequate capital coverage of the increased compliance and reputational risks in relation to the Estonian AML matter.

Reference is made to note 28.

Note 10: Deferred tax

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

	Assets		Liabilities		Net liabilities	
Amounts in DKKm	2019	2018	2019	2018	2019	2018
Intangible assets	210	0	1,629	0	1,419	0
Property, plant and equipment	412	459	1,717	1,826	1,305	1,367
Provisions, etc.	769	773	280	39	- 489	- 734
Tax loss carry-forwards	870	1,083	0	0	- 870	- 1,083
Other	316	392	291	1,857	- 25	1,465
Total	**2,577**	**2,707**	**3,917**	**3,722**	**1,340**	**1,015**
Offsets	- 973	- 1,031	- 973	- 1,031	0	0
Total	**1,604**	**1,676**	**2,944**	**2,691**	**1,340**	**1,015**

Note 10: Deferred tax - continued

Change in deferred tax, net during the year

Amounts in DKKm	2019	2018
As of 1 January	**1,015**	**952**
Intangible assets	- 120	0
Property, plant and equipment	- 20	147
Provisions, etc.	200	- 464
Tax loss carry-forwards	217	164
Other	- 325	- 207
Recognised in the income statement	**- 48**	**- 360**
Other including business combinations	343	58
Transfer, assets held for sale	0	298
Exchange rate adjustments	30	67
As of 31 December	**1,340**	**1,015**

Unrecognised deferred tax assets

Amounts in DKKm	2019	2018
Deductible temporary differences	942	796
Tax loss carry-forwards	5,305	4,290
Unused tax credit	87	85
Total	**6,334**	**5,171**

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

Deferred taxes are subject to uncertainties due to tax disputes in certain countries. Reference is made to note 28.

Note 11: Discontinued operations and assets held for sale

Discontinued operations include Maersk Oil until closing in March 2018. The results of the discontinued operations are presented in one separate line in the income statement, cash flow statement and balance sheet.

Amounts in DKKm	2019	2018
Profit/loss for the period - discontinued operations		
Revenue	0	3,474
Expenses	0	- 1,181
Gains/losses on sale of assets and businesses	0	16,631
Profit/loss before tax, etc.	**0**	**18,924**
Tax[1]	0	- 1,175
Profit/loss for the year - discontinued operations	**0**	**17,749**
Cash flow from discontinued operations		
Cash flow from operating activities	0	2,059
Cash flow used for investing activities	0	12,165
Cash flow from financing activities	0	13
Net cash flow from discontinued operations	**0**	**14,237**

[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 in 2018

Amounts in DKKm	2019	2018
Balance sheet items comprise		
Intangible assets	47	39
Property, plant and equipment	1,155	5,595
Other assets	0	359
Non-current assets	**1,202**	**5,993**
Current assets	503	639
Assets held for sale	**1,705**	**6,632**
Provisions	7	606
Deferred tax liabilities	7	0
Other liabilities	487	1,122
Liabilities associated with assets held for sale	**501**	**1,728**

As of 31 December 2019, assets held for sale relate to a jack-up rig and vessels.

Note 11: 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. for USD 7.450m (approx. DKK 49.2bn) in a combined share and debt transaction. 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, reduced by the profit of DKK 7bn recognised in the period from 1 July 2017 up to closing of DKK 6.6bn, 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 in 2018 before the 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 has assumed a secondary liability related to the decommissioning of the offshore facilities in Denmark by issuance of a declaration. A.P. Møller - Mærsk A/S assesses the risk of economic outflows due to this secondary liability as very remote.

Note 12: Share capital

The share capital comprises 2,000 shares of DKK 1m.

Development in the number of shares and par value:

	Shares	DKKm
As of 31 December 2018	2,000	2,000
As of 31 December 2019	2,000	2,000

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

Note 13: Share-based payment

A.P. MØLLER - MÆRSK A/S (APMM)

Restricted shares plan

Outstanding restricted shares	Members of APMM Executive Board[1] No.	APMM employees[1] No.	Total No.	Total fair value[1] DKKm
Outstanding as of 1 January 2018	0	14,532	14,532	
Granted	1,002	4,241	5,243	51
Exercised	0	- 5,324	- 5,324	
Forfeited	0	- 663	- 663	
Outstanding as of 31 December 2018	**1,002**	**12,786**	**13,788**	
Granted	1,310	4,319	5,629	47
Granted in connection with the Maersk Drilling demerger	294	1,286	1,580	
Exercised	0	- 4,756	- 4,756	
Forfeited	- 739	- 1,700	- 2,439	
Outstanding as of 31 December 2019	**1,867**	**11,935**	**13,802**	

[1] At the time of grant

The restricted shares plan was introduced in 2013 and grants have been awarded to employees on a yearly basis since 2013. Grants have also been awarded to members of APMM's Executive Board from 2018.

The transfer of restricted shares is contingent upon the employee still being employed and not being under notice of termination and takes place when three years have passed from the time of granting. For members of 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 APMM's capital structure, etc. A part of APMM's holding of own B shares will be used to meet APMM's obligations in connection with the restricted shares plan.

The fair value of restricted shares (APMM B shares) granted to 92 (105) employees and five (five) members of APMM's Executive Board was DKK 47m (DKK 51m) at the time of grant. The total value of granted restricted shares recognised in the income statement is DKK 33m (DKK 51m).

The fair value per restricted share at the time of grant is DKK 8,668 (DKK 9,273), which is equal to the volume-weighted average share price on the date of grant, i.e. 1 April 2019.

On 1 April 2019, the restricted shares originally granted in 2016 were settled with the employees. The weighted average share price on that date was DKK 8,668. The average remaining contractual life for the restricted shares as per 31 December 2019 is 1.7 years (1.4 years).

Share option plan

Outstanding restricted shares	Members of APMM Executive Board[1] No.	APMM employees[1] No.	Total No.	Average exercise price[2] DKK	Total fair value[1] DKKm
Outstanding as of 1 January 2018	4,928	20,602	25,530	10,647	
Granted	6,230	18,137	24,367	9,382	44
Forfeited	- 1,173	- 2,032	- 3,205	- 10,375	
Outstanding as of 31 December 2018	**9,985**	**36,707**	**46,692**	**10,006**	
Exercisable as of 31 December 2018	**0**	**0**	**0**		
Granted	7,894	22,444	30,338	7,622	60
Forfeited	- 6,080	- 3,125	- 9,205	- 9,141	
Outstanding as of 31 December 2019	**11,799**	**56,026**	**67,825**	**9,057**	
Exercisable as of 31 December 2019	**0**	**18,435**	**18,435**	**10,630**	

[1] At the time of grant
[2] Average exercise prices were reduced following the demerger of Maersk Drilling and have been restated

In addition to the plan described above, 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 nominal DKK 1,000 in APMM.

Note 13: Share-based payment - continued

The share options are granted at an exercise price corresponding to 110% of the average 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 three years and no more than six years (seven years for share options granted to employees who are 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.

The share options can only be settled in shares. A part of APMM's holding of own B shares will be used to meet APMM's obligations in connection with the share option plans.

The fair value of awards granted to five (five) members of APMM's Executive Board and 75 (80) employees was DKK 60m (DKK 44m) at the time of grant. The total value of granted share options recognised in the income statement is DKK 33m (DKK 38m).

No share options were exercised during 2018 and 2019.

The average remaining contractual life is 5.2 years (5.5 years) as of 31 December 2019, and the exercise price for outstanding share options is DKK 9,057 (DKK 10,006).

The following principal assumptions are used in the valuation:

	Share options granted to members of APMM Executive Board		Share options granted to employees not members of APMM Executive Board	
	2019	2018	2019	2018
Share price, volume-weighted average at the date of grant, 1 April, DKK	8,668	9,273	8,668	9,273
Share price, five days volume weighted average after publication of Annual Report, DKK	8,682	10,476	8,682	10,476
Exercise price, DKK	9,550	11,524	9,550	11,524
Exercise price following the demerger of Maersk Drilling, 2 April 2019, DKK	7,670	9,435	7,605	9,345
Expected volatility (based on historic volatility)	32%	33%	32%	33%
Expected term	5.00	5.00	5.75	5.75
Expected dividend per share, DKK	150	150	150	150
Risk free interest rate	- 0.36%	0.21%	- 0.28%	0.29%

The fair value per option granted to members of APMM's Executive Board is calculated at DKK 1,782 (DKK 1,712) at the time of grant, based on Black & Scholes' option pricing model. The fair value per option granted to employees who are not members of APMM's Executive Board is calculated at DKK 1,914 (DKK 1,875) at the time of grant based on the same option pricing model.

THE DRILLING COMPANY OF 1972 A/S (MD)

Restricted shares units (RSU)

Outstanding restricted shares	MD key management personnel[1] No.	MD other employees[1] No.	Total No.	Total fair value[1] DKKm
Outstanding as of 1 January 2019	0	0	0	
Granted	116,599	26,104	142,703	73
Forfeited/cancelled	- 10,772	- 1,618	- 12,390	
Outstanding as of 31 December 2019	**105,827**	**24,486**	**130,313**	

[1] At the time of grant

Following the listing on 4 April 2019, Maersk Drilling implemented a long-term incentive programme (the 'LTI') and a one-time transition grant. Maersk Drilling believes that providing remuneration in the form of shares to appropriate levels of management, promotes sustainable long-term value creation and ensures alignment of interest with its shareholders.

Under the LTI and transition grant the Executive Management, key employees and certain other employees in Maersk Drilling will receive a number of restricted share units. The vesting period for the RSUs is three years from the date of grant. Except for RSUs granted as part of the exchange grant, Maersk Drilling's Executive Management will not be able to sell any shares vesting until the total period from grant (inclusive of the vesting period) is five years, i.e. a holding period of two years in addition to the three-year vesting period. Maersk Drilling's Executive Management and other key management personnel are also subject to a share ownership requirement of twice the annual LTI grant level applicable.

Note 13: Share-based payment - continued

The transfer of restricted shares is contingent on the participants still being employed and not being under notice of termination and generally takes place when three years have passed from the time of granting. The participants are not entitled to any dividend during the vesting period. Special conditions apply regarding illness, death and resignation as well as changes in capital structure, etc.

In 2019, 48,188 RSUs have been granted under the LTI and 94,515 RSUs have been granted under the one-time transition grant, inclusive of 20,803 RSUs that represent the exchange grant for forfeited unvested restricted shares and options in A.P. Møller - Mærsk A/S (see below).

The fair value of restricted shares granted to eight key management personnel and to 33 other employees was DKK 73m at the time of the grant. Total expenses recognised in the income statement in 2019 for granted restricted shares were a cost of DKK 13m.

The average fair value per restricted share at the time of grant was DKK 510, which is equal to the average closing price for the first five trading days on Nasdaq Copenhagen or, for subsequent grants, the five trading days after the publication of the half year results.

The average remaining contractual life for the restricted shares as per 31 December 2019 was 2.3 years.

The A.P. Moller - Maersk Group's Restricted Shares Plan

B shares in A.P. Møller - Mærsk A/S	MD key management personnel[1]	MD other employees[1]	Total	Total fair value[1]
Outstanding restricted shares	No.	No.	No.	DKKm
Outstanding as of 1 January 2018	752	553	1,305	
Granted	354	156	510	6
Forfeited	- 219	- 170	- 389	
Outstanding as of 31 December 2018	**887**	**539**	**1,426**	
Adjustment	94	- 255	- 161	1
Vested	0	- 50	- 50	
Converted to restricted shares in The Drilling Company of 1972 A/S	- 981	- 157	- 1,138	
Outstanding as of 31 December 2019	**0**	**77**	**77**	

[1] At the time of grant

In previous years, certain Executives and employees participated in A.P. Moller - Maersk Group's incentive programmes.

To ensure that Maersk Drilling Executive Management, other key executives and certain other employees in Maersk Drilling had an equity interest in Maersk Drilling from the date of the demerger, they were required to forfeit all unvested APMM shares and share options as of 1 January 2019. The individuals instead received restricted share units in Maersk Drilling (the 'exchange grant'). A total of 1,138 restricted share units (B-shares in APMM) were converted to restricted share units in The Drilling Company of 1972 A/S of a corresponding value. 981 of these related to key management personnel and 157 related to other employees.

Total expenses recognised in the income statement in 2019 for restricted shares granted in previous years were a cost of DKK 1m (DKK 6m).

Note 13: Share-based payment - continued

MAERSK TANKERS A/S (MT)

Cash-settled incentive plan

Cash-settled performance shares plan Outstanding awards	MT employees[1] No.	Total fair value[1] DKKm	Carrying amount of liabilities No.
Outstanding as of 1 January 2018			0
Granted	6	24	16
Exercised			0
Adjustment			2
Outstanding as of 31 December 2018	**6**		**18**
Granted		10	7
Exercised			- 4
Adjustment			11
Outstanding as of 31 December 2019	**6**		**32**

[1] At the time of grant

In 2018, Maersk Tankers A/S introduced a performance shares plan to Executive Management. To participate in the shares plan, the Executive Management member is required to invest the same amount as the granted awards as a loan to Maersk Tankers. The Executive Management member is entitled to a new grant every year based on approval by MT's Board of Directors. The actual cash settlement of the shares plan is dependent on the development of a synthetic share price for the sister company, Maersk Product Tankers A/S, and the Executive Management member still being employed at the date of settlement. The Executive Management member is entitled to a pro rata share upon termination before the shares plan expires.

The fair value of awards granted to six (six) Maersk Tankers' Executive Management members was DKK 10m (DKK 24m) at the time of grant. The total value of the awards recognised in the income statement is DKK 13m (DKK 18m).

The average remaining contractual life for the cash-settled incentive plan is 2.25 years (3 years) as of 31 December 2019.

Note 14: Non-controlling interests

Amounts in DKKm	2019	2018
Non-controlling interests as of 1 January	**129,693**	**115,953**
Share of profit/loss for the year	1,805	11,522
Share of other comprehensive income for the year	3,635	3,686
Dividends to shareholders	- 2,340	- 2,380
Value share-based payment	51	52
Purchase of own shares	- 3,080	0
Acquisition of non-controlling interests	0	- 297
Sale of non-controlling interests[1]	0	1,077
Capital increase	74	70
Change in non-controlling interests	0	39
Other equity movements	48	- 29
Non-controlling interests as of 31 December	**129,886**	**129,693**

[1] Including disposal of 30% shareholding in Maersk Product Tankers A/S in 2018

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	58.5	48.6
The Drilling Company of 1972 A/S	Lyngby-Taarbæk	58.4	58.4
Maersk Product Tankers A/S	Copenhagen	30.0	20.0
A.P. Møller Capital P/S	Copenhagen	49.0	32.0

Note 14: Non-controlling interests - continued

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

	A.P. Møller - Mærsk A/S[1]		The Drilling Company of 1972 A/S		Maersk Product Tankers A/S	
Amounts in DKKm	2019	2018	2019	2018	2019	2018
Statement of comprehensive income						
Revenue	259,371	246,465	8,150	9,026	4,853	4,087
Profit (loss) for the year	- 293	20,345	- 754	5,944	616	- 196
Total comprehensive income	927	16,245	- 907	5,925	588	- 221
Profit (loss) for the year attributable to non-controlling interests	2,046	11,564	- 440	2,466	185	- 59
Balance sheet						
Non-current assets	291,735	246,551	32,051	32,020	7,751	7,565
Current assets, including assets classified as held for sale	78,109	122,782	4,780	5,269	2,446	1,298
Non-current liabilities	111,669	77,193	8,973	9,371	5,109	4,624
Current liabilities, including liabilities classified as held for sale	177,328	74,388	3,291	3,045	6,572	1,193
Equity	192,516	217,759	24,568	24,872	3,626	3,039
Carrying amount of non-controlling interests of equity	114,444	128,757	14,343	10,352	1,088	911
Cash flow statement						
Cash flow from operating activities	39,476	20,370	2,801	3,745	1,343	575
Cash flow from investing activities	5,829	6,184	- 2,021	- 859	- 312	- 752
Cash flow from financing activities	- 32,013	- 41,991	- 1,200	- 846	- 757	309
Cash flow from discontinued operations	- 2,481	21,608	0	0	0	13
Net cash flow for the year	10,811	6,171	- 420	2,040	274	145
Dividends paid to the non-controlling interests during the year	- 2,340	- 2,380	0	0	0	0

[1] Including Maersk Drilling up to the distribution of shares in April 2019

Note 15: Borrowings and net debt reconciliation

			Non-cash changes				
Amounts in DKKm	Net debt as of 31 December 2018	Cash flows[1]	IFRS 16 adoption	Additions, net[2]	Foreign exchange movements	Other[3]	Net debt as of 31 December 2019
Borrowings:							
Bank and other credit institutions	42,584	- 6,018	0	759	964	176	38,465
Issued bonds	35,037	- 3,621	0	0	454	309	32,179
Total borrowings	**77,621**	**- 9,639**	**0**	**759**	**1,418**	**485**	**70,644**
Classified as non-current	65,980						64,212
Classified as current	11,641						6,432
Leases:							
Lease liabilities	14,749	- 8,787	41,280	9,607	1,199	- 138	57,910
Total leases	**14,749**	**- 8,787**	**41,280**	**9,607**	**1,199**	**- 138**	**57,910**
Classified as non-current	12,117						49,123
Classified as current	2,632						8,787
Total borrowings and leases	**92,370**	**- 18,426**	**41,280**	**10,366**	**2,617**	**347**	**128,554**
Derivatives hedge of borrowings, net	**1,145**	**- 560**	**0**	**0**	**405**	**158**	**1,148**

[1] Total cash outflow impact for leases for 2019 was DKK 12.0bn, of which DKK 3.2bn relates to interest expenses which are disclosed separately in note 4
[2] Including business combinations
[3] Other includes fair value changes and amortisation of fees

Note 15: Borrowings and net debt reconciliation - continued

			Non-cash changes			
Amounts in DKKm	Net debt as of 31 December 2017	Cash flows[1]	Acquisi-tions	Foreign exchange move-ments	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 40.4bn of which DKK 35.4bn relates to prepayments made during Q4 2018
2 Other includes new finance leases and fair value changes

Note 16: 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 2020, the group expects to pay contributions totalling DKK 180m to funded defined benefit plans (DKK 176m in 2019).

Amounts in DKKm	UK 2019	Other 2019	Total 2019	UK 2018	Other 2018	Total 2018
Specification of net liability						
Present value of funded plans	15,008	3,311	18,319	13,036	3,137	16,173
Fair value of plan assets	- 17,959	- 2,630	- 20,589	- 15,013	- 2,491	- 17,504
Net liability of funded plans	**- 2,951**	**681**	**- 2,270**	**- 1,977**	**646**	**- 1,331**
Present value of unfunded plans	0	921	921	0	756	756
Impact of minimum funding requirement/ asset ceiling	434	0	434	398	0	398
Net liability as of 31 December	**- 2,517**	**1,602**	**- 915**	**- 1,579**	**1,402**	**- 177**
Of which:						
Pensions, net assets			2,731			1,859
Pensions and similar obligations			- 1,816			- 1,682

The majority of the group's defined benefit liabilities are in the UK, 78% and the 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. 57% 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.

Note 16: Pensions and similar obligations - continued

Significant financial assumptions	UK 2019	Total 2019	UK 2018	Total 2018
Discount rate	1.9%	1.9%	2.8%	3.0%
Inflation rate	3.1%	3.1%	3.4%	3.1%

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% for all UK plans.

			31 December	
Life expectancy	2019	2039	2018	2038
65 year old male in the UK	21.6	23.0	21.7	23.1

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

The group's plans are funded in accordance with applicable local legislation. In the UK, each plan has a trustee board that is required to act in the best 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 2020 are DKK 154m (DKK 137m in 2019) of which DKK 134m (DKK 0m in 2019) 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 2019, an adjustment of DKK 13m (DKK 13m) was applied in this respect.

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

Sensitivities to key assumptions in the UK		Increase	Decrease
Factors	"Change in liability"	2019	2019
Discount rate	Increase/(decrease) by 25 basis points	- 588	628
Inflation rate	Increase/(decrease) by 25 basis points	307	- 354
Life expectancy	Increase/(decrease) by one year	754	- 734

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

Specification of plan assets Amounts in DKKm	UK 2019	Other 2019	Total 2019	UK 2018	Other 2018	Total 2018
Shares	1,195	875	2,070	1,702	861	2,563
Government bonds	9,366	661	10,027	6,300	567	6,867
Corporate bonds	4,353	527	4,880	3,567	450	4,017
Real estate	60	27	87	176	33	209
Other assets	2,984	501	3,485	3,261	580	3,841
Fair value as of 31 December	**17,958**	**2,592**	**20,549**	**15,006**	**2,491**	**17,497**

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 2019, the group's contributions are estimated at DKK 554m (DKK 467m), while the contributions to be paid in 2020 are estimated at DKK 527m. 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 4.7bn (DKK 5.9bn). 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.

Note 16: Pensions and similar obligations – continued

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.

Change in net liability

Amounts in DKKm	Present value of obligations	Fair value of plan assets	Adjustments	Net liability	Of which: UK
Net liability as of 1 January 2019	16,928	17,496	396	- 177	- 1,573
Current service cost, administration cost etc.	200	- 33	0	233	60
Calculated interest expense/income	487	514	0	- 27	- 47
Recognised in the income statement in 2019	**687**	**481**	**0**	**206**	**13**
Actuarial gains/losses from changes in financial and demographic assumptions, etc.	1,747	0	0	1,747	1,380
Return on plan assets, exclusive calculated interest income	0	2,348	0	- 2,348	- 2,068
Adjustment for unrecognised asset due to asset ceiling	0	0	- 7	- 7	- 7
Recognised in other comprehensive income in 2019	**1,747**	**2,348**	**- 7**	**- 608**	**- 695**
Contributions from the group and employees	0	180	0	- 180	- 147
Benefit payments	- 940	- 867	0	- 73	0
Settlements	- 33	- 33	0	0	0
Internal transfer	- 7	0	7	0	0
Effect of business combinations and disposals	- 73	- 73	0	0	0
Exchange rate adjustment	891	1,017	38	- 83	- 115
Net liability as of 31 December 2019	**19,200**	**20,549**	**434**	**- 915**	**- 2,517**

Change in net liability

Amounts in DKKm	Present value of obligations	Fair value of plan assets	Adjustments	Net liability	Of which: UK
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**

Note 17: Provisions

Amounts in DKKm	Restruc-turing	Legal dis-putes, etc.	Onerous and unfa-vourable contracts	Other	Total
As of 1 January 2019	528	4,845	1,289	1,815	8,477
Transfer to right-of-use assets	0	0	- 23	0	- 23
Provision made	687	1,835	134	1,724	4,380
Amount used	- 334	- 1,515	- 193	- 323	- 2,365
Amount reversed	- 100	- 921	- 1,236	- 740	- 2,997
Addition from business combinations	0	0	0	48	48
Transfer	0	- 173	0	- 14	- 187
Transfer, assets held for sale	0	- 87	0	47	- 40
Exchange rate adjustment	13	181	29	- 23	200
As of 31 December 2019	**794**	**4,165**	**0**	**2,534**	**7,493**
Of which:					
Classified as non-current	26	2,844	0	1,422	4,292
Classified as current	768	1,321	0	1,112	3,201
Non-current provisions expected to be realised after more than five years		240		174	414

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

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

The provisions are subject to considerable uncertainty. Reference is made to note 28.

Reversals of provisions primarily relate to unfavourable contracts, which were adjusted to right-of-use assets as a practical expedient upon application of IFRS 16, and to legal disputes and contractual disagreements, which are recognised in the income statement under operating costs and tax.

Note 18: Derivatives

Amounts in DKKm	2019	2018
Non-current receivables	1,075	880
Current receivables	294	524
Non-current liabilities	- 2,431	- 1,578
Current liabilities	- 622	- 841
Liabilities, net	**- 1,684**	**- 1,015**

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.

The hedges are expected to be highly effective due to the nature of the economic relationship 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 are recognised in other comprehensive income and transferred with the effective hedge, when the hedged transaction occurs. The cost of hedging reserve amounts to a gain of DKK 40m (DKK 7m).

For information about risk management strategy, currencies, maturities, etc., reference is made to note 19.

Note 18: Derivatives - continued

HEDGE OF BORROWINGS

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

Amounts in DKKm	Fair value, asset 2019	Fair value, liability 2019	Nominal amount of derivative 2019	Fair value, asset 2018	Fair value, liability 2018	Nominal amount of derivative 2018
Hedge of borrowings						
Cross currency swaps						
- DKK	0	0	0	0	7	0
- EUR	354	634	10,682	633	920	17,588
- GBP	0	441	2,630	0	483	2,478
- JPY	67	73	1,375	65	78	1,330
- NOK	0	407	3,946	0	339	3,887
Interest rate swaps						
- cash flow hedges	547	925	16,290	215	75	13,961
- fair value hedges	94	0	6,008	0	98	3,261
Total	**1,062**	**2,480**		**913**	**2,000**	
Hedge of operating cash flow and investment in foreign currencies						
Main currencies hedged						
- DKK	7	34	2,521	0	68	1,874
- EUR	20	48	4,405	0	80	3,448
- GBP	0	0	0	0	13	443
- NOK	0	1	50	0	0	0
Other currencies	189	46	8,576	13	66	3,225
Total	**216**	**129**		**13**	**227**	

Held for trading Amounts in DKKm	Fair value 2019	Fair value 2018
Currency derivatives	- 186	117
Price hedges	- 167	169
Total as of 31 December	**- 353**	**286**

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 733m (EUR 1,723m), GBP 92m (GBP 89m), JPY 206m (JPY 204m) and NOK 250m (NOK 252m). 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 671m (EUR 1,746m), JPY 92m (JPY 91m) and NOK 341m (NOK 344m). 5-10 years: EUR 839m (EUR 859m), GBP 394m (380m), JPY 114m (JPY 113m) and NOK 250m (NOK 252m). Above 10 years: EUR 90m (EUR 92m).

Cross currency swaps are designated as a combination of hedge of principal cash flow and hedge of interests at a weighted average rate of 4.0% (4.5%).

Interest rate swaps are all denominated in USD and pay 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 2.4% (2.5%), excluding margin on loans. The maturity of the interest rate swaps 0-5 years: DKK 15.4bn (DKK 6.0bn) and 5-10 years DKK 9.0bn (DKK 7.4bn).

OTHER COMPREHENSIVE INCOME – CASH FLOW HEDGES

Amounts in DKKm	2019	2018
Value adjustment of hedges for the year	**- 1,135**	**- 1,006**
Reclassified to income statement:		
- revenue	33	6
- operating costs	547	0
- financial expenses	233	196
- discontinued operations	7	- 44
Total reclassified to income statement	**820**	**158**
Reclassified to non-current assets	**13**	**- 38**

Note 18: Derivatives - continued

For cash flow hedges related to borrowings, a loss of DKK 360m (loss of DKK 505m) is recognised in other comprehensive income and the cash flow hedges reserve as a loss of DKK 687m (loss of DKK 309m). Reference is made to other comprehensive income.

The carrying amount of the borrowings in fair value hedge relation is DKK 14.6bn (DKK 18.1bn) and the accumulated fair value adjustment of the loans as a loss of DKK 354m (loss of DKK 82m). The gain on the hedging instrument in fair value hedges recognised in the income statement for the year amounts to DKK 300m (loss of DKK 95m) and the loss on hedged items amount to DKK 267m (gain DKK 95m).

Due to bond buy-back in 2018, the ineffectiveness from cash flow hedges is recognised in profit or loss of DKK 27m (gain of DKK 126m).

HEDGE OF OPERATING CASH FLOWS AND INVESTMENTS IN FOREIGN CURRENCIES

Currency derivatives hedge future revenue, operating costs and investments/divestments and 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 mature within a year. There are no hedges of investments at the end of 2019 (2018: Mature within one year).

For hedges related to operating cash flows and investment, a gain of DKK 320m (loss of DKK 562m) is recognised in other comprehensive income and the cash flow hedge reserve amounts to a gain of DKK 94m (loss of DKK 215m).

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.

Amounts in DKKm	2019	2018
Hedging foreign exchange risk on revenue	- 33	13
Hedging foreign exchange risk on operating costs	- 547	- 4
Hedging interest rate risk	- 207	- 357
Hedging foreign exchange risk on the cost of non-current assets	- 14	0
Hedging foreign exchange risk on discontinued operations	- 6	89
Total effective hedging	**- 807**	**- 259**
Ineffectiveness recognised in financial expenses	- 27	139
Total reclassified from equity reserve for hedges	**- 834**	**- 120**
Derivatives accounted for as held for trading		
Currency derivatives recognised directly in financial income/expenses	373	74
Interest rate derivatives recognised directly in financial income/expenses	300	- 189
Oil prices and freight rate derivatives recognised directly in other income/costs	- 427	163
Derivatives recognised in income statement for discontinued operations	0	- 20
Net gains/losses recognised directly in the income statement	**246**	**28**
Total	**- 588**	**- 92**

For information about currencies, maturities, etc., reference is made to note 20.

Note 19: Financial instruments by category

Amounts in DKKm	Carrying amount 2019	Fair value 2019	Carrying amount 2018	Fair value 2018
Carried at amortised cost				
Loans receivable	2,859	2,664	2,426	2,436
Lease receivables	49		163	170
Other interest-bearing receivables and deposits	414	414	417	391
Trade receivables	26,700		27,139	
Other receivables (non-interest-bearing)	7,916		7,077	
Cash and bank balances	36,467		23,395	
Financial assets at amortised cost	**74,405**		**60,617**	
Derivatives	**1,369**	**1,369**	**1,404**	**1,404**
Carried at fair value through profit/loss				
Other receivables (non-interest bearing)[1]	27	27	0	0
Bonds	44	44	141	141
Shares	5,248	5,248	1,298	1,298
Other securities	7	7	29	55
Financial assets at fair value through profit/loss	**5,326**	**5,326**	**1,468**	**1,494**
Carried at fair value through other comprehensive income				
Other equity investments (FVOCI)[2]	521	521	16,225	16,225
Financial assets at fair value through OCI	**521**	**521**	**16,225**	**16,225**
Total financial assets	**81,621**		**79,714**	

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

Amounts in DKKm	Carrying amount 2019	Fair value 2019	Carrying amount 2018	Fair value 2018
Carried at amortised cost				
Bank and other credit institutions	38,465	32,172	42,573	37,732
Lease liabilities	57,910		14,758	
Issued bonds	32,179	33,647	35,039	35,176
Trade payables	39,697		35,154	
Other payables	9,158		7,053	
Financial liabilities at amortised cost	**177,409**		**134,577**	
Derivatives	**3,053**	**3,053**	**2,419**	**2,419**
Carried at fair value				
Other payables	7	7	0	0
Financial liabilities at fair value	**7**	**7**	**0**	**0**
Total financial liabilities	**180,469**		**136,996**	

EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

In 2019, the shares in Total S.A., received from the sale of Maersk Oil, were sold.

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.

Note 19: Financial instruments by category - continued

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. However, where a market price was available this was deemed to be the fair value.

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

Amounts in DKKm	Level 1	Level 2	2019 Level 3
Financial assets			
Derivatives	0	1,369	0
Securities	5,303	0	517
Loan receivables	0	0	20
Financial assets at fair value as of 31 December	**5,303**	**1,369**	**537**
Financial liabilities			
Derivatives	0	3,053	0
Other payables	0	0	7
Financial liabilities at fair value as of 31 December	**0**	**3,053**	**7**

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
Loan receivables	0	0	27
Financial assets at fair value as of 31 December	**17,463**	**1,404**	**283**
Financial liabilities			
Derivatives	0	2,419	0
Financial liabilities at fair value as of 31 December	**0**	**2,419**	**0**

Movement during the year in level 3

Amounts in DKKm	Other equity invest-ments (FVOCI)	Other equity invest-ments	Other receiva-bles	Total financial assets
Carrying amount as of 1 January 2018	146	0	62	208
Addition	82	22	25	129
Gains/losses recognised in the income statement	0	0	- 63	- 63
Exchange rate adjustment, etc.	7	0	2	9
Carrying amount as of 31 December 2018	**235**	**22**	**26**	**283**
Addition	253	62	0	315
Disposal	0	- 23	- 7	- 30
Gains/losses recognised in other comprehensive income	- 20	0	0	- 20
Exchange rate adjustment, etc.	- 6	1	1	- 4
Carrying amount as of 31 December 2019	**462**	**62**	**20**	**544**

Movement during the year in level 3

Amounts in DKKm	Other payables	Total financial liabilities
Carrying amount as of 1 January 2018	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**
Addition	7	7
Carrying amount as of 31 December 2019	**7**	**7**

Note 20: 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, KK Wind Solutions and A.P. Moller Capital define their own risk management policies and procedures, respectively. A.P. Moller Holding monitors business performance in the affiliates closely by ensuring presence in the Board of Directors.

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

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

The group's risk management programmes focus on the unpredictability of financial markets and seek 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, interest rates, and share prices, which will affect the group's profit or the value of its holdings of financial instruments. The sensitivity analyses below relate to the position of financial instruments as of 31 December 2019.

The sensitivity analyses for currency risk, interest rate risk and share price 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 2019. Furthermore, it is assumed that the exchange rate and interest rate sensitivities have a symmetrical 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 share 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 CAD, DKK, EUR, HKD, NOK and SGD. As the net income is primarily 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 positive impact on the group's profit before tax by DKK 1.4bn (negative by DKK 0.7bn) and to affect the group's equity, excluding tax, by DKK 0.0bn (negative by DKK 2.0bn). The sensitivities are based only on the impact of financial instruments that are outstanding at the balance sheet date, cf. notes 18 and 19, and are thus not an expression of the group's total currency risk.

INTEREST RATE RISK

The group has most of its debt denominated in USD, but part of the debt (e.g. issued bonds) is in other currencies such as EUR, NOK, GBP and JPY.

Note 20: 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 using interest rate swaps. The duration of the group's debt portfolio is 2.2 years (2.2 years) excluding IFRS 16 leases.

A general increase in interest rates by one percentage point is estimated, all other things being equal, to affect profit before tax and equity, excluding the tax effect, positively by approximately DKK 33m and positively DKK 40m, respectively (negatively by approximately DKK 107m and DKK 120m, respectively).

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
2019				
0-3%	13,365	8,965	1,128	3,272
3-6%	108,961	37,954	40,869	30,138
6%-	6,228	708	1,691	3,829
Total	**128,554**	**47,627**	**43,688**	**37,239**
Of which:				
Bearing fixed interest	87,951			
Bearing floating interest	40,603			
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			

CREDIT RISK

Trade receivables

The group has exposure to financial and commercial counterparties, but has no particular concentration of customers or suppliers. To minimise the credit risk, financial vetting is undertaken for all major customers and financial institutions, adequate security is required for commercial counterparties, and credit limits are set for financial institutions and key commercial counterparties.

The group applies the simplified approach to providing the expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. In accordance with IFRS 9, non-due trade receivables have also been impaired.

Approx. 69% (68%) of the provision for bad debt is related to trade receivables overdue by more than one year.

Maturity analysis of trade receivables

Amounts in DKKm	2019	2018
Receivables not due	18,671	17,837
Less than 90 days overdue	7,352	8,113
91-365 days overdue	1,133	1,759
More than 1 year overdue	1,030	1,228
Receivables, gross	**28,186**	**28,937**
Provision for bad debt	- 1,486	- 1,798
Carrying amount as of 31 December	**26,700**	**27,139**

Note 20: Financial risks, etc. - continued

The loss allowance provision for trade receivables as of 31 December 2019 reconciles to the opening loss allowance as follows:

Change in provision for bad debt

Amounts in DKKm	2019	2018
Provision as of 1 January	1,798	1,720
Provision made	1,469	1,272
Amount used	- 1,003	- 763
Amount reversed	- 835	- 525
Transfer, assets held for sale	21	19
Exchange rate adjustment	36	75
Provision as of 31 December	**1,486**	**1,798**

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 a 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

Capital is managed de-centrally for the group. The equity share of total equity and liabilities was 56.9% as of 31 December 2019 (61.9%).

Amounts in DKKm	2019	2018
Borrowings[1]	128,554	92,370
Net interest-bearing debt	90,003	67,494
Liquidity reserve[2]	84,191	85,823

1 Including IFRS 16, Leases as from 1 January 2019
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

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

The average term to maturity of loan facilities in the group was about five years (about four years as of 31 December 2018).

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 20: 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
2019					
Bank and other credit institutions	38,465	5,986	26,997	10,977	43,960
Finance lease liabilities	57,910	11,764	34,037	35,680	81,481
Issued bonds	32,179	2,864	15,321	19,367	37,552
Trade payables	39,697	39,697	0	0	39,697
Other payables	9,165	8,920	214	80	9,214
Non-derivative financial liabilities	**177,416**	**69,231**	**76,569**	**66,104**	**211,904**
Derivatives	3,053	619	887	1,544	3,050
Total recognised in balance sheet	**180,469**	**69,850**	**77,456**	**67,648**	**214,954**
Operating lease commitments		1,537	0	0	1,537
Capital commitments		6,197	5,546	4,279	16,022
Total		**77,584**	**83,002**	**71,927**	**232,513**
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		13,741	30,888	34,660	79,289
Capital commitments		8,266	4,843	5,680	18,789
Total		**82,695**	**93,825**	**75,096**	**251,616**

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. From 1 January 2019, the group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 8 for further information.

The future charter and operating lease payments are:

Amounts in DKKm	A.P. Moller - Maersk[1]	Maersk Drilling	Maersk Tankers	Total
2019				
Within one year	1,449	0	88	1,537
Between one and two years	0	0	0	0
Between two and three years	0	0	0	0
Between three and four years	0	0	0	0
Between four and five years	0	0	0	0
After five years	0	0	0	0
Total	**1,449**	**0**	**88**	**1,537**
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[2]	57,459	269	452	58,180

1 In 2018, about 35% of the time charter payments are estimated to relate to operational costs for the assets. In 2019, the short-term and low-value leases do not include any payment for operational costs
2 The net present value has been calculated using a discount rate of 6% in 2018

Note 21: Capital commitments - continued

CAPITAL COMMITMENTS

The group has the following capital commitments as of 31 December 2019 and 31 December 2018, respectively:

Amounts in DKKm	A.P. Moller - Maersk	Maersk Product Tankers	Other	Total
2019				
Capital commitments relating to acquisition of non-current assets	3,739	2,812	1,580	8,131
Commitments towards concession grantors	7,891	0	0	7,891
Total capital commitments	**11,630**	**2,812**	**1,580**	**16,022**
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**

The decrease in capital commitments is primarily related to contractual payments during 2019. The capital commitments will be financed by cash flow from operating activities as well as existing and new loan facilities.

Newbuilding programme as of 31 December 2019	2020	2021	No. Total
Tanker vessels	5	4	9
Tugboats	9	1	10
Total	**14**	**5**	**19**

Capital commitments relating to the newbuilding programme as of 31 December 2019	2020	2021	DKKm Total
Tanker vessels	1,281	1,058	2,339
Tugboats	280	73	353
Total	**1,561**	**1,131**	**2,692**

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

Note 22: Contingent liabilities

The necessary facility of DKK 1.6bn (DKK 1.6bn) 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 3.2bn (DKK 2.9bn) have been provided to various port authorities in India.

Guarantees of DKK 1.9bn have been issued by the group to make specific payments if debtors fail to meet their obligations.

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 on repatriation of dividends.

Note 23: Cash flow specifications

Amounts in DKKm	2019	2018
Change in working capital		
Inventories	- 50	- 20
Trade receivables	1,643	- 209
Other receivables and prepayments	- 129	583
Trade payables and other payables	2,231	- 1,989
Exchange rate adjustment of working capital	- 4	- 364
Total	**3,691**	**- 1,999**
Purchase of intangible assets and property, plant and equipment		
Addition	- 68,981	- 23,952
Of which right-of-use assets, etc.	53,282	796
Of which borrowing costs capitalised on assets	170	408
Change in trade payables regarding purchase of assets	- 1,921	455
Total	**- 17,450**	**- 22,293**
Financial investments		
Addition, joint ventures	- 27	0
Disposal, associated companies	0	886
Addition, receivables	76	0
Payments regarding receivables	- 196	0
Addition, other equity investments	- 40	0
Disposal, other equity investments	16,441	19,119
Total	**16,254**	**20,005**

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

Note 24: Acquisition/sale of subsidiaries and activities

ACQUISITIONS DURING 2019

Cash flow used for acquisitions in 2019

Amounts in DKKm	KK Wind Solutions	Other	Total
Fair value at time of acquisition			
Intangible assets[1]	1,258	167	1,425
Property, plant and equipment	119	0	119
Right-of-use assets	130	0	130
Financial assets	1	0	1
Current assets[2]	944	173	1,117
Provisions	- 48	0	- 48
Liabilities[3]	- 1,743	- 133	- 1,876
Net assets acquired	**661**	**207**	**868**
Non-controlling interests	0	0	0
A.P. Møller Holding A/S share	**661**	**207**	**868**
Goodwill	1,108	173	1,281
Purchase price	**1,769**	**380**	**2,149**
Contingent consideration	- 8	0	- 8
Cash and bank balances assumed	0	- 93	- 93
Cash flow used for acquisition of subsidiaries and activities	**1,761**	**287**	**2,048**

1 Intangible assets consist mainly of customer relations and order backlog
2 Current assets consist mainly of inventories and trade receivables
3 Liabilities consist mainly of borrowings, lease liabilities, deferred tax and trade payables

KK Wind Solutions Holding

KK Wind Solutions is a leading global supplier of power electronics solutions to the wind turbine industry. As the wind industry has gained momentum globally, KK Wind Solutions must expand its global footprint and follow its customers' international expansion. With A.P. Moller Holding's global mindset, network and expertise, we believe we can be a good partner and an engaged owner to support KK Wind Solutions on this exciting journey. The date of acquisition for accounting purposes is 4 September 2019. Goodwill is made of other intangible assets not separable from the business and expected future results. Goodwill is not deductible for tax purposes.

From the acquisition date to 31 December 2019, KK Wind Solutions contributed with a revenue of DKK 672m, while the result was immaterial. If the acquisition had occurred on 1 January 2019, the impact on A.P. Moller Holding group's revenue would have been DKK 2.3bn, while the result would have increased by DKK 0.1bn.

For 2019, the acquisition costs amounted to DKK 33m.

Note 24: Acquisition/sale of subsidiaries and activities - continued

Other acquisitions during 2019
No other acquisitions of subsidiaries or activities, significant to the group, were completed i 2019.

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.

SALES DURING 2019 AND 2018
No material sales were performed during 2019 and 2018, respectively.

Note 25: Related parties

	Associated companies		Joint ventures		Management[1]	
Amounts in DKKm	2019	2018	2019	2018	2019	2018
Income statement						
Revenue	233	259	760	663	0	0
Operating costs[2]	3,495	1,806	3,668	5,072	53	57
Remuneration to Executive Board	0	0	0	0	50	20
Financial income	148	150	0	0	0	0
Financial expenses	117	99	0	0	0	0
Other costs	0	0	0	6	0	0
Other income	7	6	0	0	0	0
Assets						
Other receivables, non-current	0	0	828	1,083	0	0
Other receivables, current	180	287	0	0	0	0
Trade receivables	387	235	267	202	0	0
Cash and bank balances	6,453	3,737	0	72	0	0
Liabilities						
Guarantees etc.	435	1,461	0	0	0	0
Issued bank guarantees	288	416	0	0	0	0
Credit institutions including loan commitments	5,987	7,549	0	163	0	0
Trade payables	474	222	501	724	7	7
Other payables	388	0	0	0	0	0
Equity						
Capital increase	0	215	0	69	0	0
Dividends	2,172	2,316	1,041	777	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 26: Events after the balance sheet date

The global outbreak of the Coronavirus (COVID-19) is leading to significant uncertainties and lack of visibility related to A.P. Moller Holding Group and our businesses. The COVID-19 is a non-adjusting event after the reporting period. Therefore, amounts recognised in the financial statements shall not be adjusted based on this event. However, due to the material negative impact of the pandemic on financial markets, oil prices, global transport operations, business-critical supply chains, etc., future economic decision to be made on the basis of the financial statements should carefully take all subsequent facts and circumstances into consideration. Due to the very difficult situation with significant uncertainties and lack of visibility at the time of presenting this Financial Statements, management is not able to make any relevant and reliable estimate of the financial effect of the event and the impact to future reporting periods. Such effect could potential have a material impact.

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 27: Significant accounting policies

BASIS OF PREPARATION

The consolidated financial statements for 2019 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 additional 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 2018 except for the changes to the accounting standards that were effective from 1 January 2019 and were endorsed by the EU:

- Leases (IFRS 16)
- Uncertainty over income tax treatments (IFRIC 23)

Furthermore, the company has voluntarily changed its accounting policy for calculating the provision for health and accident insurance contracts, with the risk coverage period no longer than one year. Retrospective application is impracticable without the use of hindsight and due to lack of data. The cumulative impact is recognised as a reduction in shareholders' equity at 1 January 2019 of DKK 61.2m. The impact on net profit for 2019 is insignificant.

Leases (IFRS 16)

Effective 1 January 2019, A.P. Moller Holding applied the new reporting standard on Leases, IFRS 16. All leases are recognised as right-of-use assets with corresponding lease liabilities classified at the date on which the leased asset is available for use by A.P. Moller Holding.

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

A.P. Moller Holding transitioned to IFRS 16 in accordance with the modified retrospective approach, therefore previous period comparative figures are not adjusted in the financial statements. Additionally, the IAS 17 definition of a lease and its related interpretations have been retained.

Lease liabilities classified as finance leases at 31 December 2018 were transitioned to IFRS 16 at their carrying amount of DKK 16.6bn.

As of 31 December 2018, A.P. Moller Holding had non-cancellable operating lease commitments of DKK 79.3bn. As part of the transition, A.P. Moller Holding 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 are recognised in the income statement as incurred
- Terminal concession agreements to which A.P. Moller Holding is committed, but which will only begin operations during Q1 2019 or later were not capitalised at transition
- A.P. Moller Holding did 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 less than 12 months are exempt from provisions of the new standard

Note 27: Significant accounting policies - continued

The table below bridges operating lease commitments related to continuing operations to IFRS 16 lease liabilities on 1 January 2019:

Reconciliation of commitments to lease liabilities	DKKm
Operating lease obligations	79,289
Adjustment for commitments not yet commenced	- 14,640
Adjustment for service components	- 8,427
Optional period payments	4,943
Other adjustments	- 1,803
Undiscounted lease liabilities	**59,362**
Discounting effect	- 18,082
Lease liability	**41,280**

A weighted average incremental borrowing rate of 6.6% was applied. The incremental borrowing rate was based on reference interest rates derived for a period of up to 10 years, based on corporate bond yields in major currencies, i.e. EUR, SEK and USD.

On transition, the group's opening balance of gross debt increased by DKK 41.3bn to DKK 133.7bn, while property, plant and equipment increased to DKK 278.0bn. The increase in property, plant and equipment of DKK 41.3bn mainly related to ships, containers, etc. (DKK 20.8bn) and concession agreements (DKK 15.3bn).

In connection with the transition to the new standard, management has applied judgment and formed assumptions in relation to assessing the incremental borrowing rate, service components and extension options of leasing arrangements. Management has formed its judgments and assumptions based on historical experience as well as internal and external data points.

IFRIC 23, Uncertainty over Income Tax Treatments

A.P. Moller Holding follows the guidelines in IFRIC 23 for accounting for uncertain income tax positions and the implementation of the interpretation standard, has not resulted in a significant change to the measurement of uncertain tax positions.

Following the application of IFRIC 23, A.P. Moller Holding presents uncertain tax positions as either non-current or current tax payables. The 2018 ending balances have been restated by DKK 2.7bn from provisions to tax liabilities.

Amendment to IAS 12, Income Taxes

The amendment to IAS 12, Income Taxes, which is part of the Annual Improvements to IFRS Standards 2015-2017 Cycle, requires the income tax consequences of dividends to be recognised in profit or loss if the transactions that generated distributable profits are recognised in profit or loss, and thus not recognised directly in equity.

The group has implemented the clarification as of 1 January 2019 and the tax income is recognised in the income statement when the interest is paid. The implementation has not resulted in a significant change for 2018 and 2019.

Interest rate benchmark reform (amendments to IFRS 9, IAS 39 & IFRS 7)

A.P. Moller Holding has elected to early adopt the amendments to IFRS 9, IAS 39 and IFRS7, 'Interest Rate Benchmark Reform'. The transition provision requires that the amendments are adopted retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter, and to the amount accumulated in the cash flow reserve at that date. The reliefs specify that the IBOR reform should not generally cause hedge accounting to terminate. Hence there are reliefs in the amendments that apply to the hedging relationships directly affected by the IBOR reform.

In summary, the reliefs provided by the amendments that apply to A.P. Moller Holding are:

- When considering the 'highly probable' requirement, A.P. Moller Holding has assumed that the different IBOR interest rates on which our hedged debts are based, do not change as a result of the IBOR reform
- In assessing whether an economic relationship between the hedged cash flows and the hedging instruments is expected to exist throughout the term of hedge, A.P. Moller Holding has assumed that the IBOR interest rates, on which the cash flows of the hedged debt and the interest rate swaps that hedge it are based, are not altered by IBOR reform
- Whether the benchmark interest component in a fair value hedge is a separately identifiable component, is not assessed on an ongoing basis
- A.P. Moller Holding will not discontinue hedge accounting during the period of IBOR-related uncertainty, as the hedge relationships are still economic relationships
- A.P. Moller Holding has not recycled the cash flow hedge reserve relation to the period after the reforms are expected to take effect
- There is no ineffectiveness recognised in profit or loss as a result of the early adoption of the amendments to IFRS 9 and IFRS 7

The IBOR's that A.P. Moller Holding is affected by are: USD LIBOR, GBP LIBOR, JPY LIBOR, EURIBOR, NIBOR and STIBOR.

Note 27: Significant accounting policies - continued

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 A.P. Moller Holding, 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 separate legal entities, and as joint operations, if the parties have direct and unlimited rights to the assets and obligations for the liabilities of the arrangement.

Entities in which A.P. Moller Holding exercises a significant but non-controlling influence are considered associated companies. A significant influence is usually achieved by directly or indirectly owning or controlling 20-50% of the voting rights. Agreements and other circumstances are considered when assessing the degree of influence.

Consolidation is performed by summarising the financial statements of the parent company and its subsidiaries, including the proportionate share of joint operations, part-owned vessels and pool arrangements, which have been prepared in accordance with A.P. Moller Holding's accounting policies. Intra-group income and expenses, shareholdings, dividends, intra-group balances and gains on intra-group transactions are eliminated. Unrealised gains on transactions with associated companies and joint arrangements are eliminated in proportion to A.P. Moller Holding's ownership share. Unrealised losses are eliminated in the same way, unless they indicate impairment.

Non-controlling interests' share of profit/loss for the year and of equity in subsidiaries is included as part of A.P. Moller Holding's profit and equity respectively but shown as separate items.

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 per 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 and drilling activities, the functional currency is typically USD. This means, among other things, that the carrying amounts of property, plant and equipment and intangible assets and, hence, depreciation and amortisation are maintained in USD from the date of acquisition. For other activities, including container terminal activities and land-based container activities, the functional currency is generally the local currency of the country in which such activities are performed, unless circumstances suggest a different currency is appropriate.

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

INCOME STATEMENT

Revenue

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

Revenue from shipping activities is recognised over time as the performance obligation is satisfied, including a share of revenue from incomplete voyages at the balance sheet date. Invoiced revenue related to an estimated proportion of remaining voyage time and activities at the destination port is deferred. 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 considerations, are based on the expected value method and allocated to ocean freight revenue.

Note 27: Significant accounting policies - continued

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 drilling activities typically comprises fixed amounts for each day the rig is under contract differentiated by the activities undertaken ('day rate revenue') and other revenue components such as lump sum payments for rig mobilisation and demobilisation and payments for investments in equipment or rig upgrades required to meet the operational needs of the drilling campaign, both of which are amortised over the contract period; bonuses linked to performance in terms of time, efficiency or drilling outcome measures such as reservoir targeting; or payments for third-party services to be delivered to the customer.

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.

Operating costs

Operating costs comprise costs incurred in generating revenue for the year, including costs for crew, repair and maintenance, and administrative costs.

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.

Financial income and financial expenses

Financial income and financial expenses comprise interest income and expenses, including the interest element of lease payments related to leases capitalised under IFRS 16, 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 financial expenses are recognised in the income statement on an accrual basis.

Tax

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

Tax is recognised in the income statement to the extent 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.

On 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.

Note 27: Significant accounting policies - continued

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 up to 15 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	10-75 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.	3-10 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.

Right-of-use assets

The group mainly leases vessels, containers, concession agreements, and real estate property. Lease contracts for vessels and containers are typically made for fixed periods of about five years but may have extension options as described below. Concession arrangements and real estate contracts are negotiated on an individual basis and contain a wide range of terms and conditions.

Leases are recognised as a right-of-use asset with a corresponding liability at the date at which the leased asset is available for use by the group. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Impairment of intangible assets 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.

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.

Note 27: Significant accounting policies - continued

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

Equity instruments, etc., including shares, bonds and similar securities, are recognised on the trading date at fair value, and subsequently measured at the quoted market price for listed securities and at estimated fair value for non-listed securities. Fair value adjustments from equity investments are classified in the following measurement categories:

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

Fair value adjustments from equity investments at fair value through other comprehensive income (FVOCI) remain in equity upon disposal.

Dividends are recognised in the income statement.

Inventories

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, applying a provision matrix to calculate the minimum impairment. The provision matrix includes 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 dividends from such shares are recognised in equity.

The translation reserve comprises A.P. Møller Holding A/S' share of accumulated exchange rate differences arising on translation to the functional currency. Differences arising from translation to the presentation currency are recognised in other comprehensive income and will not be reclassified to the income statement. 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.

Share-based payments

Equity settled performance shares, restricted shares and share options allocated to employees as part of the group's long-term incentive programmes 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 programmes 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.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation from past events. The item includes, among others, legal disputes, provision for onerous contracts, unfavourable contracts acquired as part of a business combination as well as provisions for incurred, but not yet reported, incidents under certain insurance programmes, primarily in the US. Provisions are recognised based on best estimates and are discounted where the time element is significant and where the time of settlement is reasonably determinable.

Note 27: Significant accounting policies - continued

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. Moller Holding 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.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments, discounted by using the incremental borrowing rate.

The following the lease payments are included in the net present value:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments which are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

If extension and termination options in lease contracts are included, A.P. Moller Holding will probably exercise those options. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Most of the extension and termination options held, are exercisable only by A.P. Moller Holding and not by the respective lessor.

The assessment is reviewed if a significant event or a significant change in circumstances occurs, which affects this assessment and is within the control of the lessee. Where A.P. Moller Holding will probably exercise specific purchase options, those options are included in the measurement of the lease liability with the corresponding right-of-use asset depreciated over the asset's useful life rather than lease term.

Lease payments are discounted at the implicit interest rate, to the extent this can be determined, otherwise discounted using incremental borrowing rates (IBRs). The applied IBR reflects the group's credit risk, leased amount and contract duration; nature and quality of the asset's security and economic environment, in which the leased assets operate. To determine the IBR, where possible, A.P. Moller Holding uses recent third-party financing conditions since the financing was received. Where such financing is not available, A.P. Moller Holding uses a build-up approach that starts with a risk-free interest rate adjusted by credit risk and specific risks faced by the lessee such as asset type, geographical risks, etc.

Note 27: Significant accounting policies - continued

Subsequently, lease liability is measured at amortised cost, with each lease payment allocated between the repayment of the liability and financing cost. The finance cost is charged to the income statement over the lease period using the IBR that was used to discount the lease payments.

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.

The ineffective portion of hedge transactions and changes in the fair values of derivative financial instruments, which do not qualify for hedge accounting, are recognised in the income statement as financial income or expenses for interest and currency-based instruments, and as other income/costs for oil price hedges and forward freight agreements.

Cash flow statement

Cash flow from operating activities includes all cash transactions other than cash flows arising from investments and divestments, received dividends, principal payments of loans, instalments on 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.

Business combinations and disposal of subsidiaries

Upon acquisition of new entities, the acquired assets, liabilities and contingent liabilities are measured at fair value at the date when control was achieved using the acquisition method. Identifiable intangible assets are recognised if they arise from a contractual right or can otherwise be separately identified. The difference between the fair value of the acquisition cost and the fair value of the acquired identifiable net assets is recognised as goodwill. Contingent consideration is measured at fair value and any subsequent changes to contingent consideration are recognised as other income or other costs in the income statement. Transaction costs are recognised as operating costs as they are incurred.

When 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 the sale of non-current assets. The difference between sales proceeds and the carrying amount of the subsidiary is recognised in the income statement, including fair value of the 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 the cash flows from discontinued operations are presented separately in the cash flow statement with restatement of comparative figures.

Assets held for sale and associated liabilities from discontinued operations are presented as separate items in the balance sheet with no restatement of comparative figures. Elimination between continuing and discontinued operations are presented to reflect continuing operations as post-separation, which entails elimination of interest, borrowing, dividends and capital increases.

Note 27: Significant accounting policies - continued

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 the above general accounting policies, the following are significant in regard to discontinued operations.

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.

Intangible assets regarding acquired oil resources (concession rights, etc.) are amortised over a 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 the classification as assets held for sale.

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

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.

Provisions include provisions for abandonment of oil fields.

NEW FINANCIAL REPORTING REQUIREMENTS IN 2020 OR LATER

A.P. Moller Holding has not yet adopted the following standards/requirements:

- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 3 – Business Combinations: Definition of a Business
- IFRS 17 – Insurance contracts

Amendments to IAS 1 and IAS 8 are effective from 1 January 2020 and are endorsed by the EU. Amendments to IFRS 3 are also effective from 1 January 2020 and are expected to be endorsed by the EU. IFRS 17 is effective from 1 January 2021, but there is some uncertainty as to its EU endorsement date.

A.P. Moller Holding follows most of the guidelines in the Amendments to IAS 1 and IAS 8, therefore the implementation is not expected to result in a significant change to the presentation of the financial statements.

In respect to IFRS 17, an analysis of the impact is being assessed and is expected to be concluded in due course, ahead of the implementation date.

The IASB has also issued amendments to IFRS 9, IAS 39 and IFRS 7 that are effective from 1 January 2020 and are endorsed by the EU. In December 2019, A.P. Moller Holding has elected to early adopt those amendments.

DEFINITIONS OF FINANCIAL RATIOS

Return on equity after tax is calculated as profit for the year after tax in proportion to average equity for the year.

Equity interest is calculated as equity end of year in proportion to balance sheet total end of year.

Note 28: 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 based 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 the group, is highly uncertain. Therefore, assumptions may change, or the outcome may differ in the coming years, which could require a material upward or downward adjustment to the carrying amounts of assets and liabilities. This note includes the areas in which A.P. Moller Holding is particularly exposed to a material adjustment of the carrying amounts as at the end of 2019.

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 exists where the assessment forms the basis for recognition or derecognition decisions, including assessment of control. Another aspect is the measurement uncertainty, where management makes assumptions about the value of 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, whose financial results are directly affected by the fluctuation in 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. In addition, the new global low sulphur bunker regulation (IMO 2020), which came into effect in January 2020, is expected to increase the cost of compliant fuels significantly. Alternatively, installing scrubbers on vessels enables the use of lower cost fuels, but requires 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 oil price is an uncertain and significant factor impacting accounting estimates across the group either directly or indirectly. The group is directly impacted by the price of bunker oil, where the competitive landscape determines the extent to which the development is reflected in the freight rates charged to the customer.

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 affect volume handled in the terminals, but also exchange rates.

Maersk Drilling is impacted by the demand for rigs as the oil and gas 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. This in turn impacts expectations towards future utilisation and day rates which could be impairment indicators and impact value in use estimates if impairment testing is done.

BUSINESS COMBINATIONS

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 customer relationships and real estate. The inherent uncertainties in the fair value estimates may result in measurement adjustments in the 12 months following the closing of the transaction. Goodwill has been assessed as recoverable at 31 December 2019.

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

Note 28: Significant accounting estimates and judgments - continued

Intangible assets
Customer relationships have been measured using the excess earnings method (MEEM), 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 8-13 years.

The valuation of intangible assets reflects market participants' view applying a discount rate of 13.3%.

Property, plant and equipment
Fair value of real estate is measured using the market comparison method based on internally prepared valuations compared with external valuations.

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

The group carries goodwill of DKK 5,360m (DKK 4,207m) and intangible assets with indefinite lives of DKK 207m (DKK 222m). The majority of other non-current assets are 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 are included in Ocean's cash generating unit for impairment 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 groups 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.

KK Wind Solutions is considered as one cash generating unit.

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.

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 carried out in 2018 are sensitive to the assumptions applied 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 6 and 7 for information about impairment losses, recoverable amounts and discount rates.

Impairment considerations

A.P. Møller - Mærsk A/S
In Ocean, although average bunker costs were reduced by 2.9%, the impact of IMO 2020 on bunker supply and the uncertainty around cost recovery, in addition to the weakness in the broader macroeconomic backdrop, are impairment indicators. Trade protectionism has reduced the global container outlook and recession risks have increased. In addition, the estimated fair value of the fleet continues to be 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 Q3 2019 covering plans for 2020-2024. 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.

Note 28: Significant accounting estimates and judgments - continued

In Terminals & Towage, management assesses impairment triggers, and based on these estimates, recoverable amounts on the individual terminals. For 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 adversely compared to current expectations. Estimates of recoverable amounts were also prepared for other terminals where decreasing volumes triggered impairment tests. Key sensitivities are: expected volumes, local port rates, concession right extensions as well as discount rates. The impairment tests showed headroom from value in use calculations compared to carrying amount. Therefore, no impairment was recognised in 2019 compared to DKK 126m in 2018 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. The closure of the facilities triggered a write-down of assets of DKK 417m in 2018. The recoverable amounts for both closed 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. In 2019, a DKK 347m reversal of the write-down was recognised.

Maersk Drilling

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.

In line with management expectations, operator demand for offshore drilling rigs continued to rise during 2019, with demand for jack-up rigs growing slightly higher than the demand for floaters. Drilling contractors also continued to reduce offshore drilling rig supply. Leading indicators continued to provide support for future drilling activities, as increased tendering activity translated into more awarded contracts throughout the year. Contracting activity also exhibited an element of direct award, where operators, either through alliances or directly with selected drilling contractors, bypassed the tendering process.

In line with analysts who cover the market, management continues to expect a gradual move towards more economically sustainable rates in the long-term. No indicators of additional impairment or reversal of impairment have been identified as of 31 December 2019, as the development in the offshore drilling market, with increased activity and improved long-term projections, is considered to be in line with the expectations underlying the impairment test conducted in 2018.

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 27 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. Generally, the residual values of vessels are initially estimated at 10% of the purchase price excluding dry-docking costs. The long-term view is prioritised to disregard, to the extent possible, temporary market fluctuations which may be significant.

INVESTMENTS IN ASSOCIATED COMPANIES

As of 31 December 2019, the carrying amount of the shares in Danske Bank amounted to DKK 34.2bn (DKK 32.6bn), including group goodwill of DKK 1.0bn and the market value amounted to DKK 19.8bn (DKK 23.6bn). An impairment test has been prepared and supports that there is no impairment as of 31 December 2019.

Danske Bank remains in dialogue with various authorities regarding the terminated non-resident portfolio at Danske Bank's Estonian branch, which was active between 2007 and 2015. This includes criminal and regulatory investigations by authorities in Estonia, Denmark, France and the US. Danske Bank continues to cooperate with all authorities.

In 2018, the Estonian Office of the Prosecutor General opened a criminal investigation into former employees of the Estonian branch.

In November 2018, Danske Bank was preliminarily charged by the Danish State Prosecutor for Serious Economic and international Crime (SØIK) with violating the Danish AML Act on four counts, all relating to the Estonian branch in the period from 1 February 2007 to the end of January 2016.

Note 28: Significant accounting estimates and judgments - continued

In February 2019, Danske Bank was placed under formal investigation by an investigating judge of the Tribunal de Grande Instance de Paris in the context of an on-going French criminal investigation and on the grounds of money laundering suspicions relating to certain transactions in the terminated portfolio of non-resident customers of Danske Bank's Estonian branch, amounting to around DKK 160m and performed between 2007 and 2014. Danske Bank has posted bail in the amount of DKK 80m.

Danske Bank is reporting to, responding to and cooperating with various authorities, including the U.S. Department of Justice (DOJ) and the U.S. Securities and Exchange Commission (SEC), relating to Danske Bank's Estonian branch.

The overall timing of completion and the outcome of the investigations by, and subsequent discussions with, the authorities are uncertain. It is not yet possible to reliably estimate the timing, form of resolution, or amount of potential settlement or fines, if any, which could be material.

Based on orders from the Danish FSA, Danske Bank's solvency need has been increased in 2018 by a Pillar II add-on of in total DKK 10bn to ensure adequate capital coverage of the increased compliance and reputational risks in relation to the Estonian AML matter.

On 9 January 2019, an action was filed in the United States District Court for the Southern District of New York by an alleged holder of Danske Bank's American Depositary Receipts, representing its ordinary shares, against Danske Bank and certain of its officers and former officers and/or directors. The complaint alleges that the defendants violated Section 10(b) and Sections 20(a) of the Securities Exchange Act of 1934 by, among other things, making false and misleading statements and/or failing to disclose adverse information regarding Danske Bank's business and operations in relation to AML matters relating to Danske Banks's Estonian branch and related matters. The complaint seeks unspecified damages on behalf of a putative class of purchasers of Danske Bank's American Depositary Receipts between 9 January 2014 and 29 April 2019. Danske Bank intends to defend against these claims. The timing of the completion of the lawsuit and the outcome are uncertain.

On 3 March 2019, a court case was initiated against Danske Bank for approval of a class action lead by a newly formed association with the aim to represent former and current shareholders in a liability action relating to the Estonian AML matter. On 14 March 2019 (168), October 2019 (64) and in January 2020 (9), 241 separate cases were initiated against Danske Bank with a total claim amount of approximately DKK 1.3bn. These court actions filed with the Copenhagen City Court relate to alleged violations in Danske Bank's branch in Estonia of the rules on prevention of money laundering and alleged failure to timely inform the market of such violations. Danske Bank intends to defend itself against these claims. The timing of completion of any such lawsuits (pending or threatening) and their outcome are uncertain.

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 16 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.

PROVISIONS FOR LEGAL DISPUTES, UNCERTAIN TAX POSITIONS, ETC.

Management's estimate of the provisions regarding 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 and recognition of uncertain tax positions have been made where the probability of the group's tax positions being upheld in individual cases is considered less than 50%. Claims, for which the probability of the group's tax position being upheld is assessed by management to be at least 50%, are not provided for. Such risks are instead evaluated on a portfolio basis by geographical area, and country risk provisions and uncertain tax liabilities are recognised where the aggregated probability of the group's tax position being upheld is considered less than 50%.

Note 28: Significant accounting estimates and judgments - continued

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 amounting to DKK 0.6bn (DKK 0.9bn), 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.

VESSEL SHARING AGREEMENTS (COST SHARING ARRANGEMENTS)

Vessel sharing agreements in shipping require that some vessels are committed towards specific service routes. The committed vessel's capacity is then shared with one or more container shipping providers in proportion to each party's contribution to the joint service. In practice, it is not always possible to provide tonnage precisely as agreed in the sharing arrangements, therefore financial settlement often takes place on the basis of relative capacity over/under utilised on a monthly or other mutually agreed cycle. At the group, these capacity adjustments are settled as close to actual costs incurred as possible, based on market rates applicable at that time.

LEASING

The group enters into a substantial amount of lease contracts, some of which combine leasing and service components in the same leasing arrangement, such as time charter contracts. Judgment is applied in determining the stand-alone value of each component using specialised tools to streamline the valuation process. Similarly, determining variable lease payments requires significant judgment and understanding of facts and circumstances that give rise to variable payments. In the group, variable payments are linked to the uncertain period for which container equipment is used outside the firm contract period, due to flexible redelivery periods and certain terminal concession agreements for which payments are linked to future performance, such as number of TEUs handled, or depend on an index.

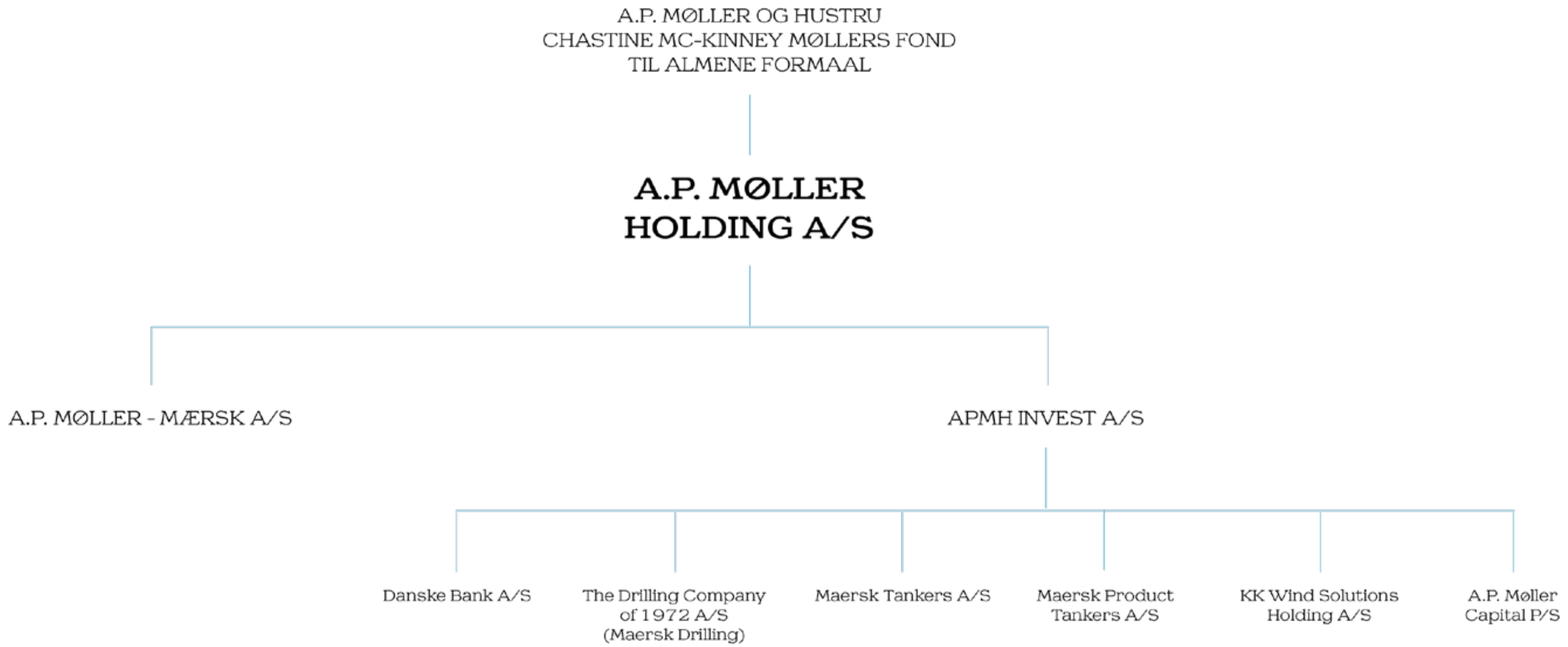
A significant amount of lease contracts contains extension or purchase options or termination options or various combinations of these options. Assessment of the exercise or non-exercise of such options impacts the value of right-of-use assets recognised. Such assessments are reviewed whenever a significant event or change in circumstances occurs.

IFRS 16 requires that a discount rate is applied to determine the present value of lease payments. Significant judgment is required in determining appropriate rates, therefore management applies a formalised process for determining applicable discount rates using specialist staff.

DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Discontinued operations represent a separate major line of business disposed of or in preparation for sale. During 2019, Maersk Supply Service no longer fulfilled the requirement to be classified as discontinued operations and assets held for sale and was thus reclassified as continuing operations. Comparison figures for the income statement and cash flow statement have been restated as if Maersk Supply Service had always been part of continuing operations. The impact on 2019 of the reclassifications on key accounting lines were: Revenue (DKK 1.7bn), EBITDA (DKK 20m) and Loss for the period – continuing operations (DKK 2.6bn).

Note 29: Company overview



Note 29: 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	41.5%
APMH Invest A/S	Denmark	100%

[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%
A/S Maersk Aviation Holding	Denmark	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 B.V.	The Netherlands	100%
Maersk Bangladesh Ltd.	Bangladesh	100%
Maersk Container Industry A/S	Denmark	100%
Maersk Container Industry Qingdao Ltd.	China	100%
Maersk Denizcilik A.Ş.	Turkey	100%
Maersk Egypt For Maritime Transport SAE	Egypt	100%
Maersk FPSOs A/S	Denmark	100%
Maersk Gabon SA	Gabon	100%
Maersk Global Service Centres (Chengdu) Ltd.	China	100%
Maersk Global Service Centres (India) Pvt. Ltd.	India	100%
Maersk Holding B.V.	The Netherlands	100%
Maersk Hong Kong Ltd.	Hong Kong	100%

Note 29: Company overview - continued

Subsidiary	Country of incorporation	Ownership share
Maersk Inc.	USA	100%
Maersk Inter Holding B.V.	The Netherlands	100%
Maersk Line Agency Holding A/S	Denmark	100%
Maersk Line UK Ltd.	UK	100%
Maersk Line, Limited	USA	100%
Maersk Logistics Warehousing China Company Ltd.	Hong Kong	100%
Maersk Oil Trading and Investments A/S	Denmark	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 Vietnam Ltd.	Vietnam	100%
New Times International Transport Service Co. Ltd.	China	100%
Poti Sea Port Corporation	Georgia	100%
PT Damco Indonesia	Indonesia	98%
Rederiaktieselskabet Kuling	Denmark	100%
Rederiet A.P. Møller A/S	Denmark	100%
Safmarine (Pty) Ltd.	South Africa	100%
Safmarine MPV NV	Belgium	100%
Sealand Europe A/S	Denmark	100%
Sealand Maersk Asia Pte. Ltd.	Singapore	100%
Sogester - Sociedade Gestora De Terminals 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%
U.S. Marine Management, Incorporated	USA	100%
West Africa Container Terminal Nigeria Ltd.	Nigeria	100%

Associate	Country of incorporation	Ownership share
Abidjan Terminal SA	Ivory Coast	49%
Brigantine International Holdings Ltd.	Hong Kong	30%
Brigantine Services Ltd.	Hong Kong	30%
Congo Terminal Holding SAS	France	30%
Congo Terminal SA	Republic of the Congo	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%
Pelabuhan Tanjung Pelepas Sdn. Bhd.	Malaysia	30%
Salalah Port Services Company SAOG	Oman	30%
Shanghai Tie Yang Multimodal Transportation Co. Ltd.	China	29%
South Asia Gateway Pvt. Ltd.	Sri Lanka	33%
Tianjin Port Alliance International Container Terminal Co. Ltd.	China	20%

Joint ventures	Country of incorporation	Ownership share
Anchor Storage Ltd.	Bermuda	51%
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%
Petrolesport OAO	Russia	31%
Qingdao New Qianwan Container Terminal Co. Ltd.	China	19%
Qingdao Qianwan Container Terminal Co. Ltd.	China	20%
Shanghai East Container Terminal Co. Ltd.	China	49%
Smart International Logistics Company Ltd.	China	49%
South Florida Container Terminal LLC	USA	49%
Vostochnaya Stevedore Company OOO	Russia	31%
Xiamen Songyu Container Terminal Co. Ltd.	China	25%

Note 29: Company overview - continued

COMPANIES OF APMH INVEST A/S ARE LISTED BELOW

Subsidiary	Country of incorporation	Ownership share
The Drilling Company of 1972 A/S[1]	Denmark	41.6%
Maersk Tankers A/S	Denmark	100%
Maersk Product Tankers A/S	Denmark	70%
KK Wind Solutions Holding A/S	Denmark	100%
A.P. Møller Capital P/S	Denmark	51%
AIF I Sponsor Invest K/S	Denmark	100%
A.P. Møller Capital GP ApS	Denmark	100%
Africa Infrastructure Fund I GP ApS	Denmark	100%
APMH Invest IV A/S	Denmark	100%
APMH Invest V ApS	Denmark	100%
APMH Invest VI ApS	Denmark	100%
APMH Invest VII ApS	Denmark	100%
APMH Invest VIII A/S	Denmark	100%

1 APMH Invest A/S is considered to hold a controlling interest in The Drilling Company of 1972 A/S

Associate	Country of incorporation	Ownership share
Danske Bank A/S	Denmark	21.3%

COMPANIES OF THE DRILLING COMPANY OF 1972 A/S ARE LISTED BELOW

Subsidiary	Country of incorporation	Ownership share
Maersk Drilling Holding A/S	Denmark	100%
Maersk Drilling A/S	Denmark	100%
Maersk Drilling Services A/S	Denmark	100%
Maersk Drilling UK Limited	UK	100%
Maersk Drilling (UAE) FZE	United Arab Emirates	100%
Maersk Drilling International A/S	Denmark	100%
Maersk Offshore Crew Management (Guernsey) Ltd.	Guernsey	100%
Maersk Drilling Deepwater A/S	Denmark	100%
Maersk Drilling Services LLC	Azerbaijan	100%
Maersk Drilling Labuan Ltd	Malaysia	100%
Maersk Inspirer Operations AS	Norway	100%
Maersk Reacher Operations AS	Norway	100%
Maersk Intrepid Operations AS	Norway	100%
Maersk Integrator Operations AS	Norway	100%
Maersk Drilling Norge AS	Norway	100%
Maersk Invincible Norge A/S	Denmark	100%
Maersk Intrepid Norge A/S	Denmark	100%
Maersk Interceptor Norge A/S	Denmark	100%
Maersk Integrator Norge A/S	Denmark	100%
Mærsk Innovator Norge A/S	Denmark	100%
Mærsk Inspirer Norge A/S	Denmark	100%
Maersk Reacher Norge A/S	Denmark	100%
Mærsk Gallant Norge A/S	Denmark	100%
Maersk Drilling DS A/S	Denmark	100%
Maersk Drilling Americas A/S	Denmark	100%
Maersk Drilling USA Inc	USA	100%
Maersk Viking LLC	USA	100%
Maersk Drilling Brasil Servicos de Perfuracao Maritmos Ltda	Brazil	100%

Note 29: Company overview - continued

Subsidiary	Country of incorporation	Ownership share
Maersk Drilling Mexico S.A. de C.V.	Mexico	100%
Maersk Drilling Services S.A. de C.V.	Mexico	100%
Maersk Drilling Australia Pty Ltd.	Australia	100%
Maersk Drilling Holdings Singapore Pte Ltd.	Singapore	100%
Maersk Highlander UK Ltd	UK	100%
Maersk Drillship I Singapore Pte.Ltd.	Singapore	100%
Maersk Drillship II Singapore Pte.Ltd.	Singapore	100%
Maersk Drillship III Singapore Pte Ltd.	Singapore	100%
Maersk Drillship IV Singapore Pte Ltd.	Singapore	100%
Maersk Drilling Nigeria Holdings Pte. Ltd.	Singapore	100%
Maersk Drilling Nigeria Operations Limited	Nigeria	100%
Maersk Drilling Services Singapore Pte. Ltd.	Singapore	100%
Maersk Drilling Deepwater Egypt LLC	Egypt	100%
Maersk Drilling North Sea A/S	Denmark	100%
Maersk Drilling Poland sp. z o.o (8 April 2019)	Poland	100%
Maersk Drilling Netherlands BV	Netherlands	100%
Maersk Drilling India Private Limited	India	100%
MD Viking Company Limited	Myamar	100%
Maersk Drilling Abu Dhabi Ltd. (W.L.L.)[1]	Abu Dhabi	33%
Maersk JS-Services Lda Angola JV[1]	Angola	49%
Maersk Drilling Qatar W.L.L[1]	Qatar	49%
Maersk Drilling Malaysia SDN [1]	Malaysia	49%
Maersk Rigworld Ghana Limited[1]	Ghana	65%
Maersk Drilling Nigeria JVCO Limited[1]	Nigeria	49%

Joint ventures	Country of incorporation	Ownership share
Maersk Decom A/S[1]	Denmark	50%
PMD Viking Ghana Ltd	UK	50%

[1] Maersk Decom A/S is owned jointly with A.P. Moller - Maersk. Ownership share amounts to 100% in total

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%

Note 29: Company overview - continued

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%

COMPANIES OF KK WIND SOLUTIONS HOLDING A/S ARE LISTED BELOW

Subsidiary	Country of incorporation	Ownership share
KKWSH ApS	Denmark	100%
KK Wind Solutions A/S	Denmark	100%
KK-ELECTRONIC DENMARK ApS	Denmark	100%
KK Wind Solutions International ApS	Denmark	100%
KK Wind Solutions India Pvt. Ltd.	Denmark	100%
KK Wind Solutions Service A/S	Denmark	100%
KK Wind Solutions Service Holding US Inc.	Denmark	100%
KK Wind Solutions Service US Inc.	Denmark	100%
KK Wind Solutions Polska Sp. Z.o.o	Denmark	100%
KK-GROUP A/S	Denmark	100%

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY FINANCIAL STATEMENTS

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INCOME STATEMENT

Note	Amounts in DKKm	2019	2018
1	Share of profit in subsidiaries	5,021.6	10,292.7
2	Staff costs	- 92.3	- 53.0
	Other external expenses	- 37.1	- 27.7
3	Depreciation	-0.8	0.0
	Other income	11.8	9.4
	Profit before financial items	**4,903.2**	**10,221.4**
4	Other financial income	436.6	195.3
5	Other financial expenses	- 228.7	- 90.6
	Profit before tax	**5,111.1**	**10,326.1**
6	Tax on profit for the year	- 23.8	- 6.6
7	**Net profit for the year**	**5,087.3**	**10,319.5**

BALANCE SHEET AS OF 31 DECEMBER

Note	Amounts in DKKm	2019	2018
	Non-current assets		
3	Property	227.5	140.7
	Equipment	4.1	0.0
1	Investments in subsidiaries	127,599.7	121,981.3
	Total non-current assets	**127,831.3**	**122,122.0**
	Current assets		
	Receivables from affiliates	8.2	0.0
8	Deferred tax	15.4	2.4
	Tax receivables	43.4	43.5
	Other receivables	17.5	2.0
	Total receivables	**84.5**	**47.9**
	Securities	**2,307.1**	**381.8**
	Cash and bank balances	**428.0**	**1,202.0**
	Total current assets	**2,819.6**	**1,631.7**
	Total assets	**130,650.9**	**123,753.7**

Note	Amounts in DKKm	2019	2018
	Equity		
9	Share capital	2,000.0	2,000.0
	Reserve for net revaluation under the equity method	15,244.4	9,067.4
	Retained earnings etc	113,076.1	112,151.4
	Proposed dividend	250.0	500.0
	Total equity	**130,570.5**	**123,718.8**
	Short-term debt		
	Debt to banks	0.2	0.0
	Payables to affiliates	1.4	0.0
	Trade payables	13.4	14.7
	Other payables	65.4	20.2
	Total short-term debt	**80.4**	**34.9**
	Total liabilities	**80.4**	**34.9**
	Total equity and liabilities	**130,650.9**	**123,753.7**

10	Related parties
11	Commitments
12	Contingent liabilities
13	Events after the balance sheet date
14	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 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[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**
Impact due to implementation of new accounting standards	0.0	-61.2	0.0	0.0	-61.2
Adjusted equity as of 1 January 2019	**2,000.0**	**9,067.4**	**112,151.4**	**500.0**	**123,718.8**
Dividend paid for the year	0.0	0.0	0.0	-500.0	-500.0
Net profit/loss for the year	0.0	5,021.6	-184.3	250.0	5,087.3
Dividend from subsidiaries	0.0	-1,296.3	1,296.3	0.0	0.0
Other adjustments[1]	0.0	2,451.7	-187.3	0.0	2,264.4
Equity at 31 December 2019	**2,000.0**	**15,244.4**	**113,076.1**	**250.0**	**130,570.5**

[1] Other adjustments primarily comprise exchange rate adjustments


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1975
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1967
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Notes to parent company financial statements

Note 1: Investments in subsidiaries

Amounts in DKKm	2019	2018
Cost as of 1 January	112,913.3	112,929.9
Additions	1,800.0	215.8
Disposals	- 2,358.0	- 232.4
Cost as of 31 December	**112,355.3**	**112,913.3**
Adjustment to carrying amount as of 1 January	9,068.0	- 2,073.2
Impact due to implementation of new accounting standards	0.0	- 61.2
Share of profit for the year	5,021.6	10,292.7
Dividend	- 1,296.3	- 1,296.3
Disposals	- 139.3	0.0
Other adjustments incl. exchange rate adjustments	2,590.4	2,206.0
Adjustment to carrying amount as of 31 December	**15,244.4**	**9,068.0**
Carrying amount as of 31 December	**127,599.7**	**121,981.3**

COMPANY OVERVIEW AS AT 31 DECEMBER 2019

Subsidiary	Country of incorporation	Ownership share[1]	Voting share
A.P. Møller - Mærsk A/S	Denmark	41.51%	51.45%
APMH Invest A/S	Denmark	100.00%	100.00%

[1] Percentage of total number of issued shares

Please refer to the company overview for A.P. Moller Holding's group of companies as stated in note 29, which is an integrated part of this note.

Note 2: Staff costs

Amounts in DKKm	2019	2018
Wages and salaries	90.3	51.3
Pensions	1.8	1.6
Other social security costs	0.2	0.1
Total	**92.3**	**53.0**
Average number of employees	28	21
Remuneration to the Executive Board	41.9	20.2
Remuneration to the Board of Directors	0.8	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 16m (DKK 4m).

Note 3: Property

Amounts in DKKm	2019	2018
Cost as of 1 January	140.7	90.4
Additions	87.6	50.3
Disposals	0.0	0.0
Cost as of 31 December	**228.3**	**140.7**
Depreciation as of 1 January	0.0	0.0
Depreciation for the year	- 0.8	0.0
Depreciation as of 31 December	**- 0.8**	**0.0**
Carrying amount as of 31 December	**227.5**	**140.7**

Property was acquired in 2017 and has been under reconstruction until October 2019.

Note 4: Other financial income

Amounts in DKKm	2019	2018
Interest income	33.2	25.8
Dividends	13.7	5.6
Exchange rate gains	104.0	155.7
Gains on securities	285.7	8.2
Total	**436.6**	**195.3**

Note 5: Other financial expenses

Amounts in DKKm	2019	2018
Interest expenses	1.4	0.1
Exchange rate losses	78.9	44.6
Losses on securities	148.4	45.9
Total	**228.7**	**90.6**

Note 6: Tax on profit for the year

Amounts in DKKm	2019	2018
Tax on profit for the year	31.3	7.6
Adjustment of tax concerning previous years	5.5	- 0.7
Adjustment of deferred tax	- 13.0	- 0.3
Total	**23.8**	**6.6**

Note 7: Distribution of net profit for the year

Amounts in DKKm	2019	2018
Proposed dividend	250.0	500.0
Reserve for net revaluation under the equity method	5,021.6	10,292.7
Retained earnings	-184.3	-473.2
Net profit for the year	**5,087.3**	**10,319.5**

Note 8: Deferred tax

Amounts in DKKm	2019	2018
Deferred tax asset as of 1 January	2.4	2.1
Adjustment of deferred tax for the year	13.0	0.3
Deferred tax asset as of 31 December	**15.4**	**2.4**

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: Share capital

Amounts in DKKm	
Changes in share capital in the past 5 years	
Share capital as of 1 January 2015	1,000.0
Capital increase through non-cash contribution at 2 March 2015	1,000.0
Share capital as of 31 December 2019	**2,000.0**

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

Note 10: 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 in 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 11: Commitments

As part of the company's activities, lease agreements are entered into regarding lease of office equipment and cars. The total amount of lease commitments regarding short term and low value asset leases as of 31 December 2019 amounts to DKK 1.0m. During 2019, the company has low-value leases amounting to DKK 0.4m.

Commitments regarding supplier contracts amount to DKK 0.0m (DKK 50.0m).

Note 12: Contingent liabilities

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

Note 13: Events after the balance sheet date

The global outbreak of the Coronavirus (COVID-19) is leading to significant uncertainties and lack of visibility related to A.P. Moller Holding Group and our businesses. The COVID-19 is a non-adjusting event after the reporting period. Therefore, amounts recognised in the financial statements shall not be adjusted based on this event. However, due to the material negative impact of the pandemic on financial markets, oil prices, global transport operations, business-critical supply chains, etc., future economic decision to be made on the basis of the financial statements should carefully take all subsequent facts and circumstances into consideration. Due to the very difficult situation with significant uncertainties and lack of visibility at the time of presenting this Financial Statements, management is not able to make any relevant and reliable estimate of the financial effect of the event and the impact to future reporting periods. Such effect could potential have a material impact.

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 14: Accounting policies

The Financial Statements for 2019 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 company.

With reference to section 96(3) of the Danish Financial Statements Act, the company has not presented fees to statutory auditors.

Compared to the accounting policies described for A.P. Møller Holding A/S as stated in note 27 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. Goodwill and other intangible assets with indefinite useful lives are recognised as part of the investment and amortised over a maximum of 25 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 have been prepared under the same accounting policies as last year except for the below mentioned changes regarding recognition of leases, uncertain tax positions and health and accident insurance.

The Financial Statements are presented in DKK million.

Note 15: Accounting policies - continued

CHANGE IN ACCOUNTING POLICIES

Effective 1 January 2019, the company applied the new reporting standard on Leases, IFRS 16. The change will mainly affect share of profits in subsidiaries and associated companies.

All leases are recognised as right-of-use assets with corresponding lease liabilities at the date on which the leased asset is available for use.

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

The company transitioned to IFRS 16 in accordance with the modified retrospective approach, therefore previous period comparative figures are not adjusted in the financial statements. Additionally, the IAS 17 definition of a lease and its related interpretations have been retained.

The change in accounting policies due to leases had no change on the equity of A.P. Møller Holding A/S as well as on total assets and total liabilities.

The company follows the guidelines in IFRIC 23 for accounting for uncertain income tax positions and the implementation of the interpretation standard has not resulted in a significant change to the measurement of uncertain tax positions.

The company has voluntarily changed its accounting policy for calculating the provision for health and accident insurance contracts, with the risk coverage period no longer than one year. Retrospective application is impracticable without the use of hindsight and due to lack of data. The cumulative impact is recognised as a reduction in shareholders' equity at 1 January 2019 of DKK 61.2m. The impact on net profit for 2019 is insignificant.

INCOME STATEMENT

Share of profit/loss in subsidiaries and associated companies

Share of profit/loss in subsidiaries and associated companies is recognised net of tax and corrected for the share of unrealised intra-group gains and losses. The line item also includes amortisation and impairment of goodwill recognised as part of the equity investment.

Expenses

Other external expenses comprise expenses for administration, office supplies, etc.

Other income

Other income comprises service fees.

BALANCE SHEET

Investment in subsidiaries and associates

Investment in subsidiaries and associates 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 investee, and the company's share of movements in equity of the investee. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the company. Dividends received or receivable from subsidiaries and associates are recognised as a reduction in the carrying amount of the investment.

When the company's share of losses in an equity-accounted investment equals or exceeds its interest 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 other entity.

Unrealised gains on transactions between the company and its subsidiaries are eliminated in full. Unrealised gains on transactions between the company and its associates are eliminated to the extent of the group's interest in these entities.

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.

REPORTS


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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 2019.

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 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 2019 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 2019.

In our opinion, Management 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, 15 April 2020

Executive Board

Robert Mærsk Uggla
CEO

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 as of 31 December 2019 and of the results of the group's operations and cash flows for the financial year 1 January to 31 December 2019 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 as of 31 December 2019 and of the results of the parent company's operations for the financial year 1 January - 31 December 2019 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 2019, 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 REVIEW

Management is responsible for Management Review.

Our opinion on the financial statements does not cover Management 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 Review and, in doing so, consider whether Management 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 Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management 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 Statements Act. We did not identify any material misstatement in Management 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 the 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the parent company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting 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, 15 April 2020

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

Photos
P. 22: Maersk Drilling, P. 24 + 26: Maersk Tankers, P. 28: KK Wind Solutions, P. 30: Zute Lightfoot/Alamy Stock, P. 121: Ursula Bach, Adam Mørk/C.F. Møller, Adam Mørk/Henning Larsen Architects, Jasper Carlberg, Colourbox, Rasmus Hjortshøj

OWNED BY THE A.P. MOLLER FOUNDATION

The A.P. Moller Foundation was established by A.P. Møller, with the support of his children, in 1953 to safeguard the long-term viability of the Group and control by the Mærsk family. Over the years, the Foundation has donated proceeds to a number of social, cultural and educational projects.

Examples of the Foundation's recent donations

The Copenhagen Common 'Fælledparken'
(2012)

The Royal Danish Opera House
(2004)

Maersk Tower
(2017)

Inderhavnen Bridge
(2016)

Danish State School Donation
(2013-)

Museum Tirpitz
(2017)