Maersk A/S

Esplanaden 50, DK-1263 Copenhagen K
CVR-nr. 32 34 57 94

Annual report 2021

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 30 May 2022.

DocuSigned by:
Casper Munch
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Casper Munch
Chairman of the meeting

Contents

MANAGEMENT'S REVIEW

COMPANY DETAILS

Name	Maersk A/S
Address	Esplanaden 50, 1263 Copenhagen K., Denmark
CVR no.	32 34 57 94
Established	4 December 2013
Registered office	Copenhagen
Financial year	1 January – 31 December
Website	www.maersk.com
Board of Directors	Søren Skou, Chairman Patrick Jany Caroline Sundorph Pontoppidan
Executive Board	Vincent Clerc, CEO
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44, 2900 Hellerup, Denmark
Annual General Meeting	Annual general meeting will be held on 30 May 2022

FINANCIAL HIGHLIGHTS AND KEY FIGURES

USD million	2021	2020	2019	2018	2017
Key figures*					
Revenue	40,737	24,783	24,888	24,688	21,707
Profit before depreciation and impairment losses	16,112	4,841	3,369	1,599	1,871
Profit before financial items	13,181	2,145	469	-88	458
Profit for the year	**14,408**	**1,399**	**-331**	**-450**	**162**
Non-current assets	30,226	26,006	27,800	24,403	25,024
Current assets	14,316	8,124	3,740	4,381	4,842
Total assets	**44,542**	**34,130**	**31,540**	**28,784**	**29,866**
Share capital	82	82	82	82	82
Equity	**26,912**	**9,389**	**5,114**	**5,402**	**5,919**
Provisions	584	440	360	377	336
Non-current liabilities other than provisions	6,881	16,968	17,456	14,282	15,940
Current liabilities other than provisions	10,165	7,333	8,610	8,723	7,671
Cash flows from operating activities	15,107	4,408	4,357	1,272	1,993
Net cash flows from investing activities	1,286	385	175	-517	-5,794
Of which property, plant and equipment	*-1,532*	*-191*	*-386*	*-948*	*-1,461*
Cash flows from financing activities	-16,374	-4,797	-4,594	-727	3,726
Net cash flow for the year	**19**	**-4**	**-62**	**28**	**-76**
Financial ratios**					
Operating margin	32%	9%	2%	0%	2%
Solvency ratio	60%	28%	16%	19%	20%
Return on equity	79%	19%	-6%	-8%	3%
Average number of employees***	10,807	10,405	9,743	9,202	1

*Presented key figures related to Maersk A/S legal entity and are not consolidated figures. IFRS 16 was implemented in 2019, therefore the figures for 2018 and prior to 2018 do not follow the same accounting practice.

The subsidiary Hamburg Südamerikanische DG KG's liner business (total assets of USD 4.6bn as of 31 December 2021 and net assets of USD 3.2bn) were transferred to Maersk A/S parent on 1 November 2021. The income statement for 2021 thus includes 2 months' activity (profit of USD 0.6bn) previously reported in the subsidiary and the balance sheet balances as per 31 December 2021.

**Definitions of financial ratios are as below:
Operating margin: Profit before financial items / loss (EBIT) / Revenue
Solvency ratio: Equity at year end / Total equity and liabilities at year end
Return on equity: Profit for the year after tax / Average equity

***Prior to 2018 staff was employed in other A.P. Moller - Maersk companies. From 2018, majority of seafarers are employed directly by Maersk A/S.

MAERSK A/S' MAIN ACTIVITIES

Maersk A/S' and its subsidiaries' primary activities are to perform shipping, chartering, trade and service, other transport business and industrial activities in Denmark and abroad, investment in fixed assets and financing, as well as other related activities. The A.P. Moller - Maersk group is one of the world's largest container shipping companies, operating 311 owned vessels and 427 chartered vessels at the end of the year, and known for reliable, flexible and eco-efficient services.

Maersk A/S is part of A.P. Moller – Maersk, an integrated transport & logistics company with multiple brands that is a global leader in container shipping and ports. Maersk's services are marketed through the Maersk Line, Hamburg Süd, Aliança and SeaLand brands.

FINANCIAL REVIEW

Maersk A/S (parent company and branches) generated revenue of USD 40,737m and made a profit of USD 14,408m compared to USD 1,399m in 2020.

The subsidiary Hamburg Südamerikanische DG KG's liner business was on 1 November 2021 transferred to Maersk A/S parent, adding total assets of USD 4.6bn and equity of USD 3.2bn to the balance sheet.

Loaded volumes were 4% higher than 2020 and freight rates on average 66% higher than previous year. Bunker price as well as bunker consumption went up in 2021; the bunker price and bunker consumption, combined leading to 40% higher bunker costs. Container handling costs and network costs (excl. bunker) both increased by 15% and 9% respectively, as compared to 2020. Altogether, operating costs were 17% higher than 2020. Depreciation, impairment losses on investments in subsidiaries and financial items were largely at same level as 2020.

In August 2021, the Company further accelerated its decarbonisation efforts with the order of eight large vessels of ~16,000 TEU that will also be capable of running on green methanol. Prepayments of USD 0.5bn were done in 2021 and further USD 1.5bn committed.

The Market

Consumer demand for goods was supported by economic policy and the ability to make purchases online, while services demand such as tourism and restaurants remained subdued in the first half of the year. At the same time, the supply side of the logistics industry continued to be disrupted by COVID-19 and capacity shortages, where container availability and air capacity remained tight, and wait times for vessels outside of ports remained lengthy given the bottlenecks in landside transportation and warehousing. Strong demand combined with supply shortages led to sharp increases in cost of logistics services.

Economic activity in 2021 was supported by the swift roll-out of vaccines and extensive fiscal programmes and loose monetary policy in many countries, leading to high levels of consumer spending and business investment, above all in the USA. Sales via the e-commerce channel expanded sharply and supported a massive shift in spending patterns towards consumer goods. Meanwhile, demand for services such as travels and dining at restaurants remained subdued due to COVID-19 restrictions, although services demand began to normalise in H2 2021. Large economies such as the USA and China recovered to pre-crisis levels during 2021 and are currently running at or above pre-crisis trend. Inventories remained extraordinarily low due to shortages of semiconductors and other production inputs.

Demand for logistics services recovered strongly in 2021 across global supply chains, following the sharp downturn in 2020. The demand recovery, above all in the USA, supported volume activity in the broader freight markets. Global container sea freight increased by 8% in 2021, and air cargo volumes (CTK) rose more than 20% in the period from January to November. According to Drewry, port throughput volumes increased by 6.5% in 2021, mainly driven by North America and South Asia, but with all regions showing significant growth rates.

Global container trade recovered strongly by 8% in 2021, following the setback in 2020 due to the COVID-19 pandemic. More volumes were moved in H2 2021 than ever before, despite the logistics challenges. Compared to 2019, container volumes in 2021 were 6% higher, and volumes are now back to trend levels, In H2 2021, global container demand growth moderated to 1%, down from double-digit growth rates in H1 2021 which were supported by the very weak container volumes in H1 2020.

The 2021 recovery was broad-based across regions, but particularly imports to North America grew fast by 13% and to Latin America by 20%, reflecting the strong demand for consumer goods. Goods consumption stalled in recent months in Europe, and production in the automotive sector was hit hard by input shortages. Consequently, European container imports from the Far East decreased in Q3 2021, but recovered again in Q4, driving down the full-year 2021 growth to 8%. Asian imports from the USA and Europe declined by 6% in 2021, reflecting weaker Chinese demand for construction materials in H2 2021 and the importance of getting empty containers back to China. North-South container trade grew 8% in 2021.

The container industry remained capacity constrained. In particular, landside disruptions continued to substantially constrain supply chain capacity, and bottlenecks in ports reduced effective vessel capacity. At the end of Q4, the nominal global container fleet stood at 25m TEU, an increase of 4.5% compared to Q4 2020. Deliveries amounted to 1,075k TEU (153 vessels) while only 17k TEU were scrapped, reflecting the challenged capacity situation. The order book reached 23% of the global fleet in Q4 on the back of continued high activity in new ordering. With the idle fleet remaining low (1% of the fleet at the end of Q4), the underlying demand-supply balance deteriorated slightly towards the end of the year. According to Alphaliner, the nominal global container fleet will grow by 4% in 2022.

Although demand only outgrew effective supply by a margin in 2021, the broader disruptions, mainly on the landside, drove freight rates away from fundamentals. A congestion index constructed by Deutsche Bank measuring vessel delays at ports captures well the increase in freight rates during 2021. And a further deep dive shows that port congestions were mainly apparent on the US West Coast, peaking at around three times above the normal in November 2021, while congestions in China and Europe were around 50-75% above normal. Asia to US West Coast freight rates increased by 104%, and Asia to US East Coast rose by 95%. Freight rates increased even more on the Asia to North Europe trades by 274% and by 264% from Asia to Mediterranean Europe.

Logistics services demand moderated across global supply chains in Q1 2022. The Russian invasion of Ukraine came at a time, where most economic data suggested that the Global economy was set to accelerate on the back of a rebound in service sector activity as the Omicron wave of COVID-19 faded in large parts of the World (China a notable exception).

The invasion and the ensuing sanctions on Russia are clearly having a very significant negative impact on Ukraine and Russia. The invasion has also added to inflationary pressures elsewhere via higher energy and commodity prices. At this stage, not much data is available for the post-invasion period. Survey data suggests that outside Russia, Ukraine, and China activity held up reasonably well in March, but at the same time forward-looking components suggest that the shock will feed through to activity in the coming months. Europe as well as many emerging and developing economies are at this stage among the most exposed to the fallout from the invasion. Key to the outlook for trade is how consumers and businesses react to the elevated uncertainty, higher prices, and tighter financial conditions, and in the case of China to the fall out of zero-COVID-19 policy.

Global container demand declined by 1.2% in Q1 2022, down from 8% growth in 2021. Trade flow levels flattened at high levels in the USA, where consumption of technology and retail goods had been supported during the COVID-19 pandemic. North American container imports from the Far East rose only 0.5% in Q1 2022. European consumer confidence remained high in the beginning of 2022 (before dropping sharply in March following Russia's invasion of Ukraine) and unmet demand from capacity shortages in 2021 further supported import volumes. Consequently, European container imports from the Far East increased by 1.4% in Q1 2022.

Looking ahead, the escalation of the war in Ukraine will have a direct negative impact on trade flows in and out of both Russia and Ukraine, and it will likely also reduce economic activity in most European countries. Global container demand is projected to stay flat (-1% to +1%) in 2022.

Strategy review

Maersk is on a transformation journey to become the global integrator of container logistics, connecting, and simplifying our customers' supply chains.

Global trade is a key contributor to economic development, enabling exporters to sell their products in all relevant markets and importers to source goods and parts from the most competitive suppliers around the world. Container logistics play a significant role in global trade by reducing trade barriers through reducing the cost of transportation. Maersk has played a vital role in container logistics for more than 40 years and takes pride in this contribution to global growth and wealth. Maersk's strategy is to accelerate that contribution by reducing complexity and waste along the global containerised supply chains. Maersk has designed the strategy around its customers' needs and pain points, hereby creating a market opportunity that will deliver value to customers as well as profitable growth and improved performance for Maersk.

The strategy for A.P. Moller – Maersk involves the activities of Maersk A/S. It is the view of Management that realising on the vision and strategy outlined for A.P. Moller – Maersk will bring benefits to Maersk A/S.

OUTLOOK

Guidance for 2022 is based on the expectations that Maersk A/S will have a strong first half year, and the assumption that normalisation in the market occurs early in the second half of the year. Financial performance of Maersk A/S for the full year 2022 depends on several factors and is subject to uncertainties related to COVID-19, bunker fuel prices and freight rates given the uncertain macroeconomic and geopolitical conditions.

Maersk A/S is expected to grow in line with the global container demand between -1% and +1% in 2022, subject to high uncertainties related to the current congestion, network disruptions and demand patterns. With above assumptions and uncertainties in mind, EBITDA for 2022 is estimated to land at USD 20 – 22bn.

RISKS

Market risks

The main risks to Maersk A/S's performance and strategy execution relate to operational performance, cost inflation as well as a larger than expected downturn in the container market. In a particular structural supply/demand gap, coupled with the significant exposure that Maersk A/S has to the Asia-Europe trade where the larger vessels are increasingly deployed, leaves the Company vulnerable to substantial fluctuations in freight rates and commercial losses.

Maersk A/S is mitigating these risks by designing a competitive network, being a cost leader in the industry, continuing to simplify the organisation and optimising the network utilisation through alliances and vessel sharing agreements.

Financial risks

Financial risks are described in note 15 of the financial statements.

SUSTAINABILITY AND GENDER COMPOSITION OF MANAGEMENT

An independently assured Sustainability Report for 2021 is published which provides detailed information on the A.P. Moller – Maersk Group's sustainability performance and sustainability strategy. The report serves as the Group's Communication on Progress as required by the UN Global Compact and ensures compliance with the requirements of Section 99a of the Danish Financial Statements Act (Årsregnskabsloven) on corporate social responsibility and reporting on the gender composition of management. The report is available on:

https://www.maersk.com/sustainability/reports-and-resources

Account and gender composition of Board of Directors
The Board of Directors consists of two males and one female; thus, the gender split is considered to be balanced and is expected to be maintained in the future.

Account and gender composition of other management
In 2021 targets to be achieved by 2025 were defined for representation of gender at all management levels. Targets are combined with recommended actions on three main areas: attraction, retention and inclusion and accountability together with new requirements for documentation of women considered by the executive search providers we use, and new processes for early identification of female talent.

Targets vary from 30% to 45% depending on job level. For managers and senior managers, there has been encouraging development in 2021, although targets are not fully met. For leaders, senior leaders, and executives, 2021 showed slightly lower female representation, hence still some way to go for fulfilling targets. As per above, actions are in place to accelerate representation.

Data Ethics
The responsible use of data is a critical enabler for the group business model. In line with regulatory requirements of Section 99d of the Danish Financial Statements Act (Årsregnskabsloven), A.P. Moller – Maersk established a data ethics policy in 2021, with accompanying governance measures. Please refer to Annual report of A.P. Møller - Mærsk A/S registered with CVR 22756214 for statement of data ethics:

https://investor.maersk.com/static-files/b4df47ef-3977-412b-8e3c-bc2f02bb4a5f

EVENTS AFTER THE BALANCE SHEET DATE

The Russian invasion of Ukraine is leading to significant uncertainties and lowered the visibility related to Maersk A/S and its business due to the war's material impact on financial markets, energy prices, etc. As a consequence of the invasion, Maersk A/S decided to withdraw completely from doing business in Russia. This includes services in and out of Russia as well as having assets in the country. Since the invasion, Maersk A/S executed on bookings already accepted, while it has stopped all new bookings to and from Russia and Belarus. The cost of terminating activities and fully abandoning business in Russia is expected to be in the range of USD 125-175m. Due to the uncertainty around the current situation, a reliable estimate of the full year impact cannot be measured. It is Management's expectation that lost volumes will be partially recovered in other areas and thus, mitigating a negative impact on revenue.

Reference is made to note 22 of the financial statements.

FOREIGN BRANCHES

The Company has shipping activities in USA, Canada, New Zealand, Australia, Japan and United Kingdom through the branches Sea Land Branch U.S.A., Maersk Line Branch Canada, Maersk Line Branch New Zealand, Maersk Line Branch Australia, Maersk Line Branch Japan, and Maersk Line Branch UK.

Income statement

Amounts in USD million

Note		2021	2020
1	Revenue	40,737	24,783
1	Operating costs	24,625	19,942
	Profit before depreciation and impairment losses	**16,112**	**4,841**
4,5,6	Depreciation and impairment losses, net	3,027	2,824
	Gain on sale of companies and non-current assets, etc., net	96	128
	Profit before financial items	**13,181**	**2,145**
2	Dividends received	2,814	776
2	Financial income	73	41
2	Financial expenses	1,009	1,221
2	Impairment of financial assets	592	307
	Profit before tax	**14,467**	**1,434**
3	Tax	59	35
	Profit for the year	**14,408**	**1,399**
	Appropriation:		
	Retained earnings	14,408	1,399
		14,408	**1,399**

Statement of comprehensive income

Amounts in USD million

Note		2021	2020
	Profit for the year	**14,408**	**1,399**
	Cash flow hedges		
	Value adjustment of hedges for the year	-92	101
13	Reclassified to income statement	-35	-10
	Reclassified to non-current assets	-	-15
	Actuarial gain/loss	2	-
	Total items that have been or may be reclassified to the income statement	**-125**	**76**
	Other comprehensive income, net of tax	**-125**	**76**
	Total comprehensive income for the year	**14,283**	**1,475**

Balance sheet 31 December

Amounts in USD million

Note		2021	2020
4	**Intangible assets**	**1,325**	**400**
5	**Property, plant and equipment**	**13,405**	**12,400**
6	**Right-of-use assets**	**9,228**	**5,590**
7	Investments in subsidiaries	6,203	7,596
	Interest bearing receivables from group related entities	13	13
13	Derivatives	4	7
	Financial non-current assets	**6,220**	**7,616**
8	**Deferred tax**	48	**-**
	Total non-current assets	**30,226**	**26,006**
9	**Inventories**	**889**	**519**
15	Trade receivables	5,243	2,052
	Tax receivables	92	70
14	Interest bearing receivables from group related entities	7,521	4,909
13	Derivatives	-	88
	Other receivables	138	143
	Other receivables from subsidiaries	157	131
	Prepayments	238	197
	Receivables	**13,389**	**7,590**
	Cash and bank balances	**38**	**15**
	Total current assets	**14,316**	**8,124**
	Total assets	**44,542**	**34,130**

Balance sheet 31 December

Amounts in USD million

Note		2021	2020
10	Share capital	82	82
	Reserves	26,830	9,307
	Total equity	**26,912**	**9,389**
11	**Lease liabilities, non-current**	**6,809**	**4,871**
11	**Interest bearing debt to group related entities**	**-**	**12,025**
12	Provisions	223	94
13	Derivatives	1	-
	Tax payables	71	28
	Other payables	44	44
	Other non-current liabilities	**339**	**166**
	Total non-current liabilities	**7,148**	**17,062**
11	**Lease liabilities, current**	**2,782**	**1,142**
11	**Interest bearing debt to group related entities**	**1,608**	**1,943**
12	Provisions	361	346
	Trade payables	5,189	3,867
13	Derivatives	45	-
	Tax payables	114	54
	Other payables	285	219
	Other payables to subsidiaries	98	108
	Other current liabilities	**6,092**	**4,594**
	Total current liabilities	**10,482**	**7,679**
	Total liabilities	**17,630**	**24,741**
	Total equity and liabilities	**44,542**	**34,130**

Cash flow statement

Amounts in USD million

Note		2021	2020
	Profit before financial items	13,181	2,145
4,5,6	Depreciation and impairment losses, net	3,027	2,824
	Gain/loss on sale of companies and non-current assets, etc., net	-96	-128
18	Change in working capital	-1,148	-577
	Other non-cash items	215	159
	Cash from operating activities before tax	15,179	4,423
	Taxes paid/received	-72	-15
	Cash flow from operating activities	**15,107**	**4,408**
18	Purchase of property, plant and equipment	-1,707	-418
	Sale of property, plant and equipment	175	227
7	Acquisition of and capital increases in subsidiaries and activities*	-33	-200
7	Sale of subsidiaries and activities	37	-
	Dividends received	2,814	776
	Cash flow used for investing activities	**1,286**	**385**
	Repayment of borrowings	-12,380	-904
	Repayment of lease liabilities	-2,083	-1,323
	Financial income received	10	13
	Financial expenses paid	-617	-803
	Financial expenses paid on lease liabilities	-256	-246
	Movements in interest bearing loans to/from subsidiaries, etc., net	-923	-1,610
	Other equity transactions	-125	76
	Cash flow from financing activities	**-16,374**	**-4,797**
	Net cash flow for the year	**19**	**-4**
	Cash and cash equivalents 1 January	15	9
	Currency translation effect on cash and cash equivalents	4	10
	Cash and cash equivalents 31 December	**38**	**15**

Cash and cash equivalents		2021	2020
	Cash and bank balances	38	15
	Cash and cash equivalents 31 December	**38**	**15**

For an analysis of liabilities arising from financing activities, reference is made to note 11.

*Acquisition of and capital increases in subsidiaries and activities included USD -84m related to captial increase and USD 51m other transfer of asset from subsidiaries.

Statement of changes in equity

Amounts in USD million

Note	Share capital	Reserve for hedges	Retained earnings	Total equity
Equity at 1 January 2020	**82**	**24**	**5,008**	**5,114**
Other comprehensive income, net of tax	-	76	-	76
Profit for the year	-	-	1,399	1,399
Total comprehensive income for the year	-	**76**	**1,399**	**1,475**
Tax free contribution	-	-	2,800	2,800
Equity 31 December 2020	**82**	**100**	**9,207**	**9,389**
2021				
Other comprehensive income, net of tax	-	-125	-	-125
Profit for the year	-	-	14,408	14,408
Total comprehensive income for the year	-	**-125**	**14,408**	**14,283**
Contribution from reorganisation under common control - Hamburg Südamerikanische DG KG	-	-	3,240	3,240
Equity 31 December 2021	**82**	**-25**	**26,855**	**26,912**

Notes to the financial statements

Notes to the financial statements

Amounts in USD million

1 Revenue and operating cost

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

	2021	2020
Revenue from contracts with customers:		
Freight revenue	35,253	20,565
Detention and demurrage fees	2,280	1,391
Others	483	322
Revenue from other sources:		
Vessel-sharing and slot charter income	2,641	2,372
Lease income	68	75
Others	12	58
Total revenue	**40,737**	**24,783**

	2021	2020
Contract balances		
Trade receivables	5,196	1,912
Accrued income - contract asset/(liabilities)	-50	83

Accrued income included in trade receivables in the balance sheet constitutes contract assets comprising unbilled amounts to customers representing the Company'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 Company's revenue generating activities, prepayments are received only to a limited extent. Typically, payment is due upon or after completion of the services.

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

Bad debt provision disclosed in note 15 relate to trade receivables arising from contracts with customers.

Set out below is the reconciliation of operating cost by nature to the amounts disclosed as total operating cost:

	2021	2020
Bunker costs	4,507	3,249
Terminal costs	7,396	6,249
Intermodal costs	3,235	2,456
Port costs	1,959	1,910
Rent and lease costs	1,985	1,446
Staff costs, incl. reimbursed to related parties	621	508
Other	4,922	4,124
Total operating costs	**24,625**	**19,942**
Remuneration of employees		
Wages and salaries	244	239
Pension costs	-	-
Other social security costs	8	6
Total remuneration of staff directly employed by the Company	**252**	**245**
Average number of employees*	10,807	10,405

The Company's share of fees and remuneration to Management

Fixed base salary	1	1
Short-term incentive	1	1
Long-term incentive	1	1
Total share of fees and remuneration to Management	**3**	**3**

* Average numbers of employees are seafarers directly employed by the Company. A number of seafarers and other staff are employed by other A.P. Moller - Maersk companies, however, costs are recharged and included in staff costs.

Notes to the financial statements

Amounts in USD million

2 Financial income and expenses

	2021	2020
Interest expenses on liabilities*	971	990
Interest income on loans and receivables**	10	13
Net interest expenses	**961**	**977**
Exchange rate gains on bank balances, borrowings and working capital	63	13
Exchange rate losses on bank balances, borrowings and working capital	26	230
Net foreign exchange gains/losses	**37**	**-217**
Fair value gains from derivatives	-	15
Fair value losses from derivatives	12	1
Net fair value gains/losses	**-12**	**14**
Dividends received from subsidiaries and associated companies***	2,814	776
Total dividends income	**2,814**	**776**
Impairment losses from investments in subsidiaries ****	592	307
Financial net	**1,286**	**-711**
Of which:		
Dividends	2,814	776
Financial income	73	41
Financial expenses	1,009	1,221
Impairment of financial assets	592	307

* Including USD 609m (USD 722m) to group companies.

** Including USD 10m (USD 12m) from group companies.

***Dividend mainly received from Sealand Maersk Asia Pte. Ltd. - USD 1.5bn, A.P. Moller Singapore Pte. Ltd. - USD 500m and Maersk Shipping Hong Kong Limited - USD 300m. (2020 : mainly from A.P. Moller Singapore Pte. Ltd. - USD 220m and Maersk Inc. - USD 245m).

**** Impairment losses to recoverable amount relate to fair value adjustment of investments predominantly in Maersk Line UK Limited and Hambürg Sudamerikanische Dampfschifffahrts-Gesellschaft A/S and Co KG (2020: Maersk Line UK Limited and Maersk Trade Finance A/S).

For an analysis of gains and losses from derivatives, reference is made to note 13.

Notes to the financial statements

Amounts in USD million

3 Tax

	2021	2020
Tax recognised in the income statement		
Current tax on profit for the year	-88	-66
Adjustment for current tax of prior periods	79	22
Total current tax	**-9**	**-44**
Recognition of previous unrecognised deferred tax asset	-48	-
Total deferred tax	**-48**	**-**
Total income Tax	**-57**	**-44**
Tonnage and freight tax	116	79
Total tax	**59**	**35**
Tax reconciliation		
Profit before tax	14,467	1,434
Income subject to Danish and foreign tonnage taxation, etc.	-15,373	-2,348
Profit before tax, adjusted	**-906**	**-914**
Tax using the Danish corporation tax rate (22%)	-199	-201
Adjustment to previous years' taxes	79	23
Effect of other income taxes distinct from corporation tax	66	8
Non-deductible expenses	842	199
Non-taxable dividends, etc. net	-749	-103
Recognition of previous unrecognised deferred tax asset	-48	30
Other differences, net	-48	-
Total income tax	**-57**	**-44**

Notes to the financial statements

Amounts in USD million

4 Intangible assets

	Goodwill	Customer relations & brand Name	IT software	Total
Cost				
1 January 2020	-	379	15	394
Additions	-	-	69	69
31 December 2020	-	**379**	**84**	**463**
Additions	316	532	104	952
31 December 2021	**316**	**911**	**188**	**1,415**
Amortisation and impairment losses				
1 January 2020	-	39	-	39
Amortisation	-	19	5	24
31 December 2020	-	**58**	**5**	**63**
Amortisation	-	19	8	27
31 December 2021	-	**77**	**13**	**90**
Carrying amount:				
31 December 2020	**-**	**321**	**79**	**400**
31 December 2021	**316**	**834**	**175**	**1,325**

Impairment analysis
The brand name right was acquired in 2017 from a wholly owned subisidiary, subsequent to Maersk A/S's acquistion of Hamburg Süd. The transaction price equals the cost price of the addition in 2017. Transaction price was based on, and is equal to, the fair value established under the acquisition method applied for the consolidated accounts of A.P. Møller - Mærsk A/S, upon obtaining control over Hamburg Süd. The fair value of the brand has been measured using the relief from royalty method, in which management, based on an analysis has assessed a royalty rate which an independent third party would charge for the use of the brand. Besides the royalty rate, the main input value driver is estimated future revenue. The useful life of brand is estimated at 20 years. The valuation of the intangible asset reflects a market participants view applying a discount rate of 9%. Management is of the opinion that the assumptions, applied in methodology as described above, are sustainable at the balance sheet date. The carrying value of the brand name has been assessed for impairment as part of the annual impairment test, performed at the balance sheet date, for non-current assets constituting

Goodwill and customer relations was transferred in 2021 together with other assets and liabilities from the fully owned subsidiary Hamburg Südamerikanische DG KG.

The outcome of impairment tests is subject to estimates of the future development of freight rates and volumes, oil prices and the discount rates applied.

Management determines the key assumptions for each impairment test by considering past experience as well as market analysis and future expectations based on supply and demand trends. The future development in freight rates is an uncertain and significant factor with the Company's financial results directly affected by fluctuations in container freight rates. Freight rates are expected to be influenced by the timing of when the current supply chain bottlenecks will normalise, as well as by regional and global economic environments, trade patterns, and by industry-specific trends in respect of capacity supply and demand. There is little visibility into when the capacity bottlenecks throughout the supply chain which have driven up the short-term freight rates will recede.

Cash flow projection is based on forecasts as per Q3 2021, covering five-year business plans for 2022-26. Management has applied an assumption of growth in volumes based on a calculated terminal value with growth equal to the expected economic growth of 2% p.a. in both 2021 and 2020, based on pressure on freight rates, and continued cost efficiency. A discount rate of 7.2% (7.0%) p.a. after tax has been applied. The impairment test continues to show headroom from the value in use to the carrying amount. Management is of the opinion that the assumptions applied are sustainable.

Notes to the financial statements

Amounts in USD million

5 Property, plant and equipment

	Ships, containers, etc.	Production facilities and equipment, etc.	Construction work in progress and payment on account	Total
Cost				
1 January 2020	25,279	8	139	25,426
Additions	100	-	188	288
Disposal	-676	-	-	-676
Transfer	522	1	-274	249
31 December 2020	**25,225**	**9**	**53**	**25,287**
Additions	1,639	1	500	2,140
Disposal	-1,044	-	-1	-1,045
Transfer	131	-	-70	61
31 December 2021	**25,951**	**10**	**482**	**26,443**
Depreciation and impairment losses				
1 January 2020	12,008	6	-	12,014
Depreciation	1,402	-	-	1,402
Disposal	-605	-	-	-605
Transfer	76	-	-	76
31 December 2020	**12,881**	**6**	**-**	**12,887**
Depreciation	994	1	-	995
Disposal	-881	-	-	-881
Transfer	38	-1	-	37
31 December 2021	**13,032**	**6**	**-**	**13,038**
Carrying amount:				
31 December 2020	**12,344**	**3**	**53**	**12,400**
31 December 2021	**12,919**	**4**	**482**	**13,405**

Leases as lessor
Property, plant and equipment includes assets with carrying amount of USD 342m (USD 495m) that are leased out as part of the Company's activities, mainly related to container vessels.

The future lease income is USD 104m (USD 69m) of which USD 65m (USD 37m) is expected within one year, USD 25m (USD 28m) in second year and USD 14m (USD 4m) above three years.

Pledges
Ships, containers, etc. with a carrying amount of USD 663m (USD 639m) have been pledged as security for loans of USD 298m (USD 298m).

Refer note 20 for the change in useful life of containers in year 2021.

Notes to the financial statements

Amounts in USD million

6 Right-of-use assets

	Ships, containers, etc.	Concession agreements	Real estate and other leases	Total
Right-of-use assets				
1 January 2020	5,061	1,208	7	6,276
Additions	1,111	23	12	1,146
Disposal	-258	-	-4	-262
Depreciation cost	-1,281	-113	-3	-1,397
Transfer to owned assets, etc.	-173	-	-	-173
31 December 2020	**4,460**	**1,118**	**12**	**5,590**
Additions	5,790	10	7	5,807
Disposal	-139	-1	-	-140
Depreciation cost	-1,894	-107	-4	-2,005
Transfer to owned assets, etc.	-23	-	-1	-24
31 December 2021	**8,194**	**1,020**	**14**	**9,228**

Amounts recognised in profit and loss	2021	2020
Depreciation cost on right-of-use assets	2,005	1,397
Interest expenses (included in financial expenses)	256	247
Total recognised in non-operating costs	**2,261**	**1,644**
Expenses relating to service elements of leases	1,025	947
Expenses relating to short-term leases	861	447
Expenses relating to variable lease payments	95	47
Expenses relating to leases of low-value assets	4	5
Total recognised in operating costs	**1,985**	**1,446**

Maturity of lease liabilities is disclosed in note 15, page 32.

Notes to the financial statements

Amounts in USD million

7 Investments in subsidiaries

	Investments in subsidiaries
Cost	
1 January 2020	7,998
Acquisition and capital injection*	292
Disposal	-54
Return of capital*	-92
31 December 2020	**8,144**
Acquisition and capital injection**	182
Disposal	-37
Return of capital**	-946
31 December 2021	**7,343**
Impairment losses	
1 January 2020	241
Impairment losses	307
31 December 2020	**548**
Impairment losses***	592
31 December 2021	**1,140**
Carrying amount:	
31 December 2020	**7,596**
31 December 2021	**6,203**

*Acquisition and capital injection in 2020 comprises capital injections to various subsidiaries of USD 58m, acquisiton of Dovana Holding AB (KGH) of USD 232m and USD 2m from purchase of non controlling interest. Return of capital in 2020 comprises of a return of capital from Hambürg Sudamerikanische Dampfschifffahrts-Gesellschaft A/S and Co KG. The return of capital was on a non-cash basis and is hence not reflected in the cash flow statement.

**Acquisition and capital injection in 2021 comprises capital injections to various subsidiaries, mainly Maersk Line Agency Holding A/S. Safmarine MPV N.V. was disposed internally. Return of capital in 2021 comprises of a return of capital from Hambürg Sudamerikanische Dampfschifffahrts-Gesellschaft A/S and Co KG. The return of capital was on a non-cash basis and is hence not reflected in the cash flow statement.

*** Reference is made to note 2 for details.

A list of directly owned subsidiaries is included in note 23.

Notes to the financial statements

Amounts in USD million

8 Deferred tax

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

	Assets		Liabilities		Net assets	
	2021	2020	**2021**	2020	**2021**	2020
Tax loss carryforwards	48	-	-	-	48	-
Total	**48**	**-**	**-**	**-**	**48**	**-**

Change in deferred tax, net during the year:	**2021**	2020
1 January	**-**	**-**
Recognised in the income statement	48	**-**
31 December	**48**	**-**

Tax losses for which no deferred tax asset has been recognised amount to USD 86m (USD 134m).

Notes to the financial statements

Amounts in USD million

9 Inventories

	2021	2020
Bunker	841	487
Other consumables	48	32
Total	**889**	**519**

Notes to the financial statements

Amounts in USD and DKK where so indicated

10 Share capital

	No. of shares	Nominal value DKK per share	Nominal value USD per share	Nominal value DKK	Nominal value USD
01 January 2017	500,000			500,000,000	81,689,320
Issue of shares	-	-	-	-	-
31 December 2017	**500,000**			**500,000,000**	**81,689,320**
Issue of shares	-	-	-	-	-
31 December 2018	**500,000**			**500,000,000**	**81,689,320**
Issue of shares	-	-	-	-	-
31 December 2019	**500,000**			**500,000,000**	**81,689,320**
Issue of shares	-	-	-	-	-
31 December 2020	**500,000**			**500,000,000**	**81,689,320**
Issue of shares	-	-	-	-	-
31 December 2021	**500,000**			**500,000,000**	**81,689,320**

All shares are fully issued and paid up. All shares carry the same rights.

The controlling party is A.P. Møller - Mærsk A/S, Copenhagen, Denmark through 100% ownership of the voting rights, and who prepares consolidated financial statements.

A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal is the ultimate controlling shareholder.

Shareholder disclosure subject to section 104 in the Danish Financial Statements Act:

	Share capital	Votes
A.P. Møller - Mærsk A/S, Copenhagen, Denmark	100%	100%

Capital management
To maintain or adjust the capital structure, the Company may declare dividend payment, return capital or issue new shares with the objective of supporting business. Dividend payments are made when Managemet assesses that capital is sufficient.

The capital structure of the Company consists of net debt (borrowings and lease liabilities after deducting bank balances) and equity of the Company (comprising share capital and retained earnings). The Company is not subject to any externally imposed capital requirements.

Notes to the financial statements

Amounts in USD million

11 Borrowings and lease liability reconciliation

	Net debt as at 31 December 2020	Cash flow	Additions	Disposals	Foreign exchange movements	Other changes	Net debt as at 31 December 2021
Debt to group related entities	13,968	-12,380	20	-	-	-	1,608
Lease liability	6,013	-2,083	5,817	-147	-9	-	9,591
Total borrowings	**19,981**	**-14,463**	**5,837**	**-147**	**-9**	**-**	**11,199**
Of which:							
Classified as non-current	16,896						6,809
Classified as current	3,085						4,390

The cash flow from financing activities, as per the cash flow statement, includes a net cash flow of USD -898m related to interest bearing receivables from subsidiaries and is not included in the reconciliation presented above.

	Net debt as at 31 December 2019	Cash flow	IFRS 16 adoption	Additions	Disposals	Foreign exchange movements	Net debt as at 31 December 2020
Debt to group related entities	14,872	-904	-	-	-	-	13,968
Lease liability	6,467	-1,323	1,116	-260	13	-	6,013
Total borrowings	**21,339**	**-2,227**	**1,116**	**-260**	**13**	**-**	**19,981**
Of which:							
Classified as non-current	17,442						16,896
Classified as current	3,898						3,085

The cash flow from financing activities, as per the cash flow statement, includes a net cash flow of USD -4,414m related to interest bearing receivables from subsidiaries and is not included in the reconciliation presented above.

Notes to the financial statements

Amounts in USD million

12 Provisions

	Restructuring	Legal disputes, etc.	Other	Total
1 January 2021	7	242	191	440
Provision made	2	389	139	530
Amount used	-7	-61	-24	-92
Amount reversed	-1	-127	-163	-291
Exchange rate adjustment	-	-3	-	-3
31 December 2021	**1**	**440**	**143**	**584**
Classified as non-current	-	205	18	223
Classified as current	1	235	125	361
	1	**440**	**143**	**584**

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

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

The difference between the nominal amount and the discounted amount, considering the non-current amount of provisions, is considered immaterial.

Notes to the financial statements

Amounts in USD million

13 Derivatives

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates. The Company enters into a variety of derivative financial instruments to manage its exposure to foreign currency, including mainly currency risks related to recognised and unrecognised transactions.

Fair values 31 December:	2021	2020
Non-current receivables	4	7
Current receivables	-	88
Non-current liabilities	-1	-
Current liabilities	-45	-
Assets, net	**-42**	**95**

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

	Cash flow hedges 2021	Held for trading 2021	Cash flow hedges 2020	Held for trading 2020
Currency derivatives, net	-42	-	88	7
Total	**-42**	**-**	**88**	**7**

Cash flow hedges recognised within other comprehensive income are maturing within 12 months from the balance sheet date.

The gains/losses, including realised transactions, are recognised as follows:

	2021	2020
Hedging foreign exchange risk on operating costs	35	7
Total effective hedging	**35**	**7**
Ineffectiveness of unrealised currency derivatives recognised in financial expenses	-	3
Total reclassified from equity reserve for hedges	**35**	**10**
Net gains/losses recognised directly in the income statement	**-12**	**11**
Total	**23**	**21**

Currency derivative contracts are entered to hedge operating costs denominated in foreign currencies and are recognised in the income statement upon maturity.

Interest rate derivatives primarily swap floating for fixed rates on borrowings and are recognised in the income statement concurrently with the hedged interest expenses.

Notes to the financial statements

Amounts in USD million

14 Financial instruments by category

Financial instruments measured at fair value can be divided into three levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 - Inputs for the asset or liability that are not based on observable market data.

	Carrying amount 2021	Fair value* 2021	Carrying amount 2020	Fair value* 2020
Carried at amortised cost				
Interest bearing receivables from subsidiaries, etc.	7,534	7,534	4,922	4,922
Trade receivables	5,243		2,052	
Other receivables (non-interest-bearing)	138		143	
Other receivables from subsidiaries, etc.	157		131	
Cash and bank balances	38		15	
Financial assets at amortised cost	**13,110**		**7,263**	
Derivatives	**4**	**4**	**95**	**95**
Total financial assets	**13,114**		**7,358**	
Carried at amortised cost				
Interest bearing debt to group related entities	1,608	1,608	13,968	13,968
Leasing liabilities	9,591	9,710	6,013	5,763
Trade payables	5,189		3,867	
Other payables	329		263	
Other payables to subsidiaries and associated companies, etc.	98		108	
Financial liabilities at amortised cost	**16,815**		**24,219**	
Derivatives	**46**	**46**	**-**	**-**
Total financial liabilities	**16,861**		**24,219**	

* Where no fair value is stated, the amount equals carrying amount

Financial instruments measured at fair value
The fair value of derivatives falling within level 2 of the fair value hierarchy is calculated on the basis of observable market data for similar instruments as of the end of the reporting period.

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.

Notes to the financial statements

Amounts in USD million

15 Financial risks, etc.

The Company’s activities expose it to a variety of financial risks: currency risk, interest rate risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

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

Market risk
Market risk is the risk that changes in market prices, such as bunker price fluctuations, foreign exchange rates and interest rates, will affect the Company's profit or the value of its holdings of financial instruments. The below sensitivity analyses relate to the position of financial instruments at 31 December 2021.

The sensitivity analyses for currency risk and interest rate risk have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies remain unchanged from hedge designations in place at 31 December 2021. Furthermore, it is assumed that the exchange rate and interest rate sensitivities have a symmetric impact, i.e. an increase in rates results in the same absolute movement as a decrease in rates.

Currency risk
The Company’s currency risk arises due to income from shipping activities that are denominated mainly in USD, while the related expenses are incurred in both USD and a wide range of other currencies including EUR, DKK, SEK, GBP, CNY, INR, NGN, AOA, ZAR, JPY, THB, MYR, NZD, KRW, BRL, SGD, HKD, ARS, AED, & AUD. Overall the Company has net income in USD and net expenses in other currencies. As the net income is in USD, this is also the primary financing currency, thus the majority of the Company's borrowings are in USD.

The main purpose of hedging the Company’s currency risk is to hedge the USD value of the Company’s net cash flow and reduce fluctuations in the Company’s profit. The Company uses FX 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; and
- Significant capital commitments in other currencies than USD are hedged.

Under the assumption of the effectiveness of the currency hedges, we assess the exposure of a change in the currency rates to be not significant.

Interest rate risk
The Company has most of its debt denominated in USD, but part of the debt is in other currencies such as EUR, GBP and SEK. Some loans are at fixed interest rates, while others are at floating interest rates.

The Company strives to maintain a combination of fixed and floating interest rates on its net debt, reflecting expectations and risks. When applicable, hedging of the interest rate risk is governed by a duration range and is primarily obtained through the use of interest rate swaps. A general increase in interest rates by one percentage point is estimated, all else being equal, to affect profit before tax and equity, excluding tax effect, negatively by approx. USD 17m (negatively by approx. USD 140m). The exposure has fallen due to settlement of USD 12bn long term group internal loan in 2021.

The analysis is made under the assumption that all other variables, in particular foreign currency rates, remain constant.

Lease liabilities and interest bearing debt to group related entities by interest rate levels inclusive of interest rate swaps	Carrying amount		Next interest rate fixing	
		0-1 year	1-5 years	5- years
2021				
0-3%	1,613	1,613	-	-
3-6%	9,586	2,760	5,157	1,669
6%-	-	-	-	-
Total	**11,199**	**4,373**	**5,157**	**1,669**
Of which:				
Bearing fixed interest	9,497			
Bearing floating interest	1,702			
2020				
0-3%	1,971	1,971	-	-
3-6%	18,010	13,203	2,834	1,973
Total	**19,981**	**15,174**	**2,834**	**1,973**
Of which:				
Bearing fixed interest	6,003			
Bearing floating interest	13,978			

Notes to the financial statements

Amounts in USD million

15 Financial risks, etc. - continued

The table below shows the derivatives the Company has contracted to hedge currency exposure on financial assets and liabilities that give rise to currency adjustment in the income statement.

Forward exchange contracts	Contract amount	Fair value of net assets
SEK	653	4
EUR	360	19
DKK	261	9
HKD	179	1
CAD	162	4
SGD	160	1
MXN	97	-3
MYR	71	-1
KRW	56	1
NZD	31	1
ZAR	28	2
COP	23	1
CLP	22	1
JPY	1	1
GBP	1	1
CNY	-1	-1
BRL	-56	1
Total	**2,048**	**42**

The forward exchange contracts fall due in the period January to December 2022.

Notes to the financial statements

Amounts in USD million

15 Financial risks, etc. - continued

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

The Company 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 considered for impairment.

Maturity analysis of trade receivables	2021	2020
Receivables not due	4,623	1,487
Less than 90 days overdue	609	432
91-365 days overdue	49	98
More than 1 year overdue	48	100
Receivables, gross	**5,329**	**2,117**
Provision for bad debt	86	65
Carrying amount	**5,243**	**2,052**

The loss allowance provision for trade receivables as at 31 December 2021 reconciles to the opening loss allowance as follows:

Change in provision for bad debt	2021	2020
1 January	65	130
Provisions made	100	134
Amount used	75	129
Amount reversed	18	70
Transfer from Hamburg Südamerikanische DG KG	14	-
31 December	**86**	**65**

Approximately 56% (74%) of the provision for bad debt is related to trade receivables overdue by more than one year.

Other financial assets at amortised cost
Other financial assets at amortised cost comprise loans receivable, finance lease receivables and other receivables. All of these financial assets are considered to have low credit risk and thus the impairment provision calculated basis of 12 month 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.

Notes to the financial statements

Amounts in USD million

15 Financial risks, etc. - continued

Liquidity risk
It is of great importance for the Company to maintain a financial reserve to cover the Company's obligations and investment opportunities and to provide the capital necessary to offset changes in the Company's liquidity due to changes in the cash flow from operating activities.

The flexibility of the financial reserve is subject to ongoing prioritisation and optimisation, among other things, by focusing on release of capital and following up on the development in working capital.

Maturities of liabilities and commitments	Carrying amount	Cash flows including interest 0-1 year	1-5 years	5- years	Total
2021					
Interest bearing debt to group related entities	1,608	1,608	-	-	1,608
Financial lease liability	9,591	2,960	5,804	1,730	10,494
Trade payables	5,189	5,189	-	-	5,189
Other payables	329	329	-	-	329
Other payables to group related entities	98	98	-	-	98
Non-derivative financial liabilities	**16,815**	**10,184**	**5,804**	**1,730**	**17,718**
Derivatives	46	46	-	-	46
Total recognised in balance sheet	**16,861**	**10,230**	**5,804**	**1,730**	**17,764**
Lease commitments		18			18
Capital commitments		1,450			1,450
Total		**11,698**	**5,804**	**1,730**	**19,232**
2020					
Interest bearing debt to group related entities	13,968	2,300	15,209	-	17,509
Financial lease liability	6,013	1,392	3,528	2,177	7,097
Trade payables	3,867	3,867	-	-	3,867
Other payables	263	219	44	-	263
Other payables to group related entities	108	108	-	-	108
Non-derivative financial liabilities	**24,219**	**7,886**	**18,781**	**2,177**	**28,844**
Derivatives	-	-	-	-	-
Total recognised in balance sheet	**24,219**	**7,886**	**18,781**	**2,177**	**28,844**
Lease commitments		62			62
Capital commitments		271			271
Total		**8,218**	**18,781**	**2,177**	**29,175**

Notes to the financial statements

Amounts in USD million

16 Commitments

Low value and short-term leases
As part of the Company's activities, customary agreements are entered into regarding charter and leases of ships, containers, port facilities, other equipment etc.

The future charter and lease payments are:

	2021	2020
Within one year	18	62
Total	**18**	**62**

Total rent and lease costs incurred are presented in note 1.

Capital commitments
At the end of 2021, capital commitments amounted to USD 1.5bn (USD 0.3bn), primarily related to vessel newbuildings.

Notes to the financial statements

Amounts in USD million

17 Contingent liabilities

Except for customary agreements within the Company's activities, no material agreements have been entered that will take effect, change or expire upon changes of the control over the Company.

The Company is involved in a number of legal cases, tax and other disputes. Some of these involve significant amounts and are subject to considerable uncertainty. Management continuously assess the risks associated with the cases and disputes, and their likely outcome. It is the opinion of Management that, apart from items recognized in the financial statements, the outcome of these cases and disputes are not probable or cannot be reliably estimated in the term of amount or timing. The Company does not expect these to have a material impact on the financial statements.

Tax may crystallise on repatriation of dividends. Through participation in a joint taxation scheme with A.P. Møller Holding A/S, the Danish companies are jointly and severally liable for taxes payable, etc. in Denmark.

Notes to the financial statements

Amounts in USD million

18 Cash flow specifications

	2021	2020
Change in working capital		
Inventories	-370	171
Trade receivables	-1,309	-230
Other receivables and prepayments	160	-78
Trade payables and other payables, etc.	393	-414
Exchange rate adjustment of working capital	-22	-26
Total	**-1,148**	**-577**
Purchase of property, plant and equipment		
Additions	-2,168	-421
Of which pertains to borrowing costs capitalized on assets	2	-
Change in payables to suppliers regarding purchase of assets	459	3
Total	**-1,707**	**-418**

Other non-cash items are related to changes of provision for bad debt regarding trade receivables, legal disputes and other provisions.

Notes to the financial statements

Amounts in USD million

19 Related parties

	Subsidiaries		Other related companies		Parent company		Management*	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Income statement								
Revenue	2,261	1,871	1,115	519	-	-1	-	-
Operating costs	314	243	7,901	5,948	463	417	-	-
Remuneration to management	-	-	-	-	-	-	3	3
Dividends	2,814	776	-	-	-	-	-	-
Financial income	43	6	8	5	2	114	-	-
Financial expenses	98	112	2	-	613	605	-	-
Assets								
Interest bearing receivables, non-current	-	-	13	13	-	-	-	-
Trade receivables	1,536	82	229	113	15	13	-	-
Tax receivables	-	-	-	-	92	70	-	-
Interest bearing receivables, current	877	872	81	105	6,564	3,932	-	-
Other receivables, current	365	348	128	69	6	98	-	-
Liabilities								
Interest bearing debt, non-current**	1,729	-	-	25	1	12,000	-	-
Interest bearing debt, current**	1,719	1,728	88	165	-	51	-	-
Trade payables	399	309	217	153	87	40	-	-
Other liabilities, current	269	527	719	523	46	98	-	-
Capital increases and purchase of shares	182	292	-	-	-	2,800	-	-
Net assets transferred from Hamburg Südamerikanische DG KG	4,088	-	-	-	-	-	-	-
Disposal	37	54	-	-	-	-	-	-
Return of capital	946	92	-	-	-	-	-	-

*Management refers to key management as defined by IAS 24.9.
**Includes lease liabilities

Leases
At the end of 2021, lease commitments to related companies amounted to USD 291m (USD 259m) of which USD 291m (USD 259m) is payable within one year and USD 0m (USD 0m) is non-current.
The lease commitments relate mainly to leasing of container vessels.

Capital commitments
At the end of 2021, capital commitments to other related companies amounted to USD 103m (USD 96m) of which USD 103m (USD 96m) is payable within one year and USD 0m (USD 0m) is non-current.

Leases as lessor
After the end of 2021, the future lease income from subsidiaries is USD 104m (USD 69m) of which USD 65m (USD 37m) is receivable within one year, and USD 39m (USD 32m) is non-current. The future lease income relates mainly to leased out container vessels.

A.P. Møller - Mærsk A/S, Copenhagen owns 100% of the share capital. A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal is the ultimate controlling shareholder. The Company is included in the consolidated financial statements of A.P. Møller - Mærsk A/S, Copenhagen and A.P. Møller Holding A/S, Copenhagen.

Notes to the financial statements

Amounts in USD million

20 Summary of significant accounting policies

Basis of preparation

The financial statements for 2021 for Maersk 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 requirements in the Danish Financial Statements Act for large class C companies.

The accounting policies are consistent with those applied in the financial statements for 2020.

A number of changes to accounting standards are effective from 1 January 2021 and endorsed by the EU:

Amendments to IFRS 9 – Financial Instruments (IBOR reform): The changes will impact some of Maersk A/S's existing IBOR referenced swaps, which will be amended over the course of 2022. The changes are not expected to have material impact.

Other changes are not expected to impact the financial statements.

The exemption from preparing consolidated financial statements has been used, and the financial statements presented are separate financial statements. (ÅRL § 112)

The parent company, A.P. Møller - Mærsk A/S, Copenhagen, has prepared consolidated financial statements that comply with International Financial Reporting Standards, which can be obtained here:
https://investor.maersk.com/financial-reports

Foreign currency translation

The financial statements are presented in USD, the functional currency of the Company. On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Share capital denominated in DKK is translated to USD at the effective rate on the transaction day and is therefore not revalued subsequently.

Income statement

Revenue is recognised when the performance obligation has been satisfied, which happens upon the transfer of control to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for the goods and services. Revenue from shipping activities is recognised over time as performance obligation is satisfied, including a share of revenue from incomplete voyages at the balance sheet date. Invoiced revenue related to an estimated proportion of remaining voyage time and activities at the destination port is deferred. Detention and demurrage fees are recognised over time up until the time of customers’ late return or pick-up of containers. Retrospective volume rebates provided to certain customers which give rise to variable consideration are based on the expected value method and allocated to ocean freight revenue. Lease income from operating leases is recognised over the lease term.

Financial items includes dividends from investments in subsidiaries, interest income and expenses and exchange rate gains and losses. Dividends received from subsidiaries are recognised when distribution has been formally declared. Furthermore, realised and unrealised gains and losses on derivative financial instruments that cannot be classified as hedging contracts are also included.

Tax comprises current and deferred tax as well as adjustments to previous years of those. Income tax is tax on taxable profits and consists of tonnage tax, corporation tax and withholding tax of dividends, etc. 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.

Statement of comprehensive income

Other comprehensive income consists of income and costs not recognised in the income statement, including cash flow hedges at fair value. Other comprehensive income includes current and deferred tax to the extent the income and costs recognised in other comprehensive income are taxable or deductible.

Balance sheet

Intangible assets are valued at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the useful lives. The useful lives of intangible assets are as follows:

Customer relations and brand name	20 years
IT software	amortised over a useful life of 3-5 years

Notes to the financial statements

Amounts in USD million

20 Summary of significant accounting policies - continued

Property, plant and equipment are valued at cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight-line basis over the useful lives at an estimated residual value. The useful lives of new assets are typically as follows:

Ships	20 years
Containers, etc.	15 years
Terminal infrastructure	over lease or concession period
Plant and machinery, cranes and other terminal equipment	5-20 years
Other operating equipment, fixtures, etc.	3-7 years

Estimated useful lives and residual values are reassessed on a regular basis.

The cost of an asset is divided into separate components which are depreciated separately if the useful lives of the individual components differ. Dry-docking costs are recognised in the carrying amount of ships when incurred and depreciated over the period until the next dry-docking.

The cost of assets constructed by the Company includes direct and indirect 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 abandonment, removal and restoration.

The estimated useful life and residual values of containers have been revised. The net effect of the changes was an increase in EBIT of USD 413m. The useful life of new containers is typically estimated to 15 years, previously 12 years. The residual values are initially estimated between 10% and 30%, depending on the container type.

Right-of-use assets includes mainly leases of vessels and containers which are typically made for fixed periods of five years but may include extension options.Leases are recognised as a right-of-use asset with a corresponding leases liability at the date on which the leased asset is available for use by the Company. The right-of-use assets are initially measured at cost, which comprises :

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives,
- any initial direct costs incurred by the lessee,
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located.

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 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.

Intangible assets and property, plant and equipment are tested for impairment, if there is an indication of impairment.

Investments in subsidiaries are recognised at cost price less any impairment losses. When tested for impairment, the cost price of investment is compared to the equity value as well as the enterprise value.

Inventories mainly consist of bunkers, spare parts not qualifying as property, plant and equipment and other consumables. Inventories are measured at cost, primarily according to the FIFO method.

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. Write-down is made for anticipated losses based on specific individual or group assessments, including expected credit losses as required under IFRS 9.

Equity includes total comprehensive income for the year comprising the profit or loss for the year and other comprehensive income. The reserve for hedges includes the accumulated net change in the fair value of hedging transactions qualifying for cash flow hedge accounting.

Provisions are recognised when the Company has a current legal or constructive obligation and includes among other items legal disputes and onerous contracts. Provisions are recognised on the basis of best estimates and are discounted where the time element is significant and where the time of settlement is reasonably determinable.

Deferred tax is calculated on differences between the carrying amount and tax base of assets and liabilities. Deferred tax is not provided on temporary differences which have no effect on the accounting results or taxable income at the time of the transaction. Deferred tax assets are recognised to the extent that it is probable that they can be utilised within the foreseeable future.

Financial liabilities are initially recognised at fair value less transaction costs. Subsequently the financial liabilities are measured at amortised cost using the effective interest method, whereby transaction costs and any premium or discount are recognised as financial expenses over the term of the liabilities.

Notes to the financial statements

Amounts in USD million

20 Summary of significant accounting policies - continued

Lease liabilities are initially measured at the present value of the lease payments over the lease term, discounted using the incremental borrowing rate.The following lease payments are included in the net present value:

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

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

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

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 future transactions is recognised in other comprehensive income until the hedged transactions are realised. At that time, the cumulative 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 which can be attributed to the hedging relationship. 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.

Cash flow statement

Cash flow for the year is divided into cash flow from operating activities, cash flow used for investing activities and cash flow from financing activities. Cash and cash equivalents comprise cash and bank balances net of bank overdrafts where overdraft facilities form an integral part of the Company's cash management. Changes in marketable securities are included in cash flow used for investing activities.

Key figures/financial ratios

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Operating margin: Profit before financial items / Revenue
Solvency ratio: Equity at year end / Total equity and liabilities at year end
Return on equity: Profit for the year after tax / Average equity

Fees to statutory auditor
In accordance with the Danish Financial Statements Act section 96, paragraph 3, fees to statutory auditors is not disclosed as the information is disclosed in the Annual Report for the APMM Group, in which the Company is fully consolidated. The Annual Report of A.P. Møller - Mærsk A/S is available at:

http://investor.maersk.com/financials.cfm

New financial reporting requirements

Maersk A/S has not yet adopted the following accounting standards and requirements:

• IFRS 17 : An analysis of the impact is being assessed and is expected to be concluded in due course ahead of the implementation date.

Other changes to IFRS are not expected to have any significant impact on recognition and measurement.

Notes to the financial statements

Amounts in USD million

21 Significant accounting estimates and judgements

The preparation of the financial statements requires management, on an ongoing basis, to make judgements and estimates and form assumptions that affect the reported amounts. Management forms its judgements and estimates based upon 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.

Estimates that are material to the Company's financial reporting are made on the determination of impairment of financial non-current assets including subsidiaries and associated companies.

Management assesses impairment indicators for investments in subsidiaries and associated companies and in general determines the recoverable amounts.

The most significant areas subject to estimates and judgements are mentioned below.

Property, plant and equipment

Management assesses impairment indicators across the Company's portfolio of assets. Judgement is applied in the definition of cash generating units and in the selection of methodologies and assumptions for impairment tests. 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, shall ensure that indexes or data sources are selected consistently observing differences in risks and other circumstances.

The Company operates its fleet of container vessels in an integrated network for which reason the global container shipping activities are tested for impairment as a single cash generating unit.

Impairment tests

The outcome of impairment tests is subject to estimates of the development of freight rates, volumes, bunker prices and discount rates.

The future development in freight rates is an uncertain and significant factor impacting the Ocean segment in particular, whose financial results are directly affected by fluctuations in container freight rates. Freight rates are expected to be influenced by the timing of when the current supply chain bottlenecks will normalise, as well as by regional and global economic environments, trade patterns, and by industry-specific trends in respect of capacity supply and demand. There is little visibility into when the capacity bottlenecks throughout the supply chain which have driven up the short-term freight rates will recede.

The future development in the oil price is an uncertain and significant factor impacting accounting estimates across Maersk A/S, either directly or indirectly. The Company is directly impacted by the price of bunker oil, where the competitive landscape determines the extent to which the development is reflected in he freight rates charged to the customer.

Depreciation and residual values

Useful lives are estimated based on past experience and Management's estimates of the period over which the assets will provide economic benefits. 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 20 for the useful lives typically used for new assets.

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

Intangible assets

Impairment considerations for brand name is included in note 4.

Provisions for legal disputes, etc.

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

The Company is engaged in a number of disputes with tax authorities of various scope. Appropriate provisions and recognition of uncertain tax positions has been made where the probability of our tax position being upheld in individual cases is considered less than 50%. Claims for which the probablility of our 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 our tax position being upheld is considered less than 50%.

Notes to the financial statements

Amounts in USD million

22 Subsequent events

The following events and transactions occurred subsequent to 31 December, 2021:

The Russian invasion of Ukraine is leading to significant uncertainties and lowered the visibility related to Maersk A/S and its business due to the war's material impact on financial markets, energy prices, etc. As a consequence of the invasion, Maersk A/S decided to withdraw completely from doing business in Russia. This includes services in and out of Russia as well as having assets in the country. Since the invasion, Maersk A/S executed on bookings already accepted, while it has stopped all new bookings to and from Russia and Belarus. The cost of terminating activities and fully abandoning business in Russia is expected to be in the range of USD 125-175m. Due to the uncertainty around the current situation, a reliable estimate of the full year impact cannot be measured. It is Management's expectation that lost volumes will be partially recovered in other areas and thus, mitigating a negative impact on revenue.

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

Notes to the financial statements

Amounts in USD thousand

23 Subsidiaries

Directly owned entities	Ownership share (%)	Registered Country	Equity USD 000'	Profit or loss for the period USD 000'	Maersk A/S' share of profit/loss USD 000'
Maersk China Ltd.	100	China	216,730	20,143	20,143
Rederiaktieselskabet Kuling	100	Denmark	1,000	26	26
Maersk Line Agency Holding A/S	100	Denmark	1,004,847	15,145	15,145
Sealand Europe A/S	100	Denmark	109,653	75,691	75,691
Maersk Trade Finance A/S	100	Denmark	39,953	-14,200	-14,200
Maersk Deutschland A/S & Co. KG	100	Germany	11,623	7,679	7,679
Maersk Shipping Hong Kong Ltd.	100	Hong Kong	1,740,447	75,345	75,345
Sealand Maersk Asia Pte. Ltd.	100	Singapore	236,500	235,863	235,863
A.P. Moller Singapore Pte. Ltd.	100	Singapore	3,773,830	253,767	253,767
Maersk Line UK Ltd.	100	United Kingdom	227,016	-6,727	-6,727
Maersk Agency U.S.A. Inc.	100	United States	NA	NA	NA
Maersk GP GmbH	100	Germany	NA	NA	NA
Rudolf A. Oetker Tanker ApS & Co KG	100	Germany	NA	NA	NA
Frey P/S	100	Denmark	2,930	-1,296	-1,296
Frey GP ApS	100	Denmark	11	-1	-1
HS GP ApS	100	Denmark	26	-4	-4
Maersk Line Crewing Hamburg ApS & Co KG	100	Germany	NA	NA	NA
GTD Solution Inc.	100	United States	NA	NA	NA
Dovana Holding AB	100	Sweden	NA	NA	NA
Maersk Senegal SA	100	Senegal	4,424	-795	-795
Unterstützungskasse GmbH der Hamburg	100	Germany	NA	NA	NA
Hamburg Süd A/S & Co KG	100	Germany	NA	NA	NA

Only subsidiaries of direct ownership have been included. The Company holds a controlling influence in the entities listed above. All subsidiaries are consolidated in the A.P. Møller - Mærsk A/S annual report for 2021 which is avaiable on:
https://investor.maersk.com/static-files/b4df47ef-3977-412b-8e3c-bc2f02bb4a5f

Profit/loss for the period and equity are disclosed as per the latest official financial statement, in accordance with the requirement in the Danish Financial Statements Act. NA (not available) indicates that no official financial statement is required to be prepared or the financial statement for the entity's first statutory reporting period has not yet been made official.

Impairment losses recognised in prior years on investments in subsidiaries, disclosed in note 7, relates mainly to investments in vessel-owning subsidiaries. Impairment is recognised when the carrying amount exceeds the value in use as described in the accounting policies in note 20.

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the Annual Report of Maersk A/S for 2021.

The Annual Report for 2021 of Maersk A/S has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act, and in our opinion gives a true and fair view of the Company's assets and liabilities and financial position on 31 December 2021 and of the results of the Company's operations and cash flows for the financial year 2021.

In our opinion, the Management review includes a fair review of the development in the Company's operations and financial conditions, the results for the year, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that the Company face.

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

Copenhagen, 30 May 2022

Executive Board:

DocuSigned by:
Vincent Clerc
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Vincent Clerc
CEO

Board of Directors:

DocuSigned by:	DocuSigned by: Patrick Jany	DocuSigned by: Caroline Sundorph Pontoppidan
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Søren Skou	Patrick Jany	Caroline Sundorph Pontoppidan
Chairman		

Independent auditor's report

To the Shareholders of Maersk A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the Company's financial position at 31 December 2021 and of the results of the Company's operations and cash flows for the financial year

1 January to 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Financial Statements of Maersk A/S for the financial year 1 January - 31 December 2021, which comprise income statement and statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the 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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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.

Hellerup, 30 May 2022
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

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Mogens Nørgaard Mogensen	Lars Baungaard
State Authorised Public Accountant	State Authorised Public Accountant
Mne21404	Mne23331