Maersk A/S

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

Annual report 2020

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 21 May 2021.

Jacob Ramsgaard Nielsen

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 21 May 2021

FINANCIAL HIGHLIGHTS AND KEY FIGURES

USD million	2020	2019	2018	2017	2016
Key figures*					
Revenue	24,783	24,888	24,688	21,707	18,849
Profit before depreciation and impairment	4,841	3,369	1,599	1,871	688
Profit before financial items	2,145	469	-88	458	-693
Profit for the year	**1,399**	**-331**	**-450**	**162**	**92**
Non-current assets	26,006	27,800	24,403	25,024	19,566
Current assets	8,124	3,740	4,381	4,842	3,824
Total assets	**34,130**	**31,540**	**28,784**	**29,866**	**23,390**
Share capital	82	82	82	82	82
Equity	**9,389**	**5,114**	**5,402**	**5,919**	**5,675**
Provisions	440	360	377	336	382
Non-current liabilities other than provisions	16,968	17,456	14,282	15,940	10,046
Current liabilities other than provisions	7,333	8,610	8,723	7,671	7,287
Cash flows from operating activities	4,408	4,357	1,272	1,993	1,325
Net cash flows from investing activities	385	175	-517	-5,794	-575
Of which property, plant and equipment	*-191*	*-386*	*-948*	*-1,461*	*-575*
Cash flows from financing activities	-4,797	-4,594	-727	3,726	-682
Total cash flows	**-4**	**-62**	**28**	**-76**	**68**
Financial ratios**					
Operating margin	9%	2%	0%	2%	-4%
Solvency ratio	28%	16%	19%	20%	24%
Return on equity	19%	-6%	-8%	3%	2%
Average number of employees***	10,405	9,743	9,202	1	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.

**Definitions of financial ratios are as below:
Operating margin: Operating profit/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 at home and abroad, investment in fixed assets and financing, as well as other related activities. The Maersk Line group is the world's largest container shipping company, operating 301 own vessels and 405 chartered vessels, and known for reliable, flexible and eco-efficient services.

Maersk Line 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, Safmarine and SeaLand brands.

FINANCIAL REVIEW

Maersk A/S (parent company and branches) generated revenue of USD 24,783 million and made a profit of USD 1,399 million compared to a loss of USD 331 million in 2019.

Loaded volumes were 5% lower than 2019, but freight rates on average 8% higher than previous year. Bunker price as well as bunker consumption went down in 2020; the bunker price 10% and bunker consumption 7%, combined leading to 16% lower bunker costs. Container handling costs and network costs (excl. bunker) were both reduced by 6% compared to 2019. Altogether, operating costs were 7% lower than 2019. Depreciation, impairment losses on investments in subsidiaries and financial items were largely at same level as 2019.

The Market

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

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

This development was most noticeable in the US. Despite the ongoing partial lockdown, US personal disposable income rose by 6.3% in 2020, due to fiscal support through the CARES Act to tackle economic implications of COVID-19. The act included recovery rebates and extra unemployment insurance benefits. However, a good part of the higher incomes was set aside as extra savings, and total US consumption decreased by around 4.6% in 2020. The consumption decline was entirely driven by services down by 7.3%, while goods consumption increased by 3.8%. The increase in US goods consumption drove up container demand in H2. In fact, North American container imports were 24% higher at the end of 2020, compared to the end of 2019. A similar division of growth between goods and services consumption was recorded in Europe, although European COVID-19 restrictions were tougher and the increase in goods demand was more muted. Going forward, it is highly uncertain if goods consumption will continue to drive up container demand. The support from higher household income may diminish as unemployment has remained high and consumer confidence is well below pre-COVID-19 levels. Moreover, a continuation of the massive fiscal support is uncertain in the near-term, particularly in the US, if political gridlock prolongs decision making. Finally, households' appetite for services, such as travelling, could initially take up a larger share of the wallet than usual if a vaccine becomes widely available and countries reopen later in 2021.

Global container trade declined in 2020, following the COVID-19 pandemic. Growth improved to around 5% in Q4 2020, but the sharp contraction in Q2 led to a full-year negative growth of 2%, considerably weaker than in 2019. The 2020 slowdown reflected the broad-based crisis across all the main economies, although the H2 2020 recovery was faster than projections made during spring. The second wave of COVID-19 weighs on the early part of 2021, while the roll-out of an effective vaccine could have a positive impact on H2 2021. Effective supply growth was contained during the year, as the industry adjusted fleet capacity to the deteriorating demand, and market fundamentals were broadly balanced. However, a significant demand rebound in the US and partially in Europe together with extensive equipment shortages drove up freight rates in H2, and freight rates increased by 18% compared to 2019.

Container trade growth on the East-West trades declined by 2% in 2020. European import growth from Asia was heavily impacted by the COVID-19 pandemic in H1 and declined by 13%, first by lockdowns in China and later by lockdowns in Europe. The subsequent recovery in H2 was not strong enough to offset the initial decline. North American container imports from Asia also declined in H1 by 9.5%, but inventory restocking and a significant spike in US goods consumption fuelled by a housing boom and fiscal stimulus lifted full year import growth to around 4% in 2020. Asian imports from the US and Europe (East-West backhaul) showed a moderate decline during most quarters in 2020, reflecting the decline in global activity. North-South container trade dropped sharply in 2020. Latin American imports decreased by 9%, reflecting strong negative impact from COVID-19 in all major economies in the region. African imports decreased by 5%. Finally, intra-regional trades recorded a milder downturn, as mainly Intra-Asia with around 0% growth in 2020 proved fairly resistant to the global crisis. As a COVID-19 vaccine becomes widely available during 2021, there is reason to believe that container demand will grow, possibly by 5-7% in 2021.

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

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

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

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

As part of the full-year guidance for 2021, A.P. Moller - Maersk expects the current exceptional situation with the demand surge leading to bottlenecks in the supply chain and equipment shortage, to continue well into fourth quarter of 2021. With the expected volume growth and freight rates also showing upward trend during the first quarter of 2021, turnover as well as net profit are expected to exceed 2020 level.

Maersk Line is expected to grow in line with the global container demand at an expected 5-7% in 2021, primarily driven by export volumes out of China to the US.

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 Line 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 2020 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/about/sustainability/reports

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.

EVENTS AFTER THE BALANCE SHEET DATE

Other than the COVID-19 pandemic mentioned above, the estimated useful life and residual values of containers have been revised. The useful life of new containers is typically estimated to 15 years. The residual values are initially estimated between 10% and 30%, depending on the container type.

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		2020	2019
1	Revenue	24,783	24,888
1	Operating costs	19,942	21,519
	Profit before depreciation and impairment losses	**4,841**	**3,369**
4,5,6	Depreciation and impairment losses, net	2,824	3,008
	Gain on sale of companies and non-current assets, etc., net	128	108
	Profit before financial items	**2,145**	**469**
2	Dividends received	776	561
2	Financial income	41	113
2	Financial expenses	1,221	1,251
2	Impairment of financial assets	307	222
	Profit before tax	**1,434**	**-330**
3	Tax	35	1
	Profit for the year	**1,399**	**-331**
	Appropriation:		
	Retained earnings	1,399	-331
		1,399	**-331**

Statement of comprehensive income

Amounts in USD million

Note		2020	2019
	Profit for the year	**1,399**	**-331**
	Cash flow hedges		
	Value adjustment of hedges for the year	101	-32
13	Reclassified to income statement	-10	76
	Reclassified to non-current assets	-15	-
	Tax on other comprehensive income	-	-
	Other comprehensive income, net of tax	**76**	**43**
	Total comprehensive income for the year	**1,475**	**-287**

Balance sheet 31 December

Amounts in USD million

Note		2020	2019
4	**Intangible assets**	**400**	**355**
5	**Property, plant and equipment**	**12,400**	**13,412**
6	**Right-of-use assets**	**5,590**	**6,276**
7	Investments in subsidiaries	7,596	7,757
	Interest bearing receivables from group related entities	13	-
13	Derivatives	7	-
	Financial non-current assets	**7,616**	**7,757**
8	**Deferred tax**	-	**-**
	Total non-current assets	**26,006**	**27,800**
9	**Inventories**	**519**	**690**
15	Trade receivables	2,052	1,886
	Tax receivables	70	58
14	Interest bearing receivables from group related entities	4,909	695
13	Derivatives	88	11
	Other receivables	143	120
	Other receivables from subsidiaries	131	142
	Prepayments	197	129
	Receivables	**7,590**	**3,041**
	Cash and bank balances	**15**	**9**
	Total current assets	**8,124**	**3,740**
	Total assets	**34,130**	**31,540**

Balance sheet 31 December

Amounts in USD million

Note		2020	2019
10	Share capital	82	82
	Reserves	9,307	5,032
	Total equity	**9,389**	**5,114**
11	**Lease liabilities, non-current**	**4,871**	**5,106**
11	**Interest bearing debt to group related entities**	**12,025**	**12,336**
	Other payables	44	-
12	Provisions	94	141
13	Derivatives	-	3
	Tax payables	28	11
	Other non-current liabilities	**166**	**155**
	Total non-current liabilities	**17,062**	**17,597**
11	**Lease liabilities, current**	**1,142**	**1,362**
11	**Interest bearing debt to group related entities**	**1,943**	**2,536**
12	Provisions	346	219
	Trade payables	3,867	4,261
	Tax payables	54	39
	Other payables	219	251
	Other payables to subsidiaries	108	161
	Other current liabilities	**4,594**	**4,931**
	Total current liabilities	**7,679**	**8,829**
	Total liabilities	**24,741**	**26,426**
	Total equity and liabilities	**34,130**	**31,540**

Cash flow statement

Amounts in USD million

Note		2020	2019
	Profit before financial items	2,145	469
4,5,6	Depreciation and impairment losses, net	2,824	3,008
	Gain/loss on sale of companies and non-current assets, etc., net	-128	-108
18	Change in working capital	-577	942
	Other non-cash items	159	59
	Cash from operating activities before tax	4,423	4,370
	Taxes paid/received	-15	-13
	Cash flow from operating activities	**4,408**	**4,357**
18	Purchase of property, plant and equipment	-418	-516
	Sale of property, plant and equipment	227	130
7	Acquisition of and capital increases in subsidiaries and activities	-200	-
	Dividends received	776	561
	Cash flow used for investing activities	**385**	**175**
	Repayment of borrowings	-904	-2,533
	Repayment of lease liabilities	-1,323	-1,483
	Proceeds from borrowings	-	564
	Financial income received	13	39
	Financial expenses paid	-803	-1,447
	Financial expenses paid on lease liabilities	-246	268
	Movements in interest bearing loans to/from subsidiaries, etc., net	-1,610	367
	Other equity transactions	76	-369
	Cash flow from financing activities	**-4,797**	**-4,594**
	Net cash flow for the year	**-4**	**-62**
	Cash and cash equivalents 1 January	9	72
	Currency translation effect on cash and cash equivalents	10	-1
	Cash and cash equivalents 31 December	**15**	**9**

Cash and cash equivalents	2020	2019
Cash and bank balances	15	9
Cash and cash equivalents 31 December	**15**	**9**

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

Statement of changes in equity

Amounts in USD million

Note	Share capital	Proposed dividend	Reserve for hedges	Retained earnings	Total equity
Equity at 1 January 2019	**82**	-	**-19**	**5,339**	**5,402**
Other comprehensive income, net of tax	-	-	43	-	43
Profit for the year	-	-	-	-331	-331
Total comprehensive income for the year	**-**	-	**43**	**-331**	**-288**
Equity 31 December 2019	**82**	-	**24**	**5,008**	**5,114**
2020					
Other comprehensive income, net of tax	-	-	76	-	76
Tax free contribution	-	-	-	2,800	2,800
Profit for the year	-	-	**-**	1,399	1,399
Total comprehensive income for the year	**-**	-	**76**	**4,199**	**4,275**
Equity 31 December 2020	**82**	-	**100**	**9,207**	**9,389**

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:

	2020	2019
Revenue from contracts with customers:		
Freight revenue	20,565	20,332
Detention and demurrage fees	1,391	1,363
Others	322	365
Revenue from other sources:		
Vessel-sharing and slot charter income	2,372	2,713
Lease income	75	91
Others	58	24
Total revenue	**24,783**	**24,888**

	2020	2019
Contract balances		
Trade receivables	1,912	1,719
Accrued income - contract asset	83	111

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:

	2020	2019
Bunker costs	3,249	3,968
Terminal costs	6,249	6,567
Intermodal costs	2,456	2,755
Port costs	1,910	2,106
Rent and lease costs	1,446	1,448
Staff costs, incl. reimbursed to related parties	508	462
Other	4,124	4,213
Total operating costs	**19,942**	**21,519**
Remuneration of employees		
Wages and salaries	239	226
Pension costs	-	-
Other social security costs	6	9
Total remuneration of staff directly employed by the Company	**245**	**235**
Average number of employees*	10,405	9,743

The Company's share of fees and remuneration to Management

Fixed base salary	1	3
Short-term incentive	1	2
Long-term incentive	1	1
Remuneration in connection with redundancy, and release from duty to work	-	1
Total Share of fees and remuneration to Management**	**3**	**7**

* 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.
** The decrease is due to minor changes to the Management composition in 2020.

Notes to the financial statements

Amounts in USD million

2 Financial income and expenses

	2020	2019
Interest expenses on liabilities*	990	1,218
Interest income on loans and receivables**	13	39
Net interest expenses	**977**	**1,179**
Exchange rate gains on bank balances, borrowings and working capital	13	74
Exchange rate losses on bank balances, borrowings and working capital	230	27
Net foreign exchange gains/losses	**-217**	**47**
Fair value gains from derivatives	15	-
Fair value losses from derivatives	1	6
Net fair value gains/losses	**14**	**-6**
Dividends received from subsidiaries and associated companies	776	561
Total dividends income	**776**	**561**
Impairment losses, investments in and loans to subsidiaries and associated companies***	307	222
Financial net	**-711**	**-800**
Of which:		
Dividends	776	561
Financial income	41	113
Financial expenses	1,221	1,251
Impairment of financial assets	307	222

* Including USD 722m (USD 865m) to group companies.

* Including USD 12m (USD 38m) from group companies.

** Investments in and loans to to subsidiaries and associated companies are impaired if the carrying value exceeds the recoverable amount.The impairment relates to Maersk Line UK Limited and Maersk Trade Finance A/S (2019: Maersk Line UK Limited and Maersk Shipping K/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

	2020	2019
Tax recognised in the income statement		
Current tax on profit for the year	-66	-60
Adjustment for current tax of prior periods	22	-7
Total current tax	**-44**	**-67**
Total income Tax	**-44**	**-67**
Tonnage and freight tax	79	68
Total tax	**35**	**1**
Tax reconciliation		
Profit before tax	1,434	-330
Income subject to Danish and foreign tonnage taxation, etc.	-2,348	-452
Profit before tax, adjusted	**-914**	**-782**
Tax using the Danish corporation tax rate (2020: 22.0%, 2019: 22.0%)	-201	-172
Adjustment to previous years' taxes	23	-7
Effect of other income taxes distinct from corporation tax	8	8
Non-taxable income	-	-3
Non-deductible expenses	199	163
Non-taxable dividends, etc. net	-103	-74
Deferred tax asset not recognised	30	18
Total income tax	**-44**	**-67**

Notes to the financial statements

Amounts in USD million

4 Intangible assets

	Brand name	IT software	Total
Cost			
1 January 2019	379	-	379
Additions	-	15	15
31 December 2019	**379**	**15**	**394**
Additions	-	69	69
31 December 2020	**379**	**84**	**463**
Amortisation and impairment losses			
1 January 2019	20	-	20
Amortisation	19	-	19
31 December 2019	**39**	**-**	**39**
Amortisation	19	5	24
31 December 2020	**58**	**5**	**63**
Carrying amount:			
31 December 2019	**340**	**15**	**355**
31 December 2020	**321**	**79**	**400**

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 the CGU (as elaborated in section "Significant accounting estimates and judgements" of this annual report).

Notes to the financial statements

Amounts in USD million

5 Property, plant and equipment

	Ships, containers, etc.	Production facilities and equipment, etc.	Construc-tion work in progress and pay-ment on account	Total
Cost				
1 January 2019	27,191	1,018	374	28,583
Transfer of IAS 17 Finance Lease	-2,223	-1,009	-	-3,232
Additions	311	1	564	876
Disposal	-835	-3	-	-838
Transfer	835	1	-799	37
31 December 2019	**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**
Depreciation and impairment losses				
1 January 2019	11,808	343	-	12,151
Transfer of IAS 17 Finance Lease	-759	-335	-	-1,094
Depreciation	1,432	1	-	1,433
Disposal	-477	-3	-	-480
Transfer	4	-	-	4
31 December 2019	**12,008**	**6**	**-**	**12,014**
Depreciation	1,402	-	-	1,402
Disposal	-605	-	-	-605
Transfer	76	-	-	76
31 December 2020	**12,881**	**6**	**-**	**12,887**
Carrying amount:				
31 December 2019	**13,271**	**2**	**139**	**13,412**
31 December 2020	**12,344**	**3**	**53**	**12,400**

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

The future lease income is USD 69m (USD 255m) of which USD 37m (USD 156m) is expected within one year, USD 28m (USD 38m) in second year and balance USD 4m (USD 60m) above three years.

Pledges
Ships, containers, etc. with a carrying amount of USD 639m (USD 1.5bn) have been pledged as security for loans of USD 298m (USD 1bn).

Refer note 22 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 2019	3,964	-	8	3,972
Transfer from IAS 17 finance leases	1,464	677	-	2,141
Additions	1,331	630	2	1,963
Disposal	-210	-	-	-210
Depreciation cost	-1,455	-99	-3	-1,557
Transfer to owned assets, etc.	-33	-	-	-33
31 December 2019	**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**

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

Notes to the financial statements

Amounts in USD million

7 Investments in subsidiaries

	Investments in subsidiaries
Cost	
1 January 2019	7,629
Acquisition and capital injection*	402
Return of capital*	-33
31 December 2019	**7,998**
Acquisition and capital injection**	292
Disposal	-54
Return of capital**	-92
31 December 2020	**8,144**
Impairment losses	
1 January 2019	19
Impairment losses	222
31 December 2019	**241**
Impairment losses***	307
31 December 2020	**548**
Carrying amount:	
31 December 2019	**7,757**
31 December 2020	**7,596**

*Acquisition and capital injection in 2019 comprises capital injections to various subsidiaries of USD 247m as well as investment in Maersk Shipping K/S. Return of capital in 2019 comprises of a return of capital from Hamburg Süd of USD 33m.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 2020 comprises capital injections to various subsidiaries of USD 58m, acquisition of Dovana Holding AB (KGH) of USD 232m and USD 1.8m from purchase of non controlling interest. Return of capital in 2020 comprises of a return of capital from Hamburg Süd of USD 92m. The return of capital was on a non-cash basis and is hence not reflected in the cash flow statement.

*** Investments in and loans to to subsidiaries and associated companies are impaired if the carrying value exceeds the recoverable amount. The impairment relates to Maersk Line UK Limited and Maersk Trade Finance A/S (2019: Maersk Line UK Limited and Maersk Shipping K/S).

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	
	2020	2019	**2020**	2019	**2020**	2019
Tax loss carryforwards	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

Change in deferred tax, net during the year:	**2020**	2019
1 January	**-**	**-**
Recognised in the income statement	-	-
31 December	**-**	**-**

Tax losses for which no deferred tax asset has been recognised amount to USD 134m (104m).

Notes to the financial statements

Amounts in USD million

9 Inventories

	2020	2019
Bunker	487	657
Other consumables	32	33
Total	**519**	**690**

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
1 January 2015	500	1,000	182	500,000	91,000
Issue of shares	499,500	1,000	163	499,500,000	81,598,320
31 December 2015	**500,000**			**500,000,000**	**81,689,320**
Issue of shares	-	-	-	-	-
31 December 2016	**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**

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.

Notes to the financial statements

Amounts in USD million

11 Borrowings and lease liability reconciliation

	Net debt as at 31 December 2019	Cash flow	Additions	Disposals	Foreign exchange movements	Other changes	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.

	Net debt as at 31 December 2018	Cash flow	IFRS 16 adoption	Additions	Disposals	Foreign exchange movements	Net debt as at 31 December 2019
Debt to group related entities	16,862	-1,990	-	-	-	-	14,872
Lease liability	2,156	-1,483	3,972	2,015	-190	-3	6,467
Total borrowings	**19,018**	-3,473	**3,972**	**2,015**	**-190**	**-3**	**21,339**
Of which:							
Classified as non-current	14,271						17,442
Classified as current	4,747						3,898

The cash flow from financing activities, as per the cash flow statement, includes a net cash flow of USD 367m 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 2020	5	169	186	360
Provision made	17	206	150	373
Amount used	-14	-60	-4	-78
Amount reversed	-1	-70	-141	-212
Exchange rate adjustment	-	-3	-	-3
31 December 2020	**7**	**242**	**191**	**440**
Classified as non-current	-	68	26	94
Classified as current	7	174	165	346
	7	**242**	**191**	**440**

Restructuring includes provisions for decided and publicly announced restructurings. Legal disputes, etc. include indirect tax and duty disputes among other things. Other includes provisions for guarantees, onerous contracts, and risk under certain self-insurance programmes. The provisions are subject to considerable uncertainty.

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:	2020	2019
Non-current receivables	7	-
Current receivables	88	11
Non-current liabilities	-	-3
Assets, net	**95**	**8**

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

	Cash flow hedges 2020	Held for trading 2020	Cash flow hedges 2019	Held for trading 2019
Currency derivatives, net	88	7	8	-
Total	**88**	**7**	**8**	**-**

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:

	2020	2019
Hedging foreign exchange risk on operating costs	7	-76
Total effective hedging	**7**	**-76**
Ineffectiveness of unrealised currency derivatives recognised in financial expenses	3	-
Total reclassified from equity reserve for hedges	**10**	**-76**
Net gains/losses recognised directly in the income statement	**11**	**-6**
Total	**21**	**-82**

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 2020	Fair value* 2020	Carrying amount 2019	Fair value* 2019
Carried at amortised cost				
Interest bearing receivables from subsidiaries, etc.	4,922	4,922	695	695
Trade receivables	2,052		1,886	
Other receivables (non-interest-bearing)	143		120	
Other receivables from subsidiaries, etc.	131		142	
Cash and bank balances	15		9	
Financial assets at amortised cost	**7,263**		**2,852**	
Derivatives	**95**	**95**	**11**	**11**
Total financial assets	**7,358**		**2,863**	
Carried at amortised cost				
Interest bearing debt to group related entities	13,968	13,968	14,872	14,872
Leasing liabilities	6,013	5,763	6,468	4,195
Trade payables	3,867		4,261	
Other payables	263		251	
Other payables to subsidiaries and associated companies, etc.	108		161	
Financial liabilities at amortised cost	**24,219**		**26,013**	
Derivatives	**-**	**-**	**3**	**3**
Total financial liabilities	**24,219**		**26,016**	

* 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 measured at amortised cost
The fair value of financial assets and liabilities carried at amortised cost was determined primarily by measuring the present value of expected future cash flows (level 2 inputs). The results of these valuations has led management to conclude that the carrying value of these assets and liabilities is not materially different from their fair value.

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 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 2020.

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

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. The 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 140m (negatively by approx. USD 149m).

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
2020				
0-3%	1,971	1,971	-	-
3-6%	18,010	13,203	2,834	1,973
6%-	-	-	-	-
Total	**19,981**	**15,174**	**2,834**	**1,973**
Of which:				
Bearing fixed interest	6,003			
Bearing floating interest	13,978			
2019				
0-3%	2,837	2,837	-	-
3-6%	18,476	13,508	2,817	2,151
6%-	27	27	-	-
Total	**21,340**	**16,372**	**2,817**	**2,151**
Of which:				
Bearing fixed interest	6,453			
Bearing floating interest	14,887			

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
EUR	511	28
SEK	630	8
DKK	213	12
HKD	137	-
SGD	136	4
CAD	116	4
CNY	72	5
MYR	66	3
GBP	63	3
MXN	53	6
KRW	51	4
ZAR	48	6
JPY	40	1
BRL	37	1
NZD	34	3
AUD	23	2
CLP	20	2
COP	19	2
THB	11	1
Total	**2,280**	**95**

The forward exchange contracts fall due in the period January to December 2021.

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 impaired.

Maturity analysis of trade receivables	2020	2019
Receivables not due	1,487	1,375
Less than 90 days overdue	432	457
91-365 days overdue	98	82
More than 1 year overdue	100	102
Receivables, gross	**2,117**	**2,016**
Provision for bad debt	65	130
Carrying amount	**2,052**	**1,886**

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

Change in provision for bad debt	2020	2019
1 January	130	174
Provisions made	134	148
Amount used	129	128
Amount reversed	70	64
31 December	**65**	**130**

Approximately 74% (78%) 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
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**	**29,176**
2019					
Interest bearing debt to group related entities	14,872	11,834	4,867	-	16,701
Financial lease liability	6,468	1,710	3,486	2,371	7,567
Trade payables	4,261	4,261	-	-	4,261
Other payables	251	251	-	-	251
Other payables to group related entities	161	161	-	-	161
Non-derivative financial liabilities	**26,013**	**18,217**	**8,353**	**2,371**	**28,941**
Derivatives	3	3	-	-	3
Total recognised in balance sheet	**26,016**	**18,220**	**8,353**	**2,371**	**28,944**
Lease commitments		75			75
Capital commitments		298			298
Total		**18,593**	**8,353**	**2,371**	**29,317**

Notes to the financial statements

Amounts in USD million

16 Commitments

Lease commitments
As part of the Company's activities, customary agreements are entered into regarding charter and leases of ships, containers, port facilities, other equipment etc. From 1 January 2019, the group has recognised right-of-use assets for these leases, except for short-term and low-value leases.
From 2019 onwards, the short-term and low-value leases do not include any payment for operational costs.

The future charter and lease payments are:

	2020	2019
Within one year	62	75
Total	**62**	**75**

Total lease costs incurred are presented in note 1.

Capital commitments
At the end of 2020, capital commitments amounted to USD 0.3bn (0.3bn), primarily related to purchase of containers.

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

	2020	2019
Change in working capital		
Inventories	171	-49
Trade receivables	-230	191
Other receivables and prepayments	-78	55
Trade payables and other payables, etc.	-414	759
Exchange rate adjustment of working capital	-26	-14
Total	**-577**	**942**
Purchase of property, plant and equipment		
Additions	-421	-454
Of which pertains to borrowing costs capitalized on assets	-	2
Change in payables to suppliers regarding purchase of assets	3	-64
Total	**-418**	**-516**

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

Notes to the financial statements

Amounts in USD million

19 Related parties

	Subsidiaries		Other related companies		Parent company		Management*	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Income statement								
Revenue	1,871	2,110	519	436	-1	3	-	-
Operating costs	243	1,801	5,948	6,708	417	288	-	-
Remuneration to management	-	-	-	-	-	-	3	7
Dividends	776	561	-	-	-	-	-	-
Financial income	6	33	5	5	114	0	-	-
Financial expenses	112	110	0	4	605	789	-	-
Assets								
Interest bearing receivables, non-current	-	-	13	-	-	-	-	-
Trade receivables	82	-	113	-	13	-	-	-
Tax receivables	-	-	-	-	70	58	-	-
Interest bearing receivables, current	872	652	105	131	3,932	14	-	-
Other receivables, current	348	353	69	73	98	11	-	-
Liabilities								
Interest bearing debt, non-current	-	-	25	-	12,000	12,339	-	-
Interest bearing debt, current	1,728	1,794	165	92	51	649	-	-
Trade payables	309	270	153	295	40	41	-	-
Other liabilities, current	527	496	523	738	98	131	-	-
Capital increases and purchase of shares	292	402	-	-	2,800	-	-	-
Disposal	54	-	-	-	-	-	-	-
Return of capital	92	33	-	-		-	-	-

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

Leases
At the end of 2020, lease commitments to related companies amounted to USD 259m (USD 64m) of which USD 259m (USD 64m) 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 2020, capital commitments to other related companies amounted to USD 96m (USD 0m) of which USD 96m (USD 0m) is payable within one year and USD 0m (USD 0m) is non-current.

Leases as lessor
After the end of 2020, the future lease income from subsidiaries is USD 69m (USD 255m) of which USD 37m (USD 155m) is receivable within one year, and USD 32m (USD 98m) 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 2020 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 2019.

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:

Brand names	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.	12 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.

Refer note 22 for the change in useful life of containers in year 2021.

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: Operating profit/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

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 applied the following standards/requirements:

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

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

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.

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 whose financial results are directly affected by fluctuations in container freight rates. Freight rates are influenced by both regional and global economic environment and trade patterns, as well as by industry-specific trends in respect of capacity supply and demand. The long-term economic consequences of COVID-19 are still unknown and could cause a shift in freight rates or volumes.

The future development in the oil price is an uncertain and significant factor impacting accounting estimates across 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, 2020:

Change in container useful life

The estimated useful life and residual values of containers have been revised.

The useful life of new containers is typically estimated to 15 years. The residual values are initially estimated between 10% and 30%, depending on the container type.

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'
Safmarine MPV NV	100	Belgium	5,778	-3,117	-3,117
Maersk China Ltd.	100	China	192,418	-11,526	-11,526
Rederiaktieselskabet Kuling	100	Denmark	1,029	107	107
Maersk Line Agency Holding A/S	100	Denmark	879,316	68,559	68,559
Sealand Europe A/S	100	Denmark	108,962	80,849	80,849
Maersk Trade Finance A/S	100	Denmark	-2,847	-12,645	-12,645
Maersk Deutschland A/S & Co. KG	100	Germany	4,274	-274	-274
Maersk Shipping Hong Kong Ltd.	100	Hong Kong	1,765,102	118,569	118,569
Sealand Maersk Asia Pte. Ltd.	100	Singapore	86,637	85,674	85,674
A.P. Moller Singapore Pte. Ltd.	100	Singapore	3,740,063	236,908	236,908
Maersk Line UK Ltd.	100	United Kingdom	494,801	6,682	6,682
Maersk Inc.	100	United States	NA	NA	NA
Maersk GP GmbH	100	Germany	NA	NA	NA
Rudolf August Oetker Tanker ApS & Co KG	100	Germany	NA	NA	NA
Maersk Shipping K/S	100	Denmark	41,865	-116,883	-116,883
Frey P/S	100	Denmark	3,888	-1,068	-1,068
Frey GP ApS	100	Denmark	2	-3	-3
HS GP ApS	100	Denmark	27	2	2
Maersk Line Crewing Hamburg ApS & Co KG	100	Germany	NA	NA	NA
Hamburg Südamerikanische DG KG	100	Germany	NA	NA	NA
Maersk GTD Holdings Inc.	100	United States	NA	NA	NA
Dovana Holding AB*	100	Sweden	NA	NA	NA

*Acquisition of Dovana Holding AB (KGH) in 2020

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 2020 which is available on: http://investor.maersk.com/financials.cfm

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, relate 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 considered and adopted the Annual Report of Maersk A/S for 2020.

The Annual Report for 2020 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 Maersk's and the company's assets and liabilities and financial position at 31 December 2020 and of the results of Maersk's and the company's operations and cash flows for the financial year 2020.

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

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

Copenhagen, 21 May 2021

Executive Board:

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Vincent Clerc
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Vincent Clerc
CEO

Board of Directors:

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Søren Skou	Patrick Jany	Caroline Sundorph Pontoppidan
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Søren Skou	Patrick Jany	Caroline Sundorph Pontoppidan
Chairman		

Independent Auditor's Report

To the Shareholder of Maersk A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2020 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 2020, 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 ("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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

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

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

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

Copenhagen, 21 May 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Mogens Nørgaard Mogensen State Authorised Public Accountant mne 21404	Lars Baungaard State Authorised Public Accountant mne23331
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