

# Q1 2020

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The Interim Report for Q1 2020 of A.P. Møller - Mærsk A/S (further referred to as A.P. Møller - Maersk as the consolidated group of companies) has been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) and as adopted by the EU and additional Danish disclosure requirements for interim financial reporting of listed companies.

### Change in presentation and comparative figures

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

### Forward-looking statements

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

"In the first quarter of the year, A.P. Moller - Maersk again delivered profitable growth. Operating earnings increased by 23% year-on-year, and cash return on invested capital increased by 3.5 percentage points to 10.5%. The strong results were made during a quarter with sharp fuel costs increases derived from the industry's switch to low-sulphur fuel and on the backdrop of a contraction in global trade due to lockdowns in most regions. From the beginning of the COVID-19 crisis our focus has been on the health and well-being of our employees, on supporting our customer's businesses and the societies we are part of.

The transformation of A.P. Moller - Maersk from a diversified conglomerate to becoming a focused, integrated and digitised global logistics company continues to be validated also in this quarter, as we are serving our customers, connecting and simplifying their supply chains, while also growing earnings and free cash flow in difficult circumstances.

Looking into Q2 2020, visibility remains low as a result of the COVID-19 pandemic. We continue to support our customers in keeping their supply chains running, however as global demand continues to be significantly affected, we expect volumes in Q2 to decrease across all businesses, possibly by as much as 20-25%. 2020 is a challenging year, but as we proactively respond to lower demands and show progress in our transformation and financial performance, we are strongly positioned to weather the storm,"

says **Søren Skou**  
CEO of A.P. Moller - Maersk

## Highlights Q1 2020

- During Q1, COVID-19 had a significant impact on the activity level in A.P. Moller - Maersk, starting in February by impacting the exports out of China due to the extended lockdown, to having a widespread impact on global demand and economic growth as COVID-19 became a pandemic in March.
- Revenue increased marginally to USD 9.6bn, despite lower volumes across all segments, driven by Ocean, while profitability continued the positive development from 2019, with EBITDA improving by 23% to USD 1.5bn and the EBITDA margin increased by 3 percentage points to 15.9%.
- EBITDA in Ocean improved by 25% to USD 1.2bn and the EBITDA margin increased to 16.3% (13.4%). The improvement, besides a positive result from the self-supply bunker strategy to mitigate increases in fuel cost from the IMO mandated switch to low sulphur fuel 1 January 2020 (IMO 2020), reflects the overall focus on profitability with higher freight rates compensating for the increase in fuel prices related to IMO 2020, and capacity management leading to lower handling and network costs mitigating the lower volumes related to COVID-19.
- Logistics & Services improved EBITDA by 42% to USD 68m and reported a margin of 4.7% (3.2%) and gross profit increased by 9.0% to USD 306m. The increase was due to higher profitability in intermodal and warehousing and distribution, partly offset by lower revenue and margins in supply chain management and sea freight forwarding.
- EBITDA in gateway terminals was on par with Q1 2019 at USD 213m with a volume decrease of 1.6% and a revenue decline of 11.6%, primarily due to lower IFRIC 12 construction revenue. The EBITDA margin improved by 3.3 percentage points to 28.7% continuing the underlying positive trend in profitability from 2019.
- Cash flow from operating activities of USD 1.2bn continued the positive development from previous quarters and gross CAPEX declined to USD 310m (USD 778m). Free cash flow was USD 960m and free cash flow adjusted for capitalised lease payments increased by 17% to USD 506m (USD 431m).
- Return on invested capital (last twelve months) improved to 3.8% (0.6%), while cash return on invested capital (last twelve months) improved to 10.5% (7.0%), reflecting higher profitability and capital discipline through lower CAPEX spending and reduced invested capital.
- Net interest-bearing debt increased slightly at USD 12.0bn compared to end of 2019 after buying back shares of USD 296m and the dividend payment of USD 375m, and with solid liquidity reserves of USD 9.2bn.
- With low visibility for the remaining of 2020 given the COVID-19 pandemic and the subsequent country lockdowns, the full-year guidance for 2020 was suspended in March. Significant contraction in global demand is expected for Q2, with volumes expected to decrease by 20-25% across all businesses.

## Summary financial information 1/2

Amounts in USD million

	2020	Q1 2019	Full year 2019
<b>Income statement</b>			
Revenue	9,571	9,540	38,890
Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)	1,521	1,236	5,712
Depreciation, amortisation and impairment losses, net	1,073	1,082	4,287
Gain on sale of non-current assets, etc., net	19	18	71
Share of profit/loss in joint ventures	37	24	93
Share of profit/loss in associated companies	48	34	136
Profit/loss before financial items (EBIT)	552	230	1,725
Financial items, net	-215	-228	-758
Profit/loss before tax	337	2	967
Tax	128	106	458
Profit/loss for the period – continuing operations	209	-104	509
Profit/loss for the period – discontinued operations <sup>1</sup>	-	-552	-553
Profit/loss for the period	209	-656	-44
A.P. Møller - Mærsk A/S' share	197	-659	-84
<i>Adjustments to profit/loss for the period – continuing operations:</i>			
Profit/loss for the period – continuing operations	209	-104	509
Gain/loss on sale of non-current assets, etc., net	-19	-18	-71
Impairment losses, net	7	21	29
Transaction and integration cost	-	31	78
Tax on adjustments	-	1	1
Underlying profit/loss – continuing operations <sup>2</sup>	197	-69	546
<b>Balance sheet</b>			
Total assets	53,990	61,701	55,399
Total equity	27,945	32,843	28,837
Invested capital	39,977	46,491	40,555
Net interest-bearing debt	11,978	12,565	11,662
<b>Cash flow statement</b>			
Cash flow from operating activities	1,216	1,482	5,919
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	310	778	2,035
Cash flow from financing activities	-1,620	-1,302	-4,800
Net cash flow from discontinued operations	-	47	-372

1 Maersk Drilling was classified as discontinued operations in 2017, and the business is presented separately on an aggregated level in the income statement, balance sheet and cash flow statement. Maersk Drilling was demerged on 2 April 2019.

2 Underlying profit/loss is profit/loss for the period from continuing operations adjusted for net gains/losses from sale of non-current assets, etc. and net impairment losses as well as transaction, restructuring and integration costs related to major transactions. The adjustments are net of tax and include A.P. Møller - Maersk's share of mentioned items in joint ventures and associated companies.

## Summary financial information 2/2

Amounts in USD million

	2020	Q1 2019	Full year 2019
<b>Financial ratios</b>			
Revenue growth	0.3%	2.5%	-0.9%
EBITDA margin	15.9%	13.0%	14.7%
Cash conversion	80%	120%	104%
Return on invested capital after tax – continuing operations (ROIC)	3.8%	0.6%	3.1%
Return on equity after tax, annualised	2.9%	-8.0%	-0.1%
Equity ratio	51.8%	53.2%	52.1%
<b>Stock market ratios</b>			
Earnings per share – continuing operations, USD	10	-5	23
Diluted earnings per share – continuing operations, USD	10	-5	23
Cash flow from operating activities per share, USD	61	71	288
Share price (B share), end of period, DKK	6,092	8,442	9,608
Share price (B share), end of period, USD	894	1,270	1,439
Total market capitalisation, end of period, USDm	17,002	23,743	28,000
<b>Ocean financial highlights<sup>1</sup></b>			
Revenue	7,230	7,015	28,782
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	1,175	940	4,436
EBITDA margin	16.3%	13.4%	15.4%
<b>Logistics &amp; Services financial highlights<sup>1</sup></b>			
Revenue	1,442	1,521	6,331
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	68	48	216
EBITDA margin	4.7%	3.1%	3.4%
<b>Terminals &amp; Towage financial highlights<sup>1</sup></b>			
Revenue	911	1,004	3,948
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	276	269	1,118
EBITDA margin	30.3%	26.8%	28.3%
<b>Manufacturing &amp; Others financial highlights<sup>1</sup></b>			
Revenue	295	383	1,376
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	43	9	136
EBITDA margin	14.6%	2.3%	9.9%

<sup>1</sup> See note 5.

**Notes:**

The interim consolidated financial statements have not been subject to audit or review. The interim consolidated financial statements are prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) and adopted by the EU and additional Danish disclosure requirements for interim financial reporting for listed companies.

## COVID-19

Throughout the COVID-19 pandemic, the key priorities for A.P. Moller - Maersk are to ensure the safety of our people and support our customers, to safeguard the global supply chains as well as the continuation of global trade.

Numerous steps have been taken to address the current situation, and multiple precautionary procedures and processes are in place to handle COVID-19 cases, while adhering to the advice and regulations from local authorities. Our global operations are still functioning, and we are doing our utmost to maintain world-class service to our customers despite the pandemic. Being able to offer our customers integrated global container logistics solutions and more digital products at a time where supply chains are being disrupted from the impact of COVID-19 confirms the relevance of and opportunities in our strategy.

The lockdowns, first in Asia and then across Europe and North America have led to significantly lower demand, which affects all parts of the business in A.P. Moller - Maersk. For the Ocean business, there is a marked reduction in demand, especially in East-West trades, but also globally. To manage the situation a number of sailings have been cancelled, especially East-West, and vessels have been idled. In total, more than 90 sailings, leading to a decline of 3.5% in deployed capacity, were idled in Q1 and for Q2, close to 140 blanked sailings are expected. These initiatives have led to significant cost reductions, and we will continue to keep a tight capacity discipline going forward, while offering our customers the best possible service. Our people in our terminals and towage businesses are working in partnership with local authorities, unions and shipping lines to maintain logistics networks and keep critical infrastructure operating.

Steps have been taken to reduce CAPEX in Q1 2020 and further CAPEX reductions will be carried out in the remainder of the year. Focus will continue to be on protecting profitability and cash flow.

The impact and span of the COVID-19 pandemic is difficult to predict, and business recovery is dependent on the time it takes to contain the spread and reopen the economies globally, as well as on the effectiveness of the fiscal stimuli from governments. The long-term effects will also depend on effective medicines and vaccines being developed.

A.P. Moller - Maersk's response remains to ensure the safety of employees, customers, suppliers and the local communities we operate in, while keeping global supply chains functioning and lowering the cost base and the CAPEX spend.

# Financial review

## Q1 2020

*Revenue* was USD 9.6bn (USD 9.5bn) with an increase of USD 215m in Ocean, offset by a decline of USD 93m in Terminals & Towage and USD 79m in Logistics & Services, while revenue decreased by USD 88m in Manufacturing & Others.

*EBITDA* increased by 23% to USD 1.5bn (USD 1.2bn) with increases in all segments, primarily in Ocean by USD 235m due to increasing freight rates and cost improvements driven by capacity adjustments responding to COVID-19 market impacts. In addition, we recognised gains on hedges of oil inventory from our self-supply bunker activities. The impact on EBITDA from development in foreign exchange rates was insignificant.

*EBIT* was USD 552m (USD 230m), positively impacted by the improved EBITDA.

*Financial expenses, net* was USD 215m (USD 228m), mainly impacted by lower debt in 2020.

*The underlying profit* for continuing operations after financial items and tax was positive by USD 197m (negative USD 69m).

*Cash flow from operating activities* was USD 1.2bn (USD 1.5bn), positively impacted by an increase in EBITDA of USD 285m offset by an increase in net working capital of USD 533m, leading to a decrease in cash conversion to 80% (120%).

*Gross capital expenditure (CAPEX)* was USD 310m (USD 778m), mainly related to investments in Ocean and Terminals & Towage, however, lower than expected due to the decision to decrease CAPEX as a response to COVID-19.

*Free cash flow* was USD 960m (USD 3.5bn), positively impacted by lower gross CAPEX and negatively impacted by lower cash flow from operating activities and the sale of Total S.A. shares of USD 2.6bn in Q1 2019. Adjusted for capitalised lease payments, free cash flow was USD 506m (USD 3.0bn or USD 431m, excluding sale of Total S.A. shares).

The *contractual capital commitments* totalled USD 1.6bn end of Q1, of which USD 1.1bn related to commitments towards terminal concession grantors. Strong commitment to capital discipline and free cash flow generation continues to be a key focus area, and steps are taken to reduce CAPEX in 2020 to safeguard cash flow in light of COVID-19.

*Liquidity reserve* decreased to USD 9.2bn (USD 10.5bn at year-end 2019), composed by liquid funds excluding restricted cash of USD 3.1bn (USD 3.9bn at year-end 2019) and undrawn revolving credit facilities of USD 6.2bn (USD 6.7bn at year-end 2019). The revolving credit facilities were refinanced during Q1 and the amounts were reduced in line with business need following separation of the energy related businesses. The tenor spans from 3-5 years and can be extended for another two years if needed. A.P. Møller - Maersk received strong support from global relationship banks and is pleased with the terms and conditions of the new facilities.

### Capital structure, issue of bonds and credit rating

Net interest-bearing debt increased to USD 12.0bn (USD 11.7bn at 31 December 2019), positively impacted by free cash flow of USD 960m, offset by the annual dividends of USD 375m, share repurchases of USD 296m and interest paid of USD 187m.

A.P. Møller - Maersk had net repayments of USD 727m (USD 1.1bn), mainly driven by repayments of capitalised leases of USD 342m.

A.P. Møller - Maersk remains *investment grade-rated* and holds a Baa3 (negative, previously stable) rating from Moody's and a BBB (negative, previously stable) rating from Standard & Poor's.

### Dividend

The ordinary dividend of DKK 150 per A.P. Møller - Mærsk A/S share of nominally DKK 1,000 (USD 375m, net of withholding tax) declared at the Annual General Meeting on 23 March 2020 was paid on 26 March 2020. Of the DKK 150, DKK 75 was related to the underlying profit of the financial year 2019 and DKK 75 was related to gain from the sale of Total S.A. shares.

## Highlights Q1

USD million	Revenue		EBITDA		CAPEX	
	2020	2019	2020	2019	2020	2019
Ocean	7,230	7,015	1,175	940	175	469
Logistics & Services	1,442	1,521	68	48	23	9
Terminals & Towage	911	1,004	276	269	103	121
Manufacturing & Others	295	383	43	9	8	177
Unallocated activities, eliminations, etc.	-307	-383	-41	-30	1	2
<b>A.P. Møller - Maersk consolidated - continuing operations</b>	<b>9,571</b>	<b>9,540</b>	<b>1,521</b>	<b>1,236</b>	<b>310</b>	<b>778</b>



## Share buy-back

In Q2 2019, the Board of Directors decided to exercise the authority to buy back shares with a maximum value of DKK 10bn (around USD 1.5bn) over a period of up to 15 months. This is in line with the previously announced intention to distribute a material part of the proceeds from the sale of the shares received in Total S.A., as part of the sale of Maersk Oil.

The first phase ran from 4 June 2019 to 25 September 2019 with the total market value of the shares acquired of DKK 3.3bn (USD 494m). The second phase ran from 26 September 2019 until 28 February 2020 with the total market value of the shares acquired of DKK 3.3bn (USD 487m).

The third phase of the program will run from 4 March 2020 up to 24 July 2020. The shares to be acquired will be limited to a total market value of DKK 3.4bn. A maximum of 208,168 A shares and 815,739 B shares can be acquired in the third phase of the buy-back programme. The stated maximum figures include purchases from A.P. Møller Holding A/S.

During Q1, A.P. Møller - Maersk bought back 55,605 A shares and 221,999 B shares worth DKK 2.0bn (USD 296m).

At 31 March, A.P. Møller - Maersk owns a total of 189,884 A shares and 806,171 B shares as treasury shares, corresponding to 4.78 % of the share capital.

At the Annual General Meeting on 23 March 2020, the cancellation of 156,977 A shares and 627,938 B shares was approved and is expected to be completed in Q2.

## Transformation metrics

To measure the strategic transformation towards becoming the integrator of container logistics and A.P. Møller - Maersk's ability to create shareholder value, we are tracking four metrics besides our overall ROIC target (see table).

Return on invested capital (ROIC), last twelve months, increased to 3.8% (0.6%), as earnings improved and invested capital was reduced. The underlying return on invested capital increased to 3.8% (2.4%).

On the back of the improvement in profitability and positive cash flow generation during Q1, there was a positive development across three of the four transformation metrics.

Cash return on invested capital (CROIC), last twelve months, increased to 10.5% (7.0%), as gross CAPEX and invested capital decreased.

Infrastructure and Logistics revenue (excl. freight forwarding) decreased to USD 2.1bn (USD 2.3bn) due to lower revenue in gateway terminals and Logistics & Services mainly due to the effects from COVID-19.

Logistics & Services EBITDA (excl. freight forwarding) improved to USD 69m (USD 46m) due to an improvement in higher margin regions.

## Change in management

As of 1 May, Patrick Jany has taken up the position as CFO. The Executive Board hereafter consists of Søren Skou, Patrick Jany, Vincent Clerc, Morten Engelstoft and Henriette Hallberg Thygesen.

## Transformation metrics

	Q1 2020	Q1 2019	Full year 2019
A.P. Møller - Maersk cash return on invested capital <sup>1</sup>	10.5%	7.0%	10.0%
Infrastructure and Logistics revenue <sup>2</sup> , USDm	2,125	2,272	9,201
Logistics & Services EBITDA <sup>2</sup> , USDm	69	46	221
<b>Long-term targets</b>			
Return on invested capital <sup>1</sup>	3.8%	0.6%	3.1%
Underlying return on invested capital <sup>1</sup>	3.8%	2.4%	3.2%

<sup>1</sup> Last twelve months

<sup>2</sup> Excluding freight forwarding

## Guidance for 2020

A.P. Moller - Maersk suspended the full-year guidance for 2020 (EBITDA before restructuring and integration costs of around USD 5.5bn) on 20 March 2020 due to the COVID-19 pandemic, which is leading to material uncertainties and lack of visibility related to the global demand for container transport and logistics.

The high uncertainties related to the outlook and impact from COVID-19 still persist and therefore the suspension of the full year guidance on EBITDA remains.

Significant contraction in global demand is expected for Q2, with volumes expected to decrease by 20-25% across all businesses affecting both the profitability and cash flow in the quarter.

The global market growth in demand for containers is expected to contract in 2020 due to COVID-19 (previously between 1-3% growth). Organic volume growth in Ocean is expected to be in line with or slightly lower than the average market growth.

The accumulated guidance on gross capital expenditures excl. acquisitions (CAPEX) for 2020-2021 is still expected to be USD 3.0-4.0bn, with steps being taken to reduce CAPEX in 2020. High cash conversion (cash flow from operations compared to EBITDA) is expected for both years.

### Sensitivity guidance

A.P. Moller - Maersk's financial performance for the full-year 2020 depends on several factors and are subject to uncertainties related to the COVID-19, bunker fuel prices and freight rates combined with the weaker macroeconomic conditions and other external factors.

Based on the expected earnings level and all else being equal, the sensitivities for the rest of 2020 for four key assumptions are listed in the table below:

Factors	Revenue	Effect on EBITDA Rest of year
Container freight rate	+/- 100 USD/FFE	+/- USD 1.0bn
Container freight volume	+/- 100,000 FFE	+/- USD 0.1bn
Bunker price (net of expected BAF coverage)	+/- 100 USD/tonne	+/- USD 0.3bn
Foreign rate of exchange (net of hedges)	+/- 10% change in USD	+/- USD 0.1bn

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The Q2 2020 Interim Report is expected to be announced on 19 August 2020.

### Webcast and dial-in information

A webcast relating to the Q1 2020 Interim Report will be held on 13 May 2019 at 11.00 (CET).  
Dial-in information on [investor.maersk.com](https://investor.maersk.com).

Presentation material for the webcast will be available on the same page.

## Market update

Global container trade declined by 4.7% in Q1 2020, primarily due to the COVID-19 pandemic that impacted both the supply chain and demand. Container demand is expected to weaken further in 2020, particular in Q2, although it is not possible at this stage to be more precise about the development due to the impact on global economics from COVID-19.

### Market developments

Container trade on the East-West trades declined by 5.7% in Q1 (chart 1) with European import growth from Asia declining 16% in Q1, as Chinese exports almost came to a halt in February, and European demand deteriorated in March, both effects stemming from the COVID-19 virus outbreak. Likewise, North American container imports declined by 7.8% in Q1, while exports from the Middle East and Indian subcontinent showed moderate growth. While the virus' epicentre moved from China to Europe and the USA in early March, the country lockdowns and negative impact on demand came later to the Middle East and India. East-West backhaul slowly increased by 0.6% in Q1 2020 as export growth of 2.1% from Europe to Asia (supported by a January rush to China ahead of Chinese New Year), was counterbalanced by declining exports from North America to Asia of 2.8%.

North-South container trades overall fell by 0.6% in Q1. Latin American import growth weakened further by 2.7%, as the region was impacted by the COVID-19 and at the same time continued to be challenged by slowdowns in domestic activity. African imports increased by 0.8% as it was partly insulated from the impact of COVID-19, while Oceania trades declined by 5.7%. Intra-regional trades fell by 5.5%, mainly driven by Intra Asia and the COVID-19-related lockdown in China.

COVID-19 and the subsequent country lockdowns have led to a severe downturn in production and demand in most parts of the world. While some countries are slowly beginning to open up, others are still only in the early stages.

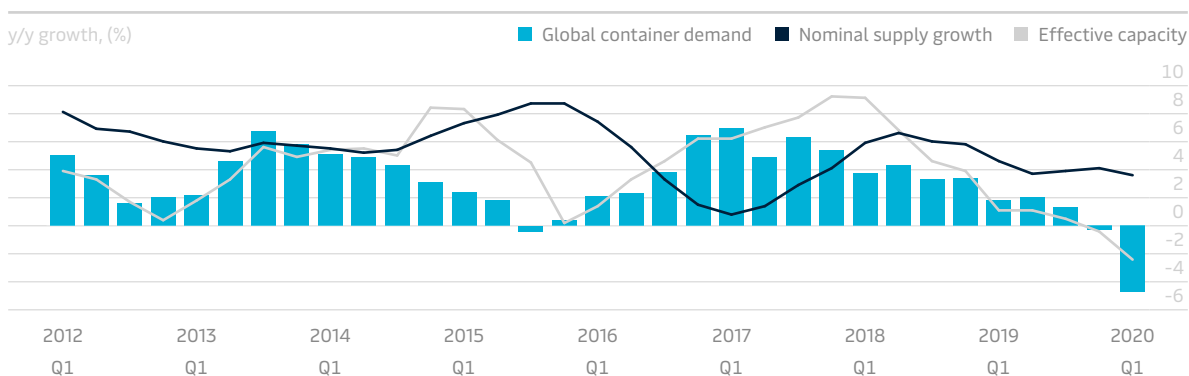
While the outlook is very uncertain, it is expected that container demand will decline in 2020 compared to 2019. At present, it is difficult to predict the timing and the shape of the recovery in global trade volumes with confidence, as it will be determined by the interplay between the path of the virus and government policies in relation to the economy. As a reference point, WTO projects global merchandised trade to decline by between 13-32% in 2020, and the IMF expects a decrease of 11% (goods and services) but with a significant downside risk. Also, the collapse in Brent crude prices adds significant risk to the global demand volumes as it will negatively impact the economics of a number of oil-producing countries in Latin America, Africa and the Middle East.

The global container fleet stood at 23.3m TEU at the end of Q1 2020, corresponding to a growth rate of 3.6% compared to Q1 2019 (chart 2). Deliveries amounted to 110k TEU (25 vessels) during Q1 and were in number of vessels dominated by the smaller vessel segments, while 40k TEU (23 vessels) were scrapped. The decline in demand and the uncertainty about the future following the COVID-19 crisis has led to suspensions of container services and sailings being blanked. Therefore, the idle fleet has increased sharply and made up 9.4% of the fleet (2.2m TEU) end of Q1, its highest record in more than 10 years. As a consequence, the Q1 growth in effective fleet capacity was negative 2.4%. During Q1, 151k TEU (11 vessels) were ordered and at the end of Q1, the orderbook-to-fleet ratio was 10.4%. According to Alphaliner, the nominal global container fleet will grow by 2.9% in 2020.

Chart 1: Market demand growth

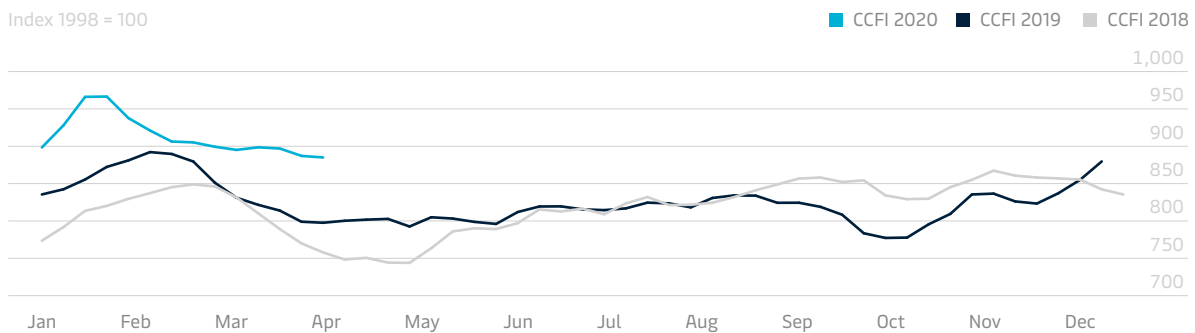
Growth % (Y/Y)	Q1 2020	Q4 2019
Global market	-4.7%	-0.3%
East-West	-5.7%	-2.2%
- Headhaul	-8.9%	-3.9%
- Backhaul	0.6%	1.2%
North-South	-0.6%	1.7%
Intra-regional	-5.5%	1.4%

Chart 2: Global container demand and nominal supply growth



Source: Demand and effective supply is internal Maersk and nominal supply is Alphaliner. Note: Nominal supply outgrew demand in Q1 2020.

### Chart 3: Freight rates



Source: CCFI, Shanghai Shipping Exchange. Note: Q1 2020 Freight rates were on average higher than in Q1 2019 despite weak demand.

Freight rates, as measured by the China Composite Freight Index (CCFI), increased by 7.9% in Q1 compared to Q1 2019. The IMO restrictions on sulphur emissions imposed in January 2020, which has led to vessels being taken out of service for scrubber retrofitting, as well as a large amount of blanked sailings were likely the main drivers behind the increase (chart 3). On the Asia to North Europe route freight rates increased by 0.3%, and from Asia to Mediterranean Europe rates rose by 14.0%. Asia to West Coast US freight rates increased by 2.2% and Asia to the US East Coast freight rates rose 5.5%.

Continued retrofitting of vessels in order to comply with IMO sulphur emissions regulations supported the demand for chartered vessels and charter rates since mid-2019. Therefore, charter rates remained 14% higher in Q1 compared to Q1 2019. At the same time, the recent increase in the idle fleet led to more supply in the vessel chartering market, lowering Q1 charter rates by 7.0% compared to Q4 2019.

The switch into low-sulphur bunker fuels to comply with the new IMO 2020 sulphur cap caused an expected and dramatic reduction in consumption of high-sulphur bunker fuel in the shipping industry. As a consequence,

high-sulphur prices fell considerably end of 2019 and continued to decline in the beginning of 2020. The prices declined by 13% in Singapore and by 2.5% in Rotterdam compared to Q4 2019. Similarly, the prices of low-sulphur fuel oil in Singapore and Rotterdam declined by 12.6% and 17.3% since Q4 2019 with the initial price support erased as more supply of low-sulphur became available. In this highly volatile period of demand, deterioration on the back of the COVID-19-related lockdowns in place and the oil supply increase from Saudi Arabia and Russia, crude prices have fallen by 18% from Q4 2019 to Q1 2020.

The industry has adopted two pricing spreads; Hi5, the price differential between the low-sulphur fuel against the high-sulphur fuel, and GOF0, the differential between marine gasoil (MGO) and low-sulphur fuel. Singapore's Hi5 is down 12% q/q to USD 199/mt while that in Rotterdam declined by 34% q/q to USD 162/mt in Q1 2020. The GOF0 levels are at USD 8.5/mt (down 64% q/q) and USD 33/mt (down 35% q/q), respectively in Singapore and Rotterdam.

While bunker fuel prices are declining with the decline in crude oil, the price of the high-sulphur fuel oil is more stable, supported by demand from the power industry.

## Ocean

Ocean continued the focus on profitability through capacity management amidst volumes contraction along with positive impact from the transition to IMO 2020 with higher freight rates leading to an improvement in earnings compared to Q1 2019. The average loaded freight rate increased, thus compensating for the higher fuel price, and the continued focus on margins by cargo selections and network adjustments was offsetting the weakening global demand. Total operating costs increased by 5.2% due to higher bunker prices, while schedule reliability and network utilisation remained high. In addition, we recognised gains on hedges of oil inventory from our self-supply bunker activities.

The outbreak of COVID-19 leads to disruptions in supply chains across the world, particularly given the lower production in China in Q1. Further negative impact is expected in the coming periods from the wider lockdown of economies, resulting in significant lower business and consumer activity. Focus will remain on curbing the negative financial impact by managing capacity to adjust to demand and to safeguard margins.

### Financial and operational performance

Revenue was USD 7.2bn (USD 7.0bn), with freight revenue increasing by 1.6% impacted by higher average loaded freight rate of 5.7%, partly offset by a decrease in loaded

### Ocean reporting segment changes

From Q1 2020, the Ocean reporting segment has changed, and comparable figures are restated. The changes comprise the inclusion of Maersk Oil Trading, further carve-out of certain Logistics & Services activities and inclusion of three operation centre entities previously reported under Logistics & Services. The East-West trade cluster has been defined to include North America, Europe and the Middle East and North-South to include Africa, Latin America and Oceania. Unit cost at fixed bunker has been defined at 450 USD/tonne from previously 200 USD/tonne.

volumes of 3.2%. Other revenue increased by 11%, mainly due to higher revenue in Maersk Oil Trading of USD 305m (USD 176m).

EBITDA improved by 25% to USD 1.2bn (USD 940m), driven by capacity adjustments as a response to COVID-19 market impacts. This was offsetting the impact from volume decline and increased bunker costs, mainly from consuming the more expensive IMO 2020-compliant fuel. In addition, we recognised gains on hedges of oil inventory from our self-supply bunker activities. The EBITDA margin increased by 2.9 percentage points to 16.3% (13.4%).

## Ocean highlights

USD million	2020	Q1 2019	Full year 2019
Freight revenue	6,028	5,935	24,466
Other revenue, including hubs	1,202	1,080	4,316
<b>Revenue</b>	<b>7,230</b>	<b>7,015</b>	<b>28,782</b>
Container handling costs	2,060	2,249	8,988
Bunker costs	1,395	1,142	4,566
Network costs, excluding bunker costs	1,728	1,783	7,025
Selling, General & Administrative (SG&A)	629	635	2,786
Cost of goods sold and other operational costs	552	240	919
<b>Total operating costs</b>	<b>6,364</b>	<b>6,049</b>	<b>24,284</b>
Other income/costs, net	309	-26	-62
<b>Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)</b>	<b>1,175</b>	<b>940</b>	<b>4,436</b>
EBITDA margin	16.3%	13.4%	15.4%
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	175	469	1,172
<i>Operational and financial metrics</i>			
Loaded volumes (FFE in '000)	3,048	3,150	13,296
Loaded freight rate (USD per FFE)	1,999	1,892	1,853
Unit cost, fixed bunker (USD per FFE incl. VSA income)	2,026	2,073	1,954
Hub productivity (PMPH)	91.9	87.7	91.8
Bunker price, average (USD per tonne)	551	417	412
Bunker consumption (tonne in '000)	2,534	2,739	11,092
Average nominal fleet capacity (TEU in '000)	4,162	4,048	4,132
Fleet owned (end of period)	307	305	307
Fleet chartered (end of period)	390	408	401

Volumes decreased by 3.2% to 3,048k FFE (3,150k FFE), with decreases across all trades, apart from Africa and intra-regional trades, driven by a 5.9% decrease on East-West while North-South volumes decreased by 2.6%, partly offset by a 2.0% increase in intra-regional volumes.

The North-South volume decrease was driven by volume shortfalls in Latin America while also Oceania saw decreases largely as a result of blanked sailings and quarantine restrictions due to the COVID-19 outbreak. This was partly offset by increased headhaul volumes in East and West Africa from Asia and the Middle East. The East-West decrease was driven by significant decrease in headhaul volumes, predominantly as a result of COVID-19 impact from production slowdown in China. In North America, trades additionally saw decreased volumes from trade restrictions on China import volumes and slower economic growth in the USA. The higher intra-regional volumes were largely driven by intra-Asia trades growth of 7.3% along with a 1.8% increase in intra-America, offset by a 6.7% decrease in intra-Europe. Total backhaul decreased by 0.4% while headhaul decreased by 4.6% mainly on Europe and Middle East and North America trades.

The average loaded freight rate increased by 5.7% to 1,999 USD/FFE (1,892 USD/FFE), impacted by rate increases across all trades apart from intra-regional. The rate increase in North-South was slightly above the increase in East-West. The increases were driven by stronger contract rates and focus on operational optimisation of capacity, including network re-design. The intra-regional rate decrease was driven by intra-Americas, partly offset by increases on intra-Europe while Asia was largely on par with Q1 2019. The loaded freight rates increased partly due to higher fuel price and were negatively impacted by the developments in foreign exchange rates as well as mix effect from higher intra-regional volumes. Adjusted for foreign exchange rate effects, the average loaded freight rate increased by 6.7%. The average loaded freight rate at fixed bunker price decreased by 0.7%.

Other revenue increased by 11% to USD 1.2bn (USD 1.1bn), mainly due to increased revenue in Maersk Oil Trading of USD 305m (USD 176m) and a higher number of slot sales, partly offset by a decrease in demurrage and detention income due to lower volumes.

Total operating costs increased by 5.2% to USD 6.4bn (USD 6.0bn), driven by higher bunker cost and slot charter

## Loaded volumes

FFE ('000)	Q1 2020	Q1 2019	Change	Change %
East-West	1,417	1,506	-89	-5.9%
North-South	961	987	-26	-2.6%
Intra-regional	670	657	13	2.0%
<b>Total</b>	<b>3,048</b>	<b>3,150</b>	<b>-102</b>	<b>-3.2%</b>

## Average freight rates

USD/FFE	Q1 2020	Q1 2019	Change	Change %
East-West	1,924	1,790	134	7.5%
North-South	2,560	2,374	186	7.8%
Intra-regional	1,398	1,415	-17	-1.2%
<b>Total</b>	<b>1,999</b>	<b>1,892</b>	<b>107</b>	<b>5.7%</b>

expenses and higher costs in Maersk Oil Trading of USD 416m (USD 166m). The increase was partly offset by lower container handling costs, while also impacted favourably by development in foreign exchange rates. Container handling costs decreased by 8.4% and network costs, excluding bunker costs decreased by 3.1%, driven by capacity adjustments, to counteract market demand downturn. In total more than 90 sailings, leading to a decline of 3.5% in deployed capacity, were idled in Q1 and for Q2, close to 140 blanked sailings are expected. The capacity management and the increased backhaul volume led to improved network utilisation. At the same time, schedule reliability remained high and productivity in hubs improved compared to Q1 2019. Adjusting for the positive impact from the developments in foreign exchange rates, the operating costs increased by 6.1%.

Bunker costs increased by 22% to USD 1.4bn (USD 1.1bn), with an increase in average bunker price of 32% to 551 USD/tonne (417 USD/tonne) due to higher cost of IMO 2020-compliant fuels, partly offset by a decline in bunker consumption of 7.5% as a result of blanked sailings from capacity adjustments and efficiency initiatives with more efficient vessels delivered in recent years. Bunker efficiency improved by 1.9% to 42.0 g/TEU\*NM (42.8 g/TEU\*NM).

Hub productivity improved from continued collaboration between the terminal and liner operations to 91.9 port moves per hour, an improvement of 4.7%, mainly from Port Said, Salalah and Tangier. The productivity improved compared to last year, yet is down 3% from Q4 2019.

## Fleet overview, end Q1 2020

	TEU		Number of vessels	
	Q1 2020	Q4 2019	Q1 2020	Q4 2019
Own container vessels	2,209,046	2,208,762	307	307
Chartered container vessels incl. finance leased	1,856,191	1,916,098	390	401
<b>Total fleet</b>	<b>4,065,237</b>	<b>4,124,860</b>	<b>697</b>	<b>708</b>

Unit cost at fixed bunker decreased by 2.3% to 2,026 USD/FFE (2,073 USD/FFE) as cost discipline through capacity optimisation and rate of exchange effects offset the impact of lower volumes. Adjusting for the developments in foreign exchange rate, unit cost at fixed bunker decreased by 1.4%.

The average nominal capacity of 4,162k TEU increased by 2.8%, mainly due to newbuilds delivered in H1 2019. There were no vessels in the newbuilding programme end of Q1 and the fleet consisted of 307 owned and 390 chartered vessels, of which 410k TEU were idle (38 vessels), mainly due to retrofit of scrubbers. The idle capacity corresponded to 19% of the total idle capacity in the market.

### Key initiatives in Q1

Maersk Spot, introduced in Q2 2019 offering transparent prices and loading guarantee, saw further adaptation in the market. At the end of Q1 2020, measured on a four-week average basis, Maersk Spot accounted for 25% of loaded short-term volume, a 24% increase from Q4 2019.

### Logistics & Services reporting segment changes

From Q1 2020, the Logistics & Services reporting segment has been changed and comparable figures restated. The changes comprise of further carve-out of the intermodal product, reallocating APM Terminals Inland Services entities to reflect management structure, as well as further improvement of the allocation of costs of shared functions between segments and products. On top of this, supply chain management, intermodal and sea freight forwarding volumes figures have been restated to reflect more correctly their respective product areas.

on supply chain management, inland services, warehousing and distribution and freight forwarding. Measures taken in order to protect profitability include optimisation of the cost base, as well as bringing more efficiency to the intermodal network.

## Logistics & Services

The increase in profitability was driven by improving margins and growth in intermodal, as well as positive contribution from warehouse and distribution, however offset by declining profitability in supply chain management and lower sea freight forwarding activity driven mainly by the challenging market conditions caused by COVID-19.

The implications of COVID-19 had a significant financial impact on EBITDA across multiple products, predominantly

### Financial and operational performance

Revenue decreased by 5.1% to USD 1.4bn (USD 1.5bn), negatively impacted by lower revenue in intermodal and sea freight forwarding. Gross profit increased to USD 306m (USD 281m), supported by growth in profitable regions and margin optimisation in intermodal and higher profitability in warehousing and distribution facilities in North America. This was partially offset by declining profitability in supply chain management and lower sea freight forwarding activity, impacted negatively by the challenges caused by COVID-19. EBITDA increased to USD 68m (USD 48m) with an EBITDA margin of 4.7% (3.1%).

### Logistics & Services highlights

USD million	2020	Q1 2019	Full year 2019
<b>Revenue</b>	<b>1,442</b>	<b>1,521</b>	<b>6,331</b>
Direct cost	1,136	1,240	5,091
<b>Gross profit</b>	<b>306</b>	<b>281</b>	<b>1,240</b>
Selling, General & Administration (SG&A)	238	233	1,024
<b>Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)</b>	<b>68</b>	<b>48</b>	<b>216</b>
EBITDA margin	4.7%	3.1%	3.4%
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	23	9	126
<i>Operational and financial metrics, USD million</i>			
EBIT conversion (EBIT/gross profit - %)	9.4%	6.1%	1.5%
Supply chain management volumes ('000 cbm)	14,733	16,604	73,574
Supply chain management revenue	202	201	861
Intermodal volumes (FFE)	849	874	3,543
Intermodal revenue	671	713	2,932
Inland services revenue	124	129	519
Sea freight volumes (TEU)	101,163	122,755	475,210
Sea freight revenue	113	146	546
Air freight volumes (tonne)	26,257	32,086	158,405
Air freight revenue	95	101	485
Other services revenue	237	231	988



*Supply chain management* revenue was on par at USD 202m (USD 201m), while gross profit decreased to USD 74m (USD 79m), negatively impacted by 11% declining volumes of 14,733 kcbm (16,604 kcbm), mainly due to high exposure to the retail industry, which has been significantly impacted by COVID-19.

*Intermodal* revenue decreased to USD 671m (USD 713m) due to the continued focus on profitable areas, with a volume decrease of 2.9% to 849k FFE (874k FFE). Gross profit increased by 88% to USD 62m (USD 33m), driven by margin optimisation in the UK and North America as well as high volume growth in profitable areas in Africa, West Central Asia and Eastern Europe.

*Inland services* revenue decreased to USD 124m (USD 129m), impacted adversely by the general market conditions. Gross profit decreased to USD 47m (USD 51m).

*Sea freight forwarding* revenue decreased to USD 113m (USD 146m) following a volume decrease of 18% to 101k TEU's (123k TEU's), particularly with the volumes on the Asia-Europe trade lines affected by the market conditions given COVID-19. Subsequently, gross profit deteriorated by 24% to USD 16m (USD 21m).

*Air freight forwarding* revenue decreased to USD 95m (USD 101m), driven by an 18% volume decrease to 26k tonne (32k tonne) related to COVID-19. Gross profit increased to USD 13m (USD 12m), with the negative impact from volumes offset by a 33% margin improvement to 482 USD/tonne (364 USD/tonne), driven by providing additional air freight forwarding-related services and benefiting from favourable market positions mainly in the Asia-Pacific markets.

*Other services* revenue increased to USD 237m (USD 231m) with gross profit increasing to USD 94m (USD 85m) driven by positive contribution from warehousing and distribution and customs house brokerage.

EBIT conversion improved to 9.4% (6.1%), with positive impact of SG&A savings partially offset by tax and legal provisions.

### Key initiatives in Q1

Performance Team, a US-based warehousing and distribution company, was acquired in February with the closing date on 1 April. The acquisition more than doubles the combined warehousing and distribution presence in the North America region, bringing enhanced scale and expertise for the combined customers.

The large cold store construction in St. Petersburg that commenced in June 2019 has been completed, and the facility expects to receive its first goods in Q2. The 3-chamber warehouse operated by A.P. Moller - Maersk offers specialised solutions extending the life cycle of perishable goods.

The first train on the intercontinental Europe-Asia service was dispatched in March, offering customers the benefits of decreased transit time by combining rail and ocean transport.

The product offering was expanded by adding Maersk Cargo insurance to the portfolio, a product that protects customers' goods against physical loss or damage.

## Terminals & Towage

Terminals & Towage reported a decrease in revenue of 9.3% to USD 911m (USD 1.0bn) with EBITDA on par at USD 276m (USD 269m). In gateway terminals, revenue decreased to USD 740m (USD 837m) due to a decrease in volume and higher construction revenue in Q1 2019, offset by cost reductions giving an EBITDA of USD 213m (USD 213m). In Towage, revenue increased to USD 178m (USD 173m), and EBITDA increased to USD 64m (USD 56m), positively impacted by termination fee and unchanged cost despite the higher activity.

From Q1 2020, the Terminals & Towage reporting segment has changed with the inclusion of terminals from Ivory Coast and Mauritania moved from Inland Services. Comparable figures are restated.

### Terminals

Towards the end of Q1, COVID-19 caused multiple operational challenges and declining volumes. However, all terminals remained operational and are expected to continue operations given their critical role in global supply chains.

Numerous steps are taken to protect the business from COVID-19 implications. Discretionary spending and equipment investments have been minimised. Operational plans are being revisited to enable cost reductions during Q2 and Q3 where volumes are expected to be significantly lower than in Q1. Given the uncertainty of the outlook, business continuity plans for prolonged use of crisis management are in place.

### Terminals

Number of terminals	Q1 2020	Q1 2019
North America	5	5
Latin America	11	11
Europe, Russia and Baltics	18	18
Asia	17	17
Africa and Middle East	15	16

One terminal under implementation in Abidjan, Ivory Coast, opening in 2021.



## Financial and operational performance

Revenue decreased to USD 740m (USD 837m), negatively impacted by lower volume and higher IFRIC 12 construction revenue in Moin, Costa Rica, of USD 43m for Q1 2019. EBITDA was on par at USD 213m (USD 213m) with an increase in EBITDA margin to 29% (25%), due to higher volume and lower cost in Moin, lower operating cost in Port Elizabeth, USA and SG&A cost reductions. This was offset by lower storage income in West African terminals and operational challenges in Apapa, Nigeria. Gross capital expenditure was reduced to USD 56m (USD 85m), due to lower capital expenditure in Moin.

Volume decreased by 1.6% (decreased by 2.0% like-for-like adjusted for the new terminal in Vado, Italy), as volume in North America decreased by 15% due to COVID-19 and high tariff preponement-related volumes in Q1 2019 in Los Angeles, USA, while volume in Asia decreased by 6.0% related to Yokohama, Japan. In Africa and Middle East, volume decreased by 1.1% from Cotonou, Benin. The decrease in volume was partially offset by a 13% higher volume in Latin America with the ramp-up of Moin. In Europe, volume increased by 4.1% from Barcelona, Spain, and a positive contribution from the new terminal in Vado.

Utilisation decreased to 70% (79%) as volume from Ocean segment decreased by 4.4% (decreased by 5.4% like-for-like) and volume from external customers decreased by 0.2% (decreased by 0.2% like-for-like) and further an increase in capacity in Moin and Port Elizabeth.

On an equity-weighted basis, volume decreased by 1.4% (decreased by 1.0% like-for-like adjusted for the new terminal in Vado and exit from Douala, Cameroon), due to lower volume in North America, exit from Douala and

## Financially consolidated volume, Terminals

Million moves	Q1 2020	Q1 2019	Growth (%)
North America	0.6	0.7	-14.5
Latin America	0.6	0.5	13.4
Europe, Russia and the Baltics	0.6	0.6	4.1
Asia	0.5	0.5	-6.0
Africa and Middle East	0.5	0.5	-1.1
<b>Total</b>	<b>2.8</b>	<b>2.8</b>	<b>-1.6</b>

## Financially consolidated EBITDA margin, Terminals

Percentage	Q1 2020	Q1 2019
North America	15	18
Latin America	24	39
Europe, Russia and the Baltics	31	33
Asia	17	18
Africa and Middle East	45	39
<b>Total</b>	<b>29</b>	<b>25</b>

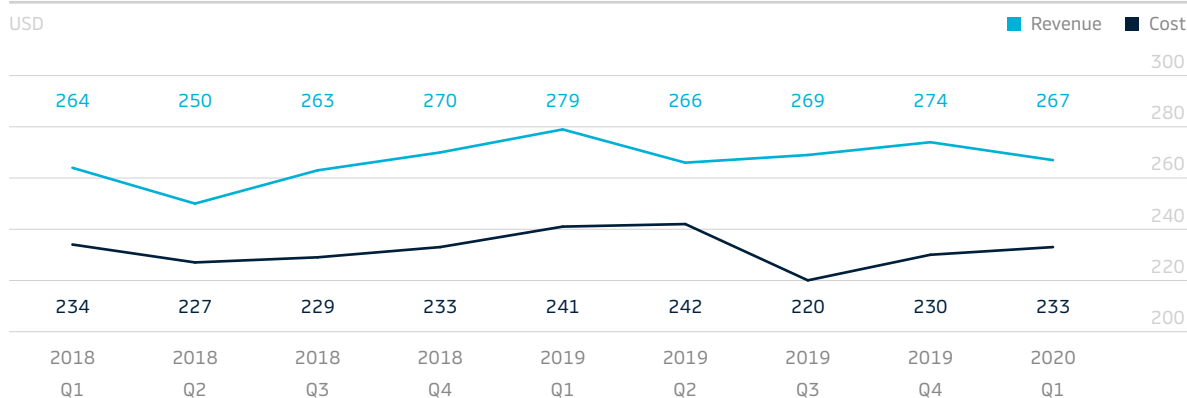
lower volume in Asia driven by Yokohama and terminals in China. Equity-weighted utilisation was 75% (83%).

Revenue per move decreased by 4.2% to USD 267 (USD 279), driven by lower storage income in West African terminals, negative foreign exchange rate impact and volume mix. Adjusted for foreign exchange rate, volume mix effects, portfolio changes and one-offs, revenue per move decreased by 1.1%.

## Terminals & Towage highlights

USD million	2020	Q1 2019	Full year 2019
<b>Revenue</b>	<b>911</b>	<b>1,004</b>	<b>3,948</b>
Concession fees (excl. capitalised lease expenses)	56	62	249
Labour cost (blue collar)	298	335	1,313
Other operational cost	151	188	628
Selling, General & Administration (SG&A) and other costs, etc.	130	150	640
<b>Total operating cost</b>	<b>635</b>	<b>735</b>	<b>2,830</b>
<b>Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)</b>	<b>276</b>	<b>269</b>	<b>1,118</b>
EBITDA margin	30.3%	26.8%	28.3%
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	103	121	532
<i>Operational and financial metrics</i>			
Terminal volumes – financially consolidated (moves, m)	2.8	2.8	11.9
Ocean segment	1.0	1.0	4.1
External customers	1.8	1.8	7.8
Terminal revenue per move – financially consolidated (USD)	267	279	272
Terminal cost per move – financially consolidated (USD)	233	241	233
Result from joint ventures and associated companies (USD m)	71	51	206
Number of operational tug jobs (harbour towage) ('000)	37	33	134
Annualised EBITDA per tug (terminal towage) (USD in '000)	1,086	918	889

## Revenue and cost per move, financially consolidated, terminals



Note: Revenue per move includes terminal revenue, other income, government grants and excludes IFRIC12 construction revenue. Cost per move includes cost (EBITDA less revenue less other income), depreciation and excludes IFRIC12 construction cost.

Cost per move decreased by 3.5% to USD 233 (USD 241), mainly related to Port Elizabeth and the operational challenges linked to congestion in Q1 2019 and a positive impact from foreign exchange rate, partially offset by mix effect from lower volume in the relatively high-cost terminal in Los Angeles. Adjusted for foreign exchange rate, volume mix effects, portfolio changes and one-offs, cost per move decreased by 0.9%.

The increase in EBITDA margin of 3.3 percentage points was seen across regions with an increase by 15 percentage points in Latin America due to ramp-up and higher IFRIC 12 construction revenue in Q1 2019 in Moin, by 3.2 percentage points in North America mostly due to lower cost in Port Elizabeth, by 2.3 percentage points in Europe with positive one-off's in Barcelona, and in Asia by 0.7 percentage points due to cost reduction in Yokohama. The EBITDA margin decreased in Africa and the Middle East by 6.8 percentage points due to lower storage income in West African terminals, operational challenges in Apapa and lower volume in Cotonou.

### Results from joint ventures and associated companies

Equity-weighted EBITDA was on par at USD 310m (USD 311m), with a negative impact from Apapa, lower volumes in North America and China and exit from Douala, offset by ramp-up of Moin and Tema.

The share of profit in joint ventures and associated companies of USD 67m (USD 46m) was positively impacted by foreign exchange rate gain in Global Ports Investments and ramp-up of Tema, Ghana.

### Key initiatives in Q1

The construction of Abidjan, Ivory Coast, progressed and APM Terminals signed an agreement with the Yokohama-Kawasaki International Port Corporation (YKIP) for the expansion of Yokohama terminal in Japan

to become effective in June 2020. APM Terminals Poti, Georgia, was granted a permit for the first stage of an expansion project.

## Towage

The implications of COVID-19 were limited for Q1 and all operations were able to maintain service to the customers, however, some slowdown in the activity was recorded towards the end of Q1, which is expected to continue during coming quarters. Towage incurred limited additional costs for protective equipment and cover for crews in quarantine. Plans are in place to ensure continued operations, and steps have been taken to mitigate or defer costs as much as possible in response to lower activity.

### Financial and operational performance

Revenue increased by USD 5m or 2.7% to USD 178m (USD 173m), positively impacted by volume increases in Europe in addition to volumes from the newly acquired Port Towage Amsterdam, the Netherlands, partially offset by volume decreases in Australia and negative currency development in the Australian dollar, the British pound and the Euro.

### Revenue, towage

Per region, USD million	Q1 2020	Q1 2019	Change %
Australia	59	65	-9.5%
Europe	68	62	10.3%
Americas	27	25	7.6%
Asia, Middle East and Africa	24	21	11.8%
<b>Total</b>	<b>178</b>	<b>173</b>	<b>2.7%</b>

### Per activity, USD million

Harbour towage	124	119	4.5%
Terminal towage	57	55	4.6%
Eliminations, etc.	-3	-1	N/A
<b>Total</b>	<b>178</b>	<b>173</b>	<b>2.7%</b>

Adjusted for foreign exchange rate development, revenue grew by 6.4%. EBITDA increased to USD 64m (USD 56m), positively impacted by termination fee from the early termination of two patrol vessels on contract in Angola as well as unchanged cost despite the higher activity.

Harbour towage activities measured by the number of tug jobs increased by 9.6%, driven by increased activity in Europe, mainly from Port Towage Amsterdam. The Americas and Asia, Middle East & Africa regions slightly increased compared to Q1 2019 whereas Australia faced a volume drop.

For terminal towage, annualised EBITDA per tug increased slightly, primarily impacted by termination fee from Angola.

Activity in Australia decreased, impacted by bushfires triggering lower harbour towage activity related to coal, dry bulk and cruise work as well as lower port share in various ports after competitive entry. Terminal towage was negatively impacted by foreign exchange rate and higher operating costs.

Activity in Europe improved as a result of volumes additions after the acquisition of 50% of Port Towage Amsterdam in early 2020, higher volumes in Scandinavia as well as LNG activities and strong winds triggering increased demand in the UK.

In the Americas, the harbour towage activity grew in both volumes and market share in various ports in Brazil, while activity in Argentina and Bahamas decreased. The terminal towage activities increased due to the addition of Saint Croix activities, which started in June 2019 and activities in Costa Rica, which improved slightly compared to Q1 2019.

Activity in the Asia, Middle East & Africa region increased due to volume ramp-up in Tangier Med II, Morocco, and Monrovia, Liberia, as well as new operations in the Suez Canal in Egypt which commenced late 2019.

## Fleet overview, towage

Number of vessels	Q1 2020	Q4 2019
Owned	354	344
Chartered	23	22
<b>Total</b>	<b>377</b>	<b>366</b>

### Newbuilding

Delivery within current year	8	-
Delivery coming years	1	11
<b>Total</b>	<b>9</b>	<b>11</b>

The towage fleet increased by 11 vessels to 377 vessels with 354 owned and 23 chartered at the end of March 2020. A total of nine vessels are on order with delivery of eight vessels in 2020 and one vessel in 2021.

## Results from joint ventures and associated companies

The share of profit in joint ventures and associated companies of USD 4m (USD 5m) was mainly impacted by the acquisition of the remaining 50% of Port Towage Amsterdam, which consolidated as a 100% owned subsidiary from early January 2020.

Equity-weighted EBITDA increased by 9.0% to USD 68m (USD 62m), mainly driven by EBITDA improvements in consolidated entities across all regions with Australia as an exception.

### Key initiatives in Q1

Three contract extensions were secured during Q1. In Sakhalin, Russia, a 10-year extension of the marine service contract was agreed while a 5-year extension in Point Tupper, Canada and a 3-year extension of the ship assist contract in St. Eustatius were signed. A contract for one vessel in India expired during Q1 as the customer's operation ceased.

The strategic growth initiatives launched in 2019 have progressed as planned in Q1 together with projects focusing on crew optimisation and general cost reduction.

## Manufacturing & Others

Revenue decreased by 23% to USD 295m (USD 383m) as the bulk activities taken over as part of the Hamburg Süd transaction were divested in January 2019. EBITDA was USD 43m (USD 9m).

From Q1 2020, Maersk Oil Trading was moved to the Ocean segment and comparison figures have been restated.

### Maersk Container Industry

The impact of COVID-19 was most felt by the manufacturing site in Qingdao, China. The Chinese New Year holiday was extended across China for over a week, which prevented staff from returning until mid-February. Two-shift full production was resumed by mid-March.

Globally, Maersk Container Industry continued to serve customers with new deliveries and support for the existing fleet of Star Cool reefers. The engineering lab, parts distribution centres and global service team continued to serve customers safely and without interruption.

### Financial and operational performance

Revenue of USD 124m (USD 140m) declined due to the required shutdown of the factory in Qingdao because of COVID-19.

EBITDA was positive by USD 14m (negative USD 15m), with EBITDA for Q1 2019 negatively impacted by restructuring costs of USD 31m.

Bookings for Star Cool reefers continued to be strong with over 10,000 units booked, including over 5,000 units with Star Cool Controlled Atmosphere (CA) in Q1.

### Key initiatives in Q1

With the exception of the required shutdown in the Qingdao factory, two-shift full production continued in Q1 as did investment in new products and product reliability for the growing customer base.

## Maersk Supply Service

Despite the global impact of COVID-19, with some slow-down in activities towards the end of Q1, Maersk Supply Service operations have been able to continue with little interruptions throughout the latter half of Q1. This includes securing contracts and extensions around the world and adding vessel utilisation, such as AHTS extensions in Canada, a mooring chain installation contract offshore Malaysia, and a subsea remediation scope in Brazil's Campos Basin. Also, Maersk Supply Service's strategy to diversify into new business continued with work in deep sea minerals, performing an offshore exploration campaign for DeepGreen in the Pacific.

### Financial and operational performance

Maersk Supply Service reported a revenue of USD 70m (USD 69m), and an EBITDA of USD 14m (USD 5m), reflecting higher rates and cost initiatives. Cash flow used for capital expenditure was USD 5m (USD 175m) due to no (two) payments of newbuildings.

### Key initiatives in Q1

In Africa, Maersk Supply Service secured a contract for light well intervention offshore Angola, adding track record to its subsea well operations portfolio. Maersk Supply Service will deliver the campaign as an integrated service together with a partner.

Maersk Decom, the joint venture between Maersk Drilling and Maersk Supply Service, was awarded its first end-to-end plugging and abandonment project for Tullow Oil's Banda and Tiof fields, offshore Mauritania. This milestone demonstrates the purpose with which Maersk Decom was created, to provide scalable decommissioning solutions to the offshore energy sector, bundling multiple scopes under one contract.

## Other

For other businesses, revenue was USD 101m (USD 174m), impacted by the divestment in January 2019 of bulk activities originally acquired from Hamburg Süd. EBITDA was USD 15m (USD 18m).

## Manufacturing & Others highlights

USD million	2020	Q1 2019	Full year 2019
Revenue	295	383	1,376
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	43	9	136
EBITDA margin	14.6%	2.3%	9.9%
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	8	177	204
<i>Operational and financial metrics, USD million</i>			
<b>Maersk Container Industry</b>			
Sales volume (unit)	9,383	9,906	41,580
Sales to third party	119	95	373
EBITDA	14	-15	29
<b>Maersk Supply Service</b>			
Gross utilisation	59%	59%	62%
Revenue backlog	283	302	344
EBITDA	14	5	28

# Statement of the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the Interim Report of A.P. Møller - Mærsk A/S for the period 1 January 2020 to 31 March 2020.

The interim consolidated financial statements of A.P. Møller - Mærsk A/S has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and additional Danish disclosure requirements for interim financial reporting of listed companies.

In our opinion, the interim consolidated financial statements (pages 22-31) gives a true and fair view of A.P. Møller - Maersk's consolidated assets, liabilities and financial position at 31 March 2020 and of the results of A.P. Møller - Maersk's consolidated operations and cash flows for the period 1 January to 31 March 2020.

Furthermore, in our opinion the Directors' report (pages 3-20) includes a fair review of the development in A.P. Møller - Maersk's operations and financial conditions, the results for the period, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that A.P. Møller - Maersk faces, relative to the disclosures in the annual report for 2019.

**Copenhagen, 13 May 2020**

## Executive Board

**Søren Skou** – CEO

**Patrick Jany** – CFO

**Vincent Clerc**

**Morten Engelstoft**

**Henriette Hallberg Thygesen**

## Board of Directors

**Jim Hagemann Snabe** – Chairman

**Ane Mærsk Mc-Kinney Uggla** – Vice Chairman

**Dorothee Blessing**

**Bernard L. Bot**

**Marc Engel**

**Arne Karlsson**

**Thomas Lindegaard Madsen**

**Blythe Masters**

**Jacob Andersen Sterling**

**Robert Mærsk Uggla**

# Financials

Amounts in USD million

## Condensed income statement

Amounts in USD million

Note	2020	Q1 2019	Full year 2019
1 Revenue	9,571	9,540	38,890
1 <b>Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)</b>	<b>1,521</b>	<b>1,236</b>	<b>5,712</b>
Depreciation, amortisation and impairment losses, net	1,073	1,082	4,287
Gain on sale of non-current assets, etc., net	19	18	71
Share of profit/loss in joint ventures	37	24	93
Share of profit/loss in associated companies	48	34	136
<b>Profit/loss before financial items</b>	<b>552</b>	<b>230</b>	<b>1,725</b>
Financial items, net	-215	-228	-758
<b>Profit/loss before tax</b>	<b>337</b>	<b>2</b>	<b>967</b>
Tax	128	106	458
<b>Profit/loss for the period – continuing operations</b>	<b>209</b>	<b>-104</b>	<b>509</b>
Profit/loss for the period – discontinued operations	-	-552	-553
<b>Profit/loss for the period</b>	<b>209</b>	<b>-656</b>	<b>-44</b>
<i>Of which:</i>			
Non-controlling interests	12	3	40
<b>A.P. Møller - Mærsk A/S' share</b>	<b>197</b>	<b>-659</b>	<b>-84</b>
<b>Earnings per share – continuing operations, USD</b>	<b>10</b>	<b>-5</b>	<b>23</b>
<b>Diluted earnings per share – continuing operations, USD</b>	<b>10</b>	<b>-5</b>	<b>23</b>
<b>Earnings per share, USD</b>	<b>10</b>	<b>-32</b>	<b>-4</b>
<b>Diluted earnings per share, USD</b>	<b>10</b>	<b>-32</b>	<b>-4</b>

Maersk Drilling was classified as discontinued operations in 2017, and the business is presented separately on an aggregated level in the income statement, balance sheet and cash flow statement. Maersk Drilling was demerged on 2 April 2019.

## Condensed statement of comprehensive income

Note	2020	Q1 2019	Full year 2019
<b>Profit/loss for the period</b>	<b>209</b>	<b>-656</b>	<b>-44</b>
Translation from functional currency to presentation currency	-356	-4	-81
Reclassified to income statement, gain on sale of non-current assets, etc., net	-	-	6
Cash flow hedges	-201	-22	-23
Tax on other comprehensive income	27	8	16
Share of other comprehensive income of joint ventures and associated companies, net of tax	8	-	-1
<b>Total items that have been or may be reclassified subsequently to the income statement</b>	<b>-522</b>	<b>-18</b>	<b>-83</b>
Other equity investments	-	169	165
5 Actuarial gains/losses on defined benefit plans, etc.	170	-	91
Tax on other comprehensive income	-	-23	10
<b>Total items that will not be reclassified to the income statement</b>	<b>170</b>	<b>146</b>	<b>266</b>
<b>Other comprehensive income, net of tax</b>	<b>-352</b>	<b>128</b>	<b>183</b>
<b>Total comprehensive income for the period</b>	<b>-143</b>	<b>-528</b>	<b>139</b>
<i>Of which:</i>			
Non-controlling interests	3	-1	29
<b>A.P. Møller - Mærsk A/S' share</b>	<b>-146</b>	<b>-527</b>	<b>110</b>

## Condensed balance sheet at 31 March

Amounts in USD million

Note	2020	31 March 2019	Full year 2019
Intangible assets	4,189	4,338	4,219
Property, plant and equipment	26,861	28,455	27,516
Right of use leased assets	8,315	9,019	8,460
Financial non-current assets, etc.	3,521	3,030	3,267
Deferred tax	259	258	237
<b>Total non-current assets</b>	<b>43,145</b>	<b>45,100</b>	<b>43,699</b>
Inventories	1,126	1,059	1,430
Receivables, etc.	5,523	5,176	5,351
Equity investments, etc.	2	1	2
Cash and bank balances	4,041	4,998	4,768
Assets held for sale	153	5,367	149
<b>Total current assets</b>	<b>10,845</b>	<b>16,601</b>	<b>11,700</b>
<b>Total assets</b>	<b>53,990</b>	<b>61,701</b>	<b>55,399</b>

Note	2020	31 March 2019	Full year 2019
Equity attributable to A.P. Møller - Mærsk A/S	27,230	32,085	28,098
Non-controlling interests	715	758	739
<b>Total equity</b>	<b>27,945</b>	<b>32,843</b>	<b>28,837</b>
Finance lease, non-current	7,178	7,734	7,295
Borrowings, non-current	6,953	7,484	7,455
Other non-current liabilities	2,144	1,504	1,977
<b>Total non-current liabilities</b>	<b>16,275</b>	<b>16,722</b>	<b>16,727</b>
Finance lease, current	1,252	1,256	1,282
Borrowings, current	802	1,356	721
Other current liabilities	7,642	7,587	7,757
Liabilities associated with assets held for sale	74	1,937	75
<b>Total current liabilities</b>	<b>9,770</b>	<b>12,136</b>	<b>9,835</b>
<b>Total liabilities</b>	<b>26,045</b>	<b>28,858</b>	<b>26,562</b>
<b>Total equity and liabilities</b>	<b>53,990</b>	<b>61,701</b>	<b>55,399</b>

## Condensed cash flow statement

Amounts in USD million

Note	2020	Q1 2019	Full year 2019
Profit/loss before financial items	552	230	1,725
Non-cash items, etc.	902	1,012	4,219
Change in working capital	-162	370	476
Cash flow from operating activities before tax	1,292	1,612	6,420
Taxes paid	-76	-130	-501
<b>Cash flow from operating activities</b>	<b>1,216</b>	<b>1,482</b>	<b>5,919</b>
Purchase of intangible assets and property, plant and equipment (CAPEX)	-310	-778	-2,035
Sale of intangible assets and property, plant and equipment	46	62	186
Sale of other equity investments	-	2,615	2,617
Acquisition/sale of subsidiaries and activities, financial investments etc., net	-14	30	-190
Dividends received	22	74	297
Purchase/sale of securities, trading portfolio	-	-	-1
<b>Cash flow used for investing activities</b>	<b>-256</b>	<b>2,003</b>	<b>874</b>
Repayment of/proceeds from borrowings	-385	-780	-1,456
Repayments of lease liabilities	-342	-312	-1,291
Financial payments, net	-74	-78	-259
Financial expenses paid on lease liabilities	-113	-126	-477
Purchase of own shares	-296	-	-791
Dividends distributed	-375	-	-469
Dividends distributed to non-controlling interests	-12	-3	-70
Other equity transactions	-23	-3	13
<b>Cash flow from financing activities</b>	<b>-1,620</b>	<b>-1,302</b>	<b>-4,800</b>
<b>Net cash flow from continuing operations</b>	<b>-660</b>	<b>2,183</b>	<b>1,993</b>
Net cash flow from discontinued operations	-	47	-372
<b>Net cash flow for the period</b>	<b>-660</b>	<b>2,230</b>	<b>1,621</b>
Cash and cash equivalents, beginning of period	4,758	3,149	3,149
Currency translation effect on cash and bank balances	-66	-7	-12
Cash and cash equivalents, end of period	4,032	5,372	4,758
Of which classified as assets held for sale	-	-426	-
<b>Cash and cash equivalents, end of period</b>	<b>4,032</b>	<b>4,946</b>	<b>4,758</b>
<i>Cash and cash equivalents</i>			
Cash and bank balances	4,041	4,998	4,768
Overdrafts	9	52	10
<b>Cash and cash equivalents, end of period</b>	<b>4,032</b>	<b>4,946</b>	<b>4,758</b>

Cash and bank balances include USD 1.0bn (USD 1.0bn) relating to cash and bank balances in countries with exchange control or other restrictions. These funds are not readily available for general use by the parent company or other subsidiaries.



## Condensed statement of changes in equity

Amounts in USD million

Note	A.P. Møller - Mærsk A/S					Total	Non-controlling interests	Total equity
	Share capital	Translation reserve	Reserve for other equity investments	Reserve for hedges	Retained earnings			
Equity 1 January 2020	3,774	-692	-4	-97	25,117	28,098	739	28,837
<i>2020</i>								
Other comprehensive income, net of tax	-	-348	-	-173	178	-343	-9	-352
Profit/loss for the period	-	-	-	-	197	197	12	209
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-348</b>	<b>-</b>	<b>-173</b>	<b>375</b>	<b>-146</b>	<b>3</b>	<b>-143</b>
Dividends to shareholders	-	-	-	-	-430	-430	-28	-458
Value of share-based payment	-	-	-	-	4	4	-	4
5 Purchase of own shares	-	-	-	-	-296	-296	-	-296
Capital increases and decreases	-	-	-	-	-	-	1	1
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-722</b>	<b>-722</b>	<b>-27</b>	<b>-749</b>
<b>Equity 31 March 2020</b>	<b>3,774</b>	<b>-1,040</b>	<b>-4</b>	<b>-270</b>	<b>24,770</b>	<b>27,230</b>	<b>715</b>	<b>27,945</b>
Equity 1 January 2019	3,774	-616	-202	-103	29,756	32,609	771	33,380
Other comprehensive income, net of tax	-	-2	146	-11	-1	132	-4	128
Profit/loss for the period	-	-	-	-	-659	-659	3	-656
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-2</b>	<b>146</b>	<b>-11</b>	<b>-660</b>	<b>-527</b>	<b>-1</b>	<b>-528</b>
Dividends to shareholders	-	-	-	-	-	-	-12	-12
Value of share-based payment	-	-	-	-	3	3	-	3
Transfer of gain/loss on disposal of equity investments to retained earnings	-	-	56	-	-56	-	-	-
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>56</b>	<b>-</b>	<b>-53</b>	<b>3</b>	<b>-12</b>	<b>-9</b>
<b>Equity 31 March 2019</b>	<b>3,774</b>	<b>-618</b>	<b>-</b>	<b>-114</b>	<b>29,043</b>	<b>32,085</b>	<b>758</b>	<b>32,843</b>

**Note:** The cancellation of own shares approved at the Annual General Meeting on 23 March 2020, cf. note 4, has been registered with the Danish Business Authorities on 23 March 2020. The execution of the capital decrease is expected to be registered as final during Q2 2020.

## Note 1 Segment information

Amounts in USD million

	Ocean	Logistics & Services	Terminals & Towage	Manufacturing & Others	Total
<i>Q1 2020</i>					
External revenue	7,142	1,391	732	289	9,554
Inter-segment revenue	88	51	179	6	324
<b>Total segment revenue</b>	<b>7,230</b>	<b>1,442</b>	<b>911</b>	<b>295</b>	<b>9,878</b>
Unallocated and eliminations					-307
<b>Total revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,571</b>
<b>Segment profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)</b>	<b>1,175</b>	<b>68</b>	<b>276</b>	<b>43</b>	<b>1,562</b>
Unallocated items					-41
Eliminations					-
<b>Consolidated profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)</b>					<b>1,521<sup>1</sup></b>
Gross capital expenditures, excl. acquisitions and divestments (CAPEX)	175	23	103	8	309
	Ocean	Logistics & Services	Terminals & Towage	Manufacturing & Others	Total
<i>Q1 2019</i>					
External revenue	6,919	1,481	800	336	9,536
Inter-segment revenue	96	40	204	47	387
<b>Total segment revenue</b>	<b>7,015</b>	<b>1,521</b>	<b>1,004</b>	<b>383</b>	<b>9,923</b>
Unallocated and eliminations					-383
<b>Total revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,540</b>
<b>Segment profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)</b>	<b>940</b>	<b>48</b>	<b>269</b>	<b>9<sup>2</sup></b>	<b>1,266</b>
Unallocated items					-31
Eliminations					1
<b>Consolidated profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)</b>					<b>1,236<sup>1</sup></b>
Gross capital expenditures, excl. acquisitions and divestments (CAPEX)	469	9	121	177	776

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

2 Includes restructuring cost of USD 31m due to the closing of factory in China.

**Note:** The reporting segments have changed compared to 2019 cf. Note 5. Comparison numbers have been restated.

The segment disclosures provided in the note reflect the information which the Executive Board receives monthly in its capacity as 'chief operating decision maker' as defined in IFRS 8. The allocation of resources and the segment performance are evaluated based on revenue and profitability measured on earnings before interest, taxes, depreciation and amortisation (EBITDA).

## Note 1 Segment information – continued

Amounts in USD million

USD million	Types of revenue	Amounts in USD million		
		2020	Q1 2019	Full year 2019
Ocean	Freight revenue	6,028	5,935	24,466
	Other revenue, including hubs	1,202	1,080	4,316
Logistics & Services	Supply chain management revenue	202	201	861
	Inland services revenue	124	129	519
	Intermodal revenue	671	713	2,932
	Sea freight revenue	113	146	546
	Air freight revenue	95	101	485
	Other services revenue	237	231	988
Terminals & Towage	Terminal services	740	837	3,278
	Towage services	178	173	695
Manufacturing & Others	Sale of containers and spare parts	124	140	586
	Offshore supply services	70	69	306
	Other Shipping activities	81	156	404
	Other services	20	18	80
Unallocated activities and eliminations <sup>1</sup>		-314	-389	-1,572
<b>Total revenue</b>		<b>9,571</b>	<b>9,540</b>	<b>38,890</b>

1 Including revenue eliminations between terminal services and towage services.

## Note 2 Financial risks, etc.

Amounts in USD million

Except the below, the financial risks, etc. are not significantly different from those described in note 18 of the consolidated financial statements for 2019, to which reference is made.

Liquidity risk	2020	31 March 2019	31 December 2019
Borrowings and lease liabilities	16,185	17,830	16,753
Net interest-bearing debt <sup>1</sup>	11,978	12,565	11,662
Liquidity reserve <sup>2</sup>	9,213	12,306	10,485

1 For continuing businesses.

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

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

The average term to maturity of debt in the Group was about five years (about five years at 31 December 2019).

Liquidity reserve decreased to USD 9.2bn (USD 10.5bn at 31 December 2019) due to lower cash balances, mainly because of dividend payment in March 2020, and repayment of debt and reduction of revolving facilities.

## Note 3 Commitments – continuing operations

Amounts in USD million

### Operating lease commitments

At 31 March 2020, the net present value of operating lease commitments totalled USD 0.1bn.

Capital commitments	Ocean	Logistics & Services	Terminals & Towage	Manufacturing & Others	Total
<i>31 March 2020</i>					
Capital commitments relating to acquisition of non-current assets	231	-	180	-	411
Commitments towards concession grantors	265	-	883	-	1,148
<b>Total capital commitments</b>	<b>496</b>	<b>-</b>	<b>1,063</b>	<b>-</b>	<b>1,559</b>
<i>31 December 2019</i>					
Capital commitments relating to acquisition of non-current assets	345	12	202	2	561
Commitments towards concession grantors	269	-	913	-	1,182
<b>Total capital commitments</b>	<b>614</b>	<b>12</b>	<b>1,115</b>	<b>2</b>	<b>1,743</b>

### Newbuilding programme at 31 March 2020

	2020	No 2021	Total
Tugboats	8	1	9
<b>Total</b>	<b>8</b>	<b>1</b>	<b>9</b>

### Capital commitments relating to the newbuilding programme at 31 March 2020

	USD million		Total
	2020	2021	
Tugboats	39	11	50
<b>Total</b>	<b>39</b>	<b>11</b>	<b>50</b>

USD 0.1bn of the total capital commitments is related to the newbuilding programme for ships etc. at a total contract price of USD 0.1bn, including owner-furnished equipment. The remaining capital commitments of USD 1.8bn relate to investments mainly within the Ocean and Terminals & Towage segments.

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

## Note 4 Share capital and earnings per share

Amounts in USD million

Development in the number of shares:

	A-shares of		B-shares of		Nominal value	
	DKK 1,000	DKK 500	DKK 1,000	DKK 500	DKK million	USD million
1 January 2020	10,756,265	226	10,060,401	166	20,817	3,774
<b>31 March 2020</b>	<b>10,756,265</b>	<b>226</b>	<b>10,060,401</b>	<b>166</b>	<b>20,817</b>	<b>3,774</b>

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

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

The reduction is expected to be final during Q2 2020, cf. the condensed statement of changes in equity.

Development in the holding of own shares:

	No. of shares of DKK 1,000		Nominal value DKK million		% of share capital	
	2020	2019	2020	2019	2020	2019
<b>Own shares</b>						
<i>A shares</i>						
1 January	134,279	-	134	-	0.65%	0.00%
Addition	55,605	-	56	-	0.26%	0.00%
<b>31 March</b>	<b>189,884</b>	<b>-</b>	<b>190</b>	<b>-</b>	<b>0.91%</b>	<b>0.00%</b>
<i>B shares</i>						
1 January	587,949	55,515	588	56	2.82%	0.27%
Addition	221,999	-	222	-	1.07%	0.00%
Disposal	3,777	4,709	4	5	0.02%	0.03%
<b>31 March</b>	<b>806,171</b>	<b>50,806</b>	<b>806</b>	<b>51</b>	<b>3.87%</b>	<b>0.24%</b>

Disposals of own shares are related to the restricted share programme.

The dividend of DKK 150 per share of DKK 1,000 – total of DKK 3,123m is equivalent to USD 430m excluding own shares. Hereof USD 375m was paid to shareholders on 26 March 2020 and the withholding tax of USD 55m is payable in Q2 2020. Payment of dividends to shareholders does not trigger taxes to A.P. Møller - Maersk.

Basis for calculating earnings per share is the following:

A.P. Møller - Mærsk A/S' share of:	2020	2019
Profit for the year of continuing operations	197	-107
Profit for the year of discontinued operations	-	-553
<b>Profit/loss for the year</b>	<b>197</b>	<b>-660</b>

	2020	2019
Issued shares 1 January	20,816,862	20,816,862
Average number of own shares	842,633	55,358
<b>Average number of shares</b>	<b>19,974,229</b>	<b>20,761,504</b>

At 31 March 2020, there is no dilution effect on earnings per share from the 67,825 issued share options. The issued share options correspond to 0.33% of the total average number of shares in the Group.

## Note 5 Accounting policies, judgements and significant estimates

Amounts in USD million

The interim consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) and adopted by the EU and additional Danish disclosure requirements for listed companies.

The accounting policies, judgements and significant estimates are consistent with those applied in the consolidated financial statements for 2019 in notes 24 and 25 of the Annual Report, to which reference is made, apart from the change described below:

### Change to reportable segments

As part of the refinement of the A.P. Moller - Maersk's segment structure, to further align with internal management structure and demarcation between the reportable segment activities a number of changes have been made. The main changes involve moving the Maersk Oil Trading activity to the Ocean segment from Manufacturing & Others and the intermodal activity in Hamburg Süd to Logistics & Services from Ocean.

Comparison figures for the Note 1 have been restated as if the changes had been implemented in 2019. The reportable segments are now as follows:

#### Ocean

##### *Ocean activities*

Operating activities under Maersk Line, Safmarine, Sealand - A Maersk Company and Hamburg Süd.

##### *Hub activities*

Activities under the APM Terminals brand generating revenue by providing port services in major transshipment ports e.g., Rotterdam, Maasvlakte-II, Tangier, Tangier-Med II, Port Said and joint ventures in Salalah, Tanjung Pelepas and Bremerhaven.

##### *Maersk Oil Trading*

Dedicated to sourcing marine fuels and lubricants for Ocean's vessel fleet in addition to refinery activities and sales to external parties, including Maersk Tankers.

#### Logistics & Services

##### *Supply Chain Management*

Activities within supply chain management and 4PL services.

##### *Intermodal*

Operating activities with the main stream of revenue deriving from the transportation of containers from vendors (shippers) to the port of shipment, and from discharge port to the point of stripping (consignee) by truck and/or rail.

##### *Inland Services*

Operating activities in inland activities facilities fully or partially controlled by APM Terminals, with the main revenue stream being inland services such as full container storage, bonded warehousing, empty depot, local transportation, etc.

##### *Freight Forwarding*

Operating activities within sea and air freight forwarding services.

##### *Other Services*

Operating activities within warehousing and distribution, Trade Finance with export finance solutions, post-shipment and import finance solutions and Star Air, operating cargo aircrafts on behalf of UPS.

#### Terminals & Towage

##### *Terminals activity*

Operating activities in ports fully or partially controlled by the APM Terminals brand, with the main revenue stream being port activities not considered a hub activity as described above.

##### *Towage activity*

Operating activities under the Svitzer brand, a provider of offshore towage and salvage services.

#### Manufacturing & Others

##### *Maersk Container Industry*

A manufacturer of reefer containers.

##### *Maersk Supply Service*

Provides marine services and integrated solutions to the energy sector worldwide with a large fleet of anchor handling tug supply vessels and subsea support vessels.

##### *Other businesses*

Consisting of Maersk Training, a provider of training services to the maritime, oil and gas, offshore wind and crane industries, tanker activity acquired as part of the Hamburg Süd acquisition and other shipping related businesses.

#### New financial reporting requirements

A number of changes to accounting standards are effective from 1 January 2020 and endorsed by the EU:

- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 3 Business Combinations.

A.P. Moller - Maersk follows the guidelines in the above amendments, and the implementation did not change the accounting policies.

#### Uncertainty due to the COVID-19 pandemic

The impact and span of the COVID-19 pandemic is difficult to predict, and business recovery is dependent on the time it takes to contain the spread and reopen the economies globally as well as on the effectiveness of the fiscal stimuli from governments. The long-term effects will also depend on effective medicines and vaccines being developed.

When assessing the recoverable amounts of assets, the uncertainty has significantly increased due to the unclarity as to the development of the COVID-19 pandemic and business recovery. It is management's assessment that assumptions applied in the 2019 financial statement are still considered the most appropriate despite the increased estimation uncertainty due to COVID-19. No change to impairment of assets was recognised.

A.P. Moller - Maersk has reassessed the expected credit losses by applying updated probabilities of default. The bad debt provision was increased by USD 53m to USD 270m.

As an employer, A.P. Moller - Maersk participates in defined benefit pension plans. Due to increase in discount rates and decrease in inflation rates as at 31 March 2020 in the UK financial market, an increase in net pension assets by USD 172m was recognised.

# Additional information

## Quarterly summary

Amounts in USD million

	2020				2019
	Q1	Q4	Q3	Q2	Q1
<b>Income statement</b>					
Revenue	9,571	9,668	10,055	9,627	9,540
Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)	1,521	1,463	1,656	1,357	1,236
Depreciation, amortisation and impairment losses, net	1,073	1,160	1,021	1,024	1,082
Gain on sale of non-current assets, etc., net	19	1	36	16	18
Share of profit/loss in joint ventures	37	4	31	34	24
Share of profit/loss in associated companies	48	34	35	33	34
Profit/loss before financial items (EBIT)	552	342	737	416	230
Financial items, net	-215	-212	-148	-170	-228
Profit/loss before tax	337	130	589	246	2
Tax	128	191	69	92	106
Profit/loss for the period – continuing operations	209	-61	520	154	-104
Profit/loss for the period – discontinued operations	-	-	-	-1	-552
Profit/loss for the period	209	-61	520	153	-656
A.P. Møller - Mærsk A/S' share	197	-72	506	141	-659
Underlying profit/loss	197	29	452	134	-69
<b>Balance sheet</b>					
Total assets	53,990	55,399	55,662	56,555	61,701
Total equity	27,945	28,837	28,879	28,997	32,843
Invested capital	39,977	40,555	40,938	41,910	46,491
Net interest-bearing debt	11,978	11,662	12,056	12,910	12,565
<b>Cash flow statement</b>					
Cash flow from operating activities	1,216	1,535	1,732	1,170	1,482
Gross capital expenditure, excl. acquisitions and divestments (CAPEX)	310	469	343	445	778
Net cash flow from discontinued operations	-	-	-	-419	47
<b>Financial ratios</b>					
Revenue growth	0.3%	-5.5%	-0.9%	0.6%	2.5%
EBITDA margin	15.9%	15.1%	16.5%	14.1%	13.0%
Cash conversion	80%	105%	105%	86%	120%
Return on invested capital after tax – continuing operations (ROIC)	3.8%	3.1%	3.0%	1.4%	0.6%
<b>Stock market ratios</b>					
Share price (B share), end of period, DKK	6,092	9,608	7,746	8,142	8,442
Share price (B share), end of period, USD	894	1,439	1,132	1,241	1,270



# Definition of terms

Technical terms, abbreviations and definitions of key figures and financial ratios.

## Backhaul

The direction of the trade route that has the lowest volumes, whereas the opposite direction is referred to as headhaul.

## CAPEX

Cash payments for intangible assets and property, plant and equipment, excluding acquisitions and divestments.

## Capitalised lease payments

Interest payments and repayments on all lease contracts capitalised under IFRS 16 (including financial lease contracts capitalised under IAS 17).

## Cash conversion

Cash flow from operating activities to EBITDA ratio.

## Cash flow from operating activities per share

A.P. Møller - Maersk's operating cash flow from continuing operations divided by the number of shares (of DKK 1,000 each), excluding A.P. Møller - Maersk's holding of own shares.

## Cash return on invested capital (CROIC), %

Cash return on invested capital (last twelve months) is calculated as free cash flow excluding acquisitions/divestments (Cash flow from operating activities – gross CAPEX plus dividend received) divided by average invested capital for continuing operations.

## Cost base

EBIT costs including VSA income and hub income and adjustments for restructuring costs, the result from associated companies and gains/losses.

## Demurrage and detention

Compensation payable when a customer holds Maersk's containers beyond the agreed amount of free time, including any storage costs that Maersk may have incurred in connection with this as well as compensation by way of liquidated damages for not having the containers available for circulation.

## Discontinued operations

Discontinued operations are a major line of business (disposal group) that is either held for sale or has been sold in previous periods. The disposal group is reported separately in a single line in the income statement and cash flow statement. Comparison figures are restated. In the balance sheet, assets and liabilities are classified and disclosed separately on an aggregate level as assets held for sale and liabilities associated with assets held for sale. In the balance sheet, comparison figures are not restated. Discontinued operations include Maersk Drilling up to demerger in April 2019.

## EBITDA

Earnings Before Interest, Taxes, Depreciation and Amortisation.

## Equity ratio

Calculated as equity divided by total assets.

## Equity-weighted EBITDA

EBITDA weighted on ownership percentages of all entities (subsidiaries, joint ventures and associated companies).

## FFE

Forty Foot container Equivalent unit.

## Free cash flow

Cash flow from operating activities less cash flow from investing activities. Lease payments (Repayments of lease liabilities and financial expenses paid on lease liabilities) are not included in the free cash flow.

## Gross profit

The sum of revenue, less variable costs and loss on debtors.

## Headhaul

The direction of the trade route that has the highest volume, whereas the return direction is referred to as backhaul.

## IMO 2020

The International Maritime Organization's (IMO) 0.5% global cap on sulphur dioxide (SO<sub>x</sub>) content in fuels for shipping has entered into force on 1 January 2020.

## Infrastructure and Logistics revenue

A sum of revenue for Terminals & Towage and Logistics & Services reporting segments less freight forwarding revenue and excluding eliminations between the segments.

## Loaded volumes

Loaded volumes refer to the number of FFEs loaded on a shipment which are loaded on first load at vessel departure time excluding displaced FFEs.

## Net interest-bearing debt (NIBD)

Equals interest-bearing debt, including fair value of derivatives hedging the underlying debt, less cash and bank balances as well as other interest-bearing assets.

## Ocean, hub productivity (PMPH)

Productivity is calculated as the average of the gross moves per hour for each call. Gross moves per hour for a single vessel call is defined as the total container moves (on load, off load and repositioning) divided by the number of hours for which the vessel is at berth.

## Ocean, loaded freight rate (USD per FFE)

Average freight rate per FFE for all the Maersk containers loaded in the period in either Maersk Line or Hamburg Süd vessels or third parties (excluding intermodal).

## Ocean, unit cost, fixed bunker (USD per FFE incl. VSA income)

Cost per FFE assuming a bunker price at USD 450/tonne excluding intermodal but including hubs and time charter income.

## Return on equity after tax

Calculated as the profit/loss for the year divided by the average equity.

## Return on invested capital after tax (ROIC)

Profit/loss divided financial items for the year (EBIT) less tax on EBIT divided by the average invested capital, last twelve months.

## Revenue backlog

The value of future revenue covered by contracts.

## Terminals & Towage, annualised EBITDA per tug (terminal towage) (USD in '000)

Annualised EBITDA per tug equivalent (pilot boats and others count for 0.5).

## Terminals & Towage, number of operational tug jobs (harbour towage) ('000)

Tug jobs on which Svitzer performs the physical job, which include jobs where Svitzer has the commercial contract with the customer as well as jobs which Svitzer receives from the competitor through over-flow or other agreements.

## TEU

Twenty-foot container Equivalent Unit.

## Time charter

Hire of a vessel for a specified period.

## Total market capitalisation

Total number of shares – excluding A.P. Møller - Mærsk A/S' holding of own shares – multiplied by the end-of-year price quoted by Nasdaq Copenhagen.

## Underlying profit/loss

Underlying profit/loss is profit/loss for the period from continuing operations adjusted for net gains/losses from sale of non-current assets, etc. and net impairment losses as well as transaction, restructuring and integration costs related to major transactions. The adjustments are net of tax and include A.P. Møller - Maersk's share of mentioned items in joint ventures and associated companies.

## 4PL

A 4PL is a fourth-party logistics provider managing resources, technology, infrastructure, and managing external 3PLs to design, build and provide supply chain solutions for businesses.

# Colophon

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