2017/18 Annual Magazine

Financial highlights, markets and people of A.P. Møller - Mærsk A/S

The Global Integrator

THE INTERNET OF ONIONS
Customers use digital to improve their products
Page 16

ENGINE MAN
A trip on a Hamburg Süd vessel, a new member of the family
Page 26

RIDING THE RAILS
A train from China shows the benefits of integration
Page 40
Claire Laukitis, pictured, launched a clothing brand along with her sister Emma called Salmon Sisters, based on their upbringing and work as commercial fishers. Container shipping helps bring their catch around the world and sustain the lifestyle of their isolated community in Alaska.

We Love Trade
maersk.com/explore/we-love-trade/

Welcome to the Annual Magazine 2017/18

This magazine outlines the strategic development in A.P. Moller - Maersk, becoming the global integrator of container logistics, with separation of the oil and oil-related businesses. It covers how we are serving our customers by providing them with more integrated services and using data and digitisation to create value. It likewise features the people, skills and hardware necessary to deliver these services, and the values which underpin the way we do business. The financial pages in the back of the magazine take a look at our combined 2017 performance.

The Annual Magazine is published alongside the Annual Report 2017, with more extensive financial details, and the Sustainability Report 2017, which looks at how we create long-term value for society and our business. All three publications are available at maersk.com.
The future focus is to deliver best in class services within container shipping, ports and logistics, as an integrated company with expanded coverage of the whole value chain. By offering a wider range of logistics services, as well as products not related to sea transport, we will deliver more value to our customers, shared growth among partners, and increased volatility of our business.

Future growth will be based on organic growth in the individual transport and logistics businesses combined with targeted acquisitions, and in December 2017, we welcomed the Sembcorp family in a significant strengthening of our customer offering and container line presence. This meant new beginnings for our transport, logistics and ports businesses in defining the future of A.P. Moller – Maersk as well as new structural solutions for our oil and oil related businesses, which have been an integral part of our company identity for decades.

Finding future solutions for our energy businesses

We have put in place new structural solutions for all the oil and oil related businesses before the end of 2018. Already in 2017, this resulted in not closing, but also considering rationalisation solutions for two of our oldest and most iconic energy businesses, the sales of Maersk (A/S) Mag Hit and Mag Drilling. On 21 August 2017, we entered into an agreement to sell Maersk Oil to Total S.A. for USD 4.45 billion in a combined share and debt transaction. Maersk Oil will become part of the world’s fourth largest oil and gas company, which has a strong performance record and long-term growth and investment interest in the oil and gas sector. Denmark will become the regional hub for Total activities in Denmark, Norway and the Netherlands, a testament to Maersk Oil’s capabilities and position and ensuring our continued strongholds in the North Sea. The transaction is progressing as planned and is expected to close during Q1 2018 pending regulatory approvals.

Furthermore, we sold Maersk Tankers to APMM Invest, a subsidiary of A.P. Moller Holding, for USD 1.71 billion in an all-cash transaction, which closed 10 October 2017. In determining the future focus for Maersk Tankers, it was imperative to ensure a financially solid owner with industry insight and a long-term view on the inherent cyclical nature of the tanker industry. This is to ensure that Maersk Tankers can continue to take advantage of market opportunities, while optimising the capabilities and the organisation on which its strong name and global leading market position are built. Due to the bear market and the presence of improved market conditions in the offshore drilling industry, this amongst other elements, raised our confidence in finding structural solutions for Maersk Oil and Maersk Supply Service before the end of 2017. Maersk Drilling was reclassified as discontinued operations in the third quarter financial statement, and Maersk Supply Service in the fourth quarter financial statement. I would like to take this opportunity to extend my sincere gratitude to all our employees in the oil and oil related businesses for their continued passion, efforts and dedication during the separation process.

Transforming the transport and logistics industry by reducing complexity

To further accelerate the integration of our container shipping, ports and logistics businesses, and the development of our customer experience andour ability to adapt to change and the passion for their industry and the development of our businesses. This was most notable during the cyberattack in June, when all our employees rallied together, working relentlessly as one global team to uphold our services to customers and partners.

This loyalty and focus has been consolidated over decades and made A.P. Moller – Maersk an iconic energy company. Today, in 2027, we will have achieved our milestones and the Board has defined success criteria and responsibilities. In 2017, the Board formed the Transformation & Innovation Committee, and the Board has defined success criteria and a governance structure around the separation of our energy businesses to closely monitor preparations and execution. To further facilitate the integration of our container shipping, ports and logistics businesses, and the development of our customer experience and their ability to adapt to change and the passion for their industry and the development of our businesses. This was most notable during the cyberattack in June, when all our employees rallied together, working relentlessly as one global team to uphold our services to customers and partners. This loyalty and focus is what has built our unique position over decades and made A.P. Moller – Maersk into the significant energy company it is today. It will be the foundation for our future – taking care of today, actively preparing for tomorrow.
Becoming the global integrator of container logistics

MESSAGE FROM THE CEO

Snær Skou

I t has been an unusual and eventful year for A.P. Møller - Maersk. We progressed in this year's reorganisation of the company, separating out the oil and related businesses and transforming our container shipping, ports and logistics businesses. Business results were improved from a low 2016 base, and we did a total of USD 14 billion worth of M&A transactions. We overcame an aggressive cyber attack which led to a difficult third quarter and consequently financial results were negatively impacted.

New and strong ownership was found for Maersk Oil and Maersk Tankers. We agreed to sell Maersk Oil to and major Total S.A. and have sold Maersk Tankers to A.P. Møller Holding. In a separate stop, we sold the remaining 9% of stake in Dansk Supermarked Group to the Salling Companies, which allows us to further focus on the core business.

We successfully acquired Hamburg Sud and the integration is progressing well. With this acquisition, one in five of all containers in the world and one in four of all reefer containers are moved by Maersk Line.

We continued to progress on the digital transformation of our core business, moving customer transactions online and digitising the way we operate our assets. Our new pay solutions have launched and are ramping up successfully. We launched Twill, a digital forwarder, primarily to serve our customers' supply chains, is taking shape.

Enhanced customer offourcing

Hamburg Sud is an outstanding brand with high-quality products and by combining our two businesses we will reinforce the global positions of both companies and enhance our service offerings to customers.

It supports Maersk Line’s growth strategy and is a unique opportunity to realise commercial opportunities as well as further operational synergies between the two companies. In the early stages of our integration journey, there has been a positive and welcoming attitude on both sides and willingness to work and learn together.

Maersk Line and Hamburg Sud offer customers better market coverage, attractive direct services and benefits via a combined global network. The cost synergies will primarily be derived from integrating and optimising the networks as well as standardising procurement. Together, Maersk Line and Hamburg Sud will have a total container capacity of more than 4 million TEU and a global capacity market share of approximately 19%.

Delivering on the vision

We continue to believe that the liner industry will consolidate further, which we will benefit from, and that there is a low need for capital expenditure as future ordering is expected to stay low for the coming years.

The transport and logistics market is big and growing. Estimated revenue in container shipping is USD 115 billion with expected growth in line with GDP, and for contract logistics USD 240 billion with growth above GDP.

Traditional freight forwarders may be growing below global GDP yet has revenue of USD 130 billion, while supply chain management is smaller at USD 40-50 billion but growing faster.

We are in a strong position, with a competitive advantage from combining asset operations with capabilities to deliver end-to-end solutions that tap into markets covering the whole journey from producer to consumer.

Our vision to become the global integrator of container logistics implies three essential building blocks. The first is to provide those simple and easy-to-end solutions to meet our customer’s complex supply chain needs, and as part of this we are planning several new-added services online to complement the physical offering, including inland services and custom house brokerage.

Secondly, we will leverage the customer experience through digital innovation, such as Remote Container Management (RCM), which allows customers to monitor conditions inside their reefer containers from when their goods are locked inside right up to delivery at the final destination. Demand’s new digital freight forwarder, Twill, is another exciting development in the digital field, allowing customers to book the whole freight forwarding package online or via an app.

The third part is to extend the industry’s most effective and efficient delivery network to every market in the world, and we will achieve this both organically and through acquisitions. A larger network is an enabler for our growth ambition as it enhances customer offerings, diversifies our revenue base and provides opportunities as well as sizable operational synergies.

As part of this third element, we will restructure Maersk Line’s resources, leading to cost optimisation, and reposition the APM Terminals hub ports.

With the right people in place, we are delivering on the strategy and creating the A.P. Møller - Maersk of the future.

One integrated company

Integration and transformation of our container, port and logistics businesses is well under way. We are making progress towards operating as one integrated company and delivering the expected synergies, that are estimated to create a ROIC improvement of two percentage points by the end of 2019, or around USD 600 million.

Examples of this include Maersk Line’s volume growth at APM Terminals, Maersk Line, APM Terminals and Damco working together to provide more complete solutions for customers; and the stronger results at Maersk Container Industry. Svitzer is further developing its cooperation with the other brands to harvest synergies through improved operational collaboration and scaling across ports and terminals.

We are targeting profitable growth and accordingly, we have established Growth as a unit that explores business ideas and pursues those which have the potential to create new world-class businesses.

The focus in 2018 will be improving the customer experience in Maersk Line, expanding our presence outside ocean transport and building towards offering end-to-end solutions online, successfully integrating Hamburg Sud improving the financial performance of APM Terminals and reducing the unit cost, based on fixed bunker price, in Maersk Line.

It will also be a priority to strengthen the IT backbone and increase cyber resilience.

In June, A.P. Møller - Maersk was hit by a cyber-attack that was one of the most aggressive that we and our global partners have ever experienced. The effect on profitability was USD 250-300 million, with this vast majority of the impact related to Maersk Line in Q3. We are putting in place different and further protective measures, and furthermore we have invested in new systems to prevent against future attacks.

Safety first

There are many changes in the company but there is nothing different in our approach to safety and our employees. Work remains to be done in this vitally important area.

Sadly, and to our deep regret, in 2017 we have suffered seven fatalities while working and this year we have suffered four. As a result of this, we have made the decision to deeply unsettle me personally that any colleague should lose their life while working for the company. It is deeply unsatisfactory and we must work ever harder to ensure this number is reduced to zero.

Thank you

A year of such change can be unsettling for many colleagues, yet it has also been hugely exciting. My deepest gratitude goes to all our employees for their dedication and contribution to the company’s performance and transformation in 2017.

With the right people in place, we are delivering on the strategy and creating the A.P. Møller – Maersk of the future. Our company, through its focus on new technologies, will transform the transport and logistics industry for the benefit of customers, world trade and our share holders.

“We have made substantial progress in delivering the container shipping, ports and logistics businesses”
**A.P. Moller - Maersk at a glance**

Following the separation of the energy businesses with Maersk Oil, Maersk Tankers and Maersk Drilling classified as discontinued operations in Q3 2017, and Maersk Supply Service in Q4 2017, the key figures reflect only the continuing operations.

### Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>30,945</td>
</tr>
<tr>
<td>2016</td>
<td>27,266</td>
</tr>
<tr>
<td>2015</td>
<td>30,161</td>
</tr>
<tr>
<td>2014</td>
<td>27,266</td>
</tr>
<tr>
<td>2013</td>
<td>24,758</td>
</tr>
</tbody>
</table>

Revenue increased to USD 30.9bn (USD 27.3bn) with a USD 3.1bn or 14.9% increase in Maersk Line (excluding Hamburg Süd), predominantly due to an 11.7% increase in average freight rates and a 3.0% increase in volumes. Revenue in Hamburg Süd for December added USD 0.5bn, while the other businesses overall reported revenue on a par with last year except Maersk Container Industry, which reported an increase of USD 0.5bn to USD 1.0bn.

### Underlying Profit/Loss

<table>
<thead>
<tr>
<th>Year</th>
<th>Underlying Profit/Loss (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>356</td>
</tr>
<tr>
<td>2016</td>
<td>1,000</td>
</tr>
<tr>
<td>2015</td>
<td>1,553</td>
</tr>
<tr>
<td>2014</td>
<td>2,415</td>
</tr>
<tr>
<td>2013</td>
<td>4,365</td>
</tr>
</tbody>
</table>

The underlying profit of USD 356m consisted of USD 1.0bn related to the transport and logistics businesses in line with the guidance of around USD 1.0bn and net USD 0.7bn related to financial expenses etc. The improvement was partly related to Maersk Line, partly counteracted by an increase in net financial expenses due to adverse currency movements and higher interest on long-term debt.

### EBITDA

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>3,532</td>
</tr>
<tr>
<td>2016</td>
<td>2,580</td>
</tr>
<tr>
<td>2015</td>
<td>1,553</td>
</tr>
<tr>
<td>2014</td>
<td>4,398</td>
</tr>
<tr>
<td>2013</td>
<td>5,284</td>
</tr>
</tbody>
</table>

The higher revenue resulted in an increase in EBITDA from USD 2.5bn to USD 3.5bn (USD 2.5bn), equal to 43%. The EBITDA margin of 11.4% (9.1%) reflects an improved profitability in Maersk Line compared to last year.

### Cash Flow from Operating Activities

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Flow from Operating Activities (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2,596</td>
</tr>
<tr>
<td>2016</td>
<td>4,914</td>
</tr>
<tr>
<td>2015</td>
<td>4,267</td>
</tr>
<tr>
<td>2014</td>
<td>2,635</td>
</tr>
<tr>
<td>2013</td>
<td>1,264</td>
</tr>
</tbody>
</table>

Cash flow from operating activities increased from USD 1.3bn (USD 2.5bn). Partially offset by higher profit, partly offset by higher capital expenditure in Maersk Line and in other businesses overall due to adverse currency movements, and higher interest on long-term debt.

### Free Cash Flow

<table>
<thead>
<tr>
<th>Year</th>
<th>Free Cash Flow - Adjusted (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>-3,591</td>
</tr>
<tr>
<td>2016</td>
<td>-809</td>
</tr>
<tr>
<td>2015</td>
<td>-2,596</td>
</tr>
<tr>
<td>2014</td>
<td>1,992</td>
</tr>
<tr>
<td>2013</td>
<td>5,215</td>
</tr>
</tbody>
</table>

After the acquisition of Hamburg Süd, the full year impact of USD 3.5bn of reverse purchase price adjustment is reflected in the results for 2017, partly offset by cash proceeds from the Maersk Tankers Transaction of USD 1.4bn in 2016. Maersk is committed to maintaining an investment grade credit rating.

### Net Interest-Bearing Debt

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Interest-Bearing Debt (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>11,642</td>
</tr>
<tr>
<td>2016</td>
<td>14,864</td>
</tr>
<tr>
<td>2015</td>
<td>10,737</td>
</tr>
<tr>
<td>2014</td>
<td>7,770</td>
</tr>
<tr>
<td>2013</td>
<td>11,091</td>
</tr>
</tbody>
</table>

The acquisition of Hamburg Süd and the impact of USD 3.5bn of reverse purchase price adjustment in the results for 2017 have increased the debt to a level partially offset by cash proceeds from the Maersk Tankers Transaction of USD 1.4bn in 2016. Maersk is committed to maintaining an investment grade credit rating.
The journey of a container
From the farm to your refrigerator, or the factory to your wardrobe, is developing solutions that meet customer needs from one end of the supply chain to the other.
Business model
Our business model is customer-centric, connecting and simplifying our customers' supply chain.

CUSTOMER FOCUS
We want to understand our customers, their individual needs, and solutions, delivered at scale, according to our promise. We are a truly customer-centric company, serving our customers with a simple end-to-end offering of products and services, seamless customer experience, and reverse the trend.

SAFETY IN EVERYTHING
Nothing is more important to A.P. Moller - Maersk than maintaining the highest level of safety performance. We are dedicated to ensuring the safety of our people, the environment, and the assets in the delivery network and by integrating data flows across the value chain.

SUSTAINABILITY
Our commitment to sustainability is integral to our business and we strive to deliver to our customers, by controlling critical assets in the delivery network and by integrating data flows across the value chain. We are focused on innovation, investment, and collaboration.

OUR VALUES
Our employees are talented and dedicated to our customers, colleagues, and the communities we operate in. We believe in the right combination of experience, energy, and aspiration to help our customers optimise supply chains throughout their careers.

OUR VISION
We are a leading company with customers, colleagues, and stakeholders who share our guiding principles, governing the development of our businesses and brands, and acting on the basis of the five corporate values. Our company has a long and proud history of taking the complexity out of container shipping for them. We are a Fortune 500 company entering a new market, whether a local start-up, a domain, or a Fortune 500 company.

WE ARE MAERSK AND CUSTOMER:
The objective of the separation has been to create an integrated shipping, ports, and logistics company with a global scope, which will be a global provider of offshore marine service, gas industry, the offshore drilling contractor, Danish North Sea, and has since the first oil from the oil and oil-related businesses moved forward in 2017. A.P. Moller - Maersk has a long and proud history of taking the complexity out of container shipping for them. We are a Fortune 500 company entering a new market, whether a local start-up, a domain, or a Fortune 500 company.

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From its storage and packing house to its customers, Wiskerke Onions in the Netherlands is using technology like Maersk Line’s Remote Container Management (RCM) system to improve its products and the way it does business.

BY JOHN CHURCHILL
If there is a star among the machinery in the Wiskerke Onions packing house, it is the computerised sorting machine. As thousands of onions pass through it, this busy metal machine wrapped around a conveyor belt outsuits its ordinary looks. An infrared scanner looks inside each onion, separating out the ones with defects while its optical cameras sort them according to customer preferences for size, weight, colour and quality. It’s first of its kind and one example of the investments the company’s CEO, Chayenne Wiskerke, is making in technology to ensure Wiskerke Onions, an 80-year old family-run company, continues to be the world’s leading onion exporter.

“From our operations to our customer communication to our supply chain, technology and data can help us improve our product, our processes and our service to customers,” says Wiskerke.

The missing piece

In 2015, Wiskerke launched an app for customers, available on all platforms, to give them instant access to data on their onions, including the location of their container, bill of lading, ETA, invoicing, information about the grower, results of the lab analysis and even photos of the onions on departure from the packing house.

For her African customers, who typically do business on their cell phones, the app is critical, she says. “What I realised was the app gave our customers a better overview than I had of our shipments,” she says. Then Hilmar Smit, her Maersk Line sales contact, showed her Maersk Line’s new Remote Container Management (RCM) tool with real-time temperature, humidity and location data. It was a natural match for her increasingly digital business.

“We have 60-70 containers each week on the water for voyages as long as 35 days. Before, we had to rely on a vessel tracking website to follow our containers,” says Wiskerke. “Now with Maersk Line’s RCM system, we have real-time location and temperature data all in one place. It’s fantastic and I’m only just discovering how I can use it.”

The next generation

Wiskerke Onions operates in the final half of the Dutch onion supply chain. Dutch farmers sell their onions to Wiskerke, which then packages, brands and exports them - 176 million on average - often wearing her running shoes - with the same bright smile her 75 employees see during the day.

Global demand for Dutch onions has led to record exports in the past few years and more than 130 countries now import them. Growing demand from African countries like Senegal and the Ivory Coast as well as Asia has led to Wiskerke Onions.

“The great thing about this business is that people will always eat onions,” says Wiskerke. “What I want to do is how we run our business, so we need to be aware of and continue to look for opportunities to grow and improve, with digital, for example.”

Learning from the data

On her computer, Chayenne Wiskerke opens the RCM dashboard and clicks on one of her containers, this one on its way to the Philippines. A line graph appears showing the current temperature, humidity and ventilation levels just as they should be.

“It’s peace of mind, I don’t wonder anymore,” she says. “And if there is a problem I can look back at the data and figure it out. Was the setting wrong? A problem with the equipment or was it the product itself? But for me the most interesting things is what Wiskerke Onions and the industry can learn from our data.”

One question she will be investigating is whether the temperature, humidity and ventilation settings for containers of onions going to the Philippines, Middle East and the United States should be the same.

“Wiskerke has used the same settings before, we have always used; and since our customers are happy we’ve stuck to it,” she says. “But with RCM, we can use the data to fine-tune for different markets and times of year, or even unique customer needs. That’s the data and technology really gets interesting.”

RESPONDING TO CUSTOMER NEEDS

In September, Maersk Line introduced Remote Container Management (RCM) to all its refrigerated cargo customers. The technology combines location tracking with temperature and humidity monitoring from inside each of Maersk Line’s 250,000 reefer containers to give customers a complete overview of their shipments.

“The location and condition of customers’ reefer cargo has been a frustrating uncertainty for them up until the time their customer tells them when and how it was received,” says Vincent Clerc, Chief Commercial Officer, A.P. Møller - Maersk.

With RCM, we are answering the wishes of customers for greater visibility in their supply chain, to allow them time to plan and otherwise run their business without worrying about their shipments.”

After five months in existence, more than 1,200 customers are using RCM on shipments representing more than 55% of Maersk Line’s total annual reefer volumes. The technology will be installed on all 860,000 plus Hamburg Sud refrigerated containers and new features are in development, including the ability to program automatic temperature adjustments during the voyage and even make cargo impact assessments for customers when disruptions occur.

As thousands of onions pass through it, this busy metal machine wrapped around a conveyor belt outsuits its ordinary looks. An infrared scanner looks inside each onion, separating out the ones with defects while its optical cameras sort them according to customer preferences for size, weight, colour and quality. It’s first of its kind and one example of the investments the company’s CEO, Chayenne Wiskerke, is making in technology to ensure Wiskerke Onions, an 80-year old family-run company, continues to be the world’s leading onion exporter. "From our operations to our customer communication to our supply chain, technology and data can help us improve our product, our processes and our service to customers," says Wiskerke.

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The next generation

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"Wiskerke has used the same settings before, we have always used; and since our customers are happy we’ve stuck to it," she says. "But with RCM, we can use the data to fine-tune for different markets and times of year, or even unique customer needs. That’s the data and technology really gets interesting."

WHAT I REALISED WAS THE APP GAVE OUR CUSTOMERS A BETTER OVERVIEW THAN I HAD OF OUR SHIPMENTS," SAYS THEN HILMAR SMIT, HER MAERSK LINE SALES CONTACT, SHOWED HER MAERSK LINE’S NEW REMOTE CONTAINER MANAGEMENT (RCM) TOOL WITH REAL-TIME TEMPERATURE, HUMIDITY AND LOCATION DATA. IT WAS A NATURAL MATCH FOR HER INCREASINGLY DIGITAL BUSINESS. "WE HAVE 60-70 CONTAINERS EACH WEEK ON THE WATER FOR VOYAGES AS LONG AS 35 DAYS." BEFORE, WE HAD TO Rely ON A VESSEL TRACKING WEBSITE TO FOLLOW OUR CONTAINERS," SAYS WISKERKE. "NOW WITH MAERSK LINE’S RCM SYSTEM, WE HAVE REAL-TIME LOCATION AND TEMPERATURE DATA ALL IN ONE PLACE. IT’S FANTASTIC AND I’M ONLY JUST DISCOVERING HOW I CAN USE IT."
One-third of the food the world produces is either wasted by consumers or lost before it reaches the table. Using its expertise in refrigerated transport and logistics, A.P. Moller - Maersk is investigating ways of helping to address the global challenge of food loss with a business solution.

**Sustainability priorities**

Helping reduce global food loss is one of our sustainability priorities in A.P. Moller - Maersk, along with reducing CO₂ emissions, multiplying the benefits of trade and leading change in ship recycling.

These issues represent the areas where A.P. Moller - Maersk wants to create shared value by proactively addressing big societal challenges in a way that draws on competences as a transport, ports and logistic company, enabling significance for the business as well. The 17 sustainable development goals that the United Nations laid out in 2015 for social, environmental and economic progress by 2030 are used as key filter for which societal challenges in a way that draws on competences as a transport, ports and logistic company, enabling significance for the business as well. As opposed to food waste - surplus food that is thrown out and a bigger challenge for many developing countries is what happens to the food before it reaches the consumer.

In the food loss area, A.P. Moller - Maersk is investigating with private and public partners how it can make use of its expertise in refrigerated transport and logistics to create an end-to-end commercial solution.

The tomato is a staple in Nigerian cooking and a symbol of the global challenge of food loss. As opposed to food waste - surplus food that is thrown out and a bigger problem for many developing countries is what happens to the food before it reaches the consumer. The biggest challenge for many developing countries is what happens to food before it reaches the consumer.

As much as half of the West African nation’s 1.8 million tonnes of tomatoes produced each year is lost due to spoilage or damage during transport to domestic markets. The tomato is a staple in Nigerian cooking and a symbol of the global challenge of food loss. As opposed to food waste - surplus food that is thrown out and a bigger problem for many developing countries is what happens to the food before it reaches the consumer.

Elubu Mesaiyete, Business Development Partner for APM Terminals in Nigeria, who coordinated the trial and worked with local partners to arrange the details of the shipment with farmers, including the best aggregation and distribution points.

“We will continue to work with local partners to understand the challenges and to ensure a scalable, cost-efficient and sustainable solution is achieved. Our goal is to eventually deliver many more trips from varied locations in the country.”

**Testing a market solution**

In the food loss area, A.P. Moller - Maersk is investigating with private and public partners how it can make use of its expertise in refrigerated transport and logistics to create an end-to-end commercial solution.

Testing a market solution

The basis of our sustainability work will always be to make sure we have our own house in order and minimise our negative impact first. However, on top of that, companies like ours can also create scalable, positive solutions to these big sustainability challenges while growing our business,” says Annette Stube.

“A small trial involving one reefer container in December in Nigeria is illustrative. Instead of using traditional wooden raffia baskets loaded on conventional trucks for the bumpy ride to regional markets, 18.6 tonnes of tomatoes were aggregated from several farms at Dutsen Wai, a large tomato hub in northern Nigeria, packed in plastic crates and loaded in a reefer container for the 1,050-kilometre journey to Mile 12 market in Lagos, the largest vegetable hub market in Nigeria. The result? For the first time, all the tomatoes arrived in good condition.

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**A.P. Møller - Mærsk**

**SUSTAINABILITY STRATEGY**

- **Help decarbonise logistics**
  - 60% relative CO₂ reduction by 2020 (2007 baseline)
  - Develop low-carbon offerings to customers
- **Contribute to halving food loss**
  - Invest in innovations reducing food loss in the transportation chain
- **Help multiply the benefits of trade**
  - Invest in digital solutions facilitating trade
  - Dedicated support for the full implementation of the WTO Trade Facilitation Agreement
- **Lead change in the ship recycling industry**
  - Drive the transformation of the ship recycling industry in India

**Read more in the A.P. Møller - Mærsk Sustainability Report 2017**
A chance to go higher

Yoselin Gual is setting the bar for performance at APM Terminals Quetzal in Guatemala less than a year after climbing into a crane. The new terminal addresses a lack of infrastructure in the central American country, one of the main obstacles to economic development, while also providing skills and jobs to local people.

"I want my kids to look at me and see that they, too, can achieve what they want in life, if they act"

BY JOHN CHURCHILL
something happens to Yoselin Güil when she climbs into her crane. For the rest of her life, if they act.

As it turns out, she didn’t know she would get a job as an operator of one of the terminal’s two ship-to-shore (STS) cranes. “I applied for every available position,” she laughs.

In the family

The APM Terminals Quetzal facility is the first deep-water container shipping port in Guatemala. With scheduled berthing windows for vessels, it is an important upgrade for the country’s port infrastructure that will improve the business of trade for the country and the region.

Güil has operated more than 100 vessels since her start in March 2017 and the physical and mental requirements of a job she first learned in a crane simulator are starting to become second nature.

“She is the fastest crane operator we have,” says Julián E. Arias, Head of Operations for APM Terminals Quetzal. “I’m not surprised. She is very strong person.”

On October, Güil’s family came with her to the terminal. It was Children’s Day in Guatemala, a day celebrated in many Central and South American countries to promote the well-being and rights of children. She had been a crane operator for six months and now her family could see what she did up close. Afterwards, her son told her that he wanted to be a crane driver too. “He’s lucky, she will be his teacher,” she says. “He hopes to one day be a crane supervisor and help others learn to do what she does.”

“Sometimes I can’t believe I’m here, that I have a job and am driving these cranes,” she says. “I’m proud because I went for it, that my kids have been to sea and now my family could see what she did up close. Afterwards, her son told her that he wanted to be a crane driver too. “He’s lucky, she will be his teacher,” she says. “He hopes to one day be a crane supervisor and help others learn to do what she does.”

"I think I can learn a lot in this programme, not just technically, but in management as well,” says Susu Zhang, one of the first intake, who was selected from 26,000 applicants. “It is really opening my mind to a lot of things, to concepts and ideas, and my work experience is really varied and challenging so far. My goals is to go higher and higher.”

Maersk has a long tradition of providing on-the-job training for those starting out in their careers, through programmes such as MISE (Maersk International Shipping Education), MITAS (Maersk International Technology and Science Programme), DIMP (Damco International Graduate Programme) and MLGP (Maersk Line Graduates Programme).

GO WITH MAERSK

Seventy people from 30 countries are enrolled in the new graduate development programme, Go With Maersk, and the first recruits are now a few months into their four-year journey. The programme pairs work experience in different jobs around the world, with four education and training modules taught by the University of California Berkeley.

“Go With Maersk ensures that we also tap into the external talent pool,” says Louise Bjerring, Graduate Programmes Manager. “Go With Maersk ensures that we also tap into the external talent pool.”

For more information, visit: www.gowithmaersk.com
In one of the largest transactions in the history of shipping, Germany-based Hamburg Süd recently joined Maersk Line, adding 1,400 seafarers to the global workforce. Meet Gregor Klöttschen, who works inside the engine room of the iconic red vessel.

NAME: GREGOR KLOTTSCHE
POSITION: CHIEF ENGINEER
AGE: 35
RESIDENCE: MUNKBRARUP, SCHLESWIG-HOLSTEIN, GERMANY
FAMILY: WIFE HENRIKE AND DAUGHTER MATHILDA
HOBBIES: SAILING, DIVING, JOGGING, GARDENING

“I like dealing with problems, finding the fault and fixing it. It gives you a feeling that you can achieve anything.”

Lights out. Everything turns black below deck as the auxiliary engine stops, leaving the ship with no power. Seconds later, the main engine goes into emergency shutdown.

The emergency engine starts, lights on, and the faces of the crew emerge from the dark in front of Gregor Klöttschen. They find themselves at the very heart of the trouble, the engine room, and he is the chief engineer, responsible for the beating heart of the ship.

It is one of those rare occasions when container vessel crews face what they call ‘blackout’. When the heart beat slows, his colleagues look to him for direction.

“Everyone looks at you, expecting you to know what you’re doing and waiting for your command. It’s a crucial moment. You must repower the vessel quickly, maybe in dangerously narrow waters, and you don’t know why the engine broke down,” says Klöttschen.

“Experience prepares you for situations like this. Automation is great, but you have to know your manual craft and get your hands dirty. I like dealing with problems, finding the fault and fixing it. It gives you a feeling that you can achieve anything.”

No favourite colour

Klöttschen, an approachable and driven 35-year-old from Munich, works on vessels for Hamburg Süd. When it was announced that the company had been sold to Maersk Line, his first reaction was a sense of gratitude for his career at the German shipping line — and then relishing the prospect of fresh opportunities.

Integration work is well underway to reinforce the global positions of both Hamburg Süd and Maersk Line, as well as strengthening the respective customer offerings.
“Hamburg Süd has always made me feel appreciated, from when I was a student until today,” Mr Gregor Klöttschen, not just ‘Seafarer 338’ but being part of a family, and I hope it stays this way,” he says.

Living close to Denmark, with his Danish friends, Klöttschen believes that the heritage and culture of Maersk match his way of life. Operating even larger vessels remains one of his ambitions.

“It makes me proud to operate the biggest ships. Not everyone can do it, and it would be seen as a huge professional achievement to operate one of Maersk’s Triple-Es one day. I love working on different Hamburg Süd vessels, because it’s challenging, but in this new constellation, it doesn’t matter to me if the ship is red or blue.”

He quickly gained experience and took on more responsibility, such as managing the main engines. Early last year, Klöttschen was promoted to chief engineer at the age of 33.

“It was a special day and it wasn’t a tough decision. Many young seafarers go back to shore, because they miss home or get bored, but ever since I started studying I’ve wanted to become a chief engineer.”

A seafarer’s life

Being a chief engineer demands more than technical expertise.

“Working on a container vessel is all about teamwork. We work in a small team for up to 10 hours a day, four to five months in a row in a very restricted space with limited privacy. The good atmosphere is so important,” explains Klöttschen.

“As a leader, try to be open-minded and humble. Don’t believe that old-school shouting motivates people and it’s very arrogant to think that you know everything. No one should be afraid to bring ideas to the table – no matter the rank.”

After years on the water, Klöttschen is well aware of what it takes, but he still gets that special feeling when there is nothing but blue ocean stretching ahead far into the distance.

“It’s a feeling of freedom, that you can go wherever you want. Of course, you can’t decide where to go in container shipping, but the feeling is still there.”

Personally, he is looking forward to working no longer than three months at a time. As Maersk Line has shorter rotations. This means he will see his wife Henrike, their one-year-old daughter Mathilda and his Folkboat more often.

“You often feel alone on a vessel, and I couldn’t do this job without my wife’s support. Coming back to your family in a quiet and calm area has become so valuable to me.”

SHORE TIDTS
Chief Operating Officer, A.P. Moller - Maersk

The acquisition is an important milestone in Maersk Line’s growth strategy, representing a unique chance to realise commercial opportunities as well as sizable operational synergies in the region of USD 350-480 million a year from 2019.

“Hamburg Süd is known for delivering a high-quality product and we can learn a lot from each other’s way of working. In addition to the customer benefits, we can leverage scale to bring down operational costs and increase volumes in APM Terminals,” says Soren Toft, Chief Operating Officer of A.P. Moller - Maersk.

The cost synergies will primarily be derived from integrating and optimising the networks as well as standardised procurement.

Combined reefer market share of 30%
Let’s get digital

A new joint venture company, which Maersk and IBM intend to launch, is the first open platform of significant scale for sharing information and developing digital products related to trade.

**BY JOHN CHURCHILL**

A.P. Moller - Maersk and IBM, as part of a new joint venture company that will offer the first open platform of significant scale for sharing information and developing digital products for trade. “Supply chain event transparency and physical documentation are just two examples of the areas an open platform like this can improve and ultimately help us grow (global trade),” says Mike White, CEO of the new joint venture and formerly President of Maersk Line in North America.

“Eventually, we hope the ecosystem of participants will create other applications to help solve additional problems for their customers and partners. Technology has changed almost every aspect of our daily lives. It’s time we let it help us shape and improve our industry.”

Secure, digital exchange

When it launches in 2018 (pending regulatory approval) the company will connect all the different supply chain participants in one secure, digital platform where they can share and use information, and also use that data to develop products for their customers and the industry. The platform will use IBM’s blockchain technology, based on Hyperledger Fabric from the Linux Foundation, which among other things ensures that platform participants’ information is secure and any transactions involve only relevant parties.

The two initial applications on the platform are the Shipping Information Pipeline and Paperless Trade: Developed by Maersk and IBM, they tackle two of global trade’s most costly and frustrating realities: the lack of event transparency as a shipment moves through the supply chain, and the web of paper-based documentation and processes that complicate every shipment from origin to destination. Both applications illustrate the value of a more comprehensive, real-time, secure exchange of information and documentation as well as the potential for participants on the platform to create products.

The joint venture will be owned 51% by A.P. Moller - Maersk and 49% by IBM with the headquarters located in the New York City area. The CEO will be Mike White, formerly President of Maersk Line in North America. A Board of Directors will oversee and include members from Maersk and IBM as well as others from outside the two companies.

The launch of the joint venture evolved from the Maersk-IBM partnership that began in 2014 as development work progresses, the scope of the platform will be expanded to include a wide range of digital services and solutions, supporting efficient and safe trade for all players, including:

- Manufacturers, retailers, and other traders would benefit from a streamlined and improved supply chain allowing for greater predictability, early notification of issues and improved inventory management.
- Shipping lines would benefit from increased visibility to improve the cost and reliability of operations, as well as pre-built connections to customers and partners.
- Logistics providers such as freight forwarders would be able to offer their customers improved, lower-cost services given real-time access to the end-to-end supply chain information and digital tools for customs brokerage services.
- Customers would get a better view of the flow of goods coming their way, enabling better allocation of resources and improved targeting accuracy for inspections.
- Ports and terminals would benefit from more efficient operations driven by increased transparency, improved document flows and higher cargo throughput rates.
- Banks providing digital trade finance products would get increased visibility into key events impacting their financing as well as the digital documentation supporting the transactions.

It’s time to let technology help shape and improve the industry, says Mike White, CEO of the joint venture, pictured.

A.A.P. Moller - Maersk.

THE STRUCTURE OF THE JOINT VENTURE

The new company will be a 51%-owned joint venture of A.P. Moller - Maersk and IBM. The company will be wholly owned by the A.P. Moller - Maersk Group and IBM.

A Board of the new joint venture company will oversee and include members from Maersk and IBM as well as others from outside the two companies.

A.P. Moller - Maersk will own 51% of the joint venture, with IBM owning the remaining 49%.

THE SPACE FOR DIGITAL INNOVATION

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A.P. Moller - Maersk’s Growth organisation is taking bright ideas and developing and commercialising them, with the aim of supporting the company’s strategic growth agenda by creating new world-class businesses. A new marketplace for Africa shows how this can be done.

BY SAM CAGE
I t starts with a kidney bean in Uganda, or a bullet chilli in Kenya. And then it gets complicated. To get the product to market, the grower has to find a credible buyer, arrange transport and deal with the reams of paperwork associated with crossing borders. Finally, payment must be ensured – and cash flow maintained until the money comes in.

Fromtu, a new business based in A.P. Møller - Maersk’s Growth organisation, focuses on connecting buyers and sellers – both exporting from and importing to Africa – and helping them agree on terms, enter into a contract and make the transaction secure with verification of both parties, enabling trade and thereby helping both to grow their business.

The growth potential is considerable. Africa has 10% of the world’s population but accounts for only 3% of global trade. The population is expected to double by 2050 and by then the workforce will be larger than that of China and India.

“We believe that there are some fundamental problems we can solve with technology – building a solution that makes trade more secure and simple,” says Fromtu CEO Michael Wiatr. “And we have a good fighting chance of being able to do that with support from Maersk – a very strong brand name and an incredible network,” he says.

“We are aiming to enable growth for our customers and Africa and if we do become successful, it will be a great investment for Maersk.”

Next world-class business

A.P. Møller - Maersk has outlined a new path for profitable growth as it becomes an integrated container shipping, ports and logistics company. It is built on three pillars: organic, acquisitive and through digital development.

Growth, headed by Sune Stilling, has refined the process of how it can turn ideas into growth opportunities with a major impact on future revenue, starting with a significant customer pain point and then how that can be resolved. This can be done in a number of ways: Fromtu is an example of building a company from scratch based on an idea, and Growth is also looking at start-up investments and collaboration at different stages – and private equity plays such as cold chain, which seeks to simplify customers’ supply chains and support top line growth using existing strengths in refrigeration and terminals.

“In essence we are a mix between a start-up accelerator, corporate venture capital and a private equity fund and we currently have plays across that whole spectrum,” Stilling says. “We are experimenting in a structured manner with the whole business building process, and we are finding out which roles work best for us.”

The underlying principles are to involve the customer throughout the process – rather than delivering a finished product later that does not meet their needs – and to fail fast (and hence cheaply). Through the process, each project is assessed on whether it still holds the potential and should be pursued, or not.

And the result? Those who make it could be the next world-class business – an APM Terminal or Damco, and in time, perhaps a new Amazon.

Open mike

From its office in Copenhagen, Growth is fostering its own way of working away from the main company sites, creating a start-up environment while also using the unfair advantage of company backing. This includes a name and reputation that can open doors to meetings that might otherwise remain closed, and the significant knowledge and reach within the company as a leading player in a major industry with a large asset base and captive spend.

“The aim is to unlock and ignite the entrepreneurial spirit within the existing organisation, identify promising business ideas and then execute the development and commercialisation of these into standalone businesses with a substantial impact on revenue,” says Sune Stilling.

Overlooking the harbour, the office has a more informal atmosphere than the usual Maersk workplace.

“The team meeting – Growth Corner – is a place to open the microphone to anyone, including visitors, to talk about their projects and their potential, put ideas forward or even just have a point about keeping the space tidy. Presentations are more flexible than the usual PowerPoint and questions often take the debate off in a new direction, as the enthusiasm spreads around the room,” Wiatr says.

For Dru Ay, the atmosphere is very similar to that at the start-up he came from six months ago. “People are very focussed and proactive. In a corner – the microphone is open to anyone,” she says.

“We need to try the 99 things that don’t work, but this little bit of it does, so how do we use it?” she says. “But it’s not for fun. Maersk needs to find new ways to grow and I am really proud to be part of something that could be a means to help the company in a different way.”

1 in 100

The growth ideas are close to the core of the business as well as more experimental concepts, and are related to physical and digital spaces, and they should generate revenue after three to seven years. Sprouts test out the thesis – packing the assessment into a short time, at low cost and with lots of customer feedback to see whether it is worth pursuing or not.

“Growth is clearly an exciting environment for Sune Stilling, who bristles with enthusiasm when he talks about the current activities but he is even more excited about what’s to come – with potentially 40-50 different ventures in a year’s time, from the current five. “My job is not to tell everyone what to do. We are trying to change the foundation of the way we operate,” he says. “You create a vision, then ensure people have the tools and empowerment to make decisions.”

Fromtu has that combination of a start-up environment, combined with the backing of a major company, which can open up opportunities that smaller operations might otherwise struggle to grasp.

“We’ve tried a bunch of different things, getting closer and closer to getting the model right. We take ideas to customers, see if it’s what they want, test it and refine it and go back to them with a new iteration,” says Michael Wiatr, the Fromtu CEO. “We need to try the 99 things that don’t work, in order to find the one that does.”
They have continued to deliver during these times of division. “I am personally deeply impressed with their performance,” says Claus V. Hemmingsen, Vice CEO of Maersk Tankers. “A.P. Moller Holding knows this business and the value it offers. We have a very good opportunity for a long-term investor that can further develop the tanker company.”

High performance

Maersk Drilling and Maersk Supply Service have and are experiencing some of the most adverse market conditions, although Maersk Drilling has seen an slight pick-up in activity over recent months. While solutions for these companies have not yet been determined, there is a realization in the efforts to optimize the businesses.

“Impressively, both have had a number of commercial successes, including a string of new contracts. There have been signs of improved market conditions in the offshore drilling industry and this has, among other elements, raised confidence in finding a structural solution for Maersk Drilling within our announced timeline,” says Claus V. Hemmingsen.

Both Maersk Drilling and Maersk Supply Service are classified as discontinued operations in the financial statements. The businesses have performed well in a very challenging market and are maintaining their high safety focus,” he says. “We are very pleased that we have managed to find solutions that support a strong presence in Denmark, and I am pleased that employees are getting more certainty about the future.”

The future businesses

A.P. Moller - Maersk has signed an agreement to sell Maersk Oil to oil and gas major Total S.A. for USD 7.45bn in a combined share and debt transaction that is expected to close during the first quarter. It has also sold Maersk Tankers to APMH Invest, a subsidiary of A.P. Moller Holding, for USD 1.171 billion in an all-cash transaction.

Maersk Oil will become part of the world’s fourth largest oil and gas company and Denmark will become the regional hub for Total’s activities in Denmark, Norway and the Netherlands, ensuring a continued Danish stronghold in the North Sea. Sanctioned projects – including Celsius, Johan Sverdrup and Tysa – will continue to progress under Total.

“This is a future, not an end to this story and there’s really something to celebrate and be proud of for Maersk Oil. It’s a good, strong and industry-focused company that is not only yielding up value for A.P. Moller - Maersk, but also providing new opportunities for our colleagues,” Claus V. Hemmingsen says.

As one of the largest tanker companies, with a leading position in their industry, brand recognition was key in the structural solutions for Maersk Tankers. The tanker company will continue under the Maersk Tankers name and use the A.P. Moller - Maersk seven-pointed star logo as part of its brand under the ownership of APMH Invest.

“Maersk Tankers has maintained a good and well-run business and its name is an important link to the history and the confidence of customers and partners,” says Claus V. Hemmingsen. “A.P. Moller Holding knows this business and the value it offers. We have a very good opportunity for a long-term investor that can further develop the tanker company.”

What has struck and motivated Claus V. Hemmingsen throughout the process of finding structural solutions has been the commitment and professionalism in the oil and oil-related businesses and in the Energy division, where his small team is dedicated to finding solutions for the businesses, while working in positions that will no longer exist at the end of the process.

“The businesses have performed well in a very challenging market and are maintaining their high safety focus,” he says. “We are very pleased that we have managed to find solutions that support a strong presence in Denmark, and I am pleased that employees are getting more certainty about the future.”

Concrete progress has been made in separating out the oil and oil-related businesses to focus on transport and logistics. The solutions identified for Maersk Oil and Maersk Tankers give the businesses long-term certainty and provide value for A.P. Moller - Maersk.

BY SAM CAGE

Transactions Made Within the Energy Division

MAERSK OIL

- Total S.A. has bought Maersk Oil for USD 7.45bn, paid by 97.5m shares in Total S.A. with a value at signing of USD 4.95bn equal to approve. 7.76% of Total S.A. (post issuing shares to A.P. Moller - Maersk)

- In addition to the shares Total S.A is assuming a short-term debt of USD 2.5bn via debt push down from A.P. Moller - Maersk into Maersk Oil. Total S.A. will pay an interest of 3% p.a. of the enterprise value from 30 June 2017 and until closing of the transaction.

- The short-term debt will be repaid to A.P. Moller - Maersk at short-notice if the enterprise value of Maersk Oil exceeds a pre-agreed enterprise value.

- The transaction entails a market upside provision regulating total payment should the product tanker market significantly improve with a rebound in vessel values before the end of 2019. The purchase price will be adjusted in two scenarios if the tanker markets improve based on a fixed value accretion, or if APMH Invest sells/sells vessels at a higher price than the purchase price and higher than an agreed hurdle rate.

MAERSK TANKERS

- APMH Invest A/S, a subsidiary of A.P. Moller Holding A/S, has acquired Maersk Tankers for USD 1.171bn in an all-cash transaction. The proceeds from the transaction will be used to reduce debt in A.P. Moller - Maersk.

- The transaction entails a market upside provision regulating total payment should the product tanker market significantly improve with a rebound in vessel values before the end of 2019. The purchase price will be adjusted in two scenarios if the tanker markets improve based on a fixed value accretion, or if APMH Invest sells/sells vessels at a higher price than the purchase price and higher than an agreed hurdle rate.

- As the transaction is between related parties, fairness opinions have been obtained from Morgan Stanley & Co. Int. Plc. and DNB Bank ASA. The conclusions from these fairness opinions confirm that the transaction value, including the agreed price adjustment mechanism, is far from a financial point of view.

TRANSACTIONS MADE WITHIN THE ENERGY DIVISION
The A.P. Moller Foundation deed states that the companies should be run in the spirit of A.P. Moller, the founding father, pictured.

A.P. Moller Holding, the investment arm of A.P. Moller Holding (Christian M. Kinskey Moller Møller’s Foundation Fund (The A.P. Moller Foundation), moved to new offices in 2017 and established an organisation reflecting the growing portfolio of businesses. Established in 2013, A.P. Moller Holding’s role is to safeguard the long-term viability of the core businesses in which the Foundation has significant holdings, most notably A.P. Moller - Maersk and Danske Bank, and to ensure a continued diversified portfolio in order that the company can withstand unexpected developments in its core holdings. In addition, A.P. Moller Holding is to invest in and build value creating businesses that have a positive impact on society.

“Our holding company has been established to support our core holdings, while also providing the financial means to the A.P. Moller Foundation’s donations, for generations to come. This means our time horizon is many years. We do this by trying to safeguard the long-term viability of our current portfolio by investing in and building new businesses,” says Robert Maersk Uggla, CEO of A.P. Moller Holding.

Supporting A.P. Moller - Maersk and Danske Bank
The Foundation’s 5% shareholding in A.P. Moller - Maersk was transferred to A.P. Moller Holding when the latter was established at the end of 2013. In 2015, A.P. Moller Holding also became a 20% shareholder in Danske Bank, when A.P. Moller - Maersk decided to sell its shareholding in the leading Scandinavian bank to further focus its business on fewer activities.

“As A.P. Moller - Maersk is consolidating and focusing on transport, logistics and ports, we believe it is paramount to secure the continued diversification of the A.P. Moller Holding portfolio with involvement in several industries. This reduces the risks and ensures the long-term viability of our role as a reliable shareholder,” says Robert Maersk Uggla, and continues:

“At the same time, A.P. Moller - Maersk has the opportunity to become a more focused and agile company, with a management team and board having more time to spend on transportation related topics. We believe this is necessary in a rapidly changing world, where many of our legacy industries are being disrupted by new competitors.”

Name and values
With the long-term focus, a key criterion in the transition is to safeguard the Maersk heritage, name and values. The Core Values are closely associated with the Maersk family name, and the family and Foundation’s ownership of the various Maersk companies, including A.P. Moller Holding, A.P. Moller - Maersk, Maersk Broker and Maersk Tankers.

“The A.P. Moller Foundation deed states that our companies should be run in the spirit of A.P. Moller, our founding father. The Core Values, articulated by A.P. Moller’s son Mærsk Mc-Kinney Moller, provide important direction in this respect,” says Robert Maersk Uggla.

The deed also states that investments should be in ‘nyttig virksomhed’, i.e. companies having a positive impact on society. This is also at the heart of A.P. Moller Holding’s newest investment, the Africa Infrastructure Fund focusing on African infrastructure investments within transportation and power. The purpose is twofold; to deliver attractive risk-adjusted returns, and to support Africa’s much-needed, long-term development.

The activity level has not only been high in A.P. Moller - Maersk in the passing year. A rapidly changing world and the need for more focused and agile companies have meant that also A.P. Moller Holding, A.P. Moller - Maersk’s largest shareholder, needs to keep a high pace.

ETHAN BILBY

Business diversification and a positive impact

The Core Values, articulated by A.P. Moller’s son Mærsk Mc-Kinney Moller, pictured, provide important direction in the running of the companies.
Running shoes are just one example of how customers can benefit from the services of an integrated container shipping, ports and logistics company. A train bringing sporting goods from China to France shows how a broader offering of solutions can make supply chains more flexible.

BY SAM CASE
City, desert, steppe, mountain, river: the long line of Maersk containers has traced the Silk Road on its 10,800-kilometre journey from crowded China to the industrial heartlands of northern France.

Spreading around the curves of a steep-sided valley, this is the first block train – hauled by a single customer and shipped from the same origin to same destination, without being split up or stored en route — to France for A.P. Moller - Maersk. Developed by Damco as part of its growing rail product portfolio, the train delivered more than 40 new containers full of running shoes, shirts and balls to Decathlon.

“It helps us to set up some flexibility in our flows, so our production has several options when it comes to delivering to Europe — sea shipment, train and maybe air as well,” says Bruno Thellier, Chief Technical Officer in China for Decathlon, the French company which is one of the world’s largest sporting goods retailers.

“The joint history with Maersk is a very long one. We started more than 20 years ago and was there then, with the first contract. So it was very easy to set up this solution with Maersk Line and Damco.”

What customers want

Integrating the shipping, ports and logistics businesses is slowly but surely reaping benefits, from Maersk Line and APM Terminals working together to drive more business to ports, to Maersk Container Industry’s turnaround thanks to better coordination with Maersk Line. The block train is another example of how collaboration is benefiting both customers and the company.

“This is a win-win cooperation between Maersk Line and Damco, and it demonstrates our commitment to develop innovative ways of propelling our customers’ business,” says Mike Fang, Head of Maersk Line’s Greater China Cluster.

Decathlon is a large ocean freight customer of Maersk Line and supply chain management customer of Damco, so the train was a natural solution, with brands working closely together to expand the range of services offered. Rail transport is substantially faster than ship, and a competitive alternative to air flight, with a lower cost and less emissions.

“This is an important step towards expanding logistics support to the markets we serve across the regions. The intention is to further explore profitable opportunities to work with customers using both Maersk Line and Damco’s networks, assets and expertise,” says Caroline Wu, CEO of Damco Greater China Area.

There are other services that can eventually be bundled together to bring a more exhaustive offering. For example, regular block trains could arrive from China and connect into Maersk Line’s interimodal network in Europe, and Damco could offer supply chain solutions.

“Rail is picking up quite substantially. Our customers are clearly very interested in this option and should be part of responding to that,” says Lee Sissons, Maersk Line’s Head of Trade and Marketing in Greater China Cluster.

Cut inventories, cut CO2

Under the grey Novobahn skies, the old pristinely new containers draw into a logistics centre at Gouges, near Lille, to be welcomed by an arrival party — a mirror of the departure ceremony and attended by representatives of Decathlon, Maersk Line and Damco, as well as the respective local governments in Wuhan and northern France.

“The joint effort made by these two brands ultimately provides customers like Decathlon with more-added value and flexibility,” says Philippe Dunand, Global Account Director for Lifestyle at Damco, who was commercially responsible for setting up the block train. “This also reduces the need to truck rail containers on arrival in Europe, thereby providing more flexibility for the customer.”

As the whole train is for one customer alone, the containers do not have to be transported from a distant port or railway to the warehouse. Instead, they are simply hoisted off the train and onto waiting trucks, which will take them to the giant 56,000-square-metre Decathlon distribution centre that sits just across the other side of a canal.

There, a team of Decathlon employees efficiently unloads boxes of shoes, shirts and balls and stacks them ready to be sent out to shops across the country.

“We would like to decrease our inventories in France. This solution allows us to reduce the time to arrive here by 30 days, and it means we can expect to save 10 days of stock in France. And we would like to reduce our impact on CO2, so we can save time and save the impact on the environment,” says Decathlon’s Thelier. “And I’m very happy because the collaboration is very professional and we understand each other.”

A train cannot match the sheer size of a vessel and so it is unlikely to take business away from ocean. Rather, it is becoming an important additional transportation option to give customers more flexibility in their supply chains.
A closer look at the details
## Five years of performance

### Income statement (USD million)

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<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>30,945</td>
<td>27,266</td>
<td>30,161</td>
<td>34,806</td>
<td>33,908</td>
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<td>Profit before...</td>
<td>3,532</td>
<td>2,475</td>
<td>4,365</td>
<td>5,284</td>
<td>4,398</td>
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<tr>
<td>Depreciation, ...</td>
<td>3,015</td>
<td>2,495</td>
<td>2,391</td>
<td>2,730</td>
<td>2,226</td>
</tr>
<tr>
<td>Gain on sale of...</td>
<td>154</td>
<td>130</td>
<td>391</td>
<td>505</td>
<td>128</td>
</tr>
<tr>
<td>Profit/loss before...</td>
<td>641</td>
<td>245</td>
<td>2,618</td>
<td>3,059</td>
<td>2,771</td>
</tr>
<tr>
<td>Financial items, net</td>
<td>-416</td>
<td>-543</td>
<td>-462</td>
<td>-727</td>
<td>-636</td>
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<tr>
<td>Profit/loss before...</td>
<td>25</td>
<td>238</td>
<td>2,558</td>
<td>2,778</td>
<td>2,134</td>
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<tr>
<td>Tax</td>
<td>219</td>
<td>171</td>
<td>225</td>
<td>509</td>
<td>134</td>
</tr>
<tr>
<td>Profit/loss...</td>
<td>-194</td>
<td>-409</td>
<td>1,934</td>
<td>2,369</td>
<td>2,000</td>
</tr>
<tr>
<td>Profit/loss...</td>
<td>-970</td>
<td>-1,438</td>
<td>-1,029</td>
<td>2,926</td>
<td>1,777</td>
</tr>
<tr>
<td>Profit/loss...</td>
<td>-1,164</td>
<td>-1,897</td>
<td>925</td>
<td>5,195</td>
<td>3,777</td>
</tr>
<tr>
<td>A.P. Møller - Maersk A/S share</td>
<td>-1,205</td>
<td>-1,399</td>
<td>793</td>
<td>5,015</td>
<td>3,405</td>
</tr>
<tr>
<td>Underlying profit/...</td>
<td>356</td>
<td>-496</td>
<td>1,553</td>
<td>2,080</td>
<td>1,837</td>
</tr>
<tr>
<td>Total assets</td>
<td>63,227</td>
<td>61,118</td>
<td>62,408</td>
<td>68,844</td>
<td>74,509</td>
</tr>
<tr>
<td>Total equity</td>
<td>31,425</td>
<td>32,090</td>
<td>35,739</td>
<td>42,225</td>
<td>42,513</td>
</tr>
<tr>
<td>Invested capital</td>
<td>46,262</td>
<td>43,838</td>
<td>42,529</td>
<td>46,927</td>
<td>52,077</td>
</tr>
<tr>
<td>Net interest-bearing debt</td>
<td>14,854</td>
<td>10,717</td>
<td>7,770</td>
<td>7,668</td>
<td>11,642</td>
</tr>
<tr>
<td>Investments in property, plant and equipment and intangible assets...</td>
<td>9,205</td>
<td>4,585</td>
<td>3,597</td>
<td>3,553</td>
<td>3,070</td>
</tr>
</tbody>
</table>

### Cash flow statement (USD million)

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Cash flow from...</td>
<td>2,596</td>
<td>1,264</td>
<td>4,387</td>
<td>4,314</td>
<td>4,332</td>
</tr>
<tr>
<td>Cash flow used for...</td>
<td>-6,187</td>
<td>-2,073</td>
<td>-1,053</td>
<td>-2,379</td>
<td>-2,340</td>
</tr>
<tr>
<td>Net cash flow from discontinued operations</td>
<td>-1,251</td>
<td>513</td>
<td>225</td>
<td>1,808</td>
<td>150</td>
</tr>
</tbody>
</table>

### Financial ratios (%)

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Return on invested capital after tax (ROE) – continuing operations</td>
<td>1.8%</td>
<td>0.5%</td>
<td>8.3%</td>
<td>5.4%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Return on equity after tax</td>
<td>-3.7%</td>
<td>5.6%</td>
<td>2.4%</td>
<td>13.3%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>45.3%</td>
<td>52.3%</td>
<td>57.3%</td>
<td>61.3%</td>
<td>57.1%</td>
</tr>
</tbody>
</table>

### Stock market ratios

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Earnings per share...</td>
<td>-11</td>
<td>-25</td>
<td>84</td>
<td>97</td>
<td>84</td>
</tr>
<tr>
<td>Diluted earnings per...</td>
<td>-11</td>
<td>-25</td>
<td>84</td>
<td>97</td>
<td>84</td>
</tr>
<tr>
<td>Cash flow per share...</td>
<td>125</td>
<td>61</td>
<td>139</td>
<td>225</td>
<td>128</td>
</tr>
<tr>
<td>Ordinary dividend per...</td>
<td>150</td>
<td>150</td>
<td>300</td>
<td>300a</td>
<td>288</td>
</tr>
<tr>
<td>Ordinary dividend per...</td>
<td>24</td>
<td>21</td>
<td>44</td>
<td>49p</td>
<td>52</td>
</tr>
<tr>
<td>Share price (B-share)...</td>
<td>10,940</td>
<td>11,270</td>
<td>8,775</td>
<td>12,370</td>
<td>11,779</td>
</tr>
<tr>
<td>Total market capitalisation, end of year, USDm</td>
<td>35,419</td>
<td>32,215</td>
<td>27,587</td>
<td>42,848</td>
<td>46,315</td>
</tr>
</tbody>
</table>

### Business drivers

**Maersk Line**

- Transported volumes (FFE in '000): 10,731
- Average freight rate (USD per FFE): 2,079
- Unit cost (USD per FFE excl. VSA income): 2,079
- Average fuel price (USD per tonne): 320
- Maersk Line fleet, owned: 287
- Maersk Line fleet, chartered: 389
- Maersk Line fleet, owned: 287
- Maersk Line fleet, chartered: 389
- Faeet capacity (TEU in '000): 3,564

**APM Terminals**

- Containers handled (measured in million TEU and weighted with ownership share): 36.7
- Number of terminals: 76

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1. Discontinued operations comprise Maersk Oil, Maersk Tankers, Maersk Drilling and Maersk Supply Service.
2. Comparative figures have been restated for the income statement and cash flow statement.
3. Excluding Hamburg Süd for comparison purposes.
4. An extraordinary cash dividend equal to DKK 1,671 per share of nominally DKK 1,000 was declared in connection with the sale of Danske Bank A/S.
### Performance 2017

A.P. Møller - Maersk executed on the strategy in 2017, with the completion of the acquisition of Hamburg Süd and agreements to divest Maersk Oil and Maersk Tankers as well as the remaining shares in Dansk Supermarked Group. The divestment of Maersk Oil is expected to close in Q1 2018. Further, structural solutions for Maersk Drilling and Maersk Supply Service are expected before the end of 2018. All energy-related businesses are therefore classified as discontinued operations in the financial statements.

- **The divestment of Maersk Oil** is expected to close in Q1 2018.
- **Service** are expected before the end of 2018.
- **The divestment** of Maersk Tankers, Mercosul Line and the remaining shares in Dansk Supermarked Group, Tankers are expected to close in Q1 2018.
- **Shares in Dansk Supermarked Group.**

#### Fleet and Transported Volumes

<table>
<thead>
<tr>
<th>MAERSK LINE</th>
<th>APM TERMINALS</th>
<th>DAMCO</th>
<th>SVITZER</th>
<th>MAERSK CONTAINER INDUSTRY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>USD million</strong></td>
<td><strong>2017</strong></td>
<td><strong>2016</strong></td>
<td><strong>2017</strong></td>
<td><strong>2016</strong></td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>23,793</td>
<td>20,715</td>
<td>4,138</td>
<td>4,176</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>3,321</td>
<td>3,530</td>
<td>705</td>
<td>764</td>
</tr>
<tr>
<td><strong>ROIC (%)</strong></td>
<td>2.9%</td>
<td>1.9%</td>
<td>2.1%</td>
<td>5.7%</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>429</td>
<td>474</td>
<td>155</td>
<td>-730</td>
</tr>
<tr>
<td><strong>Invested capital</strong></td>
<td>20,530</td>
<td>20,082</td>
<td>8,106</td>
<td>7,967</td>
</tr>
<tr>
<td><strong>Fleet capacity (TEU in '000)</strong></td>
<td>3,564</td>
<td>3,239</td>
<td>3,437</td>
<td>3,164</td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td>31,693</td>
<td>31,858</td>
<td>22,192</td>
<td>22,815</td>
</tr>
</tbody>
</table>

For the continuing operations, A.P. Møller - Maersk reported revenue of USD 30.9bn (USD 27.3bn) and an underlying profit of USD 356m (loss of USD 496m), consisting of USD 1bn related to the transport and logistics business in line with the latest guidance, and USD 0.7bn related to financial expenses and other businesses, etc.

The cash flow from operating activities was USD 2.6bn (USD 1.8bn), impacted by the higher profit, partially offset by increased net working capital. Cash flow used for capital expenditure amounted to net USD 6.2bn, USD 4.4bn higher than last year, mainly related to the acquisition of Hamburg Süd with net cash impact of USD 4.2bn. Adjusted for the acquisition of Hamburg Süd and proceeds from sale of businesses and the remaining shares in Dansk Supermarked Group, the free cash flow was negative USD 6.8bn.

Revenue increased by USD 3.7bn to USD 30.9bn, comprising revenue growth in Maersk Line (excluding Hamburg Süd) of USD 3.1bn or 14.9%, predominantly due to higher average freight rates and higher volumes. In addition, Hamburg Süd added revenue for December of USD 0.5bn. Overall, the rest of the businesses reported revenue on a par with last year, except Maersk Container Industry, which grew revenue from USD 64m to USD 101m.

The underlying profit of USD 356m (loss of USD 496m) was positively impacted by an improvement in Maersk Line excluding Hamburg Süd of USD 93m compared to 2016, in the low end of the latest guidance, which stated an improvement of around USD 1bn. The underlying profit for the continuing businesses was negatively impacted by the effects of the cyber-attack in Q3 estimated at USD 250-300m. Further, net financial expenses for tax increased to USD 342m (USD 129m), primarily due to adverse currency movements and higher interest costs following an increased net interest-bearing debt towards the end of the year.

The net result of the continuing operations was a loss of USD 194m (loss of USD 469m), mainly due to impairments in APM Terminals of USD 621m in commercially challenged markets.

#### Capital Structure and Credit Rating

Net interest-bearing debt increased to USD 14.9bn (USD 10.7bn), mainly due to the acquisition of Hamburg Süd, partly offset by proceeds from the sale of Maersk Tankers, Mercosul Line and the remaining shares in Dansk Supermarked Group. Total equity was USD 31.4bn (USD 32.1bn), negatively impacted by the loss for the year of USD 1.2bn, including impairment losses in the discontinued operations.

A.P. Møller - Maersk remains investment grade rated, and holds a Ba3 rating from Moody’s and a BBB rating from Standard & Poor’s. Both ratings remain on review for a possible downgrade following the announcement of the sale of Maersk Oil in August 2017.

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**Read more in the A.P. Møller - Maersk Annual Report 2017**
MAERSK LINE

Our Performance 50

Underlying profit 2017

Unit cost developments

The total cost of USD 2.0bn (USD 1.4bn) per FFE (USD 2.0bn (USD 1.4bn)) was 4.9% higher than in 2016, while the unit cost at fixed bunker price was 2.2% above 2016. The total unit cost was further negatively impacted by a 4.3% increase in the average bunker price. The bunker cost was USD 3.1bn (USD 2.8bn) and bunker efficiency per loaded FFE deteriorated by 4.7% to USD 3.7m/FFE (USD 3.5m/FFE).

Part of the deterioration in bunker efficiency per loaded FFE is explained by the increased capacity committed to carrying volumes from the slot purchase agreements, which are not counted as loaded volumes, while efficiency is also impacted by lower headhaul utilisation, lower backhauls volumes and, not least, the June cyber-attack.

The fleet

The Maersk Line fleet consisted of 287 owned vessels (261 TEU and 389 chartered vessels (100 TEU) with a total capacity of 3.564 TEU at the end of 2017, 3.513 TEU at the end of 2017, 3.513 TEU at the end of 2016 and 3.513 TEU at the end of 2015. This represents an increase of 9.8% (300 TEU). The increase compared to 2016 is partly due to more capacity being deployed to accommodate the incoming volumes from the slot purchase agreement signed in Q1 2017 with Hamburg Süd and the Hyndial Merchant Marine. Idle capacity at the end of 2017 was 3.451 TEU (three vessels), which was flat compared to 3.474 TEU (three vessels) of idle capacity at the end of 2016. Maersk Line’s idle capacity corresponds to around 6.3% of total idle capacity in the market.

The market

The global container demand was strong in 2017, despite a slowdown in the second half of the year following a strong first half which resulted in increased freight rates compared to the previous year. Maersk Line grew volumes by 3.0%, with volumes above market growth in Q4.

APM TERMINALS

APM Terminals reported revenue of USD 4.1bn in 2017, compared to USD 3.3bn in 2016. APM Terminals’ revenue was negatively impacted by the loss of services in North America and lower revenue in some of the African terminals due to the market exchange impact, which was partially offset by higher revenue in Latin America and Europe. The average port revenue per move, based on the consolidated revenues excluding construction revenues, decreased to USD 193 per move (USD 181 per move), mainly due to market rate pressure and the rate of exchange impact at some of the African terminals.

Three new terminals commenced operation in 2017 (Lazaros Cárdenas, Mexico, Zeebrugge, Belgium and Dalian, China), while APM Terminals divested two terminals (dewatered inland service, Portovell, UK, as well as two terminals, Zeebrugge, Belgium and Dalian, China). Moreover APM Terminals Tacoma, USA, ended operations in September. APM Terminals won 29 new contracts, while eight contracts were terminated.

Cash flow from operating activities was USD 182m (USD 190m). Cash flow used for capital expenditure was USD 670m (USD 1.5bn), leaving a free cash flow of USD 155m (negative USD 730m).

Higher volume

APM Terminals’ volume amounted to 39.7m TEU (37.3m TEU) on an equity-weighted basis, 6.5% higher than in 2016, following strong volumes in North Asia, Latin America and across several locations due to strong growth from Maersk Line. APM Terminals’ equity-weighted volume growth was slightly higher than the estimated global port throughput growth in 2017 of 6% ( Drewry). Adjusted for newly commenced terminals and divested terminals, volume increased by 5.5%.

The average terminal utilisation based on consolidated operating terminals was 66% (66%), and 71% (73%) excluding the three new terminals commencing operations in 2017 and divested terminals. The utilisation decline was driven by lower volumes in North America and capacity increases across various terminals, partially offset by positive volume contributions in Europe and Latin America.

Our Performance 51

Underlying profit 2017

Revenue was negatively impacted by the higher revenue in Latin America and Europe, leading to lower revenue per move and impairments in challenged markets. Increased volumes and cost initiatives partly compensated for the start-up cost for new terminals and the impact of the cyber-attack. However, APM Terminals faced various commercial challenges in 2017, which resulted in rate pressure, leading to lower revenue per move and impairments in challenged markets.

Revenue was negatively impacted by the loss of services in North America and lower revenue in some of the African terminals due to the rate of exchange impact, which was partially offset by higher revenue in Latin America and Europe. The average port revenue per move, based on the consolidated revenues excluding construction revenues, decreased to USD 193 per move (USD 181 per move), mainly due to market rate pressure and the rate of exchange impact at some of the African terminals.

Three new terminals commenced operation in 2017 (Lazaros Cárdenas, Mexico, Zeebrugge, Belgium and Dalian, China), while APM Terminals divested two terminals (dewatered inland service, Portovell, UK, as well as two terminals, Zeebrugge, Belgium and Dalian, China). Moreover APM Terminals Tacoma, USA, ended operations in September. APM Terminals won 29 new contracts, while eight contracts were terminated.

Cash flow from operating activities was USD 182m (USD 190m). Cash flow used for capital expenditure was USD 670m (USD 1.5bn), leaving a free cash flow of USD 155m (negative USD 730m).

Higher volume

APM Terminals’ volume amounted to 39.7m TEU (37.3m TEU) on an equity-weighted basis, 6.5% higher than in 2016, following strong volumes in North Asia, Latin America and across several locations due to strong growth from Maersk Line. APM Terminals’ equity-weighted volume growth was slightly higher than the estimated global port throughput growth in 2017 of 6% (Drewry). Adjusted for newly commenced terminals and divested terminals, volume increased by 5.5%. The average terminal utilisation based on consolidated operating terminals was 66% (66%), and 71% (73%) excluding the three new terminals commencing operations in 2017 and divested terminals. The utilisation decline was driven by lower volumes in North America and capacity increases across various terminals, partially offset by positive volume contributions in Europe and Latin America.
### DAMCO

Despite volume growth, Damco realised a loss in 2017, primarily due to the negative impact of the cyber-attack.

**Revenue (USD)**
- **2.7bn** 2017
**Underlying Loss (USD)**
- **36m** 2017

Damco reported revenue of USD 2.7bn (USD 2.5bn), driven by volume growth in both ocean and air freight as well as supply chain management. The underlying loss was USD 36m (profit of USD 31m), negatively impacted by the cyber-attack as well as by lower margins and investments in products and digitisation.

Cash flow from operating activities was negative USD 103m (positive USD 4m), impacted by the temporary effect of the cyber-attack on Damco’s operations and working processes. Cash flow used for capital expenditure was USD 4m (USD 8m), leaving a free cash flow of negative USD 105m (negative USD 4m).

In a continually challenging market environment, Damco managed to grow sales across its product portfolio, particularly for ocean, margins were under pressure in the first part of the year.

Damco succeeded in launching the digital freight forwarding platform Twill 02, and is rapidly expanding coverage, product features and customer base. Damco continues to invest in marketing excellence, product features and digital solutions, which is considered an important step to support the overall strategy of becoming the global integrator of container logistics.

### SVITZER

**Revenue (USD)**
- **659m** 2017

Svitzer improved both profitability and cash flows.

**Underlying Profit (USD)**
- **114m** 2017

Svitzer reported revenue of USD 659m (USD 684m) and an underlying profit of USD 114m (USD 89m), positively impacted by increased towage activities in Australia and the Americas, cost reductions and optimisation of the portfolio and the fleet.

Cash flow from operating activities was USD 117m (USD 144m), while cash flow used for capital expenditure was USD 196m (USD 159m), leaving a free cash flow of USD 138m (negative USD 48m).

Svitzer has been optimising its existing market portfolio by focusing on growth in selected markets such as Argentina and Brazil. Furthermore, Svitzer has closed operations in locations with less strategic fit such as in Montreal, Canada.

Higher market shares in Europe and Australia and port entries in Latin America along with cost optimisation have improved utilisation and profitability in harbour towage in 2017.

### MAERSK CONTAINER INDUSTRY

Maersk Container Industry improved profitability and increased sales.

**Revenue (USD)**
- **1.0bn** 2017
**Underlying Profit (USD)**
- **38m** 2017

Maersk Container Industry reported revenue of USD 1.0bn (USD 364m), which equates to a growth of 82%. The underlying profit of USD 38m (loss of USD 53m) was positively impacted by improved efficiency across the three factories, higher sales prices for dry containers and significantly higher sales volumes of both dry and reefer containers.

With a growing demand for both refrigerated and dry containers in 2017, the two factories in Dinghai and Dongguan have been producing at nearly full capacity, with volumes up 56% compared to 2016. Profitability was significantly better than in 2016, despite disappointing sales volumes in the factory in Chile as well as higher commodity prices.

A.P. Moller - Maersk executed on the strategy to separate out its energy businesses in 2017 with an agreement for Total S.A. to acquire Maersk Oil for USD 7.4bn in a combined share and debt transaction, and for A.P. Moller Holding to acquire Maersk Tankers for USD 1.7bn in an all-cash transaction. The Maersk Tankers transaction closed in October, while the Maersk Oil transaction is expected to close in Q1 2018. Further, structural solutions for Maersk Drilling and Maersk Supply Service are expected before the end of 2018.

In the consolidated financial statements, the results for Maersk Oil, Maersk Drilling and Maersk Supply Service, as well as Maersk Tankers up to closing in October, are classified under discontinued operations with a net loss of USD 1.0bn (loss of USD 1.4bn), negatively impacted by impairment losses net totalling USD 2.2bn (USD 2.7bn), primarily related to Maersk Drilling and Maersk Tankers.

The cash flow from operating activities was USD 2.2bn (USD 3.1bn), while the cash flow used for capital expenditure amounted to USD 1.8bn (USD 2.3bn), leaving a free cash flow of USD 0.4bn (USD 0.8bn), excluding cash proceeds from the Maersk Tankers transaction of USD 1.2bn.

The results of the discontinued businesses are presented in one separate line in the income statement, cash flow statement and balance sheet. Both the income statement and cash flow statement have been restated in previous years, while the balance sheet has not been restated.

### DISCONTINUED OPERATIONS

- **USD 0.2bn** (USD 0.8bn), excluding cash
- **USD 2.3bn**, leaving a free cash flow of
- **USD 0.8bn**, excluding cash proceeds from the Maersk Tankers transaction of 
- **USD 1.2bn**.

The results of the discontinued businesses are presented in one separate line in the income statement, cash flow statement and balance sheet. Both the income statement and cash flow statement have been restated in previous years, while the balance sheet has not been restated.
The joint history with Maersk is a very long one. We started more than 20 years ago and I was there then, with the first contract. So it was very easy to set up this solution with Maersk Line and Damco.

"The cargo from more than 40 containers of sporting goods, transported by train from China, is unloaded at Decathlon’s warehouse in Dourges, France. Decathlon is a customer of both Maersk Line and Damco, so the train was a natural solution with the brands working closely together to expand the range of services offered.

BRUNO THELLIER
Chief Technical Officer in China for Decathlon
Stay up to date

FINANCIAL CALENDAR

<table>
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<tr>
<th>Year</th>
<th>Event</th>
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<td>Dividend</td>
<td>10 April</td>
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<td>Annual General Meeting</td>
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<td>Publication of interim reports</td>
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<td>2019</td>
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<td>Annual General Meeting</td>
<td>10 April</td>
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<td>Payment A and Bisher</td>
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REPORTING

A.P. Moller - Maersk has tailored the external financial reporting towards the needs of our different stakeholders with two annual publications.

The Annual Report provides an overview of key developments during the year. The publication can be read individually or combined depending on our stakeholders’ interests.

The Annual Magazine is available electronically in English at maersk.com and in Danish at maersk.com/yearinreview.

The Annual Magazine contains an overview of the operations and performance of A.P. Moller - Maersk in a concise and easy-to-read format. The publication is not a substitute for the Annual Report and does not contain all the information needed to give us a full understanding of A.P. Moller - Maersk’s performance, financial position and future prospects as provided in the Annual Report.

A.P. Moller - Maersk also hosts a Capital Markets Day on a regular basis.

The Annual Magazine provides an overview of the operations and performance of A.P. Moller - Maersk in a concise and easy-to-read format. The publication is not a substitute for the Annual Report and does not contain all the information needed to give us a full understanding of A.P. Moller - Maersk’s performance, financial position and future prospects as provided in the Annual Report.

The Annual Magazine is available in hard copy and electronically in English and Danish at maersk.com/yearinreview. A.P. Moller - Maersk also produces Interim Reports for each of the first three quarters of the year.

Presentations are tailored made for investors and the financial markets and are also uploaded every quarter at maersk.com.

A.P. Moller - Maersk also hosts a Capital Markets Day on a regular basis.

The Interim Reports, presentations and webcasts can be found on our Investor Relations website at investor.maersk.com.

The Annual Report and the Annual Magazine contain forward-looking statements on expectations regarding the achievements and performance of A.P. Moller - Maersk. Such statements are subject to risks and uncertainties, as various factors, many of which are beyond the control of A.P. Moller - Maersk, may cause actual results and development to differ materially from the expectations contained therein.

The Board of Directors of A.P. Moller - Maersk A/S continues to consider the “Recommendations for Good Corporate Governance” put forward by NASDAQ OMX Copenhagen.

Further annual good corporate governance information is available in the statutory annual corporate governance statement, cf. section 187 item b, of the Danish Financial Statements Act covering the financial period January 1 to December 31.

An independently assured Sustainability Report is published by A.P. Moller - Maersk and covers all its material sustainability issues. The Sustainability website maersk.com/business/sustainability provides additional information on the UN Global Compact requirements and describes how A.P. Moller - Maersk fulfils these (Maersk COP), as well as A.P. Moller - Maersk's accounting principles regarding sustainability.

The Annual Report and the Annual Magazine contain forward-looking statements on expectations regarding the achievements and performance of A.P. Moller - Maersk. Such statements are subject to risks and uncertainties, as various factors, many of which are beyond the control of A.P. Moller - Maersk, may cause actual results and development to differ materially from the expectations contained therein.