MAERSK

2017/18 Annual Magazine

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

The Global Integrator

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

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/

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ONLINE

Read the stories online at
maersk.com/yearinreview

"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"

Leading the transformation of our industry

MESSAGE FROM THE CHAIRMAN
Jim Hagemann Snabe

2017 has been a year of considerable and rapid change for A.P. Moller - Maersk, as we have progressed on the execution of our new strategy: finding future solutions for our energy businesses, integrating and transforming the transport and logistics business and strengthening the governance .

A transformation that will not only change A.P. Moller - Maersk, but the entire industry.

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, seek growth, increased earnings, and reduced volatility of our business.

It has always been and remains an integral part of our purpose to safeguard the long-term viability of our companies by investing in and building value-creating businesses that have a positive impact on society. This has been a guiding principle in our strategic change, as well as in our work to define viable solutions for our oil and oil-related businesses.

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 Hamburg Süd to the Maersk 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 set out to have defined new structural solutions for all the oil and oil-related businesses before the end of 2018. Already in 2017, this resulted in not only defining, but also executing on solutions for two of our oldest and most iconic energy businesses; the sales of Maersk Oil and Maersk Tankers.

On 21 August 2017, we entered into an agreement to sell Maersk Oil to Total S.A. for USD 7.45 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's activities in Denmark, Norway and the Netherlands, a testament to Maersk Oil's capabilities and position and ensuring a continued Danish stronghold in the North Sea. The transaction is progressing as planned and we expect to close during Q1 2018, pending regulatory approvals.

Furthermore, we sold Maersk Tankers to APMH Invest, a subsidiary of A.P. Moller Holding, for USD 1.171 billion in an all-cash transaction, which closed 10 October 2017. In determining the future ownership 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 to ensure that Maersk Tankers can continue to take advantage of market opportunities, while upholding the capabilities and the organisation on which its strong name and global leading market position are built.

Over the last six months, we have seen signs of improved market conditions in the offshore drilling industry. This has, amongst other elements, raised our confidence in finding structural solutions for Maersk Drilling and Maersk Supply Service before the end of 2018. 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

The digital revolution has fundamentally impacted behaviours and trade patterns over the last 5-10 years, making its marks on many industries. However, the transportation and logistics industry has not yet undergone any significant transformation.

There are many reasons for this; the most important being the complexity of container shipping, the lack of standardisation, and ability to adjust to multiple unforeseen events in the handling process, as the underlying processes in shipping remain largely manual, paper-based and typically with little standardisation between different countries and authorities.

We ship close to one out of five containers and one of four reefer containers globally, corresponding to approximately 13 million forty foot containers annually. For each container shipped, there may be up to 30 different parties involved, communicating up to 200 times. Although we have seen some development over the last decade, the basic shipping experience is virtually unchanged seen from a customer's point of view.

We want to transform the industry by reducing the complexity. We believe it should be as easy for our customers to ship a container as it is to send a parcel with a postal carrier.

Based on our leading position within container shipping, port activities, supply chain management and freight forwarding, we want to improve and simplify the shipping experience by utilising and integrating our c apabilities across the value chain. This enables us to offer seamless value-adding end-to-end services to our customers based on digital, innovative customer solutions, extending the industry's most effective and efficient delivery network to every market in the world.

The opportunities from digitisation are significant. It has the potential to both simplify the customer experience and improve the productivity of assets, primarily ships and ports, effectively reducing costs across the value chain.

It is my sincere belief that this company is best positioned to front the digitisation of the shipping industry, having operated the complexities of container shipping for four decades in more than 130 countries around the world. We have the capabilities, the assets and the potential to fundamentally change the shipping industry, already having launched various initiatives that focus on digitising the paper flow.

With a leading position comes responsibility

Responsible business is engraved in the very identity of A.P. Moller - Maersk. With the scale of our company and our involvement all over the globe, it is essential that we, as an industry leader, address global challenges through innovation, investment and collaboration and use our influence, position and commercial strength to systematically reduce negative and enhance positive impacts on the societies of which we are a part.

This includes eliminating facilitation payments, taking an active stand on responsible ship recycling to radically improve the working conditions and reduce the environmental impact, as well as leading the reduction of global emissions in the transportation sector.

The transport sector is responsible for 23% of global energy-related emissions. Of these, shipping accounts for 3-4%. We are pursuing a CO_2 reduction of 60% per container moved by 2020 compared to 2007 through efficiency improvements and more fuel-efficient vessels. We have so far reduced CO_2 emissions by 43%.

Strengthening corporate governance

In 2017, we strengthened our corporate governance system and adapted the focus points on the Board of Directors' agenda to fit our transformation priorities and the separation of the energy businesses. The key objectives of our governance system are to support early identification of opportunities and challenges, ensure efficient processes for informed decision-making, support agile planning and fast execution while always maintaining sound controls and clear allocation of powers 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 accelerate the integration of our container shipping, ports and logistics businesses, and the development of customer-oriented end-to-end transportation and logistics solutions, the Executive Board was expanded and strengthened in December 2017 with the appointment of the Chief Operating Officer and Chief Commercial Officer of Maersk Line as well as the CEO of APM Terminals.

Since taking up my position as Chairman in March 2017, I have been immensely impressed by all our employees across A.P. Moller - Maersk, their ability to adapt to change and the passion for their industry and the development of our businesses. This was most notable during the cyber-attack in June, when all 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 company it is today. It is also the foundation for our future - taking care of today, actively preparing for tomorrow.

Becoming the global integrator of container logistics

MESSAGE FROM THE CEO
Søren Skou

It has been an unusual and eventful year for A.P. Moller - Maersk. We progressed in the remaking of the company, separating out the oil and oil-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 oil and gas major Total S.A. and have sold Maersk Tankers to A.P. Moller Holding. In a separate step, we sold the remaining 19% stake in Dansk Supermarked Group to the Salling Companies, which allows us to further focus on the core business.

We successfully acquired Hamburg Süd 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 e-pay solutions have launched and are ramping up successfully. We launched Twill, a digital forwarder, primarily in Asia-Europe trade lanes and customers are responding well in adapting to new self-service solutions.

Our vision of becoming the global integrator of container logistics, connecting and simplifying our customers' supply chains, is taking shape.

Financially, we reported revenue growth of USD 3.7 billion to USD 30.9 billion and an underlying profit of USD 356 million in 2017. The underlying profit in the transport and logistics business of USD 1.0 billion was in line with latest guidance.

There were strong underlying market conditions through most of the year, but the result was negatively impacted by the cyber-attack, weaker rates and increasing bunker costs, especially in the fourth quarter.

Enhanced customer offering

Hamburg Süd 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 sizable 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 Süd will 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 Süd 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 150 billion with expected growth in line with GDP, and for contract logistics USD 245 billion with growth above GDP. Traditional freight forwarding may be growing below global GDP yet has revenue of USD 180 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 end-to-end solutions to meet our customers' complex supply chain needs, and as part of this we are planning several value-added services online to complement the physical offering, including inland services and custom house brokerage.

Secondly, we will elevate the customer experience through digital innovation, such as Remote Container Management (RCM), which allows customers to monitor conditions inside our reefer containers from when their goods are locked inside right up to delivery at the final destination. Damco'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, and furthermore helps secure cost leadership. As part of this third element, we will restore Maersk Line's reliability to top quartile and optimise the APM Terminals hub ports.

> "With the right people in place, we are delivering on the strategy and creating the A.P. Moller - 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 optimisation, collaboration and scaling across ports and regions.

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

The focus in 2018 will be on 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 Süd; 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. Moller - 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 the vast majority of the impact related to Maersk Line in Q3. We are putting in place different and further protective measures, and are continuing to review and strengthen systems to protect 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 at A.P. Moller - Maersk-owned facilities. It is deeply unsettling to 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. Moller – 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 shareholders.

> "We have made substantial progress in combining the container shipping, ports and logistics businesses"

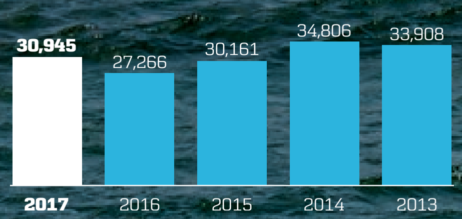
A.P. Moller - Maersk at a glance

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 below key figures reflect only the continuing operations.

REVENUE
(USD million)

30,945

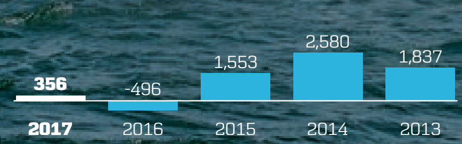
Revenue increased to USD 30.9bn (USD 27.3bn) with a USD 3.1bn or 14.9% increase in Maersk Line (excluding Hamburg Süd), predominantly due to an 11.7% increase in average freight rates and a 3.0% increase in volumes. Revenue in Hamburg Süd for December added USD 0.5bn, while the other businesses overall 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
(USD million)

356

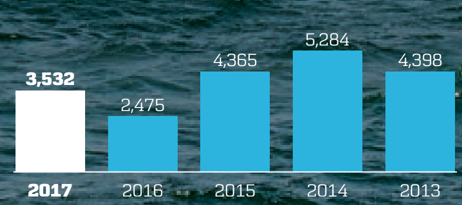
The underlying profit of USD 356m consisted of USD 1.0bn related to the transport and logistics businesses in line with the guidance of around USD 1.0bn and net USD 0.7bn related to financial expenses etc. The improvement was mainly related to Maersk Line, partly countered by an increase in net financial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



EBITDA
(USD million)

3,532

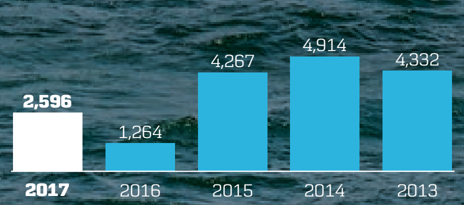
The higher revenue resulted in an increase in EBITDA to USD 3.5bn (USD 2.5bn), equal to 43%. The EBITDA margin of 11.4% (9.1%) reflects an increased profitability in Maersk Line compared to 2016.



CASH FLOW FROM OPERATING ACTIVITIES
(USD million)

2,596

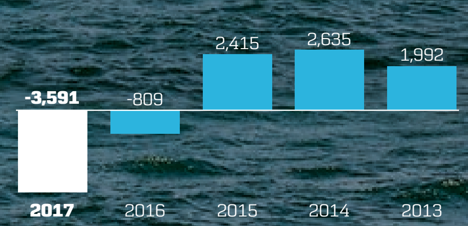
Cash flow from operating activities was USD 2.6bn (USD 1.3bn), impacted by higher profit, and partly offset by higher net working capital. Maersk Line contributed with USD 2.4bn (USD 1.1bn), while the other businesses overall were on a par with 2016.



FREE CASH FLOW
(USD million)

-3,591

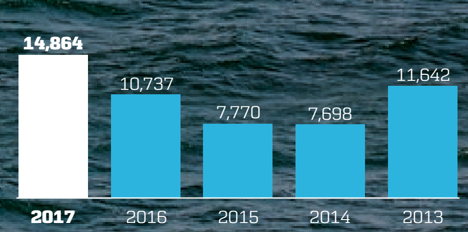
The free cash flow of negative USD 3.6bn (negative USD 809m) is impacted by net cash flow related to the acquisition of Hamburg Süd of USD 4.2bn, partly offset by proceeds from sale of businesses of USD 0.3bn and the remaining shares in Dansk Supermarked Group of USD 0.9bn. Adjusted for the acquisition and divestments, the free cash flow was negative by USD 0.6bn.



NET INTEREST-BEARING DEBT
(USD million)

14,864

The acquisition of Hamburg Süd with a net cash impact of USD 4.2bn contributed to an increase in net interest-bearing debt, partially offset by cash proceeds from the Maersk Tankers transaction of USD 1.2bn. A.P. Moller - Maersk is committed to maintaining an investment grade credit rating.



FROM

END

TO

END

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.

OPEN THE CONTAINER → ← TO FIND OUT MORE

Business model

Global integrator of container logistics, connecting and simplifying our customers' supply chain.

OUR VISION

Our vision is new and every word has a particular meaning.

A **global** company with customers, colleagues and business partners all across the globe – a prerequisite to compete and win in our markets.

Becoming an **integrator** taking full accountability for the end-to-end services we deliver to our customers, by controlling critical assets in the delivery network and by integrating data flows across the value chain.

Container shipping is an integral part of the global supply chain, and is where we have a world leading position. It is from this foundation that we will build our future.

Developing into a shipping, ports and **logistics** company with a broad portfolio of products and solutions, delivered at scale, according to our promise.

We want to **connect** the dots in the supply chain, leveraging data and advanced analytics to give our customers increased visibility and control.

Applying new technologies and leveraging data to **simplify** complex supply chains, thereby allowing our customers to serve their customers better.

It starts and ends with **customers**. We must continue to strengthen this focus to become a truly customer-centric company, serving our customers' individual needs.

Our scope of service will be the full supply chain of our customers, and the primary focus will be on solving customers' **supply chain** needs.

CUSTOMER FOCUS

Whether a local start-up dreaming big or a Fortune 500 company entering a new market, we enable customers to trade and grow by transporting goods anywhere.

We will continue to work to provide our customers with a simple end-to-end offering of products and services, seamless customer engagement and a superior end-to-end delivery network, taking the complexity out of container shipping for them.

We always seek to understand our customers, our supply chains and the societies we operate in, all over the world.

SAFETY IN EVERYTHING

Nothing is more important to A.P. Moller - Maersk than to keep the people who work for us safe. This has been a fundamental value for the more than 100 years we have been in business.

We did not live up to this value nor meet our own expectations for safety in 2017. We experienced seven fatalities related to our activities (compared to two in 2016), which occurred in APM Terminals, Maersk Line, Maersk Container Industry and Maersk Drilling.

Maersk Line and APM Terminals as well as Maersk Oil and Maersk Drilling registered more injuries per working hour than the previous year, while Maersk Supply Service, Maersk Container Industry, Svitzer and Damco improved their lost-time injury frequency performance.

Seven fatalities and a negative development in the frequency of lost-time injuries in half of our businesses is a deeply unsatisfactory development. We must and will take action to reverse the trend.

One critical factor in our plan is much broader leadership involvement to ensure that safety is an even more integrated part of all managers' mindsets.

With the objective of reducing operational risk, each of the businesses and brands is creating plans to turn around safety performance.

For more details on how A.P. Moller - Maersk is addressing safety concerns, please refer to the Sustainability Report.

SUSTAINABILITY

We are committed to ensuring that our business practices are safe, responsible and transparent, in accordance with our Core Values and the principles of the UN Global Compact on human rights, labour rights, environment and anti-corruption. That means working systematically to reduce negative and enhance positive impacts on people, society and the environment.

The aim is to unlock growth for society and A.P. Moller - Maersk by leveraging the core strengths of our businesses to address global challenges through innovation, investment and collaboration.

DEDICATED EMPLOYEES

We diverse in our business, the countries in which we operate, and in the many people we employ. It is a great strength and, combined with our global scope, means we can offer a great many career paths, both for generalists and for specialists in a wide array of fields.

Our employees are talented and dedicated to helping our customers optimise supply chains and realise their business ambitions. And it is our business to make sure that people with the right combination of experience, energy and ambition are given the opportunity to advance and develop throughout their careers.

OUR VALUES

We have a distinctive set of Core Values which drive the way we do business. These five corporate values were ingrained into our operations by our founders and have remained guiding principles, governing the development of the company for over a century.

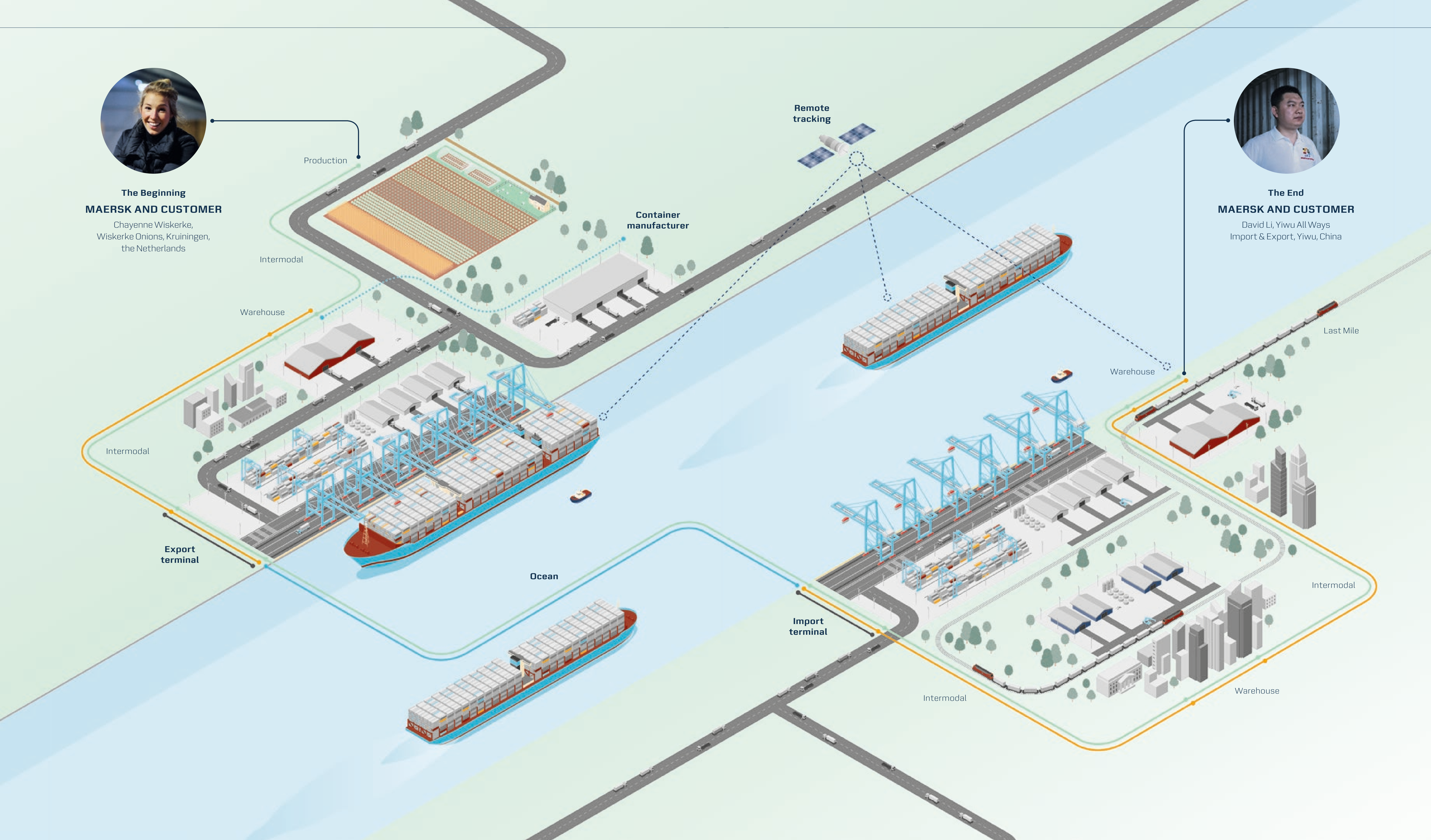
Constant Care:
Take care of today, actively prepare for tomorrow

Our Employees:
The right environment for the right people

Humbleness:
Listen, learn, share and give space to others

Our Name:
The sum of our Values: passionately striving higher

Uprightness:
Our word is our bond



Maersk Line
The world's largest container shipping company

APM Terminals
Provides port and inland infrastructure to drive global commerce

Damco
A world leading provider of freight forwarding and supply chain management services

Svitzer
Has provided safety and support at sea since 1833

Maersk Container Industry
Develops and manufactures refrigerated and dry containers and StarCool™ refrigeration machine

Energy

In the efforts to create an integrated shipping, ports and logistics company, execution on the separation of the oil and oil-related businesses moved forward in 2017.

Structural solutions were found for Maersk Oil and Maersk Tankers in 2017. Solutions remain to be established for Maersk Drilling and Maersk Supply Service before the end of 2018.

A.P. Moller - Maersk has a long and considerable history within the energy sector, starting in 1928 with the product tanker company Maersk Tankers. In 1962, A.P. Moller - Maersk was awarded the concession in the Danish North Sea and has since the first oil from the Dan Field in 1972 safeguarded Denmark a position as self-sufficient within in oil and gas. From the capabilities built in the oil and gas industry, the offshore drilling contractor, Maersk Drilling and Maersk Supply Service, a global provider of offshore marine service, and other initiatives and investments in the offshore sector developed, such as Maersk Training that through training work to improve the safety and operational performance in the oil & gas, maritime and wind industry.

The oil and oil-related businesses have been a significant part of A.P. Moller - Maersk, constituting 24% of revenue and employing 12,000 people at the start of 2017.

The objective of the separation has been to find solutions before the end of 2018, which ensures the most optimal development opportunities for the capabilities and assets built in the individual companies.

The solutions must also bring optimal value to the shareholders of A.P. Moller - Maersk and secure the retention of a strong capital structure and that A.P. Moller - Maersk remains investment grade rated. Already during 2017, two significant steps were taken, as structural and viable solutions for the future ownership of Maersk Oil and Maersk Tankers were established.

The internet of onions

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 boxy metal machine wrapped around a conveyor belt outdoes 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 the 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 near 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 kilogrammes a year - to a wide range of customers around the world.

At 28 years old, Chayenne Wiskerke is the fourth generation to take over the leadership. She spent two years after business school working in different positions in the company before taking the lead from her father, Jacob. In addition to managing, she is the head of sales, arriving before sunrise and leaving late in the evening - 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 last 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 is good news for Wiskerke Onions.

"The great thing about this business is that people will always eat onions," says Wiskerke. "What will change is how we run the business, so we need to be aware of and continue to look for opportunities to grow and to 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 thing is what Wiskerke Onions and the industry can learn from it over time."

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 reefer settings 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 where the data and technology really gets interesting."

"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 Chayenne Wiskerke, pictured.

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.

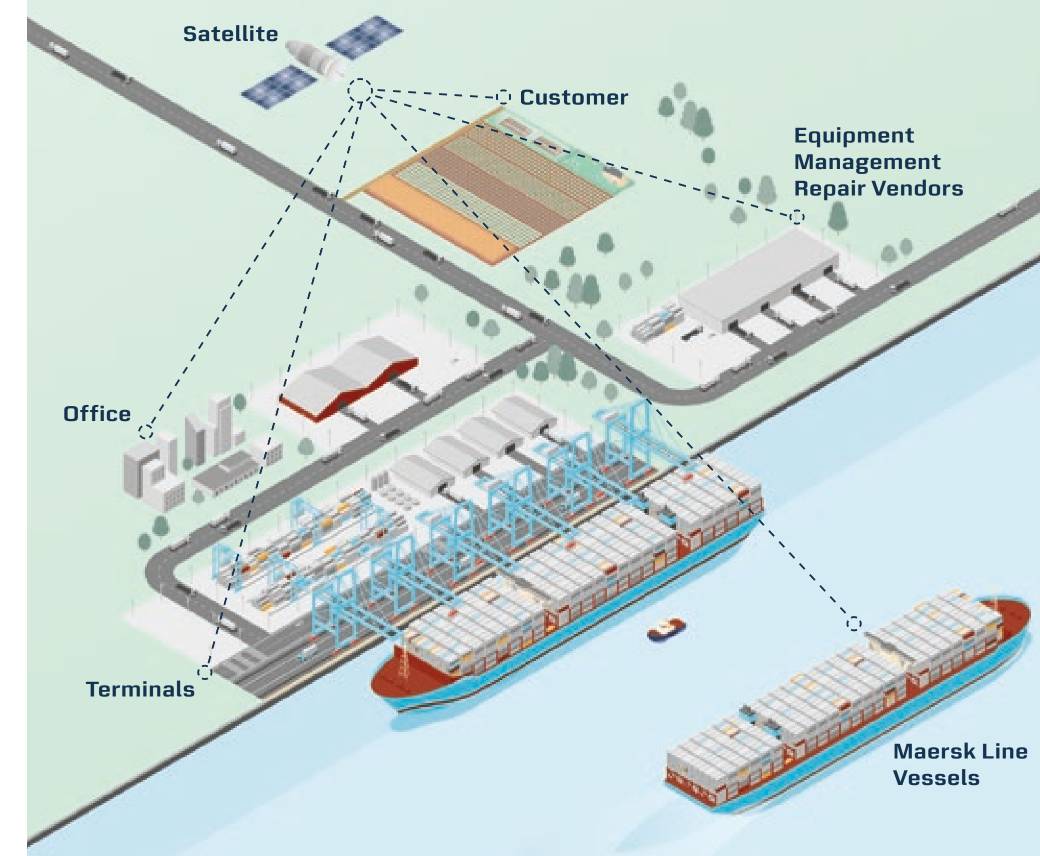
"The location and condition of customers' reefer cargo has been a frustrating uncertainty for them up until the time their customer tells them when and how it was received," says Vincent Clerc, Chief Commercial Officer, A.P. Moller - Maersk.

"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 80,000-plus Hamburg Süd 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.

Customer benefits

- Ability to act
- Mapped tracking
- Customer experience management
- Supply chain visibility
- Customer peace of mind



THE RCM SOLUTION CONSISTS OF

1 GPS unit
1 SIM card
2 GSM antennae

RCM PREPARED VESSELS

262 Vessels owned
98 Long-term charter vessels

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.

BY JOHN CHURCHILL

Turning a loss into a win

For Nigerian tomato farmers, just getting the juicy red fruit to market is a gamble. 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 developed countries - the biggest challenge for many developing countries is what happens to the food before it reaches the customer.

"Nigeria is one of the largest agricultural producers in the world, so it isn't only tomatoes. This is a huge market that is losing about half of everything it produces because there is no cold-chain infrastructure or processes in place to support an efficient supply chain," says Annette Stube, Head of Sustainability.

Sustainability priorities

Helping reduce global food loss is one of four sustainability priorities in A.P. Moller - Maersk, along with reducing CO_2 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 competencies as a transport, ports and logistic company, enabling upside 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 a key filter for which challenges society is focused on solving.

"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.

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.

It is still the beginning of a process that for now is largely about surveying the global opportunities and determining what the associated challenges are, including for example communication and coordination with local authorities and supply chain actors.

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.

It indicates just how significant the problem of food loss is and that the company's capabilities are a good match for addressing it.

"It's just a first step, but it shows the impact reefer technology and better processes can have on traditional methods of trade," says Ebun 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."

SUSTAINABILITY STRATEGY

Help decarbonise logistics
- 60% relative CO_2 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. Moller - Maersk Sustainability Report 2017

The biggest challenge for many developing countries like Nigeria, pictured, is what happens to food before it reaches the consumer

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

A chance to go higher

Yoselin Güil 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.

BY JOHN CHURCHILL

Yoselin Güil, pictured, is the fastest crane operator at Quetzal. "There are jobs here, but none like this - at an international company offering training to people like me with no job experience."

Something happens to Yoselin Güil when she climbs into her crane. Forty-three metres above the terminal pavement, the shy, soft-spoken young woman from Quetzal becomes a steely-eyed force of confidence.

It wasn't much of a surprise to those who hired her. Güil, a 24-year-old mother of two, was the only female among APM Terminals Quetzal's first wave of 75 applicants, but her bosses say it was her determination that separated her from the others at its new container terminal in the Port of Quetzal on Guatemala's Pacific coast.

"We were not looking for people with experience, we were looking for people who really wanted this opportunity. We wanted people with the right attitude and a will to learn and to challenge themselves," says Jose Argueta, Head of HR at APM Terminals Quetzal. "In the testing and the interviews, we could see Yoselin had exactly what we were looking for."

Skills and jobs

Guatemala is Central America's largest economy and one of its best performers in recent years, but its high rates of inequality and poverty also stand out. The new terminal addresses one of Guatemala's main obstacles to economic development – a lack of infrastructure – while also providing skills and jobs for locals. Yaselin is one of 140 employees at the terminal, a number APM Terminals expects to rise to 300 by 2019.

Growing up in the area surrounding the port, Güil was a "typical little girl", she says. She didn't play with trucks or other machines. Nor did she acquire any experience that one might expect from someone who now operates a ship-to-shore gantry crane, one of those four-legged giants that do the heavy lifting in modern container ports.

Since the birth of the oldest of her two children, she had been a full-time mother and wife, while her husband earned the family's income. But the new terminal offered an opportunity she felt she couldn't let pass by.

"Quetzal is our home. There are jobs here, but none like this – at an international company, offering training to people like me with no job experience," she says. Her husband encouraged her to apply. Her father and sister, who live in the same house, said the same and assured her they could help take care of the children.

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

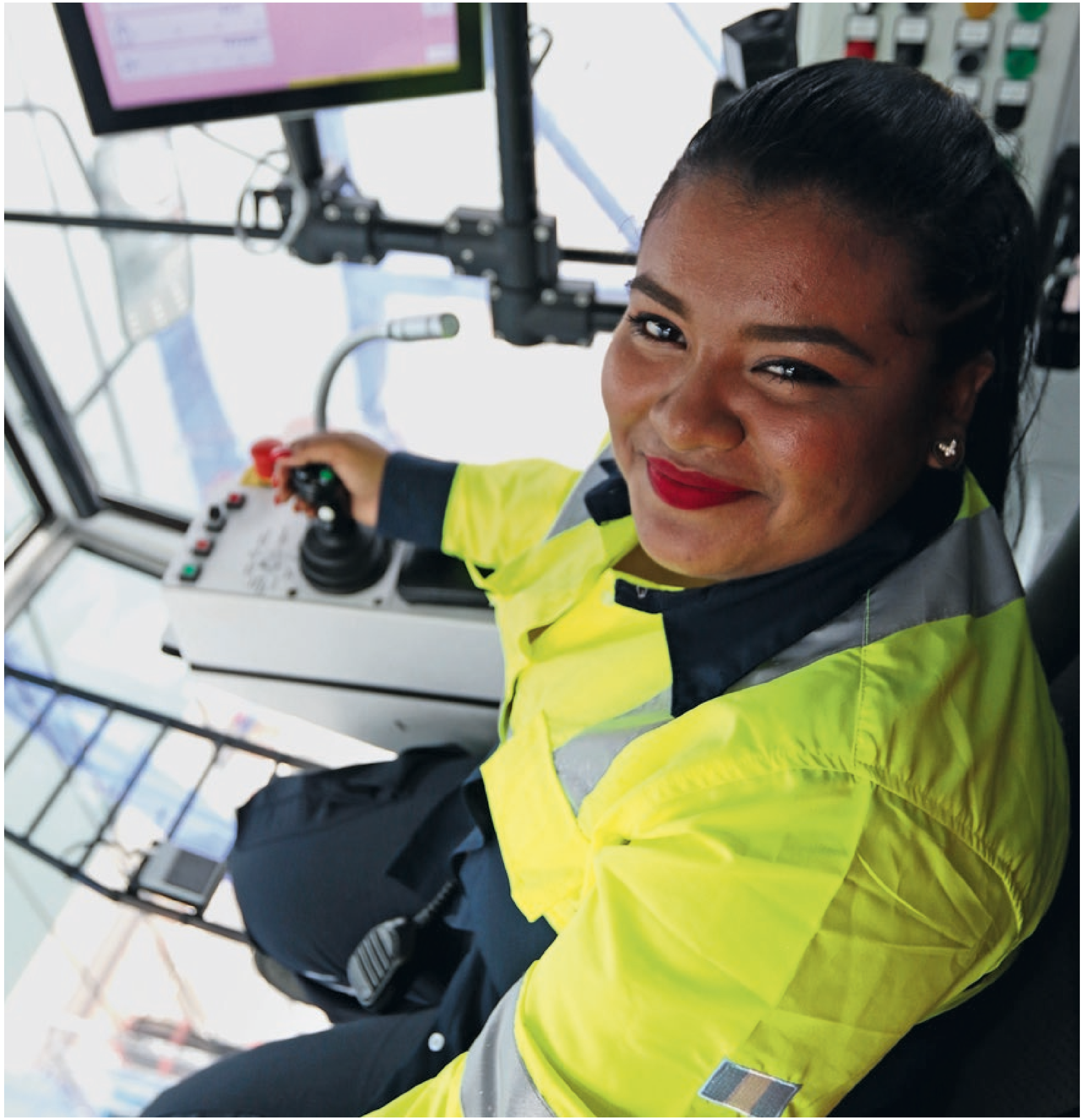
The APM Terminals Quetzal facility is the first deep-water container shipping port in Guatemala. With scheduled berthing windows for vessels, a deeper draft and two (soon to be three) ship-to-shore cranes, it is an important upgrade for the country's port infrastructure that will improve the business 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 Julian Llanos, Head of Operations for APM Terminals Quetzal. "I'm not surprised. She is determined, we could see that in her training. She wasn't going to give up just because it gets a little difficult. Yoselin is a very strong person."

On 1 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. If he's lucky, she will be his teacher – she hopes to one day be a crane supervisor and help others learn to do what she does.

"I sometimes can't believe I'm here, that I have this job and I'm driving these cranes," she says. "I'm proud because I went for it, that my kids have been to the terminal and have seen what I do. I want them to look at me and see that they, too, can achieve what they want in life, if they act."



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.

"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 20,000 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 goal 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), DIGP (Damco International Graduate Programme) and MLGP (Maersk Line Graduate Programme).

And while Go With Maersk has been designed based on the framework and feedback from former participants in those, its focus is on attracting and developing external candidates.

"We already have a wide range of programmes available across the business to help our current employees develop, and to ensure that we continue to have the best people in our industry," says Louise Bjerring, Graduate Programmes Manager. "Go with Maersk ensures that we also tap into the external talent pool as well."

For more information, visit:
www.gowithmaersk.com

ENGINE MAN

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.

BY JESPER TOFT MADSEN

NAME: GREGOR KLÖTTSCHEN
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 engines stop, 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. I'm Mr Gregor Klöttschen, not just 'Seafarer 308'. It's like being part of a family, and I hope it stays this way," he says.

Living close to Denmark and having 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 I would see it 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."

Shaped by the sea

Klöttschen was three or four years old when his father took him and his twin brother out sailing for the first time. Both brothers were swimming without water wings by the age of three and although the family moved six times during his childhood between Europe and the Far East, Klöttschen always stayed close to the water.

Today, he is a seasoned diver and spends much of his time on his Nordic Folkboat, which is a small wooden yacht that needs constant care.

"I got addicted and became a sailor like my father. So why not get a job on the water?"

After a six-month spell in the German army, young Klöttschen joined Hamburg Süd as a ship mechanic apprentice in 2004. After graduating in Ship Operation from Flensburg University, Klöttschen became a third engineer at Hamburg Süd.

"It was like jumping into cold water," he recalls. "You're responsible for a smooth operation, from steam production that heats the fuel to auxiliary engines that generate power. I realised how different real-life operations are from maths theories and electro techniques. The books don't teach you how to prioritise or how long it takes to fix things."

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

"It was a special day. And it was not 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, I try to be open-minded and humble. I 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."

> "I would see it as a huge professional achievement to operate one of Maersk's Triple-Es one day"

STRENGTHENING THE GLOBAL POSITION

> "As a Hamburg Süd and/or Maersk Line customer, you will have access to dedicated end-to-end services, as well as the flexibility and reach offered by the world's largest network"

SØREN TOFT
Chief Operating Officer, A.P. Moller - Maersk

Maersk Line's EUR 3.7 billion investment in Hamburg Süd represents a significant step in the growth strategy, cementing its global leadership and opening up new opportunities to create value for customers and the business alike.

Together, the complementary businesses will create the world's most comprehensive network of trading lines, combining Maersk Line's leading position on East-West routes with Hamburg Süd's strong presence on North-South trades. With a total capacity of around 4 million TEUs, the larger fleet will move 19% of global trade and combining the two shipping lines will enhance the global positions of both brands.

In future, customers will experience better market coverage, more direct services and other benefits via a combined global network.

"Hamburg Süd and Maersk Line will continue to cultivate different market positions and separate value propositions building on the different strengths of the two companies. But many of our operational activities can now be coordinated to create synergies," says Vincent Clerc, Chief Commercial Officer of 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 sizeable operational synergies in the region of USD 350-400 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 Søren 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.

GLOBAL WORKFORCE

Together we have
35,600
employees
Hamburg Süd – 6,300
Maersk Line – 29,300

Out of which
9,100
seafarers
Hamburg Süd – 1,400
Maersk Line – 7,700

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

Two missing customs papers and a late announcement of a rail network change was enough to cause a container headed to the United States from Europe to literally miss the boat - and arrive four weeks late to the customer.

It's an all too familiar story for the participants in global trade and just one example of many found during the testing phase of new technology developed by Maersk and IBM, as a 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 subsequently help 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.

A series of pilots running since March 2017 involving Maersk customers, ports, customs authorities and many others confirm the two applications abilities to increase efficiency and accuracy of information shared.

Releasing the brakes on trade

"This new company marks a milestone in our strategic efforts to lead the digitisation of global trade. The potential from offering a neutral, open digital platform for safe and easy ways of exchanging information is huge, and all players across the supply chain stand to benefit," says Vincent Clerc, Chief Commercial Officer at A.P. Moller - Maersk and future Chairman of the Board of the new joint venture company.

"By joining our deep knowledge of trade with IBM's leadership in blockchain and enterprise technology, we are confident this new company can make a real difference in shaping the future of global trade."

* The establishment of the joint venture remains subject to receipt of regulatory approvals. None of the information provided in this article should be construed in any way as a commitment and this information is subject to change and represents goals and objectives only.

THE STRUCTURE OF THE JOINT VENTURE

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 with an analysis of the paperwork-related costs of trade impacting global supply chains and the potential for technology to reduce them.

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

A SPACE FOR DIGITAL INNOVATION

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
- Customs authorities would get a better view of the flow of goods coming their way, enabling better allocation of resources and improved targeting accuracy for inspections
- 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
- Ports and terminals would benefit from more efficient operations driven by increased transparency, improved document flows and higher cargo throughput rates
- 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
- 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

The Venture Adventure

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 it can be done.

BY SAM CAGE

TARGETING GROWTH

Growth looked at mega-trends in the world and how A.P. Moller - Maersk can tap into them. The result is four investment domains: Fight Food Waste, Secure Supply Chains, Enable Trade and NextGen Logistics

Most of Growth's focus will probably be on investing in, helping and cooperating with existing start-ups and companies going through series A, B and C funding – the stepping stones in turning an ingenious idea into a revolutionary global company

It will also source its own business ideas from online submissions, idea campaigns, hackathons, start-up scouting or the Maersk Venture Programme, a platform which enables the most promising start-ups to work with the company

The next step is screening, based on an initial assessment of potential based on the existence of a pain point, strategic fit and feasibility; then incubation, from idea to business model. The main contribution of Growth kicks in with validation and building – the point at which the value starts to be delivered for the company

It 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. Moller - 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 16% 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. 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," says Fromtu CEO Michael Wiatr.

"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. Moller - 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 one 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 reefer capacity 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 years 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 which make it could be the next world-class business – an APM Terminals 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 reignite 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.

Overlooking the harbour, the office has a more informal atmosphere than the usual Maersk workplace. At the team meeting – Growth Corner – the microphone is open to anyone, including visitors, to talk about their projects and their potential, pitch for interest or even make a point about keeping the space tidy. Presentations are more flexible than the usual PowerPoint and questions often take the debate off in an entirely new direction, as the enthusiasm spreads around the room.

For Onur Ay, the atmosphere is very similar to that at the start-up he came from six months ago. "People are very focused and proactive. In a start-up, you have to be sharp and know the trends and threats. It's a very innovative environment and people are cool, with so many backgrounds in one place. I love being here."

Anne Mette Frejsel comes from a very different background, having worked for the in-house consultancy Maersk Management Consulting and the A.P. Moller - Maersk Strategy department before joining.

"What I really like is we don't know whether things will work, so there is a lot of exploration and testing. So this doesn'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. Sprints test out the thesis – packing the assessment into a short time, at low cost and with a lot of customer feedback to see whether it is worth pursuing or not.

It's 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."

The office has a more informal atmosphere than the usual Maersk workplace, similar to the environment at a start-up

VALUE & OPPORTUNITIES

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

With the aim of finding viable structural solutions before the end of 2018, the Energy division has during 2017 achieved half of that remit.

Progress is important to bring clarity to the oil and oil-related businesses and with the solutions for Maersk Oil and Maersk Tankers, A.P. Moller - Maersk can now increasingly focus on becoming an integrated transport and logistics company.

For all the oil and oil-related businesses, the Energy division has been examining solutions including listings, trade sales and merger opportunities. Keeping the businesses in good shape – not least since they are all operating in challenging market conditions – has been the necessary premise for identifying and executing on the structural solutions. Maintaining high performance is a testament to the dedication of those working there.

"We are proud and very satisfied with the speed in which we have found good and solid solutions, and where we safeguard that the capabilities and assets built in Maersk Oil and Maersk Tankers continue to be developed in the future," says Claus V. Hemmingsen, Vice CEO of A.P. Moller - Maersk and CEO of the Energy division. "I am personally deeply impressed with the attitude of colleagues in the oil and oil-related businesses undergoing such immense change. They have continued to deliver during these times of change. They are really making the difference."

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 7.45 billion 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 Culzean, Johan Sverdrup and Tyra – will continue to progress under Total.

"There's 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 sale provides a very good opportunity for A.P. Moller Holding, 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 a slight pick-up in activity over recent months. While solutions for these companies have not yet been determined, there is no relaxation in the efforts to optimise 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 timing," says Claus V. Hemmingsen.

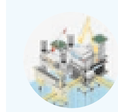
Both Maersk Drilling and Maersk Supply Service are classified as discontinued operations in the financial statements.

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 so far to find solutions that support a strong presence in Denmark, and I am pleased that employees are getting more certainty about the future."

Above: Maersk Supply Service is finding new solutions to decommission oil and gas installations more efficiently while maintaining safety focus, an important part of its strategy to deliver more integrated solutions to customers' needs. Pictured, Maersk Achiever recovers flexible flowlines from the Janice installation in the North Sea.

TRANSACTIONS MADE WITHIN THE ENERGY DIVISION

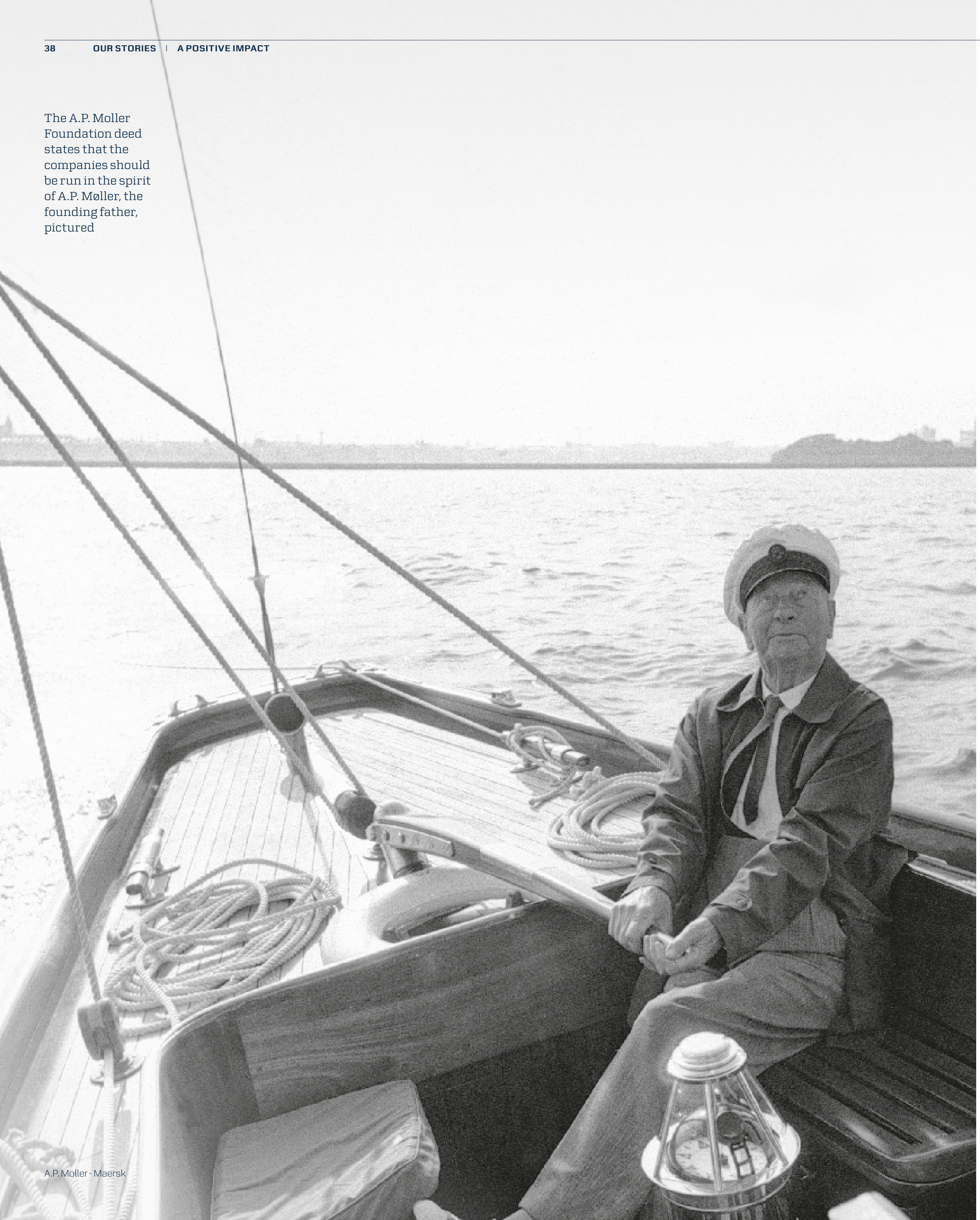


MAERSK OIL

- 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 approx. 3.76% 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 or shortly after closing of the transaction and the proceeds will be used to reduce debt
- Subject to meeting its investment grade objective, A.P. Moller - Maersk plans to return a material portion of the value of the received Total S.A. shares to shareholders during the course of 2018/19 in the form of extraordinary dividend, share buyback and/or distribution of Total S.A. shares

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 fleet value accretion, or if APMH Invest sells on 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 fair from a financial point of view



The A.P. Moller Foundation deed states that the companies should be run in the spirit of A.P. Møller, the founding father, pictured

Business diversification and a positive impact

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

A.P. Moller Holding, the investment arm of A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal (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 and 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 51% 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 exit 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."

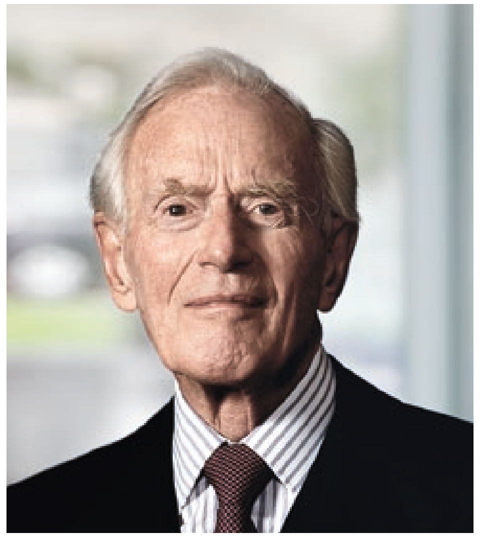
Name and values

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's 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. Møller, our founding father. The Core Values, articulated by A.P. Møller's son Mærsk Mc-Kinney Møller, 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 Core Values, articulated by A.P. Møller's son Mærsk Mc-Kinney Møller, pictured, provide important direction in the running of the companies



RIDING THE RAILS FROM CHINA

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 CAGE

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.

Speeding around the curves of a steep-sided valley, this is the first block train – booked 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 I 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 is a competitive alternative to air freight, 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 intermodal 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 we 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 CO_2

Under the grey November skies, the still pristine new containers draw in to a logistics centre at Dourges, 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 railhead 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 and 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 20 days, and it means we can expect to save 10 days of stock in France. And we would like to reduce our impact on CO_2, so we can save time and save the impact on the environment," says Decathlon's Thellier. "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.

THE SILK ROAD

Rail services are becoming increasingly important for transporting goods between China and Europe as part of China's Belt and Road, or One Belt one Road, Initiative.

The initiative aims to develop a China-centred trade network, fostering connectivity and cooperation between countries in Asia and Europe and focusing on infrastructure investments such as railways and highways – a modern version of the Silk Road, the network of trade routes that for centuries connected markets in the East and West

Trade from China is huge and continuing to expand, and more and more customers are looking for a green strategy which offers a more CO_2-friendly option compared to air freight.

Given the distances covered and the need for manufacturers to transport their goods efficiently and securely between the two regions, customers can also benefit from Damco's global supply chain management expertise. The intention is to make the block train service available to additional customers and market sectors.

"Block trains achieve reliable lead times and provide customers with improved cargo visibility through GPS tracking," says Kasper Krog, Damco's Head of Rail.

"CO_2 emissions from rail services are also about 12 times lower than air transport so the block train offers a solution that is efficient, with fixed timetable, cost effective, transparent and with less impact on the environment"

A closer look at the details

Five years of performance

Income statement (USD million)	**2017**	2016	2015	2014	2013
Revenue	**30,945**	27,266	30,161	34,806	33,908
Proft before depreciation, amortisation and impairment losses, etc. (EBITDA)	**3,532**	2,475	4,365	5,284	4,398
Depreciation, amortisation and impairment losses, net	**3,015**	2,495	2,391	2,730	2,226
Gain on sale of non-current assets, etc., net	**154**	190	391	505	128
Share of profit/loss in joint ventures	**-131**	130	147	29	134
Share of profit/loss in associated companies	**101**	-55	97	416	337
Profit/loss before financial items (EBIT)	**641**	245	2,610	3,505	2,771
Financial items, net	**-616**	-543	-452	-727	-636
Profit/loss before tax	**25**	-298	2,158	2,778	2,134
Tax	**219**	171	225	509	134
Profit/loss – continuing operations	**-194**	-469	1,934	2,269	2,000
Profit/loss – discontinued operations[1]	**-970**	-1,428	-1,009	2,925	1,777
Profit/loss	**-1,164**	-1,897	925	5,195	3,777
A.P. Møller - Mærsk A/S' share	**-1,205**	-1,939	791	5,015	3,450
Underlying profit/loss – continuing operations	**356**	-496	1,553	2,580	1,837

Balance sheet (USD million)					
Total assets	**63,227**	61,118	62,408	68,844	74,509
Total equity	**31,425**	32,090	35,739	42,225	42,513
Invested capital	**46,362**	42,808	43,509	49,927	54,630
Net interest-bearing debt	**14,864**	10,737	7,770	7,698	11,642
Investments in property, plant and equipment and intangible assets – continuing operations	**9,205**	4,585	3,597	3,552	3,070

Cash flow statement (USD million)					
Cash flow from operating activities[2]	**2,596**	1,264	4,267	4,914	4,332
Cash flow used for capital expenditure[2]	**-6,187**	-2,073	-1,852	-2,279	-2,340
Net cash flow from discontinued operations	**1,251**	503	226	1,806	150

Financial ratios (%)					
Return on invested capital after tax (ROIC) – continuing operations[3]	**1.6%**	0.5%	8.2%	8.4%	7.6%
Return on equity after tax	**-3.7%**	-5.6%	2.4%	12.3%	9.2%
Equity ratio	**49.7%**	52.5%	57.3%	61.3%	57.1%

Stock market ratios	**2017**	2016	2015	2014	2013
Earnings per share – continuing operations, USD	**-11**	-25	84	97	84
Diluted earnings per share – continuing operations, USD	**-11**	-25	84	97	84
Cash flow from operating activities per share, USD	**125**	61	199	225	198
Ordinary dividend per share, DKK	**150**	150	300	300[4]	280
Ordinary dividend per share, USD	**24**	21	44	49[4]	52
Share price (B share), end of year, DKK	**10,840**	11,270	8,975	12,370	11,770
Share price (B share), end of year, USD	**1,746**	1,597	1,314	2,021	2,175
Total market capitalisation, end of year, USD m	**35,419**	32,215	27,587	42,848	46,305

Business drivers					
Maersk Line[3]					
Transported volumes (FFE in '000)	**10,731**	10,415	9,522	9,442	8,839
Average freight rate (USD per FFE)	**2,005**	1,795	2,209	2,630	2,674
Unit cost (USD per FFE incl. VSA income)	**2,079**	1,982	2,288	2,584	2,731
Average fuel price (USD per tonne)	**320**	223	315	562	595
Maersk Line fleet, owned	**287**	292	285	274	275
Maersk Line fleet, chartered	**389**	347	305	336	299
Fleet capacity (TEU in '000)	**3,564**	3,239	2,962	2,946	2,631
APM Terminals					
Containers handled (measured in million TEU and weighted with ownership share)	**39.7**	37.3	36.0	38.3	36.3
Number of terminals	**74**	73	63	64	65

[1] Discontinued operations comprise Maersk Oil, Maersk Tankers, Maersk Drilling and Maersk Supply Service. Comparative figures have been restated for the income statement and cash flow statement.

[2] From continuing operations.

[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. Moller - 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.

MAERSK LINE
(EXCLUDING HAMBURG SÜD)

USD million	**2017**	2016
Revenue	23,793	20,715
EBITDA	2,631	1,525
NOPAT	584	-376
Underlying profit/loss	521	-384
ROIC (%)	2.9%	-1.9%
Free cash flow	429	474
Invested capital	20,530	20,082
Transported volumes (FFE in '000)	10,731	10,415
Fleet	676	639
Fleet capacity (TEU in '000)	3,564	3,239
Employees	31,693	31,858

APM TERMINALS

USD million	**2017**	2016
Revenue	4,138	4,176
EBITDA	705	764
NOPAT	-168	438
Underlying profit/loss	414	433
ROIC (%)	-2.1%	5.7%
Free cash flow	155	-730
Invested capital	8,106	7,967
Throughput[1]	39.7	37.3
Number of terminals	74	73
Employees	22,192	22,615

[1] Measured in million TEU and weighted by ownership share.

Read more in the A.P. Moller - Maersk Annual Report 2017

For the continuing operations, A.P. Moller - Maersk reported revenue of USD 30.9bn (USD 27.3bn) and an underlying profit of USD 356m (loss of USD 496m), consisting of USD 1.0bn related to the transport and logistics business in line with the latest guidance, and net USD 0.7bn related to financial expenses and other businesses, etc.

The cash flow from operating activities was USD 2.6bn (USD 1.3bn), 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 4.1bn 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 0.6bn.

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 564m to USD 1.0bn.

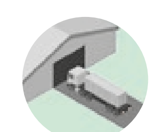
The underlying profit of USD 356m (loss of USD 496m) was positively impacted by an improvement in Maersk Line excluding Hamburg Süd of USD 905m compared to 2016, in the low end of the latest guidance, which stated an improvement of around USD 1bn. The underlying profit for the continuing businesses was negatively impacted by the effects of the cyber-attack in Q3 estimated at USD 250-300m. Further, net financial expenses after tax increased to USD 642m (USD 610m), 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

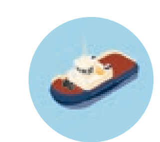
Net interest-bearing debt increased to USD 14.9bn (USD 10.7bn), mainly due to the acquisition of Hamburg Süd, partly offset by proceeds from the sale of Maersk Tankers, Mercosul Line and the remaining shares in Dansk Supermarked Group. Total equity was USD 31.4bn (USD 32.1bn), negatively impacted by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

A.P. Moller - Maersk remains investment grade-rated, and holds a Baa2 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.



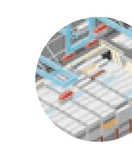
DAMCO

USD million	**2017**	2016
Revenue	2,668	2,507
EBITDA	-4	70
NOPAT	-35	31
Underlying profit/loss	-36	31
ROIC (%)	-12.7%	14.6%
Free cash flow	-105	-4
Invested capital	308	232
Employees	10,993	11,292



SVITZER

USD million	**2017**	2016
Revenue	659	642
EBITDA	197	166
NOPAT	102	91
Underlying profit/loss	114	89
ROIC (%)	7.9%	7.5%
Free cash flow	83	-48
Invested capital	1,334	1,203
Fleet	356	343
Employees	2,760	2,870



MAERSK CONTAINER INDUSTRY

USD million	**2017**	2016
Revenue	1,016	564
EBITDA	87	-31
NOPAT	38	-55
Underlying profit/loss	38	-53
ROIC (%)	12.0%	-13.3%
Free cash flow	55	-22
Invested capital	333	357
Employees	5,393	5,381

MAERSK LINE

Maersk Line (excluding Hamburg Süd) back to profit in an operationally challenged year.

REVENUE (USD)

23.8bn
2017

UNDERLYING PROFIT (USD)

521m
2017

Maersk Line, excluding Hamburg Süd, reported revenue of USD 23.8bn (USD 20.7bn), positively impacted by an 11.7% increase in the average freight rate to 2,005 USD/FFE (1,795 USD/FFE) and by a 3.0% increase in volumes to 10,731k FFE (10,415k FFE) despite the negative impact of a cyber-attack. The volume increase was driven East-West by 2.4%, North-South by 2.2% and Intra-regional by 7.3% The increase in volume reflects a strong market demand, with estimated growth of around 5% compared to 2016.

The underlying profit was USD 521m (loss of USD 384m), positively impacted by the higher revenue and a unit cost at fixed bunker price almost on a par with last year.

Cash flow from operating activities excluding Hamburg Süd increased by USD 1.3bn to USD 2.4bn compared to 2016. Cash flow used for capital expenditure excluding the acquisition of Hamburg Süd was USD 1.4bn higher at USD 2.0bn, as Maersk Line took delivery of nine newbuild vessels. Excluding Hamburg Süd, Maersk Line reported a free cash flow of USD 429m (USD 474m).

The acquisition of Hamburg Süd and divestment of Mercosul Line were completed in December 2017.

The EBIT margin gap to peers is estimated at around 2% for the full year (Q4 2016 to Q3 2017), which is below the 5% ambition level. The EBIT margin gap to peers decreased compared to 2016 by 5.4%, among other things due to the negative impact of the cyber-attack.

Freight rate increase

Freight rates increased across all trades, as East-West rates increased by 19.3%, North-South rates increased by 8.9% and Intra-regional rates increased by 2.4%. East-West freight rates were driven primarily by Europe trades, while North-South rates were driven by all trade clusters led by West Central Asia and Africa trades. The increase in freight rates was a result of a record low level in 2016. The reported 2017 freight rates peaked in Q2 2017, followed by a slowdown especially from the beginning of Q4 2017 and for the remainder of the year. As a result, recognised freight revenue ended at USD 21.4bn (USD 18.6bn). Other revenue ended at USD 2.4bn (USD 2.1bn).

Unit cost developments

The total unit cost of 2,079 USD/FFE (1,982 USD/FFE) was 4.9% higher than in 2016, while the unit cost at fixed bunker price was 0.2% above 2016. The unit cost at fixed bunker price was negatively impacted by lower headhaul utilisation as well as lower backhaul volumes. The total unit cost was further negatively impacted by a 43% increase in the average bunker price. The bunker cost was USD 3.3bn (USD 2.1bn), and bunker efficiency per loaded FFE deteriorated by 4.7% to 953 kg/FFE (910 kg/FFE).

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

The fleet

The Maersk Line fleet consisted of 287 owned vessels (2,054k TEU) and 389 chartered vessels (1,510k TEU) with a total capacity of 3,564k TEU by the end of 2017, an increase of 10.0% compared to the end of 2016. Compared to Q3 2017 it represents an increase of 0.8% (30k 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 Hyundai Merchant Marine. Idle capacity at the end of 2017 was 24.1k TEU (three vessels), which was flat compared to 24.7k 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 faced challenging market conditions and inflationary cost pressure.

REVENUE (USD)

4.1bn
2017

UNDERLYING PROFIT (USD)

414m
2017

APM Terminals reported revenue of USD 4.1bn on a par with 2016, however with underlying volume growth on an equity-weighted basis of 6.5%. The underlying profit was USD 414m (USD 433m), while the net result was a loss of USD 168m (profit of USD 438m), mainly due to impairments of USD 621m in commercially 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 entities 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 revenue excluding construction revenue, decreased to USD 193 per move (USD 198 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 (Lázaro Cárdenas, Mexico, Izmir, Turkey and Quetzal, Guatemala), while APM Terminals divested one inland service, Pentalver, 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.

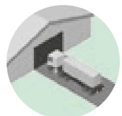
Cash flow from operating activities was USD 827m (USD 819m). Cash flow used for capital expenditure was USD 672m (USD 1.5bn), leaving a free cash flow of USD 155m (negative USD 730m).

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 entities and divested terminals, volume increased by 5.0%.

The average terminal utilisation based on consolidated operating terminals was 66% (69%), 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

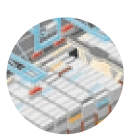
Damco reported revenue of USD 2.7bn (USD 2.5bn), driven by volume growth in both ocean and air freight as well as supply chain management. The underlying loss was USD 36m (profit of USD 31m), negatively impacted by the cyber-attack as well as by lower margins and investments in products and digitisation.

Cash flow from operating activities was negative USD 101m (positive USD 4m), impacted by the temporary effect of the cyber-attack on Damco's operations and invoicing 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 in Q2, 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.

MAERSK CONTAINER INDUSTRY



Maersk Container Industry improved profitability and increased sales

REVENUE (USD)

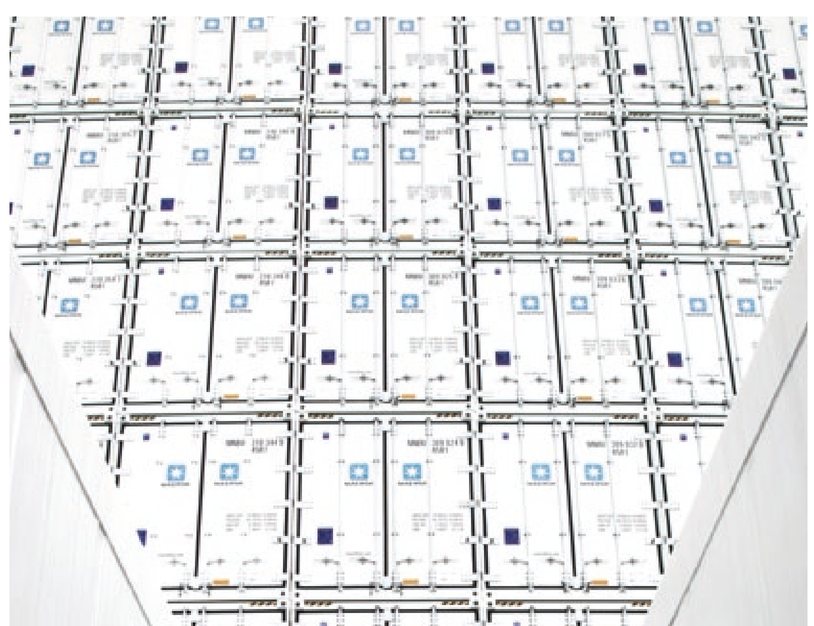
1.0bn
2017

UNDERLYING PROFIT (USD)

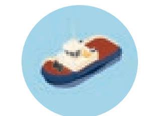
38m
2017

Maersk Container Industry reported revenue of USD 1.0bn (USD 564m), which equates to a growth of 80%. 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 Qingdao and Dongguan have been producing at nearly full capacity, with volumes up 90% 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.



SVITZER



Svitzer improved both profitability and cash flows

REVENUE (USD)

659m
2017

UNDERLYING PROFIT (USD)

114m
2017

Svitzer reported revenue of USD 659m (USD 642m) 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 179m (USD 144m), while cash flow used for capital expenditure was USD 96m (USD 192m), leaving a free cash flow of USD 83m (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 ceased 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 fleet optimisation have improved utilisation and profitability in harbour towage in 2017.

Overall, revenue in terminal towage remained flat, however, the divestment of idle fleet and other cost-reduction initiatives including reductions of administrative costs improved profitability.

Svitzer's fleet increased by 13 vessels to 356 vessels, with 339 owned and 17 chartered at the end of 2017. A total of 10 vessels are on order, which will all be delivered in 2018.

DISCONTINUED OPERATIONS

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 7,450m in a combined share and debt transaction, and for A.P. Moller Holding to acquire Maersk Tankers for USD 1,171m 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 2.0bn (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 0.2bn (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”

BRUNO THELLIER
Chief Technical Officer
in China for Decathlon

Stronger Together

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.

Stay up to date

FINANCIAL CALENDAR

2018

Capital Markets Day
20 February

Publication of interim reports
17 May – Q1
17 August – Q2
14 November – Q3

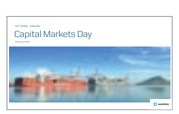
Annual General Meeting
10 April
10.30 in Bella Center, Copenhagen, Denmark

Dividend
10 April – Record date
11 April – Excluding dividend
13 April – Payment A and B shares

2019

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** focuses on the detailed legally required information, whereas the Annual Magazine focuses on providing an overview of key developments during the year. The publications can be read individually or combined depending on our stakeholders' interests.

The Annual Report is available electronically in English at investor.maersk.com.

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 as full an 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 tailor-made for investors and the financial markets 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 investor.maersk.com.

The Board of Directors of A.P. Møller - Mærsk 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 107, 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.

NEWS

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