MAERSK

2017

Annual Report

A.P. Møller - Mærsk A/S

Esplanaden 50, DK-1098 Copenhagen K / Registration no. 22756214

Contents

The Annual Report for 2017 of A.P. Møller - Mærsk A/S (further referred to as A.P. Moller - Maersk as the consolidated group of companies and A.P. Møller - Mærsk A/S as the parent company) has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

Changes in presentation
Following the classification of Maersk Oil, Maersk Tankers, Maersk Drilling and Maersk Supply Service as discontinued operations, the businesses are presented separately on an aggregated level in the income statements, balance sheet and cash flow statements. In accordance with IFRS, the income statement and cash flow statement have both been restated in previous years, while the balance sheet has not been restated in previous years.

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

Comparative figures
Unless otherwise stated, all figures in parenthesis refer to the corresponding figures for the previous year.

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DIRECTORS' REPORT

Chairman's statement

Leading the transformation of our industry

JIM HAGEMANN SNABE
Chairman of A.P. Møller - Mærsk A/S

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. Møller Holding, for USD 1,171 million 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 transport 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 one in five containers and one in 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 capabilities 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 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."
>
> **JIM HAGEMANN SNABE**
> Chairman

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 transport 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 transport 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. •

Letter from the CEO

Becoming the global integrator of container logistics

SØREN SKOU
CEO of A.P. Møller - Mærsk A/S

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 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.

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.

> "We have made **substantial progress** in combining the container shipping, ports and logistics businesses."
>
> **SØREN SKOU**
> CEO of A.P. Møller - Mærsk A/S

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; and 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.

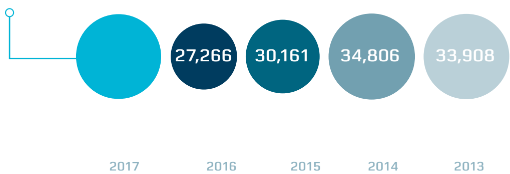
With the right people in place, we are delivering on the strategy and creating the A.P. Moller - Maersk of the future. Our company, through its focus on new technologies, will transform the transport and logistics industry for the benefit of customers, world trade and our shareholders. •

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)

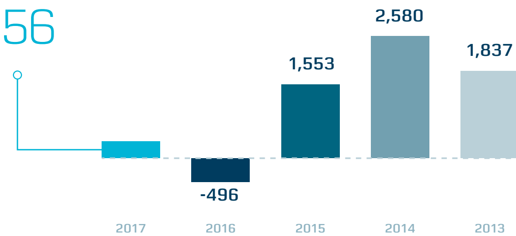
30,945



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)

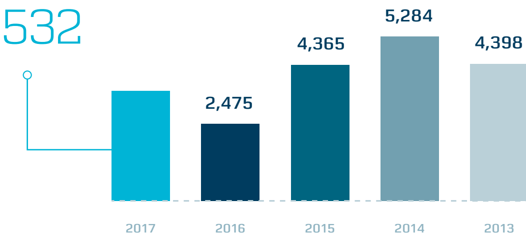
356



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)

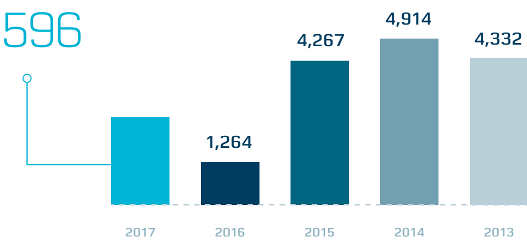
3,532



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)

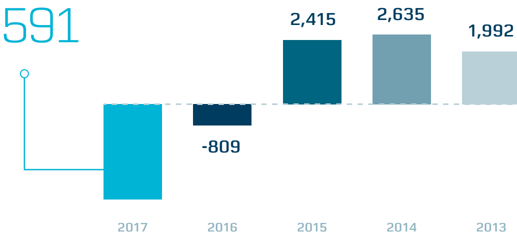
2,596



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)

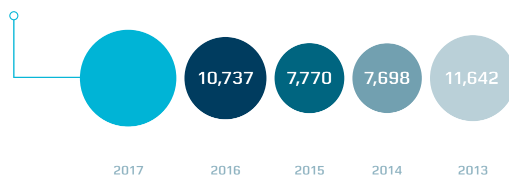
-3,591



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.

Amounts in USD million

Five-year summary

Income statement	2017	2016	2015	2014	2013
Revenue	30,945	27,266	30,161	34,806	33,908
Profit 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 for the year – continuing operations	-194	-469	1,934	2,269	2,000
Profit/loss for the year – discontinued operations[1]	-970	-1,428	-1,009	2,925	1,777
Profit/loss for the year	-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					
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					
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.

Highlights 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.

For the continuing operations, A.P. Moller - Maersk reported a 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%,

HIGHLIGHTS FOR THE YEAR (CONTINUING OPERATIONS)

	Revenue		Underlying profit/loss		Profit/loss		Cash flow from operating activities		Cash flow used for capital expenditure		Free cash flow		Invested capital	
USD million	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Maersk Line[1]	24,299	20,715	511	-384	541	-376	2,389	1,060	-6,142	-586	-3,753	474	25,363	20,082
APM Terminals	4,138	4,176	414	433	-168	438	827	819	-672	-1,549	155	-730	8,106	7,967
Damco	2,668	2,507	-36	31	-35	31	-101	4	-4	-8	-105	-4	308	232
Svitzer	659	642	114	89	102	91	179	144	-96	-192	83	-48	1,334	1,203
Maersk Container Industry	1,016	564	38	-53	38	-55	75	4	-20	-26	55	-22	333	357
Financial items, net after tax	-	-	-642	-610	-642	-610	-716	-580	-58	199	-774	-381	95	-698
Other businesses, unallocated and eliminations	-1,835	-1,338	-43	-2	-30	12	-57	-187	805	89	748	-98	656	1,248
Continuing operations	**30,945**	**27,266**	**356**	**-496**	**-194**	**-469**	**2,596**	**1,264**	**-6,187**	**-2,073**	**-3,591**	**-809**	**36,195**	**30,391**
Discontinued operations	**-**	**-**	**-**	**-**	**-970**	**-1,428**	**-**	**-**	**-**	**-**	**-**	**-**	**10,167**	**12,417**
A.P. Moller - Maersk consolidated	**30,945**	**27,266**	**356**	**-496**	**-1,164**	**-1,897**	**2,596**	**1,264**	**-6,187**	**-2,073**	**-3,591**	**-809**	**46,362**	**42,808**

[1] Including Hamburg Süd for December.

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.

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 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. Further details are set out in note 9 to the consolidated financial statements.

Revenue growth of USD 3.7bn and an underlying profit in the transport and logistics business in line with the latest guidance.

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.

The businesses

Maersk Line, excluding Hamburg Süd (see pages 21-23), reported a revenue of USD 23.8bn (USD 20.7bn), positively impacted by an increase in the average freight rate of 11.7% to 2,005 USD/FFE (1,795 USD/FFE) and by a 3.0% increase in volumes to 10,731k FFE (10,415k FFE).

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. The unit cost at fixed bunker price was negatively impacted by the cyber-attack in Q3 as well as lower headhaul utilisation and less backhaul volumes. The total unit cost, which was 4.9% higher than in 2016, was further negatively impacted by a 43% increase in the average bunker price.

Cash flow from operating activities increased by USD 1.3bn to USD 2.4bn. Cash flow used for capital expenditure excluding the acquisition of Hamburg Süd amounted to net USD 2.0bn, an increase of USD 1.4bn compared to 2016, reflecting the delivery of nine newbuild vessels. Including Hamburg Süd, Maersk Line reported a negative free cash flow of USD 3.8bn (positive USD 474m).

APM Terminals reported a revenue of USD 4.1bn on a par with 2016, however with an 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), due to impairments of USD 621m in commercially challenged markets.

With an equity ratio of 49.7% (52.5%) and a liquidity reserve of USD 9.6bn (USD 11.8bn), A.P. Moller - Maersk maintains its **strong financial position.**

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).

Damco reported a 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).

Svitzer reported a 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 positive USD 83m (negative USD 48m).

Maersk Container Industry reported a 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.

Other businesses reported a profit of USD 75m (loss of USD 61m). The result for 2016 included an impairment of USD 131m in the RORO business. •

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.

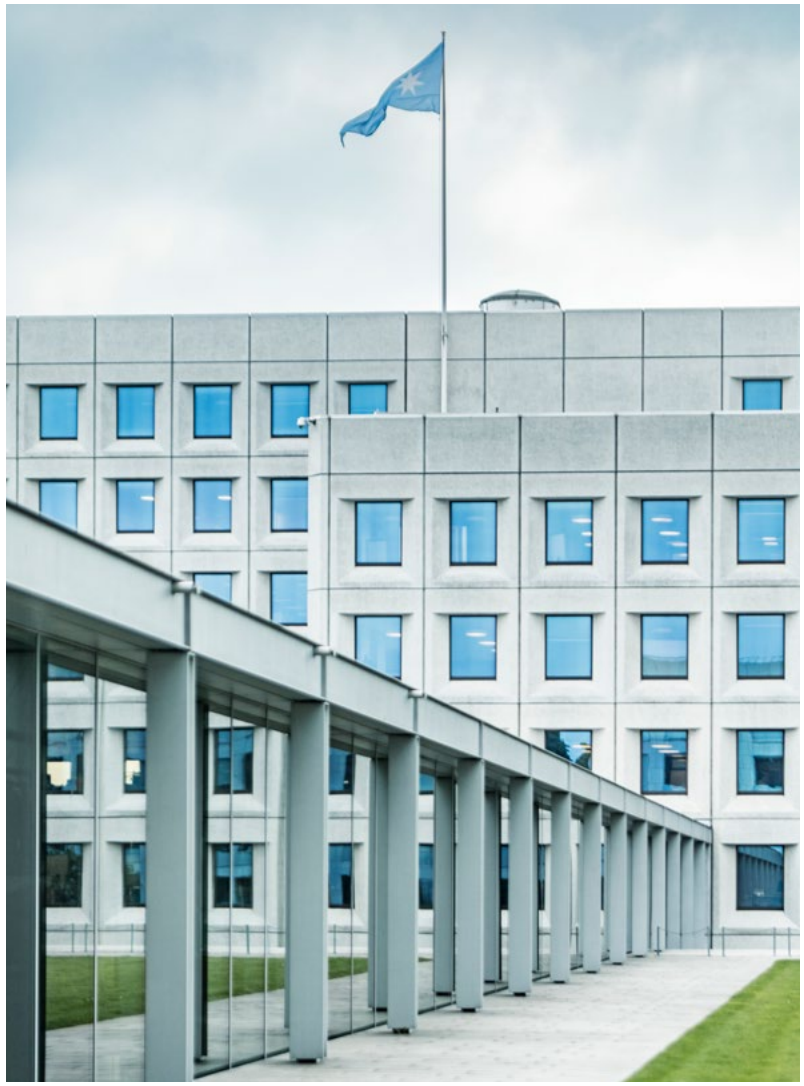
A.P. Moller - Maersk remains investment grade-rated, and holds a Baa2 rating from Moody's and a BBB rating from Standard & Poor's. Both ratings remain on review for a possible downgrade following the announcement of the sale of Maersk Oil in August 2017.

New members of the Executive Board

In focusing the future business on container shipping, ports and logistics, and to further accelerate the development of customer-oriented end-to-end transport and logistics solutions, Vincent Clerc, Chief Commercial Officer (CCO) at Maersk Line, Morten Engelstoft, Chief Executive Officer (CEO) at APM Terminals and Søren Toft, Chief Operating Officer (COO) at Maersk Line, joined Søren Skou (CEO), Claus V. Hemmingsen (Vice CEO) and Jakob Stausholm (CFO) on the Executive Board of A.P. Moller - Maersk in December.

Guidance for 2018

A.P. Moller - Maersk expects an underlying profit above 2017 (USD 356m) and earnings before interests, tax, depreciation and amortisation (EBITDA) in the range of USD 4.0-5.0bn (USD 3.5bn).



Sensitivity guidance

A.P. Moller - Maersk's guidance for 2018 is subject to considerable uncertainty, not least due to developments in the global economy and the container freight rates.

A.P. Moller - Maersk's expected EBITDA depends on a number of factors. Based on the expected earnings level and all else being equal, the sensitivities for 2018 for three key value drivers are listed in the table below:

Factors	Change	Impact on EBITDA
Container freight rate	+/-100 USD/FFE	+/-USD 1.3bn
Container freight volume	+/-100,000 FFE	+/-USD 0.1bn
Bunker price	+/-100 USD/tonne	-/+USD 0.5bn

All figures in parenthesis refer to full year 2017.

EXECUTION ON STRATEGY

Separation of the energy businesses | Hamburg Süd joins A.P. Moller - Maersk

Separation of the energy businesses

Maersk Invincible is one of the rigs currently on contract with Aker BP in Norway, with whom Maersk Drilling entered into a strategic alliance agreement in November 2017.

In the effort to create an integrated transport and logistics company, execution on the separation of the oil and oil-related businesses moved forward in 2017. The criteria for the separation have been to find the optimum structural solutions before the end of 2018, while at the same time bringing maximum value to A.P. Moller - Maersk's shareholders, retaining a strong capital structure and remaining investment grade-rated.

Two significant steps were taken in 2017 to establish viable solutions for the future ownership of Maersk Oil and Maersk Tankers.

Throughout the separation process, all the oil and oil-related businesses in A.P. Moller - Maersk have focused on their underlying performance, delivering a profit before net impairment losses of USD 1.2bn (USD 1.3bn) for 2017, and proving their capabilities and resilience in challenging circumstances.

However, due to the challenging market conditions, the net result for the year was negatively impacted by net impairment losses of USD 2.2bn (USD 2.7bn), primarily related to Maersk Drilling and Maersk Tankers.

Total S.A. acquires Maersk Oil

Maersk Oil was the first of the four oil and oil-related businesses for which a structural solution was established when A.P. Moller - Maersk entered into an agreement on 21 August 2017 to sell Maersk Oil to Total S.A. for an enterprise value of USD 7,450m (debt-free basis before any closing adjustments) in a combined share and debt transaction.

A.P. Moller - Maersk has been the main operator in the Danish North Sea for half a century, establishing and

On board the tanker vessel MARIE MÆRSK, His Royal Highness Prince Henrik, in the presence of Mærsk Mc-Kinney Møller, opened the taps that allowed the first Danish oil to flow ashore on 1 August 1972.

maintaining Denmark's position as self-sufficient within oil and gas. With Maersk Oil at the forefront, the Danish oil and gas industry has contributed DKK 400bn in taxes to Denmark and provided employment to 15,000 people in the sector over the past 50 years.

In determining the best future ownership structure for Maersk Oil, it has been essential that the capabilities and assets created in Maersk Oil can continue to be developed, and that long-term investments are upheld, especially in the Danish part of the North Sea.

Maersk Oil will become part of the world's fourth-largest oil and gas company with a strong performance record and long-term growth and investment interest in the oil and gas sector. Total S.A. will take over Maersk Oil's entire portfolio, obligations and rights with minimal preconditions, and is committed to upholding the planned development schedules and investments to ensure the continued development of Maersk Oil's worldwide strategic and selective assets.

As a testament to Maersk Oil's capabilities and strong position, the Copenhagen office will form the future regional hub for Total S.A.'s activities in Denmark, Norway and the Netherlands, ensuring a continued Danish stronghold in the North Sea. Furthermore, Maersk Oil will remain close to its technology and innovation partners at the Danish technical institutions and in the oil and gas service industry for the benefit of all parties.

A.P. Moller - Maersk will receive 97.5m shares in Total S.A. with a value of USD 4.95bn at the time of signing, equal to approx. 3.76% of Total S.A. (after issuing shares to A.P. Moller - Maersk). In addition to the shares, A.P. Moller - Maersk will receive cash proceeds of USD 2.5bn before closing adjustments. The sale is based on a locked box transaction, whereby all cash flows from Maersk Oil from 30 June 2017 until closing belong to Total S.A. As compensation for the lost cash flows, A.P. Moller - Maersk will receive a locked box interest of 3% p.a. of the enterprise value.

The cash proceeds will be used by A.P. Moller - Maersk 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 the A.P. Moller - Maersk shareholders during 2018/2019 in the form of extraordinary dividend, share buy-back and/or distribution of Total S.A. shares.

Calculated as of 30 June 2017, the transaction gain after tax amounted to USD 2.8bn. The accounting gain will be recorded partly from earnings until closing and the residual at closing together with changes in the Total S.A. share price in the period up to closing.

At 7 February 2018, the Total S.A. share price was EUR 44.76 per share, equal to an added value of the shares of USD 435m compared to 21 August 2017. The transaction is progressing as planned towards an expected close during Q1 2018, pending regulatory approvals.

During the separation process, Maersk Oil's organisation continued to focus strongly on the execution of its strategy. In 2017, Maersk Oil produced 220,000 barrels of oil per day, and adapted its portfolio, organisation and cost level with a full year 2017 NOPAT break-even price of USD 30 per barrel. Maersk Oil has progressed the Culzean development as planned and on budget. Furthermore, in December, Danish Underground Consortium, where Maersk Oil is the operator, approved an investment of approx. DKK 21bn (equal to approx. USD 3.4bn) in the full redevelopment of the Tyra gas field in the Danish North Sea.

Maersk Tankers acquired by A.P. Moller Holding

A.P. Moller - Maersk entered into an agreement on 20 September 2017 to sell Maersk Tankers to A.P. Moller Holding for USD 1,171m in an all-cash transaction. The transaction closed on 10 October 2017, and the proceeds from the transaction have been used to reduce debt in A.P. Moller - Maersk.

Maersk Tankers has been part of A.P. Moller - Maersk since 1928. Maersk Tankers is one of the world's largest product tanker companies, transporting refined oil products globally, and is today a digital frontrunner in the industry using digitisation to ensure higher accuracy in forecasting the markets and cargos. Maersk Tankers employs 3,100 people and operates 161 vessels.

In determining the future ownership of Maersk Tankers, it was imperative to secure a financially solid owner with industry insight and a long-term view on the inherent cyclical nature of the tanker industry. This is to ensure that Maersk Tankers can continue to take advantage of market opportunities, as well as uphold the capabilities and the organisation on which Maersk Tankers' strong name and global leading market position was built. Maersk Tankers will continue to operate under the name Maersk Tankers, using the A.P. Moller - Maersk seven-pointed -star logo as part of its brand.

Should the product tanker market significantly improve with a rebound in vessel values before the end of 2019, the agreement entails a market upside provision regulating total payment. The potential adjustment is capped at USD 200m.

As the transaction was between related parties, fairness opinions were obtained from Morgan Stanley & Co. Int. Plc and DNB Bank ASA, which confirmed that the transaction value including the agreed price adjustment mechanism was fair from a financial point of view.


The Tyra field in the Danish part of the North Sea.

Maersk Drilling and Maersk Supply Service

Over the last three to six months, there have been signs of improved market conditions in the offshore industry. Even though day rates are still at a low level, the slight pick-up in the oil price and the activity level is a positive development. This has, among other things, raised confidence in finding structural solutions for both Maersk Drilling and Maersk Supply Service before the end of 2018, which is why both businesses are classified as assets held for sale and discontinued operations in the consolidated financial statements.

Maersk Drilling reported a loss of USD 1.5bn (loss of USD 709m), negatively impacted by an accounting impairment of USD 1.75bn following the classification as discontinued operations. The result was further negatively impacted by a number of idle rigs and the expiration of contracts signed at higher day rates and an accounting loss from the sale of the shares in the Egyptian Drilling Company (EDC) of USD 47m. The result was positively impacted by high operational uptime and cost savings. The result for 2016 was negatively impacted by impairments of USD 1.5bn.

One of Maersk Tankers' newest MR vessels, Maersk Tangier, during an operation in Singapore in June 2017.

The operational performance across the fleet resulted in an average operational uptime of 98% (98%) for the jack-up rigs and 98% (98%) for the deepwater rigs.

By the end of Q4 2017, Maersk Drilling's forward contract coverage was 63% for 2018, 35% for 2019 and 25% for 2020. The total revenue backlog amounted to USD 3.3bn (USD 3.7bn) at the end of 2017.

Maersk Drilling continues to reduce costs, with costs 5% lower in 2017 than in 2016, excluding exchange rate effects and savings from stacked rigs. Maersk Drilling continues to evaluate stacking on a case-by-case basis and, to date, all idle rigs have been warm stacked, improving their potential for market re-entry.

Maersk Drilling remains committed to increasing efficiencies for its customers and reducing offshore oil production costs through strategic partnerships and new business models. In line with this, Maersk Drilling entered into an alliance agreement with Aker BP in November 2017. The alliance is founded on a unique collaboration model, which aims to lower the cost per barrel for Aker BP and increase profitability for the alliance partners. In the alliance, Maersk Drilling will utilise its high-performance jack-up rigs as a platform to implement digital solutions, which will improve drilling efficiency and ultimately shorten the lead time from discovery to first oil.

The market

Despite an increase in oil price, activity levels in the offshore drilling industry declined for the third year in a row. The total number of floaters on contract decreased by approx. 14% to 150 units when compared to 2016, while jack-up rigs decreased by approx. 3% to 320 units. Maersk Drilling does not expect to see significant improvements in offshore rig demand until the market reaches a stable oil price above USD 60 per barrel or until lifting cost levels adjust to a lower oil price.

In conjunction with the weak demand for drilling rigs, the significant excess capacity in global rig supply continues to adversely affect the offshore drilling industry. Capacity reduction in the offshore drilling fleet continues to be negligible and the newbuild orderbook remains all but unchanged compared to 2016. Without a considerable improvement in offshore rig demand, this confluence of factors is expected to result in total industry utilisation and day rates to remain depressed.

Leading indicators, however, showed signs of support for future drilling rig activity. Buoyed by an increase in tendering activity, the number of contracts awarded globally has risen approx. 20% compared to 2016, while the average duration of these contracts remained largely unchanged.

The offshore drilling industry has in 2017 continued to strengthen its competitiveness through operational efficiency improvements, integrated alliances and partnerships, financial restructuring, and mergers and acquisitions. Further gains from direct cost cutting measures are becoming more difficult given the significant reductions that have already been achieved

For **Maersk Supply Service**, the market situation remains challenged. Maersk Supply Service reported a loss of USD 251m (loss of USD 1.2bn), negatively impacted by impairments of USD 180m (USD 1.2bn) because of oversupply and reduced long-term demand expectations due to lower offshore spending.

Maersk Supply Service's Integrated Solutions business has shown satisfactory progress during 2017 by adding new clients, larger work scopes and new regions. Two contracts were awarded in Brazil and Angola, illustrating how Maersk Supply Service helps to solve its customers' challenges by firstly offering a vessel and subsequently project management and engineering capabilities. Both projects will enhance the geographical footprint.

Maersk Supply Service was awarded the project management of the complete towing, mooring installation and hook-up service scopes for the Culzean project in the North Sea in the UK by Maersk Oil, and continued its work on the Janice decommissioning project, where an innovative approach was applied to pipe removal, saving both time and cost.

Since joining the Maersk Supply Service fleet in March 2017, Maersk Master has worked on decommissioning projects in the North Sea, towed a drilling rig from Europe to Australia, and won the OSJ Vessel of the Year Award.

Maersk Supply Service successfully completed the tow-out of the Hebron drilling and production platform in East Canada in June, generating significant revenue in Q2. Six Maersk Supply Service vessels safely transported the 750,000 tonnes heavy platform, one of the largest offshore structures ever built.

The market

The industry continues to be characterised by oversupply, financial restructurings and consolidation and Maersk Supply Service expects market outlook for the industry to remain subdued in the near and mid-term. The market demand remains challenged due to the low activity in the offshore industry, and thus the offshore supply vessel industry has approximately 30% of vessels laid up globally, including Maersk Supply Service with 15 (11) vessels laid up end of 2017. •

Hamburg Süd joins A.P. Moller - Maersk

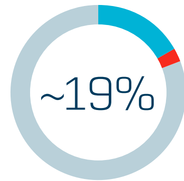
On 1 December 2016, it was announced that Maersk Line and the Oetker Group had reached an agreement for Maersk Line to acquire 100% of the shares in the German container shipping line Hamburg Süd. Following final approvals by the competition authorities, the transaction closed on 30 November 2017 on payment of the purchase price to the Oetker Group.

Introduction to Hamburg Süd

At the time of acquisition, Hamburg Süd was the world's seventh-largest container shipping line operating 106 owned and chartered vessels with an average age of six years and slot capacity of 590,000 TEU. Hamburg Süd has 6,300 employees and more than 250 offices worldwide, and markets its services through the brands Hamburg Süd and Aliança (based in Brazil). Hamburg Süd is a leader in the North-South trades (see combined capacity market share by trade on page 23).

As from 1 December 2017, Hamburg Süd is a fully owned subsidiary of Maersk Line A/S, and is therefore included in the consolidated financial reporting from this date. The table below sets out the contribution of Hamburg Süd's container activities for December 2017, stand-alone figures for Maersk Line for 2017 and unaudited pro forma information as if the acquisition had occurred on 1 January 2017 (Pro forma full year):

CAPACITY MARKET SHARE



- Hamburg Süd **~2.6%**
- Maersk Line **~16.7%**

Source: Alphaliner, end December 2017.

SLOT CAPACITY (TEU) end November 2017

4.1m

- Hamburg Süd **0.5m**
- Maersk Line **3.6m**

CONTRIBUTION OF HAMBURG SÜD'S CONTAINER ACTIVITIES

USD million			2017 Actual		2017 Pro forma
	Hamburg Süd contribution from acquisition date to 31 December 2017	Maersk Line stand-alone excluding Hamburg Süd contribution (A)	Combined Maersk Line and Hamburg Süd[1]	Hamburg Süd pro forma full year (B)	Pro forma full year Combined Maersk Line and Hamburg Süd (A+B)
Revenue	458	23,793	24,299	5,416	29,209
Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)	-5	2,631	2,624	554	3,185
Profit before financial items (EBIT)	-43	744	700	80	824
Underlying profit/loss	-8	521	511	85	606

[1] Including adjustments and eliminations, etc.

To have a comparable basis for the development during 2017 in Maersk Line, the contribution of Hamburg Süd for December 2017 is excluded from the financial review section for Maersk Line on page 31.

The presented pro forma figures for Hamburg Süd are based on unaudited internal management accounts, adjusted to take into account additional information available at the time of acquisition, including translation of prior German GAAP accounting figures to IFRS for the most material areas. Due to impracticalities, revenue recognition and functional currency are not fully conformed to the accounting practice applied by Maersk Line. Further, intercompany revenue and costs between Maersk Line and Hamburg Süd have not been eliminated. Given the inherent uncertainty relating to the estimates and assumptions applied, the presented pro forma figures will not necessarily equate to the actual figures that the combined entity would have generated if the acquisition of Hamburg Süd had been completed on 1 January 2017, and had they been prepared fully in accordance with the accounting policies of Maersk Line.

In 2017, the pro forma revenue of Hamburg Süd's container activities amounted to USD 5,416m, reflecting an increased market share over the year. Pro forma EBITDA amounted to USD 554m, equal to an EBITDA margin of 10%. The pro forma underlying profit amounted to USD 85m, impacted by the purchase price allocation effects, including the amortisation of intangible assets in the form of customer relationships and brands.

The pro forma figures for 2017 disclosed above may not be predictive of future results and, accordingly, commenting on the future development of the combined entity is only possible to a very limited extent.

Integration of Hamburg Süd

Completing the acquisition of Hamburg Süd brings together two of the world's largest shipping companies, each with a long history and a proud heritage. By combining the two companies' strengths, customers will be offered enhanced services with better market coverage, direct services and other benefits from a combined global network.

EMPLOYEES

6,300

31,600

REEFERS (units)

83,250

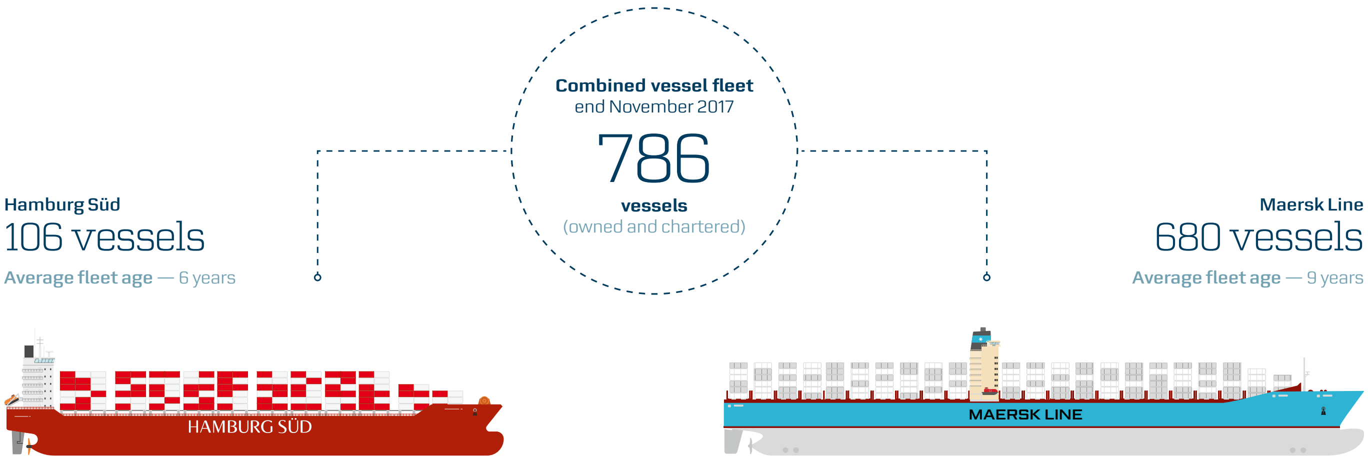
282,000

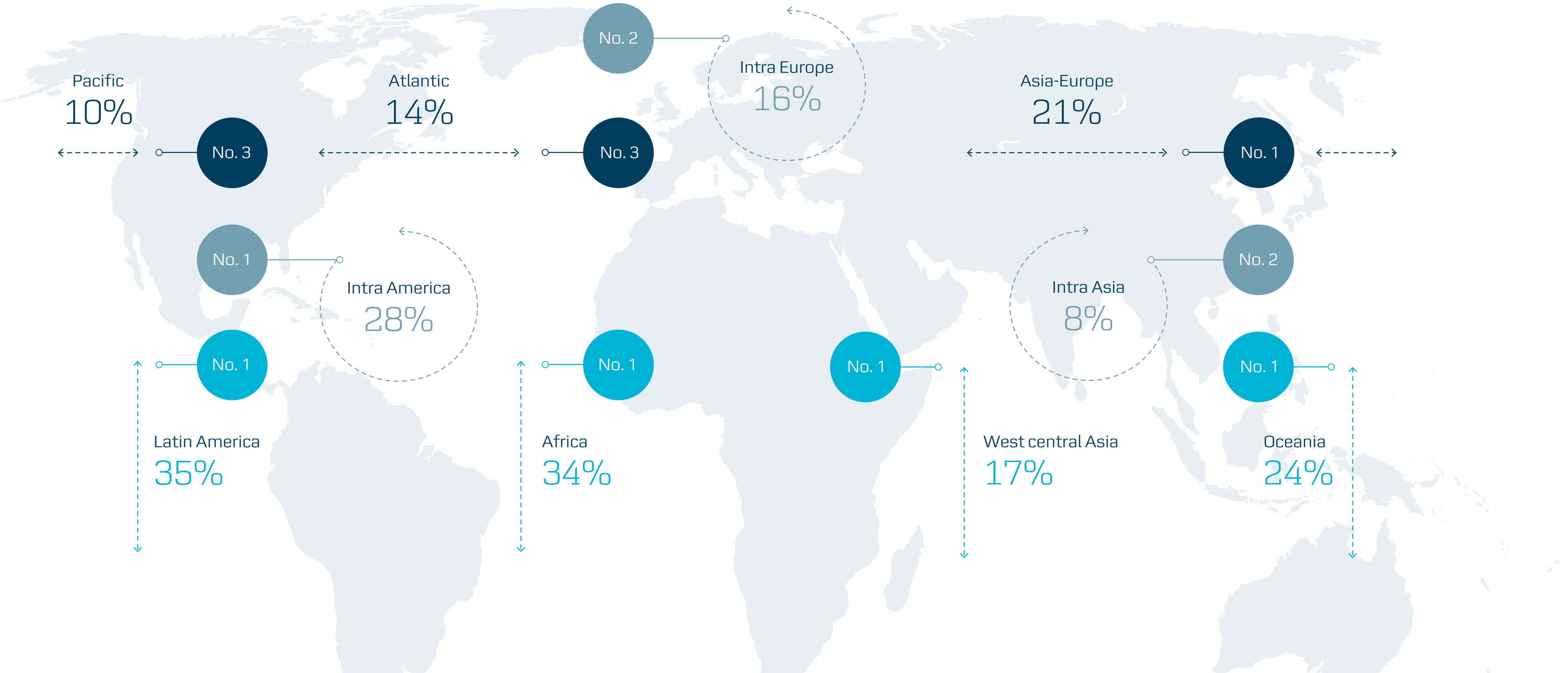
With the acquisition, Maersk Line expects to grow the global capacity market share to approx. 19% and the nominal slot capacity to around 4.1m TEU. In general, the expectation is that the transaction will boost the combined company's presence on North-South shipping routes, which will also deliver growth to APM Terminals.

From the outset, the integration model has been designed to retain both the Hamburg Süd and Aliança brands including the related customer experience. Further, the Hamburg Süd head office in Hamburg will be retained, as will separate and independent commercial global front-line functions, including global sales and customer service departments. Operational execution around vessels and equipment will be integrated to drive maximum synergies.

Annual synergies of USD 350-400m are expected to be realised as from 2019, primarily derived from:

- Integrating and optimising the vessel network both on ocean and feeder legs
- Standardised supplier contracts realising scale efficiencies
- Additional volumes in ports owned by APM Terminals, especially in South America.





COMBINED CAPACITY MARKET SHARE BY TRADE

- East-West
- North-South
- Intra-regional

Source: Alphaliner, end December 2017.

By combining the two companies, the enlarged group is also expected to be able to drive down costs through business scale efficiencies.

In 2018, integration costs of approx. USD 100m are expected, among other things related to optimising the vessel network and integrating IT systems.

Consideration paid, purchase price allocation and goodwill

At the close of the acquisition, the purchase price of EUR 3.7bn on a debt-free basis (Enterprise Value) was paid in a cash settlement equal to USD 4.4bn (Equity Value including impact from hedging of the EUR exposure). In accordance with IFRS, the acquired net assets of Hamburg Süd have been measured at fair value using the acquisition method Purchase Price Allocation (PPA). A large component thereof is the identification and assignment of the fair market value of all intangible assets, property, plant and equipment and other assets acquired, as well as liabilities and contingent liabilities assumed in the acquisition.

At the acquisition date of 1 December 2017, the overall provisional PPA indicates the following material net assets:

- Customer relationships, USD 731m
- Brands, USD 412m
- Vessels (owned), USD 2,403m
- Containers (owned), USD 686m
- Containers (finance leases), USD 707m.

And liabilities:

- Finance lease obligations, USD 606m
- Unfavourable contracts, USD 317m.

As at 31 December 2017, the provisional PPA resulted in the recognition of a goodwill of USD 388m, equal to approx. 9% of the purchase price paid. This goodwill consists of, among others, the buyer-specific synergies expected from the integration (see above).

Further details, are set out in note 21 to the consolidated financial statements. •

STRATEGY AND PERFORMANCE

Business model | Strategy | Performance in 2017

Business model

Our vision is to become the global integrator of container logistics, aiming to connect and simplify our customers' supply chains.

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.

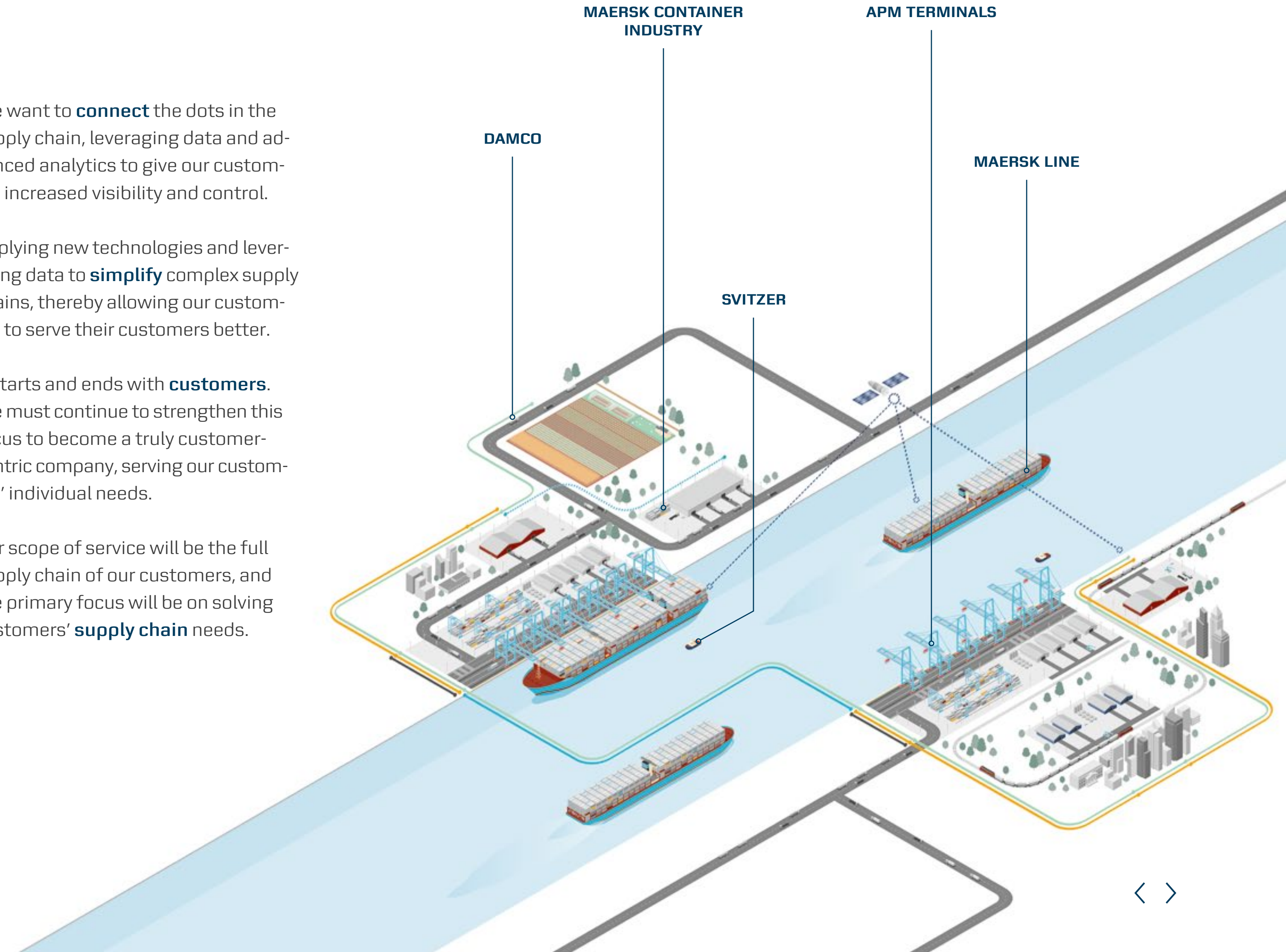
Developing into a shipping, ports and **logistics** company with a broad portfolio of products and solutions, delivered at scale, according to our promise.

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.



Strategy

A.P. Moller - Maersk announced in September 2016 that it would depart from the 'Premium Conglomerate' strategy, and pursue a new strategy to become an integrated container shipping, logistics and ports company, and consequently to find new structural solutions for its energy-related businesses. Since then, A.P. Moller - Maersk has been organised under two divisions, Transport & Logistics and Energy.

A.P. Moller - Maersk will lead the transformation of the container transport and logistics industry through offering customers more integrated services, and by using data and digital technology to create opportunities through the end-to-end container logistics value chain.

This strategy review is for the continuing business, with activities within transport and logistics.

The market

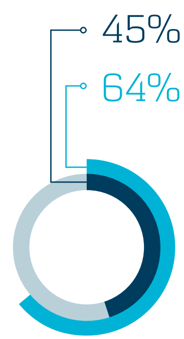
Total revenue in the market in which A.P. Moller - Maersk operates is estimated to be around USD 900bn. Approximately half of this revenue is generated by asset operations (shipping, terminals, warehouses, intermodal, air cargo), while the other half stems from third and fourth-party logistics (freight forwarding, contract logistics, supply chain management). The market is illustrated in the figure on page 27, and is referred to as the container logistics market.

Growth rates and other market dynamics differ significantly between the different market segments.

Over the last five years, global container volumes increased by a decent 3.7% on average, albeit lower than pre-crisis average growth, and highly variable from year-to-year, touching a low of 1% growth in 2015 and a high of around 5% growth in 2017. The container market has remained under pressure over this period because the supply of new capacity has grown by 5.4% on average, faster than demand. Consequently, the EBIT margin for the container shipping industry averaged 1.4% over the last five years (Drewry Maritime Research).

TOP FIVE MARKET SHARE

● 2014 ● Q1 2018



Supported by strong demand growth, earnings in the container liner industry strengthened in 2017 compared to the weak 2016. Nevertheless, market fundamentals remain challenging due to the abundance of global vessel capacity. The industry has responded by further consolidation; COSCO acquired OOCL (pending regulatory approval), and A.P. Moller - Maersk acquired Hamburg Süd, while UASC and Hapag-Lloyd completed their merger in 2017. Furthermore, the three Japanese carriers NYK, K Line and MOL are still preparing for a joint venture, which will be launched in 2018. The current wave of mergers in the industry, which started with the merger of Hapag-Lloyd and CSAV in 2014, has increased the top five market share in the industry from 45% in 2014 to 64%, once the COSCO/OOCL deal and the Japanese joint venture have been implemented in Q1 2018.

The container port industry has also benefited from strong demand growth of 6% in 2017 (Drewry Q4 Forecaster). Nevertheless, structural challenges from the cascading of large container vessels, reinforced carrier alliances and increased point-to-point services, combined with ongoing capacity increases in many ports, continue to weigh on the industry. The increased

MAERSK LINE

The world's largest container shipping company[1]

29,209	3,185	37,900
Revenue (USD million)	**EBITDA** (USD million)	**Employees**

[1] Pro forma including full year Hamburg Süd.

APM TERMINALS

Provides port and inland infrastructure to drive global commerce

4,138	705	22,192
Revenue (USD million)	**EBITDA** (USD million)	**Employees**

DAMCO

Provider of freight forwarding and supply chain management services

2,668	-4	10,993
Revenue (USD million)	**EBITDA** (USD million)	**Employees**

SVITZER

Has provided safety and support at sea since 1833

659	197	2,760
Revenue (USD million)	**EBITDA** (USD million)	**Employees**

MAERSK CONTAINER INDUSTRY

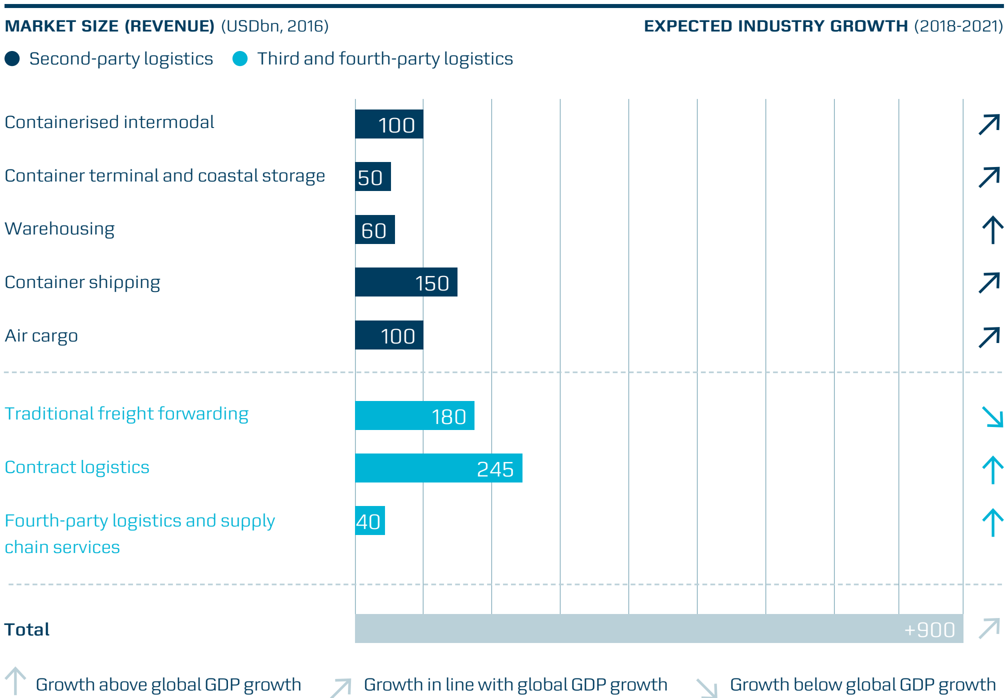
Develops and manufactures refrigerated and dry containers and StarCool™ refrigeration machine

1,016	87	5,393
Revenue (USD million)	**EBITDA** (USD million)	**Employees**

load on the terminals is triggering requirements for upgrades of the terminal infrastructure, equipment, manning and planning capabilities, leading to more capital expenditure and operational cost, but lower utilisation. At the same time, carriers are looking for ways to reduce their terminal costs, which have become the largest single cost item. The pick-up in global trade volumes in 2017 has supported the broader logistics segment. However, there is variation across this segment.

Gross margins in the freight forwarding market remain under structural pressure from digital offerings. Freight forwarders are attempting to mitigate these pressures by selling value-added services on top of basic freight forwarding products and by developing their own digital offerings to stay ahead of new entrants. Contract logistics, a fragmented market, has experienced rapid growth in 2017, supported by a demand for fulfilment activities from the booming e-commerce segment. Supply chain management also grew robustly with a few focused players increasing value-added services through digitalised offerings.

> A.P. Moller - Maersk believes, that within the next 3-5 years, it should be as easy to ship a container across the world as it is today **for consumers to send a parcel.**



Opportunities in the market place

Besides being a sizeable and growing market, there are significant value creation opportunities in container logistics through fundamentally changing the way customers are served.

The standard customer experience in container logistics today is far from what consumers experience when shipping a parcel with companies such as UPS, FedEx, DHL and other courier, express and parcel (CEP) operators. The root causes are several, but the manual and paper-based nature of many of the underlying processes in container logistics is one of the most important. Furthermore, the separation between operators and third-party logistics providers is another. Those companies offering end-to-end or bundled services are typically not the companies in operational control of the critical assets. There are no players in the containerised logistics space offering operationally integrated services as seen in the CEP industry.

A.P. Moller - Maersk believes, that within the next 3-5 years, it should be as easy to ship a container across the world as it is today for consumers to send a parcel with any of the CEP operators. By building on the strong operational heritage and leading the way in the digitisation of the industry, A.P. Moller - Maersk will change the way container logistics is done. This will be achieved by offering a much-improved customer experience, thereby enabling customers to simplify and optimise their supply chain.

This is expressed in A.P. Moller - Maersk's new vision that was announced in December 2016.

A.P. Moller - Maersk's vision and strategy

A.P. Moller - Maersk's vision of becoming the 'global integrator of container logistics connecting and simplifying our customers' supply chain' can be broken down into the following three strategic building blocks:

- **Simple end-to-end offering of products and services:** Developing a broader, scalable and flexible portfolio of products and solutions to serve all our customers' supply chain needs.
- **Seamless customer engagement:** Offering proactive, tailored and value-adding service through connected, digital and engaging interfaces with A.P. Moller - Maersk's customers.
- **Superior delivery network end-to-end:** Operating the industry's largest, most reliable and most cost-competitive network on all markets that matter to customers.

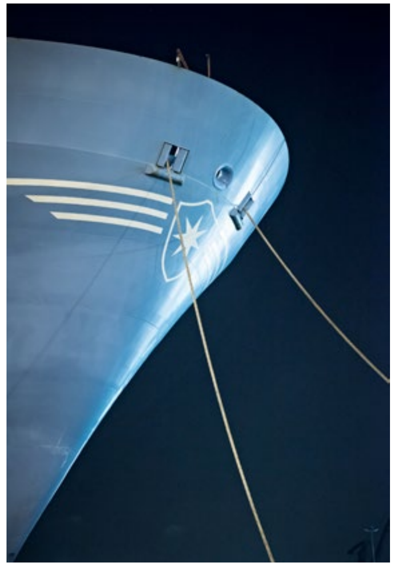
With these three building blocks, A.P. Moller - Maersk aims to reposition itself to compete on differentiation, service level and customer satisfaction, while safeguarding cost leadership and competitiveness.

The starting point and license to win

A.P. Moller - Maersk's transport and logistics businesses command a unique position across the container logistics value chain. Maersk Line is the world's largest container carrier, APM Terminals is the fourth-largest container terminal operator, while Damco has outstanding capabilities in supply chain management as well as solid experience in freight forwarding.

By integrating the businesses across the different value chain segments, A.P. Moller - Maersk can offer a better value proposition to its customers in two ways; A.P. Moller - Maersk can deliver bundles of services to meet customer needs along with a single point of accountability for the delivery, and A.P. Moller - Maersk is operationally in control of the critical parts of the delivery network.

Operational control of the ocean network (vessels, transhipment hubs and gateway terminals) is an essential element in delivering better service to container logistics customers. Efficient operations mean lower costs for customers, but more importantly, they make it possible to control the quality of the physical flow. Furthermore, as the transport and logistics industry digitises further, control of the container fleet means an ability to turn containers into smart boxes and data generators, and thereby create additional value for A.P. Moller - Maersk customers. This value can stem from improved real-time, end-to-end visibility of the customers' supply chains, data flows to reduce cost, or the use of analytics to innovate the customers' supply chains.

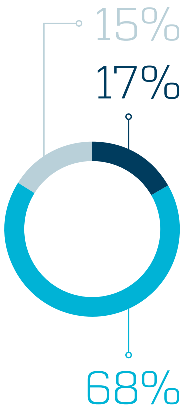


The growth ambition

The new strategy focuses on organic, adjacent as well as acquisitive growth.

Organically, A.P. Moller - Maersk is targeting slightly above-market volume growth for most of its businesses in the coming years, and with the acquisition of Hamburg Süd, A.P. Moller - Maersk has already achieved a significant element of acquisitive growth.

A.P. MOLLER - MAERSK REVENUE SPLIT
(before eliminations)



- Ocean freight revenue
- Associated services revenue
- Other revenue (terminal and tug operations, manufacturing, etc.)

Integral to the new strategy is bringing a broader service offering to customers beyond the core offering of ocean freight. Today, before eliminations, approx. 68% of the revenue in the A.P. Moller - Maersk transport and logistics businesses is related to ocean freight. Associated services revenue such as freight forwarding, inland services, supply chain management and other third-party logistics services account for 17% of revenue from the transport and logistics businesses. The remaining 15% is revenue from terminal and tug operations, container manufacturing and other income.

Going forward, A.P. Moller - Maersk will grow revenue from associated services at a rate significantly higher than the volume growth on ocean freight. In this way, A.P. Moller - Maersk will be able to deliver an improved and more coherent service to its customers, increase revenue and earnings per container and create more stable cash flows from the operation.

The revenue growth will convert to earnings growth through continued focus on operational excellence and cost leadership. A.P. Moller - Maersk aims to continuously improve unit cost for all businesses. Maersk Line must regain its position as the industry cost leader by year-on-year improving unit cost at fixed bunker price. Similarly, despite annual increases in e.g. labour costs, APM Terminals must ensure a deflationary trend in unit costs.

By building on the strong operational heritage and leading the way in the digitisation of the industry, A.P. Moller - Maersk will **change the way container logistics is done.**

Synergies from integrating the businesses will, as previously announced, imply earnings growth in total corresponding to a 2%-point ROIC equal to approx. USD 0.6bn by 2019.

Progress on the strategy

A.P. Moller - Maersk has in 2017 taken important steps in transforming itself from a conglomerate and into an integrated container shipping, logistics and port company:

- Delivered organic revenue growth for the transport and logistics businesses
- Acquired Hamburg Süd
- Divested Maersk Oil and Maersk Tankers
- Progressed on the realisation of cost and revenue synergies in the transport and logistics business delivering approx. USD 0.1bn in 2017
- Advanced its digital transformation through partnerships with IBM and Microsoft, and internal capability building.

A.P. Moller - Maersk unfortunately also experienced a setback in 2017 in the form of a cyber-attack, which hampered service delivery and incurred a cost of approx. USD 250-300m. Since the summer, A.P. Moller - Maersk has made significant improvements to its cyber resilience, and A.P. Moller - Maersk will keep strengthening its cyber posture to reflect the changing nature of the operating environment.

A.P. Moller - Maersk will in 2018 make important progress in terms of improving the customer experience within container logistics. A.P. Moller - Maersk is implementing measures to improve the level of customer service for Maersk Line customers and to restore Maersk Line's reliability so it is in the top quartile for the industry. Further, A.P. Moller - Maersk will continue to expand its presence outside ocean freight, and work towards offering end-to-end solutions online for its customers.

The recent acquisition of Hamburg Süd will also shape the 2018 agenda. A.P. Moller - Maersk has acquired a well-run and historically profitable company, and integrating it has been initiated with the objective of realising annual synergies in the range of USD 350-400m by 2019.

A.P. Moller - Maersk will pursue its strategic objectives, while exercising very strict capital discipline by continuing to focus on cost leadership and operational excellence in all its businesses. •

PERFORMANCE IN 2017

Maersk Line | APM Terminals | Damco |
Svitzer | Maersk Container Industry

REVENUE 2017 (USD)

23.8bn

UNDERLYING PROFIT 2017 (USD)

521m

Maersk Line

(Excluding Hamburg Süd)

Maersk Line reported an increase in revenue of 14.9% to USD 23.8bn, and an underlying profit of USD 521m (loss of USD 384m), equal to an improvement of USD 905m. Cash flow from operating activities increased to USD 2.4bn (USD 1.1bn).

Maersk Line back to profit in an operationally challenged year

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.

The year was challenged by a cyber-attack and bunker price increases, however Maersk Line returned to profit with a significant improvement compared to the disappointing 2016.

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

MAERSK LINE FINANCIAL HIGHLIGHTS (excluding Hamburg Süd)

USD million	**2017**	2016
Revenue	23,793	20,715
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**2,631**	**1,525**
Depreciation, amortisation and impairment losses, net	1,997	1,946
Gain on sale of non-current assets, etc., net	110	25
Profit/loss before financial items (EBIT)	**744**	**-396**
Tax	160	+20
Net operating profit/loss after tax (NOPAT)	**584**	**-376**
Underlying profit/loss	**521**	**-384**
Cash flow from operating activities	2,389	1,060
Cash flow used for capital expenditure	-1,960	-586
Invested capital	20,530	20,082
ROIC, annualised	2.9%	-1.9%
Transported volumes (FFE in '000)	10,731	10,415
Average freight rate (USD per FFE)	2,005	1,795
Unit cost (USD per FFE incl. VSA income)	2,079	1,982
Average fuel price (USD per tonne)	320	223
Maersk Line fleet, owned	287	292
Maersk Line fleet, chartered	389	347
Fleet capacity (TEU in '000)	3,564	3,239

→ Revenue increased by 14.9% to USD 23.8bn (USD 20.7bn) driven 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 the 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.

Freight rates increased across all trades, as East-West rates increased 19.3%, North-South rates increased 8.9% and Intra-regional rates increased 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).

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 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 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.

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

TRANSPORTED VOLUMES

FFE ('000)	2017	2016	Change	Change %
East-West	3,779	3,691	88	2.4
North-South	5,213	5,103	110	2.2
Intra-regional	1,739	1,621	118	7.3
Total	**10,731**	**10,415**	**316**	**3.0**

AVERAGE FREIGHT RATES

USD/FFE	2017	2016	Change	Change %
East-West	2,142	1,795	347	19.3
North-South	2,148	1,973	175	8.9
Intra-regional	1,340	1,308	32	2.4
Total	**2,005**	**1,795**	**210**	**11.7**

Key initiatives in 2017

Maersk Line and the Oetker Group reached an agreement on 1 December 2016 for Maersk Line to acquire Hamburg Süd, and the acquisition became effective from 1 December 2017. Maersk Line and CMA CGM announced on 13 June an agreement for CMA CGM to acquire Mercosul Line subject to Brazilian regulatory approval and the closing of Maersk Line's acquisition of Hamburg Süd. The divestment was effective from 1 December 2017, and resulted in an accounting gain net of transaction costs of USD 37m.

Maersk Line launched Remote Container Management for customers in July. By making each refrigerated container's location visible throughout its journey, as well as the atmospheric conditions inside each container, Remote Container Management gives customers, shipping refrigerated cargo, an unprecedented understanding of their supply chain.

In Q2 2017, Maersk Line announced a collaboration with IBM on developing blockchain solutions to digitise supply chain documentation. In January 2018, A.P. Moller - Maersk and IBM announced their intent to establish a joint venture to provide more efficient and secure methods for conducting global trade using blockchain technology.

Trade Finance was first launched as a pilot project in India in late 2015 followed by successful launches in Singapore, Spain and the Netherlands in 2016. In 2017, Trade Finance was also launched for the UAE and for six states in the USA. Trade Finance simplifies the processes between banks, transport providers and customers' finance departments. Through Trade Finance, customers have a trade and financing partner in Maersk Line.

Maersk Line took delivery in 2017 of five out of 11 second-generation Triple-E's and four out of nine 15.2k TEU vessels, which had been ordered in 2015. The new vessels have replaced older and less efficient vessels, and as part of this process Maersk Line recycled 16 vessels in 2017. In total, Maersk Line ordered 27 vessels in 2015, of which the remaining 18 vessels will be delivered until Q1 2019. In addition, the newbuilding contract signed with Hyundai Heavy Industries in 2015 to build nine vessels with a 15.2k TEU capacity included an option for up to eight additional vessels. Out of these eight optional vessels, Maersk Line in Q4 2017 decided to exercise the option to have two vessels delivered in 2019. The two vessels will help meet increased demand and form part of the ongoing network optimisations.

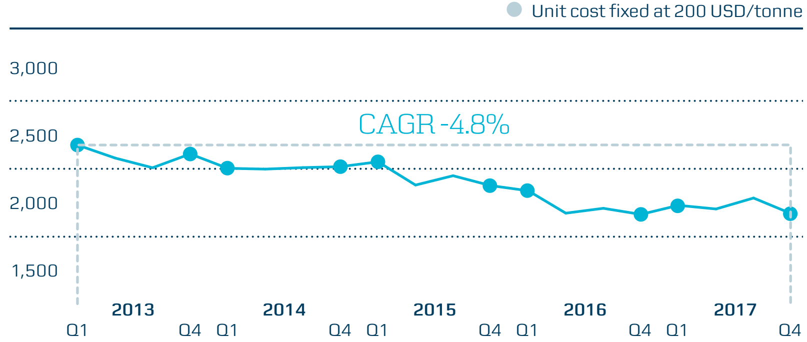
Marine. Idle capacity at the end of 2017 was 24.1k TEU (three vessels), which was flat compared to 24.7k TEU (three vessels) of idle capacity at the end of 2016. Maersk Line's idle capacity corresponds to around 6.3% of total idle capacity in the market.

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 market

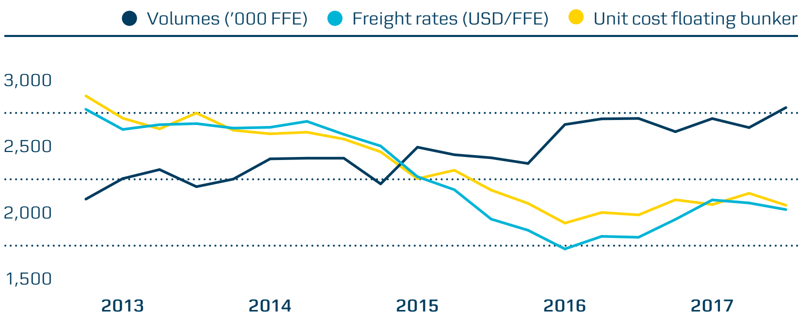
Global container demand grew around 5% in 2017. Demand growth was particularly high in the first three quarters of the year, while growth in Q4 2017 slowed down. The strong development in demand in 2017 partly reflects a rebound from weak demand in the first months of 2016, as well as fundamental improvements in the global economic environment. Container demand on the East-West trades was solid in 2017, driven by higher US imports and supported by stronger US growth, and particularly by solid growth in durable goods consumption. European imports also grew firmly on the back of the economic recovery.

UNIT COST (fixed)



Unit cost at fixed bunker price was 0.2% above 2016, as 2017 was impacted by contingencies, a cyber-attack and lower headhaul utilisation. Unit cost was at its lowest for the year in Q4 2017, with volume recovery following a challenging Q3 2017 impacted by the cyber-attack.

AVERAGE VOLUMES, FREIGHT RATES AND UNIT COST (floating)



Volumes increased by 3.0% to 10,731k FFE (10,415k FFE), and the average freight rate increased by 11.7% to 2,005 USD/FFE (1,795 USD/FFE), driven by a strong market demand growth of around 5% compared to 2016. Unit cost at floating bunker was 4.9% above 2016, mainly driven by a 43% increase in average bunker price.

Container demand on the North-South trades strengthened notably in 2017, mainly in parts of South America and Africa. This development reflected an economic stabilisation in countries such as Brazil, Argentina and Nigeria, but also came in the wake of a strong correction in inventory dynamics following sharp reductions in the preceding years. Chinese import growth was strong in the first half of 2017, but slowed down in the second half of the year following similar developments in Chinese economic activity. The tightened restrictions on pollution in northern China together with initiatives to restrict imports of waste and scrap materials also impacted Chinese imports.

At the end of 2017, the global container fleet stood at 21m TEU, which was 3.7% higher than a year earlier. Deliveries totalled 1,200k TEU (158 vessels) in 2017, and, like previous years, were dominated by vessels larger than 10k TEU. Scrappings were particularly high at the start of the year, and in total 427k TEU (161 vessels) were scrapped. There was a declining trend in the number of vessels standing idle, with 1.8% of the global fleet idle at the end of 2017 compared to 6.9% a year earlier. New vessel ordering increased especially during the second half of the year, and a total of 671k TEU (107 vessels) of new capacity was ordered in 2017.

At the end of the year, the order-book-to-fleet-ratio stood at 12.7%.

Due to the large number of scrappings, nominal capacity grew less than headhaul demand in 2017. However, the sharp fall in the number of idle vessels added significantly to the available carrying capacity.

Compared to the extraordinarily low levels recorded in 2016, average freight rates were higher in 2017, supported by developments in oil and fuel prices. On average, the China Composite Freight Index (CCFI) increased by 15% in 2017.

FLEET OVERVIEW

	TEU		Number of vessels	
	2017	2016	**2017**	2016
Own container vessels				
0 – 2,999 TEU	120,217	127,624	62	66
3,000 – 4,699 TEU	304,029	343,567	74	83
4,700 – 7,999 TEU	178,522	241,566	28	37
> 8,000 TEU	1,451,220	1,216,532	123	106
Total	**2,053,988**	**1,929,289**	**287**	**292**
Chartered container vessels				
0 – 2,999 TEU	414,729	383,383	216	200
3,000 – 4,699 TEU	271,116	197,072	67	49
4,700 – 7,999 TEU	390,463	425,540	66	70
> 8,000 TEU	433,262	304,132	40	28
Total	**1,509,570**	**1,310,127**	**389**	**347**
Newbuilding programme (own vessels)				
3,000 – 4,699 TEU	25,172	25,172	7	7
> 8,000 TEU	229,990	363,282	13	20
Container vessels total	**255,162**	**388,454**	**20**	**27**

REVENUE 2017 (USD)

4.1bn

UNDERLYING PROFIT 2017 (USD)

414m

APM Terminals

APM Terminals reported revenue of USD 4.1bn on a consolidated basis 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 negative USD 168m (profit of USD 438m), mainly due to impairments of USD 621m in commercially challenged markets. Cash flow from operating activities was USD 827m (USD 819m), resulting in a positive free cash flow of USD 155m (negative USD 730m).

APM Terminals faced challenging market conditions and inflationary cost pressure

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.

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.

APM Terminals won 29 new contracts, while eight contracts were terminated.

→ Revenue of USD 4.1bn (USD 4.2bn) 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.

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 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.

APM TERMINALS FINANCIAL HIGHLIGHTS

USD million	**2017**	2016
Revenue	4,138	4,176
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**705**	**764**
Depreciation, amortisation and impairment losses, net	790	388
Gain on sale of non-current assets, etc., net	22	18
Share of profit/loss in joint ventures	-158	101
Share of profit/loss in associated companies	106	92
Profit/loss before financial items (EBIT)	**-115**	**587**
Tax	53	149
Net operating profit/loss after tax (NOPAT)	**-168**	**438**
Underlying profit	**414**	**433**
Cash flow from operating activities	827	819
Cash flow used for capital expenditure	-672	-1,549
Invested capital	8,106	7,967
ROIC, annualised	-2.1%	5.7%
Containers handled (measured in million TEU and weighted with ownership share)	39.7	37.3
Number of operating terminals	74	73

TERMINALS

2017 2016

16 / 14
Americas

19 / 19
Asia

23 / 24
Europe, Russia and Baltics

16 / 16
Africa and Middle East

Three new terminals were added to the portfolio in Lázaro Cárdenas, Mexico, Izmir, Turkey and Quetzal, Guatemala, while one inland service and three terminals were divested.

The cost per move, based on the consolidated operating terminals excluding cost from terminals under construction, was USD 172 (USD 172) as a positive rate of exchange impact, higher volumes and cost savings were offset by inflationary pressure and the cost of terminals in ramp-up stage.

Operating business reported a loss of USD 146m (profit of USD 487m), negatively impacted by impairments in challenging markets, while projects under implementation realised a loss of USD 23m (loss of USD 49m) stemming from start-up costs.

The share of profit/loss in joint ventures and associated companies was a loss of USD 52m (profit of USD 193m). Excluding the impact of impairments, the result from joint ventures and associated companies was a profit of USD 212m, USD 19m higher than in 2016.

Tax decreased to USD 53m (USD 149m), mainly due to prior-year adjustments, the rate of exchange impact on deferred tax and a reduced tax rate in the USA following changes in legislation.

Cash flow from operating activities was USD 827m (USD 819m). Cash flow used for capital expenditure was USD 672m (USD 1.5bn), of which USD 490m related to terminal implementation projects. The capital expenditure in 2016 was mainly due to the acquisition of the Spanish Grup Marítim TCB's port and rail interests.

Key initiatives in 2017

APM Terminals Lázaro Cárdenas, Mexico, Latin America's largest semi-automated terminal, commenced operations in April. The terminal has the capacity to receive the world's largest ships. With the first phase of the terminal complete, APM Terminals Lázaro Cárdenas occupies an area of 49 hectares, with a 750-metre-long quay and an annual capacity of 1.2m TEU.

As part of APM Terminals' strategy implementation and portfolio optimisation, APM Terminals completed in 2017 the divestment of its 100% stake in Pentalver, the UK-based provider of container transport and other container-related services, its 51% stake in Zeebrugge, Belgium, with 1.3m TEU annual capacity and its 20% stake in Dalian, China, with 2.3m TEU annual capacity. APM Terminals Tacoma, USA, ended operations at the end of September as part of its portfolio optimisation plans, and transferred its concession to SSA Marine.

APM Terminals' portfolio of inland services has been growing its presence with six new locations, including the opening of a container depot in Sullana, Peru. Sullana is one of the largest areas for grapes production as well as for growing organic bananas and mangos. Across its portfolio, APM Terminals launched new products for landside customers to further support their logistics requirements.

As part of the TCB transaction in 2016, APM Terminals acquired the Terminal de Contenedores Quetzal (TCQ) in Guatemala. A public investigation launched a few weeks after APM Terminals became the owner of TCQ (now APM Terminals Quetzal (APMTQ)) alleges irregularities dating back to the time before APM Terminals acquired the terminal. The administrative court ruled in December 2017 in favour of the request to have the contract nullified, which is currently subject to appeal by APMTQ. APMTQ commenced operations in Q1 2017. With an annual container throughput capacity of 340,000 TEU, APMTQ is currently the largest facility on the west coast of Central America between the port of Lázaro Cárdenas in Mexico and the Panama Canal.

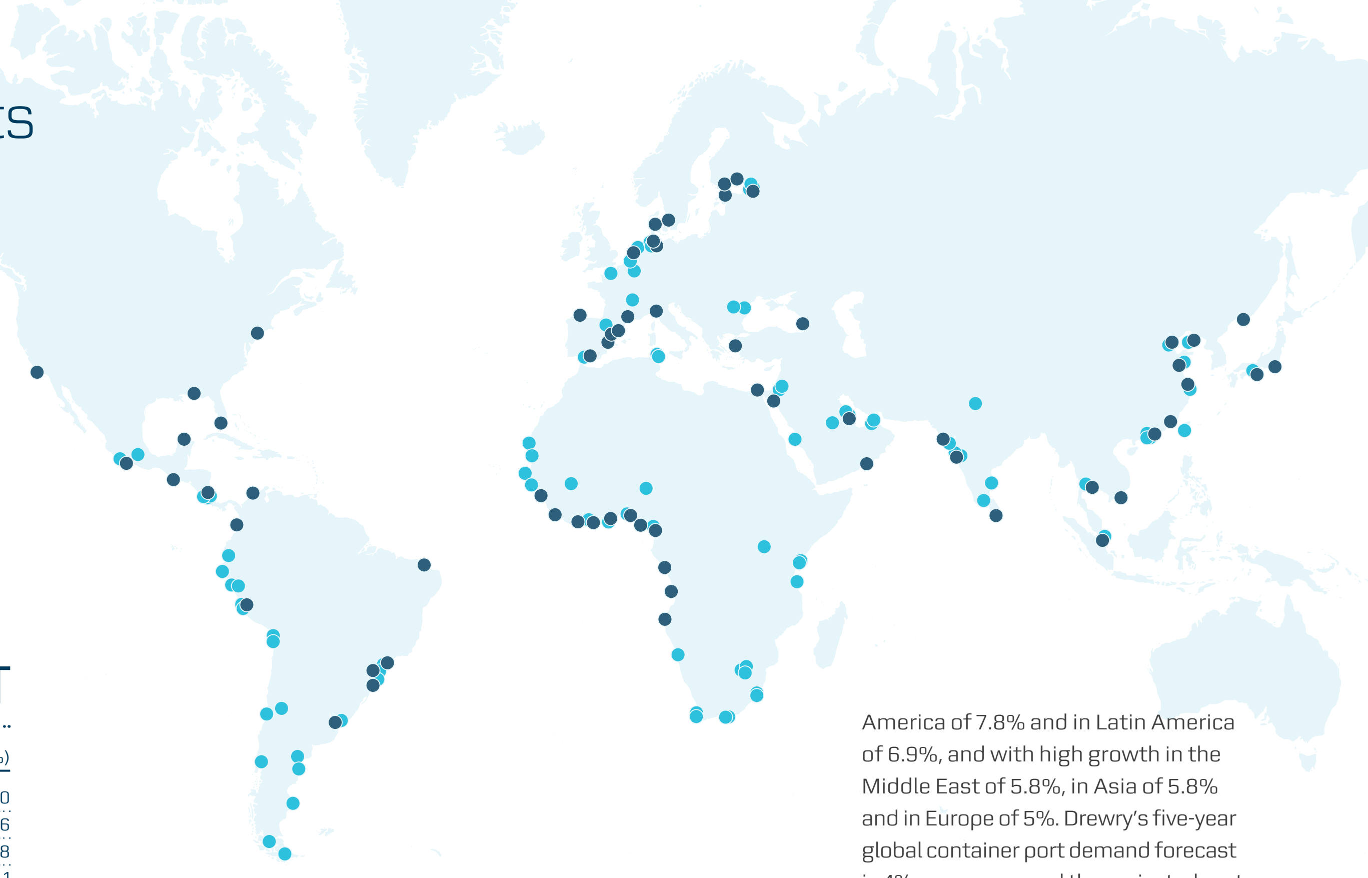
REVENUE

USD million	2017	2016
Port revenue[1]	3,549	3,515
Inland revenue	589	661
Total	**4,138**	**4,176**
Construction revenue	237	257

[1] Construction revenue is part of port revenue.

The slight increase in port revenue, which was mainly due to volume increase in Latin America was partially offset by volume decrease in North America, while inland revenue declined due to the divestment of Pentalver, UK, in Q2.

APM Terminals' ports and inland services



EQUITY-WEIGHTED VOLUME

Million TEU	2017	2016	Growth (%)
Americas	6.4	6.4	0.0
Europe, Russia and Baltics	12.7	11.8	7.6
Asia	13.6	12.5	8.8
Africa and Middle East	7.0	6.6	6.1
Total	**39.7**	**37.3**	**6.5**

The 6.5% increase in equity-weighted volume was due to strong volumes in north Asia, Latin America and across several locations following strong growth from Maersk Line.

FINANCIALLY CONSOLIDATED VOLUME

Million moves	2017	2016	Growth (%)
Americas	3.7	3.6	2.8
Europe, Russia and Baltics	6.8	6.4	6.3
Asia	2.1	1.9	10.5
Africa and Middle East	4.5	4.5	0.0
Total	**17.1**	**16.4**	**4.3**

The 4.3% increase in consolidated volume was mainly due to strong volumes in Latin America and Europe.

APM Terminals generated a positive free cash flow of USD 155m (negative USD 730m).

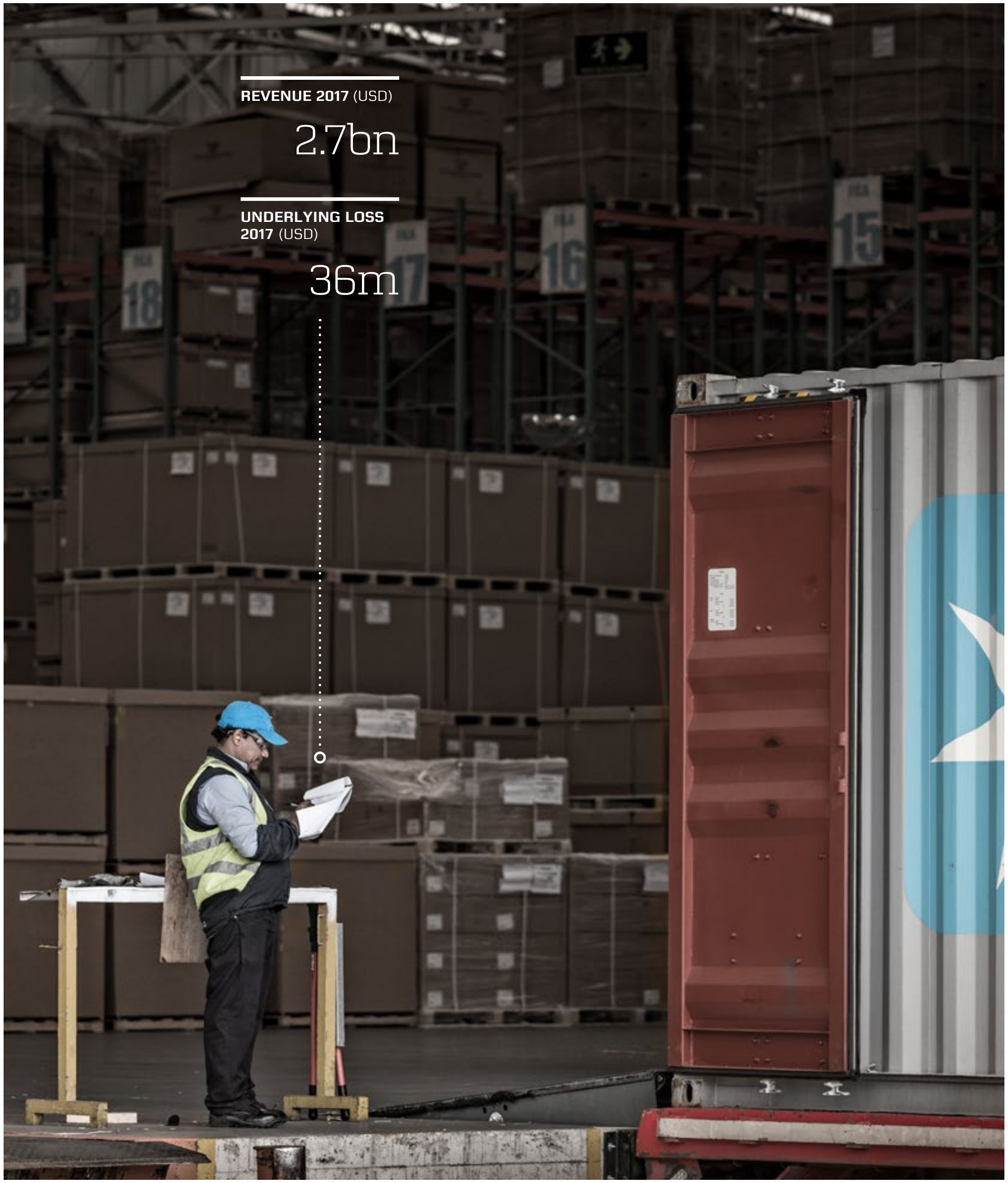
Invested capital increased to USD 8.1bn (8.0bn), mainly due to capital investment in projects under implementation, partially offset by impairment and capital discipline.

The market

After the launch of new alliances in April 2017, the shipping industry saw a new high in industry concentration at 77% (Alphaliner) of combined capacity of the top 10 carriers, which is expected to rise further, given the upcoming mergers of K-Line, MOL and NYK, and Cosco and OOCL. This may result in continued rate pressure across the market.

Throughout 2017, the global container throughput has generally been growing with demand recovering by 6%, marking the highest surge since 2011 (Drewry Q4 Forecaster). There was higher growth in all regions compared to Q3 Drewry Forecaster, with very strong growth in South Asia of 8.8%, in North America of 7.8% and in Latin America of 6.9%, and with high growth in the Middle East of 5.8%, in Asia of 5.8% and in Europe of 5%. Drewry's five-year global container port demand forecast is 4% per annum and the projected port capacity expansion is 2.7% per annum.

Despite signs of stability in some markets, industry-wide market challenges and rate pressure are expected to continue in 2018. APM Terminals will continue to collaborate closely with all customers including Maersk Line in all regions, with the focus on supporting customers' needs and improving the utilisation of its facilities. With synergies from closer collaboration and additional volumes resulting from the Hamburg Süd acquisition, APM Terminals expects to deliver further volume growth in 2018. •



Damco

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

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

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.

The full year result was significantly impacted by the cyber-attack. The response and dedication of employees in handling the challenge and the understanding and flexibility shown by stakeholders was exceptional, and contributed to limiting the negative effects.

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.

→ Revenue of USD 2.7bn (USD 2.5bn) was positively impacted by increasing volumes in supply chain management of 6% and air freight volumes of 8%, while ocean volumes are slightly up 1% compared to last year. The growth was driven by the strong market demand throughout the entire year supported by product specific investments.

Damco reported an underlying loss of USD 36m (profit of USD 31m), significantly impacted by the cyber-attack as well as by lower margins and product investments.

Gross profit decreased by 5% to USD 716m (USD 754m), negatively impacted by declining margins across all products. Supply chain management margins have been negatively affected by the cyber-attack. The ocean margins started the year weak, but corrective initiatives were reflected in improved margins throughout the year. By the end of 2017, ocean margins were back at the same level as in 2016. Margins on air have stabilised after the continued decline throughout the previous year.

Several cost initiatives aimed at reducing overall overhead costs were implemented, however, more than offset by product investments as well as costs related to the recovery of the cyber-attack.

The current year's tax charge was adversely affected by the reduction in the value of deferred tax assets in the USA,

DAMCO FINANCIAL HIGHLIGHTS

USD million	2017	2016
Revenue	2,668	2,507
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**-4**	**70**
Depreciation, amortisation and impairment losses, net	19	26
Gain on sale of non-current assets, etc., net	1	-
Share of profit/loss in joint ventures	11	11
Profit/loss before financial items (EBIT)	**-11**	**55**
Tax	24	24
Net operating profit/loss after tax (NOPAT)	**-35**	**31**
Underlying profit/loss	**-36**	**31**
Cash flow from operating activities	-101	4
Cash flow used for capital expenditure	-4	-8
Invested capital	308	232
ROIC, annualised	-12.7%	14.6%

as a result of the reduction in Federal tax rate, which became effective in December.

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).

PRODUCT

Volumes	2017	2016
Ocean (TEU)	664,448	659,687
Air (tonnes)	206,208	190,674
Supply chain management ('000 cbm)	69,574	65,700

Volumes have increased across the product offering. The largest increase relates to the core product, supply chain management. In the combined service offering, supply chain management may include freight forwarding volumes. Other products are measured by multiple metrics, and are therefore not included in the chart.

REVENUE

USD million	2017	2016
Ocean	666	687
Air	659	541
Supply chain management	778	694
Others	565	585

Besides ocean, revenue has grown across all products. Revenue has substantially increased in the core product supply chain management as well as air. The category 'Others' consists of warehousing and other value-adding services.

Key initiatives in 2017

With customer-centric logistics and freight forwarding operations in over 300 locations worldwide and a presence in more than 100 countries, Damco is well embedded in Maersk's vision for transport and logistics.

The application of digital technology makes it possible to connect and simplify supply chains. Twill and the Supply Chain Orchestrator are examples of a digitised approach to freight forwarding and supply chain management.

Twill is a digital freight forwarding platform founded by Damco. Twill exists to make shipping simpler for customers. The booking process is as easy as buying an airplane ticket, and takes just 30 seconds. Customers can log in to the platform from any device, they can see exactly what the next milestone is and when their cargo will arrive, and they are able to find all important documentation in one place.

Supply Chain Orchestrator is Damco's 4PL–platform providing a single visibility platform, integration point, control point and optimisation partner. A modular programme that supports the evolution of capabilities and the management of multiple service providers.

DAMCO SUPPLY CHAIN CHART

From origin to destination, Damco covers the end-to-end supply chain. Origin and destination services such as custom house brokerage (CHB, covering all aspects of customs services – from document submission to commodity classification) or container freight stations (CFS, facility to (de-) consolidate freight shipments between transport legs), are ensuring that goods are not only safely manoeuvred from port to port but from factory to the customer. The list of services is not conclusive but only lists examples.

Svitzer

Svitzer reported revenue of USD 659m (USD 642m). The underlying profit of USD 114m (USD 89m) was positively impacted by higher volumes from increased towage activities in Australia and the Americas, ongoing portfolio and fleet optimisation, and reduced operating and administration costs. Free cash flow amounted to USD 83m (negative USD 48m).

Svitzer improved both profitability and cash flows

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.

→ Revenue was USD 659m (USD 642m), mainly impacted by a USD 32m increase in revenue in Australia and the Americas offset by a USD 12m decrease in revenue in Europe. Organic growth adjusted for currency development totalled 2.4%.

Svitzer's harbour towage activities increased by 3% compared to 2016, driven by increased activity in Australia and the Americas. Volumes in Australia improved during 2017 because of higher commodity exports, and because the market share for harbour towage in competitive ports in Australia was slightly higher in 2017 than in 2016.

While activity in Europe remained stable, Svitzer's market share for harbour towage in competitive ports was slightly higher in 2017 than in 2016. However, more intense competition from consolidation amongst towage providers and the increasing supply of tugs led to lower prices.

In the Americas, activity in Argentina increased in 2017, driven by towage services provided at two LNG terminals and other harbour towage activities, amongst others in Buenos Aires, where Svitzer started operations in October. In Brazil, Svitzer grew its activities, driven by new customers in the ports entered during 2017 as well as additional volumes and market share in existing operations.

In Asia, the Middle East and Africa, activity remained unchanged compared

SVITZER FINANCIAL HIGHLIGHTS

USD million	**2017**	2016
Revenue	659	642
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**197**	**166**
Depreciation, amortisation and impairment losses, net	101	86
Gain on sale of non-current assets, etc., net	6	5
Share of profit/loss in joint ventures	7	11
Share of profit/loss in associated companies	1	1
Profit/loss before financial items (EBIT)	**110**	**97**
Tax	8	6
Net operating profit/loss after tax (NOPAT)	**102**	**91**
Underlying profit	**114**	**89**
Cash flow from operating activities	179	144
Cash flow used for capital expenditure	-96	-192
Invested capital	1,334	1,203
ROIC, annualised	7.9%	7.5%

to 2016, while significant cost reductions were achieved. The cost reductions related to trimming the onshore organisation as well as the divestment of idle vessels.

Cash flow from operating activities was USD 179m (USD 144m), mainly impacted by improved operational profitability. Cash flow used for capital expenditure was USD 96m (USD 192m), which was mainly impacted by fewer vessels on order, divestments of idle fleet and maintaining strict discipline on capital expenditure. In 2017, Svitzer sold 18 vessels with a cash flow impact of USD 37m.

Free cash flow amounted to USD 83m (negative USD 48m).

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.

The market

The activity in the harbour towage markets where Svitzer is present remains stable. For harbour towage in Europe, consolidation of the industry is ongoing, leading to stronger competitors and more intense competition.

Svitzer's strategic response is to continuously improve cost levels and productivity while utilising and expanding its global footprint to ensure closer cooperation with targeted customers. Svitzer will further develop its cooperation with the other Maersk businesses to harvest synergies through improved operational optimisation, collaboration and scaling across ports and regions.

The market activity in terminal towage remains low as oil companies continue to postpone projects. Due to the challenging economic environment and the excess supply of tugs, several oil and gas customers are seeking rate reductions, leading to continued price pressure.

FLEET OVERVIEW

	2017	2016
Number of vessels		
Owned	339	334
Chartered	17	9
Total	**356**	**343**
Newbuilding		
Delivery within one year	10	16
Delivery after one year	-	2
Total	**10**	**18**

REVENUE

Per region, USD million	2017	2016	Growth %
Australia	263	240	10%
Europe	236	248	-5%
Americas	78	69	13%
Asia, Middle East & Africa	82	85	-4%
Total	**659**	**642**	**2.6%**
Per segment, USD million			
Harbour towage	456	444	3%
Terminal towage	209	210	-0.3%
Eliminations	-6	-12	N/A
Total	**659**	**642**	**2.7%**

Key initiatives in 2017

To address the increased commercial pressure resulting from fewer new projects, slow growth in vessel calls and overcapacity of towage tonnage in certain geographic markets, Svitzer continues to optimise its fleet utilisation by repositioning or selling vessels. With increased market shares and an unchanged fleet, vessel utilisation has improved across the harbour towage fleet.

Within harbour towage, Svitzer has initiated operations in Santos in Brazil in Q4, and will also be entering Rio Grande in Brazil in early 2018. Both entries are being executed in close cooperation with Hamburg Süd and Maersk Line.

Svitzer has prepared for further expansion. The new terminal towage projects in Australia, Bangladesh and Costa Rica continue to progress as planned, and will commence operations in 2018. Through cooperation with APM Terminals, Svitzer has also signed new towage contracts with terminals in Poti in Georgia, and Tangier Med II in Morocco, and operations are planned to commence in early 2018 and Q1 2019, respectively.

Maersk Container Industry

Maersk Container Industry reported revenue of USD 1.0bn (USD 564m), equal to 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.

Maersk Container Industry improved profitability and increased sales

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.

MAERSK CONTAINER INDUSTRY FINANCIAL HIGHLIGHTS

USD million	**2017**	2016
Revenue	1,016	564
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**87**	**-31**
Depreciation, amortisation and impairment losses, net	36	30
Gain on sale of non-current assets, etc., net	-	-2
Share of profit/loss in joint ventures	-	-
Share of profit/loss in associated companies	-	-
Profit/loss before financial items (EBIT)	**51**	**-63**
Tax	13	-8
Net operating profit/loss after tax (NOPAT)	**38**	**-55**
Underlying profit/loss	**38**	**-53**
Cash flow from operating activities	75	4
Cash flow used for capital expenditure	-20	-26
Invested capital	333	357
ROIC, annualised	12.0%	-13.3%

→ Revenue increased to USD 1.0bn (USD 564m), driven by higher sales volumes in both reefer and dry containers and from sales prices increasing by 40% for dry containers compared to 2016.

Overall, there was a strong demand for both dry and reefer containers from Maersk Line and international shipping, leasing and other customers. The Maersk Line demand accounts for approx. 80% of total revenue. Two factories in China have been operating at near full capacity throughout 2017. The factory in Chile saw a strike stemming from a collective bargaining dispute, which interrupted production across three weeks in October. Production was re-established in early November after a new two-year agreement was signed with the unions.

The underlying profit of USD 38m (loss of USD 53m) was strongly impacted by the higher revenue compared to 2016, as well as efficiency improvements and cost-reduction programmes. Profitability per reefer container was on a par with 2016, whereas profitability on dry containers increased due to higher increases in sales prices compared to manufacturing costs. This was partly due to the change from solvent-based paint to water-based paint. The result was negatively impacted by a challenging production ramp-up at the reefer container factory in Chile.

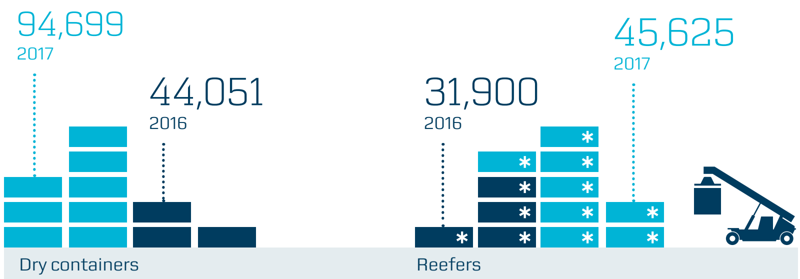
Cash flow from operating activities totalled USD 75m (USD 4m), and cash flow used for capital expenditure

EBITDA, REEFERS
(USD million)

● 2017 ● 2016

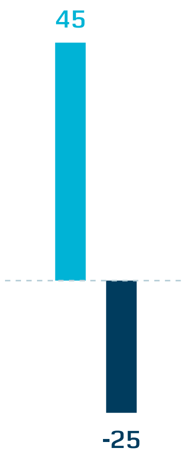
VOLUMES, NUMBER OF CONTAINERS

● 2017 ● 2016



EBITDA, DRY CONTAINERS
(USD million)

● 2017 ● 2016



totalled USD 20m (USD 26m). Cash flow used for capital expenditure was driven by improvement projects across all three factories. Free cash flow was positive USD 55m (negative USD 22m).

The market

The shipping industry has been characterised by overcapacity and consolidation in recent years, impacting the global demand for ocean containers negatively. The demand for reefer containers increased in 2017 compared to the unprecedented low level in 2016, but was still below 2015 volumes. The demand for dry containers was above 2016. Generally, the ocean container manufacturing market for dry and reefer containers remains characterised by oversupply, and Maersk Container Industry expects this to continue for the foreseeable future.

The year was impacted by several sudden and significant changes in commodity pricing, impacting manufacturing costs. Reefer container prices stayed relatively stable, and overall on a par with 2016, whereas dry container prices increased significantly during 2017. •

Key initiatives in 2017

To expand carriers' operational transparency into actual energy consumption throughout the transport window over land and sea, Maersk Container Industry introduced an energy metering feature on all new Star Cool machines in 2017.

Maersk Container Industry launched a retrofittable 56%-improved refrigerant solution to support customers in the worldwide focus on CO_2 emissions.

Furthermore, an expanded version of the controlled atmosphere system was made available to the market, allowing shippers to bring more produce types to new markets.

GOVERNANCE AND RISK

Corporate governance | Risk management | Sustainability | Remuneration | Shareholder information

Corporate governance

A.P. Møller - Mærsk A/S continuously considers the corporate governance framework in response to its strategic development, goals and activities, the external environment and input from stakeholders.

The governance structure supports close coordination between the Board of Directors, the Executive Board and leaders throughout the organisation, and promotes the objectives of:
- Early identification of opportunities and challenges
- Efficient processes for informed decision-making
- Agile planning and fast execution
- Sound controls and clear allocation of authorities and responsibilities.

The five core values "Constant Care", "Humbleness", "Uprightness", "The Employees" and "Our Name" remain pillars for the way A.P. Møller - Mærsk A/S conducts its business. Engrained in the company for more than a century, these corporate values are continuously promoted throughout the global organisation, and serve as guiding principles for employees and leaders. Read more about our core values https://www.maersk.com/about/core-values

In addition to applicable legislation and regulations, the formal basis for the corporate governance of A.P. Møller - Mærsk A/S consists of:
- The Articles of Association. The English version can be found http://investor.maersk.com/guidelines.cfm
- Rules of procedure applicable to the Board of Directors and the Executive Board as well as procedures specific to each of the three Board committees
- Policies on health and safety, legal compliance, working culture, tax and other key areas within corporate governance and good corporate citizenship. Read more about our policies https://www.maersk.com/about
- The internal governance framework named COMMIT, stipulating more detailed policies, rules, instructions and guidelines applicable to all group entities and employees. Among others, the framework covers Enterprise Risk Management, financial risks, responsible procurement, anti-corruption, legal compliance, etc.
- The Maersk Whistleblower System, established in 2011, enabling employees in 130 countries to report wrongdoings. Further information on whistleblower reports is available in the Sustainability Report https://www.maersk.com/business/sustainability/sustainability-reports-and-publications/reports

Recommendations for corporate governance

As a Danish listed company, A.P. Møller - Mærsk A/S must comply with or explain deviations from the "Recommendations for Corporate Governance" implemented by NASDAQ Copenhagen in the Rules for issuers of shares and Section 107b of the Danish Financial Statements Act.

The Board of Directors of A.P. Møller - Mærsk A/S has prepared a statement on corporate governance for the financial year 2017. The statement includes a description of the Company's approach to each of the recommendations in the "Recommendations for Corporate Governance" as well as a description of the management structure and the main elements of the Company's internal control and risk management systems related to the financial reporting process.

A.P. Møller - Mærsk A/S complies with 36 recommendations, complies partly with five recommendations and does not comply with six recommendations. For thorough elaborations on the 47 different recommendations and explanations for deviation from recommendations, the Statement on Corporate Governance can be consulted http://investor.maersk.com/governancestatement.cfm

Governance structure

Shareholders and the Annual General Meeting

The Annual General Meeting is the supreme governing body of A.P. Møller - Mærsk A/S. The shareholders exercise their rights at the Annual General Meeting e.g. in relation to electing the Board members and the auditors of the Company, approving the Annual Report and dividends and deciding the Articles of Association. The Company has two share classes: A shares carrying voting rights and B shares carrying no voting rights. A and B shares carry equal economic rights, and are traded publicly at NASDAQ Copenhagen.

Board of Directors

A.P. Møller - Mærsk A/S has a two-tier management structure consisting of the Board of Directors and the Executive Board as illustrated below. There is no overlap between members of the Board of Directors and members of the Executive Board. By inviting business leaders, functional leaders and relevant experts to participate in parts of its meetings, the Board of Directors and its committees interact with representatives from various parts of the organisation as well as external specialists.

FRAMEWORK FOR CORPORATE GOVERNANCE

All Board members are elected by the Annual General Meeting. The majority of the members of the Board of Directors as well as of each Board committee are independent members. The Chairman of the Board of Directors and the chairman of each committee are all independent.

In connection with the Annual General Meeting on 28 March 2017, Michael Pram Rasmussen stepped down from the Board of Directors and the Board elected Jim Hagemann Snabe as its new Chairman. Since then, the Board of Directors has had 11 members. Further information on the members of the Board of Directors and membership of the committees is available http://investor.maersk.com/directors.cfm

The Board of Directors lays down the general business and management principles, and ensures the proper organisation of the Company. Furthermore, the Board of Directors decides the strategy and the risk policies, and supervises the performance of the Company and its management. The Board of Directors shall consist of 4-13 members elected by the Annual General Meeting. The Board members are elected for a two-year term. There are Board members up for election every year to ensure continuity in the work of the Board of Directors. Board members are eligible for re-election.

The Board of Directors has established the following committees:

The Chairmanship

The Chairmanship is elected by and among the members of the Board of Directors and is comprised of the Chairman and the two Vice Chairmen. The Chairmanship performs certain preparations and planning in relation to board meetings, the nomination of candidates for the Board of Directors and coordination with the Executive Board. The majority of the members are independent.

The Audit Committee

The Audit Committee consists of three members elected by the Board of Directors among its members. The tasks of the Audit Committee include conducting reviews of accounting, auditing and control matters, including reviews of material related parties' transactions. All of the members are independent.

The Remuneration Committee

The Remuneration Committee is elected by and among the Board of Directors, and consists of the Chairman and the two Vice Chairmen of the Board. The Committee, for example, submits proposals for the remuneration of the Executive Board, remuneration policies and incentive guidelines, as well as reviews incentive schemes and overall budgets for salary adjustments. The majority of the members are independent.

The Transformation & Innovation Committee

In 2017, the Board of Directors established the Transformation & Innovation Committee to support the development of the Company's overall strategic direction and innovation agenda by providing strategic insight in three main areas: transformation, consolidation and growth. The Committee consists of three members elected by and among the Board of Directors. The majority of the members are independent.

Other ad hoc work

Considering the importance and magnitude of the work involved in separating out the energy businesses, two members of the Board of Directors and three members of the Executive Board participate in an ad hoc steering committee. Among others, the focus is on ensuring that submissions to the Board of Directors on separating out the energy businesses consider the risks, rewards, feasibility and financial implications of all potential separation solutions, and incorporating the directions provided by the Board of Directors.

The Executive Board

The members of the registered management (the Executive Board) of A.P. Møller - Mærsk A/S as of 1 January 2017 were CEO Søren Skou, Vice CEO Claus V. Hemmingsen and CFO Jakob Stausholm. On 1 December 2017, the Company expanded the Executive Board from three to six members by appointing Morten Engelstoft, Vincent Clerc and Søren Toft as additional members.

The expansion of the Executive Board supports efficient decision-making processes, and enhances coordination between the Board of Directors, the Executive Board and other leaders of the Company by shortening the chains of command. Further, it strengthens the pace of the strategy implementation and accelerates the development of customer-oriented end-to-end transport and logistics solutions. Additional information on the members of the Executive Board is available http://investor.maersk.com/management.cfm

Members of the Executive Board are appointed by the Board of Directors to carry out the day-to-day management of the Company.

For more information, see Statement on Corporate Governance http://investor.maersk.com/governance-statement.cfm •

The Board of Directors

Responsibility for the overall management and strategic direction of the Company, including for instance:

- Lay down general business and management principles of the Company
- Decide strategy and risk policies for the Company
- Supervise the performance of the Company, the Executive Board and secure the proper organisation of the Company
- Review the Company's financial position, capital resources and reporting on financials and performance
- Appoint members of the Executive Board.

The Board of Directors normally plans 7-9 meetings per annum and held 12 meetings in 2017.

Matters handled by the Board of Directors in 2017 (including but not limited to):

- Strategy review and target setting
- Follow-up on M&A activities
- Monitor and assess structural solutions for divestment of energy businesses
- Divestment of Mærsk Olie og Gas A/S, Maersk Tankers A/S and the remaining stake in Dansk Supermarked Group
- Monitor recovery and remedies following the June cyber-attack
- Review the Company's governance framework
- Monitor the functioning of the new organisational structure (decided in 2016), separating into a Transport & Logistics division and an Energy division
- Election of new Chairman
- Establishment of the Transformation & Innovation Committee
- Appointment of three new Executive Board members
- Approval of the Annual Report 2016 and the 2017 Interim Reports.

The Chairmanship

- Preparations and planning in relation to board meetings
- Preparations for the nomination of candidates for the Board of Directors
- Coordination with the Executive Board.

The Chairmanship meets regularly and as required. The Chairmanship held nine meetings in 2017.

The Audit Committee

- Monitor the financial reporting and reporting process, including accounting estimates and risks, accounting policies, process and reporting integrity
- Review annual and interim financial reports
- Monitor the effectiveness of internal control systems, fraud risks and fraud prevention
- Review material related parties' transactions, such as the divestment of Maersk Tankers to A.P. Møller Holding
- Discuss key audit matters, monitor the services, audit plans, reports, independence of external auditors and recommend auditor rotation
- Monitor the Internal Audit function, resolution of audit findings, its independence, scope and performance, resources and reporting
- Oversee the Company's Enterprise Risk Management framework and processes
- Meet with Head of Internal Audit, CFO, Head of External Accounting and Tax, other functional leaders and external auditors.

The Committee normally plans six meetings per annum. The Audit Committee held nine meetings in 2017.

The Remuneration Committee

- Propose the remuneration of the Executive Board
- Review remuneration, incentives, etc., for key leaders
- Decide budgets for overall salary adjustment
- Proposals for remuneration policies and incentive guidelines
- Review incentive schemes and their implementation.

The Committee normally plans four meetings per annum. The Remuneration Committee held five meetings in 2017.

The Transformation & Innovation Committee

- Support the development of the Company's overall strategic direction and innovation agenda
- Act as a sparring partner for the Executive Board within three principal areas: Transformation, consolidation and growth
- Assist in setting the right priorities and ambition levels for transformation
- Focus the Board of Directors' attention on critical disruptions and future opportunities, oversight of the transformation and key strategic innovation projects.

The Transformation & Innovation Committee was formed in June 2017 and held one meeting in the year. The Committee plans 3-4 meetings per annum from 2018 onwards.

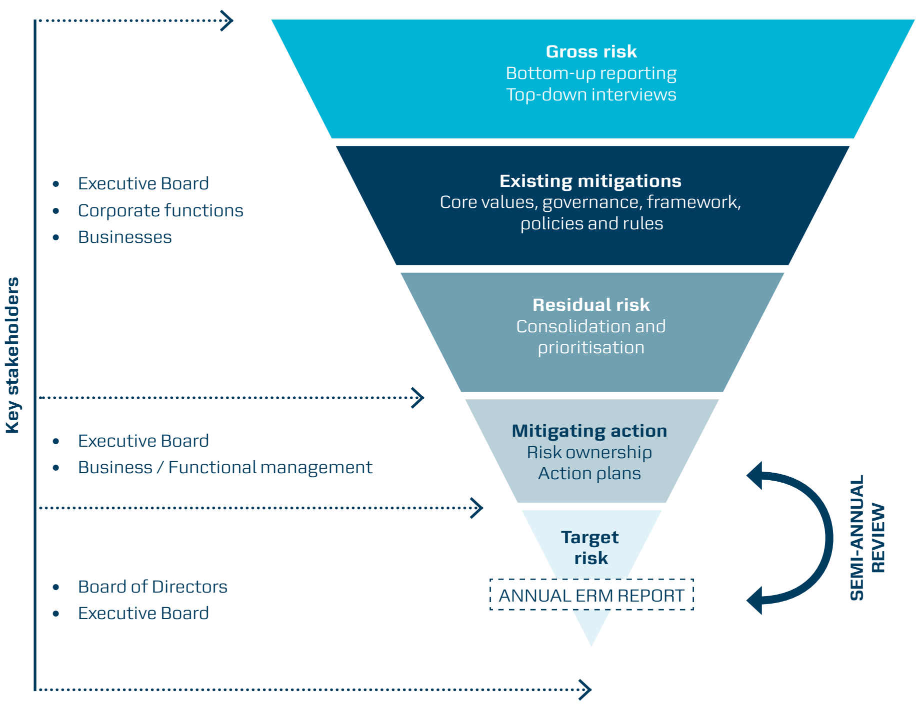
The Executive Board

- Carry out the day-to-day management of the Company in accordance with the directions provided by the Board of Directors
- Develop the business and submit strategy proposals to the Board of Directors for decision
- Implement the strategy for the Company, and execute on investments and divestments
- Develop the organisational structure of the Company and allocate resources
- Drive and monitor the performance of the Company
- Prepare of internal and external financial reporting
- Monitor and plan capital resources and liquidity
- Establish internal policies and procedures for relevant topics such as accounting, finance, IT, etc.
- Enterprise Risk Management
- Reporting to the Board of Directors.

Risk management

Risk management at A.P. Moller - Maersk is strategically focused and designed to contribute to the achievement of business objectives in the medium term and ensure the longevity of A.P. Moller - Maersk in the long term.

ENTERPRISE RISK MANAGEMENT GOVERNANCE STRUCTURE AND PROCESS



The purpose of A.P. Moller - Maersk's risk management is to identify and assess the risks to operations as well as strategic goals, and to immediately mitigate them to acceptable risk levels. A structured Enterprise Risk Management process ensures that risks across multiple categories are regularly identified, assessed and reported, and that decisions are made on the treatment of such risks.

Part of the process is to continuously monitor the development of the main risks through established Key Risk Indicators, which enable the Executive Board and the Board of Directors to decide on any additional risk treatment required to keep the risks within acceptable limits.

The established process is supported by a defined Enterprise Risk Management framework, which ensures that it is performed consistently and captures the full array of risks across A.P. Moller - Maersk. Risk officers are appointed across the organisation to continuously identify, assess, manage and monitor risks. As part of the process, the risk officers document and report the risks identified, together with the mitigating measures in place to manage the risk.

Risks

Certain key risks and their potential impact on the performance of A.P. Moller - Maersk are illustrated and commented on in the following:

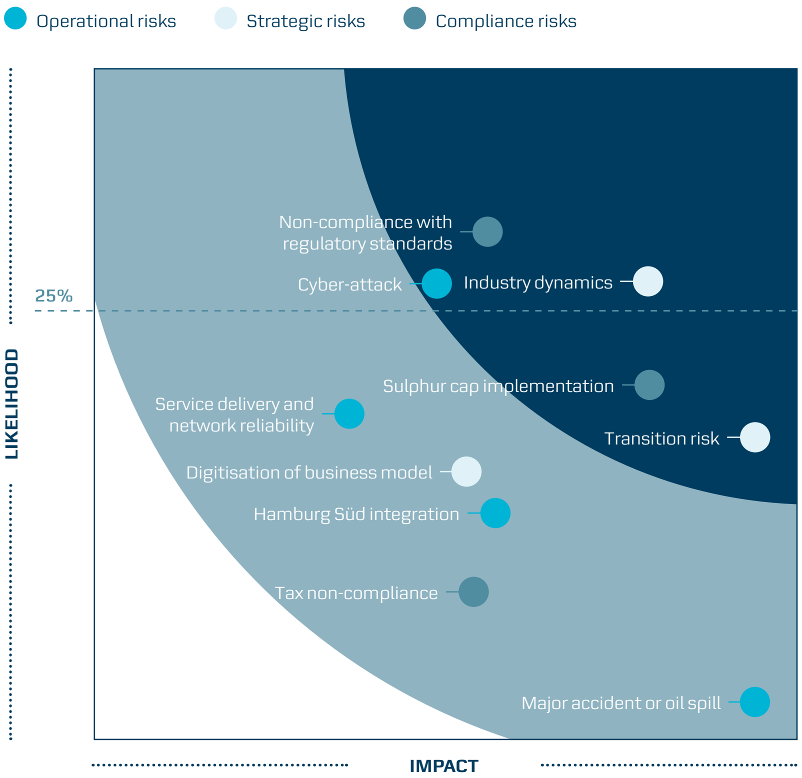
Operational risks

Cyber-attack

A.P. Moller - Maersk fell in June 2017 victim to a major cyber-attack caused by the NotPetya malware, which affected many companies globally.

As a result, operations in transport and logistics businesses were disrupted, leading to unwarranted impact on customers. The recovery was fast, but within a brief period A.P. Moller - Maersk suffered losses in the order of USD 250-300m covering, among other things, loss of revenue, IT restoration costs and extraordinary costs related to operations. To further enhance cyber resilience, many immediate and long-term initiatives have been implemented and planned to secure the digital business, strengthen the IT infrastructure platform, enhance IT service continuity and recovery as well as reinforce business continuity plans. Additionally, a cyber insurance has been purchased to mitigate some of the potentially negative financial impact of repeated successful cyber-attacks in the future.

RISKS TO A.P. MOLLER - MAERSK'S STRATEGIC OBJECTIVES



Hamburg Süd integration

The acquisition of Hamburg Süd was completed at the end of November 2017. An acquisition of this size exposes A.P. Moller - Maersk to integration risks and other challenges. The acquisition was premised on a number of factors, including expected synergies and the overall fit with the broader strategic ambitions. The ability to harvest synergies and the value from the transaction will, in part, be dependent on the ability to successfully integrate Hamburg Süd, without disruption to A.P. Moller - Maersk's, nor Hamburg Süd's, existing business and operations. If these synergies fail to materialise, it could result in future impairments and pressure on key financials. The integration challenges and the mitigating activities are being coordinated and supervised with anchoring in senior management, including a process to manage integration risks, with a view to ensuring that the integration challenges are adequately met. To protect the business volume and the Hamburg Süd brand, the front-line customer facing commercial organisation have been maintained, ensuring uninterrupted customer interactions. IT platforms are kept separate, while full integration of networks is being pursued. Together with vendor contract efficiencies, network integration is the biggest synergy contributor and is expected to be concluded in 2018.

Service delivery and network reliability

Persistent challenges regarding the schedule reliability of the network could test the customers' patience, and possibly result in valuable customers being lost. The reliability of service delivery could, for instance, be affected by down time or lower productivity (e.g. due to labour conflicts) at hub terminals, or by a lack of operational control of cargo transported by network partners under vessel sharing agreements. Because of the cyber-attack, A.P. Moller - Maersk saw a temporary reduction in reliability, resulting in lower volumes for a period. Operations continuously reviews the network to reduce unwarranted dependency on certain hubs to handle large cargo flows, and strives to secure continuous alignment with vessel sharing agreement partners in respect of schedule reliability.

Major accident or oil spill

Operational safety is synonymous with the license to operate. Major naval or operational accidents such as collisions or groundings, as well as potential oil spills from vessels, continue to be inherent in operational risks. Pending separation of the energy businesses, A.P. Moller - Maersk also continues to carry the risk of major oil-related accidents such as explosions or a blow-out on a drilling rig. A high-severity accident in any of the businesses would first and foremost present a risk to the safety of people as well as potentially to the environment. Additionally, it could result in a large-scale impact on assets, liquidity position and reputation, and could put the license to operate at risk. The risks associated with operational accidents are mitigated through safety and maintenance standards, response preparedness, continuous training and rigorous monitoring. Also, people, assets and activities remain comprehensively insured against personal injuries, physical damage and liabilities (with some level of self-insurance).

Strategic risks

Transition risk

A.P. Moller - Maersk embarked in 2016 on a strategic journey towards a structurally reshaped company. The strategy entails separating out the energy businesses and focusing on the transport and logistics space, with the aim of vertically integrating the existing brands into a global end-to-end transport and logistics operator. A transition of such magnitude comes with certain execution risks, including the risk of overloading resources and directing the focus inwards at the expense of customer service. Also, different organisational capabilities are needed to transform and support businesses in new strategies and new business environments with increased digitisation etc.

The transition away from the energy businesses is progressing as planned, with the separation of Maersk Oil and Maersk Tankers completed, and with strategic solutions for Maersk Drilling and Maersk Supply Service expected over the next 12 months. Furthermore, a roadmap for the integration of the existing transport and logistics brands has been launched, starting with a new and strengthened management structure to lead the integration.

As the portfolio narrows, the threat of a credit rating deterioration constitutes a separate risk. This is due to the loss of business diversification and higher volatility in returns and cash flow. A deterioration in credit worthiness leading to a credit rating down-grade could result in higher funding costs and a weakened ability to raise funding in the debt capital markets. Applying part of the proceeds from the separation of the energy businesses to reduce debt, tightened financial planning and rigorous discipline in respect of capital expenditure serve as risk-reducing measures. Further, increasing end-to-end solutions and diversification within transport and logistics could lead to lower volatility over time.

Industry dynamics

Maersk Line's profitability is strongly impacted by supply and demand developments. With Maersk Line being the largest contributor to volatility in earnings, the overall profitability of A.P. Moller - Maersk remains highly dependent on freight rates. A change in the freight rates of +/- 100 USD/FFE compared to forecast will cause a change in EBIT of USD 1.3bn. The freight rate risk is mitigated through designing a competitive network, pursuing cost leadership in the industry, optimising network utilisation through alliances and vessel sharing agreements, and, through the acquisition of Hamburg Süd, driving industry consolidation and geographically diversifying A.P. Moller - Maersk's earnings. Further, in line with the strategy of offering end-to-end solutions online, A.P. Moller - Maersk seeks to expand its presence outside ocean freight in order to diversify and stabilise earnings from adjacent revenue streams.

Although the portfolio may eventually disconnect from the direct exposure to the energy markets through separation of the A.P. Moller - Maersk energy businesses, it will remain vulnerable to the effect that commodity prices continue to have in certain markets. APM Terminals has suffered difficulties in certain commodity-dependent markets, particularly in the North-South trades. This risk is exacerbated by the addition of Hamburg Süd's trades, as these focus on Latin America. APM Terminals is conducting a review of its portfolio to strengthen overall profitability.

Digitisation of business model

The strategy suggests exploring new opportunities through digital innovation. The shipping industry remains very transactional and technologically lacking compared to other industries, and could as such be prone to disruption. Hence, without active participation, digitisation may prove a risk, as online sales and logistics channels increasingly become relevant players in the traditional transport and logistics space. The establishment of a digital organisation and the announced agreement with IBM on a joint venture to create a digitised trade platform is the response to and a token of awareness of the disruptive risks and opportunities emerging on the industry's virtual horizon.

Compliance risks

Sulphur cap implementation

Being a leading global shipping operator, A.P. Moller - Maersk remains exposed to regulatory changes within the industry. One such change takes effect in 2020, with a global sulphur emission cap. From a sustainability point of view, the initiative is welcomed, but there are risks associated with the introduction of the new global standards. Sub-par enforcement mechanisms may skew the playing field, leaving those complying with the new legislation at a disadvantage, as the price of compliant fuel is likely to exceed that of the heavy fuel oil currently in use. A strategy to operate in compliance with the new sulphur threshold from 2020 has been developed. At this stage, a deliberate choice has been made not to invest in the instalment of scrubbers on vessels (to enable the continued use of heavy fuel oil), and to maintain a dialogue with refineries to secure a sufficient supply of compliant fuel by the time the regulations come into force.

Non-compliance with regulatory standards

Its global span and presence exposes A.P. Moller - Maersk to many different jurisdictions and regulatory environments. APM Terminals and Damco have a substantial presence in countries with difficult business conditions from an anti-corruption perspective. One example is the compliance issues that surfaced in Latin America following APM Terminals' acquisition of the Spanish Grup Marítim TCB in 2016 (see page 38). Maersk Line is continuously exposed to competition law scrutiny, as evidenced by the US Department of Justice's investigation into the container liner industry initiated in March 2017. With the latest addition of Hamburg Süd's trades, the focus remains on complying with applicable laws and standards. This includes the deployment of consistent rules and standards within the company wide governance framework, COMMIT, awareness campaigns, continuous assessments of compliance risks and cooperation with authorities concerning investigations.

Tax non-compliance

Much like the regulatory compliance risk, the diversified nature of A.P. Moller - Maersk's activities and its cross-border presence entails an exposure to a wide range and variety of tax environments. Part of the risk stems from potential changes in regulations or challenges to historic tax positions, resulting in differing interpretations. Additionally, local tax authority investigations, especially in regions with national fiscal positions under strain, remain an area with a continuous need for collaboration and monitoring. The latter dynamic can be exacerbated by changes in public opinion on what is regarded as 'good corporate citizenship'. As with other regulatory standards, the tax-related risk is mitigated through an upright approach, collaboration with the authorities in respect of investigations and enquiries, as well as ensuring that the necessary competencies and an efficient organisation of specialists is in place to best meet the requirements and tax regulations relevant to operations. Tax exposures are monitored systematically on an ongoing basis. •

Mexico City, pictured, is one of the world's largest cities and capital of a large and expanding market.

Sustainability

Managing sustainability risk, responsibility and opportunity.

A changing world brings changing expectations to business, adding up to a new role for the private sector in general and for large businesses in particular. Global events, mega trends and broad societal change have affected the course of global development faster than most of the world imagined possible only five years ago. This includes a growing opposition to globalisation, increases in protectionist measures by countries, and a shift in global power balances. Moreover, climate change impacts have inspired global agreements, increased focus on climate adaptation and innovation towards a low-carbon world. Meanwhile, technological advances at an accelerated pace continue to alter and disrupt industries.

Sustainability priorities

A.P. Moller - Maersk reviewed its sustainability priorities in light of the new business strategy, the portfolio of risks faced, and with a view to having the greatest impact on the UN Sustainable Development Goals in 2017. As a result, A.P. Moller - Maersk has now defined key sustainability priorities to create shared value by pursuing and scaling solutions to meet significant systemic challenges for the benefit of society and the businesses:

- Help decarbonise logistics
- Contribute to halving food loss
- Help multiply the benefits of trade
- Lead change in the ship recycling industry.

Key to the priorities is responsible business practices. A.P. Moller - Maersk has strong management approaches for material issues, including health, safety, environment, human and labour rights, anti-corruption, and responsible tax practices. When compliance challenges arise, action is taken to improve processes and ensure similar incidents will not happen again. In 2017, Maersk Oil experienced two such cases, related to the discharge of certain chemicals used in offshore production operations and the storage of naturally-occurring radioactive materials (NORM), and has worked with relevant authorities to investigate and ensure full compliance.

CONTRIBUTE TO HALVING FOOD LOSS

A.P. Moller - Maersk wants to support the efforts to reduce the loss of 30% of food in the post-harvest and transport stage of the supply chain. Working with partners, investments on the scale of USD millions will be made to develop technical solutions over the next three years. The outcome of these investments is intended to create scalable solutions to prevent food loss in logistics, and to expand the use of cold chain technologies and offerings to new markets.

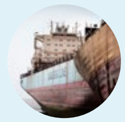
HELP DECARBONISE LOGISTICS

The aim is to contribute to the decarbonisation of logistics. This will require measures beyond increased energy efficiency, e.g. innovation in alternative fuels. In the meantime, Maersk Line continues to pursue a target of 60% relative CO_2 reduction by 2020 (2007 baseline). At the end of 2017, reductions of 43% have been achieved. A.P. Moller - Maersk works to support sector-wide agreements that help ensure a level playing field, including increased regulation of greenhouse gas emissions from shipping through the International Maritime Organization. A.P. Moller - Maersk will also work to understand and act on climate change risks to the business.

HELP MULTIPLY THE BENEFITS OF TRADE

To help multiply the benefits of trade, investments will be made in digital solutions to facilitate trade. This includes the creation of a joint venture with IBM, which establishes an open digital platform for exchanging trade documentation and information. Also, the further development of Fromtu, a digital B2B trading platform for Africa, and ConnectAmericas, a platform for trade information and education in Latin America. A.P. Moller - Maersk participates in the Global Alliance for Trade Facilitation to support implementation of the WTO Trade Facilitation Agreement. A.P. Moller - Maersk intends to contribute by working with customers and partners to simplify supply chains, digitise procedures and accelerate trade reform to provide easier access to global networks.

LEAD CHANGE IN THE SHIP RECYCLING INDUSTRY



85% of all ships are dismantled at sub-standard facilities in South Asia, despite many large shipowners having a policy on responsible ship recycling. From an A.P. Moller - Maersk point-of-view this is a systemic issue. A.P. Moller - Maersk has, therefore, been collaborating with selected yards in Alang, India, since 2016 to use the commercial power to change conditions on the ground, in order to build the leverage to be part of transforming the entire ship recycling industry and at the same time engaging with local stakeholders to improve conditions for the wider Alang community, focusing initially on access to health care.

SUSTAINABLE DEVELOPMENT GOALS

"Companies can no longer stay on the sidelines when it comes to global issues. What we are and will be doing is fitting for a company of our size, knowledge, reach and leverage."

SØREN SKOU
CEO of A.P. Møller - Mærsk A/S

Material sustainability risks and responsibilities

Four issues are of particular concern to the financial community. Safety, which affects the license to operate; Climate change as a risk to the business; Ship recycling, where activities attract considerable attention; and SO_x, where 2020 legislation will lead to a significant increase in fuel costs.

Safety: A.P. Moller - Maersk's businesses and brands have management systems to support the efforts to reach the target of zero injuries and fatalities. In 2017, there was a deeply unacceptable loss of seven lives and a downturn in safety performance. Safety performance is constantly reviewed and action will be taken to reverse this trend. One critical factor is much broader leadership involvement in the safety mindset.

SAFETY

7
fatalities

RELATIVE CO_2 REDUCTION

↓ 43%
reduction in Maersk Line's relative CO_2 emissions in 2017 compared to 2007 baseline.

SO_x

531 ton
tonnes of SO_x emitted

Climate change: The effects of climate change increasingly pose risks to business models and assets. A.P. Moller - Maersk is a signatory to and committed to developing climate disclosures in accordance with the Task Force on Climate-related Financial Disclosures' guidelines, including reporting on both transition risks and physical risks, and analysing A.P. Moller - Maersk businesses using climate change scenarios.

Ship recycling: It was established in 2017 that responsible ship recycling was possible in yards in Alang, India, with regard to health, safety and environmental impacts and that shipowners investing and committing to upgrades of yards create a race to the top among recycling yards. To accelerate development and create change at scale, more shipowners need to become involved. As a first step, in 2017 A.P. Moller - Maersk was instrumental in establishing the Ship Recycling Transparency Initiative, where a group of founding partners, including other shipowners, financial institutions and shipping industry customers, will strive to create an overview of practices and options through disclosure.

SO_x: A global cap of 0.5% sulphur content in fuel entering into force in 2020 carries enforcement challenges and rising fuel costs. The lack of viable methods for enforcement will create an uneven playing field, punishing compliant shipowners financially. A.P. Moller - Maersk is exploring viable solutions to the enforcement challenges, both alone and as a board member of the Trident Alliance, an association of shipowners committed to the strong enforcement of the global cap. Current suggestions include making it illegal to buy fuel with a sulphur content higher than 0.5% for vessels without an approved technology for exhaust gas cleaning such as scrubbers. A.P. Moller - Maersk will not pursue scrubbers as an option for compliance, but will replace the cheaper bunker oil with fuels with a lower sulphur content. •

Read more in the A.P. Moller - Maersk Sustainability Report 2017 https://www.maersk.com/business/sustainability/sustainability-reports-and-publications/reports

LOST-TIME INJURY FREQUENCY (LTIf)

● 2017 ● 2016

LTIf is lost-time injury frequency per one million man-hours. The figures below are based on exposure hours for employees in operational scope. See Sustainability Accounting Principles https://www.maersk.com/business/sustainability/sustainability-reports-and-publications/reports

0.54 / 0.42
Maersk Line[1]

1.66 / 1.53
APM Terminals

0.30 / 1.04
Damco

0.28 / 0.63
Svitzer

1.31 / 1.90
Maersk Container Industry

0.59 / 0.43
Maersk Oil

0.53 / 0.49
Maersk Drilling

0.19 / 0.72
Maersk Supply Service

[1] Maersk Line LTIf for seafarers, where much of the operational risk lies, is 1.06 in 2017 (0.8 in 2016).

Remuneration

The Annual General Meeting of A.P. Møller - Mærsk A/S adopts the Remuneration Policy and General Guidelines on Incentive Pay applicable to the members of the Board of Directors and the registered management (Executive Board). The Policy and Guidelines promote the overall objectives of:

- Supporting the Company's value creation both in the short and long term
- Attracting and retaining qualified candidates and motivating members of the Board of Directors and the Executive Board to achieve the targets and strategy set by the Company
- Ensuring alignment of interests between the Company's shareholders, the Board of Directors and the Executive Board.

The most recent Remuneration Policy and General Guidelines on Incentive Pay were adopted at the 28 March 2017 Annual General Meeting and are available http://investor.maersk.com/guidelines.cfm

Board of Directors

Each member of the Board of Directors receives a fixed annual fee. Ordinary Board members receive a fixed amount, while the Vice Chairmen receive fixed multiples thereof. The Chairman receives a fixed amount. Members of the Board of Directors serving on Board committees or performing ad hoc work beyond the normal work as a board member receive an additional fixed fee. Members of the Board of Directors and the Board committees do not receive any incentive or share-based pay. The fee levels are guided by comparison with companies of comparable size and complexity based in Europe.

Executive Board

Remuneration of the members of the Executive Board is decided by the Board of Directors based on recommendations from the Remuneration Committee. Remuneration levels are guided by comparisons to other international companies of comparable size and complexity based in Europe. Share-based incentive schemes ensure that members of the Executive Board maintain exposure to the development in the share price. The remuneration and benefits package consists of:

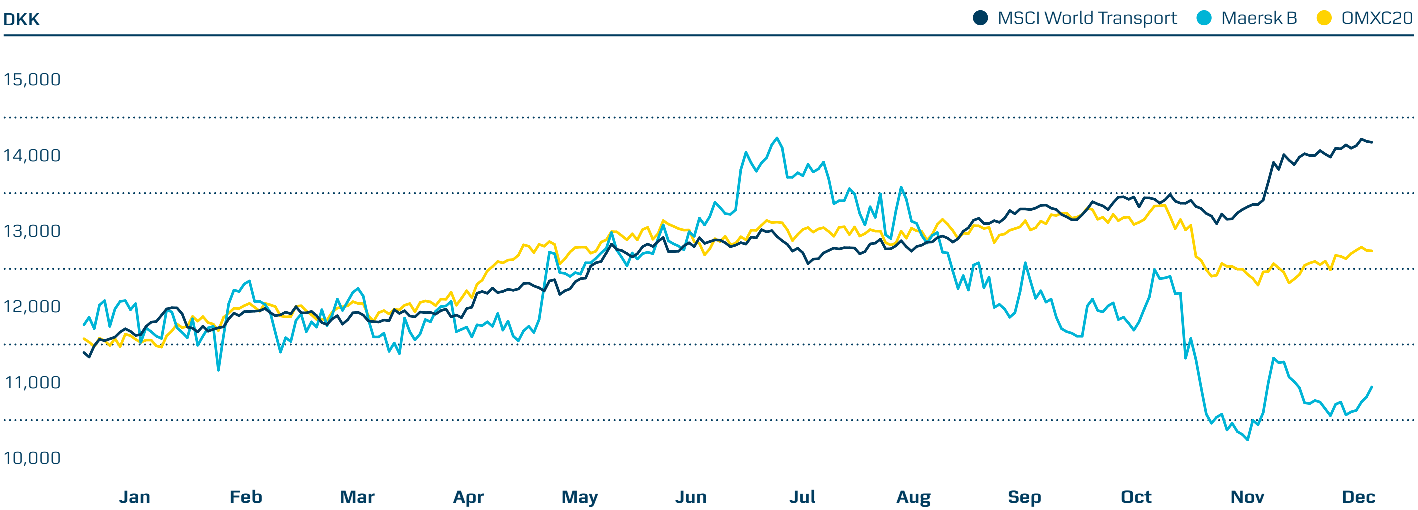
- Fixed base salary
- Short-term cash incentive with a maximum value per annum of 50% of the fixed base salary. The short-term cash incentive is determined by achievement of financial and non-financial goals. Examples of the criteria applied in 2017 are net result, cash flow, return on invested capital, cost-efficiency measures, preparation and execution of M&A transactions, safety performance and customer satisfaction. For 2018, the focus is on execution of the strategy of becoming the global integrator of container logistics. Achievements are measured over the course of the year against targets approved by the Board of Directors
- Long-term incentive scheme. In 2017, members of the Executive Board received stock options with a maximum value at grant of 25% of the fixed annual base salary
- Certain benefits, for instance company driver, phone, insurance coverage, news subscriptions, training/education, etc.
- A company notice period of up to 24 months. During this period, the Executive Board member is entitled to receive up to 24 months' worth of total remuneration.

Further information on remuneration, share-based and other incentives is set out in notes 2 and 11 in the Consolidated financial statements. •

Shareholder information

The share price decreased 4% over the year, implying a total shareholder return of negative 2.5% for 2017. The Board of Directors in A.P. Møller - Mærsk A/S proposes an ordinary dividend of DKK 150 per share corresponding to a dividend yield of 1.4%.

SHARE PRICE DEVELOPMENT



Source: Bloomberg, data are rebased from the Maersk-B share price end of December 2017.

Share price development

The Maersk B share price decreased 4% from its closing price at the end of 2016 of DKK 11,270. By comparison, the benchmark indices MSCI World Transportation and OMXC20 increased by 25% and 12%, respectively. The Maersk B share price reached its highest price of DKK 14,130 on 19 July 2017, and its lowest price of DKK 10,140 on 23 November 2017. The total market value of A.P. Møller - Mærsk A/S was USD 35.4bn at the end of 2017. The negative share price performance since July was a consequence of the negative financial and operational impact of the cyber-attack combined with deteriorating market conditions in the container liner industry from lower freight rates due to oversupply and higher bunker cost.

Share capital

A.P. Moller - Maersk shares are listed on NASDAQ Copenhagen and are divided into two classes: A shares with voting rights and B shares without voting rights. Each DKK 1,000 A share entitles the holder to two votes.

The A.P. Møller - Mærsk A/S' share capital amounts to nominally DKK 20,816,862,000.

Ownership

The total number of registered shareholders decreased by 8,500 to around 81,800 during 2017. Shareholders with more than 5% of share capital or votes held 50% of the share capital, while the 20 largest institutional shareholders together owned around 13% of the total share capital and 28.5% adjusted for the free-float. Danish retail investors increased their ownership from 16% to 18.5% of the total share capital since the end of 2016.

Own shares

A.P. Møller - Mærsk A/S' holding of own shares comprised 0.29% of the share capital at the end of 2017, cf. note 10 in the consolidated financial statements.

Dividend

Dividend is the primary distribution of capital to the shareholders. A.P. Møller - Mærsk A/S' objective is to increase the nominal dividend per share over time, supported by underlying earnings growth.

The Board of Directors proposes an ordinary dividend to the shareholders of DKK 150 per share of DKK 1,000 (DKK 150 per share of DKK 1,000). The proposed dividend payment represents an ordinary dividend yield of 1.4% (1.3%), based on the Maersk B share's closing price of DKK 10,840 as of 29 December 2017. Payment is expected to take place on 13 April 2018.

Annual General Meeting

The Annual General Meeting will be held on 10 April 2018 in Copenhagen, Denmark.

Investor Relations

To keep investors and analysts updated on the strategic development, market outlook and financial performance, A.P. Møller - Mærsk A/S arranges roadshows and participates in investor and industry conferences. Investor Relations, besides meeting domestic investors, also travels extensively to ensure that international investors are kept updated on the latest development. In 2017, the Executive Board and the Investor Relations team had more than 500 meetings with the participation of more than 1,000 investors and analysts in Europe, Asia and the USA.

A.P. Møller - Mærsk A/S' is covered by 30 sell-side analysts, predominantly from international investment banks, who regularly publish research reports and sector reports. A list of the analysts and other relevant information, including financial reports, investor presentations, share and bond information, is available http://investor.maersk.com/ •

Financial calendar 2018

20 February	Capital Markets Day
10 April	Annual General Meeting
17 May	Interim Report Q1 2018
17 August	Interim Report Q2 2018
14 November	Interim Report Q3 2018

The Maersk B share price reached its **highest price of DKK 14,130** on 19 July 2017, and its lowest price of DKK 10,140 on 23 November 2017.

SHAREHOLDERS WITH MORE THAN 5% OF SHARE CAPITAL OR VOTES

Shareholders according to the Danish Companies Act § 55 are	Share capital	Votes
A.P. Møller Holding A/S, Copenhagen, Denmark	41.51%	51.23%
A.P. Møller og Hustru Chastine Mc-Kinney Møllers Familiefond, Copenhagen, Denmark	8.84%	13.12%
Den A.P. Møllerske Støttefond, Copenhagen, Denmark	3.11%	5.99%

THE MAERSK SHARE

Key figures	**2017**	2016	2015	2014	2013
Year-end share price (DKK, B share)	10,840	11,270	8,975	12,370	11,770
Share price range (DKK, B share)	3,990	4,140	7,605	4,100	3,778
Market capitalisation at year-end (USD bn, A and B share)	35.4	32.2	27.6	42.8	46.3
Earnings per share (USD)	-58	-93	37	230	158
Dividend per share (DKK, A and B share)[1]	150	150	300	300	280
Dividend yield (B share)	1.4%	1.3%	3.3%	15.9%[2]	2.4%
Share buy-back programme (DKK bn)[3]	-	3.2	5.2	3.9	-

[1] Ordinary dividend in proposed year
[2] Including extraordinary dividend
[3] Actual payments on a cash basis

FINANCIALS 2017

CONSOLIDATED FINANCIAL STATEMENTS 2017

A.P. Moller - Maersk

(In parenthesis the corresponding figures for 2016)

Amounts in USD million

Consolidated income statement

Note		2017	2016
1	Revenue	30,945	27,266
2	Operating costs	27,420	24,800
	Other income	200	168
	Other costs	193	159
	Profit before depreciation, amortisation and impairment losses, etc.	**3,532**	**2,475**
6,7	Depreciation, amortisation and impairment losses, net	3,015	2,495
3	Gain on sale of non-current assets, etc., net	154	190
	Share of profit/loss in joint ventures	-131	130
	Share of profit/loss in associated companies	101	-55
	Profit/loss before financial items	**641**	**245**
4	Financial income	1,382	742
4	Financial expenses	1,998	1,285
	Profit/loss before tax	**25**	**-298**
5	Tax	219	171
	Profit/loss for the year – continuing operations	**-194**	**-469**
9	Profit/loss for the year – discontinued operations	-970	-1,428
	Profit/loss for the year	**-1,164**	**-1,897**
	Of which:		
	Non-controlling interests	41	42
	A.P. Møller - Mærsk A/S' share	**-1,205**	**-1,939**
10	**Earnings per share – continuing operations, USD**	**-11**	**-25**
10	**Diluted earnings per share – continuing operations, USD**	**-11**	**-25**
10	**Earnings per share, USD**	**-58**	**-93**
10	**Diluted earnings per share, USD**	**-58**	**-93**

Maersk Oil, Maersk Tankers, Maersk Drilling and Maersk Supply Service are classified as discontinued operations and assets held for sale. Comparative figures have been restated for the income statement and cash flow statement, while the balance sheet has not been restated.

Consolidated statement of comprehensive income

Note		2017	2016
	Profit/loss for the year	**-1,164**	**-1,897**
	Translation from functional currency to presentation currency:		
	Translation impact arising during the year	365	-330
	Reclassified to income statement, gain on sale of non-current assets, etc., net	60	-
16	Other equity investments (assets available-for-sale):		
	Fair value adjustment for the year	-	24
	Reclassified to income statement, gain on sale of non-current assets, etc., net	-	-51
15	Cash flow hedges:		
	Value adjustment of hedges for the year	341	-231
	Reclassified to income statement		
	– revenue	-4	7
	– operating costs	-45	37
	– financial expenses	55	64
	– discontinued operations	-3	40
	Reclassified to non-current assets	-28	116
5	Tax on other comprehensive income	-32	16
	Share of other comprehensive income of joint ventures and associated companies, net of tax	2	3
	Total items that have been or may be reclassified subsequently to the income statement	**711**	**-305**
16	Other equity investments, fair value adjustments for the year	138	-
13	Actuarial gains/losses on defined benefit plans, etc.	159	-96
5	Tax on other comprehensive income	-11	-
	Total items that will not be reclassified to the income statement	**286**	**-96**
	Other comprehensive income, net of tax	**997**	**-401**
	Total comprehensive income for the year	**-167**	**-2,298**
	Of which:		
	Non-controlling interests	47	54
	A.P. Møller - Mærsk A/S' share	**-214**	**-2,352**

Amounts in USD million

Consolidated balance sheet at 31 December

Note		2017	2016
6	**Intangible assets**	**4,365**	**3,620**
7	**Property, plant and equipment**	**31,071**	**41,496**
	Investments in joint ventures	1,394	1,749
	Investments in associated companies	963	855
16	Other equity investments	30	796
15	Derivatives	260	14
13	Pensions, net assets	298	96
	Loans receivable	147	127
	Other receivables	316	632
	Financial non-current assets, etc.	**3,408**	**4,269**
8	**Deferred tax**	**302**	**590**
	Total non-current assets	**39,146**	**49,975**
	Inventories	**974**	**862**
17	Trade receivables	3,864	3,814
	Tax receivables	243	291
15	Derivatives	116	161
	Loans receivable	240	202
	Other receivables	923	952
	Prepayments	560	601
	Receivables, etc.	**5,946**	**6,021**
	Securities	**1**	**52**
	Cash and bank balances	**2,171**	**4,105**
9	**Assets held for sale**	**14,989**	**103**
	Total current assets	**24,081**	**11,143**
	Total assets	**63,227**	**61,118**

Note		2017	2016
10	Share capital	3,774	3,774
	Reserves	26,835	27,484
	Equity attributable to A.P. Møller - Mærsk A/S	**30,609**	**31,258**
	Non-controlling interests	816	832
	Total equity	**31,425**	**32,090**
12	**Borrowings, non-current**	**15,076**	**13,320**
13	Pensions and similar obligations	287	238
14	Provisions	1,011	3,573
15	Derivatives	138	526
8	Deferred tax	461	605
	Other payables	72	33
	Other non-current liabilities	**1,969**	**4,975**
	Total non-current liabilities	**17,045**	**18,295**
12	**Borrowings, current**	**2,437**	**2,015**
14	Provisions	539	1,255
	Trade payables	5,250	4,901
	Tax payables	282	212
15	Derivatives	128	536
	Other payables	1,241	1,348
	Deferred income	158	450
	Other current liabilities	**7,598**	**8,702**
9	**Liabilities associated with assets held for sale**	**4,722**	**16**
	Total current liabilities	**14,757**	**10,733**
	Total liabilities	**31,802**	**29,028**
	Total equity and liabilities	**63,227**	**61,118**

Amounts in USD million

Consolidated cash flow statement

Note		2017	2016
	Profit/loss before financial items	641	245
6,7	Depreciation, amortisation and impairment losses, net	3,015	2,495
3	Gain on sale of non-current assets, etc., net	-149	-102
	Share of profit/loss in joint ventures	131	-130
	Share of profit/loss in associated companies	-101	55
20	Change in working capital	-282	-399
	Change in provisions and pension obligations, etc.	-127	-225
20	Other non-cash items	159	113
	Cash flow from operating activities before financial items and tax	3,287	2,052
	Dividends received	213	232
	Financial income received	131	68
	Financial expenses paid	-861	-630
	Taxes paid	-174	-458
	Cash flow from operating activities	**2,596**	**1,264**
20	Purchase of intangible assets and property, plant and equipment	-3,599	-1,998
	Sale of intangible assets and property, plant and equipment	435	400
21	Acquisition of subsidiaries and activities	-4,152	-708
21	Sale of subsidiaries and activities	314	14
	Sale of associated companies	2	-
	Other financial investments, net	813	219
	Cash flow used for capital expenditure	-6,187	-2,073
	Purchase/sale of securities, trading portfolio	52	753
	Cash flow used for investing activities	**-6,135**	**-1,320**
	Repayment of borrowings	-2,632	-1.340
	Proceeds from borrowings	3,454	2,977
	Purchase of own shares	-	-475
	Sale of own shares	14	2
	Dividends distributed	-454	-953
	Dividends distributed to non-controlling interests	-62	-53
	Sale of non-controlling interests	4	-
	Other equity transactions	1	-24
	Cash flow from financing activities	**325**	**134**
	Net cash flow from continuing operations	**-3,214**	**78**
9	Net cash flow from discontinued operations	1,251	503
	Net cash flow for the year	**-1,963**	**581**
	Cash and cash equivalents 1 January	4,077	3,996
	Currency translation effect on cash and cash equivalents	154	-500
	Cash and cash equivalents 31 December	2,268	4,077
	Of which classified as assets held for sale	-109	-19
	Cash and cash equivalents 31 December	**2,159**	**4,058**

Note		2017	2016
	Cash and cash equivalents		
	Cash and bank balances	2,171	4,105
	Overdrafts	12	47
	Cash and cash equivalents 31 December	**2,159**	**4,058**

Cash and bank balances include USD 1.0bn (USD 1.1bn) relating to cash and bank balances in countries with exchange control or other restrictions. These funds are not readily available for general use by the parent company or other subsidiaries.

Amounts in USD million

Consolidated statement of changes in equity

		A.P. Møller - Mærsk A/S							
		Share capital	Translation reserve	Reserve for other equity investments	Reserve for hedges	Retained earnings	Total	Non-controlling interests	Total equity
	Equity 1 January 2016	3,906	-381	-205	-301	32,068	35,087	652	35,739
	Other comprehensive income, net of tax	-	-325	-27	46	-107	-413	12	-401
	Profit/loss for the year	-	-	-	-	-1,939	-1,939	42	-1,897
	Total comprehensive income for the year	**-**	**-325**	**-27**	**46**	**-2,046**	**-2,352**	**54**	**-2,298**
	Dividends to shareholders	-	-	-	-	-953	-953	-53	-1,006
11	Value of share-based payment	-	-	-	-	-7	-7	-	-7
	Acquisition of non-controlling interests	-	-	-	-	-44	-44	164	120
	Purchase of own shares	-	-	-	-	-475	-475	-	-475
	Sale of own shares	-	-	-	-	2	2	-	2
10	Capital increases and decreases	-132 [1]	-	-	-	132 [1]	-	15	15
	Total transactions with shareholders	**-132**	**-**	**-**	**-**	**-1,345**	**-1,477**	**126**	**-1,351**
	Equity 31 December 2016	**3,774**	**-706**	**-232**	**-255**	**28,677**	**31,258**	**832**	**32,090**
	2017								
	Other comprehensive income, net of tax	-	420	141	281	149	991	6	997
	Profit/loss for the year	-	-	-	-	-1,205	-1,205	41	-1,164
	Total comprehensive income for the year	**-**	**420**	**141**	**281**	**-1,056**	**-214**	**47**	**-167**
	Dividends to shareholders	-	-	-	-	-454	-454	-62	-516
11	Value of share-based payment	-	-	-	-	10	10	-	10
	Sale of non-controlling interests	-	-	-	-	-	-	-16	-16
	Sale of own shares	-	-	-	-	14	14	-	14
10	Capital increases and decreases	-	-	-	-	-	-	15	15
16	Transfer of loss on disposal of equity investments at FVOCI to retained earnings	-	-	117	-	-117	-	-	-
	Other equity movements	-	-	-	-	-5	-5	-	-5
	Total transactions with shareholders	**-**	**-**	**117**	**-**	**-552**	**-435**	**-63**	**-498**
	Equity 31 December 2017	**3,774**	**-286**	**26**	**26**	**27,069**	**30,609**	**816**	**31,425**

[1] At the Annual General Meeting of A.P. Møller - Mærsk A/S on 12 April 2016, the shareholders decided on the cancellation of treasury shares, whereby the share capital has decreased by a transfer of reserves to retained earnings.

Amounts in USD million

Notes

Amounts in USD million

Note 1

Segment information

	Maersk Line[3]	APM Terminals	Damco	Svitzer	Maersk Container Industry	Total reportable segments
2017						
External revenue	23,939	2,723	2,668	620	185	30,135
Inter-segment revenue	360	1,415	-	39	831	2,645
Total revenue	**24,299**	**4,138**	**2,668**	**659**	**1,016**	**32,780**
Profit/loss before depreciation, amortisation and impairment losses, etc.	**2,624**	**705**	**-4**	**197**	**87**	**3,609**
Depreciation and amortisation	2,034	433	19	87	36	2,609
Impairment losses	-	363	-	14	-	377
Reversal of impairment losses	-	6	-	-	-	6
Gain/loss on sale of non-current assets, etc., net	110	22	1	6	-	139
Share of profit/loss in joint ventures	-	-158	11	7	-	-140
Share of profit/loss in associated companies	-	106	-	1	-	107
Profit/loss before financial items (EBIT)	**700**	**-115**	**-11**	**110**	**51**	**735**
Tax	159	53	24	8	13	257
Profit/loss for the period	**541**	**-168**	**-35**	**102**	**38**	**478**
Gain/loss on sale of non-current assets, etc., net[1]	110	22	1	6	-	139
Impairment losses, net[1]	-	-621	-	-20	-	-641
Transaction and integration cost	59	-	-	-	-	59
Tax on adjustments	21	+17	-	+2	-	2
Underlying profit/loss	**511**	**414**	**-36**	**114**	**38**	**1,041**
Cash flow from operating activities	2,389	827	-101	179	75	3.369
Cash flow used for capital expenditure	-6,142	-672	-4	-96	-20	-6,934
Free cash flow	**-3,753**	**155**	**-105**	**83**	**55**	**-3,565**
Investments in non-current assets[2]	**8,190**	**846**	**8**	**126**	**21**	**9,191**
Intangible assets	1,521	2,737	84	18	5	4,365
Property, plant and equipment	25,689	3,678	67	1,126	230	30,790
Investments in joint ventures	-	1,271	29	94	-	1,394
Investments in associated companies	5	762	-	16	-	783
Other non-current assets	527	198	29	68	32	854
Assets held for sale	28	50	-	20	-	98
Other current assets	4,467	919	687	138	431	6,642
Total non-interest bearing assets	**32,237**	**9,615**	**896**	**1,480**	**698**	**44,926**
Non-interest bearing liabilities	6,874	1,509	588	146	365	9,482
Invested capital, net	**25,363**	**8,106**	**308**	**1,334**	**333**	**35,444**

[1] Including the Group's share of gains on sale of non-current assets, etc., net, and impairments, net, recorded in joint ventures and associated companies.
[2] Comprise additions of intangible assets and property, plant and equipment, including additions from business combinations.
[3] Including Hamburg Süd (only for December 2017, refer to note 21).

Amounts in USD million

Note 1 — continued

Segment information

	Maersk Line	APM Terminals	Damco	Svitzer	Maersk Container Industry	Total reportable segments
2016						
External revenue	20,416	2,821	2,507	611	253	26,608
Inter-segment revenue	299	1,355	-	31	311	1,996
Total revenue	**20,715**	**4,176**	**2,507**	**642**	**564**	**28,604**
Profit/loss before depreciation, amortisation and impairment losses, etc.	**1,525**	**764**	**70**	**166**	**-31**	**2,494**
Depreciation and amortisation	1,929	378	26	83	30	2,446
Impairment losses	17	10	-	3	-	30
Gain/loss on sale of non-current assets, etc., net	25	18	-	5	-2	46
Share of profit/loss in joint ventures	-	101	11	11	-	123
Share of profit/loss in associated companies	-	92	-	1	-	93
Profit/loss before financial items (EBIT)	**-396**	**587**	**55**	**97**	**-63**	**280**
Tax	+20	149	24	6	+8	151
Profit/loss for the period	**-376**	**438**	**31**	**91**	**-55**	**129**
Gain/loss on sale of non-current assets, etc., net[1]	25	23	-	5	-2	51
Impairment losses, net[1]	-17	-10	-	-3	-	-30
Tax on adjustments	-	+8	-	-	-	+8
Underlying profit/loss	**-384**	**433**	**31**	**89**	**-53**	**116**
Cash flow from operating activities	1,060	819	4	144	4	2,031
Cash flow used for capital expenditure	-586	-1,549	-8	-192	-26	-2.361
Free cash flow	**474**	**-730**	**-4**	**-48**	**-22**	**-330**
Investments in non-current assets[2]	**1,892**	**2,402**	**9**	**215**	**25**	**4,543**
Intangible assets	-	2,627	90	17	5	2,739
Property, plant and equipment	21,596	3,470	70	1,094	238	26,468
Investments in joint ventures	-	1,479	27	82	-	1,588
Investments in associated companies	-	641	-	14	-	655
Other non-current assets	189	198	30	57	33	507
Assets held for sale	2	70	-	3	-	75
Other current assets	3,247	872	500	126	308	5,053
Total non-interest bearing assets	**25,034**	**9,357**	**717**	**1,393**	**584**	**37,085**
Non-interest bearing liabilities	4,952	1,390	485	190	227	7,244
Invested capital, net	**20,082**	**7,967**	**232**	**1,203**	**357**	**29,841**

[1] Including the Group's share of gains on sale of non-current assets, etc., net, and impairments, net, recorded in joint ventures and associated companies.
[2] Comprise additions of intangible assets and property, plant and equipment, including additions from business combinations.

Amounts in USD million

Note 1 — continued

Segment information

	2017	2016
Revenue		
Reportable segments	32,780	28,604
Other businesses	624	352
Unallocated activities	196	312
Eliminations	-2,655	-2,002
Total	**30,945**	**27,266**
Of which:		
Sale of goods	605	560
Rendering of services, etc.	30,340	26,706
Profit/loss for the period		
Reportable segments	478	129
Other businesses	75	-61
Financial items, net	-616	-543
Unallocated tax	52	-1
Other unallocated items, costs	176	22[1]
Eliminations	-7	29
Continuing operations	-194	-469
Discontinued operations	-970	-1,428
Total	**-1,164**	**-1,897**
Assets		
Reportable segments	44,926	37,085
Other businesses	919	537
Unallocated activities	1,012	2,208
Discontinued operations and assets held for sale	14,578	17,856
Eliminations and financial items	-966	-1,185
Total non-interest bearing assets	**60,469**	**56,501**
Interest bearing assets	2,758	4,617
Total	**63,227**	**61,118**
Liabilities		
Reportable segments	9,482	7,244
Other businesses	224	202
Unallocated activities	1,032	1,279
Discontinued operations and assets held for sale	4,412	5,439
Eliminations and financial items	-1,043	-471
Non-interest bearing liabilities	**14,107**	**13,693**
Interest bearing liabilities	17,695	15,335
Total	**31,802**	**29,028**

[1] Including gains and dividends received of USD 141m.

APM Terminals and Maersk Line have entered into a commercial agreement whereby Maersk Line is secured dedicated capacity in certain strategically important terminals. Under the terms of the agreement, substantially all of the risks and benefits associated with ownership of these terminals are transferred to Maersk Line.

Management has chosen not to apply finance lease accounting for the internal reporting. Accordingly, these terminals are still reported as part of APM Terminals in the segment information. The effect for APM Terminals is USD 122m (USD 124m) in revenue and USD 39m (USD 49m) in EBIT excluding the gains or losses in connection with the de-recognition of non-current assets. Maersk Line is affected by the same amount on cost and EBIT.

The agreement has no effect on the Group as the transactions are eliminated in the consolidation.

	External revenue		Tax paid		Non-current assets[1]	
Geographical split	**2017**	2016	**2017**	2016	**2017**	2016
Denmark	240	333	+119	193	15,825	17,353
Brazil	577	421	26	7	449	328
China and Hong Kong	1,937	1,570	19	5	3,047	3,040
Germany	962	759	+4	-	4,057	11
India	1,086	962	25	14	120	151
Netherlands	916	712	18	14	806	688
Singapore	165	156	1	2	3,469	5,133
Turkey	469	396	16	18	2	120
United Kingdom	1,255	1,180	-	+3	146	3,465
USA	4,917	5,063	12	35	1,341	3,435
Other	18,421	15,714	180	173	6,174	11,392
Total	**30,945**	**27,266**	**174**	**458**	**35,436**	**45,116**

[1] Comprise intangible assets and property, plant and equipment relating to continuing operations for 2017.

Geographical information

Revenue for the shipping activities is based on the destination for ships operated by the Group and on customer location for ships on time charter. For non-current assets, which cannot be easily moved, geographical location is where the assets are located. For all other assets, geographical location is based on the legal ownership. These assets consist mainly of ships and containers registered in China, Denmark, Singapore, United Kingdom and the USA.

Amounts in USD million

Note 2

Operating costs

	2017	2016
Costs of goods sold	465	470
Bunker costs	3,372	2,023
Terminal costs	5,662	5,211
Intermodal costs	3,122	2,870
Port costs	1,984	1,736
Rent and lease costs	2,294	2,317
Staff costs	4,129	3,938
Other	6,392	6,235
Total operating costs	**27,420**	**24,800**
Remuneration of employees		
Wages and salaries	3,527	3,346
Severance payments	35	78
Pension costs, defined benefit plans	23	12
Pension costs, defined contribution plans	235	262
Other social security costs	324	296
Total remuneration	**4,144**	**3,994**
Of which:		
Recognised in the cost of assets	1	4
Included in restructuring costs and other	14	52
Expensed as staff costs	**4,129**	**3,938**
Average number of employees[1]	75,813	76,265

[1] The average number of employees including discontinued operations is 85,667 (87,736).

Rent and lease costs include contingent rent totalling USD 191m (USD 187m), which entirely relates to operating leases.

Customary agreements have been entered into with employees regarding compensation in connection with resignation with consideration for local legislation and collective agreements.

For information about share-based payment, reference is made to note 11.

Fees and remuneration to the Executive Board	2017	2016
Fixed annual fee	8	13
Cash incentive	2	2
Shared-based incentive plans	1	-2
Remuneration in connection with redundancy, resignation and release from duty to work	-	22
Lump sum retirement payment	-	-1
Total remuneration to the Executive Board	**11**	**34**

Contract of employment for the Executive Board contains terms customary in Danish listed companies, including termination notice and competition clauses. In connection with a possible takeover offer, neither the Executive Board nor the Board of Directors will receive special remuneration. Fees and remuneration do not include pension.

The Board of Directors has received fees of USD 3m (USD 3m).

Fees to the statutory auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab		PwC including network firms	
	2017	2016	**2017**	2016
Statutory audit	6	5	12	11
Other assurance services	1	-	1	-
Tax and VAT advisory services	-	1	2	3
Other services	2	1	4	1
Total fees	**9**	**7**	**19**	**15**

Fees for other services than statutory audit of the financial statements provided by Pricewaterhouse-Coopers Statsautoriseret Revisionspartnerselskab to A.P. Moller - Maersk mainly consist of audit of non-statutory financial statements, financial due diligence and transaction advice, accounting advisory services, tax advice and other services related to separating discontinued operations, review of the half year interim report and other advisory accounting and tax services.

Amounts in USD million

Note 3

Gain on sale of non-current assets, etc., net

	2017	2016
Gains[1]	203	228
Losses	49	38
Gain on sale of non-current assets, etc., net	**154**	**190**

[1] Gains primarily relate to the sale of Mercosul Line of USD 59m (pre-tax) and the sale of Pentalver Transport Ltd. of USD 31m.

In 2016, gains were primarily related to dividends received from available-for-sale investments of USD 88m and the sale of shares in Danmarks Skibskredit (Danish Ship Finance) of USD 54m.

Note 4

Financial income and expenses

	2017	2016
Interest expenses on liabilities	630	525
Of which borrowing costs capitalised on assets[1]	63	49
Interest income on loans and receivables	104	55
Interest income on securities	-	3
Fair value adjustment transferred from equity hedge reserve (loss)	55	69
Unwind of discount on provisions	-5	-9
Net interest expenses	**513**	**478**
Exchange rate gains on bank balances, borrowings and working capital	645	526
Exchange rate losses on bank balances, borrowings and working capital	1,085	551
Net foreign exchange gains/losses	**-440**	**-25**
Fair value gains from derivatives	598	64
Fair value losses from derivatives	268	170
Fair value gains from securities	1	46
Fair value losses from securities	-	1
Net fair value gains/losses	**331**	**-61**
Dividends received from securities	1	21
Impairment losses on financial non-current receivables	-5	-
Financial expenses, net	**616**	**543**
Of which:		
Financial income	1,382	742
Financial expenses	1,998	1,285

[1] The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 4.1% (4.1%).

For an analysis of gains and losses from derivatives, reference is made to note 15.

Amounts in USD million

Note 5

Tax

	2017	2016
Tax recognised in the income statement		
Current tax on profits for the year	277	151
Adjustment for current tax of prior periods	-78	-148
Utilisation of previously unrecognised deferred tax assets	-5	-4
Total current tax	**194**	**-1**
Origination and reversal of temporary differences	-32	66
Adjustment for deferred tax of prior periods	5	31
Adjustment attributable to changes in tax rates and laws	-25	17
Recognition of previous unrecognised deferred tax assets	-12	-6
Reassessment of recoverability of deferred tax assets, net	16	10
Total deferred tax	**-48**	**118**
Total income tax	**146**	**117**
Tonnage and freight tax	73	54
Total tax expense	**219**	**171**

	2017	2016
Tax reconciliation		
Profit/loss before tax	25	-298
Profit/loss subject to Danish and foreign tonnage taxation, etc.[1]	-292	615
Internal gain/loss on sale of assets	-	-2
Share of profit/loss in joint ventures	131	-130
Share of profit/loss in associated companies	-101	55
Profit/loss before tax, adjusted	-237	240
Tax using the Danish corporation tax rate (22%)	-52	52
Tax rate deviations in foreign jurisdictions	-28	22
Non-taxable income	-96	-77
Non-deductible expenses	136	78
Adjustment to previous years' taxes	-73	-117
Effect of changed tax rate	-25	17
Change in recoverability of deferred tax assets	-1	-
Deferred tax asset not recognised	168	50
Other differences, net	117	92
Total income tax	**146**	**117**
Tax recognised in other comprehensive income and equity	**42**	**-16**
Of which:		
Current tax	12	4
Deferred tax	30	-20

[1] Including impairment losses on vessels under tonnage taxation.

Amounts in USD million

Note 6

Intangible assets

	Goodwill	Terminal and service concession rights	Oil concession rights	Customer relations and brand name	Other rights	Total
Cost						
1 January 2016	495	1,524	7,518	-	578	10,115
Addition	-	259	439	-	124	822
Acquired in business combinations	248	845	-	-	36	1,129
Disposal	-	-	515	-	5	520
Transfer, assets held for sale	-1	-	-	-	-	-1
Exchange rate adjustment	-12	-57	-	-	-6	-75
31 December 2016	**730**	**2,571**	**7,442**	**-**	**727**	**11,470**
Addition	-	245	75	-	37	357
Acquired in business combinations[1]	388	-	-	1,143	-	1,531
Disposal	-	-	178	-	10	188
Transfer, assets held for sale	-	-	-7,339	-	-241	-7,580
Exchange rate adjustment	32	94	-	-1	16	141
31 December 2017	**1,150**	**2,910**	**-**	**1,142**	**529**	**5,731**
Amortisation and impairment losses						
1 January 2016	408	217	7,133	-	435	8,193
Amortisation	-	65	72	-	51	188
Impairment losses	-	-	-	-	11	11
Disposal	-	-	515	-	5	520
Exchange rate adjustment	-12	-8	-	-	-2	-22
31 December 2016	**396**	**274**	**6,690**	**-**	**490**	**7,850**
Amortisation	-	79	42	6	58	185
Impairment losses	-	128	-	-	26	154
Disposal	-	3	164	-	10	177
Transfer, assets held for sale	-	-	-6,568	-	-131	-6,699
Exchange rate adjustment	31	13	-	-	9	53
31 December 2017	**427**	**491**	**-**	**6**	**442**	**1,366**
Carrying amount:						
31 December 2016	**334**	**2,297**[2]	**752**	**-**	**237**[3]	**3,620**
31 December 2017	**723**	**2,419**[2]	**-**	**1,136**[1]	**87**[3]	**4,365**

[1] Acquisition of Hamburg Süd, please refer to note 21 'Acquisition/sale of subsidiaries and activities'.

[2] Of which USD 647m (USD 89m) is under development. USD 34m (USD 34m) is related to terminal rights with indefinite useful life in Poti Sea Port Corp. The impairment test is based on the estimated fair value according to business plans. An average discount rate of 14.8% (12.9%) p.a. after tax has been applied in the calculations. Furthermore, the developments in volumes and rates are significant parameters. Service concession rights with a carrying amount of USD 94m (USD 95m) have restricted title.

[3] Of which USD 20m (USD 43m) is related to ongoing development of software.

Amounts in USD million

Note 6 — continued

Intangible assets

Impairment analysis

The recoverable amount of each CGU is determined on the basis of the higher of its value-in-use or fair value less cost to sell. The value-in-use is calculated using certain key assumptions for the expected future cash flows and applied discount factor.

The cash flow projections are based on financial budgets and business plans approved by management. In nature, these projections are subject to judgement and estimates that are uncertain, though based on experience and external sources where available. The discount rates applied reflect the time value of money as well as the specific risks related to the underlying cash flows, i.e. project and/or country specific risk premium. Further, any uncertainties reflecting past performance and possible variations in the amount or timing of the projected cash flows are generally reflected in the discount rates.

During 2017, certain terminals were faced with challenging market outlooks with decreasing volumes and rates which resulted in impairment losses as recoverable amounts were lower than the carrying amount. The key assumptions for APM Terminals' value calculations are container moves, revenue and cost per move and discount rate. The cash flow projections cover the concession period and extension options where deemed likely that they will be exercised. The growth rates assumed reflect current market expectations for the relevant period.

For the intangible assets in APM Terminals the impairment losses can be specified as follows:

	Applied discount rate p.a. after tax		Impairment losses	
Operating segment	**2017**	2016	**2017**	2016
Terminal and service concession rights				
APM Terminals	6.5% - 12.5%	-	128	-
Other rights				
APM Terminals	6.5% - 8%	-	26	-
Other	-	-	-	11
Total			**154**	**11**

After impairment losses the recoverable amount of the impaired intangible assets is nil.

Note 7

Property, plant and equipment

	Ships, containers, etc.	Production and terminal facilites and equipment, etc.	Rigs	Construction work in progress and payment on account	Total
Cost					
1 January 2016	43,749	30,656	9,785	4,856	89,046
Addition	1,467	-57 [1]	115	2,844	4,369
Acquired in business combinations	1	422	-	5	428
Disposal	1,816	106	11	125	2,058
Transfer	719	1,184	93	-1,996	-
Transfer, assets held for sale	-40	-66	-	-	-106
Exchange rate adjustment	-41	-284	-	4	-321
31 December 2016	**44,039**	**31,749**	**9,982**	**5,588**	**91,358**
Addition	1,504	60	1	3,799	5,364
Acquired in business combinations	3,801	30	-	37	3,868
Disposal	2,529	9,466	1	28	12,024
Transfer	2,094	1,421	648	-4,163	-
Transfer, assets held for sale	-5,715	-17,481	-10,630	-3,782	-37,608
Exchange rate adjustment	127	310	-	31	468
31 December 2017	**43,321**	**6,623**	**-**	**1,482**	**51,426**
Depreciation and impairment losses					
1 January 2016	18,613	23,129	2,281	1,024	45,047
Depreciation	2,274	1,472	570	-	4,316
Impairment losses	736	13	1,431	261	2,441
Disposal	1,595	92	4	28	1,719
Transfer, assets held for sale	-27	-43	-	-	-70
Exchange rate adjustment	-26	-128	-	1	-153
31 December 2016	**19,975**	**24,351**	**4,278**	**1,258**	**49,862**
Depreciation	2,286	1,123	347	-	3,756
Impairment losses	616	185	1,700	197	2,698
Reversal of impairment losses	-	241	-	-	241
Disposal	2,104	9,432	1	7	11,544
Transfer	79	164	79	-322	-
Transfer, assets held for sale	-3,605	-13,245	-6,403	-1,121	-24,374
Exchange rate adjustment	60	136	-	2	198
31 December 2017	**17,307**	**3,041**	**-**	**7**	**20,355**
Carrying amount:					
31 December 2016	**24,064**	**7,398**	**5,704**	**4,330**	**41,496**
31 December 2017	**26,014**	**3,582**	**-**	**1,475**	**31,071**
Of which carrying amount of finance leased assets:					
31 December 2016	**2,377**	**73**	**-**	**8**	**2,458**
31 December 2017	**2,947**	**102**	**-**	**4**	**3,053**

[1] The negative addition is due to adjustments of abandonment provision predominantly in the UK.

Amounts in USD million

Note 7 — continued

Property, plant and equipment

Acquired in business combinations
The additions of USD 3.9bn are related to the acquisition of Hamburg Süd (see note 21).

Transfers
Transfers to assets held for sale primarily relate to Maersk Oil, Maersk Drilling, Maersk Tankers and Maersk Supply Service (see note 9).

In 2016, transfers were primarily related to APM Terminals' divestment of Pentalver in the UK and four vessels in Maersk Tankers.

Finance leases
As part of the Group's activities, customary leasing agreements are entered into, especially with regard to the chartering of vessels and lease of containers and other equipment. In some cases, the leasing agreements comprise purchase options for the Group and options for extension of the lease term. In the financial statements, assets held under finance leases are recognised in the same way as owned assets.

Pledges
Ships, buildings, etc. with a carrying amount of USD 3.1bn (USD 4.0bn) have been pledged as security for loans of USD 2.0bn (USD 2.3bn).

Impairment analysis
For general information on basis for calculating recoverable amount reference is made to note 24 and note 6.

In the cash generating units set out below the impairment test gave rise to impairment losses and reversals.

		Impairment losses		Reversal of impairment losses		Applied discount rate p.a. after tax		Recoverable amount	
Operating segment	**Cash generating unit**	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
APM Terminals	Terminals[1]	188	-	-	-	6.5%-18.3%	-	457	-
Maersk Tankers[2]	All vessels	464	-	-	-	-	-		
Maersk Oil[3]	Denmark	-	-	235	-	-	-	950	-
Maersk Drilling[3]	Deepwater rigs	1,024	1,069	-	-	10.5%	8.5%	1,546	2,788
	Jack-up rigs	676	441	-	-	10.5%	8.5%	2,631	3,460
Maersk Supply[3]	Anchor Handling Tug Supply Vessels[4]	156	834			-	8.5%	-	172
	SSV	166	8			10.1%	8.5%	396	377
	Others	14	57			10.1%	8.5%	14	22
Other		10	32	6	-	-	-	-	-
Total		**2,698**	**2,441**	**241**	-			**-**	

[1] The impairment loss relates to certain terminals in commercially challenged markets. An additional USD 21m is recognised as impairment in the income statement and booked as provision (relates to assets that will be delivered in 2018.)

[2] Management's assessment led to an impairment of USD 464m related to vessels in Maersk Tankers in Q2 due to an expected continuation of the lower asset valuations (fair value). As Maersk tankers are divested year-end 2017 disclosure of discount rate and recoverable amounts is not considered relevant.

[3] For Maersk Oil, Maersk Drilling, and Maersk Supply Service, impairment losses were recognised immediately before the initial classification of the businesses as assets held for sale. The reversal of prior impairments in Maersk Oil reflects an assumed higher fair value of the assets in Denmark. For Maersk Drilling and Maersk Supply Service the impairment analysis is based on a discounted cash flow calculation for the remaining lifetime of the assets. The key assumptions for these calculations are expected day rates, utilisation and discount rate (further details are set out in note 24).

[4] Impairment loss of USD 156m relates to the impairment losses recognised on newbuildings in 2016 (onerous contracts) and reflected here as transfer upon delivery in 2017.

Amounts in USD million

Note 8

Deferred tax

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

	Assets		Liabilities		Net liabilities	
	2017	2016	**2017**	2016	**2017**	2016
Property, plant and equipment	67	146	221	1,694	154	1,548
Provisions, etc.	133	770	81	59	-52	-711
Tax loss carry forwards	190	1,036	-	-	-190	-1,036
Other	56	109	303	323	247	214
Total	**446**	**2,061**	**605**	**2,076**	**159**	**15**
Offsets	-144	-1,471	-144	-1,471	-	-
Total	**302**	**590**	**461**	**605**	**159**	**15**

Change in deferred tax, net during the year	**2017**	2016
1 January	**15**	**-611**
Property, plant and equipment	137	-143
Provisions, etc.	-33	564
Tax loss carry forwards	-23	64
Other	12	20
Recognised in the income statement	**93** [1]	**505**
Transfer to held for sale	53	3
Other including business combinations	-2	118
31 December	**159**	**15**

[1] Of which USD 141m (USD 387m) is recognised as an expense in discontinued operations.

Unrecognised deferred tax assets – continuing operations	**2017**	2016
Deductible temporary differences	149	13
Tax loss carry forwards	496	496
Total[2]	**645**	**509**

[2] In addition, deductible temporary differences of USD 852m (USD 944m) and tax loss carry forward of USD 442m (USD 551m) relate to discontinued operations.

The unrecognised deferred tax assets have no significant time limitations. There are no substantial unrecognised tax liabilities on investments in subsidiaries, associated companies and joint ventures.

Note 9

Discontinued operations and assets held for sale

Maersk Oil, Maersk Tankers, up to closing in October, Maersk Drilling and Maersk Supply Service are classified as discontinued operations and assets held for sale in 2017.

A.P. Moller - Maersk executed on the strategy to separate 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 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 Tankers, up to closing in October, Maersk Drilling and Maersk Supply Service are classified under discontinued operations with a net loss of USD 1.0bn (loss of USD 1.4bn), negatively impacted by net impairment losses totalling USD 2.2bn (USD 2.7bn), primarily related to Maersk Drilling and Maersk Tankers. Impairment losses and reversals are specified in notes 6 and 7. The cash flow from operating activities was USD 2.0bn (USD 3.1bn), while the cash flow used for capital expenditure amounted to USD 0.6bn (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.

Intangible assets held for sale amounts to USD 779m for Maersk Oil, USD 92m for Maersk Drilling and USD 4m for Maersk Supply Service. Property plant and equipment held for sale mainly comprises Maersk Oil with USD 6.6bn, Maersk Drilling with USD 4.3bn and Maersk Supply Service with USD 941m.

Assets held for sale in 2016 were predominantly related to Pentalver in APM Terminals.

Amounts in USD million

Note 9 — continued

Discontinued operations and assets held for sale

	2017	2016
Profit/loss for the period – discontinued operations		
Revenue	6,555	8,198
Expenses	-3,097	-3,961
Gains/losses on sale of assets and businesses	16	-12
Depreciation and amortisation	-1,295	-2,039
Impairment losses	-2,413	-2,731
Reversal of impairment losses	236	-
Profit/loss before tax, etc.	**2**	**-545**
Tax[1]	972	883
Profit/loss for the year – discontinued operations	**-970**	**-1,428**
A.P. Møller - Mærsk A/S' share of profit/loss	-967	-1,428
Earnings per share	-47	-68
Diluted earnings per share	-47	-68
Cash flows from discontinued operations		
Cash flow from operating activities	2,004	3,063
Cash flow used for investing activities	-580	-2,281
Cash flow from financing activities	-173	-279
Net cash flow from discontinued operations	**1,251**	**503**

[1] The tax relates to the profit from the ordinary activities of discontinued operations. There is no tax related to the gain on sale of Maersk Tankers.

	2017	2016
Balance sheet items comprise:		
Intangible assets	875	1
Property, plant and equipment	11,911	42
Deferred tax assets	244	3
Other assets	491	8
Non-current assets	**13,521**	**54**
Current assets	1,468	49
Assets held for sale	**14,989**	**103**
Provisions	3,059	1
Deferred tax liabilities	226	-
Other liabilities	1,437	15
Liabilities associated with assets held for sale	**4,722**	**16**

Maersk Oil

On 21 August, A.P. Moller - Maersk announced the sale of Maersk Oil to Total S.A. for USD 7,450m in a combined share and debt transaction. The sale is pending regulatory approval, and closure is expected during Q1 2018. The sale is based on a locked box transaction effective 1 July 2017, whereby all cash flows from Maersk Oil from 30 June 2017 until closing belong to the buyer. As compensation for the lost cash flow, A.P. Moller - Maersk will receive locked box interest of 3% p.a. of the enterprise value.

Full year 2017

Maersk Oil reported a profit of USD 1.2bn (USD 449m). The profit was positively impacted by lower costs due to cost reduction efforts, lower exploration costs, an average oil price of USD 54 per barrel (USD 44 per barrel), 24% higher than for 2016, and one-offs mainly from reversal of impairments, tax and provisions.

Full year guidance to the market was an entitlement production between 215,000 boepd and 225,000 boepd. Maersk Oil delivered within the range at 220,000 boepd. The entitlement production of 220,000 boepd was lower than full year 2016 (313,000 boepd) primarily because of the exit from Qatar.

At 31 December 2017 Maersk Oil has capital commitments totalling to USD 2.0bn.

Maersk Drilling

Maersk Drilling has been classified as discontinued operations and assets held for sale, as a structural solution is expected before the end of 2018.

Full year 2017

Maersk Drilling reported a loss of USD 1.5bn (loss of USD 709m), negatively impacted by an accounting impairment of USD 1,750m net of tax prior to classification as discontinued operations. The result was further negatively impacted by a number of idle rigs and the expiration of contracts signed at higher day rates and an accounting loss from sale of the shares in Egyptian Drilling Company of USD 47m. The result was positively impacted by high operational uptime and cost savings.

Maersk Supply Service

Maersk Supply Service has been classified as discontinued operations and assets held for sale, as a structural solution is expected before the end of 2018.

Full year 2017

For Maersk Supply Service, the market situation remains challenged with a reported loss of USD 251m (loss of USD 1.2bn), negatively impacted by impairments prior to classification as held for sale of USD 180m (USD 1.2bn) because of over-supply and reduced long-term demand expectations due to lower offshore spending. At 31 December 2017 Maersk Supply Service has capital commitments related to newbuilding programme for 6 vessel totalling to USD 0.5bn.

Amounts in USD million

Note 9 — continued

Discontinued operations and assets held for sale

Cash flow from sale of Maersk Tankers	2017
Carrying amount	
Intangible assets	6
Property, plant and equipment	1,159
Financial assets - non-current	10
Current assets	420
Provisions	-10
Liabilities	-1,011
Net assets sold	**574**
Non-controlling interests	0
A.P. Møller - Mærsk A/S' share	**574**
Gain/loss on sale	3
Repayment of loan	760
Contingent considerations asset	-28
Cash and bank balances sold	-91
Cash flow from sale of subsidiaries and activities	**1,218**

Maersk Tankers
On 20 September 2017, A.P. Moller - Maersk entered into an agreement to divest Maersk Tankers to A.P. Moller Holding for USD 1,171m in an all-cash transaction. The divestment was based on a locked box transaction whereby all cash flows from Maersk Tankers from 30 June 2017 until closing belong to A.P. Moller Holding. As cash flows were expected to be negative, the locked box interest was set at 0% p.a.

The purchase price will be adjusted in two scenarios. The first one is if the tanker markets improve based on a fleet value accretion (Purchase Price Adjustment). The adjustment is capped at USD 200m, can be exercised once and expires 31 December 2019. The second scenario is if A.P. Moller Holding sells on vessels at a higher price than the purchase price and higher than an agreed hurdle rate (On-sale adjustment). The on-sale adjustment expires 30 June 2019, or if the Purchase Price Adjustment is called, whichever is the earliest.

The transaction was between related parties, so fairness opinions were obtained from Morgan Stanley & Co. Int. Plc and DNB Bank ASA, which confirmed that the transaction value, including the agreed price adjustment mechanism, was fair from a financial point of view.

The transaction closed on 10 October 2017.

Period ending 10 October 2017
Maersk Tankers reported a loss of USD 477m (profit of USD 66m), which was impacted by impairment of vessels by USD 464m. The sale resulted in a minor accounting gain.

Note 10

Share capital and earnings per share

At the Annual General Meeting of A.P. Møller - Mærsk A/S on 12 April 2016, the shareholders decided on the cancellation of 728,520 treasury shares, whereby the share capital has decreased. The cancellation of the treasury shares took place in Q2 2016.

Development in the number of shares:

	A shares of		B shares of		Nominal value	
	DKK 1,000	**DKK 500**	**DKK 1,000**	**DKK 500**	**DKK million**	**USD million**
1 January 2016	10,902,341	318	10,642,790	184	21,545	3,906
Cancellation	146,122	-	582,398	-	728	132
Conversion	2	-4	-	-	-	-
31 December 2016	**10,756,221**	**314**	**10,060,392**	**184**	**20,817**	**3,774**
Conversion	41	-82	6	-12	-	-
31 December 2017	**10,756,262**	**232**	**10,060,398**	**172**	**20,817**	**3,774**

All shares are fully issued and paid up.

One A share of DKK 1,000 holds two votes. B shares have no voting rights.

Adoption of resolutions regarding changes to the Company's Articles of Association or increase or write-down of the share capital requires that at least two-thirds of the A share capital at the General Meeting shall be represented by persons entitled to vote and that at least two-thirds of the votes cast shall be cast in favour of the adoption of the resolution.

Apart from a resolution for the dissolution of the Company, other resolutions at the General Meetings are passed by simple majority, as long as legislation does not require particular voting majority. Reference is made to the Company's Articles of Association.

In the event of an increase of the Company's share capital, the shareholders in the given share class shall have a pre-emptive right to subscribe for a proportionate share of the capital increase.

The General Meeting authorised the Board to allow the Company to acquire own shares on an ongoing basis to the extent that the nominal value of the Company's total holding of own shares at no time exceeds 10% of the Company's share capital. The purchase price must not deviate by more than 10% from the price quoted on Nasdaq Copenhagen on the date of the purchase. This authorisation is to be in force until 29 March 2020.

Amounts in USD million

Note 10 — continued

Share capital and earnings per share

Development in the holding of own shares:

	No. of shares of DKK 1,000		Nominal value DKK million		% of share capital	
	2017	2016	**2017**	2016	**2017**	2016
A shares						
1 January	-	69,585	-	70	-	0.32%
Addition	-	76,537	-	77	-	0.36%
Cancellation	-	146,122	-	147	-	0.68%
31 December	**-**	-	**-**	-	**-**	**0.00%**
B shares						
1 January	77,642	361,409	78	361	0.37%	1.68%
Addition	-	306,278	-	306	-	1.42%
Cancellation	-	582,398	-	582	-	2.70%
Disposal	16,803	7,647	17	7	0.08%	0.03%
31 December	**60,839**	**77,642**	**61**	**78**	**0.29%**	**0.37%**

Disposals of own shares are primarily related to the share option programme.

The Board of Directors proposes a dividend to the shareholders of DKK 150 per share of DKK 1,000 – a total of DKK 3,123m, equivalent to USD 503m at the exchange rate as per 31 December 2017 (DKK 150 per share of DKK 1,000 – a total of DKK 3,123m equivalent to USD 443m).

Payment of dividends is expected to take place on 13 April 2018. Payment of dividends to shareholders does not trigger taxes to A.P. Moller - Maersk.

Basis for calculating earnings per share is the following:

A.P. Møller - Mærsk A/S' share of:	**2017**	2016
Profit/loss for the year of continuing operations	-238	-511
Profit/loss for the year of discontinued operations	-967	-1,428
Profit/loss for the year	**-1,205**	**-1,939**

	2017	2016
Issued shares 1 January	20,816,862	21,545,382
Average number of own shares	64,472	383,665
Average number of cancelled shares	-	386,155
Average number of shares	**20,752,390**	**20,775,562**

At 31 December 2017, there is no dilution effect on earnings per share from the 25,530 issued share options. The issued share options correspond to 0.12% of the total average number of shares in the Group. At 31 December 2016, there was no dilution effect on earnings per share from the 11,475 issued share options. The issued share options corresponded to 0.06% of the total average number of shares in the Group.

Amounts in USD million

Note 11

Share-based payment

Equity-settled incentive plans (excluding share options plan)

A.P. Moller - Maersk has two different equity-settled incentive plans. The Restricted Shares Plan was introduced in 2013 and grants have been awarded to employees on a yearly basis since 2013. In 2014, the Group established a 3-year Performance Shares Plan for members of the Executive Board and other employees.

The transfer of restricted and performance shares is contingent upon the employee still being employed and not being under notice of termination and takes place when three years have passed from the time of granting. Transfer of the performance shares to members of the Executive Board was further contingent upon the member still being employed in A.P. Moller - Maersk at the time of publishing of the Annual Report 2016 for A.P. Møller - Mærsk A/S.

The actual transfer of performance shares was further contingent upon the degree of certain financial goals being achieved. This meant that the number of shares that eventually would vest was adjusted during the vesting period.

The members of the Executive Board as well as other employees are not entitled to any dividends during the vesting period. Special conditions apply regarding illness, death and resignation as well as changes in the Company's capital structure, etc. A.P. Møller - Mærsk A/S' holding of own B shares will be used to meet the Company's obligations in connection with the Restricted Shares Plan.

	Restricted Shares Plan Employees[1]	Performance Shares Plan Members of the Executive Board[1]	Performance Shares Plan Employees[1]	Total fair value[1]
Outstanding awards under equity-settled incentive plans (excl. share option plans)	**No.**	**No.**	**No.**	**USD million**
1 January 2016	14,104	1,860	12,099	
Granted	7,078	20	395	10
Exercised	5,730	-	-	
Adjustment[2]	-	-620	-11,339	
Forfeited	385	1,260	312	
Outstanding 31 December 2016	**15,067**	**-**	**843**	
Granted	5,024	-	66	8
Exercised	4,591	-	842	
Adjustment[2]	-	-	-67	
Forfeited	968	-	-	
Outstanding 31 December 2017	**14,532**	**-**	**-**	

[1] At the time of grant.

[2] Primarily due to changes in the degree of certain financial goals being achieved.

Amounts in USD million

Note 11 — continued

Share-based payment

The fair value of restricted shares (A.P. Møller - Mærsk A/S B shares) granted to 132 (140) employees was USD 8 m (USD 9m) at the time of grant. The total value of granted restricted shares recognised in the income statement is USD 8m (USD 8m).

The fair value of performance shares (A.P. Møller - Mærsk A/S B shares) granted to no (1) members of the Executive Board and to two (16) employees was USD 0m (USD 1m). The total value of granted performance shares recognised in the income statement is an income of USD 1m (income of USD 15m).

The fair value per restricted share at the time of grant is DKK 11,550 (DKK 8,463), which is equal to the volume weighted average share price on the date of grant, i.e. 1 April, 2017.

On 1 April 2017, the restricted shares originally granted in 2014 were settled with the employees. The weighted average share price at that date was DKK 11,550.

The average remaining contractual life for the restricted shares as per 31 December 2017 is 1.3 years (1.4 years).

Cash-settled incentive plan
In 2015, A.P.Moller - Maersk introduced the Performance Shares Plan to a broader range of employees. The actual settlement of the awards is contingent upon the degree of certain financial goals being achieved, the employee still being employed and not being under notice of termination at the date of settlement. This means that the number of awards that eventually will vest may be adjusted during the vesting period. Depending on the agreement, the settlement will take place two or three years after the initial granting and the employee may have the option to settle the awards in shares.

The employees are not entitled to any dividends during the vesting period. Special conditions apply regarding illness, death and resignation as well as changes in the Company's capital structure, etc.

Outstanding awards under cash-settled performance share plan	Employees[1] No.	Total fair value[1] USD million	Carrying amount of liabilities USD million
1 January 2016	8,816		
Granted	435	1	
Adjustment[2]	-8,686		
Forfeited	565		
Outstanding 31 December 2016	-		-
Granted	780		
Adjustment[2]	-780		
Outstanding 31 December 2017	-		-

[1] At the time of grant.
[2] Due to changes in the degree of certain financial goals being achieved.

The fair value of awards granted to 42 (27) employees was USD 0m (USD 1m) at the time of grant. The total value of the awards recognised in the income statement is USD 0m (an income of USD 3m).

The average remaining contractual life for the cash-settled incentive plan as per 31 December 2017 is 0.3 years (1.1 years).

Share option plans
In addition to the plans described above, A.P.Moller - Maersk has Share Option Plans for members of the Executive Board and other employees. Each share option granted is a call option to buy an existing B share of nominal DKK 1,000 in A.P. Møller - Mærsk A/S.

The share options are granted at an exercise price corresponding to 110% of the average of the market price on the first five trading days following the release of A.P. Møller - Mærsk A/S' Annual Report. Exercise of the share options is contingent upon the option holder still being employed at the time of exercise. The share options can be exercised when at least two years (three years for share options granted to Executive Board members) and no more than seven years (six years for share options granted to employees not members of the Executive Board) have passed from the time of grant. Special conditions apply regarding illness, death and resignation as well as changes in the Company's capital structure, etc.

Amounts in USD million

Note 11 — continued

Share-based payment

	Members of the Executive Board[1]	Employees[1]	Total	Average exercise price	Total fair value[1]
	No.	No.	No.	DKK	USD million
1 January 2016	7,715	15,200	22,915	8,975	
Exercised	-	1,880	1,880	8,298	
Expired	3,875	5,685	9,560	9,919	
Outstanding 31 December 2016	**3,840**	**7,635**	**11,475**	**8,298**	
Exercisable 31 December 2016	**3,840**	**7,635**	**11,475**	**8,298**	
Granted	4,928	20,839	25,767	12,791	8
Exercised	3,840	7,530	11,370	8,298	
Expired	-	105	105	8,298	
Forfeited	-	237	237	12,791	
Outstanding 31 December 2017	**4,928**	**20,602**	**25,530**	**12,791**	
Exercisable 31 December 2017	**-**	**-**	**-**		

[1] At the time of grant.

The share options can only be settled in shares. A.P. Møller - Mærsk A/S' holding of own B shares will be used to meet the Company's obligations in connection with the share option plans.

The fair value of awards granted to three members of the Executive Board and 79 employees was USD 8m (USD 0m) at the time of grant. The total value of granted share options recognised in the income statement is USD 3m (USD 0m).

The weighted average share price at the dates of exercise of share options was DKK 11,778 (DKK 10,154).

The average remaining contractual life as per 31 December 2017 is 6.1 years (0.3 years) and the exercise price for outstanding share options is DKK 12,791 (DKK 8,298).

The fair value per option granted in 2017 to members of the Executive Board is calculated at DKK 2,130 at the time of grant, based on Black & Scholes' option pricing model. The fair value per option granted in 2017 to employees not members of the Executive Board is calculated at DKK 2,281 at the time of grant based on the same option pricing model.

The following principal assumptions are used in the valuation:

	Share options granted to members of the Executive Board	Share options granted to employees not members of the Executive Board
Share price, five days volume weighted average after publication of Annual Report, DKK	11,628	11,628
Exercise price, DKK	12,791	12,791
Expected volatility (based on historic volatility)	31%	31%
Expected term	5	5.75
Expected dividend per share, DKK	300	300
Risk free interest rate	-0.12%	0.01%

Amounts in USD million

Note 12

Borrowings and net debt reconciliation

	Net debt as at 31 December	Cash flows[1]			Non-cash changes	Net debt as at 31 December
	2016		Acquisitions	Foreign exchange movements	Other[2]	**2017**
Bank and other credit institutions	4,967	1,982	146	80	-211	6,964
Finance lease liabilities	2,271	-309	606	5	172	2,745
Issued bonds	8,097	-872	-	603	-24	7,804
Total borrowings	**15,335**	**801**	**752**	**688**	**-63**	**17,513**
Derivatives hedge of borrowings, net	**806**	**-224**	**-**	**-619**	**-51**	**-88**
Borrowings:						
Classified as non-current	13,320					15,076
Classified as current	2,015					2,437

[1] Difference from the net proceeds from borrowings as presented in the cash flow statement mainly relates to discontinued operations' repayments of borrowings.
[2] Other includes transfers to held for sale, new finance leases and fair value changes.

	Minimum lease payments	Interest	Carrying amount	Minimum lease payments	Interest	Carrying amount
Finance lease liabilities	**2017**	**2017**	**2017**	2016	2016	2016
Within one year	583	131	452	326	126	200
Between one and five years	1,816	292	1,524	1,252	396	856
After five years	1,080	311	769	1,522	307	1,215
Total	**3,479**	**734**	**2,745**	**3,100**	**829**	**2,271**

The finance lease agreements are described in note 7.

As at 31 December 2017, USD 0.8bn of the Group's borrowings, which include change of control clauses and negative pledges relating to assets such as supply vessels and drilling rigs which are classified as held for sale, have been reclassified to current despite the loans falling due after one year. The terms of the loans require immediate repayment on sale or change of control.

Amounts in USD million

Note 13

Pensions and similar obligations

As employer, the Group participates in pension plans according to normal practice in the countries in which the Group operates. Generally, the pension plans within the Group are defined contribution plans, where contributions are recognised in the income statement on an accrual basis. A number of entities have defined benefit plans, in which retirement benefits are based on length of service and salary level. To a limited extent, these defined benefit plans also include payment of medical expenses, etc.

Pension and medical plans which, as part of collective bargaining agreements, have been entered into with other enterprises (known as multi-employer plans) are treated as other pension plans. Such defined benefit plans are treated as defined contribution plans when sufficient information for calculating the individual enterprises' share of the obligation is not available.

In 2018, the Group expects to pay contributions totalling USD 36m to funded defined benefit plans (USD 41m in 2017).

	United Kingdom 2017	Other 2017	Total 2017	United Kingdom 2016	Other 2016	Total 2016
Specification of net liability						
Present value of funded plans	2,242	532	2,774	2,014	431	2,445
Fair value of plan assets	-2,534	-425	-2,959	-2,091	-360	-2,451
Net liability of funded plans	-292	108	-185	-77	71	-6
Present value of unfunded plans	-	116	116	-	67	67
Impact of minimum funding requirement/asset ceiling	58	-	58	81	-	81
Net liability 31 December	**-234**	**224**	**-11**	**4**	**138**	**142**
Of which:						
Pensions, net assets			298			96
Pensions and similar obligations			287			238

The majority of the Group's defined benefit liabilities are in the UK (78%) and the USA (13%). All of the plans in the UK and the majority of the plans in the USA are funded. Although all of the UK plans are now closed to new entrants, active members in the two largest plans continue to accrue new benefits. The smaller UK plans are all closed to new accruals, although a salary link remains in some of the plans.

Overall, the plans have an average duration of 16 years and approximately 53% of the obligation is in respect of pensioner members.

As well as being subject to the risks of falling interest rates, which would increase the obligation, poor asset returns and pensioners living longer than anticipated, the Group is also subject to the risk of higher than expected inflation. This is because many pension benefits, particularly in the UK plans, increase in line with inflation (although some minimum and maximum limits apply).

Significant financial assumptions	United Kingdom 2017	Total 2017	United Kingdom 2016	Total 2016
Discount rate	2.5%	2.7%	2.7%	2.9%
Inflation rate	3.3%	3.1%	3.4%	3.2%
Future salary increase	3.5%	3.1%	3.6%	3.6%
Future pension increase	3.0%	2.5%	3.1%	3.0%

Rates of life expectancy reflect the most recent mortality investigations, and in line with market practice an allowance is made for future improvements in life expectancy. The Group assumes that future improvements will be in line with the latest projections (1.25% in 2017 and in 2016) for all UK plans.

Life expectancy	31 December 2017	2037	2016	2036
65-year-old male in the UK	21.8	23.3	21.9	23.7

Amounts in USD million

Note 13 — continued

Pensions and similar obligations

The liabilities are calculated using assumptions that are the Group's best estimate of future experience bearing in mind the requirements of IAS 19.
The sensitivity of the liabilities and pension cost to the key assumptions are as follows:

Sensitivities to key assumptions in the UK **Factors**	**'Change in liability'**	**Increase 2017**	**Decrease 2017**	**Increase** 2016	**Decrease** 2016
Discount rate	Increase/(decrease) by 10 basis points	-35	36	-35	36
Inflation rate	Increase/(decrease) by 10 basis points	19	-21	22	-24
Life expectancy	Increase/(decrease) by 1 year	96	-94	92	-90

The Group's plans are funded in accordance with applicable local legislation. In the UK, each plan has a Trustee Board that is required to act in the best interests of plan members. Every three years, a formal valuation of the plan's liabilities is carried out using a prudent basis and if the plan is in deficit, the Trustees agree with the Group or the sponsoring employer on a plan for recovering that deficit.

The expected contributions to the UK plans for 2018 are USD 32m (USD 36m in 2017) of which USD 9m (USD 15m in 2016) is deficit recovery contributions. In most of the UK plans, any surplus remaining after the last member dies may be returned to the Group. However, the Merchant Navy Ratings Pension Fund (MNRPF) and the Merchant Navy Officers Pension Fund (MNOPF) contributions paid by the Group are not refundable in any circumstance and the balance sheet liability reflects an adjustment for any agreed deficit recovery contributions in excess of deficit determined using the Group's assumptions. In 2017, an adjustment of USD 31m (USD 46m) was applied in this respect.

Specification of plan assets	**United Kingdom 2017**	**Other 2017**	**Total 2017**	**United Kingdom** 2016	**Other** 2016	**Total** 2016
Shares	322	177	499	357	176	533
Government bonds	985	78	1,063	695	69	764
Corporate bonds	573	71	644	439	61	500
Real estate	113	5	118	100	5	105
Other assets	541	94	635	500	49	549
Fair value 31 December	**2,534**	**425**	**2,959**	**2,091**	**360**	**2,451**

Except for an insignificant portion, the plan assets held by the Group are quoted investments.

Amounts in USD million

Note 13 — continued

Pensions and similar obligations

Change in net liability	Present value of obliga-tions	Fair value of plan assets	Adjust-ments	Net liability	Of which: United Kingdom
1 January 2016	**2,633**	**2,578**	**76**	**131**	**-45**
Current service cost, administration cost, etc.	20	-6	-	26	7
Calculated interest expense/income	90	89	-	1	-3
Recognised in the income statement in 2016	**110**	**83**	**-**	**27**	**4**
Actuarial gains/losses from changes in financial and demographic assumptions, etc.	328	-	-	328	336
Return on plan assets, exclusive calculated interest income	-	-249	-	-249	-242
Adjustment for unrecognised asset due to asset ceiling	-	-	38	38	38
Adjustment for minimum funding requirement	-	-	-21	-21	-21
Recognised in other comprehensive income in 2016	**328**	**-249**	**17**	**96**	**111**
Contributions from the Group and employees	1	79	-	-78	-69
Benefit payments	-156	-120	-	-36	-
Settlements	-21	-23	-	2	-
Exchange rate adjustment	-383	-395	-12	-	3
31 December 2016	**2,512**	**2,451**	**81**	**142**	**4**
Current service cost, administration cost etc.	19	-6	-	25	7
Calculated interest expense/income	74	72	-	2	-1
Recognised in the income statement in 2017	**93**	**66**	**-**	**27**	**6**
Actuarial gains/losses from changes in financial and demographic assumptions, etc.	24			24	5
Return on plan assets, exclusive calculated interest income		-152		-152	-122
Adjustment for unrecognised asset due to asset ceiling			-11	-11	-11
Adjustment for minimum funding requirement			-20	-20	-20
Recognised in other comprehensive income in 2017	**24**	**-152**	**-31**	**-159**	**-148**
Contributions from the Group and employees	1	93		-92	-88
Benefit payments	-162	-142		-20	-
Settlements	-2	-		-2	-
Effect of business combinations and disposals	219	122		97	3
Exchange rate adjustment	205	217	8	-4	-11
31 December 2017	**2,890**	**2,959**	**58**	**-11**	**-234**

Multi-employer plans

Under collective agreements, certain entities in the Group participate together with other employers in defined benefit pension plans as well as welfare/medical plans (multi-employer plans).

For the ***defined benefit pension plans***, the Group has joint and several liabilities to fund total obligations. In 2017, the Group's contributions are estimated at USD 134m (USD 141m) while the contributions to be paid in 2018 are estimated at USD 154m. In general, the contributions to the schemes are based on man hours worked or cargo tonnage handled, or a combination hereof.

No reliable basis exists for allocation of the schemes' obligations and plan assets to individual employer participants. For the plans where the Group has an interest and there is a deficit, the net obligations for all employers totalled USD 1.1bn (USD 1.9bn). This net obligation is based on the most recent available financial data from the plan's trustees, calculated in accordance with the rules for such actuarial calculation in US GAAP. The deficit in some of the schemes may necessitate increased contributions in the future.

The ***welfare/medical plans*** are by nature contribution plans funded on a pay-as-you-go basis. As for the defined benefit pension plans, the contributions are based on man-hours worked or cargo tonnage handled, or a combination hereof.

Amounts in USD million

Note 14

Provisions

	Abandonment	Restructuring	Legal disputes, etc.	Onerous and unfavourable contracts	Other	Total
1 January 2017	2,988	122	1,062	327	329	4,828
Provision made	-	48	277	92	87	504
Amount used	152	81	150	136	46	565
Amount reversed	6	27	204	114	113	464
Addition from business combinations	-	-	234	317	10	561
Unwind of discount	61	-	-6	-	1	56
Transfer	-	-	-	-	1	1
Transfer, assets held for sale	-2,891	-11	-292	-153	-38	-3,385
Exchange rate adjustment	-	4	2	1	7	14
31 December 2017	**-**	**55**	**923**	**334**	**238**	**1,550**
Of which:						
Classified as non-current	-	1	623	230	157	1,011
Classified as current	-	54	300	104	81	539
Non-current provisions expected to be realised after more than five years	-	-	18	-	82	100

Restructuring includes provisions for decided and publicly announced restructurings. Legal disputes, etc. include among other things tax, indirect tax and duty disputes. Other includes provisions for warranties and risk under certain self-insurance programmes. The provisions are subject to considerable uncertainty, cf. note 24.

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

Amounts in USD million

Note 15

Derivatives

Hedges comprise primarily currency derivatives and interest rate derivatives. Foreign exchange forwards and option contracts are used to hedge the currency risk related to recognised and unrecognised transactions. Interest rate and cross currency swaps are used to hedge interest rate exposure on borrowings. Price hedge derivatives are used to hedge crude oil prices and bunker prices.

	2017	2016
Non-current receivables	260	14
Current receivables	116	161
Non-current liabilities	138	526
Current liabilities	128	536
Assets, net	**110**	**-887**

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

	Fair value, asset 2017	Fair value, liability 2017	Nominal amount of derivative 2017	Fair value, asset 2016	Fair value, liability 2016	Nominal amount of derivative 2016
Hedge of borrowings						
Cross currency swaps						
EUR	240	16	3,515	10	361	3,614
GBP	2	37	437	-	78	370
JPY	7	14	200	5	17	192
SEK	-	68	305	-	137	473
NOK	6	41	693	-	87	674
Interest rate swaps						
Cash flow hedges	4	12	1,037	2	15	662
Fair value hedges	-	6	500	-	4	500
Total	**259**	**194**		**17**	**699**	
Hedge of operating cash flows and investments in foreign currencies						
Main currencies hedged						
EUR	16	0	674	0	11	276
GBP	11	0	480	1	25	513
DKK	15	0	579	0	25	553
Other currencies	28	7	1,098	8	32	1,015
Total	**70**	**7**		**9**	**93**	

	Fair value 2017	Fair value 2016
Held for trading		
Currency derivatives	-16	-128
Interest derivatives	-	3
Price hedge	- 2	4
Total	**- 18**	**-121**

The hedges are expected to be highly effective due to the nature of the economic relation between the exposure and hedge. The source of ineffectiveness is the credit risk of the hedging instruments. For hedges where cost of hedging is applied, the forward points and change in basis spread are recognised in other comprehensive income and transferred with the effective hedge when the hedged transaction occurs. The cost of hedging reserve amount is USD 7m.

For information about risk management strategy, currencies, maturities, etc. reference is made to note 17.

Hedge of borrowings

Cross currency swaps are used to swap all non-USD issued bonds. Fixed to floating rate swaps are designated as a combination of fair value and cash flow hedges. The principal amounts hereof are (USD equivalents): EUR 1,835m, GBP 95m, JPY 200m, SEK 171m and NOK 268m. The remaining swaps are fixed to fixed rate or floating to fixed rate swaps and are designated as cash flow hedges of currency and interest risk.

The hedge ratio is 1:1. The maturity of the hedge instrument 0-5 years are (USD equivalents): EUR 3,419m, GBP 32m, JPY 89m, SEK 305m and NOK 303m. 5-10 years: GBP 405m, JPY 111m and NOK 390m. Above 10 years: EUR 96m. Cross currency swaps are designated as a combination of hedge of principal cash flow and hedge of interests at a weighted average rate of 3.7%.

Interest rate swaps are all denominated in USD and pays either floating (fair value hedge) or fixed interest rates (cash flow hedge). The hedge ratio is 1:1 and the weighted average interest rate is 2.2%. The maturity of the interest rate swaps 0-5 years: USD 442m and 5-10 years USD 1,095m.

For cash flow hedges related to borrowings USD 31m is recognised in other comprehensive income and the cash flow hedges reserve is USD 31m. Reference is made to other comprehensive income.

The carrying amount of the borrowings in fair value hedge relation is USD 3,069m and the accumulated fair value adjustment of the loans is USD 28m (negative). The loss on the hedging instrument in fair value hedges recognised in the income statement for the year amounts to USD 33m (loss of USD 21m) and the gain on hedged item amounts to USD 33m (gain USD 27m).

Amounts in USD million

Note 15 — continued

Derivatives

Hedge of operating cash flows and investments in foreign currencies
Currency derivatives hedge future revenue, operating costs and investments/divestments and are recognised on an ongoing basis in the income statement and the cost of property, plant and equipment respectively.

Hedges of future revenue and operating costs mature within a year, while hedges of investments mature in 0-2 years.

For hedges related to operating cash flows and investment, USD 55m is recognised in other comprehensive income and the cash flow hedge reserve is USD 55m.

Other economic hedges (no hedge accounting applied)
Furthermore, the Group enters into derivatives to hedge economic risks that are not accounted for as hedging. These derivatives are accounted for as held for trading.

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

	2017	2016
Hedging foreign exchange risk on revenue	4	-7
Hedging foreign exchange risk on operating costs	45	-37
Hedging interest rate risk	-55	-69
Hedging investment in associated companies	-4	4
Hedging foreign exchange risk on the cost of non-current assets	119	-33
Hedging foreign exchange risk on discontinued operations	-83	-117
Total effective hedging	**26**	**-259**
Ineffectiveness recognised in financial expenses	-1	-5
Total reclassified from equity reserve for hedges	**25**	**-264**
Derivatives accounted for as held for trading		
Currency derivatives recognised directly in financial income/expenses	334	-110
Interest rate derivatives recognised directly in financial income/expenses	-37	-23
Oil prices and freight rate derivatives recognised directly in other income/costs	-20	-18
Derivatives recognised in income statement for discontinued operations	-6	-23
Net gains/losses recognised directly in the income statement	**271**	**-174**
Total	**296**	**-438**

For information about currencies, maturities, etc., reference is made to note 16.

Note 16

Financial instruments by category

	Carrying amount 2017	**Fair value 2017**	**Carrying amount** 2016	**Fair value** 2016
Carried at amortised cost				
Loans receivable	387	387	329	329
Finance lease receivables	29	29	31	31
Other interest bearing receivables and deposits	62	62	92	92
Trade receivables	3,864		3,814	
Other receivables (non-interest bearing)	1,137		1,461	
Cash and bank balances	2,171		4,105	
Financial assets at amortised cost	**7,650**		**9,832**	
Derivatives	**376**	**376**	**175**	**175**
Carried at fair value through profit/loss				
Other receivables (non-interest bearing)[1]	10	10	-	-
Bonds	-	-	40	40
Shares	-	-	11	11
Other securities	1	1	1	1
Financial assets at fair value through profit/loss	**11**	**11**	**52**	**52**
Carried at fair value through other comprehensive income				
Other equity investments (FVOCI)[2]	30	30	796	796
Financial assets at fair value through OCI	**30**	**30**	**796**	**796**
Total financial assets	**8,067**		**10,855**	
Carried at amortised cost				
Bank and other credit institutions	6,964	7,140	4,967	5,115
Finance lease liabilities	2,745	3,112	2,271	2,719
Issued bonds	7,804	8,020	8,097	8,244
Trade payables	5,250		4,901	
Other payables	1,306		1,374	
Financial liabilities at amortised cost	**24,069**		**21,610**	
Derivatives	**266**	**266**	**1,062**	**1,062**
Carried at fair value				
Other payables	7	7	7	7
Financial liabilities at fair value	**7**	**7**	**7**	**7**
Total financial liabilities	**24,342**		**22,679**	

[1] Relates to contingent consideration receivable.
[2] Designated at initial recognition in accordance with IFRS 9. Available-for-sale in 2016.

Amounts in USD million

Note 16 — continued

Financial instruments by category

Disposal of the remaining 19% share in Dansk Supermarked Group
As the Salling Companies in November were able to complete the final transaction 2014, A.P. Møller - Mærsk A/S sold its remaining 19% share of Dansk Supermarked Group for DKK 5.5bn equivalent to USD 871m.

The accumulated loss of USD 123m has been transferred within equity. The loss can be attributed to the development in the DKK/USD exchange rate since initial recognition.

Equity Investments at fair value through other comprehensive income (FVOCI)
After disposal of the remaining 19% share in Dansk Supermarked Group, equity investments at fair value through other comprehensive income (FVOCI) comprise only a number of minor investments.

Financial instruments measured at fair value
Financial instruments measured at fair value can be divided into three levels:
Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 — Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
Level 3 — Inputs for the asset or liability that are not based on observable market data.

Fair value of listed securities is within level 1 of the fair value hierarchy. Non-listed shares and other securities are within level 3 of the fair value hierarchy.

Fair value of derivatives is mainly within level 2 of the fair value hierarchy and is calculated on the basis of observable market data as of the end of the reporting period. A minor amount of crude oil price derivatives is within level 1 of the fair value hierarchy.

Fair value of level 3 assets and liabilities is primarily based on the present value of expected future cash flows. A reasonably possible change in the discount rate is not estimated to affect the Group's profit or equity significantly.

Financial instruments carried at amortised cost
Fair value of the short-term financial assets and other financial liabilities carried at amortised cost is not materially different from the carrying amount. In general, fair value is determined primarily based on the present value of expected future cash flows. Where a market price was available, however, this was deemed to be the fair value.

Fair value of listed issued bonds is within level 1 of the fair value hierarchy. Fair value of the remaining borrowing items is within level 2 of the fair value hierarchy and is calculated on the basis of discounted future cash flows.

Movement during the year in level 3	Other equity investments (FVOCI)[1]	Other receivables	Total financial assets	Other payables	Total financial liabilities
Carrying amount 1 January 2016	845	-	845	5	5
Addition	15	-	15	-	-
Disposal	103	-	103	-	-
Gains/losses recognised in the income statement	-	-	-	1	1
Gains/losses recognised in other comprehensive income	24	-	24	-	-
Exchange rate adjustment, etc.	-	-	-	1	1
Carrying amount 31 December 2016	**781**	**-**	**781**	**7**	**7**
Addition	-	28	28	-	-
Disposal	877	-	877	-	-
Gains/losses recognised in the income statement	-	-18	-18	-	-
Gains/losses recognised in other comprehensive income	138	-	138	-	-
Transfer, assets held for sale	-31	-	-31		
Exchange rate adjustment, etc.	2	-	2	-	-
Carrying amount 31 December 2017	**13**	**10**	**23**	**7**	**7**

[1] Available for sale in 2016.

In 2016, the valuation of the significant financial asset in level 3 was tested against a combination of valuation methodologies taking into account both the retail operations as well as the real estate portfolio owned by Dansk Supermarked Group. The valuation is assessed using both a discounted cash flow model with reference to selected listed peers and real estate yields. The discounted cash flow model relies on a discount rate of 6.5% reflecting a weighted average of an assumed discount rate for the retail business and an assumed yield for the real estate business as well as a long-term terminal growth rate of 2%.

Amounts in USD million

Note 17

Financial risks, etc.

The Group's activities expose it to a variety of financial risks:

- Market risks, i.e. currency risk and interest rate risk
- Credit risk
- Liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central finance department under policies approved by the Board of Directors. The finance department identifies, evaluates and hedges financial risks in close cooperation with the Group's business units.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's profit or the value of its holdings of financial instruments. Below sensitivity analyses relate to the position of financial instruments at 31 December 2017.

The sensitivity analyses for currency risk and interest rate risk have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies remain unchanged from hedge designations in place at 31 December 2017. Furthermore, it is assumed that the exchange rate and interest rate sensitivities have a symmetric impact, i.e. an increase in rates results in the same absolute movement as a decrease in rates.

The sensitivity analyses show the effect on profit or loss and equity of a reasonably possible change in exchange rates and interest rates.

Currency risk

The Group's currency risk relates to the fact that while income from shipping and oil-related activities is denominated mainly in USD, the related expenses are incurred in both USD and a wide range of other currencies such as EUR, NOK, GBP, SEK, SGD and DKK. As the net income is in USD, this is also the primary financing currency. Income and expenses from other activities, including APM Terminals, are mainly denominated in local currencies, thus reducing the Group's exposure to these currencies.

The main purpose of hedging the Group's currency risk is to hedge the USD value of the Group's net cash flow and reduce fluctuations in the Group's profit. The Group uses various financial derivatives, including forwards, option contracts and cross-currency swaps, to hedge these risks. The key aspects of the currency hedging policy are as follows:

- Net cash flows in other significant currencies than USD are hedged using a layered model with a 12-month horizon;
- Significant capital commitments or divestments in other currencies than USD are hedged;
- Most non-USD debt is hedged, however, depending on the asset-liability match and the currency of the generated cash flow.

An increase in the USD exchange rate of 10% against all other significant currencies to which the Group is exposed is estimated to have a positive impact on the Group's profit before tax by USD 0.3bn (USD 0.1 bn) and to affect the Group's equity, excluding tax, positively by USD 0.0bn (negatively by USD 0.1bn). The sensitivities are based only on the impact of financial instruments that are outstanding at the balance sheet date, cf. notes 15 and 16, and are thus not an expression of the Group's total currency risk.

Interest rate risk

The Group has most of its debt denominated in USD, but part of the debt (e.g. issued bonds) is in other currencies such as EUR, NOK, GBP, SEK and JPY.

The Group strives to maintain a combination of fixed and floating interest rates on its net debt, reflecting expectations and risks. The hedging of the interest rate risk is governed by a duration range and is primarily obtained through the use of interest rate swaps. The duration of the Group's debt portfolio is 1.8 years (2.2 years). A general increase in interest rates by one percentage point is estimated, all other things being equal, to affect profit before tax and equity, excluding tax effect, negatively by approximately USD 48m and USD 40m, respectively (positively by approximately USD 1m and USD 34m, respectively).

This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

		Next interest rate fixing		
Borrowings by interest rate levels inclusive of interest rate swaps	**Carrying amount**	**0-1 year**	**1-5 years**	**5- years**
2017				
0-3%	6,872	4,591	1,767	514
3-6%	9,419	4,467	3,285	1,667
6%-	1,222	31	215	976
Total	**17,513**	**9,089**	**5,267**	**3,157**
Of which:				
Bearing fixed interest	8,788			
Bearing floating interest	8,725			
2016				
0-3%	8,048	5,434	1,589	1,025
3-6%	5,719	2,605	1,156	1,958
6%-	1,568	100	415	1,053
Total	**15,335**	**8,139**	**3,160**	**4,036**
Of which:				
Bearing fixed interest	7,363			
Bearing floating interest	7,972			

Amounts in USD million

Note 17 — continued

Financial risks, etc.

Credit risk

Trade receivables

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

A.P.Møller - Mærsk A/S applies the simplified approach to providing the expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. In accordance with IFRS 9, also non-due trade receivables have been impaired.

Maturity analysis of trade receivables	2017	2016
Receivables not due	2,360	2,529
Less than 90 days overdue	1,309	1,079
91-365 days overdue	293	309
More than 1 year overdue	174	176
Receivables, gross	4,136	4,093
Provision for bad debt	272	279
Carrying amount	**3,864**	**3,814**

The loss allowance provision for trade receivables as at 31 December 2017 reconciles to the opening loss allowance as follows:

Change in provision for bad debt	2017	2016
1 January	279	301
Provision made	200	166
Amount used	110	126
Amount reversed	69	63
Transfer, assets held for sale	-25	-
Exchange rate adjustment	-3	1
31 December	**272**	**279**

Approximately 64%(63%) of the provision for bad debt is related to trade receivables overdue by more than one year.

Other financial assets at amortised cost

Other financial assets at amortised cost comprise loans receivable, finance lease receivables and other receivables. All of these financial assets are considered to have low credit risk and thus the impairment provision calculated basis of 12 month expected losses is considered immaterial. The financial assets are considered to be low risk when they have low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Liquidity risk

The Group's objective is to maintain a liquidity profile in line with an investment grade credit rating. Capital is managed for the Group as a whole. The equity share of total equity and liabilities was 49.7% at the end of 2017 (52.5%).

	2017	2016
Borrowings	17,513	15,335
Net interest-bearing debt	14,864	10,737
Liquidity reserve[1]	9,649	11,842

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

In addition to the liquidity reserve, the Group has USD 2.8bn undrawn committed loans which are dedicated to financing of specific assets, part of which will therefore only become available at certain times in the future.

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

The average term to maturity of loan facilities in the Group was about four years (about five years at 31 December 2016).

Amounts in USD million

Note 17 — continued

Financial risks, etc.

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

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

Maturities of liabilities and commitments	Carrying amount	Cash flows including interest 0-1 year	1-5 years	5- years	Total
2017					
Bank and other credit institutions	6,964	1,901	4,958	906	7,765
Finance lease liabilities	2,745	583	1,816	1,080	3,479
Issued bonds	7,804	508	6,034	2,216	8,758
Trade payables	5,250	5,250	-	-	5,250
Other payables	1,313	1,241	66	6	1,313
Non-derivative financial liabilities	**24,076**	**9,483**	**12,874**	**4,208**	**26,565**
Derivatives	266	128	86	52	266
Total recognised in balance sheet	**24,342**	**9,611**	**12,960**	**4,260**	**26,831**
Operating lease commitments[1]		1,950	4,496	5,853	12,299
Capital commitments[1]		2,111	622	1,121	3,854
Total		**13,672**	**18,078**	**11,234**	**42,984**
2016					
Bank and other credit institutions	4,967	1,111	3,127	1,142	5,380
Finance lease liabilities	2,271	326	1,252	1,522	3,100
Issued bonds	8,097	1,029	5,352	2,838	9,219
Trade payables	4,901	4,901	-	-	4,901
Other payables	1,381	1,348	16	17	1,381
Non-derivative financial liabilities	**21,617**	**8,715**	**9,747**	**5,519**	**23,981**
Derivatives	1,062	536	409	117	1,062
Total recognised in balance sheet	**22,679**	**9,251**	**10,156**	**5,636**	**25,043**
Operating lease commitments[1]		1,401	2,993	5,345	9,739
Capital commitments[1]		2,892	1,562	916	5,370
Total		**13,544**	**14,711**	**11,897**	**40,152**

[1] Related to continuing operations.

Note 18

Commitments – continuing operations

Operating lease commitments

As part of the Group's activities, customary agreements are entered into regarding charter and operating leases of ships, containers, port facilities, etc. The future charter and operating lease payments are:

	Maersk Line[1]	APM Terminals	Other	Total
2017				
Within one year	1,501	282	167	1,950
Between one and two years	1,040	263	128	1,431
Between two and three years	841	291	90	1,222
Between three and four years	657	294	68	1,019
Between four and five years	467	305	52	824
After five years	855	4,850	148	5,853
Total	**5,361**	**6,285**	**653**	**12,299**
Net present value[2]	4,605	3,637	544	8,786
2016				
Within one year	993	281	127	1,401
Between one and two years	596	243	111	950
Between two and three years	489	246	93	828
Between three and four years	349	270	79	698
Between four and five years	180	274	63	517
After five years	248	4,888	209	5,345
Total	**2,855**	**6,202**	**682**	**9,739**
Net present value[2]	2,529	3,527	548	6,604

[1] About 40% of the time charter payments in Maersk Line reflected above estimated to relate to operational costs for the assets. USD 2.3bn of the increase in the operating lease commitments for Maersk Line is due to the acquisition of Hamburg Süd in 2017.

[2] The net present value has been calculated using a discount rate of 6% (6%).

Amounts in USD million

Note 18 — continued

Commitments – continuing operations

Capital commitments	Maersk Line	APM Terminals	Other	Total
2017				
Capital commitments relating to acquisition of non-current assets	1,649	605	60	2,314
Commitments towards concession grantors	-	1,540	-	1,540
Total capital commitments	**1,649**	**2,145**	**60**	**3,854**
2016				
Capital commitments relating to acquisition of non-current assets	2,798	1,004	84	3,886
Commitments towards concession grantors	-	1,484	-	1,484
Total capital commitments	**2,798**	**2,488**	**84**	**5,370**

The decrease in capital commitments is primarily related to contractual payments during 2017.

Newbuilding programme	2018	No. 2019	Total
Container vessels	17	3	20
Tugboats	9	-	9
Total	**26**	**3**	**29**

Capital commitments relating to the newbuilding programme	2018	USD million 2019	Total
Container vessels	1,266	295	1,561
Tugboats	43	-	43
Total	**1,309**	**295**	**1,604**

USD 1.6bn of the total capital commitments are related to the newbuilding programme for ships, rigs, etc. at a total contract price of USD 2.2bn including owner-furnished equipment. The remaining capital commitments of USD 2.3bn relate to investments mainly within APM Terminals.

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

Note 19

Contingent liabilities

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

The necessary facility of USD 214m (USD 153 m) has been established in order to meet the requirements for using US waters under the American Oil Pollution Act of 1990 (Certificate of Financial Responsibility).

Custom Bonds of USD 429m (USD 384m) have been provided to various port authorities in India.

Maersk Line and APM Terminals have entered into certain agreements with terminals and port authorities, etc. containing volume commitments including an extra payment in case minimum volumes are not met.

The Group is involved in a number of legal disputes. The Group is also involved in tax disputes in certain countries. Some of these involve significant amounts and are subject to considerable uncertainty.

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

Amounts in USD million

Note 20

Cash flow specifications

	2017	2016
Change in working capital		
Trade receivables	-401	-680
Other working capital movements	99	309
Exchange rate adjustment of working capital	20	-28
Total	**-282**	**-399**
Purchase of intangible assets and property, plant and equipment		
Additions	-3,805	-3,028
Of which finance leases, etc.	172	947
Of which borrowing costs capitalised on assets	63	49
Change in payables to suppliers regarding purchase of assets	-29	34
Total	**-3,599**	**-1,998**

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

Note 21

Acquisition/sale of subsidiaries and activities

Cash flow used for acquisitions in 2017	Hamburg Süd	Other	Total
Fair value at time of acquisition			
Intangible assets	1,143[1]	-	1,143
Property, plant and equipment	3,868[2]	-	3,868
Financial assets	202	-	202
Deferred tax assets	19	-	19
Current assets	1,043[3]	-	1,043
Provisions	-561[4]	-	-561
Liabilities	-1,751[5]	-	-1,751
Net assets acquired	**3,963**	**-**	**3,963**
Non-controlling interests	-	-	-
Net assets acquired	**3,963**	**-**	**3,963**
Goodwill	388	-	388
Purchase price[6]	**4,351**	**-**	**4,351**
Contingent consideration paid	-	1	1
Cash and bank balances assumed	-200	-	-200
Cash flow used for acquisition of subsidiaries and activities	**4,151**	**1**	**4,152**

[1] Intangible assets consist mainly of customer relations and brand name rights.
[2] Property, plant and equipment consist mainly of container vessels and containers.
[3] Currents assets consist mainly of trade and other receivables.
[4] Of which USD 317m relate to unfavourable lease contracts where USD 234m are reported as non-current provisions and USD 83m as current provisions. Furthermore, USD 230m relate to tax provisions, where an indemnification asset of USD 148m is recognised as a financial asset.
[5] Non-current liabilities consist mainly of financial lease obligations, borrowings and other payables whereas current liabilities consist mainly of trade payables.
[6] The purchase price of USD 4,351m includes a positive hedge effect of USD 118m.

Acquisitions during 2017

Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft KG (Hamburg Süd)

As of 1 December 2017, the Group acquired 100% of the shares in Hamburg Süd including partnership shares in asset owning companies (SPCs) owning vessels, newbuild contracts and containers connected hereto. Hamburg Süd is included in the consolidated financial reporting from 1st of December 2017. For further details on the acquisition of Hamburg Süd reference is made to the Directors' report pages 21-23.

Amounts in USD million

Note 21 — continued

Acquisition/sale of subsidiaries and activities

The goodwill of USD 388m is primarily attributable to network synergies between Maersk Line and Hamburg Süd including its Brazilian subsidiary Aliança and is not deductible for tax purposes.

From the acquisition date to 31 December 2017, Hamburg Süd Group contributed with a revenue of USD 0.5bn while the result was immaterial. If the acquisition had occurred on 1 January 2017, the impact on Group's revenue would have been USD 5.4bn (proforma), while the result would have increased by USD 0.1bn.

For 2017, the acquisition and integration costs amounted to USD 59m.

The accounting for the business combination is considered provisional at 31 December 2017 as the acquisition was only completed on 1 December 2017.

Estimates and judgements
Fair value measurement
When applying the acquisition method of accounting, fair value assessments are made for identifiable assets acquired and liabilities assumed. Determining fair values at the date of acquisition, by nature entails management to apply estimates. Significant estimates are particularly applied in the valuation of vessels, containers, customer relationships, brands, finance lease obligations and unfavourable contracts. The inherent uncertainties in the fair value estimates may result in measurement adjustments in the 12 months following closing of the transaction. Goodwill has been assessed as recoverable at 31 December 2017.

Acquired material net assets for which significant accounting estimates have been applied are recognised using the following valuation techniques:

Intangible assets
Customer relationships have been measured using the excess earnings method, in which the present value of future cash flows from recurring customers expected to be retained after the date of acquisition is valued. The main input value drivers are estimated future retention rates and net cash flows of the acquired customer base. These have been estimated based on management's analysis of the acquired customer base, historical data and general business insights. The useful life of customer relationships is estimated at 15 years.

The fair value of *brands* has been measured using the relief from royalty method, in which management, based on an analysis has assessed a royalty rate which an independent third party would charge for the use of the brands. Besides the royalty rate, the main input value driver is estimated future revenue. The useful life of customer relationships is estimated at 20 years.

The valuation of intangible assets reflects a market participants view applying a discount rate of 9-10%.

Property, plant and equipment
Fair value of vessels and containers are measured using the market comparison method based on internally prepared valuations compared with external valuations.

Financial lease obligations
The fair value of financial lease obligations has been measured using a discounted cash flow model in which present value of the obligations have been determined based on the contractual future lease payments and an A.P. Moller - Maersk calculated borrowing rate.

Unfavourable contracts
The fair value of unfavourable contracts are measured using the market comparison method based on the actual market rates for similar contracts.

Amounts in USD million

Note 21 — continued

Acquisition/sale of subsidiaries and activities

Cash flow used for acquisitions in 2016	**Grup Marítim TCB S.L.**	**Other**	**Total**
Fair value at time of acquisition			
Intangible assets	827[1]	54	881
Property, plant and equipment	428	-	428
Financial assets	60	-	60
Deferred tax assets	6	-	6
Current assets	223	39	262
Provisions	-5	-	-5
Liabilities	-814[2]	-19	-833
Net assets acquired	**725**	**74**	**799**
Non-controlling interests	-142[3]	-37	-179
A.P. Møller - Mærsk A/S' share	**583**	**37**	**620**
Goodwill	248	-	248
Purchase price	**831**	**37**	**868**
Contingent consideration assumed	-	-2	-2
Contingent consideration paid	-	1	1
Cash and bank balances assumed	-120	-39	-159
Cash flow used for acquisition of subsidiaries and activities	**711**	**-3**	**708**

[1] Intangible assets consist mainly of terminal rights.
[2] Liabilities acquired consist mainly of borrowings.
[3] Non-controlling interest relates to companies owned less than 100% by Grup Marítim TCB S.L. and it is measured at the non-controlling interest's proportionate share of the acquirees' identifiable net assets.

Acquisitions during 2016

Grup Marítim TCB S.L.

On 8 March 2016, the Group acquired 100% of the shares in Grup Maritim TCB, which owns eight terminals in the Mediterranean and Latin America. The acquisition of two additional operating facilities in the Canary Islands and one in Izmir, Turkey (representing less than 5% of the total transaction by value) did not receive regulatory approval up to 8 March 2016, and is thus excluded from the current business combination. Taking control of Grup Marítim TCB has expanded the Group's position in Spain and will accelerate its growth in Latin America.

The total enterprise value of USD 1.2bn consisted of the total purchase price of USD 0.8bn and acquired net interest bearing debt of USD 0.4bn. Adjustments to the provisional amounts were made since the acquisition date including the allocation of goodwill of USD 248m.

The goodwill of USD 248m is attributable to network synergies between APM Terminals and Grup Marítim TCB S.L. in Latin America and on the Iberian Peninsula and is not deductible for tax purposes. From the acquisition date to 31 December 2016, Grup Marítim TCB S.L. contributed with revenue of USD 0.3bn. If the acquisition had occurred on 1 January 2016, the impact on Group's revenue would have been USD 0.3bn. The result contributed to the Group is minor. The accounting for the business combination was considered provisional at 31 December 2016 due to certain contingencies, indemnities, etc.

Cash flow from sale	**2017**	2016
Carrying amount		
Property, plant and equipment	178	-
Financial assets	20	-
Deferred tax assets	52	-
Current assets	143	-
Provisions	-8	-
Liabilities	-147	-
Net assets sold	**238**	**-**
Non-controlling interests	-26	-
A.P. Møller - Mærsk A/S' share	**212**	**-**
Gain/loss on sale[1]	140	14
Proceeds from sale	**352**	**14**
Change in receivable proceeds, etc.	40	-
Non-cash items	-31	-
Cash and bank balances sold	-47	-
Cash flow from sale of subsidiaries and activities	**314**	**14**

[1] Excluding accumulated exchange rate gain/loss previously recognised in equity.

Sales during 2017

In continuing operations, sales during 2017 primarily comprise Mercosul Line triggered by the Hamburg Süd acquisition, Pentalver in the UK, Dalian terminal in China and Zeebrugge terminal in Belgium. The sale of discontinued operations is disclosed in note 9.

Sales during 2016

No material sales of subsidiaries or activities were undertaken in 2016.

Non-current assets sold include assets that were previously classified as assets available-for-sale.

Amounts in USD million

Note 22

Related parties

	Controlling parties		Associated companies		Joint ventures		Management[1]	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Income statement								
Revenue	13	-	29	16	101	74	-	-
Operating costs	38	-	306	278	735	767	12 [2]	13 [2]
Remuneration to management	-	-	-	-	-	-	15	40
Other	-	-	-	-	1	-	-	-
Assets								
Other receivables, non-current	-	-	-	-	143	121	-	-
Trade receivables	2	-	7	14	40	34	-	-
Cash and bank balances	29	-	41	39	87	51	-	-
Liabilities								
Bank and other credit institutions, etc. current	-	-	-	-	24	23	-	-
Trade payables	-	-	40	39	125	86	-	1
Other	1	-	-	-	-	-	-	-
Purchase of property, plant and equipment, etc.	-	-	-	-	-	-	-	-
Sale of companies, property, plant and equipment, etc.	1,230 [3]	-	-	-	-	-	-	-
Dividends	-	-	56	51	157	160	-	-

[1] The Board of Directors and the Executive Board in A.P. Møller - Mærsk A/S, A.P. Møller Holding A/S, A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal and their close relatives (including undertakings under their significant influence). Trade receivables and payables include customary business related accounts in connection with shipping activities.

[2] Includes commission and commercial receivables to Maersk Broker K/S from chartering as well as purchase and sale of ships.

[3] Includes USD 1.2bn relating to the sale of shares in Maersk Tankers A/S to APMH Invest A/S and USD 13m for the sale of a building with A.P. Møller Holding A/S.

A.P. Møller Holding A/S, Copenhagen, Denmark has control over the Company and prepares consolidated financial statements. A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal is the ultimate owner.

Dividends distributed are not included.

Amounts in USD million

Note 23
Significant accounting policies

Basis of preparation
The consolidated financial statements for 2017 for A.P. Moller - Maersk have been prepared on a going concern basis and in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for listed companies. The consolidated financial statements are also in accordance with IFRS as issued by the International Accounting Standards Board (IASB). The accounting policies are consistent with those applied in the consolidated financial statements for 2016 except for the below areas:

The consolidated financial statements of A.P. Moller - Maersk are included in the consolidated financial statements of A.P. Møller Holding A/S.

As stated in the Annual Report 2016, A.P. Moller - Maersk has decided to adopt IFRS 9 from 1 January 2017. The implementation of IFRS 9 has not affected the classification and measurement of the Group's financial instruments, and the new standard does not fundamentally change the hedging relationships.

Management elected to classify the 19% shareholding in Dansk Supermarked Group as fair value through other comprehensive income. The accumulated loss recognised in other comprehensive income will, as a consequence, remain in equity, as will value adjustments related to this investment following this date. The remaining equity investments previously classified as assets available for sale have also been classified as fair value through other comprehensive income. The accumulated amount recognised in other comprehensive income for the remaining equity investments is not material.

The effect of the change from the 'incurred loss' model in IAS 39 to the 'expected credit loss' model in IFRS 9 is considered immaterial due to the low credit risk in the Group. Due to immaterial effects from implementing IFRS 9, the 2016 financial statements have not been restated. The effects as of end of 2016 have been recognised in 2017.

A number of changes to accounting standards became effective 1 January 2017. Those relevant to A.P. Moller - Maersk are 'Recognition of Deferred Tax Assets for Unrealised Losses' (amendments to IAS 12) and 'Disclosure initiative' (amendments to IAS 7). The amendments encompass various guidance and clarifications, which only affects disclosures.

In addition: 'Annual improvements to IFRSs 2012-2014 cycle' became effective 1 January 2017, but have not been endorsed by the EU. The amendments encompass various guidance and clarifications, which would have had no material effect on the financial statements if endorsed by the EU.

New financial reporting requirements coming into effect after 31 December 2017 are outlined in Note 26:

Consolidation
The consolidated financial statements comprise the parent company A.P. Møller - Mærsk A/S, its subsidiaries and proportionate shares in joint arrangements classified as joint operations.

Subsidiaries are entities controlled by A.P. Møller - Mærsk A/S. Control is based on the power to direct the relevant activities of an entity and the exposure, or right, to variable returns arising from it. In that connection, relevant activities are those that significantly affect the investee's returns. Control is usually achieved by directly or indirectly owning or in other ways controlling more than 50% of the voting rights or by other rights, such as agreements on management control.

Joint arrangements are entities in which A.P. Moller - Maersk, according to contractual agreements with one or more other parties, has joint control. The arrangements are classified as joint ventures, if the contracting parties' rights are limited to net assets in the separate legal entities, and as joint operations, if the parties have direct and unlimited rights to the assets and obligations for the liabilities of the arrangement.

Entities in which A.P. Moller - Maersk exercises a significant but non-controlling influence are considered associated companies. A significant influence is usually achieved by directly or indirectly owning or controlling 20-50% of the voting rights. Agreements and other circumstances are considered when assessing the degree of influence.

Consolidation is performed by summarising the financial statements of the parent company and its subsidiaries, including the proportionate share of joint operations, part-owned vessels and pool arrangements, which have been prepared in accordance with A.P. Moller - Maersk's accounting policies. Intra-group income and expenses, shareholdings, dividends, intra-group balances and gains on intra-group transactions are eliminated. Unrealised gains on transactions with associated companies and joint arrangements are eliminated in proportion to A.P. Moller - Maersk's ownership share. Unrealised losses are eliminated in the same way, unless they indicate impairment.

Non-controlling interests' share of profit/loss for the year and of equity in subsidiaries is included as part of A.P. Moller - Maersk's profit and equity respectively, but shown as separate items.

Foreign currency translation
The consolidated financial statements are presented in USD, the functional currency of the parent company. In the translation to the presentation currency for subsidiaries, associates or joint arrangements with functional currencies other than USD, the total comprehensive income is translated into USD at average exchange rates and the balance sheet is translated at the exchange rates as at the balance sheet date. Exchange rate differences arising from such translations are recognised directly in other comprehensive income and in a separate reserve of equity.

The functional currency varies from business area to business area. For A.P. Moller - Maersk's principal shipping activities, the functional currency is typically USD. This means, among other things, that the carrying amounts of property, plant and equipment and intangible assets and, hence, depreciation and amortisation are maintained in USD from the date of acquisition. For other activities, including container terminal activities and land-based container activities, the functional currency is generally the local currency of the country in which such activities are performed, unless circumstances suggest a different currency is appropriate. The functional currency of oil and oil-related business within discontinued operations is USD.

Transactions in currencies other than the functional currency are translated at the exchange rate prevailing at the date of the transaction. Monetary items in foreign currencies not settled at the balance sheet date are translated at the exchange rate as at the balance sheet date. Foreign exchange gains and losses are included in the income statement as financial income or expenses.

Amounts in USD million

Note 23 — continued

Significant accounting policies

Segment information
The allocation of business activities into segments reflects A.P. Moller - Maersk's character as an integrated transport and logistics company and is in line with the internal management reporting. Activities are related, but are managed individually. The reportable segments are as follows:

Maersk Line	Global container shipping activities including Hamburg Süd from the date of acquisition
APM Terminals	Container terminal activities and inland container services
Damco	Freight forwarding and supply chain management services
Svitzer	Towing and related marine activities
Maersk Container Industry	Production of reefer and dry containers

Maersk Oil, Maersk Tankers, Maersk Drilling and Maersk Supply Service have been classified as discontinued operations and assets held for sale in the Annual Report 2017.

In addition, A.P. Moller - Maersk comprises other businesses that neither individually nor in aggregate constitute reportable segments. These include, inter alia, Maersk Aviation, Maersk Training, Höegh Autoliners (associated company) and Maersk Oil Trading. Maersk Oil Trading's activity in the form of purchasing bunker and lubricating oil on behalf of entities in A.P. Moller - Maersk are from 1 July 2017 classified as Other business (previously unallocated) due to increased external activity. Comparative figures have not been restated.

The reportable segments do not comprise costs in corporate functions.

Revenue between segments is limited except for terminal activities where a large part of the services is delivered to Maersk Line. Sales of products and services between segments are based on market terms.

Segment profit/loss (NOPAT defined as net operating profit/loss after tax), free cash flow and invested capital comprise items directly related to or which can be allocated to segments. Financial assets, liabilities, income and expenses and cash flows from these items are not attributed to reportable segments. With no effect on A.P. Moller - Maersk's results or financial position, long-term agreements between Maersk Line and APM Terminals on reserved terminal facilities are treated as operating leases, which under IFRS would be classified as finance leases.

Income statement
Revenue from sale of goods is recognised upon the transfer of risk to the buyer.

Revenue from shipping activities is recognised as the service is provided, including a share of revenue from incomplete voyages at the balance sheet date. Invoiced revenue related to an estimated proportion of remaining voyage time and activities at the destination port is deferred. Detention and demurrage fees are recognised at the time of customers' late return or pick-up of containers. Revenue is recognised net of volume discounts and rebates.

Revenue from terminal operations, freight forwarding activities and towing activities is recognised upon completion of the service. In container terminals operated under certain restrictive terms of pricing and service, etc., the value of tangible assets constructed on behalf of the concession grantor is recognised as revenue during the construction.

Lease income from operating leases is recognised over the lease term.

Share of profit/loss in associated companies and joint ventures is recognised net of tax and corrected for the share of unrealised intra-group gains and losses. The item also comprises any impairment losses for such investments and their reversal.

Tax comprises an estimate of current and deferred income tax as well as adjustments to previous years of those. Income tax is tax on taxable profits and consists of corporation tax, withholding tax of dividends, etc. In addition, tax comprises tonnage tax. Tonnage tax is classified as tax when creditable in, or paid in lieu of, income tax. Tax is recognised in the income statement to the extent it arises from items recognised in the income statement, including tax of gains on intra-group transactions that have been eliminated in the consolidation.

Earnings per share are calculated as A.P. Møller - Mærsk A/S' share of the profit/loss for the year divided by the number of shares (of DKK 1,000 each), excluding A.P. Moller - Maersk's holding of own shares. Diluted earnings per share are adjusted for the dilution effect of share-based compensation issued by the parent company.

Statement of comprehensive income
Other comprehensive income consists of income and costs not recognised in the income statement, including exchange rate adjustments arising from the translation from functional currency to presentation currency, fair value adjustments of other equity investments (at FVOCI), cash flow hedges, forward points and currency basis spread as well as actuarial gains/losses on defined benefit plans, etc. A.P. Moller - Maersk's share of other comprehensive income in associated companies and joint ventures is also included.

On disposal or discontinuation of an entity, A.P. Moller - Maersk's share of the accumulated exchange rate adjustment relating to the relevant entity with a non-USD functional currency is reclassified to the income statement. Accumulated value adjustments of equity instruments classified as equity instruments at fair value through other comprehensive income will remain in equity upon disposal.

Other comprehensive income includes current and deferred income tax to the extent the items recognised in other comprehensive income are taxable or deductible.

Balance sheet
Intangible assets are measured at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets. Intangible assets in connection with acquired customer relationships and brand name are amortised over a useful life of 15 and 20 years respectively. IT software is amortised over a useful life of 3-5 years.

Amounts in USD million

Note 23 — continued

Significant accounting policies

For container terminals operated under certain restrictive price and service conditions, etc., concessional rights to collect usage charges are included under intangible assets. The cost includes the present value of minimum payments under concession agreements and the cost of property, plant and equipment constructed on behalf of a grantor of a concession. The rights are amortised from the commencement of operations over the concession period.

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

Ships, etc.	20-25 years
Containers, etc.	12 years
Buildings	10-50 years
Terminal infrastructure	10-20 years or concession period, if shorter
Plant and machinery, cranes and other terminal equipment	5-20 years
Other operating equipment, fixtures, etc.	3-7 years

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

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

The cost of assets constructed by A.P. Moller - Maersk includes directly attributable expenses. For assets with a long construction period, borrowing costs during the construction period from specific as well as general borrowings are attributed to cost. In addition, the cost includes the net present value of estimated costs of removal and restoration.

Impairment losses are recognised when the carrying amount of an asset or a cash-generating unit exceeds the higher of the estimated value in use and fair value less costs of disposal. Goodwill is attributed to cash-generating units on acquisition and impaired before other assets.

Intangible assets and property, plant and equipment are tested for impairment, if there is an indication of impairment. However, annual impairment tests are carried out for goodwill and other intangible assets with indefinite useful lives as well as intangible assets that are not yet in use.

Assets are *held for sale*, when the carrying amount of an individual non-current asset, or disposal groups, will be recovered principally through a sale transaction rather than through continuing use. Assets are classified as held for sale, when activities to carry out a sale have been initiated, the activities are available for immediate sale in their present condition and the activities are expected to be disposed of within 12 months. Liabilities directly associated with assets held for sale are presented separately from other liabilities.

Assets held for sale are measured at the lower of carrying amount immediately before classification as held for sale and fair value less costs to sell and impairment tests are performed immediately before classification as held for sale. Non-current assets are not depreciated or amortised while classified as held for sale. Measurement of deferred tax and financial assets and liabilities is unchanged.

Lease contracts are classified as operating or finance leases at the inception of the lease. Once determined, the classification is not subsequently reassessed unless there are changes to the contractual terms. Contracts which transfer all significant risks and benefits associated with the underlying asset to the lessee are classified as finance leases. Assets held under finance leases are treated as property, plant and equipment.

Investments in associated companies and joint ventures are recognised at A.P. Moller - Maersk's share of the equity value inclusive of goodwill less any impairment losses. Goodwill is an integral part of the value of associated companies and joint ventures and is therefore subject to an impairment test together with the investment as a whole. Impairment losses are reversed to the extent the original value is considered recoverable.

Securities, including shares, bonds and similar securities, are recognised on the trading date at fair value and subsequently measured at the quoted market price for listed securities and at estimated fair value for non-listed securities. Fair value adjustments from equity investments at fair value through other comprehensive (FVOCI) remains in equity upon disposal. Dividends are recognised in the income statement.

Inventories mainly consist of bunker, containers (manufacturing), spare parts not qualifying for property, plant and equipment and other consumables. Inventories are measured at cost, primarily according to the FIFO method. The cost of finished goods and work in progress includes direct and indirect production costs.

Loans and receivables are initially recognised at fair value, plus any direct transaction costs and subsequently measured at amortised cost using the effective interest method. For loans and other receivables, write-down is made for anticipated losses based on specific individual or group assessments. For trade receivables the loss allowance is measured in accordance with IFRS 9 applying a provision matrix in order to calculate the impairment. The provision matrix does include an impairment for non-due receivables.

Equity includes total comprehensive income for the year comprising the profit/loss for the year and other comprehensive income. Proceeds on the purchase and sale of own shares and dividend from such shares are recognised in equity.

The translation reserve comprises A.P. Moller - Maersk's share of accumulated exchange rate differences arising on translation from functional currency into presentation currency. The reserve for other equity investments comprises accumulated changes in the fair value of equity investments (at FVOCI), net of tax. Reserve for hedges includes the accumulated fair value of derivatives qualifying for cash flow hedge accounting, net of tax, as well as forward points and currency basis spread.

Amounts in USD million

Note 23 — continued

Significant accounting policies

Equity-settled performance shares, restricted shares and share options allocated to the executive employees of A.P. Moller - Maersk as part of A.P. Moller - Maersk's long-term incentive programme are recognised as staff costs over the vesting period at estimated fair value at the grant date and a corresponding adjustment in equity. Cash-settled performance awards allocated to employees below executive levels as part of A.P. Moller - Maersk's long-term incentive programme are recognised as staff costs over the vesting period and a corresponding adjustment in other payables.

At the end of each reporting period, A.P. Moller - Maersk revises its estimates of the number of awards that are expected to vest based on the non-market vesting conditions and service conditions. Any impact of the revision is recognised in the income statement with a corresponding adjustment to equity and other payables.

Provisions are recognised when A.P. Moller - Maersk has a present legal or constructive obligation from past events. The item includes, among other things, legal disputes, onerous contracts, provisions for unfavourable contracts acquired as part of a business combination as well as provisions for incurred, but not yet reported, incidents under certain insurance programmes, primarily in the USA. Provisions are recognised based on best estimates and are discounted where the time element is significant and where the time of settlement is reasonably determinable.

Pension obligations are the net liabilities of defined benefit obligations and the dedicated assets adjusted for the effect of minimum funding and asset ceiling requirements. Plans with a funding surplus are presented as net assets on the balance sheet. The defined benefit obligations are measured at the present value of expected future payments to be made in respect of services provided by employees up to the balance sheet date. Plan assets are measured at fair value. The pension cost charged to the income statement consists of calculated amounts for vested benefits and interest in addition to settlement gains or losses, etc. Interest on plan assets is calculated with the same rates as used for discounting the obligations. Actuarial gains/losses are recognised in other comprehensive income.

Pension plans where A.P. Moller - Maersk, as part of collective bargaining agreements, participates together with other enterprises, so called multi-employer plans, are treated as other pension plans in the financial statements. Defined benefit multi-employer plans, where sufficient information to apply defined benefit accounting is not available, are treated as defined contribution plans.

Deferred tax is calculated on temporary differences between the carrying amounts and tax bases of assets and liabilities. Deferred tax is not recognised for differences on the initial recognition of assets or liabilities where at the time of the transaction neither accounting nor taxable profit/loss is affected, unless the differences arise in a business combination. In addition, no deferred tax is recognised for undistributed earnings in subsidiaries, when A.P. Moller - Maersk controls the timing of dividends, and no taxable dividends are currently expected. A deferred tax asset is recognised to the extent that it is probable that it can be utilised within a foreseeable future.

Financial liabilities are initially recognised at fair value less transaction costs. Subsequently, the financial liabilities are measured at amortised cost using the effective interest method, whereby transaction costs and any premium or discount are recognised as financial expenses over the term of the liabilities. Fixed interest loans subject to fair value hedge accounting are measured at amortised cost with an adjustment for the fair value of the hedged interest component. Liabilities in respect of finance leases are measured at the interest rate implicit in the lease, if practicable to determine, or else at A.P. Moller - Maersk's incremental borrowing rate.

Derivative financial instruments

Derivative financial instruments are recognised on the trading date and measured at fair value using generally acknowledged valuation techniques based on relevant observable swap curves and exchange rates.

The effective portion of changes in the value of derivative financial instruments designated to hedge highly probable future transactions is recognised in other comprehensive income until the hedged transactions are realised. At that time, the cumulated gains/losses are transferred to the items under which the hedged transactions are recognised. The effective portion of changes in the value of derivative financial instruments used to hedge the value of recognised financial assets and liabilities is recognised in the income statement together with changes in the fair value of the hedged assets or liabilities that can be attributed to the hedging relationship. Currency basis spread and forward points are considered a cost of hedge and deferred in equity.

The ineffective portion of hedge transactions and changes in the fair values of derivative financial instruments, which do not qualify for hedge accounting, are recognised in the income statement as financial income or expenses for interest and currency based instruments, and as other income/costs for oil price hedges and forward freight agreements.

Cash flow statement

Cash flow from operating activities includes all cash transactions other than cash flows arisen from investments and divestments, principal payments of loans, instalments on finance lease liabilities and equity transactions. Capitalisation of borrowing costs is considered a non-cash item, and the actual payment thereof is included in cash flow from operations.

Cash and cash equivalents comprise cash and bank balances net of bank overdrafts where overdraft facilities form an integral part of A.P. Moller - Maersk's cash management.

Business combinations and disposal of subsidiaries

Upon acquisition of new entities, the acquired assets, liabilities and contingent liabilities are measured at fair value at the date control was achieved using the acquisition method. Identifiable intangible assets are recognised if they arise from a contractual right or can otherwise be separately identified. The difference between the fair value of the acquisition cost and the fair value of acquired identifiable net assets is recognised as goodwill. Contingent consideration is measured at fair value and any subsequent changes to contingent consideration are recognised as other income or other costs in the income statement. Transaction costs are recognised as operating costs as they are incurred.

When A.P. Moller - Maersk ceases to have control of a subsidiary, the value of any retained investment is re-measured at fair value and the value adjustment is recognised in the income statement as gain (or loss) on sale of non-current assets. The difference between sales proceeds and the carrying amount of the subsidiary is recognised in the income statement including fair value of contingent consideration at the time of sale. Contingent consideration is re-measured at fair value with changes recognised in the income statement

Amounts in USD million

Note 23 — continued

Significant accounting policies

Discontinued operations and assets held for sale
Discontinued operations represent a separate major line of business disposed of or in preparation for sale. The results of discontinued operations are presented separately in the income statement and the cash flows from discontinued operations are presented separately in the cash flow statement with restatement of comparative figures. Assets and liabilities held for sale from discontinued operations are presented as separate items in the balance sheet with no restatement of comparison figures. Elimination between continuing business and discontinuing operations are presented in order to reflect continuing operations as post-separation which entails elimination of interest, borrowing, dividends and capital increases.

Assets and liabilities from discontinued operations and assets held for sale except financial assets, etc., are measured at the lower of carrying amount immediately before classification as held for sale and fair value less cost to sell. and impairment tests are performed immediately before classification as held for sale. Non-current assets held for sale are not depreciated.

In addition to the above general accounting policies the following are significant in regard to discontinued operations.

Oil and gas revenue is recognised as revenue upon discharge from the production site, reflecting the production entitlement quantities. In agreements where tax is settled in oil, an amount corresponding to the sales value is recognised as both revenue and tax. For drilling activities, revenue is recognised in accordance with the agreed day rates for the work performed to date. Compensations received, or receivable, for early termination are recognised as revenue with deferral of an estimated value of any obligations to stand ready for new engagements in the remaining contract period.

Income tax in addition consists of oil tax based on gross measures. Oil tax on gross measures is a special tax in certain countries on the production of hydrocarbons, and is separately disclosed within tax.

Intangible assets in connection with acquired oil resources (concession rights, etc.) are amortised over a useful life of production until the fields' expected production periods end, a period of up to 20 years.

In Property, plant and equipment, oil production facilities, where oil is received as payment for the investment (cost oil), depreciation generally takes place concurrently with the receipt of cost oil. The cost includes the net present value of estimated costs of abandonment.

Annual impairment tests are not carried out for oil concession rights within the scope of IFRS 6.

The useful lives of new assets are 20 years for Rigs and up to 25 years for Oil and gas production facilities, etc., based on the expected production periods of the fields.

Provisions includes provisions for abandonment of oil fields.

Note 24

Significant accounting estimates and judgements

The preparation of the consolidated financial statements requires management, on an ongoing basis, to make judgements and estimates and form assumptions that affect the reported amounts. Management forms its judgements and estimates on historical experience, independent advisors and external data points as well as in-house specialists and on other factors believed to be reasonable under the circumstances.

In certain areas, the outcome of business plans, including ongoing negotiations with external parties to execute those plans or to settle claims that are raised against A.P. Moller - Maersk, is highly uncertain. Therefore, assumptions may change or the outcome may differ in the coming years, which could require a material upward or downward adjustment to the carrying amounts of assets and liabilities. This note includes the areas in which A.P. Moller - Maersk is particularly exposed to a material adjustment of the carrying amounts as at the end of 2017.

General
Aspects of uncertainty
In its assumption setting, management deals with different aspects of uncertainty. One aspect of uncertainty is whether an asset or liability exists where the assessment is basis for recognition or derecognition decisions, including assessment of control. Another aspect is the measurement uncertainty, where management makes assumptions about the value of the assets and liabilities that are deemed to exist. These assumptions concern the timing and amount of future cash flows and the risks inherent in these.

Container freight rates
The future development in the container freight rates is an uncertain and significant factor impacting especially Maersk Line which financial results are directly affected by the fluctuation in the container freight rates. Freight rates are influenced by the global economic environment and trade patterns, as well as industry specific trends in respect of supply and demand of capacity.

Oil prices
The future development in the oil price is an uncertain and significant factor impacting accounting estimates across A.P. Moller - Maersk either directly or indirectly. Maersk Line is directly impacted by the price of bunker oil, where the competitive landscape determines the extent to which the development is reflected in the freight rates charged to the customer. APM Terminals is indirectly impacted by the oil price as terminals located in oil producing countries, e.g. Nigeria, Angola, Egypt, Russia, and Brazil, are indirectly impacted by the development in oil prices and the consequences on the countries' economies, which not only affects volume handled in the terminals, but also the exchange rates.

Intangible assets and property, plant and equipment
A.P. Moller - Maersk carries goodwill of USD 723m (USD 334m) and intangible assets with indefinite lives of USD 34m (USD 34m). The increase in goodwill relates to the acquisition of Hamburg Süd through a business combination in December 2017 and relates to the global container activities. The majority of non-current assets are amortised over their useful economic lives. Management assesses impairment indicators across this asset base. Judgement is applied in the definition of cash generating units and in the selection of methodologies and assumptions for impairment tests.

Amounts in USD million

Note 24 — continued

Significant accounting estimates and judgements

The determination of cash generating units differs for the various businesses. Maersk Line operates its fleet of container vessels in an integrated network for which reason the global container shipping activities are tested for impairment as a single cash generating unit. APM Terminals considers each terminal individually in impairment tests, unless when the capacity is managed as a portfolio, which is the case for certain terminals in Northern Europe and Global Ports Investments (Russia). Svitzer groups vessels according to type, size, etc. in accordance with the structure governing management's ongoing follow-up.

Projected cash flow models are used when fair value is not obtainable or when fair value is deemed lower than value in use. External data is used to the extent possible and centralised processes, involving corporate functions, ensure that indexes or data sources are selected consistently observing differences in risks and other circumstances. Current market values for vessels, etc. are estimated using acknowledged brokers.

Impairment considerations
In Maersk Line, although freight rates improved compared to 2016, and despite generating positive cash flows in the year, the continuing low freight rates are impairment indicators. In addition, the estimated fair value of the fleet continues to be significantly lower than the carrying amount. Consequently, an estimate of the recoverable amount has been prepared by a value in use calculation. The cash flow projection is based on forecasts as per December 2017 covering plans for 2018-22. The key sensitivities are: development in freight rates, container volumes, bunker costs, effect of cost savings as well as the discount rate. Management has applied an assumption of growth in volumes and continued pressure on, but increasing freight rates, and continued cost efficiency. The impairment test continues to show headroom from value in use to the carrying amount. Management is of the opinion that the assumptions applied are sustainable.

In APM Terminals the decline in activity in oil producing countries are impairment indicators for the terminals in these countries. Management assesses impairment triggers and based on these estimate recoverable amounts on the individual terminals. For APM Terminals' interest in Global Port Investments, being the share of equity and significant intangible assets acquired, management assesses the recoverable amount of its interest on an ongoing basis. Uncertain variables in the estimate are the economic outlook in Russia, local competition, effect on volume, operating expenses and discount rate. The carrying amount of the investment may not be sustainable in the next few years, if markets develop significantly adverse compared to current expectations. Estimates of recoverable amounts were also prepared for other terminals where decreasing volumes triggered impairment tests. Impairments of USD 621m were recognised in 2017 related to terminals in markets with challenging commercial conditions. Continued economic deterioration and lacking cash repatriation opportunities in certain oil producing countries can potentially put further pressure on carrying amounts of terminals in these countries.

For Maersk Drilling an impairment charge of USD 1.8bn before tax was recognised in Q3 2017 due to the continuing challenging market conditions. The current supply/demand imbalance in the offshore rig market along with the uncertainty regarding the future oil price projections driving demand and consequently the day rates are the key drivers for the impairments in Maersk Drilling. The recoverable amount is determined as fair value less cost to sell based on a discounted cash flow model. Day rates are expected to moderately increase in the medium term compared to the all-time low rates recently seen. Although a gradual move towards more economically sustainable rates in the long-term is expected, the level is expected to be lower than the historic rates due to continued uncertainty in oil demand and the significant oversupply of rigs in the market. The fair value estimates using the discounted cash flow model is highly uncertain due to the character of the assets and few transactions. The calculations are sensitive to expected future day rates and the risks of idle periods in addition to the discount rate.

Refer to notes 6 and 7 for information about impairment losses, recoverable amounts and discount rates.

Amortisation, depreciation and residual values
Useful lives are estimated based on past experience. Management decides from time to time to revise the estimates for individual assets or groups of assets with similar characteristics due to factors such as quality of maintenance and repair, technical development and environmental requirements. Refer to note 23 for the useful lives typically used for new assets.

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

Operations in countries with limited access to repatriating surplus cash
A.P. Moller - Maersk operates worldwide and in this respect, has operations in countries where the access to repatriating surplus cash is limited. In these countries, management makes judgements as to how these transactions and balance sheet items are recognised in the financial statement.

Provisions for pension and other employee benefits
For defined benefit schemes, management makes assumptions about future remuneration and pension changes, employee attrition rates, life expectancy, inflation and discount rates. When setting those assumptions, management takes advice from the actuaries performing the valuation. The inflation and discount rates are determined centrally for the major plans on a country-by-country basis. All other assumptions are determined on a plan-by-plan basis. Refer to note 13 for information about key assumptions and the sensitivity of the liability to changes in those.

Plan assets are measured at fair value by fund administrators.

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

A.P. Moller - Maersk is engaged in a number of disputes with tax authorities of varying scope. Appropriate provisions have been made where the probability of payment of additional taxes in individual cases is considered more likely than not. Claims, for which the probability of payment is assessed by management to be less than 50%, are not provided for. Such risks are instead evaluated on a portfolio basis by geographical area, and country risk provisions are established where the aggregated risk of additional payments is more likely than not.

Deferred tax assets
Judgement has been applied in the measurement of deferred tax assets with respect to A.P. Moller - Maersk's ability to utilise the assets. Management considers the likelihood of utilisation based on the latest business plans and recent financial performances of the individual entities. Net deferred tax assets recognised in entities having suffered an accounting loss in either the current or preceding period amount to USD

Amounts in USD million

Note 24 — continued

Significant accounting estimates and judgements

206m (USD 140m) for continuing operations, excluding entities participating in joint taxation schemes. These assets mainly relate to unused tax losses or deductible temporary differences generated, during construction of terminals, where taxable profits have been generated either in the current period or are expected within a foreseeable future.

Assessment of control, joint control or significant influence
A.P. Moller - Maersk's control, joint control or significant influence over an entity or activity is subject to an assessment of power and exposure to variability in returns.

The assessment of control in oil and gas activities entails analysis of the status of operators in joint arrangements. Operators are responsible for the daily management of the activities carried out within the jointly established framework. Since operators are not exposed to, and have no right to, returns beyond the participating share, and since they can be replaced by agreement, the operators are regarded as agents as defined in IFRS 10. Operators of pool arrangements in shipping are assessed similarly.

When assessing joint control, an analysis is carried out to determine which decisions require unanimity and whether these concern the activities that significantly affect the returns. Joint control is deemed to exist when business plans, work programmes and budgets are unanimously adopted. Within oil and gas activities, an assessment of joint control is carried out for each phase. These are typically exploration and development, production and decommissioning. Unanimity is often not required during the production phase. Given that the contracting parties have direct and unrestricted rights and obligations in the arrangements' assets or liabilities regardless of voting rights, the arrangements are accounted for as joint operations during all phases.

For pool arrangements in shipping, unanimity is not required in decisions on relevant activities. However, the contracting parties have direct and unrestricted rights and obligations in the unit's assets or liabilities, and as the pool arrangements are not structured into separate legal entities, they are treated as joint operations.

Leasing
Judgement is applied in the classification of lease as operating or finance lease. A.P. Moller - Maersk enters into a substantial amount of lease contracts, some of which are combined lease and service contracts like time charter agreements.

Management applies a formalised process for classification and estimation of present values for finance leases with use of specialised staff in corporate functions.

Discontinued operations and assets held for sale
When classifying a disposal group as assets held for sale management applies judgement to the estimated fair value of the disposal group. Depending on the disposal group's activity, assets and liabilities, the estimated value is encompassed by different levels of uncertainty and thus subsequent adjustments are possible. Measurement of the fair value of disposal group is categorised as Level 3 in the fair value hierarchy as measurement is not based on observable market data.

Note 25

New financial reporting requirements

The following new accounting standards are relevant to the Group for the years commencing from 1 January 2018 or later. A.P. Moller - Maersk has not yet applied the following standards:

- IFRS 15 Revenue from contracts with customers
- IFRS 16 Leases.

IFRS 15 is effective from 1 January 2018 and IFRS 16 is effective from 1 January 2019, and both are endorsed by the EU. A.P.Moller - Maersk has decided to adopt IFRS 9 from 1 January 2017. Early adoption of IFRS 16 is currently not considered by A.P. Moller - Maersk.

A.P. Moller - Maersk has, in all material aspects, concluded analyses of the impending changes resulting from IFRS 15 and IFRS 16. The key findings are explained below.

IFRS 15 Revenue from contracts with customers
A.P. Moller - Maersk's current practice for recognising revenue has shown to comply, in all material aspects, with the concepts and principles encompassed by the new standard. Accordingly, the impact on the consolidated financial statement is considered immaterial.

IFRS 16 Leases
The new requirement in IFRS 16 to recognise a right-of-use asset and a related lease liability is expected to have a material impact on the amounts recognised in the consolidated financial statements.

A.P. Moller - Maersk will adopt IFRS 16 on 1 January 2019, applying the following main transition options:

- No reassessment of lease definition compared to the existing IAS 17 and IFRIC 4
- Application of the simplified approach with no restatement of comparative figures for prior periods.

As at 31 December 2017, A.P. Moller - Maersk has non-cancellable operating lease commitments for continuing operations of USD 12bn (USD 10bn) on an undiscounted basis and including payments for service components and variable lease payments which will be recognised under IFRS 16 as an expense in the income statement, on a straight-line basis.

A preliminary assessment of the potential impact on the consolidated financial statements of implementing IFRS 16 shows that a lease liability in the range of USD 6-8bn has to be recognised. This preliminary assessment is based on a number of estimates and assumptions which by nature are subject to significant uncertainty. The actual impact of applying IFRS 16 at 1 January 2019 will, among other factors, depend on future economic conditions – including the composition of the lease portfolio at that date as well as the level of time charter rates, incremental borrowing rates, etc.

PARENT COMPANY FINANCIAL STATEMENTS 2017

A.P. Møller - Mærsk A/S

(In parenthesis the corresponding figures for 2016)

Amounts in USD million

Income statement

Note		2017	2016
1	Revenue	70	113
2	Operating costs	225	281
	Other costs	18	-
	Profit before depreciation, amortisation and impairment losses, etc.	**-173**	**-168**
6,9	Depreciation, amortisation and impairment losses, net	1	-
3	Gain/loss on sale of companies and non-current assets, etc., net	-386	54
	Profit before financial items	**-560**	**-114**
4	Dividends	2,839	182
4	Financial income	1,419	1,211
4	Financial expenses	3,434	2,113
	Profit/loss before tax	**264**	**-834**
5	Tax	-89	22
	Profit/loss for the year – continuing operations	**353**	**-856**
9	Profit for the year – discontinued operations	407	204
	Profit/loss for the year	**760**	**-652**
	Appropriation:		
	Proposed dividend	503	443
	Retained earnings	257	-1,095
		760	**-652**
	Proposed dividend per share, DKK	**150**	**150**
	Proposed dividend per share, USD	**24**	**21**

Statement of comprehensive income

Note		2017	2016
	Profit/loss for the year	**760**	**-652**
15	Other equity investments (assets available-for-sale):		
	Fair value adjustment for the year	-	24
	Reclassified to income statement, gain on sale of non-current assets, etc., net	-	-51
14	Cash flow hedges:		
	Value adjustment of hedges for the year	-13	-37
	Reclassified to income statement	45	73
5	Tax on other comprehensive income	-10	19
	Total items that are or may be reclassified subsequently to the income statement	**22**	**28**
15	Other equity investments, fair value adjustments for the year	112	-
	Total items that will not be reclassified to the income statement	**112**	**-**
	Other comprehensive income, net of tax	**134**	**28**
	Total comprehensive income for the year	**894**	**-624**

Amounts in USD million

Balance sheet at 31 December

Assets

Note		2017	2016
6	**Property, plant and equipment**	**4**	**1,605**
7	Investments in subsidiaries	13,385	30,496
7	Investments in associated companies	203	207
	Other equity investments	-	759
15	Interest-bearing receivables from subsidiaries, etc.	18,532	7,697
14	Derivatives	290	59
	Other receivables	20	425
	Financial non-current assets, etc.	**32,430**	**39,643**
8	**Deferred tax**	**-**	**99**
	Total non-current assets	**32,434**	**41,347**
	Inventories	**-**	**38**
	Trade receivables	53	173
	Tax receivables	223	197
15	Interest-bearing receivables from subsidiaries, etc.	4,992	4,493
14	Derivatives	94	267
	Other receivables	117	44
	Other receivables from subsidiaries, etc.	442	454
	Prepayments	72	41
	Receivables, etc.	**5,993**	**5,669**
	Securities	**-**	**1**
	Cash and bank balances	**686**	**2,060**
9	**Assets held for sale**	**6,893**	**-**
	Total current assets	**13,572**	**7,768**
	Total assets	**46,006**	**49,115**

Equity & liabilities

Note		2017	2016
10	Share capital	3,774	3,774
	Reserves	17,172	16,728
	Total equity	**20,946**	**20,502**
12	**Borrowings, non-current**	**11,687**	**9,772**
13	Provisions	-	1,335
14	Derivatives	141	513
8	Deferred tax	74	97
	Other non-current liabilities	**215**	**1,945**
	Total non-current liabilities	**11,902**	**11,717**
12	**Borrowings, current**	**1,705**	**1,389**
12	**Interest bearing debt to subsidiaries, etc.**	**10,583**	**14,168**
13	Provisions	-	122
	Trade payables	67	170
	Tax payables	197	173
14	Derivatives	165	429
	Other payables	413	379
	Other payables to subsidiaries, etc.	25	52
	Deferred income	3	14
	Other current liabilities	**870**	**1,339**
	Total current liabilities	**13,158**	**16,896**
	Total liabilities	**25,060**	**28,613**
	Total equity and liabilities	**46,006**	**49,115**

Amounts in USD million

Cash flow statement

Note		2017	2016
	Profit before financial items	-560	-114
6,9	Depreciation, amortisation and impairment losses, net	1	-
3	Gain on sale of companies and non-current assets, etc., net	386	-54
19	Change in working capital	-31	76
	Other non-cash items	-80	-30
	Cash from operating activities before financial items and tax	-284	-122
	Dividends received	539	451
	Financial income received	624	688
	Financial expenses paid	-739	-706
	Taxes paid	158	-234
	Cash flow from operating activities	**298**	**77**
	Purchase of property, plant and equipment	-5	-4
	Acquisition of and capital increases in subsidiaries and activities	-23	-76
	Sale of subsidiaries and associates	1,397	-
	Other financial investments, net	872	438
	Cash flow used for capital expenditure	2,241	358
	Purchase/sale of securities, trading portfolio	-	703
	Cash flow used for investing activities	**2,241**	**1,061**
	Repayment of borrowings	-1,630	-885
	Proceeds from borrowings	3,318	2,791
	Purchase of own shares	-	-475
	Sale of own shares	14	2
	Dividends distributed	-454	-953
	Movements in interest-bearing loans to/from subsidiaries, etc., net	-5,252	-1,861
	Cash flow from financing activities	**-4,004**	**-1,381**
	Net cash flow from continuing operations	**-1,465**	**-243**
9	Net cash flow from discontinued operations	-	-3
	Net cash flow for the year	**-1,465**	**-246**
	Cash and cash equivalents 1 January	2,013	2,387
	Currency translation effect on cash and cash equivalents	134	-122
	Cash and cash equivalents 31 December	**682**	**2,019**

Note		2017	2016
	Cash and cash equivalents		
	Cash and bank balances	686	2,060
	Overdrafts	4	41
	Cash and cash equivalents 31 December	**682**	**2,019**

Statement of changes in equity

		Share capital	Reserve for other equity investments	Reserve for hedges	Retained earnings	Total equity
	Equity at 1 January 2016	3,906	-208	-55	18,913	22,556
	Other comprehensive income, net of tax	-	-27	55	-	28
	Profit/loss for the year	-	-	-	-652	-652
	Total comprehensive income for the year	**-**	**-27**	**55**	**-652**	**-624**
	Dividends to shareholders	-	-	-	-953	-953
11	Value of share-based payments	-	-	-	-4	-4
10	Purchase of own shares	-	-	-	-475	-475
10	Sale of own shares	-	-	-	2	2
10	Capital increases and decreases	-132 [1]	-	-	132 [1]	-
	Total transactions with shareholders	**-132**	**-**	**-**	**-1,298**	**-1,430**
	Equity 31 December 2016	**3,774**	**-235**	**-**	**16,963**	**20,502**
	2017					
	Other comprehensive income, net of tax	-	112	22	-	134
	Profit/loss for the year	-	-	-	760	760
	Total comprehensive income for the year	**-**	**112**	**22**	**760**	**894**
	Dividends to shareholders	-	-	-	-454	-454
11	Value of share-based payments	-	-	-	-10	-10
10	Sale of own shares	-	-	-	14	14
15	Transfer of loss on disposal of equity investments at FVOCI to retained earnings	-	123	-	-123	-
	Total transactions with shareholders	**-**	**123**	**-**	**-573**	**-450**
	Equity 31 December 2017	**3,774**	**-**	**22**	**17,150**	**20,946**

[1] At the Annual General Meeting of A.P. Møller - Mærsk A/S on 12 April 2016, the shareholders decided on the cancellation of treasury shares, whereby the share capital has decreased by a transfer of reserves to retained earnings.

Amounts in USD million

Notes

Parent company financial statements
Activities comprise other shipping. Also, holding of shares in subsidiaries and associated companies, as well as funding, procurement and cash management are included in the parent company's activities.

The parent company disposed the oil and gas activities in the Danish sector of the North Sea and four drilling rigs. Both activities were transferred to subsidiaries as part of separating the energy activities and are presented as discontinued operations. Furthermore, the subsidiary Maersk Tankers A/S was disposed.

In the parent company financial statements, shares in subsidiaries and associated companies are recognised at cost, cf. note 21, less impairment losses, and in the income statement, dividends from subsidiaries and associated companies are recognised as income.

The net result for the year was a profit of USD 0.8bn (loss of USD 0.7bn), mainly due to dividends from subsidiaries while impairment losses on subsidiaries increased due to write-down primarily related to Maersk Drilling Holding A/S and Maersk Supply Service A/S.

Cash flow from operating activities was USD 0.3bn (USD 0.1bn). Total assets amounted to USD 46.0bn (USD 49.1bn) and equity totalled USD 20.9bn (USD 20.5bn) at 31 December 2017.

Amounts in USD million

Note 1

Revenue

	2017	2016
Revenue from vessels	55	55
Other revenue	15	58
Total revenue	**70**	**113**

Note 2

Operating costs

	2017	2016
Rent and lease costs	67	84
Staff costs reimbursed to Rederiet A.P. Møller A/S[1]	108	116
Other	50	81
Total operating costs	**225**	**281**
Average number of employees directly employed by the Company	2	2

[1] Wages and salaries USD 100m (USD 121m), pension plan contributions USD 8m (USD 9m), other social security costs USD 0m (USD 1m) less capitalised staff costs, etc. USD 0m (USD 15m).

The Company's share of fees and remuneration to the Executive Board	**2017**	2016
Fixed annual fee	5	6
Cash incentive	1	1
Share-based incentive plans	1	-1
Remuneration in connection with redundancy, resignation and release from duty to work	-	15
Lump sum retirement payment	-	-1
Total remuneration to the Executive Board	**7**	**20**

Contract of employment for the Executive Board contains terms customary in Danish listed companies, including termination notice and competition clauses. In connection with a possible takeover offer, neither the Executive Board nor the Board of Directors will receive special remuneration. Fees and remuneration do not include pension.

The Board of Directors has received fees of USD 3m (USD 3m).

Fees to the statutory auditors of A.P. Møller - Mærsk A/S	**2017**	2016
PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab		
Statutory audit	1	1
Other assurance services	-	-
Tax and VAT advisory services	0	0
Other services	2	1
Total fees	**3**	**2**

Fees for other services than statutory audit of the financial statements provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to A.P. Møller - Mærsk A/S mainly consist of audit of non-statutory financial statements, financial due diligence and transaction advice, accounting advisory services, tax advice and other services related to separating discontinued operations, review of the interim report and other advisory accounting and tax services.

Amounts in USD million

Note 3

Gain on sale of companies and non-current assets, etc.

	2017	2016
Gains	67	54
Losses	453	-
Loss/gain on sale of companies and non-current assets, etc., net	**-386**	**54**

Gains were sale of shares in Egyptian Drilling Company SAE. Losses were related to sale of shares in Maersk Tankers A/S.

Gains in 2016 related to sale of shares in Danmarks Skibskredit A/S (Danish Ship Financing).

Note 4

Financial income and expenses

	2017	2016
Interest expenses on liabilities	548	391
Interest income on loans and receivables	594	481
Interest income on securities	-	2
Fair value adjustment transferred from equity hedge reserve (loss)	46	77
Fair value adjustment on issued bonds attributable to interest rate risk (gain)	33	27
Net interest income	**33**	**42**
Exchange rate gains on bank balances, borrowings and working capital	351	306
Exchange rate losses on bank balances, borrowings and working capital	632	152
Net foreign exchange losses/gains	**-281**	**154**
Fair value gains from derivatives	336	222
Fair value losses from derivatives	36	336
Fair value gains from securities	-	44
Net fair value gains/losses	**300**	**-70**
Dividends received from subsidiaries and associated companies, net	2,835	76
Dividends received from other securities	4	106
Total dividend income	**2,839**	**182**
Reversal of impairment losses, investments in subsidiaries and associated companies[1]	105	129
Impairment losses, investments in subsidiaries and associated companies[2]	2,172	1,157
Financial income/expenses, net	**824**	**-720**
Of which:		
Dividends	2,839	182
Financial income	1,419	1,211
Financial expenses	3,434	2,113

[1] Reversal of impairment losses relates mainly to investment in Maersk Container Industry A/S, Maersk Aviation Holding A/S and Maersk FPSOs A/S (in 2016 Maersk Aviation Holding A/S, Damco International A/S and Maersk Tankers A/S).

[2] Impairment losses to lower recoverable amount relate mostly to investment in Maersk Drilling Holding A/S (USD 1.9bn based on fair value less costs to sell). Furthermore, Maersk Supply Service A/S of USD 0.2bn and A.P. Moller Finance SA were impaired (in 2016 Maersk Supply Service A/S, Maersk Container Industry A/S and Höegh Autoliners Holdings AS). Gross dividends received from subsidiaries in 2016 of USD 359m were offset by impairment losses of USD 283m caused by the dividend paid.

Reference is made to note 14 for an analysis of gains and losses from derivatives.

Refer to note 22 for significant accounting estimates.

Amounts in USD million

Note 5

Tax

	2017	2016
Tax recognised in the income statement		
Current tax on profit for the year	-54	-31
Adjustment of tax provision	-5	7
Adjustment for current tax of prior periods	-63	4
Withholding taxes	11	5
Total current tax	**-111**	**-15**
Origination and reversal of temporary differences	15	26
Adjustment for deferred tax of prior periods	7	12
Write-down of deferred tax assets	-	-1
Total deferred tax	**22**	**37**
Total tax expense	**-89**	**22**
Tax reconciliation:		
Profit/loss before tax	264	-834
Tax using the Danish corporation tax rate (2017: 22%, 2016: 22%)	58	-183
Non-deductible expenses	15	10
Gains related to shares, dividends, etc.	-80	174
Adjustment to previous years' taxes	-70	26
Deferred tax asset not recognised	-	-1
Adjustment of tax provision	-5	7
Other differences, net	-7	-11
Total income tax	**-89**	**22**
Tax recognised in other comprehensive income and equity	**-10**	**19**
Of which:		
Current tax	-10	19

Note 6

Property, plant and equipment

	Production facilities and equipment, etc.	**Rigs**	**Construction work in progress and payment on account**	**Total**
Cost				
1 January 2016	6,547	976	156	7,679
Addition	47	-	132	179
Transfer	176	-	-176	-
31 December 2016	**6,770**	**976**	**112**	**7,858**
Addition	-	-	64	64
Disposal	6,879	976	62	7,917
Transfer	114	-	-114	-
31 December 2017	**5**	**-**	**-**	**5**
Depreciation and impairment losses				
1 January 2016	5,447	516	-	5,963
Depreciation	187	50	-	237
Impairment losses	-	53[1]	-	53
31 December 2016	**5,634**	**619**	**-**	**6,253**
Depreciation	159	16	-	175
Reversal of impairment losses	235	-	-	235
Disposal	5,557	635	-	6,192
31 December 2017	**1**	**-**	**-**	**1**
Carrying amount:				
31 December 2016	**1,136**	**357**	**112**	**1,605**
31 December 2017	**4**	**-**	**-**	**4**

[1] Impairment losses 2016 were related to one drilling rig, based on a recoverable amount of USD 0.

Operating leases as lessor

Property, plant and equipment included assets that were leased out as part of the Company's activities. The future lease income is USD 0m (USD 96m) of which USD 0m (USD 67m) is receivable within one year, and USD 0m (USD 29m) between one and five years.

Pledges

Vessels, rigs and containers, etc., owned by subsidiaries with a carrying amount of USD 1.5bn (USD 1.6bn) have been pledged as security for loans of USD 0.7bn (USD 0.9bn).

Amounts in USD million

Note 7

Investments in subsidiaries and associated companies

	Investments in subsidiaries 2017	Investments in associated companies 2017
Cost		
1 January 2016	33,599	799
Addition[1]	1,306	-
31 December 2016	**34,905**	**799**
Addition[2]	846	-
Return of capital[2]	8,000	-
Disposal[3]	2,483	4
Transfer, assets held for sale[4]	9,926	-
31 December 2017	**15,342**	**795**
Impairment losses		
1 January 2016	3,246	444
Impairment losses[5]	1,290	150
Disposal	0	-
Reversal of impairment losses	127	2
31 December 2016	**4,409**	**592**
Impairment losses[5]	2,172	-
Disposal	1,496	-
Reversal of impairment losses	105	-
Transfer, assets held for sale[4]	3,023	-
31 December 2017	**1,957**	**592**
Carrying amount:		
31 December 2016	**30,496**	**207**
31 December 2017	**13,385**	**203**

[1] Additions in 2016 are capital increases in Maersk Drilling Holding A/S USD 1.2bn (non-cash) and Maersk Container Industry A/S.
[2] Additions in 2017 are capital increases in Maersk Drilling Holding A/S USD 0.3bn and Mærsk Olie og Gas A/S USD 0.5bn, both non-cash. Shares in these companies are transferred to assets held for sale. Furthermore, capital has been increased in Maersk Training A/S and Fromtu A/S. Maersk A/S has returned USD 8bn in a non-cash transaction.
[3] Shares in the subsidiary Maersk Tankers A/S and in the associated company Egyptian Drilling Company SAE were disposed.
[4] All shares in companies related to energy business were transferred to assets held for sale.
[5] Impairments are recognised when the carrying amount exceeds recoverable amount as described in notes 4, 21 and 22.

Reference is made to pages 141-143 for a list of significant subsidiaries and associated companies.

Note 8

Deferred tax

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

	Assets		Liabilities		Net liabilities	
	2017	2016	**2017**	2016	**2017**	2016
Property, plant and equipment	-	10	-	47	-	37
Inventories	-	-	-	30	-	30
Provisions, etc.	-	20	-	-	-	-20
Liabilities, etc.	-	-	74	50	74	50
Tax loss carry forwards	-	100	-	-	-	-100
Other	-	1	-	2	-	1
Total	**-**	**131**	**74**	**129**	**74**	**-2**
Offsets	-	-32	-	-32	-	-
Total	**-**	**99**	**74**	**97**	**74**	**-2**

Change in deferred tax, net during the year	**2017**	2016
1 January	-2	-302
Disposal	54	-
Recognised in the income statement	22 [1]	300
31 December	**74**	**-2**

[1] Relating to continued operations.

Unrecognised deferred tax assets

No tax assets are not recognised. Tax assets of USD 245m, mainly relating to provisions, were not recognised in 2016.

There are no significant unrecognised tax liabilities on investments in subsidiaries, associated companies and joint ventures.

Amounts in USD million

Note 9

Discontinued operations and assets held for sale

The parent company transferred in 2017 the oil and gas activities in the Danish sector of the North Sea and four drilling rigs to fully owned subsidiaries. As a result, these activities have been reclassified as discontinued operations. The reclassification reflects the ongoing process on determining the structural solution for separation of the energy related businesses from A.P. Moller - Maersk, where solution remains to be defined before the end of 2018.

Shares in the subsidiaries Mærsk Olie og Gas A/S, Maersk Drilling Holding A/S and Maersk Supply Service A/S are furthermore presented as assets held for sale, measured at cost price less write-downs.

The activities were transferred at carrying value of the net assets, hence the transfers did not result in any gains/losses.

	2017	2016
Profit for the year – discontinued operations		
Revenue	867	932
Expenses	317	346
Depreciation, amortisation and impairment losses, net	-60	290
Financial items, net	-25	-30
Profit/loss before tax, etc.	**585**	**266**
Tax[1]	178	62
Profit/loss for the year – discontinued operations	**407**	**204**
Cash flows from discontinued operations for the year		
Cash flow from operating activities	254	212
Cash flow used for investing activities	-60	-143
Cash flow from financing activities	-194	-72
Net cash flow from discontinued operations	**-**	**-3**
Balance sheet items comprise:		
Non-current assets	6,893	-
Assets held for sale	**6,893**	**-**

[1] The tax relates to the profit from the ordinary activities of discontinued operations.

Note 10

Share capital

At the Annual General Meeting of A.P. Møller - Mærsk A/S on 12 April 2016, the shareholders decided on the cancellation of 728,520 treasury shares, whereby the share capital has decreased. The cancellation of the shares took place in Q2 2016.

Development in the number of shares:

	A shares of		B shares of		Nominal value	
	DKK 1,000	**DKK 500**	**DKK 1,000**	**DKK 500**	**DKK million**	**USD million**
1 January 2016	10,902,341	318	10,642,790	184	21,545	3,906
Cancellation	146,122	-	582,398	-	728	132
Conversion	2	-4	-	-	-	-
31 December 2016	**10,756,221**	**314**	**10,060,392**	**184**	**20,817**	**3,774**
Conversion	41	-82	6	-12	-	-
31 December 2017	**10,756,262**	**232**	**10,060,398**	**172**	**20,817**	**3,774**

All shares are fully issued and paid up.

One A share of DKK 1,000 holds two votes. B shares have no voting rights.

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

	Share capital	Votes
A.P. Møller Holding A/S, Copenhagen, Denmark	41.51%	51.23%
A.P. Møller og Hustru Chastine Mc-Kinney Møllers Familiefond, Copenhagen, Denmark	8.84%	13.12%
Den A.P. Møllerske Støttefond, Copenhagen, Denmark	3.11%	5.99%

Note 10 in the consolidated financial statements includes rules for changing the share capital, and information regarding the authorisation of the Board of Directors to acquire own shares as well as the total number of own shares held by the Group.

Amounts in USD million

Note 10 — continued

Share capital

Development in the holding of own shares:

Own shares	No. of shares of DKK 1,000 2017	No. of shares of DKK 1,000 2016	Nominal value DKK million 2017	Nominal value DKK million 2016	% of share capital 2017	% of share capital 2016
A shares						
1 January	-	69,585	-	70	-	0.32%
Addition	-	76,537	-	76	-	0.36%
Cancellation	-	146,122	-	146	-	0.68%
31 December	**-**	**-**	**-**	**-**	**-**	**0.00%**
B shares						
1 January	77,642	361,409	78	361	0.37%	1.68%
Addition	-	306,278	-	306	-	1.42%
Cancellation	-	582,398	-	582	-	2.70%
Disposal	16,803	7,647	17	7	0.08%	0.03%
31 December	**60,839**	**77,642**	**61**	**78**	**0.29%**	**0.37%**

Disposals of own shares are primarily related to the share option programme.

Note 11

Share-based payment

Equity-settled incentive plans (excluding share option plans)

A.P. Moller - Maersk has two different equity-settled incentive plans. The Restricted Shares Plan was introduced in 2013, and grants have been awarded to employees on a yearly basis since 2013. In 2014, the Group established a three-year Performance Shares Plan for members of the Executive Board and other employees.

The transfer of restricted and performance shares is contingent upon the employee still being employed and not being under notice of termination and takes place when three years have passed from the time of granting. Transfer of the performance shares to members of Executive Board was further contingent upon the member still being employed in A.P. Moller - Maersk at the time of publishing of the Annual Report 2016 for A.P. Møller - Mærsk A/S.

The actual transfer of performance shares was further contingent upon the degree of certain financial goals being achieved. This meant that the number of shares that eventually would vest was adjusted during the vesting period.

The members of the Executive Board as well as other employees are not entitled to any dividends during the vesting period. Special conditions apply regarding illness, death and resignation as well as changes in the Company's capital structure, etc. A.P. Møller - Mærsk A/S' holding of own B shares will be used to meet the Company's obligations in connection with the Restricted Shares Plan.

Outstanding awards under equity-settled incentive plans (excl. share option plans)	Restricted Shares Plan Employees[1] No.	Performance Shares Plan Members of the Executive Board[1] No.	Performance Shares Plan Employees[1] No.	Total fair value[1] USD million
1 January 2016	14,104	1,860	12,099	
Granted	7,078	20	395	10
Exercised	5,730	-	-	
Adjustment[2]	-	-620	-11,339	
Forfeited	385	1,260	312	
Outstanding 31 December 2016	**15,067**	**-**	**843**	
Granted	5,024	-	66	8
Exercised	4,591	-	842	
Adjustment[2]	-	-	-67	
Forfeited	968	-	-	
Outstanding 31 December 2017	**14,532**	**-**	**-**	

[1] At the time of grant.

[2] Primarily due to changes in the degree of certain financial goals being achieved.

Amounts in USD million

Note 11 — continued

Share-based payment

The fair value of restricted shares (A.P. Møller - Mærsk A/S B shares) granted to 132 (140) employees was USD 8 m (USD 9m) at the time of grant. The total value of granted restricted shares recognised in the income statement is USD 1 m (USD 2m).

The fair value of performance shares (A.P. Møller - Mærsk A/S B shares) granted to no (1) members of the Executive Board and to two (16) employees was USD 0 m (USD 1m). The total value of granted performance shares recognised in the income statement is USD 0m (cost USD 4m).

The fair value per restricted share at the time of grant is DKK 11,550 (DKK 8,463), which is equal to the volume weighted average share price on the date of grant, i.e. 1 April 2017.

On 1 April 2017, the restricted shares originally granted in 2014 were settled with the employees. The weighted average share price at that date was DKK 11,550.

The average remaining contractual life for the restricted shares as per 31 December 2017 is 1.3 years (1.4 years).

Cash-settled incentive plan

In 2015, A.P. Moller - Maersk introduced the Performance Shares Plan to a broader range of employees. The actual settlement of the awards is contingent upon the degree of certain financial goals being achieved, the employee still being employed and not being under notice of termination at the date of settlement. This means that the number of awards that eventually will vest may be adjusted during the vesting period. Depending on the agreement, the settlement will take place two or three years after the initial granting and the employee may have the option to settle the awards in shares.

The employees are not entitled to any dividends during the vesting period. Special conditions apply regarding illness, death and resignation as well as changes in the Company's capital structure, etc.

Outstanding awards under cash-settled performance share plan	Employees[1] No.	Total fair value[1] USD million	Carrying amount of liabilities USD million
1 January 2016	8,816		
Granted	435	1	
Adjustment[2]	-8,686		
Forfeited	565		
Outstanding 31 December 2016	-		-
Granted	780		
Adjustment[2]	-780		
Outstanding 31 December 2017	**0**		-

[1] At the time of grant.
[2] Due to changes in the degree of certain financial goals being achieved.

The fair value of awards granted to 42 (27) employees was USD 0 m (USD 1 m) at the time of grant. The total value of the awards recognised in the income statement is USD 0 m (cost USD 3m).

The average remaining contractual life for the cash-settled incentive plan as per 31 December 2017 is 0.3 years (1.1 years).

Share option plans

In addition to the plans described above, A.P.Møller - Mærsk has Share Option Plans for members of the Executive Board and other employees. Each share option granted is a call option to buy an existing B share of nominal DKK 1,000 in A.P. Møller - Mærsk A/S.

The share options are granted at an exercise price corresponding to 110% of the average of the market price on the first five trading days following the release of A.P. Møller - Mærsk A/S' Annual Report. Exercise of the share options is contingent upon the option holder still being employed at the time of exercise. The share options can be exercised when at least two years (three years for share options granted to Executive Board members) and no more than seven years (six years for share options granted to employees not members of the Executive Board) have passed from the time of grant. Special conditions apply regarding illness, death and resignation as well as changes in the Company's capital structure, etc.

Amounts in USD million

Note 11 — continued

Share-based payment

	Members of the Executive Board[1]	Employees[1]	Total	Average exercise price	Total fair value[1]
	No.	No.	No.	DKK	USD million
1 January 2016	7,715	15,200	22,915	8,975	
Exercised	-	1,880	1,880	8,298	
Expired	3,875	5,685	9,560	9,919	
Outstanding 31 December 2016	**3,840**	**7,635**	**11,475**	**8,298**	
Exercisable 31 December 2016	**3,840**	**7,635**	**11,475**	**8,298**	
Granted	4,928	20,839	25,767	12,791	8
Exercised	3,840	7,530	11,370	8,298	
Expired	-	105	105	8,298	
Forfeited	-	237	237	12,791	
Outstanding 31 December 2017	**4,928**	**20,602**	**25,530**	**12,791**	
Exercisable 31 December 2017	-	-	-	-	-

[1] At the time of grant.

The share options can only be settled in shares. A.P. Møller - Mærsk A/S' holding of own B shares will be used to meet the Company's obligations in connection with the share option plans.

The fair value of awards granted to three members of the Executive Board and 79 employees was USD 8m (USD 0m) at the time of grant. The total value of granted share options recognised in the income statement is USD 1m (USD 0m).

The weighted average share price at the dates of exercise of share options was DKK 11,778 (DKK 10,154).

The average remaining contractual life as per 31 December 2017 is 6.1 years (0.3 years) and the exercise price for outstanding share options is DKK 12,791 (DKK 8,298).

The fair value per option granted in 2017 to members of the Executive Board is calculated at DKK 2,130 at the time of grant, based on Black & Scholes' option pricing model. The fair value per option granted in 2017 to employees not members of the Executive Board is calculated at DKK 2,281 at the time of grant based on the same option pricing model.

The following principal assumptions are used in the valuation:

	Share options granted to members of the Executive Board	Share options granted to employees not members of the Executive Board
Share price, five days volume weighted average after publication of Annual Report, DKK	11,628	11,628
Exercise price, DKK	12,791	12,791
Expected volatility (based on historic volatility)	31%	31%
Expected term	5.00	5.75
Expected dividend per share, DKK	300	300
Risk free interest rate	-0.12%	0.01%

Amounts in USD million

Note 12

Borrowings and net debt reconciliation

	Net debt as at 31 December 2016	Cash flow	Foreign exchange movements	Other changes Other[1]	Net debt as at 31 December 2017
Bank and other credit institutions	3,064	2,522	2	-	5,588
Issued bonds	8,097	-872	603	-24	7,804
Subsidiaries, etc., net	1,978	-5,252	-179	-9,488	-12,941
Total borrowings, net	**13,139**	**-3,602**	**426**	**-9,512**	**451**
Derivatives hedge of borrowings, net	**719**	**-224**	**-603**	**-2**	**-110**
Borrowings classification:					
Classified as non-current	9,772				11,687
Classified as current	15,557				12,288

[1] Non-cash dividends, capital increases, etc.

As at 31 December 2017, USD 0.8bn of the Company's borrowings, which include change of control clauses and negative pledges relating to assets such as supply vessels and drilling rigs which are classified as held for sale, have been reclassified to current despite the loans falling due after one year. The terms of the loans require immediate repayment on sale or change of control.

Note 13

Provisions

	Abandon-ment	Legal disputes, etc.	Other	Total
1 January 2017	1,366	87	4	1,457
Provision made	-	-	8	8
Amount used	13	77	8	98
Amount reversed	-	10	-	10
Disposal	1,384	-	4	1,388
Unwind of discount	31	-	-	31
31 December 2017	**-**	**-**	**-**	**-**

Legal disputes, etc., include tax and duty disputes among other things. Other includes provisions for unsettled claims and onerous contracts.

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

Amounts in USD million

Note 14

Derivatives

Hedges comprise primarily currency derivatives and interest rate derivatives. Foreign exchange forwards and option contracts are used to hedge the currency risk related to recognised and unrecognised transactions. Interest rate swaps are used to hedge interest rate exposure on borrowings.

	2017	2016
Non-current receivables	290	59
Current receivables	94	267
Non-current liabilities	141	513
Current liabilities	165	429
Assets/liabilities, net	**78**	**-616**

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

	Fair value, asset 2017	Fair value, liability 2017	Nominal amount of derivative 2017	Fair value, asset 2016	Fair value, liability 2016	Nominal amount of derivative 2016
Hedge of borrowings						
Cross currency swaps						
EUR	240	16	3,515	10	361	3,614
GBP	2	37	437	-	78	370
JPY	7	14	200	5	17	192
SEK	-	68	305	-	95	276
NOK	6	10	634	-	42	603
Interest rate swaps						
Fair value hedges	-	6	500	-	4	500
Total	**255**	**151**		**15**	**597**	

	Fair value 2017	Fair value 2016
Held for trading		
Currency derivatives	-25	-36
Interest derivatives	-1	2
Total	**-26**	**-34**

The hedges are expected to be highly effective due to the nature of the economic relation between the exposure and the hedge. The source of ineffectiveness is the credit risk of the hedging instruments.

For hedges where cost of hedging is applied, the forward points and change in basis spread are recognised in other comprehensive income and transferred with the effective hedge when the hedged transaction occurs. The cost of hedging reserve amounts to USD 6m (negative).

For information about risk management strategy, currencies, maturities, etc., reference is made to note 16.

Hedge of borrowings

Cross currency swaps are used to swap all non-USD issued bonds. Fixed to floating rate swaps are designated as a combination of fair value and cash flow hedges. The principal amounts are: EUR 1,835m, GBP 95m, JPY 200m, SEK 171m and NOK 268m. The remaining swaps are fixed to fixed rate or floating to fixed rate swaps and are designated as cash flow hedges of currency and interest risk.

The hedge ratio is 1:1. The maturity of the hedge instrument 0-5 years (USD equivalents): EUR 3,419m, GBP 32m, JPY 89m, SEK 305m and NOK 244m. 5-10 years: GBP 405m, JPY 111m and NOK 390m. Above 10 years: EUR 96m.

Cross currency swaps are designated as a combination of hedge of principal cash flows and hedge of interests at a weighted average interest rate of 3.7%.

The carrying amount of the borrowings in fair value hedge relation is USD 3,069m and the accumulated fair value adjustment of the loans is USD 28m (negative). The loss on the hedging instrument in fair value hedges recognised in the income statement for the year amounts to USD 33m (loss of USD 21m) and the gain on hedged item amounts to USD 33m (gain of USD 27m).

Interest rate swaps are all denominated in USD and pay floating interest rates. The hedge ratio is 1:1.

For hedges related to borrowings, USD 32m is recognised in other comprehensive income and the cash flow hedges reserve is USD 32m.

Reference is made to Statement of other comprehensive income.

Amounts in USD million

Note 14 — continued

Derivatives

Other economic hedges (no hedge accounting applied)
Furthermore, the Company enters into derivatives to hedge economic risks that are not accounted for as hedging. These derivatives are accounted for as held for trading.

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

	2017	2016
Hedging foreign exchange risk on operating costs	1	-
Hedging foreign exchange risk on gain on sale of non-current assets, etc.	-	4
Hedging interest rate risk	-46	-77
Total reclassified from equity reserve for hedges	**-45**	**-73**
Derivatives accounted for as held for trading:		
Currency derivatives recognised directly in financial income/expenses	336	-98
Interest rate derivatives recognised directly in financial income/expenses	-36	-16
Net gains/losses recognised directly in the income statement	**300**	**-114**
Total	**255**	**-187**

Note 15

Financial instruments by category

	Carrying amount 2017	Fair value 2017	Carrying amount 2016	Fair value 2016
Carried at amortised cost				
Interests bearing receivables from subsidiaries, etc.	23,524	23,524	12,190	12,190
Finance lease receivables	10	10	10	10
Other interest-bearing receivables and deposits	1	1	1	1
Total interest-bearing receivables	**23,535**	**23,535**	**12,201**	**12,201**
Trade receivables	53		173	
Other receivables (non-interest-bearing)	116		458	
Other receivables from subsidiaries, etc.	442		454	
Cash and bank balances	686		2,060	
Financial assets at amortised cost	**24,832**		**15,346**	
Derivatives	384	384	326	326
Contingent considerations	10	10	-	-
Carried at fair value through profit/loss				
Shares	-	-	1	1
Carried at fair value through other comprehensive income				
Other equity investments (available-for-sale)	-	-	759	759
Equity investments (FVOCI)[1]	-	-	-	-
Other financial assets	**394**	**394**	**1,086**	**1,086**
Total financial assets	**25,226**		**16,432**	
Carried at amortised cost				
Bank and other credit institutions	5,588	5,750	3,064	3,188
Issued bonds	7,804	8,020	8,097	8,244
Interests bearing loans from subsidiaries etc.	10,583	10,583	14,168	14,168
Total borrowings	**23,975**	**24,353**	**25,329**	**25,600**
Trade payables	67		170	
Other payables	413		379	
Other payables to subsidiaries and associated companies, etc.	25		52	
Financial liabilities at amortised cost	**24,480**		**25,930**	
Carried at fair value				
Derivatives	306	306	942	942
Financial liabilities at fair value	**306**	**306**	**942**	**942**
Total financial liabilities	**24,786**		**26,872**	

[1] Designated at initial recognition in accordance with IFRS 9.

Amounts in USD million

Note 15 — continued

Financial instruments by category

Equity investments at fair value through other comprehensive income
After disposal of the remaining 19% share in Dansk Supermarked Group, equity investments at fair value through other comprehensive income (FVOCI) comprise only a number of minor investments.

Disposal of the remaining 19% share in Dansk Supermarked Group
As the Salling Companies in November were able to complete the final transaction agreed on in 2014 one year ahead of time, A.P.Møller - Mærsk A/S sold its remaining 19% share of Dansk Supermarked Group for DKK 5.5bn equivalent to USD 871m.

The accumulated loss of USD 123m has been transferred within equity. The loss can mainly be attributed to the development in the DKK/USD exchange rate since initial recognition.

Financial instruments measured at fair value
Financial instruments measured at fair value can be divided into three levels:
Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 — Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
Level 3 — Inputs for the asset or liability that are not based on observable market data.

Fair value of listed shares falls within level 1 of the fair value hierarchy. Non-listed shares and other securities fall within level 3 of the fair value hierarchy.

Fair value of derivatives falls mainly within level 2 of the fair value hierarchy and is calculated on the basis of observable market data as of the end of the reporting period.

Fair value of level 3 assets and liabilities is primarily based on the present value of expected future cash flows. A reasonably possible change in the discount rate is not estimated to affect the Company's profit or equity significantly.

Financial instruments carried at amortised cost
Fair value of the short-term financial assets and other financial liabilities carried at amortised cost is not materially different from the carrying amount. In general, fair value is determined primarily based on the present value of expected future cash flows. Where a market price was available, however, this was deemed to be the fair value.

Fair value of listed issued bonds is within level 1 of the fair value hierarchy. Fair value of the remaining borrowing items is within level 2 of the fair value hierarchy and is calculated on the basis of discounted interests and instalments.

The closing balance in 2017 comprises minor equity investments recognised in other comprehensive income.

Movement during the year in level 3	Non-listed shares		Contingent Conside-ration	Total financial assets
	Equity Investments (FVOCI) [1]	Held for trading		
Carrying amount 1 January 2016	838	1		839
Disposal	103	-		103
Gains recognised in other comprehensive income	24	-		24
Carrying amount 31 December 2016	**759**	**1**		**760**
Addition	-	-	28	28
Disposal	871	1	-	872
Gains/losses recognised in the income statement	-	-	-18	-18
Gains/losses recognised in other comprehensive income	112	-	-	112
Carrying amount 31 December 2017	**-**	**-**	**10**	**10**

[1] Designated at initial recognition in accordance with IFRS 9 (available-for-sale in 2016).

The 2016 valuation is tested against a combination of valuation methodologies taking into account both the retail operations as well as the real estate portfolio owned by Dansk Supermarked Group. The valuation is assessed using both a discounted cash flow model with reference to selected listed peers and real estate yields. The discounted cash flow model relies on a discount rate of 6.5% reflecting a weighted average of an assumed discount rate for the retail business and an assumed yield for the real estate business as well as a long-term terminal growth rate of 2%.

Amounts in USD million

Note 16

Financial risks, etc.

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

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

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's profit or the value of its holdings of financial instruments. Below sensitivity analyses relate to the position of financial instruments at 31 December 2017.

The sensitivity analyses for currency risk and interest rate risk have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies remain unchanged from hedge designations in place at 31 December 2017. Furthermore, it is assumed that the exchange rate and interest rate sensitivities have a symmetric impact, i.e. an increase in rates results in the same absolute movement as a decrease in rates.

The sensitivity analyses show the effect on profit or loss and equity of a reasonably possible change in exchange rates and interest rate.

Currency risk

The Company's currency risk arises due to income from shipping and oil-related activities are being denominated mainly in USD, while the related expenses are incurred in both USD and a wide range of other currencies such as DKK, EUR, CNY and GBP. Overall, the Company has net income in USD and net expenses in most other currencies. After the Company's disposal of the oil activities to a subsidiary, the net income currency exposure is reduced. As the net income is in USD, this is also the primary financing currency. The majority of the Company's borrowings is thus in USD.

The main purpose of hedging the Company's currency risk is to hedge the USD value of the Company's net cash flow and reduce fluctuations in the Company's profit. The Company uses various financial derivatives, including forwards, option contracts and cross-currency swaps, to hedge these risks. The key aspects of the currency hedging policy are as follows:

- Net cash flows in other significant currencies than USD are hedged using a layered model with a 12-month horizon;
- Significant capital commitments in other currencies than USD are hedged;
- Most non-USD debt is hedged, however, depending on the asset-liability match and the currency of the generated cash flow.

An increase in the USD exchange rate of 10% against all other significant currencies to which the Company is exposed is estimated to have an impact on the Company's profit before tax by USD -0.1bn (USD -0.1bn) and the Company's equity, excluding tax, by USD -0.1bn (USD -0.1bn). The sensitivities are based only on the impact of financial instruments that are outstanding at the balance sheet date, cf. notes 14 and 15, and are thus not an expression of the Company's total currency risk.

Interest rate risk

Most of the Company's debt is denominated in USD, but part of the debt (e.g. issued bonds) is in other currencies such as EUR, NOK, GBP and SEK. Some loans are at fixed interest rates, while others are at floating interest rates.

The Company strives to maintain a combination of fixed and floating interest rates on its net debt, reflecting expectations and risks. The hedging of the interest rate risk is governed by a duration range and is primarily obtained with interest rate swaps.

A general increase in interest rates by one percentage point is estimated, all other things being equal, to affect profit before tax and equity, excluding tax effect, negatively by approximately USD 72m and USD 75m, respectively (negatively by approximately USD 47m and USD 19m, respectively).

This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Borrowings and interest-bearing debt to subsidiaries by interest rate levels inclusive of interest rate swaps	Carrying amount	Next interest rate fixing 0-1 year	1-5 years	5- years
2017				
0-3%	16,759	14,620	1,636	503
3-6%	7,216	3,947	1,995	1,274
Total	**23,975**	**18,567**	**3,631**	**1,777**
Of which:				
Bearing fixed interest	5,432			
Bearing floating interest	18,543			
2016				
0-3%	21,122	18,643	1,475	1,004
3-6%	4,208	2,434	454	1,320
Total	**25,330**	**21,077**	**1,929**	**2,324**
Of which:				
Bearing fixed interest	4,595			
Bearing floating interest	20,735			

Amounts in USD million

Note 16 — continued

Financial risks, etc.

Credit risk

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

Financial assets at amortised cost comprise loans receivable, finance lease receivables, and other receivables. These are all considered to have low credit risk and thus the impairment provision calculated basis of 12 month expected losses is considered immaterial. The financial assets are considered to be low risk when they have low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

A.P. Møller - Mærsk A/S applies the simplified approach to providing the expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. In accordance with IFRS 9, also non-due trade receivables have been impaired.

Maturity analysis of trade receivables incl. subsidiaries, etc.	2017	2016
Receivables not due	6	145
Less than 90 days overdue	40	27
More than 90 days overdue	7	6
Receivables, gross	53	178
Provision for bad debt	-	5
Carrying amount	**53**	**173**

Loans to subsidiaries

Other financial assets at amortised cost include loans to subsidiaries. As of 31 December 2017 the loans amount to USD 23.5bn and are considered to have a low credit risk, thus the impairment provision to be recognised during the period is limited to 12 months expected losses. The credit risk has not increased significantly since the initial recognition and is considered low based on the investment grade credit rating for the Group and consequently the financial strength of the major subsidiaries within the Group.

Liquidity risk

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

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

		Cash flows including interest			
Maturities of liabilities and commitments	**Carrying amount**	**0-1 year**	**1-5 years**	**5- years**	**Total**
2017					
Bank and other credit institutions	5,588	1,569	4,056	621	6,246
Issued bonds	7,804	508	6,034	2,216	8,758
Interest-bearing loans from subsidiaries, etc.	10,583	10,594	-	-	10,594
Trade payables	67	67	-	-	67
Other payables	413	413	-	-	413
Other payables to subsidiaries, etc.	25	25	-	-	25
Non-derivative financial liabilities	**24,480**	**13,176**	**10,090**	**2,837**	**26,103**
Derivatives	306	165	89	52	306
Total recognised in balance sheet	**24,786**	**13,341**	**10,179**	**2,889**	**26,409**
Operating lease commitments		65	43	-	108
Total		**13,406**	**10,222**	**2,889**	**26,517**
2016					
Bank and other credit institutions	3,064	647	2,016	654	3,317
Issued bonds	8,097	1,029	5,352	2,838	9,219
Interest-bearing loans from subsidiaries, etc.	14,168	14,178	-	-	14,178
Trade payables	170	170	-	-	170
Other payables	379	379	-	-	379
Other payables to subsidiaries, etc.	52	52	-	-	52
Non-derivative financial liabilities	**25,930**	**16,455**	**7,368**	**3,492**	**27,315**
Derivatives	942	429	395	118	942
Total recognised in balance sheet	**26,872**	**16,884**	**7,763**	**3,610**	**28,257**
Operating lease commitments		72	95	25	192
Capital commitments		73	23	-	96
Total		**17,029**	**7,881**	**3,635**	**28,545**

Amounts in USD million

Note 17

Commitments

Operating lease commitments
As part of the Company's activities, customary agreements are entered into regarding operating lease of vessels, equipment and office buildings, etc. The future charter and operating lease payments for continuing operations are:

	2017	2016
Within one year	65	72
Between one and two years	28	51
Between two and three years	10	20
Between three and four years	5	15
Between four and five years	-	9
After five years	-	25
Total	**108**	**192**
Net present value[1]	105	164

[1] The net present value has been calculated using a discount rate of 6% p.a. (6% p.a.).

About one-third of the time charter payments within shipping activities are estimated to relate to operating costs for the assets.

Total operating lease costs incurred are stated in note 2.

Capital commitments
After the disposal of oil and gas activities, the Company has no material capital commitments at the end of 2017. At the end of 2016, capital commitments amounted to USD 96m, primarily related to oil activities.

Note 18

Contingent liabilities

Guarantees amount to USD 0.8bn (USD 0.8bn). Of this, USD 0.8bn (USD 0.8bn) is related to subsidiaries. The guarantees are not expected to be realised, but they can mature within one year.

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

The Company is involved in a number of legal disputes. The Company is also involved in tax disputes in certain countries. Some of these involve significant amounts and are subject to considerable uncertainty.

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

Amounts in USD million

Note 19

Cash flow specifications

	2017	2016
Change in working capital		
Trade receivables	6	8
Other receivables and prepayments	-71	24
Trade payables and other payables, etc.	-5	21
Other working capital movements	15	16
Exchange rate adjustment of working capital	24	7
Total	**-31**	**76**

Amounts in USD million

Note 20
Related parties

	Controlling party[1]		Subsidiaries		Associated companies		Joint ventures		Management[2]	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Continuing operations										
Income statement										
Revenue	12	-	231	1,011	-	-	1	5	-	-
Operating costs	38	-	16	70	-	-	-	-	-	-
Remuneration to management	-	-	-	-	-	-	-	-	10	23
Dividends	-	-	2,835	65	-	-	-	11	-	-
Financial income	-	-	685	664	-	-	-	-	-	-
Financial expenses	-	-	491	96	-	-	-	-	-	-
Assets										
Interest-bearing receivables, non-current	-	-	18,532	7,697	-	-	-	-	-	-
Derivatives, non-current	-	-	31	45	-	-	-	-	-	-
Trade receivables	-	-	43	149	-	-	-	11	-	-
Tax receivables	-	-	133	113	-	-	-	-	-	-
Interest-bearing receivables, current	-	-	4,992	4,493	-	-	-	-	-	-
Derivatives, current	-	-	18	193	-	-	-	-	-	-
Other receivables, current	29	-	442	454	-	-	-	-	-	-
Liabilities										
Derivatives, non-current	-	-	13	1	-	-	-	-	-	-
Interest bearing debt, current	-	-	10,583	14,168	-	-	-	-	-	-
Trade payables	-	-	9	40	-	-	-	-	-	-
Tax payables	-	-	96	125	-	-	-	-	-	-
Derivatives. current	-	-	73	44	-	-	-	-	-	-
Other liabilities, current	-	-	25	52	-	-	-	-	-	-
Investment in property, plant and equipment	-	-	-	5	-	-	-	-	-	-
Sale of companies, property, plant and equipment	1,217 [3]	-	-	0	-	-	-	-	-	-
Capital increases and purchase of shares	-	-	846	1,306	-	-	1	-	-	-
Return of capital	-	-	8,000	-	-	-	-	-	-	-
Discontinued operations										
Income statement – income	-	-	813	-	-	-	4	-	-	-
Income statement – expenses	-	-	51	-	-	-	5	-	-	-

[1] A.P. Møller Holding A/S, Copenhagen, Denmark has control over the Company and prepares consolidated financial statements. A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal is the ultimate owner.
[2] The Board of Directors and the Executive Board in A.P. Møller - Mærsk A/S, A.P. Møller Holding A/S, A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal and their close relatives (including undertakings under their significant influence).
[3] Sale of shares in Maersk Tankers A/S to APMH Invest A/S

Dividends distributed are not included.

Amounts in USD million

Note 21

Significant accounting policies

The financial statements for 2017 for A.P. Møller - Mærsk A/S have been prepared on a going concern basis and in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act. The financial statements are also in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

Aside from for the implementation of IFRS 9, the accounting policies of the Company are consistent with those applied in the financial statements 2016. The accounting policies are furthermore consistent with the accounting policies for the Group's financial statements (note 23 in the Consolidated financial statements) with the following exceptions:

- Shares in subsidiaries and associated companies are measured at cost or a lower recoverable amount;
- Dividends from subsidiaries and associated companies are recognised as income at the time of declaration unless considered a return of capital in subsidiary;
- No segment information is disclosed;
- Value of granted share options, restricted shares and performance shares to employees in subsidiaries is expensed directly in the relevant subsidiary. At the time of the grant, the subsidiary settles the amount with A.P. Møller - Mærsk A/S and the counter posting made in equity. At the time of exercising, the proceeds are included in the Company's equity.

Energy related activities were transferred to subsidiaries as a contribution in kind. The cost of the subsidiary is measured at the carrying amount of the net assets transferred. The profit/loss and cash flow are included for the period up to the transfer of the activities.

As stated in the Annual Report 2016, the Company decided to adopt IFRS 9 from 1 January 2017. The implementation of IFRS 9 has not affected the classification and measurement of the Company's financial instruments, and the new standard does not fundamentally change the hedging relationships.

Management elected to classify the 19% shareholding in Dansk Supermarked Group as fair value through other comprehensive income. The accumulated loss recognised in other comprehensive income will, as a consequence, remain in equity, as will value adjustments related to this investment following this date. The remaining equity investments previously classified as assets available for sale have also been classified as fair value through other comprehensive income. The accumulated amount recognised in other comprehensive income for the remaining equity investments is not material.

The effect of the change from the 'incurred loss' model in IAS 39 to the 'expected credit loss' model in IFRS 9 is considered immaterial due to the low credit risk of other receivables. Other financial assets include loans to subsidiaries, which are measured at amortised cost. Due to immaterial effects from implementing IFRS 9, the 2016 financial statements have not been restated. The effects as of end of 2016 have been recognised in 2017.

New financial reporting requirements

The Company has not yet applied the following standards:

- IFRS 15 Revenue from contracts with customers
- IFRS 16 Leases

IFRS 15 is effective from 1 January 2018 and IFRS 16 is effective from 1 January 2019 and both are endorsed by the EU. Early adoption of IFRS 16 is currently not considered by the Company.

The Company has in all material respect concluded analyses of the impending changes resulting from IFRS 15 and IFRS 16. The key findings are explained below.

IFRS 15 Revenue from contracts with customers

The Company's current practices for recognising revenue have shown to comply in all material aspects with the concepts and principles encompassed by the new standard and impact on the financial statements is considered immaterial.

IFRS 16 Leases

The new requirement in IFRS 16 to recognise a right-of-use asset and a related liability is not expected to have material impact on the amounts recognised in the Company's financial statements.

The Company will adopt IFRS 16 on 1 January 2019, applying the following main transitions options:

- No reassessment of lease definitions compared to existing IAS 17 and IFRIC 4
- Application of simplified approach with no restatement of comparative figures for prior periods.

Amounts in USD million

Note 22

Significant accounting estimates and judgements

When preparing the financial statements of the Company, management undertakes a number of accounting estimates and judgements to recognise, measure and classify the Company's assets and liabilities.

Estimates that are material to the Company's financial reporting are made on the basis of, inter alia, determination of the useful life and residual value of property, plant and equipment, determination of impairment of property, plant and equipment and financial non-current assets including subsidiaries and associated companies, recognition of deferred tax assets and recognition and measurements of provisions. Reference is made to notes 6, 7, 8 and 13.

Management assesses impairment indicators for investments in subsidiaries and associated companies, and determines the recoverable amount generally consistent with the assumptions described in note 6, 7 and 24 of the Consolidated financial statements to which reference is made. When classifying an investment as assets held for sale management applies judgement to the estimated fair value of the investment. Depending on the activity, the estimated value is encompassed by different levels of uncertainty and thus subsequent adjustments are possible. Measurement of the fair value is categorised as Level 3 in the fair value hierarchy as measurement is not based on observable market data.

The accounting estimates and judgements are described in further detail in note 24 of the Consolidated financial statements.

Statement of the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the Annual Report of A.P. Møller - Mærsk A/S for 2017.

The Annual Report for 2017 of A.P. Møller - Mærsk A/S has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act and in our opinion gives a true and fair view of A.P. Moller - Maersk's and the Company's assets and liabilities, financial position at 31 December 2017 and of the results of A.P. Moller - Maersk's and the Company's operations and cash flows for the financial year 2017.

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

We recommend that the Annual Report be approved at the Annual General Meeting on 10 April 2018.

Copenhagen, 9 February 2018

Executive Board

Søren Skou — CEO

Claus V. Hemmingsen — Vice CEO

Jakob Stausholm — CFO

Vincent Clerc — CCO, Maersk Line

Morten Engelstoft — CEO, APM Terminals

Søren Toft — COO, Maersk Line

Board of Directors

Jim Hagemann Snabe — Chairman

Niels Jacobsen — Vice Chairman

Ane Mærsk Mc-Kinney Uggla — Vice Chairman

Dorothee Blessing

Niels Bjørn Christiansen

Renata Frolova-Hammer

Arne Karlsson

Jan Leschly

Palle Vestergaard Rasmussen

Robert Routs

Robert Mærsk Uggla

Independent Auditor's Report

To the shareholders of A.P. Møller - Mærsk A/S.

Our opinion

In our opinion, the consolidated financial statements and the parent company financial statements (pp 63-136 and pp 141-143) give a true and fair view of the Group's and the parent company's financial position at 31 December 2017 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January to 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The consolidated financial statements and parent company financial statements of A.P. Møller - Mærsk A/S for the financial year 1 January to 31 December 2017 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including summary of significant accounting policies for the Group as well as for the parent company. Collectively referred to as the "financial statements".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of A.P. Møller - Mærsk A/S on 12 April 2012 for the financial year 2012. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 6 years including the financial year 2017.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Key audit matter

Recognition of the Group's revenue is complex due to the volume of transactions and the extent of different revenue streams within the segments.

We focused on this area, as recognition of revenue involves accounting policy decisions and judgements made by Management originating from different customer behaviour, market conditions, terms and nature of services in the various segments.

Further, the volume of transactions and extent of different revenue streams require various IT setups of revenue recognition throughout the Group, which are complex and introduce an inherent risk to the revenue recognition process.

Reference is made to notes 1 and 23 in the consolidated financial statements.

How our audit addressed the key audit matter

Our audit procedures included considering the appropriateness of the Group's revenue recognition accounting policies and assessing compliance with applicable accounting standards.

We tested the relevant controls, including applicable information systems and Management's monitoring of controls, used to ensure the completeness, accuracy and timing of revenue recognised.

We performed substantive procedures over invoicing and significant contracts in order to assess the accounting treatment and principles applied.

We applied data-analytics and tested journal entries on revenue.

Recoverability of the carrying amount of non-current assets

Key audit matter
The principal risk is in relation to Management's assessment of future timing and amount of cash flows, which are used to project the recoverability of the carrying amount of tangible and intangible assets.

Bearing in mind the generally long-lived nature of A.P. Moller - Maersk's assets, the most critical assumptions are Management's view on the long-term outlook for freight rates and volumes as well as oil price and rig rates.

We focused on this area, as Management is required to exercise considerable judgement because of the inherent complexity in estimating future cash flows.

Reference is made to notes 6, 7, 9 and 24 in the consolidated financial statements.

How our audit addressed the key audit matter
In addressing the risk, we walked through and tested the controls designed and operated by the Group relating to the assessment of the carrying value of tangible and intangible assets.

We considered the appropriateness of Management defined cash-generating units (CGUs) within the business. We tested whether there were factors requiring Management to change their classification since the prior reporting period. We also tested Management's process for identifying CGUs that required impairment testing in line with IFRS and tested that all assets requiring impairment testing were identified.

We examined the methodology used by Management to assess the carrying amount of tangible and intangible assets assigned to CGUs, to determine its compliance with accounting standards and consistency of application.

We performed detailed testing for the assets where the need for an impairment review was identified by Management. For those assets expected to be retained in the portfolio, we checked the reasonableness of key assumptions in relation to the ongoing operation of the assets.

We corroborated Management's estimate of future cash flows and challenged whether these were appropriate in light of future oil price, freight and rig rates, volume growth, cost reduction initiative and capital expenditure assumptions, including assessed Management's macroeconomic assumptions regarding short-term and long-term views on prices. We also evaluated the discount rates and market values used and tested the mathematical accuracy of the relevant value-in-use models prepared by Management.

Estimation in respect of uncertain tax positions

Key audit matter
The Group operates in a complex multinational tax environment and there are open tax audits and inquiries with tax authorities.

Management is required to exercise considerable judgement when determining the appropriate amount to provide in respect of uncertain tax positions.

We focused on this area, as the amounts involved are potentially material and the valuation of tax assets and liabilities is associated with uncertainty and judgement.

At 31 December 2017, the Group had recognised provisions in respect of legal disputes etc., which among other things include tax, indirect tax and duty disputes.

Reference is made to notes 8, 14 and 24 in the consolidated financial statements.

How our audit addressed the key audit matter
We evaluated relevant procedures and controls regarding completeness of records of uncertain tax positions and Management's procedure for estimating the provision for uncertain tax positions.

In understanding and evaluating Management's judgements, we considered the status of recent and current tax authority audits and enquiries, the outcome of previous claims, judgmental positions taken in tax returns and current year estimates and developments in the tax environment.

In addition, we used our tax specialists, evaluated and challenged the adequacy of Management's key assumptions and read correspondence with tax authorities to assess Management's estimates.

Statement on Directors' report

Management is responsible for Directors' report.

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

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

Moreover, we considered whether Directors' report includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Directors' report is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Directors' report.

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the parent company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. •

Copenhagen, 9 February 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

Mogens Nørgaard Mogensen
State Authorised Public Accountant
mne21404

Gert Fisker Tomczyk
State Authorised Public Accountant
mne9777

ADDITIONAL INFORMATION

[1] Part of Directors' report [2] Part of Financials

Board of Directors

Image from the left:
Palle Vestergaard Rasmussen
Jan Leschly
Dorothee Blessing
Robert Routs
Ane Mærsk Mc-Kinney Uggla
Jim Hagemann Snabe
Niels Jacobsen
Arne Karlsson
Robert Mærsk Uggla
Renata Frolova-Hammer
Niels Bjørn Christiansen

Jim Hagemann Snabe

Chairman

Born:	1965
Gender:	Male
Joined the Board:	2016
Term of office will end:	2018

Former Co-CEO of SAP AG, Germany.

Other management duties, etc.:
Siemens AG (Chairman); Allianz SE (Vice Chairman); World Economic Forum (member of the Board of Trustees); Adjunct professor at Copenhagen Business School.

Considered independent.

Niels Jacobsen

Vice Chairman

Born:	1957
Gender:	Male
Joined the Board:	2007
Latest re-election:	2017
Term of office will end:	2019

Former President & CEO of William Demant Holding A/S.

Other management duties, etc.:
William Demant Invest A/S (CEO); Jeudan A/S (Chairman); Össur hf. (Chairman); HIMPP A/S (Chairman); Sennheiser Communications A/S (Chairman); Founders A/S (Chairman); William Demant Holding A/S (Vice Chairman); Boston Holding A/S; Nissens A/S (Chairman); Thomas B. Thriges Fond (Chairman); KIRKBI A/S (Vice Chairman).

Considered independent.

Ane Mærsk Mc-Kinney Uggla

Vice Chairman

Born:	1948
Gender:	Female
Joined the Board:	1991
Latest re-election:	2016
Term of office will end:	2018

Other management duties, etc.:
A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal (Chairman); Den A.P. Møllerske Støttefond (Chairman); A.P. Møller Holding A/S (Chairman); Maersk Broker A/S (Chairman); Maersk Broker K/S (Chairman); Estemco III A/S (CEO); Timer ApS (CEO).

Not considered independent.

Dorothee Blessing

Born:	1967
Gender:	Female
Joined the Board:	2014
Latest re-election:	2017
Term of office will end:	2019

Regional Head of Germany, Austria, Switzerland, Israel, Ireland and the Nordics; Vice Chairman, Investment Banking EMEA; J.P. Morgan. Member of the supervisory board of J.P. Morgan AG.

Other management duties, etc.:
Member of the board of directors of the Association of German Banks.

Considered independent.

Niels Bjørn Christiansen

Born:	1966
Gender:	Male
Joined the Board:	2014
Latest re-election:	2017
Term of office will end:	2019

CEO of LEGO A/S.

Other management duties, etc.:
William Demant Holding A/S (Chairman).

Considered independent.

Renata Frolova-Hammer

Born:	1977
Gender:	Female
Joined the Board:	2014
Latest re-election:	2016
Term of office will end:	2018

Head of Responsible Procurement (employee).

Other management duties, etc.:
IKEA Industry Holding BV.

Not considered independent.

Arne Karlsson

Born:	1958
Gender:	Male
Joined the Board:	2010
Latest re-election:	2017
Term of office will end:	2019

Former CEO, Ratos AB.

Other management duties, etc.:
Bonnier Holding (Chairman); Bonnier AB; SNS Förtroenderåd (SNS Board of Trustees) (Chairman); Einar Mattsson (Chairman); Swedish Corporate Governance Board (Chairman); Ecolean (Chairman); Swedish Securities Council and WCPF (World's Children's Prize Foundation) (Chairman); ROL AB (Chairman).

Considered independent.

Jan Leschly

Born:	1940
Gender:	Male
Joined the Board:	2000
Latest re-election:	2016
Term of office will end:	2018

Chairman and managing partner of Care Capital LLC. Former CEO, SmithKlineBeecham.

Other management duties, etc.:
A.P. Møller Holding A/S; Vaxart Pharmaceuticals; Adjunct professor at Copenhagen Business School.

Not considered independent.

Palle Vestergaard Rasmussen

Born:	1958
Gender:	Male
Joined the Board:	2014
Latest re-election:	2016
Term of office will end:	2018

Captain (employee).

Other management duties, etc.:
None.

Not considered independent.

Robert Routs

Born:	1946
Gender:	Male
Joined the Board:	2010
Latest re-election:	2016
Term of office will end:	2018

Former Executive Director, Royal Dutch Shell plc.

Other management duties, etc.:
Aegon NV (Chairman); DSM NV (Chairman); ATCO Group; AECOM.

Considered independent.

Robert Mærsk Uggla

Born:	1978
Gender:	Male
Joined the Board:	2014
Latest re-election:	2016
Term of office will end:	2018

CEO of A.P. Møller Holding A/S.

Other management duties, etc.:
Agata ApS (CEO); A.P. Møller Capital P/S (Chairman); Estemco XII ApS (CEO); Four subsidiaries of A.P. Møller Holding A/S; Foundation Board of IMD.

Not considered independent.

Executive Board

Image from the left:
Morten Engelstoft
Jakob Stausholm
Claus V. Hemmingsen
Søren Skou
Søren Toft
Vincent Clerc

Søren Skou

Chief Executive Officer (CEO)

Born:	1964
Gender:	Male
Joined the Executive Board:	2007

Other management duties, etc.:
Skou Invest ApS; International Council of Containership Operators (ICCO); Member of European Round Table of Industrialists.

Claus V. Hemmingsen

Vice Chief Executive Officer (Vice CEO)

Born:	1962
Gender:	Male
Joined the Executive Board:	2007

Other management duties, etc.:
DFDS A/S (Chairman); Danske Rederier (Chairman); Danish Chinese Business Forum (Chairman); Den A.P. Møllerske Støttefond; International Chamber of Shipping.

Jakob Stausholm

Chief Finance, Strategy & Transformation Officer (CFO)

Born:	1968
Gender:	Male
Joined the Executive Board:	2016

Other management duties, etc.:
None.

Vincent Clerc

Chief Commercial Officer (CCO), Maersk Line

Born:	1972
Gender:	Male
Joined the Executive Board:	2017

Other management duties, etc.:
None.

Morten Engelstoft

Chief Executive Officer (CEO), APM Terminals

Born:	1967
Gender:	Male
Joined the Executive Board:	2017

Other management duties, etc.:
Global Ports Investments;
TT Club Mutual Insurance Ltd.

Søren Toft

Chief Operating Officer (COO), Maersk Line

Born:	1974
Gender:	Male
Joined the Executive Board:	2017

Other management duties, etc.:
World Shipping Council.

Company overview

A.P. Moller - Maersk comprises more than 900 companies. Major companies of A.P. Moller - Maersk are listed below.

The Danish Financial Statements Act section 97a, par. 4 has been applied in the company overview.

A more comprehensive list of companies is available http://investor.maersk.com/financials.cfm

SUBSIDIARIES

Company	Country of incorporation	Owned share
A.P. Moller Finance SA	Switzerland	100%
A.P. Moller Singapore Pte. Ltd.	Singapore	100%
Addicks & Kreye Container Service GmbH & Co. KG	Germany	51%
Aliança Navegação e Logística Ltda.	Brazil	100%
APM Terminals - Aarhus A/S	Denmark	100%
APM Terminals Algeciras S.A.	Spain	100%
APM Terminals Apapa Ltd.	Nigeria	94%
APM Terminals B.V.	The Netherlands	100%
APM Terminals Bahrain B.S.C.	Bahrain	80%
APM Terminals Callao S.A.	Peru	51%
APM Terminals China Co. Ltd.	Hong Kong	100%
APM Terminals Elizabeth, LLC	USA	100%
APM Terminals Gothenburg AB	Sweden	100%

SUBSIDIARIES

Company	Country of incorporation	Owned share
APM Terminals India Pvt. Ltd.	India	100%
APM Terminals Inland Services S.A.	Peru	100%
APM Terminals Lázaro Cárdenas S.A. de C.V.	Mexico	100%
APM Terminals Liberia Ltd.	Liberia	75%
APM Terminals Maasvlakte II B.V.	The Netherlands	100%
APM Terminals Management B.V.	The Netherlands	100%
APM Terminals Mobile, LLC	USA	100%
APM Terminals Moin S.A.	Costa Rica	100%
APM Terminals North America B.V.	The Netherlands	100%
APM Terminals Pacific LLC	USA	100%
APM Terminals Rotterdam B.V.	The Netherlands	100%
APM Terminals Tangier SA	Morocco	90%
Aqaba Container Terminal Company Ltd.	Jordan	50%
Bermutine Transport Corporation Ltd.	Bermuda	100%
Coman SA	Benin	100%
Container Operators S.A.	Chile	100%
Damco (UAE) FZE	United Arab Emirates	100%
Damco A/S	Denmark	100%
Damco Australia Pty. Ltd.	Australia	100%
Damco Belgium NV	Belgium	100%
Damco China Ltd.	China	100%
Damco Distribution Services Inc.	USA	100%
Damco France SAS	France	100%
Damco India Pvt. Ltd.	India	100%
Damco International A/S	Denmark	100%
Damco Logistics Uganda Ltd.	Uganda	100%
Damco Sweden AB	Sweden	100%
Damco UK Ltd.	UK	100%
Damco USA Inc.	USA	100%
Farrell Lines Inc.	USA	100%
Gateway Terminals India Pvt. Ltd.	India	74%
Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft KG	Germany	100%
Lilypond Container Depot Nigeria Ltd.	Nigeria	100%
Maersk (China) Shipping Company Ltd.	China	100%
Maersk A/S	Denmark	100%
Maersk Agency U.S.A. Inc.	USA	100%
Maersk Aviation Holding A/S	Denmark	100%

SUBSIDIARIES

Company	Country of incorporation	Owned share
Maersk B.V.	The Netherlands	100%
Maersk Bangladesh Ltd.	Bangladesh	100%
Maersk Container Industry A/S	Denmark	100%
Maersk Container Industry Dongguan Ltd.	China	100%
Maersk Container Industry Qingdao Ltd.	China	100%
Maersk Denizcilik A.Ş.	Turkey	100%
Maersk Drilling A/S	Denmark	100%
Maersk Drilling Deepwater A/S	Denmark	100%
Maersk Drilling Deepwater Egypt LLC	Egypt	100%
Maersk Drilling Holdings Singapore Pte. Ltd.	Singapore	100%
Maersk Drilling International A/S	Denmark	100%
Maersk Drilling Norge AS	Norway	100%
Maersk Drilling USA Inc.	USA	100%
Maersk Drillship III Singapore Pte. Ltd.	Singapore	100%
Maersk Drillship IV Singapore Pte. Ltd.	Singapore	100%
Maersk Egypt For Maritime Transport SAE	Egypt	100%
Maersk Energia Ltda.	Brazil	100%
Maersk Energy Marketing A/S	Denmark	100%
Maersk Energy UK Ltd.	UK	100%
Maersk FPSOs A/S	Denmark	100%
Maersk Gabon SA	Gabon	100%
Maersk Global Service Centres (Chengdu) Ltd.	China	100%
Maersk Global Service Centres (India) Pvt. Ltd.	India	100%
Maersk Holding B.V.	The Netherlands	100%
Maersk Hong Kong Ltd.	Hong Kong	100%
Maersk Inc.	USA	100%
Mærsk Innovator Norge A/S	Denmark	100%
Mærsk Inspirer Norge A/S	Denmark	100%
Maersk Integrator Norge A/S	Denmark	100%
Maersk Inter Holding B.V.	The Netherlands	100%
Maersk Interceptor Norge A/S	Denmark	100%
Maersk Intrepid Norge A/S	Denmark	100%
Maersk Line A/S	Denmark	100%
Maersk Line Agency Holding A/S	Denmark	100%
Maersk Line UK Ltd.	UK	100%
Maersk Line, Limited Inc.	USA	100%
Maersk Logistics Warehousing China Company Ltd.	Hong Kong	100%
Maersk Oil Angola A/S	Denmark	100%

SUBSIDIARIES

Company	Country of incorporation	Owned share
Maersk Oil Brasil Ltda.	Brazil	100%
Maersk Oil GB Ltd.	UK	100%
Maersk Oil Gulf of Mexico Four LLC	USA	100%
Maersk Oil Kazakhstan GmbH	Germany	100%
Maersk Oil North Sea UK Ltd.	UK	100%
Maersk Oil Norway AS	Norway	100%
Maersk Oil Qatar A/S	Denmark	100%
Maersk Oil Three PL B.V.	The Netherlands	100%
Maersk Oil Trading Inc.	USA	100%
Maersk Oil UK Ltd.	UK	100%
Mærsk Olie Algeriet A/S	Denmark	100%
Mærsk Olie og Gas A/S	Denmark	100%
Maersk Shipping Hong Kong Ltd.	Hong Kong	100%
Maersk Supply Service (Angola) Lda.	Angola	49%
Maersk Supply Service A/S	Denmark	100%
Maersk Supply Service Canada Ltd.	Canada	100%
Maersk Supply Service International A/S	Denmark	100%
Maersk Supply Service UK Ltd.	UK	100%
Maersk Treasury Center (Asia) Pte. Ltd.	Singapore	100%
Maersk Vietnam Ltd.	Vietnam	100%
Maersk Viking LLC	USA	100%
MCC Transport Singapore Pte. Ltd.	Singapore	100%
New Times International Transport Service Co. Ltd.	China	100%
Poti Sea Port Corporation	Georgia	100%
PT Damco Indonesia	Indonesia	98%
Rederiaktieselskabet Kuling	Denmark	100%
Rederiet A.P. Møller A/S	Denmark	100%
Safmarine (Pty) Ltd.	South Africa	100%
Safmarine MPV NV	Belgium	100%
Seago Line A/S	Denmark	100%
Sogester - Sociedade Gestora De Terminais S.A.	Angola	51%
Suez Canal Container Terminal SAE	Egypt	55%
Svitzer A/S	Denmark	100%
Svitzer Australia Pty Ltd	Australia	100%
Svitzer Marine Ltd.	UK	100%
Terminal 4 S.A.	Argentina	100%
U.S. Marine Management, Incorporated	USA	100%
West Africa Container Terminal Nigeria Ltd.	Nigeria	100%

ASSOCIATED COMPANIES

Company	Country of incorporation	Owned share
Abidjan Terminal SA	Côte d'Ivoire	40%
Brigantine International Holdings Ltd.	Hong Kong	30%
Brigantine Services Ltd.	Hong Kong	30%
Congo Terminal Holding SAS	France	30%
Congo Terminal SA	Republic of the Congo	23%
Cosco Ports (Nansha) Ltd.	British Virgin Islands	34%
Guangzhou South China Oceangate Container Terminal Co. Ltd.	China	20%
Gujarat Pipavav Port Ltd.	India	43%
Höegh Autoliners Holdings AS	Norway	39%
Inttra Inc.	USA	25%
Meridian Port Services Ltd.	Ghana	42%
Salalah Port Services Company SAOG	Oman	30%
Shanghai Tie Yang Multimodal Transportation Co. Ltd.	China	29%
South Asia Gateway Pvt. Ltd.	Sri Lanka	33%
Tianjin Port Alliance International Container Terminal Co. Ltd.	China	20%

JOINT VENTURES

Company	Country of incorporation	Owned share
Anchor Storage Ltd.	Bermuda	51%
Ardent Holdings Limited	UK	50%
Brasil Terminal Portuario S.A.	Brazil	50%
Cai Mep International Terminal Co. Ltd.	Vietnam	49%
Douala International Terminal SA	Cameroon	44%
Eurogate Container Terminal Wilhelmhaven Beteiligungsgesellschaft GmbH	Germany	30%
First Container Terminal ZAO	Russian Federation	31%
Global Ports Investments PLC	Cyprus	31%
North Sea Terminal Bremerhaven Verwaltungsgesellschaft GmbH	Germany	50%
Pelabuhan Tanjung Pelepas Sdn. Bhd.	Malaysia	30%
Petrolesport OAO	Russian Federation	31%
Qingdao New Qianwan Container Terminal Co. Ltd.	China	18%
Qingdao Qianwan Container Terminal Co. Ltd.	China	20%
Shanghai East Container Terminal Co. Ltd.	China	49%
Smart International Logistics Company Ltd.	China	49%
South Florida Container Terminal LLC	USA	49%
Vostochnaya Stevedore Company OOO	Russian Federation	31%
Xiamen Songyu Container Terminal Co. Ltd.	China	25%

Definition of terms

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

Alphaliner
Alphaliner is a worldwide provider of container shipping data and analysis.

Backlog
The value of future contract coverage (revenue backlog).

boepd
Barrels of oil equivalent per day.

Bunker
Type of oil used in ship engines.

CAGR
Compound annual growth rate.

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

Contract coverage
Percentage indicating the part of ship/rig days that are contracted for a specific period.

Discontinued operations
Discontinued operations are a major line of business (disposal group) that is either held for sale or has been sold in previous periods. The disposal group is reported separately in a single line in the income statement and cash flow statement. Comparison figures are restated. In the balance sheet assets and liabilities are classified and disclosed separately on an aggregate level in the balance sheet as assets held for sale and liabilities associated with assets held for sale. In the balance sheet comparison figures are not restated. Maersk Oil, Maersk Tankers, Maersk Drilling and Maersk Supply Service have been classified as discontinued operations and assets held for sale in 2017.

Dividend yield
The dividend yield is equal to the proposed dividends of the year divided by the shares' price.

Drewry
Drewry is a leading international provider of research and consulting services to the maritime and shipping industry.

Drillship
A vessel that has been fitted with drilling equipment, mainly used for deepwater drilling.

EBIT margin gap to peers
Peer group includes CMA CGM, APL, Hapag Lloyd, Hanjin, ZIM, Hyundai MM, K Line, OOCL, NYK, MOL, COSCO and CSCL. Peer average is TEU-weighted. EBIT margins are adjusted for gains/losses on sale of assets, restructuring charges, income/loss from associates and impairments. Maersk Line's EBIT margin is also adjusted for depreciation to match industry standards (25 years).

Economic utilisation
The number of contracted days in percentage of total days in the calendar year.

Energy division
From 2017, the Energy division consists of Maersk Oil, Maersk Drilling, Maersk Supply Service and Maersk Tankers, as well as other businesses (Maersk Training and FPSOs) and unallocated Energy headquarter costs.

Equity ratio
Is calculated as the equity divided by total assets.

FFE
Forty Foot Equivalent unit container.

Jack-up rig
A drilling rig resting on legs that can operate in waters of 25–150 metres.

Locked box transaction
The sale of a business where the equity price is locked based on a designated balance sheet date (locked box date) prior to signing. Earnings and cash flow from the locked box date until closing of the transaction is at the discretion of the buyer. As compensation, the seller receives a locked box interest from the locked box date until closing equivalent of the expected cash profits for the period. Consequently, the buyer assumes the economic outcome as from locked box date.

Net interest-bearing debt (NIBD)
Equals interest-bearing debt less cash and bank balances less other interest-bearing assets.

NOPAT
Net operating profit or loss after tax.

Product tanker
Vessel transporting refined oil products.

Return on equity
Is calculated as the profit/loss for the year divided by the average equity.

ROIC
Return on invested capital after tax.

TEU
Twenty Foot Equivalent Unit container.

Segments' return on invested capital after tax (ROIC)
Is net operating profit/loss after tax (NOPAT) divided by the quarterly average invested capital, net (segment assets less liabilities).

Time charter
Hire of a vessel for a specified period.

Total market capitalisation
Is the total number of shares – excluding A.P. Moller - Maersk's holding of own shares – multiplied by the end-of-year price quoted by NASDAQ OMX Copenhagen.

Total shareholder return
Total shareholder return is equal to the price appreciation rate (price variance from the beginning to the end of the year) and the dividend yield.

Transport & Logistics division
From 2017, the Transport & Logistics division consists of all A.P. Moller - Maersk activities except unallocated financial items and those activities allocated to the Energy division.

Triple-E
Triple-E stands for Economy of scale, Energy efficiency and Environmentally improved.

Underlying result profit/loss
Underlying profit/loss is profit/loss for the year from continuing operations adjusted for net gains/losses from sale of non-current assets, etc. and net impairment losses as well as transaction and integration costs related to acquisitions. The adjustments are net of tax and include A.P. Moller - Maersk's share of mentioned items in associates and joint ventures. Underlying segment result also excludes unallocated financial items.

Uptime
A period when a unit is functioning and available for use.

Company announcements

The complete list of announcements is available http://investor.maersk.com/financials.cfm

8 February
- Annual Report 2016 for A.P. Møller - Mærsk A/S
- Change of Chairman of the Board of Directors and proposal for election of members of the Board of Directors

3 March
- Notice convening the Annual General Meeting 2017 in A.P. Møller - Mærsk A/S

14 March
- Maersk Line A/S to acquire Hamburg Süd — Sale and Purchase Agreement signed

28 March
- Development of the Annual General Meeting on 28 March 2017
- Articles of Association for A.P. Møller - Mærsk A/S
- New chairman of the Board of Directors

29 March
- Establishment of Stock Option Plan

28 April
- Maersk Line A/S to acquire Hamburg Süd — Sale and Purchase Agreement approved

11 May
- Interim Report Q1 2017
- Financial Calendar 2017 - update

28 June
- Cyber attack update

16 August
- Interim Report Q2 2017

21 August
- Sale of Mærsk Olie og Gas A/S

20 September
- Sale of Maersk Tankers A/S

10 October
- Sale of Maersk Tankers A/S completed

7 November
- Interim Report Q3 2017
- Financial Calendar 2018

28 November
- Change of management

30 November
- A.P. Møller - Mærsk A/S — Maersk Line A/S' acquisition of Hamburg Süd closed

Highlights Q4 2017

For the continuing operations, A.P. Moller - Maersk reported a revenue of USD 8.2bn, equal to a growth of 16% (8% adjusted for Hamburg Süd) compared to Q4 2016. Underlying profit was USD 36m (loss of USD 272m), positively impacted by an underlying profit in Maersk Line of USD 53m (loss of USD 155m) and an underlying profit in APM Terminals of USD 115m (USD 91m), partly offset by an underlying loss in Damco of USD 21m (profit of USD 4m).

Cash flow from operating activities was USD 1.2bn, up 84% compared to Q4 2016 driven by the improved profitability and net working capital.

Maersk Line (excluding Hamburg Süd) reported an increase in revenue of 14.1% to USD 6.1bn (USD 5.3bn) as freight rates increased by 7.2% to 1,933 USD/FFE (1,804 USD/FFE) and volumes increased by 3.6% to 2,799k FFE (2,701k FFE). Freight rates were higher than in Q4 2016 across all trades except North America trades, while the increase in volumes mainly was driven by East-West trades and Intra-Asia trades.

The underlying profit (excluding gain/loss, impairments etc.) was USD 63m (loss of USD 155m). Net profit was USD 91m (loss of USD 147m).

Global container demand is estimated to have grown around 3% in Q4 2017, indicating a slowdown from previous quarters' high growth. The growth is primarily driven by North-South and Intra-regional trades, while container volume growth on the East-West trades was subdued. The nominal global container fleet grew around 4% compared to Q4 2016 but the growth in effective capacity was higher due to less idling.

Unit cost at floating bunker of 2,046 USD/FFE (1,973 USD/FFE) was 3.7% higher than the same period last year driven by significantly higher bunker prices and lower headhaul utilisation.

Total bunker cost increased by 34.7% to USD 903m as the average bunker price increased by 24.9%. Bunker efficiency per FFE loaded deteriorated by 4.1% to 949 kg/FFE (912 kg/FFE). The deterioration in bunker efficiency per FFE is in part due to increased capacity committed to incoming volumes from the slot purchase agreement not included as loaded volume, and in part by lower headhaul utilisation.

HIGHLIGHTS Q4

	Revenue		Underlying profit/loss		Profit/loss		Cash flow from operating activities		Cash flow used for capital expenditure		Free cash flow		Invested capital	
USD million	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Maersk Line	6,576	5,321	53	-155	48	-146	871	561	-4,556	-332	-3,685	229	25,363	20,082
APM Terminals	1,117	1,088	115	91	108	87	263	199	-246	-186	17	13	8,106	7,967
Damco	737	657	-21	4	-21	4	-28	-20	-2	-1	-30	-21	308	232
Svitzer	166	154	25	19	26	18	66	26	-5	-41	61	-15	1,334	1,203
Maersk Container Industry	247	213	1	-9	1	-11	-53	57	-6	-13	-59	44	333	357
Financial items, net after tax	-	-	-158	-293	-158	-293	82	-46	-69	-103	132	-149	95	-698
Other businesses, unallocated and eliminations	-669	-357	21	71	28	-4	-30	-139	843	106	813	-33	656	1,248
Continuing operations	**8,174**	**7,076**	**36**	**-272**	**32**	**-345**	**1,171**	**638**	**-4,041**	**-570**	**-2,870**	**68**	**36,195**	**30,391**
Discontinued operations	**-**	**-**	**-**	**-**	**354**	**-2,332**	**-**	**-**	**-**	**-**	**-**	**-**	**10,167**	**12,417**
A.P. Moller - Maersk consolidated	**8,174**	**7,076**	**36**	**-272**	**386**	**-2,677**	**1,171**	**638**	**-4,041**	**-570**	**-2,870**	**68**	**46,362**	**42,808**

Unit cost at fixed bunker price was on a par with Q4 2016 at 1,913 USD/FFE (1,907 USD/FFE), however reflecting a significant improvement of 5.7% (115 USD/FFE) from Q3 2017-unit cost at fixed bunker price of 2,028 USD/FFE. This was partly because of volume recovery following the cyber-attack, while unit cost remained impacted by contingencies in Q4 2017.

Free cash flow from Maersk Line (excluding Hamburg Süd) was USD 497m (USD 229m), as cash flow from operating activities of USD 871m (USD 561m) was partly offset by cash flow used for capital expenditure of USD 374m (USD 332m), driven by container investments and delivery of one second generation Triple-E vessel and one 15.2k TEU vessel. The acquisition of Hamburg Süd had a net cash impact of USD 4.2bn resulting in a net negative free cash flow of USD 3.7bn.

APM Terminals reported a profit of USD 108m (USD 87m). The operating business generated a profit of USD 115m (USD 111m), while projects under implementation had a loss of USD 8m (loss of USD 24m). The increase in profit was mainly caused by higher volumes compared to 2016 as well as a 2% increase in revenue per move.

The equity-weighted throughput increased by 6.8% compared to Q4 2016 and by 5.0% excluding newly operated terminals and divested terminals. The latest estimate for port container volume growth for Q4 2017 was 4.9% (Drewry Q4 Forecaster).

Free cash flow was positive by USD 17m (USD 13m), as cash flow from operating activities of USD 263m (USD 199m) was positively impacted by increased revenue, however offset by increased capital expenditures of USD 246m (USD 186m).

Damco reported a 12% increase in revenue to USD 737m (USD 657m) mainly driven by 8% growth in supply chain management volumes and 16% growth in air freight volumes. The air freight growth is supported by strong turnaround of air freight activities in China. Ocean volumes ended 2% below same quarter last year.

The loss for Q4 of USD 21m (profit of USD 4m), was negatively impacted by product investments, restructuring costs and tax. The result was further negatively impacted by recovery from the cyber-attack in Q3.

Cash flow from operating activities was negative by USD 28m (negative USD 20m), mainly driven by the reported loss and the higher net working capital influenced by higher revenue in Q4 year-on-year. Working capital measured in days sales outstanding were back to pre-cyber-attack levels in Q4.

Svitzer reported an 8% increase in revenue to USD 166m (USD 154m), driven by higher volumes in Europe and the Americas partially offset by decrease in contract prices on harbour towage in some regions.

The profit of USD 26m (USD 18m) was positively impacted by lower operational costs following implementation of various cost saving initiatives.

Cash flow from operating activities improved to USD 66m (USD 26m), while cash flow used for capital expenditure amounted to USD 5m (USD 41m). The improvements were driven by improved profitability, lower investments in new vessels and divestment of idle fleet.

Maersk Container Industry reported a profit of USD 1m (loss of USD 11m), driven by increased prices and higher volumes in dry containers, which were operated on one shift during part of Q4 2016 against two shifts in Q4 2017.

The refrigerated segment came out slightly better in Q4 2017.

The free cash flow was negative USD 59m (positive 44m), due to increased net working capital across the business towards the end of the year to support commitments in Q1 2018. •

Discontinued operations

Maersk Drilling reported a net profit before impairments of USD 98m (loss of USD 61m), positively impacted by elimination of depreciation following classification as discontinued operation and negatively impacted by rigs being idle and day rates on new contracts remaining on a low level.

The economic utilisation of the fleet was 72% (70%), negatively affected by eight rigs being idle or partly idle during Q4, but slightly up compared to Q4 2016. Of the idle rigs, Maersk Developer and Maersk Venturer are preparing for contract commencement in Q1 2018.

The higher cash flow from operating activities of USD 234m (USD 159m) was mainly due to improved working capital and lower tax paid in Q4 2017. Cash flow used for capital expenditures was positive USD 122m (negative USD 41m) including the effect from the sale of shares in EDC by USD 100m.

The operational performance across the fleet resulted in an average operational uptime of 98% (99%) for the jack-up rigs and 98% (98%) for the deepwater rigs.

Maersk Drilling signed four new contracts and three contract extensions during Q4, adding 3,867 days and USD 873m to the backlog.

Maersk Supply Service reported a net loss before impairments of USD 20m (profit of USD 6m) negatively impacted by lower rates and fewer vessels available for trading due to divestments and lay-ups.

Maersk Supply Service had 15 vessels in lay-up at the end of 2017.

The cash flow from operating activities was negative USD 3m (positive USD 14m) while free cash flow was negative USD 208m following delivery of two new SSV vessels.

Amounts in USD million

Quarterly summary

				2017				2016
Income statement	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	8,174	7,980	7,690	7,101	7,076	6,980	6,700	6,510
Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)	844	977	1,073	638	589	628	604	654
Depreciation, amortisation and impairment losses, net	709	782	889	635	644	612	643	596
Gain on sale of non-current assets, etc., net	77	8	54	15	63	9	110	8
Share of profit/loss in joint ventures	27	-202	14	30	40	38	28	24
Share of profit/loss in associated companies	34	20	25	22	-120	20	24	21
Profit/loss before financial items (EBIT)	273	21	277	70	-72	83	123	111
Financial items, net	-137	-112	-234	-133	-236	-63	-147	-97
Profit/loss before tax	136	-91	43	-63	-308	20	-24	14
Tax	104	21	33	61	37	39	78	17
Profit/loss for the year – continuing operations	32	-112	10	-124	-345	-19	-102	-3
Profit/loss for the year – discontinued operations[1]	354	-1,427	-274	377	-2,332	457	220	227
Profit/loss for the year	386	-1,539	-264	253	-2,677	438	118	224
A.P. Møller - Mærsk A/S' share	374	-1,555	-269	245	-2,680	429	101	211
Underlying result	36	254	205	-139	-272	-30	-183	-11
Balance sheet								
Total assets	63,227	60,260	61,310	60,428	61,118	63,442	63,299	64,239
Invested capital	46,362	43,266	43,899	43,958	42,808	46,599	46,424	46,457
Net interest-bearing debt	14,864	12,475	11,550	11,664	10,737	11,390	11,706	10,653
Cash flow statement								
Cash flow from operating activities[2]	1,171	430	878	117	638	476	257	-107
Cash flow used for capital expenditure[2]	-4,041	-1,270	-494	-382	-570	-498	13	-1,018
Financial ratios								
Return on invested capital after tax – continuing operations (ROIC)	2.9%	0.0%	3.1%	0.2%	-0.7%	1.2%	0.1%	1.2%
Stock market ratios								
Share price (B share), end of year, DKK	10,840	11,960	13,090	11,570	11,270	9,720	8,705	8,590
Share price (B share), end of year, USD	1,746	1,899	2,008	1,662	1,597	1,456	1,299	1,312
Business drivers								
Maersk Line[3]								
Transported volumes (FFE in '000)	2,799	2,632	2,700	2,601	2,701	2,698	2,655	2,361
Average freight rate (USD per FFE)	1,933	2,063	2,086	1,939	1,804	1,811	1,716	1,857
Unit cost (USD per FFE incl. VSA income)	2,046	2,135	2,051	2,087	1,973	1,991	1,911	2,060
Average fuel price (USD per tonne)	340	307	313	320	272	244	194	178
Maersk Line fleet, owned	287	285	282	284	292	286	283	287
Maersk Line fleet, chartered	389	383	364	355	347	325	347	318
Fleet capacity (TEU '000)	3,564	3,535	3,400	3,236	3,239	3,140	3,143	2,992
APM Terminals								
Containers handled (measured in million TEU and weighted with ownership share)	10.3	10.2	9.8	9.4	9.7	9.5	9.4	8.7

[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.

External financial reporting for A.P. Moller - Maersk

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

The Annual Report has a focus on the very detailed legally required information, whereas the Annual Magazine has a focus on providing an overview of key developments during the year. The reports can be read individually or combined depending on our stakeholders' interests. The Annual Report is available electronically in English http://investor.maersk.com/financials.cfm

The Annual Magazine provides an overview of the operations and performance of A.P. Moller - Maersk in a concise and easy-to-read format. This publication is not a substitute for the Annual Report and does not contain all the information needed to give as full an understanding of the A.P. Moller - Maersk's performance, financial position and future prospects as provided in the Annual Report. The Annual Magazine is produced in English and Danish, both available in hard copy and for download http://investor.maersk.com/financials.cfm

A.P. Moller - Maersk also produces Interim Reports for each of the first three quarters of the financial year, and a summary report for Q4 is included in the Annual Report.

To further add value, with a focus on the professional segment and others with more specific interests, detailed presentations are available each quarter following the release of the Interim Reports and the Annual Report.

A.P. Moller - Maersk also hosts, on a regular basis, a Capital Markets Day, which can be followed through a live webcast and the speakers' presentation slides can be accessed via links.

This extended information of Interim Reports, presentations and webcasts can be found on our Investor Relations website http://investor.maersk.com/

Quarterly figures for 2010-2017 are available http://investor.maersk.com/financials.cfm

The Board of Directors of A.P. Møller - Mærsk A/S continues to consider the "Recommendations for Corporate Governance" implemented by NASDAQ Copenhagen. For further information see page 50 of this report.

Sustainability and gender composition of management

An independently assured Sustainability Report for 2017 is published, which provides detailed information on A.P. Moller - Maersk's sustainability performance. The report serves as A.P. Moller - Maersk's Communication on Progress as required by the UN Global Compact, and ensures compliance with the requirements of Section 99a & b of the Danish Financial Statements Act (Årsregnskabsloven) on corporate social responsibility and reporting on the gender composition of management. The report is available https://www.maersk.com/business/sustainability/sustainability-reports-and-publications/reports

Additional information on how we manage issues, explaining implementation, progress and relevant commitments and frameworks can be found on the Sustainability website http://www.maersk.com/en/the-maersk-group/sustainability

Government payments – Maersk Oil

Disclosure of tax payments on a country-by-country basis for 2017 in accordance with the EU Accounting Directive and as implemented in Section 99c of the Danish Financial Statements Act (Årsregnskabsloven) is provided in a separate report. The report is available http://investor.maersk.com/financials.cfm •

Colophon

Board of Directors, A.P. Møller - Mærsk A/S

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Niels Jacobsen, Vice Chairman
Ane Mærsk Mc-Kinney Uggla, Vice Chairman
Dorothee Blessing
Niels Bjørn Christiansen
Renata Frolova-Hammer
Arne Karlsson
Jan Leschly
Palle Vestergaard Rasmussen
Robert Routs
Robert Mærsk Uggla

Executive Board, A.P. Møller - Mærsk A/S

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Claus V. Hemmingsen, Vice Chief Executive Officer (Vice CEO)
Jakob Stausholm, Chief Finance, Strategy & Transformation Officer (CFO)
Vincent Clerc, Chief Commercial Officer (CCO), Maersk Line
Morten Engelstoft, Chief Executive Officer (CEO), APM Terminals
Søren Toft, Chief Operating Officer (COO), Maersk Line

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Robert Routs

Remuneration Committee

Jim Hagemann Snabe, Chairman
Niels Jacobsen
Ane Mærsk Mc-Kinney Uggla

Transformation & Innovation Committee

Niels Bjørn Christiansen, Chairman
Jim Hagemann Snabe
Robert Mærsk Uggla

Auditor

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

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