MAERSK

ANNUAL MAGAZINE

The 2016 financial highlights, markets and people of A.P. Møller - Mærsk A/S

CHARTING A NEW DIRECTION

WELCOME TO THE FUTURE MAERSK APP STORE

Building a digital platform capable of turning data into software solutions.

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With help from Maersk's onsite team, an Indian shipyard is changing.

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MAERSK
APM TERMINALS

SEPERTIN DE PASAMAYO, PERU
-11.7258° N, -77.1746° E

WELCOME TO THE ANNUAL MAGAZINE 2016/2017

This magazine shows how A.P. Moller - Maersk is charting a new direction. It describes our role in the world and the growing importance of data, technology and innovation in trade, as well as the role of infrastructure in stimulating growth and in serving our customers. It likewise features the skills and hardware necessary to operate in today's energy markets, the people who make the company tick and the Core Values that underpin the way we do business.

The financial pages in the back of the magazine take an in-depth look at our combined 2016 performance – covering the brands in the Transport & Logistics division and the business units in our Energy division. Further financial details are available in the Annual Report 2016, while the Sustainability Report 2016 demonstrates how we create long-term value for society and our business. Both are published simultaneously with the Annual Magazine and can be found online at maersk.com.

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OUR STORIES

NEW STRATEGY TO DELIVER GROWTH

MESSAGE FROM THE CHAIRMAN
Michael Pram Rasmussen

As announced in September, we have taken a clear decision on a new strategy for A.P. Moller - Maersk, which involves separating our transport and logistics and our oil and oil-related businesses into two divisions.

The world in which A.P. Moller - Maersk operates has undergone fundamental changes in recent years. During 2016 we have faced historically low freight rates and dramatic declines in oil prices, coupled with changes in energy use, a slowdown in global trade and increased digitisation.

Despite investing heavily in our industries, taking out cost and optimising our businesses to the point where most are performing in the top quartile of their industries, we have not been able to grow our revenue over the last 10 years.

These challenges demand that we renew our business and find new sources of revenue growth, otherwise we will be forever destined to rely on cost-cutting and efficiency gains.

Our new strategy will answer to those challenges. A.P. Moller - Maersk has consistently evolved over the last 100 years, and it is our ambition that we grow and thrive over the next 100 years. The new strategy will ensure longevity and growth and maximise shareholder value in the long-term.

Unlocking value in A.P. Moller - Maersk

Rather than be a diversified conglomerate, we refocus capital and management attention on creating an integrated Transport & Logistics business where we have a clear competitive advantage, which will lead to higher growth and returns.

Market trends are changing, providing us with opportunities. Non-traditional competitors, disruptive technology, advanced supply chain solutions, digitisation and e-commerce have all spurred a need for innovative thinking and a new approach.

Today's customers require more advanced supply chain solutions. As an integrated Transport & Logistics business we can better meet their needs for comprehensive, end-to-end services. We can increase our use of data and expand and strengthen our digital platforms.

Our leading global position and network within container transport, port operations, supply chain management and freight forwarding provides us with an unparalleled advantage in this industry. Our offering across the value chain and the potential to capitalise on synergies in these businesses is unique.

New solutions for oil businesses

Our oil and oil-related businesses are operating in volatile business environments with risk of structural declines post-2020. The Board of Directors expects that these businesses will require different solutions for future development including separation of entities individually or in combination from A.P. Moller - Maersk in the form of joint-ventures, mergers or listings. The objective is to find sustainable structural solutions before the end of 2018.

With the objective of maximising shareholder value, the Energy division will manage the oil and oil-related businesses with an active owner mindset including strategy and capital allocation, structural solutions and M&A, performance management, and organisation and human capital development.

Our businesses are all well positioned in their respective industries, with industry-leading operational and financial performance. The strong relative positions make our businesses attractive partners, enabling us to develop structural solutions from positions of strength.

Despite difficult market conditions, there is growth and value creation to be captured. Global energy demand is expected to grow 1-2% per year for the next three decades. Our businesses are all performing strongly within their industries, and our people, assets and unique capabilities position us well to compete in the future energy space. Not least in the North Sea – an area that provides Maersk Oil with growth opportunities that are low-capex in nature, also allowing Maersk Oil to leverage its skills around operating mature assets.

Creating shareholder value

We are committed to retaining our investment grade rating which we will ensure by reducing capital expenditures and through actively managing our portfolio of assets.

This year we have announced a dividend per share of DKK 150. Our dividend policy remains unchanged and our objective is to increase the nominal dividend per share over time, supported by underlying earnings growth.

Financial reporting for the new structure will be effectuated from the financial year 2017, meaning that the first financial reporting based on the new structure is Q1 2017.

Welcoming our new leadership

In the last 10 years, A.P. Moller - Maersk has successfully gone through a period of operational optimisation. We have built a lean and transparent conglomerate, expanded our global presence and strengthened our customer focus. The transformation of our businesses has provided us the powerful platform we have today, which will ensure our future success.

For this we have to give credit to our previous Executive Board led by Nils S. Andersen. Under Nils S. Andersen's strong leadership our businesses have become leaders in their fields. My appreciation is also extended to Trond Westlie and Jakob Thomasen who saw this as the right time to follow a new path. Kim Fejfer has also left the company to take up a new role related to A.P. Møller Holding A/S. We thank them all for their hard work and commitment.

Our new Group CEO Søren Skou is the right person to take the company forward. He knows the transport and logistics industries inside out and has implemented major improvements in Maersk Line. We have assembled a strong Management Board, also including Claus V. Hemmingsen as Group Vice CEO, responsible for the Energy division, and Jakob Stausholm as Group CFO and Chief Finance, Strategy and Transformation Officer in the Transport & Logistics division. I would like to welcome the new team. I have every confidence that they are the most qualified people to shape the future of the business.

I would like to also take this opportunity to thank all our employees for their extraordinary dedication and loyalty throughout this period of change. We look forward to an exciting and prosperous future.

EXECUTING ON THE NEW STRATEGY

MESSAGE FROM THE GROUP CEO
Søren Skou

A.P. Moller - Maersk took a new direction in 2016 with the Board decision to reorganise the Group in two divisions: Transport & Logistics and Energy. The Transport & Logistics division aims to become a global integrator of container logistics. The Energy division will continue to be managed and operated as individual entities.

2016 was a difficult year financially with headwinds in all of our markets. We delivered an underlying profit of USD 711m and a return on invested capital of negative 2.7%, both of which are clearly unsatisfactory. However, the operational performance across A.P. Moller - Maersk was good and, in many cases, industry leading.

Transport & Logistics

The Transport & Logistics division has unique opportunities in a market, which includes inland services, container shipping, freight forwarding, supply chain services and more, has an annual revenue of approximately USD 1 trillion and is growing in line with global GDP. The division is already present in all segments of the market and by increasing agilities and synergies across the division, our ambition is to pursue growth and unlock and maximise shareholder value.

Over a three year period starting in 2017, we expect the initiatives to improve the division's return on invested capital by up to 2 percentage points – driven initially by cost-efficiencies and synergies and subsequently by revenue growth. The division targets a return on invested capital of above 8.5% over the cycle and growing revenue.

Going forward, synergies across the Transport & Logistics division are key to the future value creation. We intend to increase Maersk Line and its partners' use of APM Terminals' network. Also, APM Terminals and Maersk Line will operate as one company in our transshipment hubs. Through the capabilities and services in Damco, we will increase our focus on offering inland service products, and we see opportunity in cross-selling between the businesses which interact with thousands of customers every day.

Providing the industry's most competitive network

We want to make Maersk Line a growth engine for the division – growing its market share organically and through acquisitions, as part of the industry consolidation that accelerated in 2016. We expect the top five carriers to cover roughly two thirds of main trade lanes by 2018 and we believe more consolidation will take place in the coming years. We further believe that our short- to mid-term ambitions can be supported by already ordered and existing tonnage in the market.

For APM Terminals, we made a significant change of direction. Focus will be on productivity and utilisation of our existing portfolio and successfully implementing the terminals we currently have under construction. We have invested a lot in APM Terminals in the past five years, and the focus will now turn towards utilising the capacity we already have as well as further optimising operations and reducing costs.

Separating out the four companies in the Energy division will reduce A.P. Moller - Maersk's revenue by roughly 25% (2015, full year) when fully succeeded. Our aim is to replace this revenue rapidly.

We took the first major step in this new strategic direction by announcing Maersk Line's intention to acquire Hamburg Süd. Subject to final agreement and regulatory approvals, the deal will strengthen Maersk Line's North/South position and add volume to APM Terminals' South American footprint. By retaining the Hamburg Süd brand, we will create a dual branded platform in South America that is similar to the successful Safmarine and Maersk Line set-up in Africa.

We aim to offer the industry's most competitive container transportation network. Solidifying the margin gap to peers that Maersk Line has built and sustained over the past three years is also a top priority and we will broaden the mind-set across the division to create true cost leadership advantage.

We are keenly aware that we must provide simpler solutions for our customers' complex supply chain needs to reach our objectives and digitisation is fundamental to improve the customer experience. We will offer a distinct digital customer experience and we have already taken significant steps, which will provide an online, self-service and instant transaction base. We have invested in our digital platform in recent years and we will continue to invest in new digital products and services.

JAKOB STAUSHOLM Group CFO, **SØREN SKOU** Group CEO, **CLAUS V. HEMMINGSEN** Group Vice CEO

We believe that the digitisation of the industry will distort the traditional demarcation lines between freight forwarding, container shipping and container terminals and we will be well-positioned to take advantage, providing better, more integrated and more accessible service to the customers at lower cost.

Energy

The main objective of the Energy division is to establish sustainable structural solutions for our energy portfolio and to ensure that the ultimate separation from A.P. Moller - Maersk happens from a position of strength. Consequently, the Energy division will maximise shareholder value through an active ownership approach focusing on further strengthening the businesses, while enabling them to maintain their competitive positions and remain relevant in their industries long-term.

Our objective is that solutions have been found for the four energy related businesses before the end of 2018.

We will exercise strict capital discipline in all businesses. In Maersk Oil, we will continue to mature existing key development projects. Investments in strategic projects already sanctioned or under development will continue as planned. For Maersk Drilling, Maersk Supply Service and Maersk Tankers, we will continue to optimise their market positions and operations with their existing fleets and order books. Investments in all three businesses will thus be limited to upholding positions in their respective industries.

All four businesses in the Energy division come with strong track records and they will be attractive partners in industries that are changing rapidly but nevertheless still represent a total revenue pool in excess of USD 2 trillion in 2016. Maersk Oil has managed to adapt to the new oil price environment by reducing operating expenses by 36% between 2014 and 2016. The promising Culzean and Johan Sverdrup projects are progressing well, and good project execution has reduced Culzean's anticipated capital expenditure. Maersk Drilling delivered a strong underlying result and has good forward cash flows. Maersk Tankers has been top-quartile in its industry in 2016 and Maersk Supply Service is making progress in the integrated solution space.

Commitment to safety

While we execute on the new strategy, there is no change in our focus on safety and our employees. We have made progress in the vitally important area of safety, though work remains to be done. Sadly and to our deep regret, in 2016 there were two work-related fatalities at A.P. Moller - Maersk-owned port and storage facilities. Loss of life while working is unacceptable and we must maintain urgent efforts to reduce this number to zero.

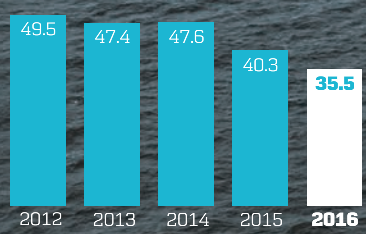
We would like to thank all A.P. Moller - Maersk employees for their dedication and contribution to our performance in 2016 – a year in which we faced challenging market conditions, carried out a strategic review and implemented a new strategy – and not least for the support and enthusiasm we have seen in both divisions for the new direction. We have the right teams in place and strong and competitive businesses, which give us the confidence to deliver successfully on our strategy.

A.P. MOLLER - MAERSK AT A GLANCE

REVENUE
(USD bn)

35.5bn

Revenue decreased to USD 35.5bn (USD 40.3bn) across all eight businesses predominantly due to lower average container freight rates and lower oil price. In Maersk Line revenue decreased by USD 3.0bn driven by a 19% decline in average freight rates only partially offset by a 9.4% increase in volumes. Maersk Oil revenue decreased by USD 831m impacted by the declining oil price from USD 52 to USD 44 per barrel at an equal entitlement production of 313,000 boepd.

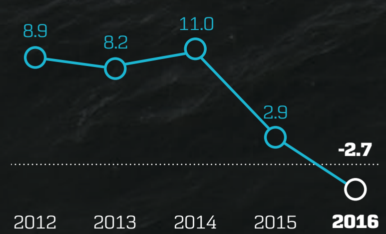


RETURN ON INVESTED CAPITAL
(ROIC) (%)

-2.7%

For A.P. Moller - Maersk the ambition up to and including the financial year 2016 was to achieve a return on invested capital (ROIC) above 10% over the cycle.

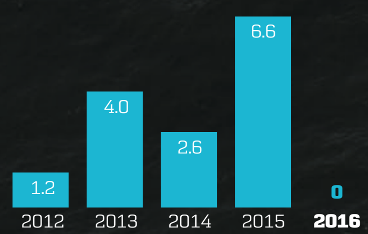
As of 2017 the Transport & Logistics division targets a ROIC above 8.5% over the cycle combined with growing revenue.



FREE CASH FLOW
(USD bn)

0.0bn

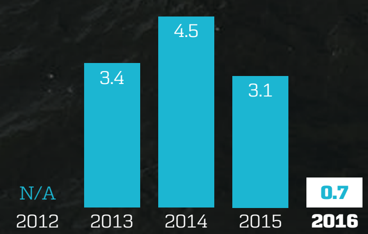
Cash flow from operating activities was USD 4.3bn (USD 8.0bn) impacted by lower profit, higher net working capital and a one-off dispute settlement in Maersk Oil. Net cash flow used for capital expenditure was USD 4.4bn (USD 6.3bn excluding the sale of shares in Danske Bank of USD 4.9bn).



UNDERLYING RESULT
(USD bn)

0.7bn

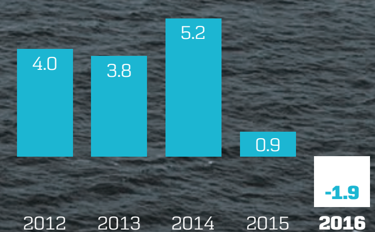
The underlying profit of USD 0.7bn was within the guidance of below USD 1.0bn. Compared to last year, the reduction was predominantly due to losses in Maersk Line and Maersk Supply Service and with lower underlying results in APM Terminals, Maersk Tankers and Svitzer, while Maersk Oil, Maersk Drilling and Damco recorded increased underlying profits.



RESULT FOR THE YEAR
(USD bn)

-1.9bn

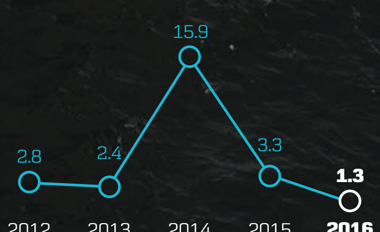
A.P. Moller - Maersk delivered an unsatisfactory loss of USD 1.9bn (profit of USD 925m) negatively impacted by post-tax impairments of USD 2.8bn (USD 2.6bn) primarily relating to Maersk Drilling for USD 1.4bn and Maersk Supply Service for USD 1.2bn, equal to 18% and 44% respectively of invested capital and newbuilding contracts. The result was further negatively impacted by lower average container freight rates and lower oil prices.



DIVIDEND YIELD
(%)

1.3%

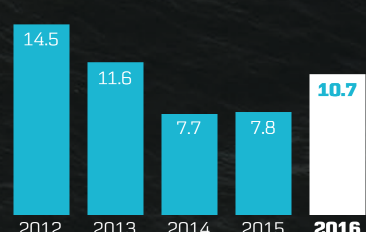
The nominal dividend has increased steadily over the last decade in line with A.P. Moller - Maersk's objective, supported by an underlying earnings growth. The Board of Directors proposes an ordinary dividend to the shareholders of DKK 150 per share of DKK 1,000 which represents an ordinary dividend yield of 1.3% (3.3%), based on the Maersk B share's closing price as of 30 December 2016.



NET INTEREST-BEARING DEBT
(USD bn)

10.7bn

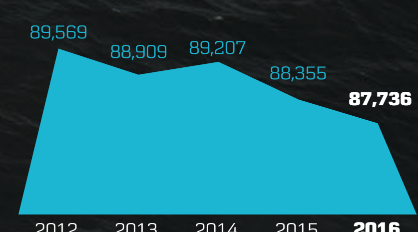
A.P. Moller - Maersk is committed to maintaining an investment grade credit rating. A.P. Moller - Maersk raised USD 6.4bn in new financing, including EUR 1.5bn and NOK 5.2bn of bonds, USD 2.3bn of investment specific financing which has only been partly drawn in 2016, and USD 0.5bn of undrawn revolving credit facilities.



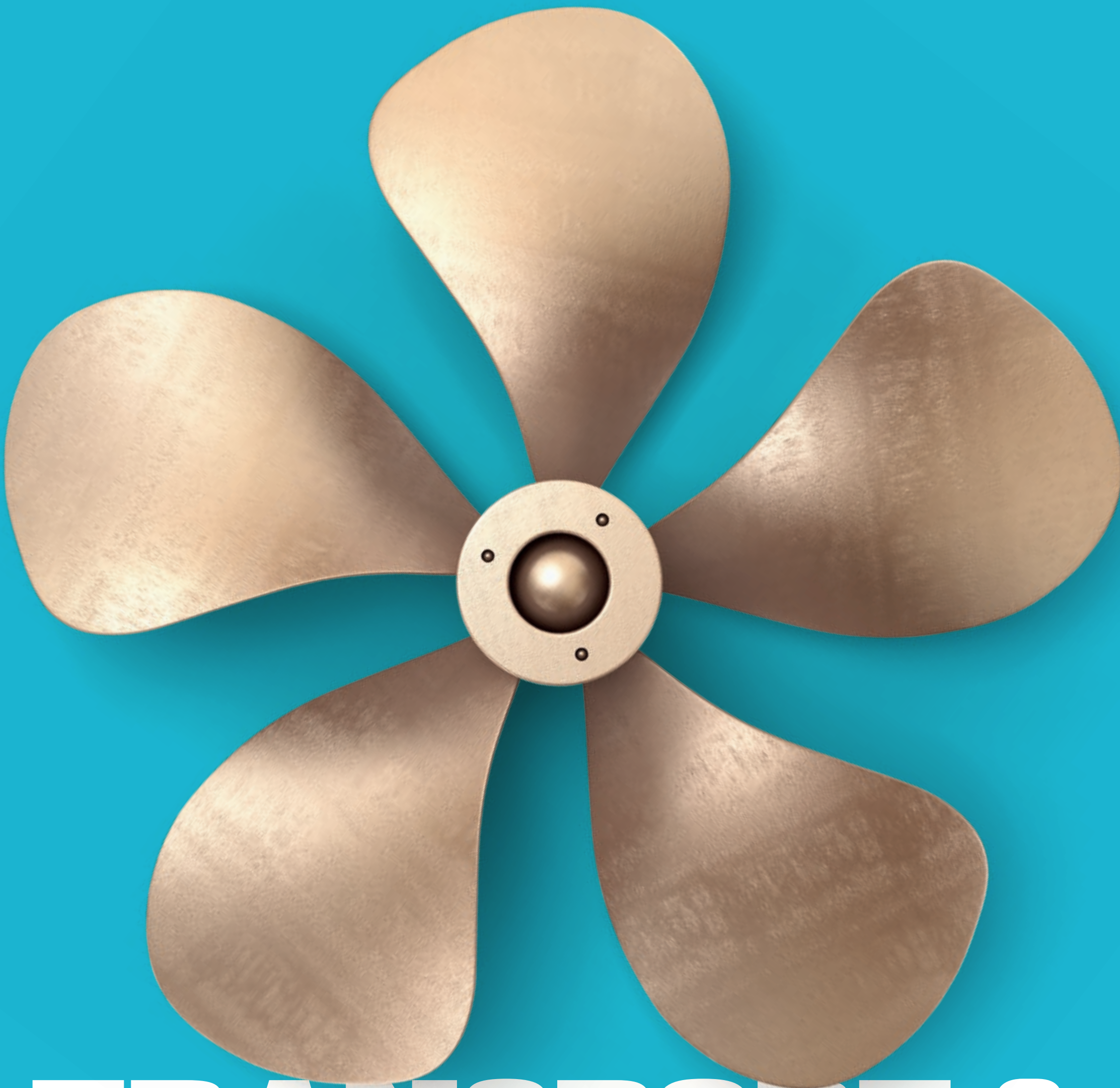
FULL TIME EMPLOYEE COUNT
(Average)

87,736

A.P. Moller - Maersk has responded to the challenging market conditions by accelerating its cost focus and reducing the number of staff positions in most businesses countered primarily by the acquisition of Grup Marítim TCB in APM Terminals.



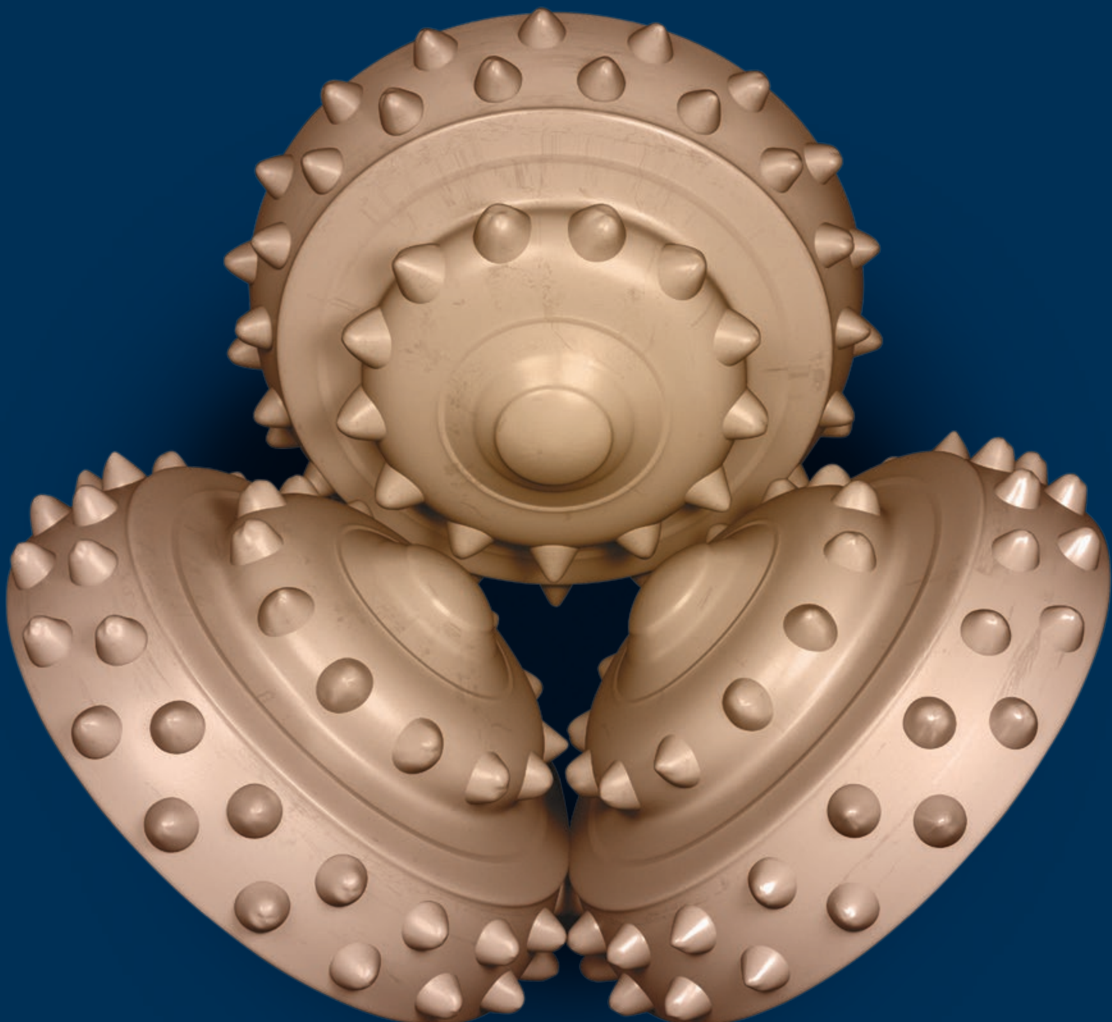
ENABLERS IN



TRANSPORT & LOGISTICS

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

PROVIDERS OF



ENERGY

Producer of oil and gas, supplier of offshore services
and transportation of crude oil products.

HIGHLIGHTS

MAERSK LINE

Access to a wider and more effective network

Maersk Line reached an agreement on 1 December 2016 to acquire Hamburg Süd, the German container shipping line. Hamburg Süd is the world's seventh largest container shipping line and a leader in the North-South trades.

The acquisition is subject to final agreement expected early in Q2 2017 and to regulatory approvals expected by the end of 2017. The transaction is expected to be completed by the end of 2017.

Hamburg Süd will continue to operate as a separate brand and keep its local organisations and headquarters in Hamburg. Customers will benefit from having access to a wider and more effective network.

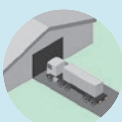
APM TERMINALS

Successful integration of TCB

APM Terminals proceeded with the integration of Grup Marítim TCB (TCB) according to plan. Volume continues to be strong in key terminals and the performance across the TCB portfolio has strengthened since the takeover in March.

While still subject to Senate approval, an agreement has been reached regarding the Terminal de Contenedores Quetzal (TCQ) concession in Guatemala.

In order to allow TCQ to start operating, APM Terminals will pay a total of USD 43m in reparations to the Guatemalan authorities regarding alleged irregularities dating back to before APM Terminals acquired the terminal.



DAMCO

Launching products to manage multi-party supply chains

Over the course of 2016, Damco embarked on a journey of transformation within its supply chain management product offering.

By launching a new service portfolio, Damco allows customers to manage complex multi-party supply chains called Supply Chain Orchestrator, delivering new integrated enterprise level business intelligence capabilities and launching a new digital application factory to support specific customer needs.

SVITZER

Growth in a troubled industry

Svitzer expanded into new markets, most notably in the Americas, with a new operation for gas terminals at two ports in Argentina as well as a new harbour towage service in the Port of Montreal providing full-year service, with Canada a key growth market for the Americas region.

The beginning of the year also saw Svitzer signing a Memorandum of Understanding with Guangzhou Port Group with the intention of forming a joint venture providing towage and related marine services for the port. This agreement is a big step towards profitable growth in the rapidly growing Asian towage markets.

MAERSK CONTAINER INDUSTRY

Market share expansion

Maersk Container Industry gained significant market share in an overall bleak market and several new large customers placed repeat orders. A new digital application for the Star Cool™ refrigeration machine was launched, making Maersk Container Industry a market leader in energy performance.

The two Chinese factories, reefer and dry, successfully ramped up into two shift operations in the second half of 2016, delivering profitable operations in Q4. The new reefer factory in Chile has achieved steady state one shift operations and will continue production ramp up with safety and quality as the ongoing priorities.

TRANSPORT & LOGISTICS

BUSINESS STRUCTURE

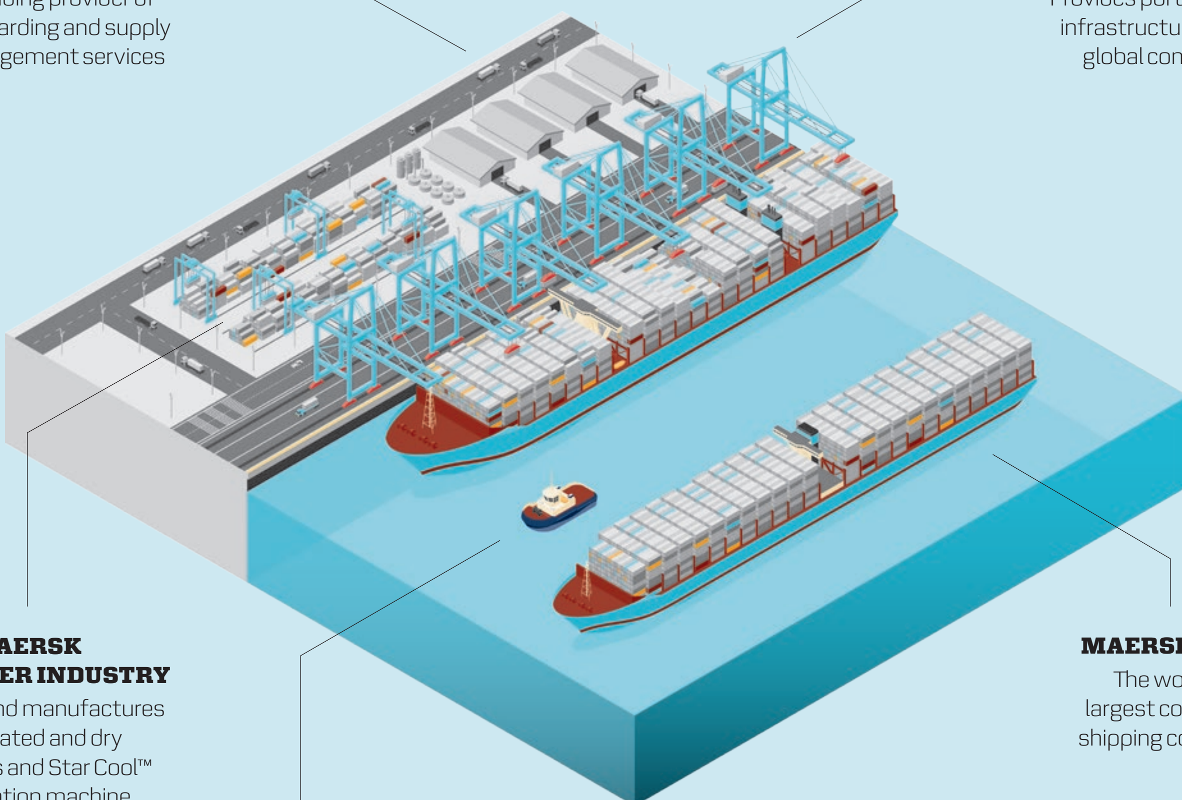
Operating as one integrated company, with one company structure and multiple brands, focused on strengths in global shipping, ports and logistics.

Aiming to grow topline and earnings, to be an attractive investment for shareholders and to provide new opportunities for employees.

Providing simple solutions to customers' complex supply chain needs.

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

APM TERMINALS
Provides port and inland infrastructure to drive global commerce



MAERSK CONTAINER INDUSTRY
Develops and manufactures refrigerated and dry containers and Star Cool™ refrigeration machine

MAERSK LINE
The world's largest container shipping company

SVITZER
Has provided safety and support at sea since 1833

A.P. MOLLER - MAERSK
Our Values

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

Constant Care | Humbleness | Uprightness | Our Employees | Our Name

ENERGY

BUSINESS STRUCTURE

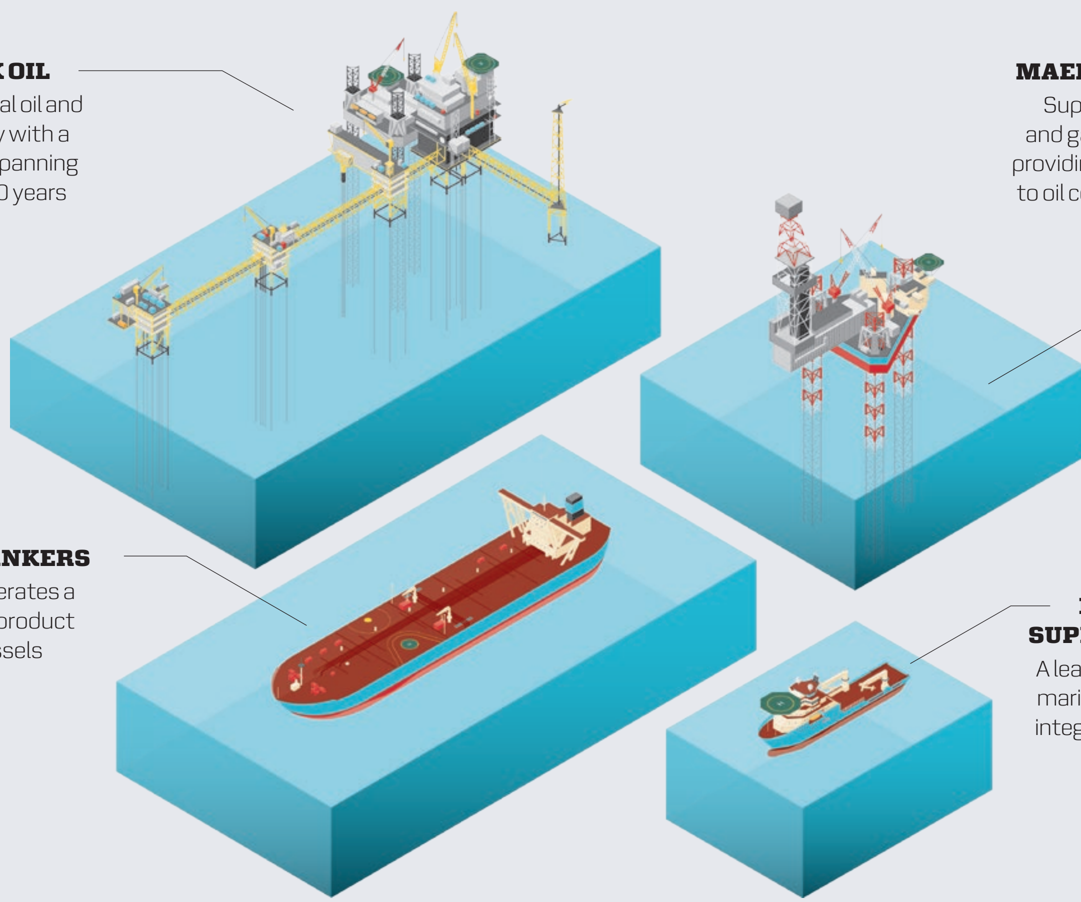
Managed and operated as individual business units. Focused and structurally agile strategies to optimise shareholder value. Ultimately to be separated from A.P. Møller - Mærsk A/S.

Maersk Oil to focus its portfolio in fewer geographies to gain scale in basins, particularly in the North Sea.

All business units to focus on performance, disciplined capital allocation and to maintain and develop strong competitive positions in their industries.

MAERSK OIL
An international oil and gas company with a track record spanning more than 40 years

MAERSK DRILLING
Supports global oil and gas production by providing drilling services to oil companies around the world



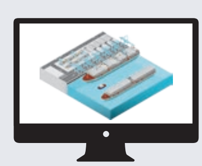
MAERSK TANKERS
Owns and operates a large fleet of product tanker vessels

MAERSK SUPPLY SERVICE
A leading provider of marine services and integrated solutions

A.P. MOLLER - MAERSK
Our Policies

The Business Policies put our Core Values into practice. They govern how we conduct ourselves and how each business acts with customers, colleagues, suppliers and the community.

Business Approach | Our Brand | Health and Safety | Legal Compliance | Our Working Culture



EXPLORE OUR NEW BUSINESS STRUCTURE ONLINE
maersk.com/yearinreview

HIGHLIGHTS

MAERSK OIL

Robust projects with low oil prices

Maersk Oil continues to move ahead with its two major development projects, Culzean offshore UK and Johan Sverdrup offshore Norway, both of which are economic even in a low oil price environment.

The Maersk Oil operated Culzean gas field is progressing as planned and with cost reductions towards production start in 2019. The capital costs have been reduced by USD 500m, an 11% reduction from the time of project sanction in August 2015.

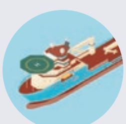
Development of the Johan Sverdrup field in Norway continues ahead of schedule and with significant cost reductions, with first oil expected in late 2019.

MAERSK DRILLING

Acquisition of new jack-up rig

Maersk Drilling acquired a newbuilding harsh environment jack-up rig for USD 190m, significantly below the original construction price. The Maersk Highlander has now commenced operations on the Culzean field in the UK sector of the North Sea, employed under a five-year contract valued at approximately USD 420m, including a mobilisation fee of USD 9m.

The Maersk Venturer drillship broke the world record for the deepest well by water depth. The exploration well was drilled offshore Uruguay in a water depth of 3,400 metres.



MAERSK SUPPLY SERVICE

Applying integrated solutions

Maersk Supply Service announced a new Integrated Solutions business that will support its ambition to become a leading integrator of marine services and solutions for the offshore energy sector.

With vessel operations remaining the core business, Maersk Supply Service will in addition bundle services and manage subcontractors to offer a more simplified and efficient operation to customers seeking better value from their operations and supply base.

MAERSK TANKERS

Improved commercial decisions with digitisation

Maersk Tankers continues to pursue its Taking Lead strategy. The strategy is based on digitisation across the three priorities: active position taking, cost leadership and third party services.

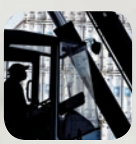
Digitisation is enabling more accurate forecasting of which markets and cargoes yield highest earnings, so that vessels can be positioned accordingly. Digitisation is also part of the efforts to reduce cost by creating higher efficiencies in processes and systems, which led to cost savings of USD 30m in 2016.

WELCOME TO THE FUTURE

MAERSK APP STORE

Through new partnerships with world-class enterprise software companies, A.P. Moller - Maersk is building a digital platform capable of turning operational and commercial data into software solutions powered by advanced analytics for the Transport & Logistics division and its customers.

BY JOHN CHURCHILL



DEMURRAGE & DETENTION

provides container-level demurrage & detention charge visibility by port and integrates with Damco customer service for enhanced communications and follow up

INLAND OPTIMISER

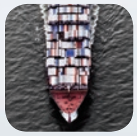
integrates data across multiple transportation modes and increases capacity utilisation, enhances cargo planning, and provides track & trace and supply chain visibility

SHIPPING INFORMATION PIPELINE

digitises and manages documents flowing from origin to destination and ensures seamless information flow between shippers, authorities, ports, customs brokerage houses and other stakeholders

PORT OPTIMISER

integrates data across the port ecosystem spanning incoming vessels, cranes, tugboats and the yard and maximises port and crew productivity, enhances berth planning & yard management and reduces unplanned crane downtime



VESSEL PERFORMANCE MANAGER

optimises the performance of a vessel by using data generated from assets and operations & analytics. Finds the best trade-off between speed, vessel characteristics (e.g. trim) and fuel efficiency, thus enabling the creation of an optimal voyage plan management and reducing unplanned crane downtime

"PHYSICAL ASSETS ARE OUR CORE STRENGTH. TOGETHER WITH DATA WE HAVE AN ENORMOUS ADVANTAGE FOR OPTIMISING THEM – BUT ALSO TO PROVIDE PRODUCTS AND SERVICES THAT NO ONE ELSE CAN."

IBRAHIM GOKCEN
Chief Digital Officer,
A.P. Moller - Maersk

COPENHAGEN, DENMARK
55.7165° N, 12.6054° E

Please be patient, your Digital Vessel app is downloading ...

For all its sky blue hardware, A.P. Moller - Maersk now finds that its data is fast becoming one of its most important assets. And it is the reason for the new partnerships forged between A.P. Moller - Maersk and digital giants for the creation of a digital platform for software products.

Yes, software products. Data increasingly drives A.P. Moller - Maersk's operational improvements and is only beginning to be a source of customer and commercial insight, which will bring among other things a better customer experience, more proactive customer service, new products and new revenue streams. Combined with investments underway to improve the flow of data across the company's operations, the digital platform will eventually enable fast, data-driven software solutions, not just for operational challenges, but also for customers and the market.

"We're building digital into the company, piece by piece. That requires investment in people, technology and new ways of working," says Jakob Stausholm, Chief Financial, Strategy & Transformation Officer for the Transport & Logistics division. "Damco is already designing software solutions for supply chain management customers. Together with our other investments, our partners will enable us to scale up this ability for the rest of Transport & Logistics."

The path to digital

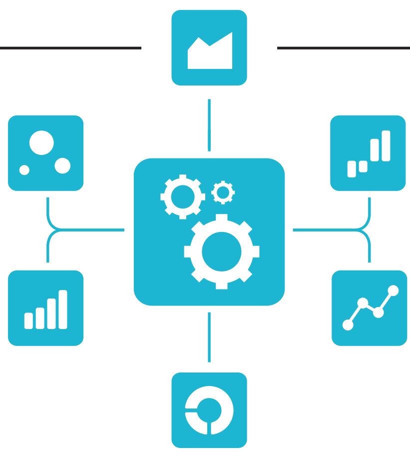
The person leading the shift to digital is the company's first Chief Digital Officer, Ibrahim Gokcen. He joined A.P. Moller - Maersk from the American conglomerate General Electric (GE) where he led the development of GE's Industrial Internet of Things platform and ultimately was instrumental in the transformation of GE into the world's first digital industrial company.

"Maersk is in a different industry but the challenges we face are similar. We have cargo, containers, cranes, trucks, vessels and paper documents, all of which are moving through the value network with data associated with them," says Gokcen. "These physical assets and our knowledge of operating them are our core strengths. We will never be a purely digital platform, nor should we be. But with data we have an enormous advantage for optimising our assets, operations and enterprise and also for providing products and services that no one else can offer," he says.

In Maersk Line, the process of integrating digital into the business is an ongoing and multifaceted process. There is the overhaul of legacy IT systems that will enable cumbersome, manual processes (bookings, etc.) to be entirely digitised. When complete, this will provide customers with an online space to handle all their shipping and logistics needs. Another is the continuous hiring of more people with backgrounds similar to Gokcen's, in areas like mathematics, data analytics, product management and software development.

Then there's the work at sea, connecting approximately half of Maersk Line's fleet of 600 vessels to this digital infrastructure. Hardware installations, ranging from bunker flow metres to new computers and servers and communication technology will be done one ship at a time over the coming years. In the end, every relevant operational aspect of the vessel will be visible in the data points in real-time, enabling crews and the shore organisation to make the right decisions at the right time.

> **"THE SHORT-TERM FOCUS IS TO REALISE THE EFFICIENCY BENEFITS OF MORE ACCURATE, REAL-TIME DATA TO OPTIMISE OUR OPERATIONS. WE EXPECT THAT THE IMPACT OF THIS DATA FLOW ON OUR OPERATIONAL EFFICIENCY WILL BE A SIGNIFICANT POSITIVE."**
>
> **NIELS BRUUS**
> Head of Future Solutions,
> Fleet Management and Technology,
> Maersk Line



NEXT PHASE

Ibrahim Gokcen says that A.P. Moller - Maersk is determined to lead the digital transformation of Transport & Logistics. With digital vessels, containers, ports and cranes, the company has an Internet of Things capability and potential with the power to totally change the industry, to reshape supply chains and even trade, with the information and insight that will spin out of it.

The apps will be developed and used internally first, and commercial opportunities will be considered in the near future.

"It will take several years to complete all the steps, not least the installation of hardware on the ships," Gokcen says. "But eventually our vessels and containers and other assets will be generating terabytes of data on operations and activities in real-time, and machines and people will be talking to each other, learning things about our operations and our customers that we can't even imagine now – and they'll be available as products, for download."

A BIG IMPACT FROM THE START

A.P. Moller - Maersk's long tradition of training programmes gives talented new recruits the chance to make a big impact from the very outset of their careers. Now, a new graduate programme will nurture the Transport & Logistics leaders of the future.

BY MONIKA CANTY

ALEJANDRA OSPINA
Damco graduate

LIMA, PERU
9.1900° S, 75.0152° W

As a new recruit to Damco's International Graduate Programme in Lima, Peru, Alejandra Ospina hit upon an idea that could potentially save millions every year.

As part of the programme, the graduates were challenged to come up with a new business app. Ospina and her team decided to tackle the problem of Detention & Demurrage (D&D) – charges levied by ports on containers left there too long or not returned in time.

"D&D is a major problem for Damco globally," says Ospina. "In the US alone in 2015, 35% of all shipments were loss making due to D&D charges. I realised the solution could be a digital one."

Ospina is one in a long line of talented graduates – including Group CEO Søren Skou – who have made their mark on Maersk over the years. The company has a tradition of providing on-the-job training for newcomers, starting from the very first training programme launched in the 1950s, followed by the Maersk International Shipping Education (MISE) in the 1990s, through to the International Graduate Programmes in Damco and Maersk Line.

Now, a new programme, Go with Maersk, has been launched to give graduates an overview of the entire global supply chain – including shipping, logistics and freight forwarding.

"Go with Maersk builds on a historic tradition of investing in young talent at Maersk," says Henriette Thygesen, a MISE alumna and today CEO of Svitzer.

"Maersk has a great value proposition and a history of attracting the best graduates. Working for Maersk means joining an international, multi-cultural and values-driven company that invests in our people."

Finding the solutions

24-year old Ospina is from Colombia, where she studied industrial and environmental engineering. She moved to Panama to pursue a career in finance, but soon realised she was more suited to the challenges of the logistics industry.

"I really enjoy devising solutions to problems. That's why logistics appealed to me – there's always a new way to optimise processes," she says.

The D&D app idea was seized upon by the IT department who immediately set to work developing it, and just five weeks later Damco's very first app – a simple tool that automatically calculates D&D costs based on contractual information – was born.

Ospina flew to Charlotte in the US to meet the developers and present the product to customers, who loved the idea. The app will now be released globally to the market, securing Damco's position as a digital frontrunner in the logistics industry and potentially saving millions in D&D costs every year.

"Technological advances are driving huge changes in the way we do business, so this is an exciting industry to be in right now," says Ospina.

WATCH ALEJANDRA'S INTERVIEW ONLINE
maersk.com/yearinreview

"I REALLY ENJOY DEVISING SOLUTIONS TO PROBLEMS. THAT'S WHY LOGISTICS APPEALED TO ME – THERE'S ALWAYS A NEW WAY TO OPTIMISE PROCESSES."

ALEJANDRA OSPINA
Damco graduate

Alejandra Ospina realised there could be a digital solution for D&D charges. Just five weeks later, Damco's very first app – which automatically calculates D&D costs – was born.

"THERE'S A BIG PUSH TOWARDS NEW TECHNOLOGIES AND NEW WAYS OF DOING THINGS. BEING IN THE VANGUARD OF THAT, SOLVING THE CHALLENGES OF TODAY AS WELL AS THE CHALLENGES OF TOMORROW, IS WHAT ATTRACTED ME TO MAERSK."

DANIEL WILSON
Maersk Line graduate

The best possible start

Daniel Wilson, who joined the Maersk Line Graduate Programme after completing his Master of Science in Auckland, was also attracted by the fast-paced changes in the industry today.

"There's a big push towards new technologies and new ways of doing things. Being in the vanguard of that, solving the challenges of today as well as the challenges of tomorrow, is what attracted me to Maersk," says Wilson.

After working in customer services, dealing with New Zealand's apple exporters, Wilson was transferred to a role managing the account for Kotahi, the country's leading freight and logistics company.

The Kotahi contract, covering a million containers over 10 years, is the biggest deal ever signed by Maersk Line, and represents a new model of long-term collaboration between shipping line and customer, which Wilson believes could be replicated around the world.

"Deals like this allow us to plan ahead in ways not otherwise possible. Part of my job is to go through the network with a fine toothcomb, find any problems and come up with a solution. It's very satisfying to see how something you do can have a material impact on our business."

For Wilson, joining Maersk Line's graduate programme has been the best possible start to his career in shipping. In January he moved to Hong Kong to take on the role of Key Client Manager for Asia Pacific, fulfilling his wish to work overseas.

"No two days are the same. If something happens in New Zealand such as bad weather in a port, or an earthquake, it throws up challenges that you have to solve," Wilson says. "I have travelled more in the last two years than at any other time in my life and been exposed to all sorts of incredible people. It's been the best possible start to a career."

6/10
CEOs in A.P. Moller - Maersk are alumni from training programmes

75
Graduates to be recruited from ...

40
different countries

Take the fast-track to the top with Go with Maersk

Go with Maersk aims to attract the world's best graduates to Transport & Logistics with the tagline "Go with your passion. Move the world." Taking the best of the current graduate programmes in Maersk Line and Damco, Go with Maersk supports the new strategic direction for the Transport & Logistics division by providing graduates with an overview of the entire global supply chain – including shipping, logistics and freight forwarding.

Graduates will be fast-tracked into leadership roles driving the future growth of the business. Candidates are required to have a Master's Degree from a leading business school, plus two to three years relevant work experience.

Recruitment of the first 75 graduates to join the programme is underway with the first intake arriving in September 2017.

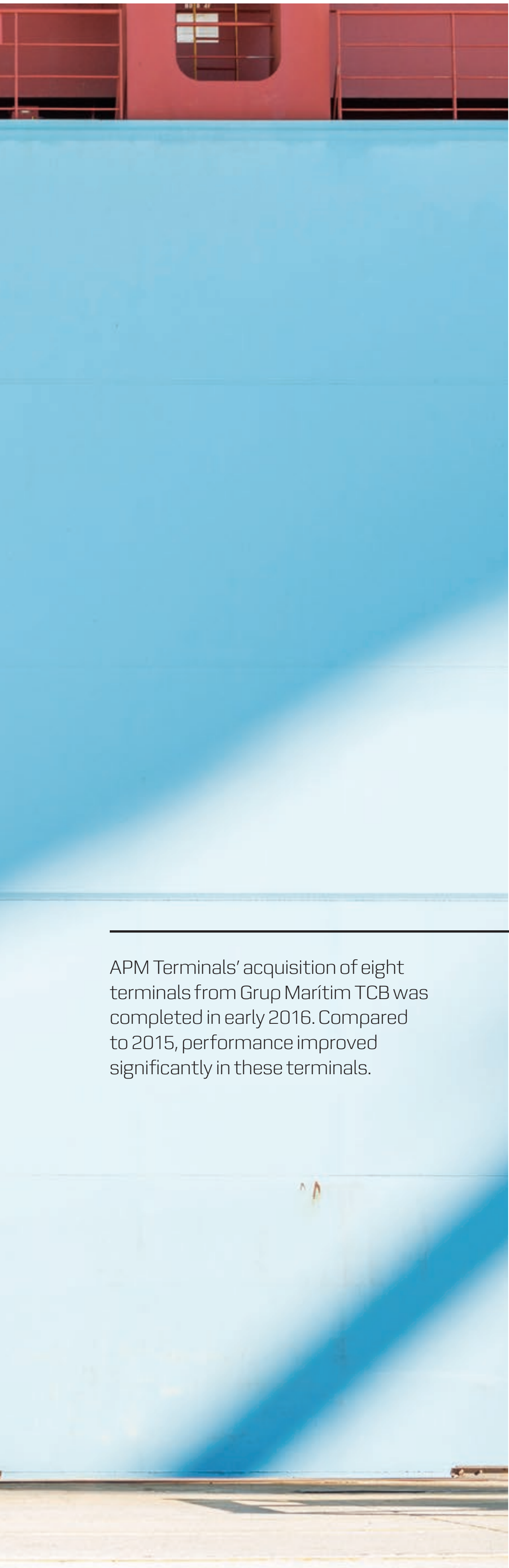
FIND OUT MORE:
gowithmaersk.com

DON'T ROCK THE BOAT

How do you merge a successful business with your own without harming what made it successful? Positive results from APM Terminals' integration of Grup Marítim TCB point to a light touch approach.

BY JOHN CHURCHILL

BARCELONA, SPAIN
41.3850° N, 2.1734° E



For 15 years, Miguel Duro has been commercial chief of Grup Marítim TCB and its 11 ports. So when news came through that APM Terminals was to acquire TCB, he was naturally concerned.

As one of two commercial leaders for TCB – in stark contrast to over 30 in APM Terminals – the scale of the task was daunting.

"We are a small company," says Duro, who is now Sales and Marketing Director for APM Terminals Barcelona. "And as a small company, we've built the business entirely from developing close relationships with our customers."

As buyer, APM Terminals shared his concerns, so over the last 12 months it has shaped an integration process that prioritises keeping those customer relationships and the people that built them.

"We bought a great business with a reputation for commercial and technical excellence," says Martijn Van Dongen, appointed CEO of TCB in June after leading the integration process. "So how do we keep that magic but also make it work and thrive within APM Terminals? Well, partly, by just letting it run."

1-2-3 Pull!

Successful integration is about sharing responsibility for the development of the new organisation – a sentiment Van Dongen wanted understood from day one.

Teams were set up spanning every functional area of the business, composed of leaders from both companies. From HR and Commercial to IT and Finance, each team was given two weeks to agree on a plan on how they could work together and get their functions up and running – while also tending to day-to-day business.

"All these people effectively had two jobs – their regular one and their integration tasks," says Renata Moruzzi, Head of the integration's HR workstream. "Communication and cooperation, that's what a process like this requires. We all had one goal – to get back to business as usual. Every function had to come together as a team to make that happen."

We're different, and that's good

Along the way, several early sessions helped both companies air concerns and also offer positive observations about each other. Martijn Van Dongen says these "culture sessions" helped both companies realise something important: that each organisation had attributes that could improve the other.

"TCB has the customer relationships and a personal touch that they have developed. They also tend to take more time to make important decisions, whereas APM Terminals tend to want to move more quickly and are more data driven in our business. So it's a good combination, actually. We strengthen each other," says Van Dongen.

An exchange programme that will send APM Terminals managers to TCB terminal sites and vice versa aims to take advantage of those differences and increase learning across the two organisations.

APM Terminals' acquisition of eight terminals from Grup Marítim TCB was completed in early 2016. Compared to 2015, performance improved significantly in these terminals.

25%
Total revenue increase

7%
Segment result increase

Note: Numbers exclude one-off costs.

Despite setbacks, success

Nearly one year has passed since the integration process began and from his office in Barcelona harbour, Miguel Duro has as good a perspective as anyone on the progress and success of the integration.

"A lot has changed, but a lot has also stayed the same – thankfully," he says, referring to the realities of change but also his customer base, which has not only stayed but expanded with the addition of new Maersk Line and Seago Line volumes. "If they didn't trust us, they would leave. So I'm proud to say the business has only grown."

For Martijn Van Dongen, the one year mark is bittersweet. He says that the success of the integration and the performance of the business throughout is a tribute to the dedication, hard work and loyalty of the people involved from both companies, but it hasn't come easily or without tough challenges.
In April, just a month after closing the deal, there was a fatality in the Barcelona terminal. Days later, corruption charges were brought against the company for preacquisition activities related to the Guatemala terminal.

"A loss of life and a blow to our integrity right at the start has been hard on everyone," says Van Dongen. "But we are two strong, proud companies here trying their best to operate and act together as one. We've come a long way in our first year together, and we're only going to improve."

Miguel Duro (left) and Martijn Van Dongen say there have been challenges in the integration, but dedication to the task has helped make it a success.

STRENGTH IN A NAME

Pending regulatory approval, Hamburg Süd will join the A.P. Moller - Maersk family as a separate carrier with its name and organisational structure intact – an acknowledgment of the brand's strong reputation and the business it has built.

Maersk Line reached an agreement on 1 December 2016 to acquire Hamburg Süd, the German container shipping line. Hamburg Süd is the world's seventh largest container shipping line and a leader in the North-South trades.

The acquisition is subject to final agreement expected in the first half of 2017 and to regulatory approvals. The transaction is expected to be completed by end 2017. It brings more than volume and revenue to A.P. Moller - Maersk, and this is reflected in the terms of the deal.

"Hamburg Süd is a very well-run company and a highly respected carrier – with strong brands, dedicated employees, an attractive fleet and a good client base," says Søren Toft, Chief Operating Officer, Maersk Line.

"Preserving this, including the support of its many customers, is essential. Therefore, Hamburg Süd will continue as a separate brand. We will maintain both the head office in Hamburg and the regional Commercial and Operations structure."

The acquisition gives Maersk Line 26% additional revenue and a much stronger leadership position in container shipping, increasing its global market share by 3% to 18%, specifically adding nearly 17% in Latin and Intra-America trade.

The German carrier's strong customer base in Latin America and Oceania strengthens the combined network's presence in these areas, particularly regarding reefer cargo, and creates a dual-brand platform similar to Safmarine and Maersk Line in Africa with which to serve customers.

As a result of the deal, customers will see the products menu grow, with more weekly sailings, lower transit times and more direct port-to-port options, as well as new services. If regulators approve the deal, Hamburg Süd's operations under the Maersk Line umbrella will begin in late 2017.

For more details, see page 51.

APM TERMINALS
ALGECIRAS, SPAIN

MODEL

ROCK OF GIBRALTAR
36.1441° N, 5.3417° E

Maersk Line Triple-E ship sailing between Algeciras and Tangier

Less than four years ago, APM Terminals Algeciras and Tangier were straining to keep pace with Maersk Line volume growth. Since then, a collaborative programme has turned things around, serving as a model for greater cooperation between Maersk Line and APM Terminals.

BY JOHN CHURCHILL

BEHAVIOUR

APM TERMINALS
TANGIER, MOROCCO

"WE SIT TOGETHER, WE USE THE SAME TECHNOLOGY, WE SEE THE SAME INFORMATION AND WE PLAN TOGETHER ACCORDING TO WHAT THE BEST OUTCOME IS FOR MAERSK, NOT JUST FOR APM TERMINALS OR MAERSK LINE."

MARIAGIOVANNA PIAZZA
Vessel Berth Planner, Maersk Line

Go back to 2013 and Mariagiovanna Piazza and David Guzman could be forgiven for the occasional heated discussion over business matters. As vessel berth planners for Maersk Line and APM Terminals in the busy port of Algeciras, Spain, their interests – as buyer and seller – often clashed.

That has all changed under the Hub Partnership Programme, an effort by Maersk Line and APM Terminals to foster closer working relations. With shared goals and incentives across the two businesses, the programme has over the last four years led to dramatically better operations in the terminal, a critical hub in Maersk Line's global vessel network.

"It's a complete change," says Piazza of the programme and the results. "We sit together, we use the same technology, we see the same information and we plan together according to what the best outcome is for Maersk, not just for APM Terminals or Maersk Line."

These efforts strengthen Transport & Logistics integration, bringing increased benefits for business and customers alike. Today, thanks to the programme, APM Terminals Algeciras is one of Europe's most productive and busiest ports. Maersk Line is now able to ensure that vessels arrive and depart in time frames that maximise berth utilisation while working with the terminal to prioritise cargo and attain operational efficiency.

"The result in Algeciras is inspiring for both APM Terminals and Maersk Line. And it was achieved at a time when the two businesses were not as directly linked as they are now within the Transport & Logistics division," says APM Terminals CEO Morten Engelstoft. "We continue to improve our operations and look forward to expanding the Hub Partnership Programme to other hubs, where appropriate, under the new strategy."

Talk to me

Before the programme began, Algeciras was a source of operational challenges for Maersk Line despite its status as the only customer in the terminal. Berthing plans required long negotiations and container operations often failed to meet expectations.

Inefficiency was costing APM Terminals Algeciras productivity and laying big costs on Maersk Line: With APM Terminals unable to handle the capacity coming into its Algeciras and nearby Tangier facilities, Maersk Line had to turn to the port of Malaga to handle the surplus, at a cost of EUR 30 million per year.

To turn this around, the Hub Partnership Programme focused on better communication and cooperation enabled by technology. To improve and speed up communication, people like Piazza and Guzman were put side by side in the same office, eliminating back and forth emails and phone calls. Technology, including forecasting and decision-making tools with shared, view allowed them to make "what if"-type decisions instantly, and together, and with clear understanding of each other's needs.

"Now we have the flexibility to determine together the best outcome for all sides, and quickly," says Guzman.

WATCH MARIAGIOVANNA AND DAVID'S INTERVIEW ONLINE
maersk.com/yearinreview

"It's a complete change," says **Mariagiovanna Piazza** (right) of her working relationship with **David Guzman** (left).

HUBS: SPINNING THE WHEELS OF TRADE

As far as ports go, APM Terminals Algeciras isn't typical. It's a transshipment hub port and one of the world's largest, receiving more than 45 vessels per week. Of the 100,000-plus containers loaded and unloaded in the port each week, the vast majority of them are transshipment cargo – neither imports nor exports, but rather cargo on its way to somewhere else in the world.

Maersk Line's global vessel network relies on APM Terminals' Western Mediterranean hub partnership in Algeciras and nearby Tangier, Morocco, as well as seven other transshipment hub ports – including Tanjung Pelepas in Malaysia, Salalah in Oman and Rotterdam in the Netherlands – to connect large volume, large vessel trade lanes like the East-West and North-South with regional and local trade lanes – spokes – that can't be served by large vessels.

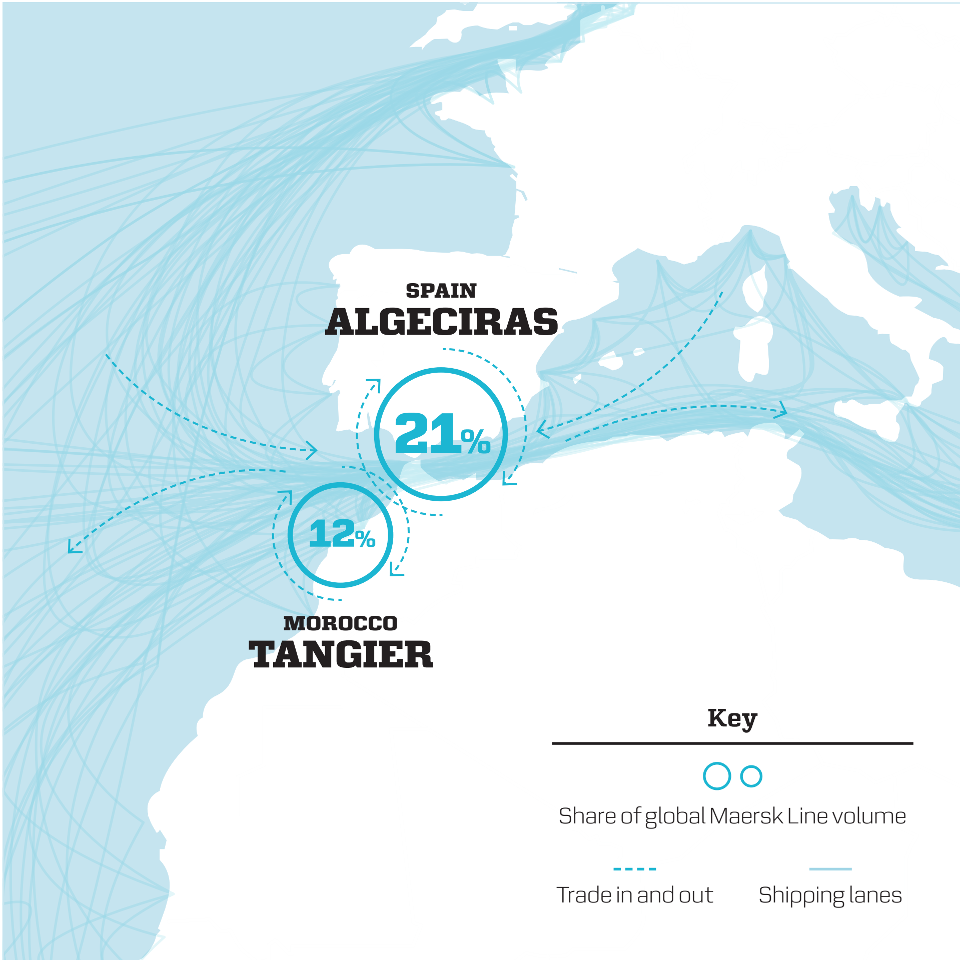
Transshipment cargo to Africa is particularly challenging to handle with multiple changes in cargo terms between buyer and seller during a voyage, longer dwell times in the container yard and multiple changes to vessel stowage.

Hub ports like Algeciras and Tangier help Maersk Line provide customers with more services – port to port combinations – efficiently, requiring fewer total ships and ensuring they are the right size for the markets they serve, thus reducing waste. A hub terminal's productivity also heavily affects Maersk Line's global reliability – delays at hubs have a ripple effect through the network.

"For Maersk Line, the hub ports are as important to a reliable, competitive and cost-efficient network as the vessels, the systems and the people we rely on," says Jakob Skov, Network Director for East/West Trades.

To improve the West Med hub, APM Terminals invested in new cranes and upgraded and heightened existing cranes to handle four Triple-E vessels in Algeciras while adding new rubber-tyre gantry cranes for the container yard.

In addition, APM Terminals is currently building APM Terminals MedPort Tangier, an automated container terminal under construction adjacent to the existing terminal and designed to handle Maersk Line's future network growth and productivity requirements. It will begin operation in 2019.



BENEFITS OF PARTNERSHIP

APM Terminals Algeciras and Tangier have become more productive with lower costs since the programme began in 2013.

15% increase in weekly container moves

20% lower costs per move

THE IMPORTANCE OF TRANSSHIPMENT

43% of all Maersk Line container moves are transshipment moves

48% of all Maersk Line container moves are with APM Terminals

IN ALANG, THE WORD IS SPREADING

Ship recycling in India has been synonymous with poor working conditions and environmental risk. Then a few pioneers began investing in equipment and people, paving the way for first-mover Indian shipyard Shree Ram to win a contract to recycle two A.P. Moller - Maersk vessels. With help from the company's onsite team, Shree Ram is changing.

BY ANDERS ROSENDAHL

ALANG, INDIA
21.3996° N, 72.1739° E

The call to stop work came when M. D. Arif stepped over the yellow and black tape.

The 21-year-old, a newcomer to the Shree Ram shipyard, had crossed the marker on the vessel's deck that roped off a 30-metre drop to the ground. Capt. Abhay Kumar, A.P. Moller - Maersk's QHSE Superintendent, stopped work and explained the danger and the importance of respecting the perimeter. He also reminded Arif that he had the authority to stop work himself if he saw something unsafe.

A few days later, Arif did just that when he saw two people on a vertical ladder at the same time. Only one person is allowed.

"The two guys on the ladder have been here longer than me, but that didn't bother me," says Arif, reflecting on the safety culture that has emerged during the time he has been at Shree Ram. "As long as I did the right thing, I don't see any problem, and the safety supervisor supported my decision. I would do it again."

Arif's experience is part of a wider improvement of plot no. 78, one of four owned by the Shree Ram Group in Alang. The facility was upgraded and certified to the standards of the Hong Kong Convention, an agreement which aims to ensure that ships, when being recycled after reaching the end of their operational lives, do not pose any unnecessary risks to human health, safety and to the environment. It was then audited under the A. P. Moller - Maersk Responsible Ship Recycling Standard after which two of the company's vessels arrived for recycling in June of 2016, along with an onsite team.

Standards urgently needed

Ship recycling on beaches remains an inescapable part of the shipping industry. In 2016, as much as 87% of the world's ships were dismantled on beaches in India, Bangladesh and Pakistan, typically under poor working and environmental conditions. The underlying economics are straightforward: vessels are recycled where the highest price for the steel can be attained. Lower standards mean lower costs, which make these shipyards more competitive than those with higher standards.

While most large shipping companies have responsible policies for the recycling of vessels, these policies usually only cover their own vessels. Therefore, a ship sold off just before 'end of life' will most often end up on the beaches anyway. With a responsible ship recycling policy for own vessels in place since 2009, it was clear to A.P. Moller - Maersk that more was needed.

One response was to extend the ship recycling standard to include requirements when selling off vessels, thus removing the financial incentive for a new owner to recycle in substandard yards in the first two years after the transaction. Also, an opportunity arose in 2014 when a few ship recycling yards in Alang – the heart of India's ship recycling industry – began upgrading in order to comply with the Hong Kong Convention, which sets global minimum standards for safety and environment.

"Most importantly, we decided to work with Indian yards that have been certified as capable of recycling vessels according to the Hong Kong Convention, aiming to improve further and reach the level of the Maersk standard," says Annette Stube, Head of Sustainability in the Transport & Logistics division.

"In the coming years, with an increasing number of vessels to be recycled globally, it is urgent that we find a solution that embraces social and environmental aspects in addition to the financial ones. When we engage a yard in Alang, we want to guarantee that the yard is not only equipped to work responsibly, but will actually act accordingly."

This explains A.P. Moller - Maersk's onsite team and the contractual right to stop work if procedures are not in accordance with the company's standards, which go beyond the Hong Kong Convention on safety, social and environmental issues.

M.D. Arif (left), an engine mechanic at the Shree Ram shipyard, discusses safety measures with **Capt. Abhay Kumar**, A.P. Moller - Maersk's QHSE Superintendent.

Understanding safety

Capt. Abhay Kumar began working at plot no. 78 when the two A.P. Moller - Maersk vessels arrived. He is responsible for supervising safe and responsible ship recycling operations, in line with company standards. This includes the authority to stop work, which as of 1 December 2016 has been exercised 17 times – including when Arif came close to that sharp drop-off. Kumar's ambition is, however, that things shouldn't come to that at all:

"The main challenge has been changing mind-sets throughout the yard. We have worked to make everybody understand how safety works and what our standards demand."

A year ago, Arif embarked on the 1,700 km journey from Kolkata to Alang to work for Shree Ram. His older brother, who has been there for five years, encouraged him to come. After starting as a helper he went on to become an engine mechanic, dismantling the engines in the vessels.

"In the beginning, we worked on vessels where the owners did not have representatives on the ground, so I didn't get much training. This has changed since Maersk came in and I've received a lot of training on the job," says Arif.

"The next step would be to become an engine room supervisor, and then a general supervisor. There is a hierarchy and I want to continue moving upwards while undergoing training and working safely."

A vision for Alang

In the backyard of plot no. 78, Manoj Sukla works as a gas cutter. He receives large, cleaned parts of the vessels from the front yard and cuts them into smaller pieces. He knows the business well after 14 years in Alang – the last 10 with Shree Ram – and he has witnessed the changes since A.P. Moller - Maersk's arrival.

"I used to cut the steel on sand, but now we have had an impermeable floor put in, so there is no dust or mud to get in the way and this makes our work hassle-free. Also, each gas cutter now has a dedicated helper who sweeps the area, so I just concentrate on doing a good and thorough job," he explains.

With A.P. Moller - Maersk, safer working procedures have been introduced. An example: The gas cutters used to leave their cutter connected to the gas cylinder during tea and lunch breaks, which led to small leaks and fire hazards. Seeing this, Capt. Kumar intervened and now the gas is shut off during breaks.

"Dormitory accommodation is provided and we have water, so I can basically live the same way here as I would at home. The word is spreading here in Alang and people want to join us," says Manoj Sukla.

"I WANT TO KEEP WORKING IN SHREE RAM FOR AS LONG AS I CAN. AND AS FOR ALANG ITSELF, I HOPE IT CAN BE MORE LIKE SHREE RAM. THIS IS MY VISION FOR ALANG."

MANOJ SUKLA
Gas cutter

A.P. MOLLER - MAERSK TIGHTENS SHIP RECYCLING PROCEDURES

A.P. Moller - Maersk has tightened its approach to ship recycling in response to two separate cases, which are independent from the decision to enter Alang.

One relates to the FPSO North Sea Producer, which was sent by its new owner to a ship recycling yard in Bangladesh, despite the company stipulating in the contract that the production unit, at the end of its lifetime, was to be recycled according to the Hong Kong Convention.

The other case concerns 14 chartered-in Starflotte ships whose contracts A.P. Moller - Maersk wanted to end ahead of time in 2014. In the final agreement with the owner, A.P. Moller - Maersk incentivised recycling at the best price, which effectively means recycling at sub-standard yards, which is what the owner chose to do when the vessels were returned. In the latter case, A.P. Moller - Maersk has publicly acknowledged and expressed regret that it indirectly incentivised the owner to recycle at sub-standard yards.

“We have actively participated in, and worked directly with the yards in Alang in India to improve conditions there and to influence the industry as a whole,” says Group Vice CEO and Head of the Sustainability Council, Claus V. Hemmingsen. ”Therefore, it is regrettable that in spite of these initiatives there are examples of how we have failed to ensure compliance with our own policies. In the future, we will ensure that our sales contracts contain a very strong incentive for ship recycling to be carried out responsibly.”

In 2009 A.P. Moller - Maersk introduced a responsible recycling policy and expressed its support for the Hong Kong Convention. Procedures were further tightened in September 2016 in order to minimise the financial incentive for buyers to recycle irresponsibly.

The new contract terms are based on the value of the vessel at the time of sale. If the value is low (less than 25% above the highest recycling price), A.P. Moller - Maersk will not divest but will recycle the vessel according to its standards.

If the value is higher (25-40% above the highest recycling price), the new owner will be required to operate the vessel for a further two years or to recycle in accordance with A.P. Moller - Maersk’s standards. When the vessel has been operating on behalf of others beyond a period of 24 months, A.P. Moller - Maersk can no longer take on this extended responsibility.

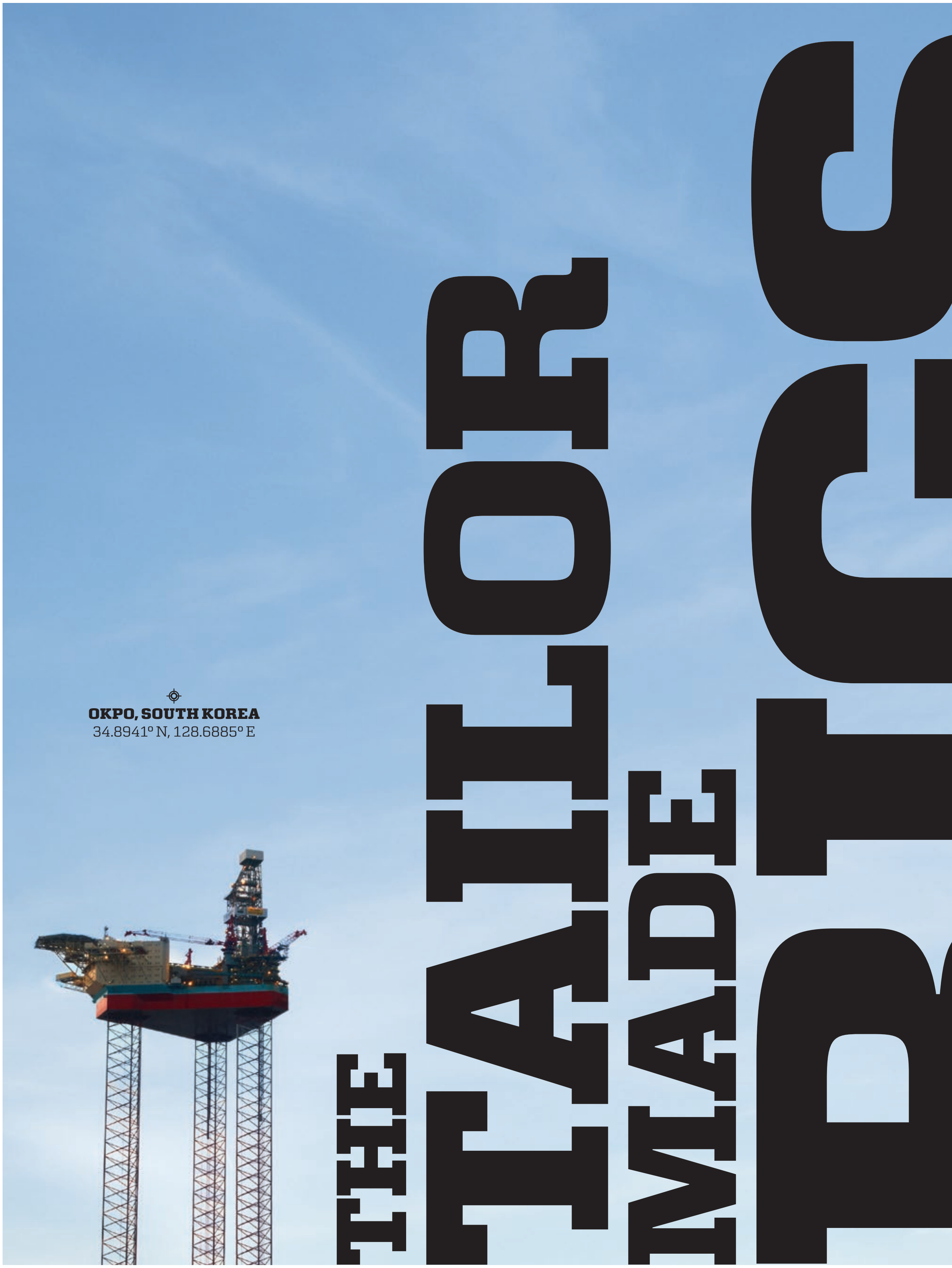
If the value is high (more than 40% above the highest recycling price) the vessel can be resold without restrictions, as there is no financial incentive for the buyer to recycle at this point in time.

“With these adjustments, Maersk expands the responsibilities that it takes to ensure responsible ship recycling. The tightened policy further clarifies the fact that Maersk will not enter into contractual agreements that indirectly encourage the new owner to find the highest price for steel in the future,” says Claus V. Hemmingsen.

“WE WILL ENSURE THAT OUR SALES CONTRACTS CONTAIN A VERY STRONG INCENTIVE FOR SHIP RECYCLING TO BE CARRIED OUT RESPONSIBLY.”

CLAUS V. HEMMINGSEN
Group Vice CEO,
Head of the Sustainability Council

THE TAILOR MADE RIGS



OKPO, SOUTH KOREA
34.8941° N, 128.6885° E

WATCH THE WORLD'S BIGGEST JACK-UP DRILLING RIG ONLINE
maersk.com/yearinreview

SERVING CUSTOMERS

The world's largest and most advanced jack-up drilling rigs are delivering very strong performance and outstanding service. The newest model, Maersk Invincible, has been tailored specifically to meet the customer's needs on a five-year contract in the North Sea and has the flexibility to adapt to different tasks.

BY SAM CAGE

The South Korean town of Okpo is dominated by its shipyard. And the long legs of Maersk Invincible give a commanding view of the Daewoo Shipbuilding and Marine Engineering (DSME) yard.

The world's largest jack-up drilling rig was built in 2016 and delivered on January 4, 2017. It is designed to meet the needs of the customer Aker BP and built-in adaptability means she can easily adjust to different work requirements. The rig can operate reliably and safely in waves of up to almost 30 metres – the height of Rio de Janeiro's Christ the Redeemer statue and larger than could be expected even in hurricane-force winds.

"Maersk Invincible is tailor-made for the contract, with the flexibility to reach wells that other jack-ups can't reach," says Frederik Smidth, Maersk Drilling's Chief Technical Officer, inspecting the drillfloor as workers put the finishing touches to the rig before she sails to start a five-year contract in the tough conditions of the Norwegian North Sea.

More flexibility

When jacked up to her full height of more than 170 metres at the far end of the DSME yard, Maersk Invincible casts a long shadow over the neighbouring vessels and even the surrounding hills.

The cantilever – which positions the drilling equipment exactly where it is needed – extends out some 33 metres over the stern, giving more flexibility and enabling work that wouldn't be possible with other jack-up rigs. The pipe handling equipment on the drill floor is fully automated, allowing the driller to keep a close eye on the operation making sure everything is operating smoothly. The extra space on board means she has a very high load carrying capacity, and therefore less need for supply vessels.

"We looked at the basic design, took in the lessons about how to make it work better and added more features including extra accommodation, which actually makes her bigger than her sisters," Smidth says.

All about the customer

The rig can accommodate 180 people, in contrast with the 150 supported by her sisters, because Aker BP needs extra space. In an industry first, power lines running across the seabed from the Norwegian coast will supply the rig with all its power requirements. The special size blow-out preventer will make it more efficient.

"She is going to be a beautiful vessel, and it's really satisfying to see it all working together," says Peder Norborg, Head of the XLE programme.

The performance delivered by assets like Maersk Invincible is helping to keep Maersk Drilling's assets at work. Its average operational uptime was 98% in 2016.

"We have had the opportunity to learn from what went before, and then build this," says Bjørn Frederiksen, about to sail out on Maersk Invincible as technical section leader. "I'm proud as I've ever been in a group developing Maersk rigs, and now I see it becoming a reality."

The jack-up legs of Maersk Invincible, at back, tower over the DSME shipyard and its workers.

The XLE jack-ups

- The XLEs are the world's largest jack-up rigs and are designed for year-round operation in the North Sea, in water depths up to 150 metres (492 ft)
- Uptime and drilling efficiency are maximised through dual pipe handling. While one string is working in the well centre, a second string of casing, drill pipe or bottom hole assembly can be assembled/disassembled and stored in the set-back area, ready for subsequent transfer for use in the well centre, thus reducing non-productive time
- The drill floor features Multi Machine Control – a fully remotely operated pipe handling system allowing all standard operations such as stand building and tripping to be conducted without personnel on the drill floor, thus ensuring a high level of consistency across crews and improved efficiency

Building the next generation of ships and rigs

- The XLEs are featured in a new Discovery Channel television series, which illustrates A.P. Moller - Maersk's energy supply chain and follows company experts and subcontractors as they design and build the next generation of ships and drilling rigs
- Filming took place mainly in Denmark, Norway and South Korea and the series was broadcast in 2016

ABERDEEN, UK
57.1497° N, -2.0942° E

A PROJECT'S PROGRESS

DELIVERING RESULTS

Maersk Oil has reduced the capital costs of its Culzean project by USD 500 million through improved drilling efficiency and robust upfront design and planning.

It is a complicated high-pressure, high-temperature (HPHT) field requiring specific equipment and expertise. The Maersk Oil-operated project in the North Sea, which is expected to meet 5% of total UK gas demand, passed several milestones in 2016.

BY SAM CAGE

MARCH 22, 2016

SAILAWAY

The Culzean field is about 250km east of Aberdeen and is expected to produce 60,000-90,000 barrels of oil equivalent a day at plateau production. Here, one of the jackets – the steel frame which supports the deck and topside of a fixed offshore platform – is pictured sailing out from the Heerema Fabrication Group's Vlissingen facility in the Netherlands for installation on site.

MAY 27, 2016

A NEW RIG

Maersk Drilling acquired the newbuild rig in late May and it came with a five-year drilling contract on Culzean valued at about USD 420 million. Pictured here, Maersk Highlander – designed to operate in water depths of 120m and with a drilling depth of more than 9,000m – is about to set sail from the yard in Singapore where she was built.

JULY 25, 2016

VIRTUAL REALITY

Before they started drilling, the team received extensive training in situations that are as close to real life as possible. Here they work in a simulator of Maersk Highlander's drilling floor, running through the drills they will be using when actually out in the North Sea.

AUGUST 18, 2016

CHAMPAGNE MOMENT

A bottle of Champagne marked the namegiving of Maersk Highlander, decked out in ribbons in port in Invergordon, Scotland. Gretchen Watkins, now CEO of Maersk Oil, is pictured here with the rig, which is capable of handling the HPHT conditions on Culzean and has accommodation for up to 150 people.

SEPTEMBER 28, 2016

DRILL TIME

Drilling of the first production well started in September, and will be followed by five more. Continuous drilling activity is planned over the next five years and first gas is expected to be produced from Culzean in 2019.

FROM 2019

INTERLINKED PLATFORMS

When it starts production in 2019, Culzean will feature three platforms linked via two 100-metre long bridges. These will be the wellhead platform, where drilling and production takes place; a central processing facility, where the produced gas and condensate are processed and exported; and utilities and living quarters, providing accommodation, living space and services for the crew.

"THE CHANGING OF OUR CORPORATE STRUCTURE WILL GIVE US MORE AGILITY, BUT IT DOES NOT CHANGE WHO WE ARE."

THE ENTREPRENEURIAL SPIRIT

Ane Uggla, Chairman of A.P. Møller Holding A/S and the A.P. Møller Foundation, discusses the role of engaged owner of A.P. Moller - Maersk, and the ambitions to secure another century of growth for the company.

BY MONIKA CANTY

To meet today's rapid changes in the world, one must be inspired by the founder A.P. Møller and his son Mærsk Mc-Kinney Møller on how to build new businesses. This is the clear message from the Chairman of A.P. Møller Holding A/S and Vice Chairman of the Board of Directors of A.P. Møller - Mærsk A/S, Ane Mærsk Mc-Kinney Uggla, whose ambitions for the company stretch far into the future.

"We as major owners aspire to own a viable group of companies for at least another 100 years, having a meaningful and positive impact here in Denmark as well as globally."

Acting in the long term

Ane Uggla carries with her a message of growth – growth that will be achieved when the company recaptures the entrepreneurial spirit of the founders.

"They made it a priority to hire and develop great talent. People, not assets, make companies thrive."

"Equally important, they had the courage and wisdom to challenge their colleagues to start new endeavours and new businesses, and not to fall into the trap of optimising for the short-term, but rather to act in the long-term."

An engaged owner

As the new strategy unfolds and some of the Maersk activities become separate businesses owned directly by its shareholders, it is clear that A.P. Møller Holding – established in 2013 to act as the investment arm of the A.P. Møller Foundation – will play an important role.

"We are redefining the Group with the establishment of A.P. Møller Holding as the 'mother company' of the Maersk activities," explains Ane Uggla.

The purpose of AP. Møller Holding is to exercise its role as an active owner in the spirit of A.P. Møller and to ensure that the Foundation has the financial means to contribute to society for generations to come.

"Going forward A.P. Møller Holding intends to own – partly or as a majority shareholder – several of the Maersk-related activities directly. This will not happen overnight but during the next few years, based on a process decided by the Board of A.P. Moller - Maersk."

A.P. Møller Holding intends to secure the long-term viability of the Maersk activities and of Danske Bank. On that Ane Uggla reflects:

"We will ensure that we hold a diversified and financially robust portfolio – to be able to sustain unexpected negative developments. And finally, we will continue building new businesses – in our portfolio companies as well as separately in A.P. Møller Holding."

Changes are necessary to stay relevant

Since Ane Uggla's great-grandfather Peter Møller bought his first steamer vessel "Laura" in 1886, there have been many changes that have ensured our longevity. Even the legal entity A.P. Møller - Mærsk A/S is a fairly new construction, the result of an amalgamation of the two listed steamship companies Svendborg and 1912.

"Changes are necessary to stay relevant," says Ane Uggla. "Many new businesses have been launched. Some have failed, some have been divested and others have thrived."

In fact, many activities integral to the company we know today did not even exist 60 years ago. The move into the oil business in 1962 and into container shipping in 1973 are just two examples. Another is APM Terminals, which developed out of the container shipping activities over the last 20 years into the USD 10 billion company it is today.

"It raises the question: How do we create the next APM Terminals or Maersk Oil over the next 10 to 20 years?" asks Ane Uggla.

Protecting the Values

There is another side to A.P. Møller Holding's role that is equally important to Ane Uggla, and that is to act as cultural custodian of the Maersk name and values. Regardless of the changes taking place in the business, the Core Values remain immovable.

"Even though we change our strategy and our structure, we do not change who we are. We are Maersk people tied together by our Values that are linked to the past. They are very much part of today and through your engagement and my engagement, will be part of tomorrow. That is my sincere wish."

(Left) Speaking at the Global Leadership Conference for the Transport & Logistics division held in Copenhagen in January 2017, Ane Uggla outlined her thoughts about the company established by her grandfather A.P. Møller, and the role of A.P. Møller Holding A/S as the majority shareholder.

THE CORE VALUES

CONSTANT CARE
Take care of today, actively prepare for tomorrow.

HUMBLENESS
Listen, learn, share, and give space to others.

OUR EMPLOYEES
The right environment for the right people.

OUR NAME
The sum of our Values: passionately striving higher.

UPRIGHTNESS
Our word is our bond.

A CLOSER LOOK AT THE DETAILS

As the decision was taken in September 2016 to reorganise A.P. Moller - Maersk into two independent divisions – an integrated Transport & Logistics division and an Energy division – the financial highlights are presented here accordingly. The financial reporting including consolidated numbers reflecting the new structure will be effectuated from the financial year 2017.

A.P. MOLLER - MAERSK CONSOLIDATED FIVE YEARS OF PERFORMANCE

INCOME STATEMENT (USD million)

	2016	2015	2014	2013	2012
Revenue	**35,464**	40,308	47,569	47,386	49,491
Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)	**6,767**	9,074	11,919	11,372	11,797
Depreciation, amortisation and impairment losses, net	**7,265**	7,944	7,008	4,628	5,065
Gain on sale of non-current assets, etc., net	**178**	478	600	145	610
Share of profit/loss in joint ventures	**149**	165	-6	152	130
Share of profit/loss in associated companies	**-55**	97	412	295	222
Profit/loss before financial items (EBIT)	**-226**	1,870	5,917	7,336	7,694
Financial items, net	**-617**	-423	-606	-716	-780
Profit/loss before tax	**-843**	1,447	5,311	6,620	6,914
Tax	**1,054**	522	2,972	3,237	3,161
Profit/loss for the year	**-1,897**	925	5,195	3,777	4,038
Underlying result	**711**	3,071	4,532	3,409	N/A

FINANCIAL RATIOS (%)

	2016	2015	2014	2013	2012
Return on invested capital after tax (ROIC)	**-2.7**	2.9	11.0	8.2	8.9
Return on equity after tax	**-5.6**	2.4	12.3	9.2	10.7
Equity ratio	**52.5**	57.3	61.3	57.1	54.3

STOCK MARKET RATIOS

	2016	2015	2014	2013	2012
Earnings per share (EPS), USD	**-93**	37	230	158	171
Diluted earnings per share, USD	**-93**	37	230	158	171
Cash flow from operating activities per share, USD [1]	**208**	372	401	408	323
Ordinary dividend per share, DKK[2]	**150**	300	300	280	240
Ordinary dividend per share, USD[2]	**21**	44	49	52	42
Share price (B share), end of year, DKK	**11,270**	8,975	12,370	11,770	8,520
Share price (B share), end of year, USD	**1,597**	1,314	2,021	2,175	1,506
Total market capitalisation, end of year	**32,215**	27,587	42,848	46,305	31,876

BALANCE SHEET (USD million)

	2016	2015	2014	2013	2012
Intangible assets	**3,620**	1,922	2,818	4,788	4,940
Property, plant and equipment	**41,496**	43,999	44,671	41,293	43,844
Other non-current assets	**4,859**	5,469	5,130	10,100	10,072
Current assets	**11,143**	11,018	16,225	18,328	13,540
Total assets	**61,118**	62,408	68,844	74,509	72,396
Total equity	**32,090**	35,739	42,225	42,513	39,324
Invested capital	**42,808**	43,509	49,927	54,630	53,814
Net interest-bearing debt	**10,737**	7,770	7,698	11,642	14,489
Investments in property, plant and equipment and intangible assets	**6,748**	7,647	9,368	7,087	7,826

EQUITY[3] (USD million)

	2016	2015	2014	2013	2012
Other comprehensive income, net of tax	**-401**	-385	-1,616	473	–
Profit/loss for the year	**-1,897**	925	5,195	3,777	–
Total comprehensive income for the year	**-2,298**	540	3,579	4,250	–
Dividends to shareholders	**-1,006**	-6,238	-1,803	-1,087	–
Value of share-based payments	**-7**	11	19	6	–
Sale of non-controlling interests	**–**	-49	-1,493	–	–
Purchase of own shares	**-475**	-780	-653	–	–
Other transactions with shareholders	**137**	30	63	20	–
Total equity	**32,090**	**35,739**	**42,225**	**42,513**	**–**

1. Cash flow figures comprise continuing operations only.
2. 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 in 2014.
3. A.P. Moller - Maersk changed the presentation currency from DKK to USD in 2014. Equity was restated from 2013.

TRANSPORT & LOGISTICS

The Transport & Logistics division will be managed and operated as an integrated company based on a one-company structure with multiple brands.

A unique position in the Transport & Logistics division gives a solid starting point to build on with **Maersk Line** being the world's biggest carrier, active in both global and intra-regional trades and **APM Terminals** as the world's fourth largest container terminal operator with a strong hub presence in Africa, Latin America and on the East-West trades. **Damco** has outstanding capabilities in supply chain management and solid freight forwarding experience, whereas **Svitzer** has excellent port services and **Maersk Container Industry** has a second to none refrigeration technology.

INTEGRATION UNLOCKS MORE IMMEDIATE SYNERGIES ACROSS THE BUSINESSES

INCREASED TERMINAL UTILISATION	IMPROVED INLAND SERVICES	OPTIMISED HUB OPERATIONS	JOINT PRODUCTION PLANNING	CROSS-SELLING
Maersk Line	Maersk Line	Maersk Line	Maersk Line	Maersk Line
APM Terminals	APM Terminals	APM Terminals	Maersk Container Industry	APM Terminals
	Damco			Damco
				Svitzer

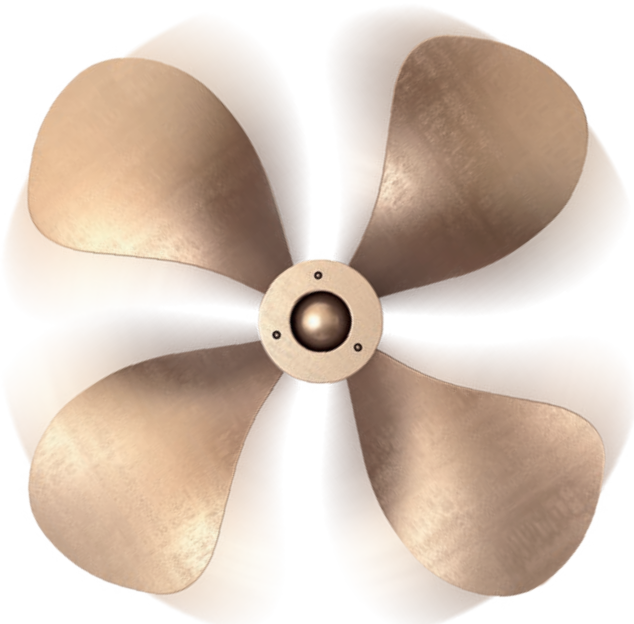
FOUR STRATEGIC "BLADES" THAT PROPEL US FORWARD

GROWTH

Organic or inorganic, through cross-selling or new products.

COST LEADERSHIP

In everything we do, in all our businesses, we will cultivate a lowest cost, lower every year culture and exploit synergies.



GREAT CUSTOMER EXPERIENCE

Leverage insights across our businesses with superior products and digital interfaces.

COMPETITIVE PRICING

Provide value to our customers enabled by cost leadership.

THE COMBINED DIVISION
(PRO FORMA)

28.6bn
(USD)
Combined 2016 revenue (not adjusted for intercompany eliminations)

29.8bn
(USD)
Invested capital for all businesses combined

74,000
(2015: 72,600)
Employees

900/130
Offices/Countries

MAERSK LINE

9.4%
increase in volumes countered by a 19% decline in average freight rates brought a decline in revenue of 13%.

(USD m)	2016	2015
Revenue	20,715	23,729
NOPAT	-376	1,303
ROIC (%)	-1.9	6.5
Free cash flow	474	1,128
Invested capital	20,082	20,054
Transported volumes (FFE in '000)	10,415	9,522
Fleet	639	590
Fleet capacity (TEU in '000)	3,239	2,962
Employees	31,858	32,750

APM TERMINALS

8 terminals
successfully integrated from the Grup Marítim TCB acquisition.

(USD m)	2016	2015
Revenue	4,176	4,240
NOPAT	438	654
ROIC (%)	5.7	10.9
Free cash flow	-730	100
Invested capital	7,967	6,177
Throughput*	37.3	36.0
Number of terminals	73	63
Employees	22,615	21,171

* Measured in million TEU and weighted by ownership share.

DAMCO

14.6%
ROIC based on increased profit but revenue down 8.5% negatively impacted by lower freight rates and exchange rate movements.

(USD m)	2016	2015
Revenue	2,507	2,740
NOPAT	31	19
ROIC (%)	14.6	7.1
Free cash flow	-4	133
Invested capital	232	203
Employees	11,292	11,087

SVITZER

7.5%
ROIC based on a decline in profit due to increased competition and lower activity levels.

(USD m)	2016	2015
Revenue	642	669
NOPAT	91	120
ROIC (%)	7.5	10.9
Free cash flow	-48	-14
Invested capital	1,203	1,132
Fleet	336	322
Employees	2,870	2,847

TRANSPORT & LOGISTICS

MAERSK LINE

Søren Skou, CEO

A competitive industry

The challenges faced by the shipping industry continued in 2016 and Maersk Line's freight rates declined by 19% to a new all-time low.

Declining freight rates are not new to the shipping industry and on average they have decreased by 8.7% annually since 2011, driven by a combination of imbalance between supply and demand and lower bunker fuel prices. However, in the last part of 2016, the freight rates out of China increased.

The industry saw a slowdown in supply growth to around 2%, whereas container demand grew 2-3% in 2016. Supply growth was stronger and demand growth was weaker in the first half of 2016, putting significant downward pressure on the rates, following the downward trend from 2015 in the first part of 2016, before stabilising and even improving gradually in the second half of 2016. Developments in oil and fuel prices supported these dynamics.

While container demand from the Far East to Europe improved compared to 2015, the limited imports to emerging economies in Africa and Latin America was the main reason for the low demand growth.

Maersk Line reported a loss of USD 376m due to the low freight rates, but still had an industry-leading position in terms of relative financial performance in 2016 (Q4 2015 to Q3 2016). The estimated EBIT margin gap to peers being around 6%-points; above the 5%-points ambition level.

Industry cost leader

Maersk Line's response to the challenging market conditions is a continued focus on being the industry cost leader as it enables price competitiveness, makes organic growth possible and acquisitions profitable. Ultimately, this will develop the business and increase market share.

The Transport & Logistics division will play a central role in Maersk Line's strategy. The integration of Maersk Line, APM Terminals, Damco, Svitzer and Maersk Container Industry will create cost synergies and improved product offerings generated by closer collaboration for the benefit of the entire division and its customers.

While maintaining the EBIT margin gap to peers, Maersk Line developed the market share which improved scale benefits, generated by operating a more efficient network with a higher vessel utilisation and resulting in lower cost per transported container; the key to further strengthening the cost leader position. Another element is to manage existing and new capacity. Maersk Line has renegotiated charter contracts and chartered vessels instead of ordering new vessels in 2016.

The plan to reduce the workforce by at least 4,000 FTEs between November 2015 and end 2017 progressed in line with expectations.

These actions contributed to Maersk Line achieving a record low unit cost, 13% below 2015 benefiting from improved fleet utilisation and cost efficiencies.

Profitable growth

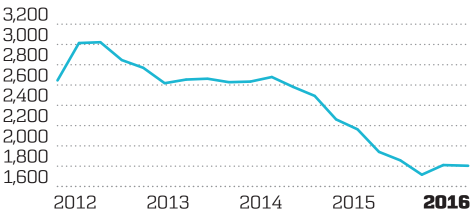
Being the cost leader has allowed Maersk Line to pursue growth and the growth strategy will be executed in three ways; organic growth, digitisation and inorganic growth.

Maersk Line has already shown its ability to grow organically and to gain market share. Transported volumes grew by 9.4% to 10,415k FFE in 2016 in an industry where demand only grew by 2-3%. This is a testimony to Maersk Line's unique product offering to customers in the form of the most extensive network in the industry. Digitisation will help drive organic growth in the future by improving the customer experience through automated processes and better digital interfaces. It is a long journey, but Maersk Line has already come a long way, and currently around 99% of Maersk Line's bookings are made via electronic channels.

A significant change to the growth strategy is the use of inorganic growth. Maersk Line announced the acquisition of Hamburg Süd in December 2016 which will help accelerate growth and improve the product offerings to customers. The combined business of Maersk Line and Hamburg Süd will generate further scale benefits and have a capacity market share of around 19%. Together the two companies will be able to offer an unmatched product to customers on the North-South trades and in the reefer segment.

Average freight rate

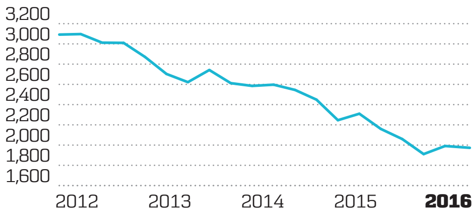
(USD/FFE)



The average freight rate declined to 1,795 USD/FFE in 2016 (2,209 USD/FFE), mainly attributable to bunker price savings being passed through to customers and deteriorating market conditions.

Unit cost

(USD/FFE)



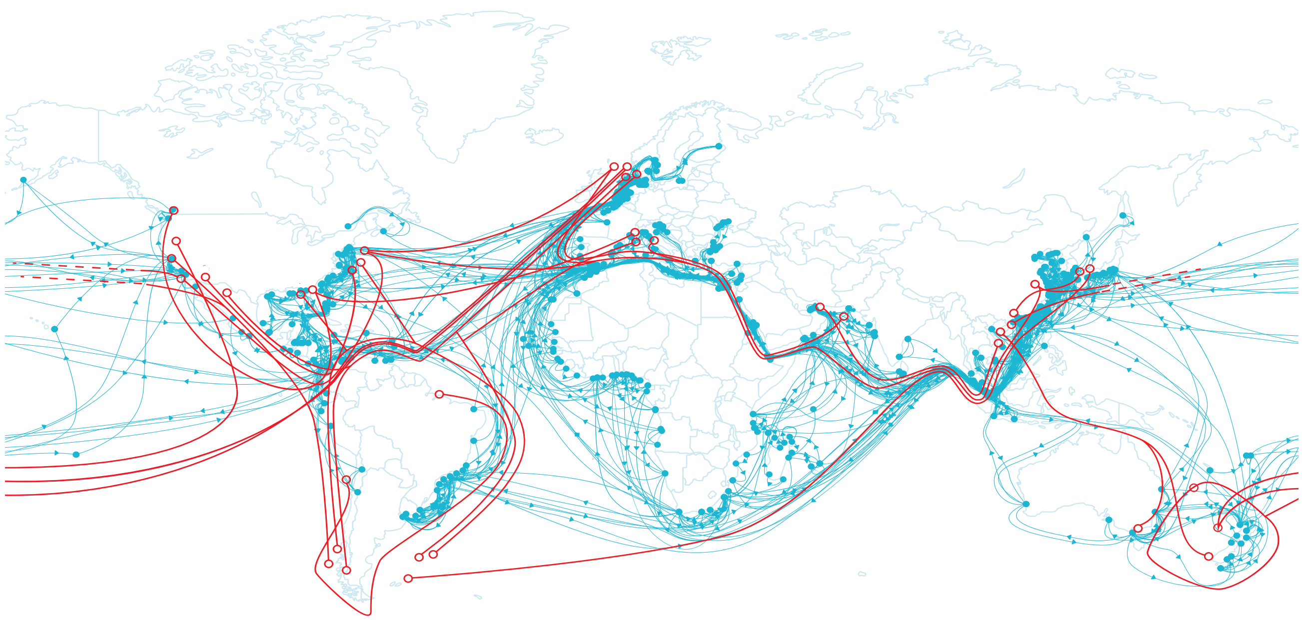
Unit cost decreased by 13.4% to 1,982 USD/FFE in 2016 (2,288 USD/FFE), primarily benefiting from lower bunker prices, improved fleet utilisation and cost efficiencies.

TRANSPORTED VOLUMES GREW BY 9.4% TO 10,415K FFE IN 2016 IN AN INDUSTRY WHERE DEMAND ONLY GREW BY 2-3%.

	MAERSK LINE	**HAMBURG SÜD**	**COMBINED** (pro forma)
Revenue (USD bn)[1]	20.7	6.3	27.0
World rank/% of world fleet[2]	1st/15.9%	7th/2.9%	1st/18.8%
Capacity '000 TEU/Vessels[3]	3,239/639	625/130	3,864/769

1. A.P. Møller - Mærsk A/S, Annual Report 2016 and Hamburg Süd, Annual Report 2015 key figures (container line activities)
2. Alphaliner, as of 31 December 2016 3. A.P. Møller - Mærsk A/S, Annual Report 2016 and Hamburg Süd 2015 key figures (container vessels)

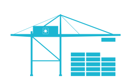
COMBINED CAPACITY OF MAERSK LINE AND HAMBURG SÜD ROUTES



Illustrative network. Disclaimer: The acquisition of Hamburg Süd is subject to final agreement expected early in Q2 2017 and to regulatory approvals expected at the end of 2017.

NETWORK SYNERGIES

PROCUREMENT SYNERGIES

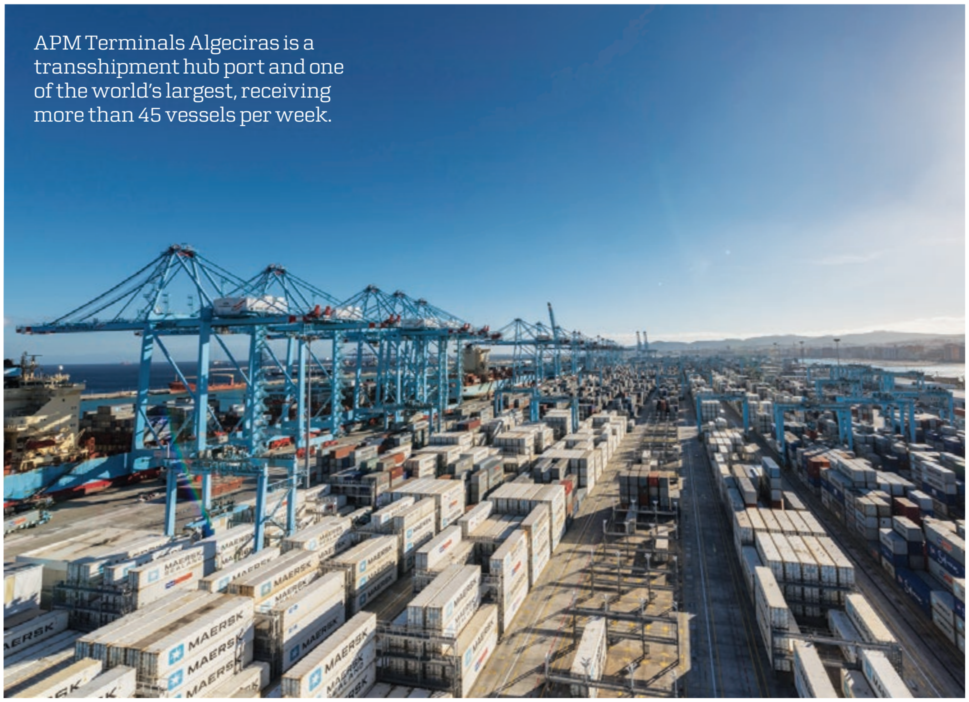


TERMINAL VOLUMES

TRANSPORT & LOGISTICS

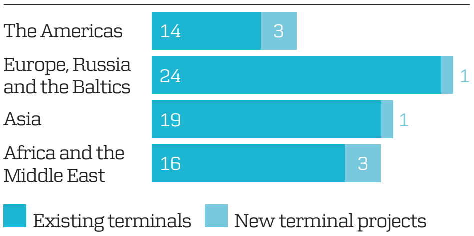
APM TERMINALS

Morten H. Engelstoft, CEO



APM Terminals Algeciras is a transshipment hub port and one of the world's largest, receiving more than 45 vessels per week.

Number of terminals



Equity weighted throughput

(Million TEU)	**2016**	2015
The Americas	**6.4**	6.7
Europe, Russia and the Baltics	**11.8**	10.6
Asia	**12.5**	12.1
Africa and the Middle East	**6.6**	6.6
Total	**37.3**	**36.0**

Select implementation projects

Project	Opening	Details 2016	Investment (100% share) (USD bn)
Lázaro Cárdenas, Mexico	2017	32-year concession (will add 1.2m TEU)	**0.9**
Vado, Italy	2018	50-year concession (new deepwater terminal)	**0.4**
Moin, Costa Rica	2018	32-year concession (new deepwater terminal)	**1.0**
TM2, Morocco	2019	30-year concession (will add 5m TEU)	**0.9**

TEU is 100% of the projects

Market development

As a global terminal operator, APM Terminals currently faces various challenges in different markets. In West Africa, the dominant import markets were impacted by the low oil price and shortage of hard currency. In Northwest Europe, gateway and transshipment volume has been stagnant while new capacity is being brought online. In general but particularly in North Africa and Latin America, the shipping line consolidation and alliance realignment is impacting several APM Terminals facilities as alliances increasingly select competing terminals according to the equity stakes.

Cascading of larger container vessels means fewer but longer calls at terminals. This increases the load on the terminals and triggers requirements for upgrades of the terminal infrastructure and operation planning capabilities leading to more capital expenditure and operational cost.

Concentrating volumes among fewer alliances and shipping lines also shifts bargaining power away from terminals in several locations and puts pressure on rates. Despite the acquisition of the Spanish Grup Marítim TCB (TCB), APM Terminals saw a 1.5% decrease in revenue and the average port revenue per move declined by 9% in 2016.

In these challenging markets APM Terminals made a profit of USD 438m (USD 654m).

Operational excellence

Safety continues to be the key priority for APM Terminals, which was deemed one of the top safety performers by The International Transport Federation Union (ITF) and Institution of Occupational Safety and Health (IOSH).

APM Terminals expanded its revenue improvement and cost savings initiatives in 2016, which partially mitigated tough market conditions. Corporate cost is being addressed by reducing and reorganising head office staff, including closing offices in Rotterdam and Dubai.

APM Terminals is launching initiatives to improve its value proposition to land side end users by offering easier access to services online. Services include visibility on the movement of cargo, facilitating in and out-gating of containers, and online payments.

Expanding on capabilities with strong partnerships

APM Terminals Izmir, Turkey, started operating in December 2016. The port is designed to offer Turkey's shipping community unrivalled access to global markets through an efficient, high tech port. The facility will be the largest container port in the Aegean Region with a capacity of 1.3m TEU to meet Turkey's future growth needs.

APM Terminals acquired eight out of 11 terminals from TCB adding a combined 2m TEU equity-weighted volume to APM Terminals and expanding the network to 73 operating ports, across 69 countries. The integration proceeds according to plan and volume continues to be strong in key terminals. The performance across the TCB portfolio has strengthened over time.

APM Terminals has launched the project to build a new 5m TEU capacity terminal in Tangier, Morocco, which is set to become operational in 2019. APM Terminals MedPort Tangier will have up to 2,000 metres of quay length and will increase the Tangier-Med complex's overall capacity to over 9m TEU. The deepwater terminal will be the first automated terminal in Africa.

APM Terminals has concluded new joint venture agreements with China COSCO Shipping Ports and Qingdao Port International Development (Hong Kong) Co., Limited, regarding both the existing reefer terminal and the new deepwater terminal currently under construction in Vado, Italy. The expansion of Vado's facilities is part of the port's plan to create new and improved supply chain capabilities for markets in North Italy, Switzerland and South Germany.

DAMCO

Klaus Rud Sejling, CEO

Challenging markets

Damco embarked on a journey of transformation within its supply chain management product offering. By launching a new service portfolio, Damco allows customers to manage complex multi-party supply chains, delivering new integrated enterprise level business intelligence capabilities. Focus has also been placed on launching a new digital application factory to support specific customer demands.

The logistics market remained under pressure, especially during the first three quarters of 2016, whereas Q4 showed some improvement in both ocean and airfreight volumes. In these challenging markets Damco made a profit of USD 31m (USD 19m), mainly driven by improvements in supply chain management, which was partially due to improved processes and operational efficiencies.

Revenue was USD 2.5bn, down 8.5% to 2015, negatively impacted by lower freight rates and rate of exchange movements. Damco made improvements in 2016, however, potential remains to further optimise costs and improve commercial effectiveness.

Supply chain management and ocean and airfreight remain the major products for Damco, while the focus going forward will be on intensifying development of supply chain solutions. Furthermore, Damco will enhance the creation of innovative, digital supply chain solutions in collaboration with its customers.

Within the Transport & Logistics division, Damco will collaborate closely with the other businesses, driving synergies for improved product offering and better customer experience.

SVITZER

Henriette Thygesen, CEO

Revenue affected by low oil price environment

Svitzer reported a profit of USD 91m, USD 29m lower than in 2015 due to increased competition and lower activity levels, primarily within harbour towage in the Americas and salvage.

Despite fierce competition, overcapacity and slowdown in most shipping segments, Svitzer maintained its market share in competitive ports in Australia and Europe. Low commodity prices led to increased pressure on existing contracts as well as to limited growth prospects in terminal towage. Salvage activity continued to be affected by a weak emergency response market.

Efforts to optimise underlying profitability through tonnage adjustments, crew deployment and cost efficiencies were overshadowed by higher than anticipated start-up costs in Brazil during the first three quarters of 2016, which resulted in an EBITDA margin of 25.9% (28.4%) for the Svitzer Group.

By offering port services directly to shipping lines and terminals, Svitzer will target further revenue growth through cross selling opportunities with Maersk Line and APM Terminals within the Transport & Logistics division. Svitzer has embarked on a journey to build critical digital capabilities for enabling better customer experience, lower costs and creating new business opportunities.

ENERGY

MAERSK OIL

Gretchen Watkins, CEO

Drilling of the wells in the large Culzean gas project off shore UK commenced in Q3 2016 with Maersk Highlander and is progressing according to plan. First gas is expected in late 2019.

477m

USD in profit providing a ROIC of 11.4% with a break-even oil price of below USD 40 per barrel.

(USD m)	**2016**	2015
Revenue	**4,808**	5,639
NOPAT	**477**	-2,146
ROIC (%)	**11.4**	-38.6
Free cash flow	**-191**	-249
Invested capital	**4,089**	3,450
Average share of oil and gas production*	**313**	312
Average crude oil price (Brent) (USD per barrel)	**44**	52
Employees	**4,005**	4,427

*Thousand barrels of oil equivalent per day.

Building on a strong foundation

Maersk Oil introduced in 2014 the three-pillar strategy; maximise value from safe operations, world-class project delivery and build our future business. Since then, Maersk Oil has improved its operational performance, radically transformed its cost performance and developed North Sea heartland projects with great improvements.

Financial robustness

As a consequence of declining oil prices, Maersk Oil embarked on a cost transformation journey in the second half of 2014 in order to be able to deliver profit even with oil prices below USD 50 per barrel. This effort has resulted in a break-even oil price of below USD 40 per barrel in 2016 and a current long-term target of a break-even oil price of USD 40-45 per barrel.

Maersk Oil addressed the lower-for-longer oil price forecast through active portfolio management, improved operational excellence in mature fields and rigorous cost discipline, including significant contract renegotiations and workforce reductions. The strategic decision to scale back exploration activities also contributed to a strong result.

Portfolio management led to divestment of the non-operated interests in the UK assets Wytch Farm, Scott, Telford and Boa, and divestment of the non-operated interests in the Norwegian assets Zidane and the Polarled Pipeline in 2016, all pending approval from authorities. The portfolio management also led to the decision to carry out the early cessation of production in the Janice oil field in the UK.

The improved operational efficiency and cost discipline have reduced operating costs by 36% since 2014, which is considerably above the original target of 20%.

In a challenging market, Maersk Oil reported an underlying profit of USD 497m (USD 435m) positively impacted by higher production efficiency, cost reductions, lower exploration costs and reduction of abandonment provision of USD 93m.

The result was negatively affected by the lower oil price of USD 44 per barrel versus USD 52 per barrel in 2015, delivering a revenue of USD 4.8bn, a decline of 15% compared with 2015.

Maximising value from safe operations

Maersk Oil returned to production growth from mid-2013, a trend that has continued up to 2016 not least due to improvement of operational performance across the portfolio from 80% in 2013 closing at 90% end 2016.

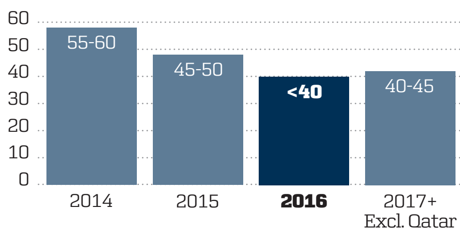
Tyra South East in Denmark, Golden Eagle in the UK, and Jack in the US Gulf of Mexico have come on stream during the last two years, all of which have contributed to production growth. The improved operational efficiency in mature fields has reduced unplanned downtime and compensated for the natural production decline from late life assets.

Altogether, the entitlement production of 313,000 boepd was in line with the 2015 entitlement production of 312,000 boepd.

On safety, a strong commitment to reduce accidents has led to a decrease in the total recordable accident frequency of 40% from 2013 to 2016.

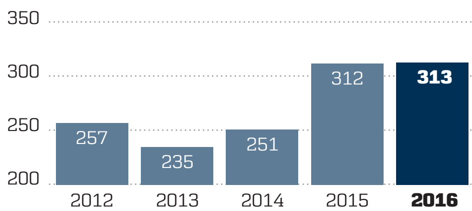
Break-even price per barrel of oil

(USD/barrel)



Entitlement share of production

(boepd '000)



World-class project delivery

Maersk Oil is involved in two major sanctioned development projects in the North Sea; Culzean in the UK and Johan Sverdrup in Norway.

The Maersk Oil operated Culzean field is a high-pressure/high-temperature gas project expected to supply the UK with 5% of its gas consumption by 2020. The project is on schedule and has achieved cost reductions of USD 500m since sanctioning in 2015.

The giant Johan Sverdrup project in Norway is progressing ahead of schedule and with significant cost reductions compared with expectations at decision time in early 2015. The operator, Statoil, expects the first oil in late 2019 and a break-even oil price for the project below USD 20 per barrel for the first phase.

Ongoing development projects include Jack in the US Gulf of Mexico, where a second phase including two more wells was approved in early 2016. In the UK, the Flyndre field is expected on stream in Q2 2017. Also in the UK, decommissioning projects Leadon and Janice are ongoing.

In the Danish sector of the North Sea, the Tyra facilities are approaching the end of their operational life due to a combination of more than 30 years of production and subsidence of the underground chalk reservoir, reducing the gap between the facilities and the sea. Work to identify a safe scenario for production at the Tyra field after 2018 was conducted. However, discussions with the Danish government on fiscal structures have not yet led to an economically viable solution for continued operations after 2018.

In Qatar, Maersk Oil will exit the Al Shaheen field when the current contract expires in mid-2017.

Build our future business

Maersk Oil's good performance in operations, cost control and project delivery provide a solid foundation on which to build the future business. Leveraging these strengths, Maersk Oil will seek to solidify its position as a leading North Sea player with focused international step-outs.

Maersk Oil will do this by participating in low-capital solutions like mergers and joint ventures with a focus on the North Sea and on locations with higher profitability and a strong capability fit.

In line with this, Maersk Oil has decided to reduce exploration expenditures while still honouring current commitments. Maersk Oil completed one exploration well during 2016. The Bagpuss exploration well in the UK encountered hydrocarbons – but not in commercially viable volumes.

Outside the North Sea, Maersk Oil will seek to focus the portfolio where there is a clear line of sight to low-cost barrels. The recent acquisition of interest in Kenya is part of this strategy and Maersk Oil continues to invest in the South Lokichar licence. A four well exploration and appraisal programme has been initiated and an early production facility is planned.

In line with the new strategy, Maersk Oil, along with the other three businesses in the Energy division, will prepare for separation from A.P. Moller - Maersk.

DELIVERING AND CREATING VALUE

8%

Increase in production efficiency since 2014

36%

Reduction in operating expenses from 2014 to 2016

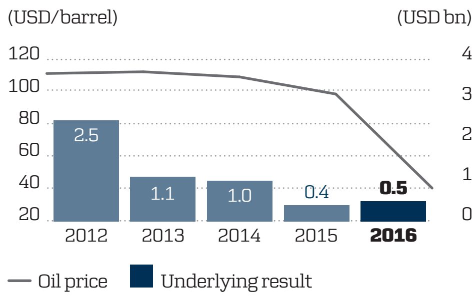
11.4%

ROIC for 2016

USD 1.0-1.5bn

Planned annual capital investment 2017 and 2018

Oil price/profit relation



The underlying result is the financial result excluding net impact from divestments and impairments.

ENERGY

MAERSK DRILLING

Jørn Madsen, CEO

1.5bn

USD impairment but an underlying profit of USD 743m.

(USD m)	**2016**	2015
Revenue	**2,297**	2,517
NOPAT	**-694**	751
ROIC (%)	**-9.0**	9.3
Free cash flow	**1,030**	429
Invested capital	**6,264**	7,978
Operational uptime (%)	**98**	97
Contracted days	**6,307**	7,086
Employees	**3,325**	3,965

Maersk Integrator in Amøyfjorden, Norway.

Worst downturn ever for offshore drilling

The offshore drilling industry is in the middle of the worst downturn ever, and the industry is expected to continue to deteriorate over the near-term with further declines in rig activity levels and offshore capital spending in 2017.

Market shifts have resulted in offshore exploration and production spending declining from a high of USD 290bn in 2014 to a projected USD 190bn in 2016, representing a decline of 35%. Offshore spending is expected to decline a further 10-20% in 2017, with further risk of decline if oil prices continue to trade at lower levels or if onshore oil production proves more resilient than expected.

The decline in offshore spending and rig activity levels has led to total industry utilisation falling from a peak of 89% in Q4 2013 to 56% in Q4 2016. The decline is now greater than the downturn in the mid-1980s.

In addition to much lower rig demand, global rig supply holds significant excess capacity, as approximately 130 floaters and 230 jack-up rigs have been stacked, while the newbuild orderbook comprises approximately 40 floaters and 100 jack-up rigs scheduled for delivery, the vast majority of which do not have contracts. This confluence of factors is driving the need for a significant scrapping cycle to resolve the imbalance between supply and demand in the market.

Financials impacted by low activity

Maersk Drilling reported a loss of USD 694m in 2016 negatively impacted by impairments of USD 1.5bn, primarily related to the deepwater segment due to significant oversupply and reduced long-term demand expectations as a consequence of lower offshore spending. The underlying profit of USD 743m was positively impacted by termination fees of approximately USD 150m moved from 2017 to 2016, savings on operating costs and high operational uptime partly offset by 10 rigs being idle or partly idle versus 3 rigs in 2015. The financial effect deriving from the increased number of rigs without contracts reduced the result in Q4 2016 significantly.

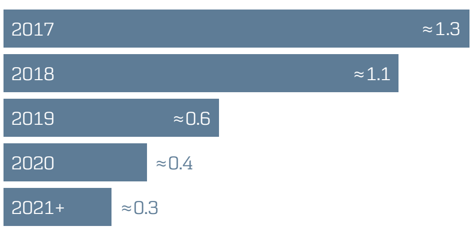
The terminations include Mærsk Deliverer, Maersk Valiant and Maersk Resolve. Mærsk Gallant was also terminated although Maersk Drilling concurrently signed a new contract in direct continuation hereof, resulting in a neutral financial impact.

The average operational uptime was 98% and the LTI frequency was 0.49 in 2016.

Maersk Drilling will continue to pursue superior operational performance through efficient, consistent and safe high-quality drilling operations based on a commitment to continuous improvements and well-on-well learnings.

Revenue backlog

(USD bn)



End of 2016 at USD 3.7bn (5.4bn)

Contract coverage per segment, end 2016

(%)	2017	2018
Jack-up rigs	60	49
Floaters	46	38
Total	**56**	**45**

MAERSK SUPPLY SERVICE

Steen S. Karstensen, CEO

1.2bn

USD impairment with a market outlook expected to remain subdued in the long term.

(USD m)	**2016**	2015
Revenue	**386**	613
NOPAT	**-1,228**	147
ROIC (%)	**-76.7**	8.5
Free cash flow	**-22**	44
Invested capital	**582**	1,769
Fleet	**47**	56
Employees	**1,726**	2,066

The global Offshore Supply Vessel (OSV) market is facing the worst short and long-term outlook in its history. A growing number of the world's OSVs are in lay-up and the supply and demand gap is expected to widen in the coming years.

As a consequence of changes to the long-term market view, Maersk Supply Service incurred impairments of USD 1.2bn giving a loss of USD 1.2bn for 2016. The underlying loss was USD 44m versus a profit of USD 117m in 2015.

Maersk Supply Service has taken action to adapt to the market conditions and divested 10 vessels during 2016 and is planning to reduce its fleet by an additional 11 vessels over the course of the next 15 months. Maersk Supply Service had 11 vessels laid up at the end of the year.

Revenue decreased to USD 386m following lower rates and lower utilisation as well as fewer vessel days available due to divestments and lay-ups. Going into 2017, contract coverage was 16% for 2017 and 5% for 2018.

Maersk Supply Service was awarded two decommissioning contracts for the Janice subsea field and the Leadon subsea field with Maersk Oil in 2016. The decommissioning work will utilise up to 15 of the company's vessels in 2017, including one of the Stingray Subsea Support Vessel newbuildings and one of the Starfish Anchor Handling Tug Supply newbuildings.

Maersk Supply Service launched an Integrated Solutions business in 2016 that will support its ambition to become a leading integrator of marine services and solutions for the offshore energy sector.

MAERSK TANKERS

Christian M. Ingerslev, CEO

30m

USD in cost savings but decreased profit impacted by declining rates.

(USD m)	**2016**	2015
Revenue	**877**	1,058
NOPAT	**62**	160
ROIC (%)	**3.7**	9.9
Free cash flow	**-10**	106
Invested capital	**1,721**	1,644
Fleet*	**106**	106
Employees	**2,415**	2,366

*Operated vessels year-end

Maersk Tankers operates the largest product tanker fleet in the industry, comprising 158 product tanker vessels, of which 84 are owned, 22 are chartered and 52 vessels are under commercial management. As part of a programme to renew the fleet with modern and more efficient vessels, Maersk Tankers took delivery of six Medium Range (MR) newbuildings and placed an optional order of 10 Long Range 2 (LR2) vessels. The order book totals 11 MR vessels and 10 LR2 vessels to be delivered over the next five years.

The market for transportation of refined oil products continued to be challenging with product tanker rates declining up to 50% in 2016. The overall deterioration of rates was caused by slowing demand growth for seaborne transportation, a draw-down of oil inventories and an increased number of newbuildings.

Maersk Tankers' Taking Lead strategy contributes to improved commercial decisions, cost savings and third-party services. The strategy is based on digitisation. This is enabling more accurate forecasting of the markets and cargoes which yield highest earnings, so that vessels can be positioned accordingly. Digitisation is also part of the efforts to reduce costs by creating higher efficiencies in processes and systems, which led to cost savings of USD 30m in 2016. The strategy contributed to a profit of USD 62m.

Maersk Tankers continued its innovative efforts. A new platform for optimisation of operational fuel efficiency has been developed. When fully implemented, the platform will provide data and real-time optimisation as well as reducing CO_2 emissions.

OUR PEOPLE

Employees of Maersk Drilling and Maersk Supply Service make use of open office space at the headquarters building of the two businesses.

LYNGBY, DENMARK
55.7648° N, 12.5107° E

FINANCIAL CALENDAR

2017

PUBLICATION OF INTERIM REPORTS

11 MAY
Q1

16 AUGUST
Q2

8 NOVEMBER
Q3

ANNUAL GENERAL MEETING

28 MARCH
10.30 in Bella Center, Copenhagen, Denmark

DIVIDEND

29 MARCH
Excluding dividend

30 MARCH
Record date

31 MARCH
Payment A and B shares

2018

REPORTING

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

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

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

The **Annual Magazine** provides an overview of the operations and performance of A.P. Moller - Maersk in a concise and easy-to-read format. The publication is not a substitute for the Annual Report and does not contain all the information needed to give as full an understanding of A.P. Moller - Maersk's performance, financial position and future prospects as provided in the Annual Report. The Annual Magazine is available in hard copy and electronically in English and Danish at maersk.com/yearinreview.

A.P. Moller - Maersk also produces **Interim Reports** for each of the first three quarters of the year.

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

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

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

The Board of Directors of A.P. Møller - Mærsk A/S continues to consider the "Recommendations for Good Corporate Governance" put forward by NASDAQ OMX Copenhagen.

Further annual good corporate governance information is available in the statutory annual corporate governance statement; cf. section 107, item b, of the Danish Financial Statements Act covering the financial period January 1 to December 31.

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

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

NEWS

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