

A.P. Møller - Mærsk A/S

# Annual Report 2016

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The Annual Report for 2016 of A.P. Møller - Mærsk A/S (further referred to as A.P. Møller - Maersk as the consolidated group of companies and A.P. Møller - Mærsk A/S as the parent company) has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

### Comparative figures

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

<sup>1</sup> Part of Directors' Report

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# Directors' report

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# HIGHLIGHTS

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 of USD 1.4bn (USD 27m) and Maersk Supply Service of USD 1.2bn (USD 0m). In line with the latest guidance provided in November, the underlying profit came at USD 711m (USD 3.1bn). The return on invested capital (ROIC) was negative 2.7% (positive 2.9%). The free cash flow was negative USD 29m (positive USD 6.6bn including the sale of shares in Danske Bank of USD 4.9bn).

The demand for transportation of goods grew below expectations in the first half of the year, leading to a significant downward pressure on freight rates. In the second half of the year and especially in Q4, demand increased while deliveries of new capacity were reduced, which led to a gradual improvement of freight rates. The difficult business environment during the year enabled industry consolidation and a major container carrier went out of business, while Maersk Line continued its cost leadership strategy and gained significant market shares. The consolidation in the container shipping industry as well as the challenging oil price environment had a negative impact on earnings in APM Terminals, who over the past years has been significantly expanding its terminal network, particularly in emerging and oil dependent economies.

Oil prices reached their lowest level at the beginning of the year and have since then increased significantly, albeit from a very low level. Maersk Oil adjusted to market conditions by successfully accelerating cost reduction programmes beyond original targets, while at the same time improving production efficiency and progressing on major projects.

Despite significant cost optimisation initiatives, Maersk Drilling and Maersk Supply Service were severely impacted by continued large scale cost reductions and project cancellations in the oil industry and the large inflow of new capacity over the last years. Based on the challenging market conditions, significant impairments were recognised in Maersk Drilling (USD 1.5bn pre-tax or 18% of invested capital and a newbuilding contract) and Maersk Supply Service (USD 1.2bn pre-tax or 44% of invested capital and newbuilding contracts). Maersk Tankers improved their commercial performance, contract coverage and cost savings, partly offsetting the negative impact from declining rates. In line with the new strategy, all oil and oil related businesses initiated processes to prepare for separation from A.P. Moller - Maersk.

A.P. Moller - Maersk recorded a loss of USD 1.9bn (profit of USD 925m) and a ROIC of negative 2.7% (positive 2.9%) in 2016, negatively impacted by post-tax impairments of USD 2.8bn (USD 2.6bn) and a significantly lower underlying result of USD 711m (USD 3.1bn) severely impacted by price pressure and low market growth in all industries.

The underlying profit of USD 711m was within the guidance of below USD 1.0bn. Compared to last year, the reduction in the underlying result was 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.

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. Operating expenses decreased by USD 2.6bn mainly due to lower bunker prices and focus on cost efficiency across all businesses.

A.P. Moller - Maersk's cash flow from operating activities was USD 4.3bn (USD 8.0bn) impacted by the 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). Gross cash flow used for capital expenditure was USD 5.0bn, USD 1.0bn lower than latest guidance, mainly due to timing of payments in APM Terminals and Maersk Drilling.

Net interest-bearing debt increased to USD 10.7bn (USD 7.8bn) mainly due to share buy-back of USD 475m, dividends of USD 1.0bn, new finance leases of USD 947m and net interest-bearing debt of USD 0.4bn acquired through the Grup Maritim TCB transaction partly offset by proceeds from sale of Danske Bank shares of USD 482m.

With an equity ratio of 52.5% (57.3%) and a liquidity reserve of USD 11.8bn (USD 12.4bn), A.P. Moller - Maersk maintains its strong financial position.

**Maersk Line** recorded a loss of USD 376m (profit of USD 1.3bn) and a ROIC of negative 1.9% (positive 6.5%). The underlying result was a loss of USD 384m (profit of USD 1.3bn) due to poor market conditions leading to sustained lower freight rates partly offset by higher volumes and lower unit costs related to lower bunker price, higher utilisation and cost efficiencies.

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 acqui-

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

**APM Terminals** reported a profit of USD 438m (USD 654m) and a ROIC of 5.7% (10.9%). The underlying profit was USD 433m (USD 626m). Lower profit in commercially challenged terminals in Latin America, North-West Europe and Africa as a consequence of liner network changes and weak underlying markets was only partly offset by cost saving initiatives.

**Damco** reported a profit of USD 31m (USD 19m) and a ROIC of 14.6% (7.1%), while **Svitzer** recorded a profit of USD 91m (USD 120m) and a ROIC of 7.5% (10.9%).

**Maersk Oil** recorded a profit of USD 477m (loss of USD 2.1bn) with a positive ROIC of 11.4% (negative 38.6%) against an average oil price of USD 44 per barrel in 2016 versus USD 52 per barrel in 2015. The underlying profit was USD 497m (USD 435m), positively impacted by operating cost reductions of 36%, ahead of the targeted 20% for the period 2014-2016, lower exploration costs, higher production efficiency and reduction of abandonment provision of USD 93m. This was partly offset by the effect of the lower average oil price.

**Maersk Drilling** reported a loss of USD 694m (profit of USD 751m) negatively impacted by post-tax impairments of USD 1.4bn (USD 27m) giving a ROIC of negative 9.0% (positive 9.3%). The underlying profit of USD 743m (USD 732m) was positively impacted by termination fees of approximately USD 150m moved from 2017 to 2016, high operational uptime and savings on operating costs offset by ten rigs being idle or partly idle versus three rigs last year. The financial effect from the increased number of rigs without contract reduced the result in Q4 significantly.

**Maersk Supply Service** reported a loss of USD 1.2bn (profit of USD 147m) and a ROIC of negative 76.7% (positive 8.5%) impacted by impairments of USD 1.2bn (USD 0m), lower rates and utilisation as well as fewer vessel days available for trading due to divestments and lay-ups. The underlying loss was USD 44m (profit of USD 117m).

**Maersk Tankers** recorded a profit of USD 62m (USD 160m) and a ROIC of 3.7% (9.9%), negatively impacted by declining rates, partly offset by improved commercial performance, contract coverage and cost savings.

**Other businesses** reported a loss of USD 117m (profit of USD 316m) mainly driven by an impairment of USD 131m in the RORO business. The result for 2015 included gains from sale of shares in Danske Bank of USD 223m and sale of Esvagt of USD 76m.

### Underlying result reconciliation

| USD million  | Profit/loss for the year<br>– continuing operations |            | Gain/loss on sale of non-<br>current assets, etc., net <sup>1</sup> |            | Impairment losses,<br>net <sup>1</sup> |               | Tax on adjustments |            | Underlying result |              |
|--|---|------------|---|------------|--|---------------|--------------------|------------|-------------------|--------------|
|  | 2016  | 2015       | 2016  | 2015       | 2016                                   | 2015          | 2016               | 2015       | 2016              | 2015         |
| <b>Maersk Line</b>   | -376  | 1,303      | 25  | 40         | -17                                    | -17           | -                  | -7         | <b>-384</b>       | <b>1,287</b> |
| <b>APM Terminals</b>   | 438   | 654        | 23  | 15         | -10                                    | 14            | -8                 | -1         | <b>433</b>        | <b>626</b>   |
| <b>Damco</b>   | 31  | 19         | -   | 5          | -                                      | -             | -                  | -1         | <b>31</b>         | <b>15</b>    |
| <b>Svitzer</b>   | 91  | 120        | 5   | 5          | -3                                     | -             | -                  | -1         | <b>89</b>         | <b>116</b>   |
| <b>Maersk Oil</b>  | 477   | -2,146     | -14   | 5          | -3                                     | -3,131        | -3                 | 545        | <b>497</b>        | <b>435</b>   |
| <b>Maersk Drilling</b>   | -694  | 751        | -1  | 46         | -1,510                                 | -27           | 74                 | -          | <b>743</b>        | <b>732</b>   |
| <b>Maersk Supply Service</b>   | -1,228  | 147        | -1  | 30         | -1,219                                 | -             | 36                 | -          | <b>-44</b>        | <b>117</b>   |
| <b>Maersk Tankers</b>  | 62  | 160        | 4   | 5          | -                                      | -1            | -                  | -          | <b>58</b>         | <b>156</b>   |
| <b>Other businesses,<br/>unallocated activities<br/>and eliminations</b> | -698  | -83        | 142   | 331        | -130                                   | -1            | 2                  | -          | <b>-712</b>       | <b>-413</b>  |
| <b>Maersk consolidated</b>   | <b>-1,897</b>                                       | <b>925</b> | <b>183</b>  | <b>482</b> | <b>-2,892</b>                          | <b>-3,163</b> | <b>101</b>         | <b>535</b> | <b>711</b>        | <b>3,071</b> |

<sup>1</sup> Including A.P. Moller - Maersk's share of gains on sale of non-current assets etc., net, and impairments, net, recorded in joint ventures and associated companies.

**UNALLOCATED ACTIVITIES**

Unallocated activities comprise activities which are not attributable to reportable segments, including financial items as well as centralised purchasing and resale of bunker and lubricating oil to companies in A.P. Møller - Maersk. Net financial expenses were USD 617m (USD 423m) primarily driven by USD 152m higher net interest expenses due to higher net debt, as well as USD 67m higher net foreign exchange losses.

A.P. Møller - Maersk's shares in Danmarks Skibskredit A/S were sold in September, with closing of the transaction in November. The transaction resulted in a cash inflow of USD 106m and a gain of USD 54m.

A.P. Møller - Maersk sold its remaining stake of 16.2 million shares in Danske Bank A/S in November. Proceeds from the sale were USD 482m.

**CREDIT RATING**

A.P. Møller - Maersk remains investment grade rated, however, the credit rating agencies Moody's and Standard & Poor's downgraded A.P. Møller - Maersk's rating from Baa1 and BBB+, to Baa2 and BBB, respectively, both with negative outlook.

**SHARE BUY-BACK PROGRAMME**

A.P. Møller - Maersk completed its share buy-back programme in Q1 and acquired own shares at a value of DKK 3.2bn (equal to USD 0.5bn) as part of the DKK 6.7bn programme, equal to approximately USD 1bn.

As part of the share buy-back programme 146,122 A-shares and 582,398 B-shares were cancelled in Q2 in accordance with the decision at the Annual General Meeting on 12 April 2016.

**ISSUE OF BONDS IN EUR AND NOK**

A.P. Møller - Mærsk A/S issued bonds of EUR 1.5bn, equal to USD 1.7bn, with maturities in 2019 and 2021, and bonds of

NOK 5.2bn, equal to USD 620m, with maturities in 2021, 2023 and 2026, respectively. The proceeds were for general corporate purposes.

**STRATEGIC REVIEW**

A.P. Møller - Maersk initiated a strategic review on 23 June to evaluate the strategic and structural options with the objective to generate growth, increase agilities, unlock synergies, and maximise shareholder value.

The outcome of the strategic review was announced in September, stating a clear decision on a new strategy for A.P. Møller - Maersk, which involves separating the transport and logistics and the oil and oil related businesses into two divisions.

As a result of the strategic review and to support the execution of the new strategies the Management Board and management fora were changed. The Management Board of A.P. Møller - Mærsk A/S now consists of Søren Skou, Group CEO, Claus V. Hemmingsen, Group Vice CEO, and Jakob Stausholm, Group CFO.

# GUIDANCE FOR 2017

**A.P. Moller - Maersk** expects an underlying profit above 2016 (USD 711m). Gross capital expenditure for 2017 is expected to be USD 5.5-6.5bn (USD 5.0bn).

## Forward-looking statements

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

The financial reporting for 2017 will change effective as of Q1 2017 as a consequence of the new structure for A.P. Moller - Maersk with a Transport & Logistics division and an Energy division.

All figures in parenthesis refer to full year 2016.

The **Transport & Logistics division** expects an underlying profit above USD 1bn.

Due to gradual improvements in container rates **Maersk Line** expects an improvement in excess of USD 1bn in underlying profit compared to 2016 (loss of USD 384m).

Global demand for seaborne container transportation is expected to increase 2-4%.

The remaining businesses (**APM Terminals, Damco, Svitzer and Maersk Container Industry**) in the Transport & Logistics division expect an underlying profit around 2016 (USD 500m).

The **Energy division** expects an underlying profit around USD 0.5bn, with **Maersk Oil** being the main contributor.

The entitlement production is expected at a level of 215,000-225,000 boepd (313,000 boepd) for the full-year and around 150,000-160,000 boepd for the second half of the year after exit from Qatar mid-July. Exploration costs in **Maersk Oil** are expected to be around the 2016 level (USD 223m).

Net financial expenses for **A.P. Moller - Maersk** are expected around USD 0.5bn.

The guidance for 2017 excludes the acquisition of Hamburg Süd.

## SENSITIVITY GUIDANCE

A.P. Moller - Maersk's guidance for 2017 is subject to considerable uncertainty, not least due to developments in the global economy, the container freight rates and the oil price.

A.P. Moller - Maersk's expected underlying result depends on a number of factors. Based on the expected earnings level and all other things being equal, the sensitivities for the calendar year 2017 for four key value drivers are listed in the table below:

| Factors                                     | Change           | Effect on<br>A.P. Moller - Maersk's<br>underlying result |
|---|------------------|--|
| <b>Oil price for Maersk Oil<sup>1</sup></b> | +/-10 USD/barrel | +/-USD 0.26bn  |
| <b>Bunker price</b>                         | +/-100 USD/tonne | -/+USD 0.4bn   |
| <b>Container freight rate</b>               | +/-100 USD/FFE   | +/-USD 1.1bn   |
| <b>Container freight volume</b>             | +/-100,000 FFE   | +/-USD 0.1bn   |

<sup>1</sup> Sensitivity estimated on the current oil price level.

# FIVE YEAR SUMMARY

## AMOUNTS IN USD MILLION

| INCOME STATEMENT  | 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 – continuing operations                              | -1,897 | 925    | 2,339  | 3,383  | 3,753  |
| Profit/loss for the year – discontinued operations                            | -      | -      | 2,856  | 394    | 285    |
| Profit/loss for the year  | -1,897 | 925    | 5,195  | 3,777  | 4,038  |
| A.P. Møller - Mærsk A/S' share  | -1,939 | 791    | 5,015  | 3,450  | 3,740  |
| Underlying result   | 711    | 3,071  | 4,532  | 3,409  | N/A    |

## BALANCE SHEET

|  |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|
| 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  |

## CASH FLOW STATEMENT

|   |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|
| Cash flow from operating activities <sup>1</sup>    | 4,326  | 7,969  | 8,761  | 8,909  | 7,041  |
| Cash flow used for capital expenditure <sup>1</sup> | -4,355 | -1,408 | -6,173 | -4,881 | -5,822 |

## FINANCIAL RATIOS

|   |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|
| 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 <sup>1</sup> | 208    | 372    | 401              | 408    | 323    |
| Ordinary dividend per share, DKK                                | 150    | 300    | 300 <sup>2</sup> | 280    | 240    |
| Ordinary dividend per share, USD                                | 21     | 44     | 49 <sup>2</sup>  | 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, USD m                 | 32,215 | 27,587 | 42,848           | 46,305 | 31,876 |

## BUSINESS DRIVERS

### Maersk Line

|  |        |       |       |       |       |
|--|--------|-------|-------|-------|-------|
| Transported volumes (FFE in '000)        | 10,415 | 9,522 | 9,442 | 8,839 | 8,493 |
| Average freight rate (USD per FFE)       | 1,795  | 2,209 | 2,630 | 2,674 | 2,881 |
| Unit cost (USD per FFE incl. VSA income) | 1,982  | 2,288 | 2,584 | 2,731 | 3,054 |
| Average fuel price (USD per tonne)       | 223    | 315   | 562   | 595   | 661   |
| Maersk Line fleet, owned                 | 292    | 285   | 274   | 275   | 270   |
| Maersk Line fleet, chartered             | 347    | 305   | 336   | 299   | 326   |
| Fleet capacity (TEU in '000)             | 3,239  | 2,962 | 2,946 | 2,631 | 2,625 |

### APM Terminals

|  |      |      |      |      |      |
|--|------|------|------|------|------|
| Containers handled (measured in million TEU and weighted with ownership share) | 37.3 | 36.0 | 38.3 | 36.3 | 35.4 |
| Number of terminals  | 73   | 63   | 64   | 65   | 62   |

### Maersk Oil

|  |     |     |     |     |     |
|--|-----|-----|-----|-----|-----|
| Average share of oil and gas production (thousand barrels of oil equivalent per day) | 313 | 312 | 251 | 235 | 257 |
| Average crude oil price (Brent) (USD per barrel)                                     | 44  | 52  | 99  | 109 | 112 |

### Maersk Drilling

|                          |       |       |       |       |       |
|--------------------------|-------|-------|-------|-------|-------|
| Operational uptime       | 98%   | 97%   | 97%   | 97%   | 92%   |
| Contracted days          | 6,307 | 7,086 | 6,275 | 5,840 | 5,574 |
| Revenue backlog (USD bn) | 3.7   | 5.4   | 6.0   | 7.9   | 7.2   |

<sup>1</sup> From continuing operations.

<sup>2</sup> 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.

# STRATEGY

**A.P. Moller - Maersk will become** an integrated transport and logistics business, while the oil and oil related businesses, either individually or in combination, are to be separated from A.P. Moller - Maersk.

Following a strategic review initiated in June 2016, the Board of Directors decided to reorganise A.P. Moller - Maersk into two independent divisions; an integrated Transport & Logistics division and an Energy division with effect from end-September 2016.

Going forward, the main growth focus of A.P. Moller - Maersk will be on delivering best in class transportation and logistics services as an integrated business. Building on the unique position within container transport and port operations as well as on the significant position in supply chain management and freight forwarding, Transport & Logistics division will leverage its leading position to become the global integrator of container logistics, connecting and simplifying the global supply chain.

The Board of Directors has concluded that the oil and oil related businesses each will require different solutions for sustainable future operations, including separation of entities individually or in combination, from A.P. Moller - Maersk. Depending on market developments and structural opportunities, the objective is to find structural solutions for the oil and oil related businesses before the end of 2018.

Financial reporting for the new divisions will be effectuated from the financial year 2017.

## TRANSPORT & LOGISTICS DIVISION

### Above 8.5% ROIC over the cycle while growing revenue

Transport & Logistics consists of Maersk Line, APM Terminals, Damco, Svitzer and Maersk Container Industry based on a one-company structure with multiple brands. The vision for Transport & Logistics is to become the global integrator of container logistics by connecting and simplifying the global supply chain. There are three cornerstones to realise the vision:

- Providing simple solutions to customers' complex supply chain needs
- Elevating the customer experience through digital innovation
- Offering the industry's most competitive container transport network to every market in the world.

Managing and operating the business activities in Transport & Logistics in a more integrated manner can unlock profitable growth and synergies through stronger collaboration and disciplined capital allocation.

The profitable growth will be realised from better customer experience across the brands in Transport & Logistics. By covering the entire value chain, supported by digitisation, Transport & Logistics can offer customers reliable logistics services and integrated offerings via tailor-made solutions and expanded products.

Significant synergies will stem from increasing terminal utilisation by ensuring that Maersk Line uses APM Terminals where feasible, at market prices. Productivity will be enhanced by better collaboration and planning between Maersk Line, APM Terminals and Svitzer, especially in APM Terminals key hubs. Organising the five businesses into one Transport & Logistics division also enables significant overhead reductions as overlapping functions are eliminated. Finally, increased cross-selling between Maersk Line, APM Terminals, Damco and Svitzer unlocks potential synergies.

The synergies from integration are expected over a three year period to generate up to two percentage points in ROIC improvement. The Transport & Logistics division targets a ROIC above 8.5% over the cycle combined with growing revenue.

## ENERGY DIVISION

### Optimising value

Energy consists of Maersk Oil, Maersk Drilling, Maersk Supply Service and Maersk Tankers.

The businesses within Energy continue to be operated and managed individually with the aim of finding sustainable structural solutions before the end of 2018.

The strategy of **Maersk Oil** is to build on its strong position in the North Sea by maximising value from safe operations and ensuring world-class delivery of projects like Culzean, UK, and Johan Sverdrup, Norway. Exploration activities will be kept at a low level, while focus will be on continuous cost reductions and improved production efficiencies. Portfolio management will focus on the North Sea and be based on optimal capability fit.

**Maersk Drilling** is focused on recalibrating its business through continued cost reductions and best-in-class drilling services to its customers while pursuing superior operational performance. Maersk Drilling will through a deeper engagement with its customers seek to find new models of collaboration that will help customers drive down the overall production cost of oil and gas.

**Maersk Supply Service** will continue to reduce its cost level and is actively contributing to restoring the supply and demand balance by reducing its fleet by 21 vessels over a period of 21 months. Maersk Supply Service has the ambition of becoming a leading integrator of marine services and solutions for the offshore energy sector, with the aim to bundle services

and manage subcontractors to offer simple and efficient operations to customers.

**Maersk Tankers** will continue to pursue its Taking Lead strategy to retain a strong market position. The strategy is based on digitisation across the priorities; active position taking, cost leadership and third party services.

## STRATEGY PROCESS

The Board of Directors will continue to perform an annual strategy review for the Transport & Logistics division and for each of the businesses in the Energy division, including a capital allocation process. The annual strategy conference is held in June at which the Board of Directors discusses proposals put forward by the Management Board and decides any adjustments to the overall strategy.

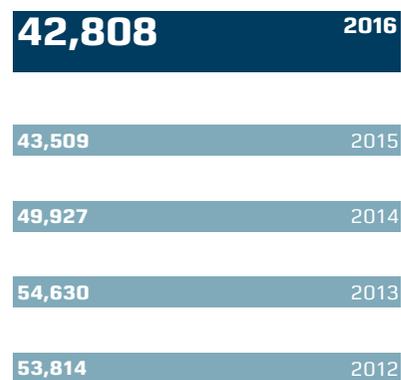
Strategies, including detailed financial forecasts, plans and opportunities for the coming years, are developed for the Transport & Logistics division and each of the businesses in the Energy division. The total capital requirement across both divisions will be subject to the overall focus on disciplined capital behaviour and will be prioritised in line with the financial policies of A.P. Moller - Maersk and the commitment to maintain an investment grade credit rating.

Between each strategy session, the Management Board and the Board of Directors evaluate the development compared to expectations, and these evaluations may give rise to adjustments of the investment plans and key focus areas.

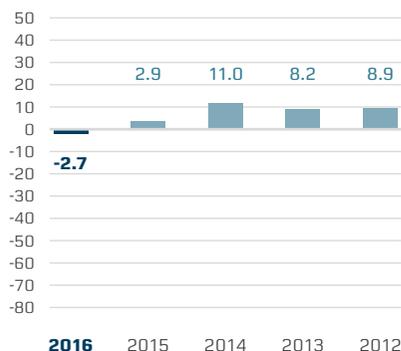
# INVESTED CAPITAL AND ROIC

**A.P. Moller - Maersk** employs around 88,000 employees across 130 countries.

## Invested capital USD million



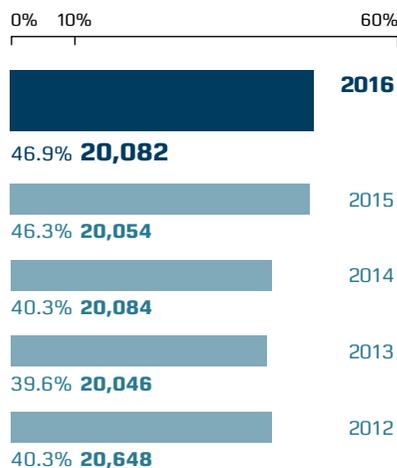
## ROIC %



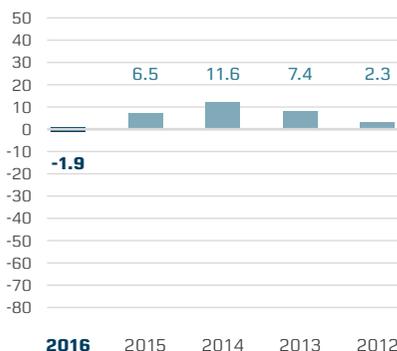
## TRANSPORT & LOGISTICS DIVISION

**Maersk Line** is the world's largest container shipping company.

## Invested capital USD million

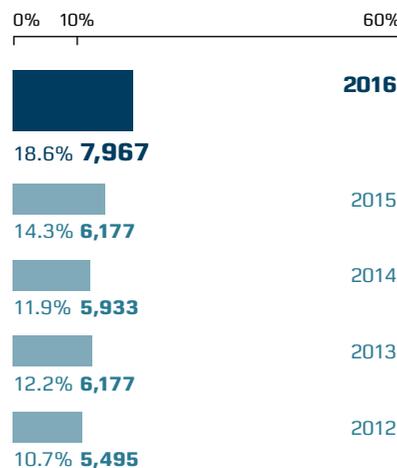


## ROIC %

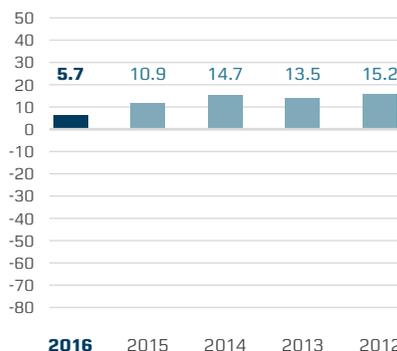


**APM Terminals** provides port and inland infrastructure to drive global commerce.

## Invested capital USD million



## ROIC %

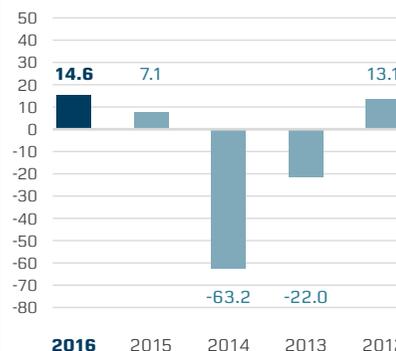


**Damco** is a world-leading provider of freight forwarding and supply chain management services.

## Invested capital USD million

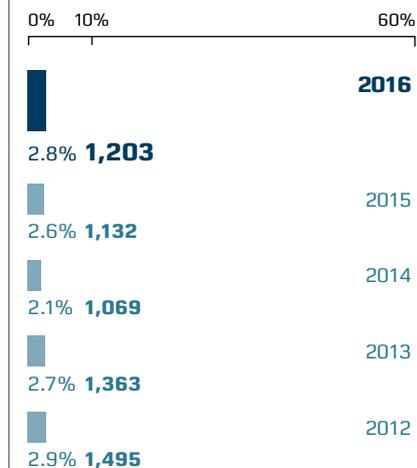


## ROIC %



**Svitzer** provides towage and salvage operations.

## Invested capital USD million



## ROIC %



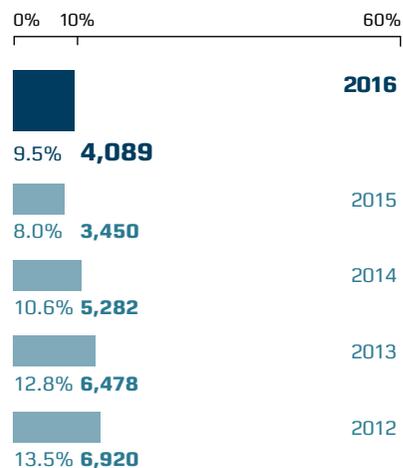
For the consolidated A.P. Moller - Maersk the financial ambition up to and including 2016 was to achieve a return on invested capital (ROIC) above 10% over the cycle.

# INVESTED CAPITAL AND ROIC

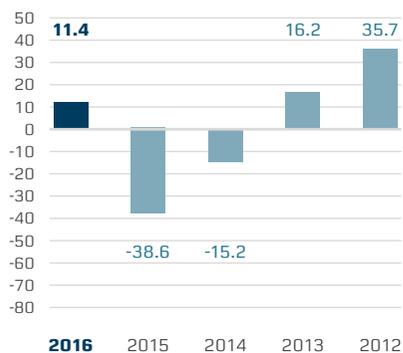
## ENERGY DIVISION

**Maersk Oil** is an international oil and gas company.

**Invested capital USD million**

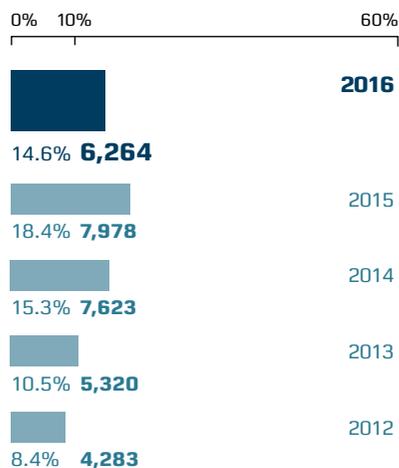


**ROIC %**

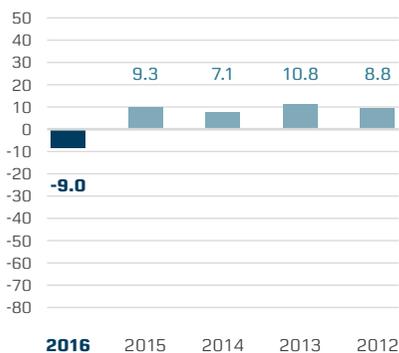


**Maersk Drilling** supports global oil and gas production by providing drilling services to oil companies around the world.

**Invested capital USD million**

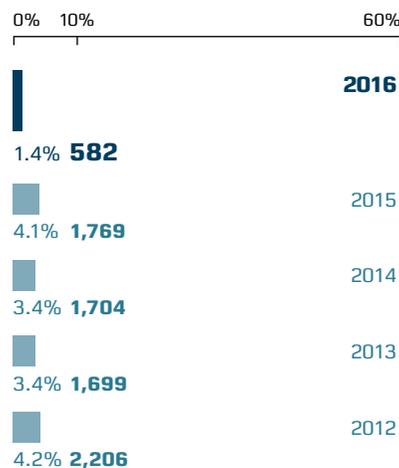


**ROIC %**

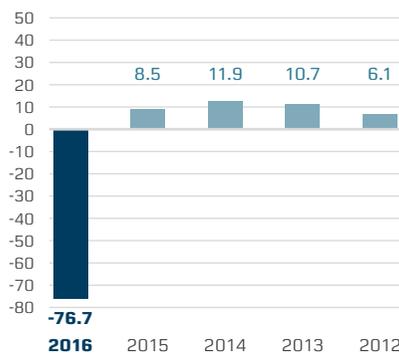


**Maersk Supply Service** is a leading provider of global offshore marine services.

**Invested capital USD million**

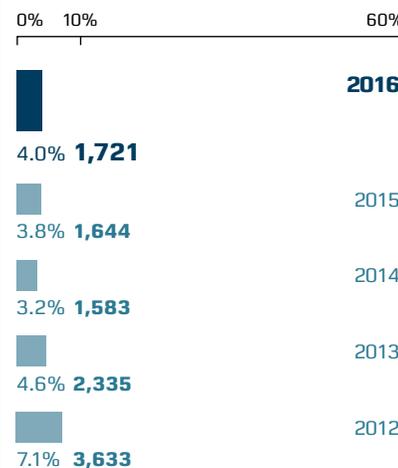


**ROIC %**

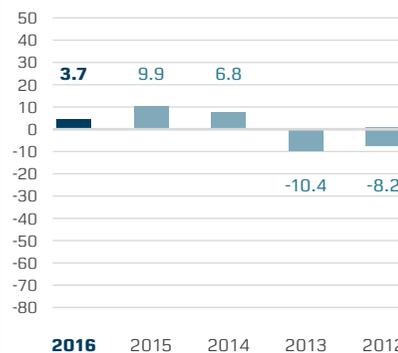


**Maersk Tankers** operates the largest fleet of product tankers in the industry.

**Invested capital USD million**



**ROIC %**



# FINANCIAL REVIEW OF THE BUSINESSES

## TRANSPORT & LOGISTICS DIVISION

### MAERSK LINE

**Maersk Line** made a loss of USD 376m (profit of USD 1.3bn) and a ROIC of negative 1.9% (positive 6.5%).

Revenue of 20.7bn was 13% lower than in 2015 (USD 23.7bn). The development in revenue was driven by an 18.7% decline in average freight rates to 1,795 USD/FFE (2,209 USD/FFE) and only partially offset by a 9.4% increase in volumes to 10,415k FFE (9,522k FFE). Volumes increased across all trades, with the biggest contributors being East-West backhaul increasing 198k FFE (19%) and North-South headhaul increasing 221k FFE (7.3%).

The lower freight rates were attributable to oversupply in the market as well as modest market demand especially in Africa and Latin America. Maersk Line's freight rates declined significantly across all trades. On East-West, the North American

trade declined the most due to increased competition as well as increase in backhaul cargo at lower freight rates. On North-South, the West Central Asia trade declined the most, impacted by imbalance from oversupply built up over 2015 and 2016. Meanwhile, container demand on the North-South trades was notably suppressed in 2016, mainly due to declining imports in Africa and South America. Recognised freight revenue was USD 18.6bn (USD 21.3bn) and other revenue was USD 2.1bn (USD 2.4bn).

Cost leadership remains a key strategic priority and Maersk Line delivered a record low unit cost at both floating and fixed bunker price. The unit cost at floating bunker was 1,982 USD/FFE or 13% below 2015 (2,288 USD/FFE) while the unit cost at fixed bunker was 10% below 2015. The unit cost benefited from improved fleet utilisation and cost efficiencies while unit cost at floating bunker benefited from a 29% decrease in bunker price. The total bunker cost in 2016 was USD 2.1bn (USD 2.8bn). Bunker efficiency improved by 2.2% to 910 kg/FFE (931 kg/FFE). The cost initiatives announced in Q4 2015 progressed in line with expectations.

The EBIT margin gap to peers (adjusted for impairments, etc.) is estimated at around 6%-points (7%-points) for the full year (Q4 2015 to Q3 2016), above the 5%-points ambition level.

Maersk Line's fleet consisted of 292 owned vessels (1,929k TEU) and 347 chartered vessels (1,310k TEU) with a total capacity of 3,239k TEU by the end of 2016, an increase of 9.4% compared to the end of 2015. Idle capacity at the end of 2016 was 25k TEU (3 vessels) compared to 33k TEU (4 vessels) at the end of 2015.

Maersk Line's total order book corresponds to 11% of the current fleet, compared to industry order book of around 16%. In total Maersk Line has 27 vessels in the order book (367k TEU) for delivery in 2017 and 2018. This consists of eleven 19.6k TEU

### Transported volumes

| FFE ('000)     | 2016          | 2015         | Change     | Change %   |
|----------------|---------------|--------------|------------|------------|
| East-West      | 3,691         | 3,315        | 376        | 11.4       |
| North-South    | 5,103         | 4,740        | 363        | 7.6        |
| Intra-regional | 1,621         | 1,467        | 154        | 10.5       |
| <b>Total</b>   | <b>10,415</b> | <b>9,522</b> | <b>893</b> | <b>9.4</b> |

### Average freight rate

| USD/FFE        | 2016         | 2015         | Change      | Change %     |
|----------------|--------------|--------------|-------------|--------------|
| East-West      | 1,764        | 2,190        | -426        | -19.4        |
| North-South    | 1,973        | 2,445        | -472        | -19.3        |
| Intra-regional | 1,308        | 1,492        | -184        | -12.3        |
| <b>All</b>     | <b>1,795</b> | <b>2,209</b> | <b>-414</b> | <b>-18.7</b> |

For detailed financial information, cf. note 1 in the Consolidated financial statements.

second generation Triple-E, nine 14k TEU vessels and seven 3.6k TEU ice-class vessels for the intra-European market.

Maersk Line has decided to recycle eight Panamax class vessels during Q1 2017 as the vessels are at their economical end of life. The vessels represent approximately 1% of the Maersk

### Fleet overview

| Fleet  | TEU              |                  | Number of vessels |            |
|--|------------------|------------------|-------------------|------------|
|  | 2016             | 2015             | 2016              | 2015       |
| <b>Own container vessels</b>                   |                  |                  |                   |            |
| 0 – 2,999 TEU                                  | 127,624          | 122,324          | 66                | 64         |
| 3,000 – 4,699 TEU                              | 343,567          | 357,235          | 83                | 86         |
| 4,700 – 7,999 TEU                              | 241,566          | 246,390          | 37                | 38         |
| > 8,000 TEU                                    | 1,216,532        | 1,116,230        | 106               | 97         |
| <b>Total</b>                                   | <b>1,929,289</b> | <b>1,842,179</b> | <b>292</b>        | <b>285</b> |
| <b>Chartered container vessels</b>             |                  |                  |                   |            |
| 0 – 2,999 TEU                                  | 383,383          | 363,851          | 200               | 191        |
| 3,000 – 4,699 TEU                              | 197,072          | 132,415          | 49                | 34         |
| 4,700 – 7,999 TEU                              | 425,540          | 327,914          | 70                | 54         |
| > 8,000 TEU                                    | 304,132          | 295,850          | 28                | 26         |
| <b>Total</b>                                   | <b>1,310,127</b> | <b>1,120,030</b> | <b>347</b>        | <b>305</b> |
| <b>Own and chartered container vessels</b>     | <b>3,239,416</b> | <b>2,962,209</b> | <b>639</b>        | <b>590</b> |
| <b>Own and chartered multi-purpose vessels</b> | -                | -                | <b>0</b>          | <b>4</b>   |
| <b>Newbuilding programme (own vessels)</b>     |                  |                  |                   |            |
| 3,000 – 4,699 TEU                              | 25,200           | 25,200           | 7                 | 7          |
| > 8,000 TEU                                    | 341,930          | 341,930          | 20                | 20         |
| <b>Container vessels total</b>                 | <b>367,130</b>   | <b>367,130</b>   | <b>27</b>         | <b>27</b>  |

Line fleet. The vessels will be scrapped in China and India in full compliance with the A.P. Moller - Maersk "Responsible Ship Recycling Standard".

Compared to 2015, cash flow from operating activities decreased by USD 2.2bn to USD 1.1bn. Cash flow used for capital expenditure was USD 1.6bn lower at USD 586m as there were no deliveries of newbuild vessels. Maersk Line delivered a positive free cash flow of USD 474m (USD 1.1bn).

### Developments in 2016

Maersk Line reached an agreement on 1 December 2016 to acquire Hamburg Süd. 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 Q2 2017 and to regulatory approvals expected end 2017. The transaction is expected to be completed end 2017. Hamburg Süd will continue to operate as a separate brand and will keep its local organisations and headquarters in Hamburg, Germany. Customers will benefit from having access to a wider and more effective network.

The EU Commission initiated a formal investigation into 14 container shipping companies including Maersk Line in 2013. The EU Commission announced in July 2016 that it closed its formal investigation without finding an infringement of EU competition law.

### The market

The challenging market conditions in the container industry continued in 2016. As a testimony to the situation, for the first time in 30 years, the industry saw a major carrier, Hanjin, go out of business. The industry has responded to the challenging market conditions by consolidating. CMA CGM completed its acquisition of Neptune Orient Lines (NOL) and the two Chinese carriers COSCO and CSCL completed their merger in 2016. Additionally three mergers and acquisitions have been agreed,

but are still pending regulatory approval; the merger between Hapaq Lloyd and UASC, the merger between the three Japanese carriers NYK, MOL & K Line and Maersk Line's acquisition of Hamburg Süd. Maersk Line's acquisition of Hamburg Süd is still pending final agreement.

2M partners and the South Korean container shipping line Hyundai Merchant Marine (HMM) announced a new strategic cooperation on the East-West trades in December 2016. The cooperation is outside the scope of 2M but will provide HMM access to the 2M network through a combination of slot exchanges and slot purchases. Maersk Line and MSC will charter and operate a number of vessels from HMM. The agreement is scheduled to begin in April 2017 and is subject to regulatory approval. The initial contract is three years with an option to extend.

The industry dynamics continued to impact the container industry in 2016. The inflow of new container vessels was high in the last part of 2015 and early part of 2016. This added to the existing excess supply as global container demand continued to remain subdued in 2016. These supply/demand developments led to significant downwards pressure on freight rates and industry revenues, especially in the first half of the year.

Global container demand grew 2-3% in 2016. Demand growth was low in the first half of 2016 but improved in the second half of 2016, especially in Q4. This partly reflects the contrast to the very weak demand in late 2015, but also reflects improvements in the global economic environment. Container demand on the East-West trades was decent in 2016, driven by higher US imports supported by the US economic expansion and the strong USD. European imports developed more softly and in line with GDP growth in the region. The declining imports in Africa and South America negatively impacted the container demand on the North-South trades. However, imports to South America stabilised somewhat in Q4, reflecting early signs of

the Brazilian economy stabilising and improvements in commodity prices.

Global container fleet capacity grew 4% in 2016 (Alphaliner), but with lower growth towards the end of the year. At the end of 2016, the fleet stood at 20.3m TEU of which 6.9% (7.0%) was idle. 934k TEU (136 vessels) were delivered and 665k TEU (201 vessels) were scrapped during 2016. Deliveries were dominated by the 10,000+ vessel segments while mainly smaller and mid-sized vessels were scrapped. The average scrapping age continued to decline and was 19 years in 2016, which compares to an average of 30 years in 2008 where the scrapping age was at its highest. New orderings amounted to 292k TEU (82 vessels), leading to a drop in the order book to 16% (20%) of the fleet at the end of 2016.

The supply/demand gap widened further in the first half of 2016. This resulted in freight rates continuing the downward trend seen in 2015 and 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. On average, the China Composite Freight Index (CCFI) declined by 19% in 2016, similar to the development on Maersk Line's East-West trades.

### Strategy review

Maersk Line operates in an industry facing two main challenges; supply and demand imbalances leading to low freight rates and digitisation. Maersk Line anticipated these challenges and re-

### Development in global container fleet capacity

| Million TEU        | 2018E | 2017E | 2016E | 2015 | 2014 | 2013 |
|--------------------|-------|-------|-------|------|------|------|
| Total capacity     | 21.9  | 21.0  | 20.3  | 20.0 | 18.4 | 17.3 |
| Planned deliveries | 1.5   | 1.4   | 0.9   | 1.7  | 1.5  | 1.4  |

Source Alphaliner.

sponded by defining a strategy that focuses on cost leadership, competitive pricing, improved customer experience, and growth. The parts are interlinked as cost leadership enables competitive pricing, which, combined with delivering a great customer experience, is key to driving growth. Growth in turn strengthens cost leadership through scale-benefits, and the strategy is thus a virtuous cycle.

Maersk Line will pursue growth in three ways; organic growth, digitisation and inorganic growth. Organic growth will be driven by improvements in the customer experience and introduction of new solutions together with the other brands in the Transport & Logistics division. Digitisation will support organic growth via customer experience improvements, but will also drive growth in itself through the launch of new revenue generating digital solutions. Maersk Line will pursue inorganic growth through the intended acquisition of Hamburg Süd, subject to final agreement and regulatory approvals.

The intended acquisition of Hamburg Süd, will enable Maersk Line to offer an improved value proposition on its North-South trades and in the reefer segment. It will also enable network and procurement cost synergies for Maersk Line and revenue synergies for APM Terminals.

### APM TERMINALS

APM Terminals made a profit of USD 438m (USD 654m) and a ROIC of 5.7% (10.9%). Operating business generated a profit of USD 487m (USD 696m) and a ROIC of 8.6% (12.7%) while projects under implementation together with Grup Maritim TCB (TCB) had a loss of USD 49m (loss of USD 42m) stemming from start-up costs.

APM Terminals faced various challenges in its most important markets. In West Africa, the dominant import markets were impacted by the low oil price and related shortage of hard currency. In North-West Europe, gateway and transshipment vol-

umes were stagnant while new capacity was brought online. In general but particularly in North Africa and Latin America, the shipping line consolidation and alliance re-alignment impacted several APM Terminals facilities as alliances increasingly selected competing terminals according to their equity stakes.

Furthermore, the consolidation taking place in the shipping industry means that a smaller group of large liner customers will remain. Concentrating volumes among fewer alliances and shipping lines is shifting bargaining power away from terminals in several locations and puts pressure on rates. APM Terminals experienced lower volumes in terminals with high average revenue per move, and despite the TCB acquisition, total revenue decreased by 1.5%. The average port revenue per move declined by 9% in 2016 from USD 218 per move in 2015 to USD 198 per move in 2016.

APM Terminals continued the cost and performance initiatives introduced in 2015. Operational efficiency initiatives included deployment of advanced optimisation tools, increased use of global shared services, consolidation and sharing of administrative roles and functions between terminals, and other operational excellence projects. Furthermore, cost saving initiatives across all entities and headquarters achieved USD 150m in savings in 2016, contributing to the unit cost reduction from USD 181 per move to USD 172 per move.

The share of profit in joint ventures and associated companies was USD 193m (USD 199m).

Cash flow from operating activities was USD 819m (USD 874m). Cash flow used for capital expenditure was USD 1.5bn (USD 774m), mainly due to the TCB acquisition.

APM Terminals' volume in 2016 was 37.3m TEU (36.0m TEU), weighted by the share of equity in each terminal; 3.7% higher

than 2015 mainly due to the TCB volumes. Adjusting for TCB as well as terminals divested in 2015, like-for-like volumes increased 1%, driven by hub terminals and terminals in North Asia and South East Asia.

**Developments in 2016**

APM Terminals acquired eight out of 11 terminals from the Spanish Grup Maritim TCB's (TCB) port and rail interests. The acquisition added a combined 2m TEU equity-weighted volume to APM Terminals, expanding the network to 73 operating ports in 69 countries.

As part of the TCB transaction, APM Terminals acquired the Terminal de Contenedores Quetzal (TCQ) in Guatemala. An investigation revealed irregularities dating back to before APM Terminals acquired the terminal, and APM Terminals has co-operated fully with the local authorities in clarifying and settling these. While still subject to Senate approval, a settlement of USD 43m has been agreed.

Concluding the TCB transaction with the three initially carved out terminals in Turkey and on the Canary Islands is subject to the fulfilment of certain conditions precedent, which not all have been satisfied.

APM Terminals launched the project to build a new five million TEU capacity terminal in Tangier, Morocco, which is set to become operational in 2019. APM Terminals MedPort Tangier will have up to 2,000 meters of quay and will increase the Tangier Med complex's overall capacity to over nine million TEU.

APM Terminals initiated the first phase of an upgrading and expansion programme for Port Elizabeth, New York, USA, for the terminal to handle larger vessels arriving via the expanded Panama Canal. APM Terminals signed a contract to extend the reach of ten Ship-to-Shore (STS) cranes in Pier 400 Los Angeles, California, the largest gateway port in USA.

The STS cranes will be able to accommodate Ultra-Large Container Ships of up to 20,000 TEU capacity.

APM Terminals has concluded agreements with China COSCO Shipping Ports and Qingdao Port International Development to divest a minority of the existing reefer terminal and the new terminal under construction in Vado, Italy. After completing the transaction, APM Terminals will retain a 50.1% share and will operate both terminals.

APM Terminals has entered into an agreement to divest Pentalver, the UK based provider of container transport and other container related services. The sales price is around USD 100m, resulting in a minor gain. The transaction is subject to customary closing conditions and is expected to be finalised in Q1 2017.

**The market**

The port industry is facing structural challenges from the cascading of larger container vessels combined with low demand growth leading to fewer liner services and fewer, but larger calls at terminals with more containers to exchange. The increased load on the terminals triggers requirements for upgrades of the terminal infrastructure, equipment, manning and planning capabilities, leading to more capital expenditure and operational cost, but lower utilisation.

The latest estimate for port container volume growth for 2016 was 1.3% (Drewry Q4 forecaster). This covers significant regional differences between Africa (-3.7%) and Latin America (-3.8%) and Middle East/South Asia (+3.6%); while the largest markets for APM Terminals in Europe (+1.9%), North America (+1.5%) and Asia (+1.5%) all showed moderate but positive growth. Demand growth for 2017 is forecasted at approximately 2%. Container terminal capacity is increasing in most markets due to ongoing greenfield and expansion projects in the pipeline and is leading to oversupply in many ports.

This is especially the case in North-West Europe, Scandinavia and the Baltic countries where the slow economic recovery is not matching additional capacity being introduced. Demand growth in the Middle East is similarly far from matching the significant capacity increases in the region. With economic growth and strengthened infrastructure driving industrial demand, South and South East Asia are promising to be the most significant centres of growth. The Chinese market is expected to grow slightly, mainly due to consumer driven imports and is expected to result in increasing terminal utilisation.

**Strategy review**

APM Terminals has shifted focus from investment lead growth to cost leadership and asset utilisation. The ongoing consolidation in the shipping industry through mergers, acquisitions

**Capacity development in the terminal industry**



<sup>1</sup> Measured as total port throughput and capacity in TEU including empties and transshipments (Drewry).

and re-alignment of alliances requires APM Terminals to rethink the commercial approach. As a response, working together with Maersk Line in the Transport & Logistics division will not only increase utilisation, but also allow Maersk Line to improve network efficiency based on APM Terminals' hubs and to develop joint initiatives to improve productivity and cost. At the same time, closer cooperation and strategic partnerships with other shipping lines and alliances are being pursued in key locations.

APM Terminals will focus on completing new terminals currently under implementation within time and budget, as well as developing the service offering to landside customers and users in the ports and inland locations. This includes continuing to develop digital solutions supporting an improved customer experience across the facilities. Active portfolio management will focus on realising value through divestments and pursuing selected investments in support of the objectives of the Transport & Logistics division.

### **DAMCO**

**Damco** made a profit of USD 31m (USD 19m) and a ROIC of 14.6% (7.1%), mainly driven by improvements in supply chain management, which was partially due to improved processes and operational efficiencies.

Revenue was USD 2.5bn (USD 2.7bn), down 8.5%, negatively impacted by lower freight rates and rate of exchange movements. Cost saving initiatives and productivity improvements positively impacted the underlying profit with an increased return on sales to 2.2% (1.5%). Damco made improvements in 2016, however, potential remains to further optimise costs and improve commercial effectiveness.

Volumes in supply chain management saw a growth of 2% in 2016, while air and ocean freight volumes grew by 5% and 6% respectively. Within freight forwarding, increased sales

efforts and focus on selected trade lanes enabled Damco to grow ahead of the market, however margins continued to be under pressure.

Cash flow from operating activities was USD 4m (USD 127m), significantly lower due to one-off working capital improvements in 2015 following the roll-out of a new operating system in 2014.

### **Developments in 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, delivering new integrated enterprise level business intelligence capabilities. Focus has also been on launching a new digital application factory to support specific customer demands.

### **The market**

The logistics market remained under pressure, especially during the first three quarters of 2016, whereas Q4 showed some improvements in both ocean and airfreight volumes.

### **Strategy review**

Supply chain management, ocean and airfreight remain the major products for Damco, while the focus going forward will be on intensifying development of supply chain solutions.

The ambition for Damco is to combine a strong global network with digital innovation. The strategic focus will be on elevating supply chain solutions and accelerating performance through further cost reduction and revenue growth. 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**

**Svitzer** delivered a profit of USD 91m (USD 120m) and a ROIC of 7.5% (10.9%).

Profit declined 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 both in Australia and Europe. Low commodity prices lead to increased pressure on existing contracts as well as to limited growth prospects in terminal towage. Salvage activity continued to be affected by weak emergency response market.

Svitzer addresses the general slowdown and overcapacity by continuously monitoring and adjusting tonnage and crew deployment. Underlying profitability improved through productivity and cost saving initiatives in harbour towage. Positive impacts were offset with high cost related to Brazil entry end 2015, which resulted in an EBITDA margin of 25.9% (28.4%).

Cash flow from operating activities increased to USD 144m (USD 138m). Cash flow used for capital expenditure was USD 192m (USD 152m).

### **Developments in 2016**

Svitzer expanded into new markets, most notably in the Americas, with a new operation to provide towage services at two LNG terminals in Argentina as well as a new harbour towage service in Canada.

Svitzer continued the business development focus on the large and fast growing towage markets such as in Asia and worked towards expanding coverage, particularly in China.

**The market**

A slowdown induced by low commodity prices continues to impact several of Svitzer's operations. The market for harbour towage continues to be very competitive in developed markets and consolidation is ongoing, also driven by the financial distress of several operators.

The terminal towage activities remain negatively impacted by the current oil price environment, where the oil and gas industry is cutting costs to adapt to a lower oil price level, leading to delays in tender awards, postponements of new projects and renegotiation pressure on existing contracts. The few projects that are being tendered attract low return bids from all international providers. The low oil price makes it difficult to employ vessels and the high number of unutilised vessels in the market puts further pressure on day rates.

**Strategy review**

Svitzer will increasingly pursue opportunities in cooperating with APM Terminals and Maersk Line in the Transport & Logistics division.

## ENERGY DIVISION

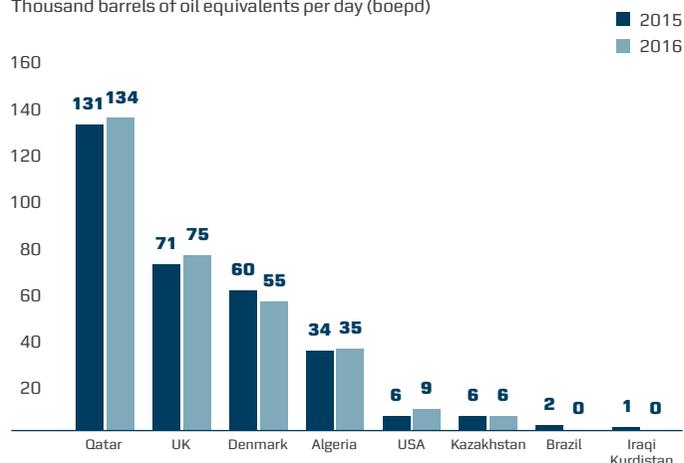
### MAERSK OIL

Maersk Oil reported a profit of USD 477m (loss of USD 2.1bn in 2015 where the result was negatively impacted by post-tax impairments of USD 2.6bn) and a positive ROIC of 11.4% (negative 38.6%). The result was delivered under significantly challenged market conditions with low oil prices, in particular in the beginning of the year where the Brent oil price reached a low of USD 27 per barrel.

The underlying profit of USD 497m (USD 435m) was positively impacted by higher production efficiency, lower operating costs of USD 2.0bn (USD 2.5bn), lower exploration costs of USD 223m (USD 423m) and reduction of abandonment provision related to the fully depreciated Leadon and Janice fields in the UK of USD 93m. The result was negatively affected by the lower average oil price of USD 44 per barrel versus USD 52 per barrel in 2015. The break-even oil price was below USD 40 per barrel for the year.

### Entitlement share of production

Thousand barrels of oil equivalents per day (boepd)

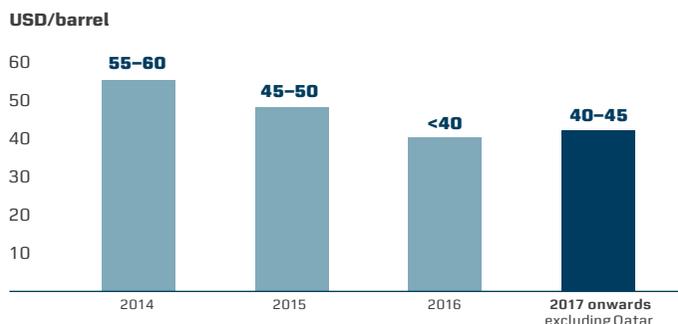


Cash flow from operating activities was USD 1.5bn (USD 1.8bn), negatively impacted by a one-off dispute settlement in Q1. Cash flow used for capital expenditure was USD 1.7bn, 17% lower than in 2015 (USD 2.0bn) and mainly related to Johan Sverdrup in Norway and Culzean in the UK.

Maersk Oil delivered an entitlement production of 313,000 boepd (312,000 boepd) which was lower than latest guidance of 320,000-330,000 boepd as a result of the higher than expected oil price giving less barrels for cost recovery in Qatar. This was partly countered by a strong operational performance in particular in the UK and a production increase to 9,000 boepd from the Jack field in the US Gulf of Mexico. The increases were offset by the natural field decline in Denmark of 9% and the sale of the producing asset in Brazil. Production efficiency was close to 90%, an increase of 6.6%-points over the last two years.

Maersk Oil reduced operating costs, excluding exploration costs, by 20% to USD 2.0bn (USD 2.5bn). The targeted 20% reduction by the end of 2016 compared to the 2014 baseline was improved to 36%. 2016 contributed well to this result through a headcount reduction of approximately 400 employees equal to 8% of the

### Break-even price per barrel of oil



workforce, primarily in headquarters, Kazakhstan, Norway, USA and Angola. Offshoring of back office finance activities to the shared service centre in Pune, India, was executed according to plan. Further reductions came from contract renegotiations, optimised logistics and continued improvement of maintenance planning and management of late life assets.

Exploration costs were reduced by 47% to USD 223m (USD 423m), in line with the strategic decisions to reduce exploration expenditure and to focus on the North Sea and on locations with high profitability and strong capability fit. Maersk Oil only completed one exploration well in 2016. The Bagguss exploration well in the UK encountered hydrocarbons, however not in commercially viable volumes.

### Reserves and resources

The yearly update of Maersk Oil's reserves and resources as per end of 2015 showed entitlement reserves and resources (2P+2C) of 1.14bn barrels of oil equivalent (1.31bn) including proved and probable (2P) reserves of 0.65bn barrels of oil equivalent (0.51bn). Reserves and resources numbers for 2016 will be released in connection with the Interim Report for Q1 2017.

### Developments in 2016

Two major development projects in the North Sea were in progress by the end of 2016. 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. Drilling of production wells commenced in Q3 2016 and first production is planned in the second half of 2019. The project is progressing as planned and has achieved cost reductions of USD 500m or 11% of total development cost since sanctioning in 2015.

Development of the Johan Sverdrup field in Norway is progressing ahead of schedule towards first production in 2019 and with the operator Statoil now forecasting a break-even price per barrel below USD 20 for the first phase.

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 between the oil and gas industry and the Danish government on fiscal structures have not yet led to an economically viable solution for continued operations after 2018.

In Kenya, the South Lokichar project is progressing with approval of a four-well exploration and appraisal programme. Work is ongoing to construct an early production facility as well as to design a pipeline to cater for future oil export.

Ongoing development projects also include Jack in the US Gulf of Mexico, which is progressing to produce above expectations and 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.

Maersk Oil no longer has producing assets in Brazil following the completion of the divestment of the Polvo Field.

Maersk Oil signed agreements to divest the non-operated interests in the UK assets Wytch Farm, Scott, Telford and Boa, and the non-operated interests in the Norwegian assets Zidane and the Polarlip Pipeline. The divestments are pending approval from authorities and will deliver minor gains. Furthermore, Maersk Oil decided to cease production from the Janice oil field in the UK. Also in the UK, decommissioning projects Leadon and Janice are ongoing.

Maersk Oil is working to deliver safe and efficient operations at Al Shaheen in the remaining months of its licence and will exit Qatar in July 2017 following transition to a new operator.

The authorities in the UK enacted a more beneficial tax legislation, resulting in a minor net loss in 2016 due to reduction of deferred tax assets. This comprises a reduction of the Supplementary Tax Charge from 20% to 10% (resulting in a reduction of total income tax from 50% to 40%) and abolition of the Petroleum Revenue Tax.

### The market

The oil industry experienced a steep oil price decline from above USD 100 per barrel in the first half of 2014. The Brent oil price reached a low of USD 27 per barrel in Q1 2016, and was around USD 50 per barrel by the end of the year resulting in an average of USD 44 per barrel in 2016. Global demand and supply appear now to be re-balancing, however significant uncertainty remains in the oil price outlook.

Maersk Oil has adapted its portfolio, organisation and cost level to the lower oil price environment. Together with good operational performance, this has allowed Maersk Oil to improve the competitiveness with a break-even oil price reduced from USD 55-60 per barrel in 2014 to below USD 40 per barrel in 2016 and with a target of USD 40-45 per barrel for 2017 onwards excluding Qatar.

### Strategy review

Maersk Oil will continue its strategy implementation to solidify its position as a leading North Sea operator with international step-outs.

Maersk Oil will focus on its three-pillar strategy; maximise value from safe operations, world-class project delivery and build the future business. This is to be achieved through a continued focus on improved safety, efficiency and cost control across operations, thereby delivering short-term cash flow and further ensure world-class delivery of projects like Culzean and Johan Sverdrup securing medium-term production.

Finally Maersk Oil will build the future business by engaging in structural solutions such as mergers and joint ventures in the North Sea, where it can build on an extensive experience, leverage capabilities and footprint to create value for shareholders and partners. Maersk Oil will also evaluate its portfolio outside the North Sea and focus in locations with high profitability and strong capability fit.

In line with the new strategy, Maersk Oil will prepare for separation from A.P. Moller - Maersk.

### MAERSK DRILLING

Maersk Drilling made a loss of USD 694m (profit of USD 751m) and a ROIC of negative 9.0% (positive 9.3%). The result was negatively impacted by impairments of USD 1.5bn (USD 27m), 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 (USD 732m) was positively impacted by termination fees of approximately USD 150m moved from 2017 to 2016, savings on operating costs and high operational uptime offset by ten rigs being idle or partly idle versus three rigs last year. The financial effect from the increased number of rigs without contract reduced the result in Q4 significantly.

The termination fees included the ultra-deepwater semi-submersible Mærsk Deliverer during Q1, the deepwater unit Maersk Valiant and the jack-up Maersk Resolve with effect from September 2016. The jack-up Mærsk Gallant was also terminated, although Maersk Drilling concurrently signed a new contract in direct continuation of the cancelled contract, resulting in a neutral financial impact.

The cost reduction and efficiency enhancement programme, initiated in 2014, delivered further savings of more than 10% in 2016, excluding positive effect from exchange rates and rigs

being stacked. Compared to the 2014 baseline, the total savings reached around 20% by the end of 2016, and all targets set out for this programme have been met, however, further savings will still be a central focus area going forward. The savings have primarily been achieved through a strong focus on operating and maintenance costs, but also by optimising yard stays, vendor renegotiations, reduction of staff onshore, rig crew optimisation as well as salary reductions and salary freezes.

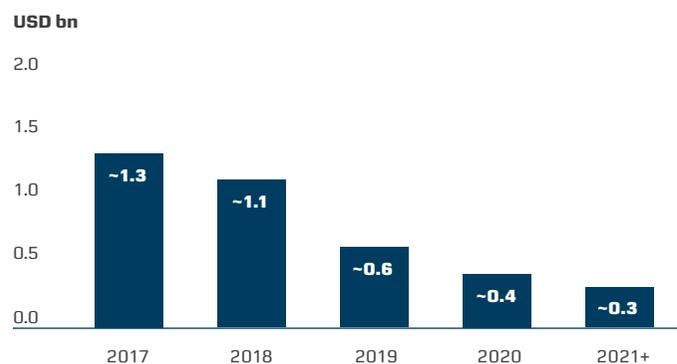
The economic utilisation of the fleet was 78% (85%) adversely affected by increased idle time. The average operational up-time was 98% (98%) for the jack-up rigs and 98% (94%) for the floaters.

Maersk Drilling's forward coverage at the end of 2016 was 56% for 2017, 45% for 2018 and 25% for 2019. The total revenue backlog by the end of the year amounted to USD 3.7bn (USD 5.4bn).

#### Contract coverage per segment, end 2016

| Segment      | 2017       | 2018       |
|--------------|------------|------------|
| Jack-up rigs | 60%        | 49%        |
| Floaters     | 46%        | 38%        |
| <b>Total</b> | <b>56%</b> | <b>45%</b> |

#### Revenue backlog, end 2016



Despite lower revenue, cash flow from operating activities of USD 1.3bn (USD 1.3bn) was an increase of USD 62m which was mainly related to termination fees, further cost savings and lower working capital. Cash flow used for capital expenditure declined to USD 315m (USD 854m), mainly due to fewer instalments paid for the newbuild projects as well as delayed delivery of Maersk Invincible into January 2017.

#### Stacking

At year-end, Maersk Drilling had Mærsk Developer preparing for a contract in Q2 2017, as well as nine rigs idled and off contract. As the market outlook for the offshore drilling industry remains highly uncertain, Maersk Drilling continues to evaluate stacking on a case-by-case basis. Ahead of rigs becoming idle, Maersk Drilling assesses the most attractive stacking conditions and locations for the rigs in balanced consideration of commercial outlook, maintenance plans and costs as well as portfolio considerations. So far, this strategy has resulted in all idle rigs currently being warm-stacked.

#### Developments in 2016

Maersk Drilling was awarded a contract by Maersk Oil for the jack-up rig Mærsk Gallant. The contract covers the plugging and abandonment of the Leadon and James subsea fields in the UK sector of the North Sea. The duration of the contract is estimated at 230 days with commencement in February 2017. The estimated contract revenue is USD 24m.

Maersk Drilling acquired a contracted newbuild harsh environment jack-up rig for USD 190m, significantly below original construction price. The Maersk Highlander has commenced operations on the Culzean field in the UK sector of the North Sea for Maersk Oil. Maersk Highlander is employed under a five-year contract with a revenue of approximately USD 420m.

The delivery of Maersk Drilling's fourth and final newbuild ultra harsh environment jack-up rig on order, the Maersk Invincible,

was delayed from 2016 to January 2017. The rig will commence a five-year drilling contract in Q2 2017.

Maersk Guardian has been refurbished and has commenced on its five-year contract as an accommodation rig for Maersk Oil in the Danish sector of the North Sea.

#### The market

Offshore contract drilling is in the middle of the worst downturn in the history of the industry, 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.

Brent crude oil prices averaged USD 44 per barrel in 2016, still well below levels required to support a sustained increase in offshore rig demand. The industry does not expect to see significant improvements in offshore rig demand until the market reaches a stable oil price range of USD 60-70 per barrel or until offshore rig cost levels adjust to a lower oil price.

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 34% (Rystad Energy). Offshore spending is expected to decline a further 10-20% in 2017, with further risk of decline if oil prices 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 current levels of 56% in Q4 2016. The extent of the decline in the industry is now more severe than the downturn in the mid-1980s.

At present, global rig supply holds significant excess capacity, as approximately 130 floaters and 230 jack-up rigs have been stacked, while the newbuild order book still 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.

### Strategy review

Maersk Drilling remains committed to delivering best-in-class drilling services to its customers. Maersk Drilling will continue to leverage its long-standing history of technical problem solving, focusing on operational excellence and working closely with customers in order to drive higher efficiency levels and joint value creation for both Maersk Drilling and the customer.

The core elements of Maersk Drilling's value proposition include de-risking and reducing customers' total well costs by actively collaborating with each individual customer on reduction of non-productive time and well-spread costs to drive higher business case certainty.

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. An example of this is Maersk Drilling's announced partnership with GE to collaborate on a technologically advanced, data-driven analytics pilot project to enhance vessel productivity and to create smarter, more efficient maintenance schemes.

Maersk Drilling is also exploring alternative ways to employ rigs, other than traditional drilling contracts, including decommissioning and accommodation contracts.

In line with the new strategy, Maersk Drilling will prepare for separation from A.P. Moller - Maersk.

### MAERSK SUPPLY SERVICE

**Maersk Supply Service** reported a loss of USD 1.2bn (profit of USD 147m) and a ROIC of negative 76.7% (positive 8.5%), negatively impacted by an impairment of USD 1.2bn due to significant oversupply and reduced long-term demand expectations as a consequence of lower offshore spending. The underlying result was a loss of USD 44m (profit of USD 117m).

Revenue decreased to USD 386m (USD 613m) following lower rates and lower utilisation as well as fewer vessel days available due to divestments and lay-ups. The lower revenue was partly offset by cost reductions with total operating costs at USD 282m (USD 345m). Maersk Supply Service reduced the daily running costs by 11% compared to 2015 on a like-for-like basis in 2016.

Cash flow from operating activities decreased to USD 81m (USD 250m) primarily caused by a lower result. Cash flow used for capital expenditure decreased to USD 103m (USD 206m).

Going into 2017, contract coverage was 16% and 5% for 2018.

### Developments in 2016

During 2016, Maersk Supply Service divested ten vessels, thereby reducing its fleet to 47 vessels by the end of 2016. Maersk Supply Service is planning to reduce its fleet by an additional 11 vessels over the course of the next 15 months.

Maersk Supply Service also announced that the four new Stingray Subsea Support Vessels (SSV) that are being delivered in 2017 and 2018 will be flagged to the Isle of Man registry. Maersk Supply Service will be setting up a hub in the UK, consolidating ownership and operation of the company's total of nine project vessels. As a consequence of the fleet reduction and the flagging of existing project vessels to the Isle of Man registry, the Maersk Supply Service crew pool and the onshore organisation were reduced. A total of 325 offshore employees and 43 headquarter positions were made redundant.

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 SSV newbuildings and one of the Starfish Anchor Handling Tug Supply (AHTS) newbuildings.

Maersk Supply Service took delivery of a new SSV in 2016, which went on a seven-year contract. The total order book commitment of USD 0.9bn comprises ten vessels with planned delivery from Q1 2017 to Q1 2018.

### The market

The market demand remains low due to the low oil price, and the general market outlook for the industry is expected to remain subdued in the long term. The industry is currently characterised by financial restructurings and consolidation. In line with market decline, the offshore supply vessel industry continued to see a large number of vessel lay-ups globally, including Maersk Supply Service with 11 vessels laid up at the end of the year.

### Strategy review

Maersk Supply Service has announced a new Integrated Solutions business that will support the company's 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.

In line with the new strategy, Maersk Supply Service will prepare for separation from A.P. Moller - Maersk.

## MAERSK TANKERS

**Maersk Tankers** reported a profit of USD 62m (USD 160m) and a ROIC of 3.7% (9.9%). The result was negatively impacted by declining rates, but partly offset by improved commercial performance, contract coverage and cost savings.

Maersk Tankers' response to the declining market conditions was to continue to deliver on its strategy. Through improved commercial decisions, Maersk Tankers' average Time Charter Equivalent (TCE) earnings decreased by 17% compared to 2015, which was less than the general market rates decline. The result also benefited from cost saving initiatives, which reduced costs by USD 30m.

Cash flow from operating activities was USD 180m (USD 291m). Net cash flow from capital expenditure was USD 190m (USD 185m) driven by newbuilding instalments, partly offset by the sale of four vessels. Maersk Tankers took delivery of six mid-range tanker newbuildings during 2016. The order book totals 11 remaining mid-range (MR) product tankers, of which five will be delivered during 2017 and the last six in 2018 as well as an option for ten Long Range 2 (LR2) product tanker vessels.

### Developments in 2016

Maersk Tankers signed a contract with Dalian Shipyard for a newbuilding order of ten LR2 product tanker vessels for delivery over a period of three years, with the first vessels entering the fleet in 2019. The newbuilding contract is part of a fleet renewal to sustain a competitive fleet and strong market position in the LR2 segment. The contract reflects the decline in asset prices over the last 12 months. In addition it has a unique contractual structure, which makes the order optional, while keeping prices fixed.

### The market

The product tanker market across all segments was challenged in 2016 with rates in several markets declining up to 50% compared to 2015. Starting off strong at the beginning of the

year, rates experienced a gradual decline and bottomed out at the end of the third quarter before improving end of 2016. Overall, the deterioration of product tanker rates in 2016 was caused by slowing demand growth for seaborne transportation, a draw-down of oil inventories and an increased number of newbuilding deliveries.

Geographical arbitrage opportunities also weakened throughout the year, which ultimately shortened average trading distances. Utilisation was negatively impacted by a sharp increase in newbuilding deliveries and relatively low scrapping. As a result, net fleet growth registered more than 5% in 2016, doubling the growth rate in 2015.

### Strategy review

Maersk Tankers continues to deliver on its strategy while keeping new investments limited.

The strategy is based on digitisation across the priorities; active position taking, cost leadership and third party services. Through active position taking, internal and external data are combined and used in commercial decisions to more accurately forecast which markets and cargo yield highest earnings, so that vessels can be positioned accordingly. Through cost leadership, Maersk Tankers is reducing costs by creating higher efficiencies in systems and processes and improving procurement leverage. By providing third party services, the company operates other owners' vessels against a fee to achieve scale, strong partnerships and income without having to invest.

Maersk Tankers operated 158 product tanker vessels at the end of 2016, of which 84 were owned, 22 chartered and 52 vessels were on commercial management. Combined, these vessels comprise the largest product tanker fleet in the industry.

In line with the new strategy, Maersk Tankers will prepare for separation from A.P. Moller - Maersk.

# FINANCIAL REPORT

## INCOME STATEMENT

Revenue decreased to USD 35.5bn (USD 40.3bn), predominantly due to lower average container freight rates and lower oil price only partly compensated by higher oil entitlement production. The operating expenses decreased by USD 2.6bn mainly due to lower bunker prices and focus on cost efficiency across business units.

A.P. Moller - Maersk delivered an unsatisfactory loss of USD 1.9bn (profit of USD 925m). The result was negatively impacted by low average container freight rates and post-tax impairments in Maersk Drilling and Maersk Supply Service of USD 1.4bn and USD 1.2bn respectively, partly offset by termination fees in Maersk Drilling and cost savings across all businesses. The result for 2015 was negatively impacted by post-tax impairments of USD 2.6bn on oil assets.

Further comments to the profit development are provided in the Highlights and the Financial review for the businesses.

## TAX

Companies in A.P. Moller - Maersk are taxed under different tax regimes, depending on location and activity. Special tax rules apply to some of A.P. Moller - Maersk's activities.

Generally, shipping activities are subject to a tonnage based or similar tax system, under which the computation of taxable income includes an amount, calculated on the basis of the fleet's tonnage. Moreover, in certain countries freight taxes are paid mainly based on the gross freight income in those countries.

In most countries, oil and gas activities are subject to a special form of taxation, which is often considerably higher than the normal corporate tax rate.

Despite the consolidated negative result before tax, taxes are still payable in various countries as a result of local profits, ring

fencing of oil profits, timing differences in adjustments and fixed tonnage-based taxes, which also limit the deduction of carry forward operational losses and recognition of tax assets in balance-sheet.

The total tax charge for A.P. Moller - Maersk in 2016 was USD 1.1bn (USD 0.5bn) of which taxes payable to Denmark were USD 0.1bn (USD 0.2bn). The decrease in the special hydrocarbon tax was largely due to the lower oil price.

## TOTAL COMPREHENSIVE INCOME

Total comprehensive income for the year was negative by USD 2.3bn (positive USD 540m) and includes the loss for the year of USD 1.9bn (profit of USD 925m) and other comprehensive income, which was negative by USD 401m (negative by USD 385m). Other comprehensive income mainly includes exchange rate adjustment on translation from functional currency to presentation currency, fair value adjustment of certain securities, value adjustment of cash flow hedges and actuarial gains and losses.

## BALANCE SHEET

At 31 December 2016, total assets amounted to USD 61.1bn (USD 62.4bn).

Intangible assets of USD 3.6 bn (USD 1.9bn) increased due to the APM Terminals acquisition of Grup Maritim TCB.

Property, plant and equipment of USD 41.5bn (USD 44.0bn) decreased by USD 2.5bn. Investments in the year amounted to USD 4.4bn (USD 7.3bn). Depreciation for the year was USD 4.3bn (USD 4.6bn) and impairment losses of USD 2.4bn (losses of USD 2.1bn) were recognised. Sale of property, plant and equipment amounted to USD 375m (USD 773m) including the assets held for sale. Currency adjustments resulted in a decrease of USD 168m (decrease of USD 435m).

Predicting the value and future income streams from assets in the current depressed markets remains uncertain. For further description of significant accounting estimates and judgements cf. note 23 in the Consolidated financial statements.

Derivatives as of 31 December 2016 were a net liability of USD 887m (net liability of USD 837m). Cash and bank balances totalled USD 4.1bn (USD 4.0bn) at 31 December 2016, including offsetting bank overdrafts of USD 47m (USD 12m). Cash and bank balances include USD 1.1bn (USD 1.2bn) that relates to balances in countries with exchange control or other restrictions. These funds are not readily available for general use by the parent company or other subsidiaries.

Equity totalled USD 32.1bn (USD 35.7bn). The decrease was related to the loss for the year of USD 1.9bn, ordinary dividend paid of USD 1.0bn (USD 1.0bn), the share buy-back of USD 475m, and other comprehensive income of negative USD 401m.

The actuarial net liability for pensions, etc. in relation to defined benefit plans recognised totalled USD 142m (USD 131m) at 31 December 2016. Developments in the actuarial assumptions as well as changes to the minimum funding requirements resulted in actuarial losses of USD 96m (gains of USD 68m), which are included in other comprehensive income. A.P. Møller - Maersk paid USD 78m (USD 116m) to defined benefit plans in 2016.

Deferred tax liabilities totalled USD 605m (USD 280m) at 31 December 2016, and recognised deferred tax assets totalled USD 590m (USD 891m). Furthermore, deferred tax assets of USD 2.0bn (USD 1.9bn) have not been recognised, cf. note 8 in the Consolidated financial statements.

## CASH FLOW

Cash flow from operating activities was USD 4.3bn (USD 8.0bn) impacted by the 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).

## OPERATING LEASE COMMITMENTS

The present value of operating lease commitments totalled USD 7.0bn at 31 December 2016 (USD 7.0bn at 31 December 2015) using a discount rate of 6% (6%). The amount is divided into the following main items:

- Maersk Line and Maersk Tankers of USD 2.7bn (USD 3.3bn) primarily relating to vessels on time charter
- APM Terminals of USD 3.5bn (USD 2.9bn) primarily related to future concession fees for port facilities
- Other commitments of USD 0.8bn (USD 0.8bn).

About 40% of the time charter payments in Maersk Line and about one third in Maersk Tankers are estimated to relate to operational costs for the assets, cf. note 17 in the Consolidated financial statements.

## CONSOLIDATION

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

## PARENT COMPANY FINANCIAL STATEMENTS

The activities of the parent company comprise the oil and gas activities in the Danish sector of the North Sea and parts of offshore and other shipping activities. In addition, activities include the holding of shares in subsidiaries and associated companies as well as funding, procurement and cash management.

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

The net result for the year was a loss of USD 0.7bn (profit of USD 2.4bn), mostly due to lower sales gains and impairment of subsidiaries, particularly Maersk Supply Service A/S.

Cash flow from operating activities was USD 0.3bn (USD 0.7bn). Total assets amounted to USD 49.1bn (USD 48.6bn) and equity totalled USD 20.5bn (USD 22.6bn) at 31 December 2016.

# Q4 2016 FINANCIALS

A.P. Moller - Maersk reported a loss of USD 2.7bn (loss of USD 2.5bn) negatively impacted by impairments of USD 1.5bn in Maersk Drilling and USD 1.1bn in Maersk Supply Service. The result for 2015 was impacted by post-tax impairments of USD 2.5bn on oil assets. ROIC was negative 21.2% (negative 20.8%). The underlying loss of USD 63m (loss of USD 9m) was mainly due to lower underlying profit in Maersk Drilling due to more idle rigs, and higher net financial items due to higher debt and negative currency effects, partly offset by higher underlying profit in Maersk Oil.

Free cash flow generation came at USD 522m (USD 498m) with net cash flow used for capital expenditure at USD 943m (USD 1.6bn) while cash flow from operating activities remained high at USD 1.5bn (USD 2.0bn).

**Maersk Line** reported a loss of USD 146m (loss of USD 182m) and a ROIC of negative 2.9% (negative 3.6%).

Revenue increased 2.4% to USD 5.3bn (USD 5.2bn). The development was driven by volumes increasing 12% to 2,701k FFE (2,404k FFE) partly offset by freight rates decreasing 7.1% to 1,804 USD/FFE (1,941 USD/FFE). Freight rates declined across all trades excluding Europe mainly as a result of the imbalance between supply and demand built up in earlier periods.

Global container demand is estimated to have grown around 4% in Q4 2016. The growth was primarily driven by solid demand on East-West and Intra-regional trades while container volumes on the North-South trades remain subdued. The global container fleet grew around 2%.

The EBIT margin gap to peers (adjusted for impairments, etc.) was around 6%-points in Q3 2016 (5%-points).

Unit cost at floating bunker of 1,973 USD/FFE (2,160 USD/FFE) was 8.7% (187 USD/FFE) lower than the same period last year driven by improved fleet utilisation and cost efficiencies. Total bunker cost increased by 26% and the bunker price increased by 11%. Bunker efficiency deteriorated by 0.4% to 912 kg/FFE

## Q4 financials

| USD million  | Revenue |       | Result before depreciation, amortisation and impairment losses, etc. (EBITDA) |       | Net operating profit/loss after tax (NOPAT) |        | Underlying result |      | Free cash flow |      |
|--|---------|-------|---|-------|---|--------|-------------------|------|----------------|------|
|  | 2016    | 2015  | 2016  | 2015  | 2016  | 2015   | 2016              | 2015 | 2016           | 2015 |
| <b>Maersk Line</b>   | 5,321   | 5,194 | 349   | 359   | -146  | -182   | -155              | -165 | 229            | 188  |
| <b>APM Terminals</b>   | 1,088   | 1,025 | 214   | 199   | 87  | 128    | 91                | 117  | 13             | -8   |
| <b>Damco</b>   | 657     | 683   | 11  | 8     | 4   | 1      | 4                 | 1    | -21            | 39   |
| <b>Svitzer</b>   | 154     | 169   | 36  | 38    | 18  | 29     | 19                | 28   | -15            | 9    |
| <b>Maersk Oil</b>  | 1,272   | 1,302 | 723   | 668   | 230   | -2,523 | 250               | -21  | 426            | -2   |
| <b>Maersk Drilling</b>   | 344     | 617   | 152   | 323   | -1,420                                      | 181    | 16                | 176  | 118            | 294  |
| <b>Maersk Supply Service</b>                                     | 80      | 128   | 16  | 40    | -1,109                                      | -      | -23               | -    | -16            | -17  |
| <b>Maersk Tankers</b>  | 207     | 240   | 25  | 60    | -13   | 30     | -13               | 25   | -66            | 42   |
| <b>Other businesses, unallocated activities and eliminations</b> | -236    | -233  | -22   | -67   | -328  | -175   | -252              | -170 | -146           | -47  |
| <b>Maersk consolidated</b>                                       | 8,887   | 9,125 | 1,504   | 1,628 | -2,677                                      | -2,511 | -63               | -9   | 522            | 498  |

(909 kg/FFE). Unit cost at fixed bunker price was 10% below Q4 2015.

Maersk Line delivered a free cash flow of USD 229m (USD 188m), significantly impacted by positive working capital effects of USD 172m (USD 351m) due to timing of vendor payments around year-end.

**APM Terminals** recorded a profit of USD 87m (USD 128m) and a ROIC of 4.4% (8.3%). Operating business generated a profit of USD 111m (USD 138m) while projects under implementation together with TCB had a loss of USD 24m (loss of USD 10m) stemming from start-up costs. The lower profit was mainly attributable to terminals in oil exporting countries in Africa.

Throughput increased by 10.5% compared to Q4 2015 mainly due to TCB volume. Like-for-like throughput increased by 3.4%. The latest estimate for port container volume growth for Q4 2016 was above 1% (Drewry Q4 forecaster).

**Damco** delivered a profit of USD 4m (USD 1m) driven by overhead cost reductions and growth in supply chain management activities partially offset by a negative development in freight forwarding products, driven by low freight margins.

Ocean and airfreight volumes grew 9% and 3%, respectively, while supply chain management volumes improved by 6%.

**Svitzer** reported a profit of USD 18m (USD 29m) and a ROIC of 6.0% (10.4%).

Revenue decreased by USD 15m as a result of lower volumes in harbour towage and weaker GBP against USD. Negative effects were partly offset with new terminal towage activity and tariff increase in Australia.

Profitability improved through productivity and cost saving initiatives in harbour towage. Positive impacts from operational efficiencies, lower bunker cost and effects from weaker GBP against USD, were offset by start-up cost in Argentina resulting in EBITDA margin of 23.5% (22.8%).

Cash flow from operating activities increased to USD 26m (USD 19m). Cash flow used for capital expenditure was USD 41m (USD 10m).

**Maersk Oil** reported a profit of USD 230m (loss of USD 2.5bn including post-tax impairments of USD 2.6bn) with a positive ROIC of 21.9% (negative 214.3%) mainly impacted by lower operating costs, higher production efficiency, reduction of abandonment provision of USD 93m and a higher oil price. The underlying profit was USD 250m (loss of USD 21m).

Entitlement production decreased to 276,000 boepd (333,000 boepd) due to planned and unplanned shutdowns, fewer cost recovery barrels from Qatar as well as lower production from mature fields mainly in the UK and Denmark.

Operating costs excluding exploration were reduced by 19% and exploration costs decreased by 13% compared to Q4 2015.

Investments decreased by 53% in Q4 mainly due to reductions in Qatar following end of the FDP 2012 and reductions in the UK.

Maersk Oil signed agreements to divest its interests in the non-operated UK assets Wytch Farm, Scott, Telford and Boa and the non-operated interests in the Norwegian assets Zidane and the Polarled Pipeline. The divestments are pending approval from authorities.

**Maersk Drilling** reported a loss of USD 1.4bn due to recognition of the impairment loss of USD 1.5bn before tax and USD 1.4bn

after tax. The underlying profit decreased to USD 16m (USD 176m) negatively impacted by more rigs being idle. ROIC was negative 80.8% (positive 9.0%).

The average operational uptime was 99% (97%) for the jack-up rigs and 98% (90%) for the floating rigs.

Maersk Drilling secured one new contract with estimated revenue of USD 12m.

The delivery of Maersk Drilling's fourth and final newbuild ultra harsh environment jack-up rig on order, the Maersk Invincible, was delayed from expected delivery in Q4 2016 to January 2017.

**Maersk Supply Service** reported a loss of USD 1.1bn (USD 0m) and a ROIC of negative 392.3% (0.0%) impacted by the impairment of USD 1.1bn. The underlying result was a loss of USD 23m (loss of USD 0m).

Revenue decreased to USD 80m (USD 128m) as a result of lower rates and utilisation as well as fewer vessels available for trading due to divestments and lay-ups.

Total operating costs decreased to USD 64m (USD 88m) primarily due to fewer operating vessels and reduced running costs.

Maersk Supply Service had 11 vessels in lay-up end of year.

**Maersk Tankers** recorded a loss of USD 13m (profit of USD 30m) and ROIC was negative 3.0% (positive 7.3%). The result was negatively impacted by lower market rates, partly offset by improved commercial performance, increased contract coverage and cost savings.

**Other businesses** recorded a loss of USD 129m (loss of USD 15m) mainly driven by the impairment of USD 131m in the RORO business.

**Unallocated activities** comprise activities which are not attributable to reportable segments, including financial items as well as centralised purchasing and resale of bunker and lubricating oil to companies in A.P. Moller - Maersk. Financial items, net, were negative by USD 268m (negative by USD 145m). The negative development of USD 123m was primarily driven by higher debt and negative currency effects.

# RISK MANAGEMENT

**An established Enterprise Risk Management (ERM) framework** is implemented and embedded in A.P. Moller - Maersk. It encompasses identifying events or circumstances affecting the achievement of A.P. Moller - Maersk objectives and strategic goals. Further it presents a framework for assessing the risks in terms of likelihood and impact, determining response plans and monitoring progress.

## GOVERNANCE AND PROCESS

To obtain the full depiction of the exposure landscape, multiple types of risks are considered i.e. financial, strategic, operational and compliance risks. In order to support a consistent, robust and focused approach to risk management; the risks are divided into three main categories comprising A.P. Moller - Maersk's risk universe, namely the near term Known Risks, the long-term Emerging Risks and the industry and geography related Portfolio Risks.

The three categories are identified through a combination of risk reporting, cross functional interviews with senior stakeholders, internal analyses and external expert input. Risk reporting transpires from all businesses in A.P. Moller - Maersk and primarily addresses the operational elements of the exposure. Meanwhile, the interviews incorporate a wide range of overarching views on risks with the potential of jeopardising the business objectives. Internal analyses, in turn, provide in-depth knowledge of selected risks and facilitate A.P. Moller - Maersk's wide overview and prioritisation. External expertise is sought in assessing emerging risks and establishing the flag posts for relevant mega trends.

The main findings are reviewed by the Management Board as well as the Board of Directors, and serve as input to the annual strategy and capital allocation processes. Specific risks are regularly revisited to ensure adequacy and effectiveness of the risk responses. The Audit Committee annually reviews the process for adequacy and potential improvements.

## THE RISK MANAGEMENT SYSTEM

The global and multi industrial nature of A.P. Moller - Maersk makes it subject to a number of risks. These include exposure stemming from changes to regulatory and operational conditions in certain regions, potential accidents putting employees or assets at risk, fluctuations in currencies, volatility in freight rates and oil prices.

Several mechanisms are in place to mitigate the gross risks and limit A.P. Moller - Maersk's exposure, such as elaborate health, safety and environmental management systems, governance frameworks, hedging of exchange rate exposures, financial policies and insurance activities. Following these embedded efforts to mitigate and limit the gross risk exposure of A.P. Moller - Maersk, the most significant residual risks are consolidated and reported to the Management Board and the Board of Directors for assessment of the need for further mitigating actions and decision on corresponding resource allocation. In an effort to reduce the exposure even further, the key residual risks are subsequently addressed through designated senior management ownership allocation for each risk and elaboration of additional actions. Twice a year, the action plans are reviewed for progress and effectiveness.

## KNOWN RISKS

Known Risks are considered actual risks to business objectives within the planning period of five years. Some of the residual risks in focus for the short to medium-term are:

**Strategic review and restructuring.** Over the course of 2016, A.P. Moller - Maersk embarked on a wide ranging strategic review, restructuring and change management processes. A number of inherent transition risks stem from such initiatives. The continued imbalances in key markets add to the complexity, as well as new management teams across most of the businesses and not least, the prospect of a potential significant acquisition completion during 2017 with associated integration efforts required. Some of the risks revolve around internal organisational changes, such as ensuring focus on continued commercial and operational excellence in the businesses at a time where attention is directed more inward than usual.

Meanwhile, it is imperative to maintain a robust governance structure to preserve integrity, protect the business and ensure continued compliance with external regulatory

requirements during the transition. From an external perspective, the announced long-term strategic intent of focusing A.P. Moller - Maersk's portfolio on transport and logistics, while harbouring many opportunities, also increases the concentration risk. Focusing on the transport and logistics businesses raises A.P. Moller - Maersk's relative exposure to the developments in global trade and the underlying drivers.

Last, but not least, as with any strategy, there is an execution risk. In the context of the announced strategy, success rests on the ability to achieve the intended synergies and deliver on the expressed aspirations in the digital space and growth through acquisitions. The above risks are managed through a structured process and significant management attention and oversight.

**A prolonged period of low freight rates and oil prices.** The subdued freight rates remain a challenge as overcapacity, and the resulting supply-demand gap, erodes value despite reasonably healthy volume growth. The sluggish global economic growth and rising near shoring and protectionist trends also continue to weigh on the outlook for container rates. These risks are addressed by optimisation of the network, increased utilisation of assets through alliances and a focused effort to contribute to consolidation in the industry.

The low oil prices naturally have a direct effect on the activity levels and results in the energy related businesses. Furthermore, in oil dependent economies we have seen the decline in commodity prices deteriorating the financial and fiscal structures, while threatening legal, political and social stability, resulting from heavy reliance on oil and gas revenues. This, in turn, has the potential for adverse effects on several of the businesses located in, or exposed to, these regions.

For all the businesses, we continue to focus on being a cost leader in their industries, and to simplify the organisations.

In the energy businesses this has yielded significantly lower break even oil prices, allowing for commercial viability even in the currently difficult market conditions.

Being an operator of large assets, **a major accident or oil spill** remains an inherent risk in A.P. Moller - Maersk's operations, particularly in the oil and gas, offshore and tanker businesses. Production and transportation of oil and natural gas, as well as the operation of large container vessels, are subject to risks such as technical or operational failures and natural disasters. An accident could pose a risk to the employees as well as potentially to the marine environment, wildlife and local communities. Additionally it could result in large scale impacts on assets, income streams, liquidity position and reputation and put the license to operate at risk. A.P. Moller - Maersk is proactively building and supporting incident free operations to mitigate this risk.

A.P. Moller - Maersk is exposed to **cyber security threats** that could materially affect operations and the financial condition. Cyber-attacks targeting systems or production facilities could result in severe business disruptions and significant losses, as A.P. Moller - Maersk is involved in complex and wide-ranging global services and engaged in increased digitisation of its businesses, making it highly dependent on well-functioning IT systems. The risk is managed through close monitoring and enhancements of cyber resilience and focus on business continuity management in the event that IT systems, despite their efforts, are affected.

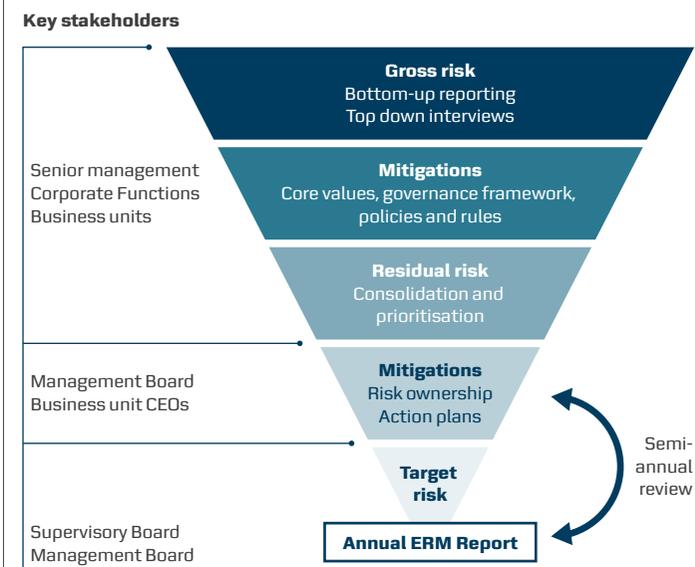
**EMERGING RISKS**

Emerging Risks stem from larger trends, with the potential of impacting the long-term strategy over 5-10 years. Given the longevity of the assets and the long-term ambition of A.P. Moller - Maersk, we look beyond the planning horizon in assessing the risk landscape to ensure the strategy reflects and encompasses long-term uncertainty. Considering the relevant time frame for Emerging Risk, mega trends act as

guiding principles and shape the thinking. As part of this effort, A.P. Moller - Maersk is particularly monitoring developments in the sphere of geopolitics and technological progress. Both dimensions pose a number of opportunities in potentially intensifying global trade flows through trade agreements and economic growth, or harvesting efficiency gains stemming from technological development.

Adversely, the trends can develop into threats should they for instance materialise in reversion of globalised supply chains driven by geopolitical tensions, increased automation and rising protectionist measures undermining the long-term outlook for global trade. An intensification of conflicts in regions where A.P. Moller - Maersk operate more stationary assets or accelerated shift away from fossil fuels, also pose long term

**Enterprise Risk Management Governance Structure and Process**



risks to the businesses, in particular in the terminals and energy industries. A.P. Moller - Maersk monitors and proactively seeks to deepen its understanding of these risks, and to take account of them in its strategy.

### PORTFOLIO RISKS

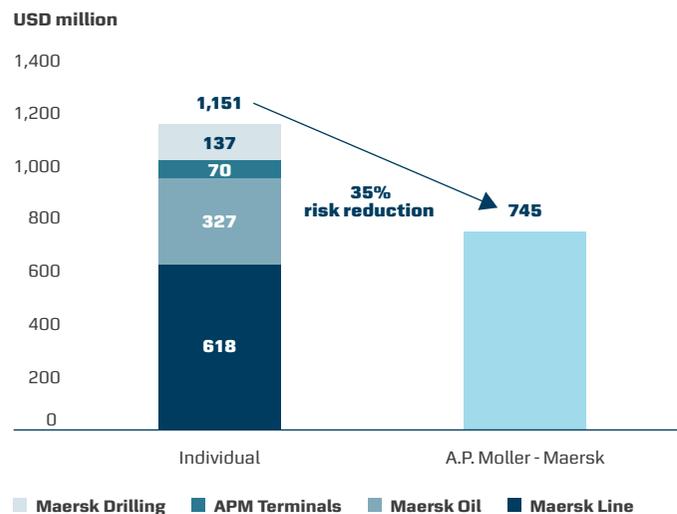
Portfolio Risks reflect the exposure associated with A.P. Moller - Maersk's composition of businesses and choices of geographic presence. A.P. Moller - Maersk's portfolio consideration and active management were underpinned by the 2016 strategic review and communicated intent of focusing A.P. Moller - Maersk's future strategy on transport and logistics. Historic evidence implies that the future narrowing of the portfolio will on the one hand reduce the risk exposure as the energy related risks will be reduced, but on the other hand

the more uniform portfolio will naturally impede the previous diversification effect and increase relative volatility. From a liquidity point of view, the financing costs could also be affected, should the change in business portfolio composition result in any credit rating deterioration.

The existing structure continues to offer a volatility reduction of 35% compared to aggregated fluctuations of the individual business units. From a geographic risk point of view, the portfolio on average remains in the relatively low risk category due to a high level of asset and income spread across geographies.

### Impact of diversification

(Underlying result volatility)



Based on the underlying result Q1 2007 - Q4 2016.

# CORPORATE GOVERNANCE

**Corporate governance** is a matter that A.P. Møller - Mærsk A/S' Board of Directors continuously considers on the basis of the Company's activities, external environment, history and needs etc.

## RECOMMENDATIONS FOR CORPORATE GOVERNANCE

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

The Board of Directors of A.P. Møller - Mærsk A/S has prepared a statement on corporate governance for the financial year 2016.

The statement can be reviewed and downloaded via <http://investor.maersk.com/governancestatement.cfm>

The statement includes a description of the Company's approach to each of the recommendations in the "Recommendations for Corporate Governance" as well as a description of the Company's management structure and the main elements of A.P. Møller - Maersk's internal control and risk management systems related to A.P. Møller - Maersk's financial reporting process.

## MANAGEMENT STRUCTURE

A.P. Møller - Mærsk A/S has a two-tier management structure consisting of the Board of Directors and the Management Board as illustrated below. The Board of Directors lays down the general business and management principles for A.P. Møller - Maersk and ensures the proper organisation of A.P. Møller - Maersk. Furthermore, the Board of Directors decides the strategy and the risk policies and supervises the performance of the Company and its management. The Board of Directors shall consist of 4-13 members elected by the Annual General Meeting. The Board members are elected for a two-year term. There are Board members up for election every year to ensure continuity in the work of Board of Directors. Board members are eligible for re-election.

The members of the Management Board as of 1 January 2016 were Nils S. Andersen, Group CEO, Trond Westlie, Kim Fejfer, Claus V. Hemmingsen, Søren Skou and Jakob Thomasen. During 2016 the Management Board changed as follows: On 1 July 2016 Nils S. Andersen stepped down from the Management Board and was replaced by Søren Skou as Group CEO. On 1 October 2016 Kim Fejfer and Jakob Thomasen stepped down from the Management Board. On 1 December 2016 Trond Westlie stepped down and was replaced by Jakob Stausholm as Group CFO. Thus, on 31 December 2016 the members of the Management Board were Søren Skou, Group CEO, Claus V. Hemmingsen, Group Vice CEO, and Jakob Stausholm, Group CFO.

Further information is available in the statement on corporate governance for 2016.

### Framework for corporate governance



# SHAREHOLDER INFORMATION

**A.P. Møller - Mærsk A/S paid an ordinary dividend** of DKK 300 per share and completed its second share buy-back programme of DKK 6.7bn in 2016. The share price increased 26% over the year, implying a total shareholder return of 29% for 2016.

## SHARE PRICE DEVELOPMENT

Maersk B share price increased 26% from its 2015 close of DKK 8,975. As a comparison the benchmark indices MSCI Europe Transportation and OMXC 20 Cap increased by 2% and decreased by 2% respectively. The Maersk B share price reached its highest of DKK 11,550 on 15 December 2016 and its lowest price of DKK 7,410 on 11 February 2016. Total market value of A.P. Møller - Maersk was USD 32.2bn at the end of 2016.

## OWNERSHIP

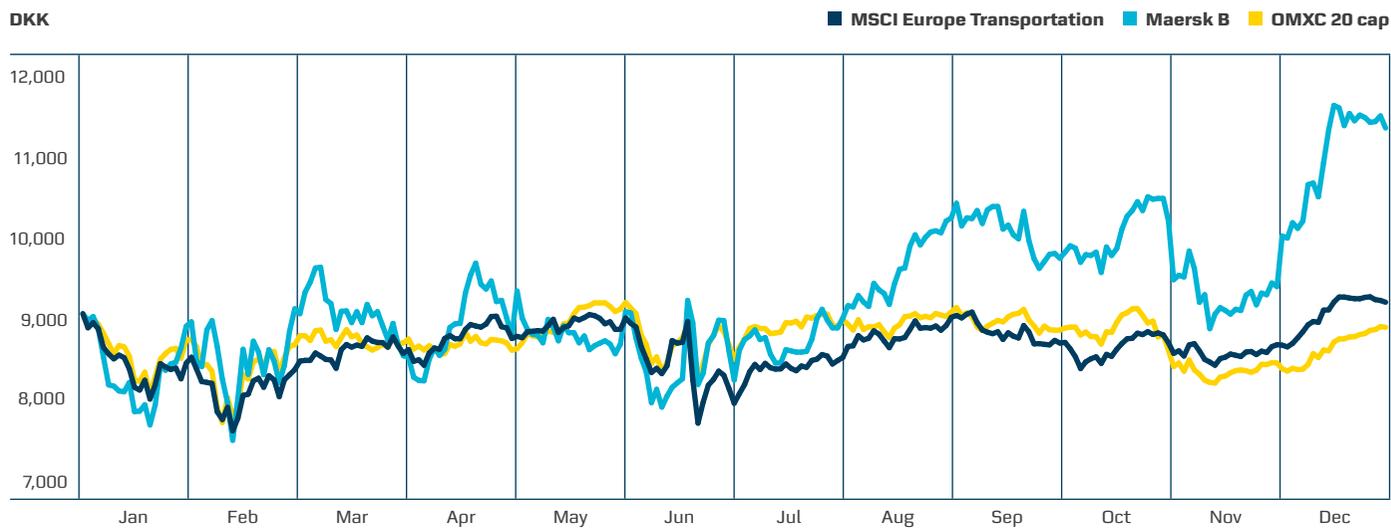
The total number of registered shareholders decreased by 4,000 to around 90,000 during 2016. Shareholders with more than 5% of share capital or votes held 53% of the share capital.

## SHARE CAPITAL

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

The shareholders decided at the Annual General Meeting on 12 April 2016 on the cancellation of treasury shares. The Company's share capital was reduced with nominally DKK 728,520,000 in total, divided between 146,122 A shares of nominally DKK 1,000 and 582,398 B shares of nominally DKK 1,000 in Q2. After the capital decrease, A.P. Møller - Mærsk A/S' share capital amounted to nominally DKK 20,816,862,000.

## Share price development



Source Bloomberg, numbers are rebased.

## OWN SHARES

The DKK 6.7bn share buy-back programme initiated on 1 September 2015 was concluded on 15 March 2016. The Board of Directors decided not to initiate a new share buy-back programme in 2016. A.P. Møller - Mærsk A/S' holding of own shares comprised 0.37% of the share capital end of 2016, cf. note 9 in the Consolidated financial statements.

## DIVIDEND

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

The Board of Directors proposes an ordinary dividend to the shareholders of DKK 150 per share of DKK 1,000 (DKK 300 per share of DKK 1,000). The proposed dividend payment represents an ordinary dividend yield of 1.3% (3.3%), based on the Maersk B share's closing price as of 30 December 2016. Payment is expected to take place on 31 March 2017.

| The Maersk share: Key figures                             | 2016   | 2015  | 2014               | 2013   | 2012  |
|---|--------|-------|--------------------|--------|-------|
| Year-end share price (DKK, B share)                       | 11,270 | 8,975 | 12,370             | 11,770 | 8,520 |
| Share price range (DKK, B share)                          | 4,140  | 7,605 | 4,100              | 3,778  | 2,564 |
| Market capitalisation at year-end (USD bn, A and B share) | 32.2   | 27.6  | 42.8               | 46.3   | 31.9  |
| Earnings per share (USD)                                  | -93    | 37    | 230                | 158    | 171   |
| Dividend per share (DKK, A and B share) <sup>1</sup>      | 150    | 300   | 300                | 280    | 240   |
| Dividend yield (B share)                                  | 1.3%   | 3.3%  | 15.9% <sup>2</sup> | 2.4%   | 2.8%  |
| Share buy-back programme (DKK bn) <sup>3</sup>            | 3.2    | 5.2   | 3.9                | 0      | 0     |

<sup>1</sup> Ordinary dividend in proposed year. <sup>2</sup> Including extraordinary dividend.

<sup>3</sup> Actual payments on a cash basis.

## FINANCIAL CALENDAR 2017

|                   |                        |
|-------------------|------------------------|
| <b>28 March</b>   | Annual General Meeting |
| <b>11 May</b>     | Interim Report Q1 2017 |
| <b>16 August</b>  | Interim Report Q2 2017 |
| <b>2 November</b> | Interim Report Q3 2017 |

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 28 March 2017 in Copenhagen, Denmark.

## INVESTOR RELATIONS

Investor Relations had around 265 meetings with participation of more than 500 investors and analysts in Europe and USA in 2016.

A.P. Møller - Maersk is covered by 30 analysts, predominantly from international investment banks, who regularly publish research reports. A list of the analysts and other relevant information, including financial reports, investor presentations, share and bond information, is available on

<http://investor.maersk.com>

## Shareholders with more than 5% of share capital or votes

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

# Financials

**(In parenthesis the corresponding figures for 2015)**

## **Consolidated financial statements 2016**

Consolidated income statement / Consolidated statement of comprehensive income / Consolidated balance sheet at 31 December / Consolidated cash flow statement

Consolidated statement of changes in equity / Notes to the consolidated financial statements / Parent company / Statement of the Board of Directors and the Management Board

Independent auditor's report / Company overview

## CONSOLIDATED INCOME STATEMENT

AMOUNTS IN USD MILLION

| Note  | 2016          | 2015         |
|---|---------------|--------------|
| 1 Revenue   | 35,464        | 40,308       |
| 2 Operating costs   | 28,698        | 31,265       |
| Other income  | 247           | 275          |
| Other costs   | 246           | 244          |
| <b>Profit before depreciation, amortisation and impairment losses, etc.</b> | <b>6,767</b>  | <b>9,074</b> |
| 6,7 Depreciation, amortisation and impairment losses, net                   | 7,265         | 7,944        |
| 3 Gain on sale of non-current assets, etc., net                             | 178           | 478          |
| Share of profit/loss in joint ventures                                      | 149           | 165          |
| Share of profit/loss in associated companies                                | -55           | 97           |
| <b>Profit/loss before financial items</b>                                   | <b>-226</b>   | <b>1,870</b> |
| 4 Financial income  | 989           | 1,146        |
| 4 Financial expenses  | 1,606         | 1,569        |
| <b>Profit/loss before tax</b>   | <b>-843</b>   | <b>1,447</b> |
| 5 Tax   | 1,054         | 522          |
| <b>Profit/loss for the year</b>   | <b>-1,897</b> | <b>925</b>   |
| Of which:   |               |              |
| Non-controlling interests   | 42            | 134          |
| <b>A.P. Møller - Mærsk A/S' share</b>                                       | <b>-1,939</b> | <b>791</b>   |
| 9 Earnings per share, USD   | -93           | 37           |
| 9 Diluted earnings per share, USD   | -93           | 37           |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

AMOUNTS IN USD MILLION

| Note  | 2016          | 2015        |
|---|---------------|-------------|
| <b>Profit/loss for the year</b>   | <b>-1,897</b> | <b>925</b>  |
| Translation from functional currency to presentation currency:                                |               |             |
| Translation impact arising during the year  | -330          | -499        |
| Reclassified to income statement, gain on sale of non-current assets, etc., net               | -             | 105         |
| Other equity investments:   |               |             |
| Fair value adjustment for the year  | 24            | -97         |
| Reclassified to income statement, gain on sale of non-current assets, etc., net               | -51           | -2          |
| 14 Cash flow hedges:  |               |             |
| Value adjustment of hedges for the year   | -231          | -334        |
| Reclassified to income statement  | 148           | 302         |
| Reclassified to cost of property, plant and equipment   | 116           | -2          |
| 5 Tax on other comprehensive income   | 16            | 7           |
| Share of other comprehensive income of joint ventures and associated companies, net of tax    | 3             | 67          |
| <b>Total items that have been or may be reclassified subsequently to the income statement</b> | <b>-305</b>   | <b>-453</b> |
| 12 Actuarial gains/losses on defined benefit plans, etc.                                      | -96           | 63          |
| 5 Tax on other comprehensive income   | -             | 5           |
| <b>Total items that will not be reclassified to the income statement</b>                      | <b>-96</b>    | <b>68</b>   |
| <b>Other comprehensive income, net of tax</b>   | <b>-401</b>   | <b>-385</b> |
| <b>Total comprehensive income for the year</b>  | <b>-2,298</b> | <b>540</b>  |
| Of which:   |               |             |
| Non-controlling interests   | 54            | 115         |
| <b>A.P. Møller - Mærsk A/S' share</b>   | <b>-2,352</b> | <b>425</b>  |

# CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

AMOUNTS IN USD MILLION

| Note | 2016                                      | 2015          |               |
|------|---|---------------|---------------|
| 6    | <b>Intangible assets</b>                  | <b>3,620</b>  | <b>1,922</b>  |
| 7    | <b>Property, plant and equipment</b>      | <b>41,496</b> | <b>43,999</b> |
|      | Investments in joint ventures             | 1,749         | 1,723         |
|      | Investments in associated companies       | 855           | 889           |
|      | Other equity investments                  | 796           | 860           |
| 14   | Derivatives                               | 14            | 17            |
| 12   | Pensions, net assets                      | 96            | 162           |
|      | Loans receivable                          | 127           | 483           |
|      | Other receivables                         | 632           | 444           |
|      | <b>Financial non-current assets, etc.</b> | <b>4,269</b>  | <b>4,578</b>  |
| 8    | <b>Deferred tax</b>                       | <b>590</b>    | <b>891</b>    |
|      | <b>Total non-current assets</b>           | <b>49,975</b> | <b>51,390</b> |
|      | <b>Inventories</b>                        | <b>862</b>    | <b>781</b>    |
|      | Trade receivables                         | 3,814         | 3,476         |
|      | Tax receivables                           | 291           | 188           |
| 14   | Derivatives                               | 161           | 84            |
|      | Loans receivable                          | 202           | 64            |
|      | Other receivables                         | 952           | 909           |
|      | Prepayments                               | 601           | 625           |
|      | <b>Receivables, etc.</b>                  | <b>6,021</b>  | <b>5,346</b>  |
|      | <b>Securities</b>                         | <b>52</b>     | <b>761</b>    |
|      | <b>Cash and bank balances</b>             | <b>4,105</b>  | <b>4,008</b>  |
|      | <b>Assets held for sale</b>               | <b>103</b>    | <b>122</b>    |
|      | <b>Total current assets</b>               | <b>11,143</b> | <b>11,018</b> |
|      | <b>Total assets</b>                       | <b>61,118</b> | <b>62,408</b> |

| Note | 2016  | 2015          |               |
|------|---|---------------|---------------|
| 9    | Share capital   | 3,774         | 3,906         |
|      | Reserves  | 27,484        | 31,181        |
|      | <b>Equity attributable to A.P. Møller - Mærsk A/S</b>   | <b>31,258</b> | <b>35,087</b> |
|      | Non-controlling interests                               | 832           | 652           |
|      | <b>Total equity</b>                                     | <b>32,090</b> | <b>35,739</b> |
| 11   | <b>Borrowings, non-current</b>                          | <b>13,320</b> | <b>11,408</b> |
| 12   | Pensions and similar obligations                        | 238           | 293           |
| 13   | Provisions  | 3,573         | 4,539         |
| 14   | Derivatives   | 526           | 652           |
| 8    | Deferred tax  | 605           | 280           |
|      | Other payables  | 33            | 6             |
|      | <b>Other non-current liabilities</b>                    | <b>4,975</b>  | <b>5,770</b>  |
|      | <b>Total non-current liabilities</b>                    | <b>18,295</b> | <b>17,178</b> |
| 11   | <b>Borrowings, current</b>                              | <b>2,015</b>  | <b>1,335</b>  |
| 13   | Provisions  | 1,255         | 1,172         |
|      | Trade payables  | 4,901         | 5,015         |
|      | Tax payables  | 212           | 217           |
| 14   | Derivatives   | 536           | 286           |
|      | Other payables  | 1,348         | 1,204         |
|      | Deferred income   | 450           | 240           |
|      | <b>Other current liabilities</b>                        | <b>8,702</b>  | <b>8,134</b>  |
|      | <b>Liabilities associated with assets held for sale</b> | <b>16</b>     | <b>22</b>     |
|      | <b>Total current liabilities</b>                        | <b>10,733</b> | <b>9,491</b>  |
|      | <b>Total liabilities</b>                                | <b>29,028</b> | <b>26,669</b> |
|      | <b>Total equity and liabilities</b>                     | <b>61,118</b> | <b>62,408</b> |

# CONSOLIDATED CASH FLOW STATEMENT

AMOUNTS IN USD MILLION

| Note  | 2016          | 2015          |
|---|---------------|---------------|
| Profit/loss before financial items  | -226          | 1,870         |
| 6,7 Depreciation, amortisation and impairment losses, net                 | 7,265         | 7,944         |
| 3 Gain on sale of non-current assets, etc., net                           | -90           | -451          |
| Share of profit/loss in joint ventures                                    | -149          | -165          |
| Share of profit/loss in associated companies                              | 55            | -97           |
| 19 Change in working capital  | -265          | 382           |
| Change in provisions and pension obligations, etc.                        | -855          | -99           |
| 19 Other non-cash items   | 131           | 130           |
| <b>Cash flow from operating activities before financial items and tax</b> | <b>5,866</b>  | <b>9,514</b>  |
| Dividends received  | 232           | 155           |
| Financial income received   | 77            | 50            |
| Financial expenses paid   | -694          | -277          |
| Taxes paid  | -1,155        | -1,473        |
| <b>Cash flow from operating activities</b>                                | <b>4,326</b>  | <b>7,969</b>  |
| 19 Purchase of intangible assets and property, plant and equipment        | -4,373        | -7,132        |
| Sale of intangible assets and property, plant and equipment               | 494           | 514           |
| 20 Acquisition of subsidiaries and activities                             | -708          | -20           |
| 20 Sale of subsidiaries and activities                                    | 14            | 319           |
| Sale of associated companies  | -             | 4,955         |
| Other financial investments, net  | 218           | -44           |
| Cash flow used for capital expenditure                                    | -4,355        | -1,408        |
| Purchase/sale of securities, trading portfolio                            | 754           | 46            |
| <b>Cash flow used for investing activities</b>                            | <b>-3,601</b> | <b>-1,362</b> |
| Repayment of borrowings   | -1,608        | -1,574        |
| Proceeds from borrowings  | 2,977         | 2,821         |
| Purchase of own shares  | -475          | -780          |
| Sale of own shares  | 2             | 26            |
| Dividends distributed   | -953          | -6,141        |
| Dividends distributed to non-controlling interests                        | -53           | -97           |
| Other equity transactions   | -34           | 9             |
| <b>Cash flow from financing activities</b>                                | <b>-144</b>   | <b>-5,736</b> |
| <b>Net cash flow for the year</b>   | <b>581</b>    | <b>871</b>    |
| Cash and cash equivalents 1 January                                       | 3,996         | 3,406         |
| Currency translation effect on cash and cash equivalents                  | -500          | -281          |
| Cash and cash equivalents 31 December                                     | 4,077         | 3,996         |
| Of which classified as assets held for sale                               | -19           | -             |
| <b>Cash and cash equivalents 31 December</b>                              | <b>4,058</b>  | <b>3,996</b>  |

|  | 2016         | 2015         |
|--|--------------|--------------|
| <b>Cash and cash equivalents</b>             |              |              |
| Cash and bank balances                       | 4,105        | 4,008        |
| Overdrafts                                   | 47           | 12           |
| <b>Cash and cash equivalents 31 December</b> | <b>4,058</b> | <b>3,996</b> |

Cash and bank balances include USD 1.1bn (USD 1.2bn) that relates to cash and bank balances in countries with exchange control or other restrictions. These funds are not readily available for general use by the parent company or other subsidiaries.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AMOUNTS IN USD MILLION

| Note   | A.P. Møller - Mærsk A/S |                     |                                      |                    |                   |               |                           |               |
|--|-------------------------|---------------------|--------------------------------------|--------------------|-------------------|---------------|---------------------------|---------------|
|  | Share capital           | Translation reserve | Reserve for other equity investments | Reserve for hedges | Retained earnings | Total         | Non-controlling interests | Total equity  |
| Equity 1 January 2015                          | 3,985                   | -7                  | -106                                 | -294               | 37,964            | 41,542        | 683                       | 42,225        |
| Other comprehensive income, net of tax         | -                       | -374                | -99                                  | -7                 | 114               | -366          | -19                       | -385          |
| Profit/loss for the year                       | -                       | -                   | -                                    | -                  | 791               | 791           | 134                       | 925           |
| <b>Total comprehensive income for the year</b> | -                       | <b>-374</b>         | <b>-99</b>                           | <b>-7</b>          | <b>905</b>        | <b>425</b>    | <b>115</b>                | <b>540</b>    |
| Dividends to shareholders                      | -                       | -                   | -                                    | -                  | -6,141            | -6,141        | -97                       | -6,238        |
| 10 Value of share-based payment                | -                       | -                   | -                                    | -                  | 11                | 11            | -                         | 11            |
| Sale of non-controlling interests              | -                       | -                   | -                                    | -                  | 4                 | 4             | -53                       | -49           |
| Purchase of own shares                         | -                       | -                   | -                                    | -                  | -780              | -780          | -                         | -780          |
| Sale of own shares                             | -                       | -                   | -                                    | -                  | 26                | 26            | -                         | 26            |
| 9 Capital increases and decreases              | -79 <sup>1</sup>        | -                   | -                                    | -                  | 79 <sup>1</sup>   | -             | 4                         | 4             |
| <b>Total transactions with shareholders</b>    | <b>-79</b>              | <b>-</b>            | <b>-</b>                             | <b>-</b>           | <b>-6,801</b>     | <b>-6,880</b> | <b>-146</b>               | <b>-7,026</b> |
| <b>Equity 31 December 2015</b>                 | <b>3,906</b>            | <b>-381</b>         | <b>-205</b>                          | <b>-301</b>        | <b>32,068</b>     | <b>35,087</b> | <b>652</b>                | <b>35,739</b> |
| <b>2016</b>                                    |                         |                     |                                      |                    |                   |               |                           |               |
| Other comprehensive income, net of tax         | -                       | -325                | -27                                  | 46                 | -107              | -413          | 12                        | -401          |
| Profit/loss for the year                       | -                       | -                   | -                                    | -                  | -1,939            | -1,939        | 42                        | -1,897        |
| <b>Total comprehensive income for the year</b> | <b>-</b>                | <b>-325</b>         | <b>-27</b>                           | <b>46</b>          | <b>-2,046</b>     | <b>-2,352</b> | <b>54</b>                 | <b>-2,298</b> |
| Dividends to shareholders                      | -                       | -                   | -                                    | -                  | -953              | -953          | -53                       | -1,006        |
| 10 Value of share-based payment                | -                       | -                   | -                                    | -                  | -7                | -7            | -                         | -7            |
| Acquisition of non-controlling interests       | -                       | -                   | -                                    | -                  | -44               | -44           | 164                       | 120           |
| Purchase of own shares                         | -                       | -                   | -                                    | -                  | -475              | -475          | -                         | -475          |
| Sale of own shares                             | -                       | -                   | -                                    | -                  | 2                 | 2             | -                         | 2             |
| 9 Capital increases and decreases              | -132 <sup>2</sup>       | -                   | -                                    | -                  | 132 <sup>2</sup>  | -             | 15                        | 15            |
| <b>Total transactions with shareholders</b>    | <b>-132</b>             | <b>-</b>            | <b>-</b>                             | <b>-</b>           | <b>-1,345</b>     | <b>-1,477</b> | <b>126</b>                | <b>-1,351</b> |
| <b>Equity 31 December 2016</b>                 | <b>3,774</b>            | <b>-706</b>         | <b>-232</b>                          | <b>-255</b>        | <b>28,677</b>     | <b>31,258</b> | <b>832</b>                | <b>32,090</b> |

<sup>1</sup> At the Annual General Meeting of A.P. Møller - Mærsk A/S on 30 March 2015, cf. note 9, the shareholders decided on the cancellation of treasury shares, whereby the share capital has decreased by a transfer of reserves to retained earnings.

<sup>2</sup> At the Annual General Meeting of A.P. Møller - Mærsk A/S on 12 April 2016, cf. note 9, the shareholders decided on the cancellation of treasury shares, whereby the share capital has decreased by a transfer of reserves to retained earnings.

# NOTES

|                |   |    |                |   |    |                |   |    |
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## NOTE 1 SEGMENT INFORMATION

AMOUNTS IN USD MILLION

|   | Maersk<br>Line | APM<br>Terminals | Damco        | Svitzer      | Maersk<br>Oil | Maersk<br>Drilling | Maersk<br>Supply<br>Service | Maersk<br>Tankers | Total<br>reportable<br>segments |
|---|----------------|------------------|--------------|--------------|---------------|--------------------|-----------------------------|-------------------|---------------------------------|
| <b>2016</b>   |                |                  |              |              |               |                    |                             |                   |                                 |
| External revenue  | 20,416         | 2,821            | 2,507        | 611          | 4,718         | 2,222              | 374                         | 875               | 34,544                          |
| Inter-segment revenue   | 299            | 1,355            | -            | 31           | 90            | 75                 | 12                          | 2                 | 1,864                           |
| <b>Total revenue</b>  | <b>20,715</b>  | <b>4,176</b>     | <b>2,507</b> | <b>642</b>   | <b>4,808</b>  | <b>2,297</b>       | <b>386</b>                  | <b>877</b>        | <b>36,408</b>                   |
| <b>Profit before depreciation, amortisation and impairment losses, etc.</b> | <b>1,525</b>   | <b>764</b>       | <b>70</b>    | <b>166</b>   | <b>2,600</b>  | <b>1,390</b>       | <b>104</b>                  | <b>199</b>        | <b>6,818</b>                    |
| Depreciation and amortisation   | 1,929          | 378              | 26           | 83           | 1,175         | 589                | 136                         | 139               | 4,455                           |
| Impairment losses   | 17             | 10               | -            | 3            | 3             | 1,510              | 1,219                       | -                 | 2,762                           |
| Gain/loss on sale of non-current assets, etc., net                          | 25             | 18               | -            | 5            | -14           | -1                 | -1                          | 4                 | 36                              |
| Share of profit/loss in joint ventures                                      | -              | 101              | 11           | 11           | -             | 19                 | -                           | -                 | 142                             |
| Share of profit/loss in associated companies                                | -              | 92               | -            | 1            | -             | -                  | -                           | -                 | 93                              |
| <b>Profit/loss before financial items (EBIT)</b>                            | <b>-396</b>    | <b>587</b>       | <b>55</b>    | <b>97</b>    | <b>1,408</b>  | <b>-691</b>        | <b>-1,252</b>               | <b>64</b>         | <b>-128</b>                     |
| Tax   | +20            | 149              | 24           | 6            | 931           | 3                  | +24                         | 2                 | 1,071                           |
| <b>Net operating profit/loss after tax (NOPAT)</b>                          | <b>-376</b>    | <b>438</b>       | <b>31</b>    | <b>91</b>    | <b>477</b>    | <b>-694</b>        | <b>-1,228</b>               | <b>62</b>         | <b>-1,199</b>                   |
| <b>Underlying result</b>  | <b>-384</b>    | <b>433</b>       | <b>31</b>    | <b>89</b>    | <b>497</b>    | <b>743</b>         | <b>-44</b>                  | <b>58</b>         | <b>1,423</b>                    |
| Cash flow from operating activities   | 1,060          | 819              | 4            | 144          | 1,484         | 1,345              | 81                          | 180               | 5,117                           |
| Cash flow used for capital expenditure                                      | -586           | -1,549           | -8           | -192         | -1,675        | -315               | -103                        | -190              | -4,618                          |
| <b>Free cash flow</b>   | <b>474</b>     | <b>-730</b>      | <b>-4</b>    | <b>-48</b>   | <b>-191</b>   | <b>1,030</b>       | <b>-22</b>                  | <b>-10</b>        | <b>499</b>                      |
| <b>Investments in non-current assets<sup>1</sup></b>                        | <b>1,892</b>   | <b>2,402</b>     | <b>9</b>     | <b>215</b>   | <b>1,511</b>  | <b>296</b>         | <b>125</b>                  | <b>231</b>        | <b>6,681</b>                    |
| Intangible assets   | -              | 2,627            | 90           | 17           | 760           | 109                | 6                           | 5                 | 3,614                           |
| Property, plant and equipment   | 21,596         | 3,470            | 70           | 1,094        | 6,221         | 5,925              | 891                         | 1,725             | 40,992                          |
| Investments in joint ventures   | -              | 1,479            | 27           | 82           | -             | 155                | -                           | 1                 | 1,744                           |
| Investments in associated companies   | -              | 641              | -            | 14           | -             | -                  | -                           | -                 | 655                             |
| Other non-current assets  | 189            | 198              | 30           | 57           | 742           | 16                 | -                           | -                 | 1,232                           |
| Assets held for sale  | 2              | 70               | -            | 3            | -             | -                  | -                           | 10                | 85                              |
| Other current assets  | 3,247          | 872              | 500          | 126          | 912           | 535                | 109                         | 156               | 6,457                           |
| <b>Total assets</b>   | <b>25,034</b>  | <b>9,357</b>     | <b>717</b>   | <b>1,393</b> | <b>8,635</b>  | <b>6,740</b>       | <b>1,006</b>                | <b>1,897</b>      | <b>54,779</b>                   |
| Non-interest-bearing liabilities  | 4,952          | 1,390            | 485          | 190          | 4,546         | 476                | 424                         | 176               | 12,639                          |
| <b>Invested capital, net</b>  | <b>20,082</b>  | <b>7,967</b>     | <b>232</b>   | <b>1,203</b> | <b>4,089</b>  | <b>6,264</b>       | <b>582</b>                  | <b>1,721</b>      | <b>42,140</b>                   |

<sup>1</sup> Comprise additions of intangible assets and property, plant and equipment, including additions from business combinations.

## NOTE 1 SEGMENT INFORMATION — CONTINUED

AMOUNTS IN USD MILLION

|   | Maersk<br>Line | APM<br>Terminals | Damco        | Svitzer      | Maersk<br>Oil | Maersk<br>Drilling | Maersk<br>Supply<br>Service | Maersk<br>Tankers | Total<br>reportable<br>segments |
|---|----------------|------------------|--------------|--------------|---------------|--------------------|-----------------------------|-------------------|---------------------------------|
| <b>2015</b>   |                |                  |              |              |               |                    |                             |                   |                                 |
| External revenue  | 23,410         | 2,785            | 2,737        | 638          | 5,639         | 2,486              | 603                         | 1,055             | 39,353                          |
| Inter-segment revenue   | 319            | 1,455            | 3            | 31           | -             | 31                 | 10                          | 3                 | 1,852                           |
| <b>Total revenue</b>  | <b>23,729</b>  | <b>4,240</b>     | <b>2,740</b> | <b>669</b>   | <b>5,639</b>  | <b>2,517</b>       | <b>613</b>                  | <b>1,058</b>      | <b>41,205</b>                   |
| <b>Profit before depreciation, amortisation and impairment losses, etc.</b> | <b>3,324</b>   | <b>845</b>       | <b>54</b>    | <b>190</b>   | <b>2,748</b>  | <b>1,396</b>       | <b>268</b>                  | <b>297</b>        | <b>9,122</b>                    |
| Depreciation and amortisation   | 1,915          | 309              | 29           | 84           | 1,593         | 519                | 141                         | 140               | 4,730                           |
| Impairment losses   | 17             | -                | -            | -            | 3,131         | 27                 | -                           | 1                 | 3,176                           |
| Reversal of impairment losses   | -              | 14               | -            | -            | -             | -                  | -                           | -                 | 14                              |
| Gain on sale of non-current assets, etc., net                               | 40             | 11               | 5            | 5            | 5             | 46                 | 30                          | 5                 | 147                             |
| Share of profit/loss in joint ventures                                      | -              | 114              | 10           | 15           | -             | 18                 | -                           | -                 | 157                             |
| Share of profit/loss in associated companies                                | -1             | 85               | -            | -            | -             | -                  | -                           | -                 | 84                              |
| <b>Profit/loss before financial items (EBIT)</b>                            | <b>1,431</b>   | <b>760</b>       | <b>40</b>    | <b>126</b>   | <b>-1,971</b> | <b>914</b>         | <b>157</b>                  | <b>161</b>        | <b>1,618</b>                    |
| Tax   | 128            | 106              | 21           | 6            | 175           | 163                | 10                          | 1                 | 610                             |
| <b>Net operating profit/loss after tax (NOPAT)</b>                          | <b>1,303</b>   | <b>654</b>       | <b>19</b>    | <b>120</b>   | <b>-2,146</b> | <b>751</b>         | <b>147</b>                  | <b>160</b>        | <b>1,008</b>                    |
| <b>Underlying result</b>  | <b>1,287</b>   | <b>626</b>       | <b>15</b>    | <b>116</b>   | <b>435</b>    | <b>732</b>         | <b>117</b>                  | <b>156</b>        | <b>3,484</b>                    |
| Cash flow from operating activities   | 3,271          | 874              | 127          | 138          | 1,768         | 1,283              | 250                         | 291               | 8,002                           |
| Cash flow used for capital expenditure                                      | -2,143         | -774             | 6            | -152         | -2,017        | -854               | -206                        | -185              | -6,325                          |
| <b>Free cash flow</b>   | <b>1,128</b>   | <b>100</b>       | <b>133</b>   | <b>-14</b>   | <b>-249</b>   | <b>429</b>         | <b>44</b>                   | <b>106</b>        | <b>1,677</b>                    |
| <b>Investments in non-current assets<sup>1</sup></b>                        | <b>2,260</b>   | <b>845</b>       | <b>10</b>    | <b>197</b>   | <b>2,436</b>  | <b>887</b>         | <b>276</b>                  | <b>450</b>        | <b>7,361</b>                    |
| Intangible assets   | 1              | 1,350            | 103          | 16           | 394           | 37                 | 19                          | 2                 | 1,922                           |
| Property, plant and equipment   | 21,845         | 2,976            | 76           | 1,015        | 6,308         | 7,802              | 1,802                       | 1,645             | 43,469                          |
| Investments in joint ventures   | -              | 1,476            | 26           | 84           | -             | 136                | -                           | -                 | 1,722                           |
| Investments in associated companies   | 1              | 541              | -            | -            | -             | -                  | -                           | -                 | 542                             |
| Other non-current assets  | 239            | 130              | 32           | 56           | 960           | 22                 | 6                           | -                 | 1,445                           |
| Assets held for sale  | 50             | 12               | -            | -            | 20            | -                  | -                           | 41                | 123                             |
| Other current assets  | 2,721          | 731              | 515          | 131          | 999           | 693                | 133                         | 154               | 6,077                           |
| <b>Total assets</b>   | <b>24,857</b>  | <b>7,216</b>     | <b>752</b>   | <b>1,302</b> | <b>8,681</b>  | <b>8,690</b>       | <b>1,960</b>                | <b>1,842</b>      | <b>55,300</b>                   |
| Non-interest-bearing liabilities  | 4,803          | 1,039            | 549          | 170          | 5,231         | 712                | 191                         | 198               | 12,893                          |
| <b>Invested capital, net</b>  | <b>20,054</b>  | <b>6,177</b>     | <b>203</b>   | <b>1,132</b> | <b>3,450</b>  | <b>7,978</b>       | <b>1,769</b>                | <b>1,644</b>      | <b>42,407</b>                   |

<sup>1</sup> Comprise additions of intangible assets and property, plant and equipment, including additions from business combinations.

## NOTE 1 SEGMENT INFORMATION — CONTINUED

### AMOUNTS IN USD MILLION

|   | 2016          | 2015          |
|---|---------------|---------------|
| <b>REVENUE</b>                              |               |               |
| Reportable segments                         | 36,408        | 41,205        |
| Other businesses                            | 915           | 1,185         |
| Unallocated activities (Maersk Oil Trading) | 312           | 257           |
| Eliminations                                | -2,171        | -2,339        |
| <b>Total</b>                                | <b>35,464</b> | <b>40,308</b> |
| Of which:                                   |               |               |
| Sale of goods including sale of oil and gas | 5,183         | 6,006         |
| Rendering of services, etc.                 | 30,281        | 34,302        |
| <b>PROFIT/LOSS FOR THE YEAR</b>             |               |               |
| Reportable segments                         | -1,199        | 1,008         |
| Other businesses                            | -117          | 316           |
| Financial items, net                        | -617          | -423          |
| Unallocated tax                             | -28           | -70           |
| Other unallocated items                     | 22            | 65            |
| Eliminations                                | 30            | 19            |
| <b>Total</b>                                | <b>-1,897</b> | <b>925</b>    |
| <b>ASSETS</b>                               |               |               |
| Reportable segments                         | 54,779        | 55,300        |
| Other businesses                            | 1,119         | 1,282         |
| Unallocated activities                      | 7,000         | 7,456         |
| Eliminations                                | -1,780        | -1,630        |
| <b>Total</b>                                | <b>61,118</b> | <b>62,408</b> |
| <b>LIABILITIES</b>                          |               |               |
| Reportable segments                         | 12,639        | 12,893        |
| Other businesses                            | 429           | 421           |
| Unallocated activities                      | 17,726        | 14,949        |
| Eliminations                                | -1,766        | -1,594        |
| <b>Total</b>                                | <b>29,028</b> | <b>26,669</b> |

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

Management has chosen not to apply finance lease accounting for the internal reporting and accordingly these terminals are still reported as part of APM Terminals in the segment information. The effect for APM Terminals is an increase of USD 124m (USD 90m) in revenue and USD 49m (USD 31m) in EBIT excluding the gains or losses in connection with the de-recognition of non-current assets. Maersk Line is affected by the same amount on cost and EBIT.

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

| Geographical split  | External revenue |               | Tax paid     |              | Non-current assets <sup>1</sup> |               |
|---------------------|------------------|---------------|--------------|--------------|---------------------------------|---------------|
|                     | 2016             | 2015          | 2016         | 2015         | 2016                            | 2015          |
| Denmark             | 1,414            | 1,614         | 191          | 319          | 17,353                          | 18,016        |
| Algeria             | 748              | 839           | 309          | 337          | 409                             | 481           |
| China and Hong Kong | 1,601            | 1,716         | 6            | 13           | 3,268                           | 3,526         |
| Qatar               | 2,039            | 2,475         | 445          | 515          | 226                             | 677           |
| Singapore           | 189              | 197           | 2            | 1            | 5,133                           | 5,536         |
| United Kingdom      | 2,442            | 2,855         | +35          | 1            | 3,465                           | 3,189         |
| USA                 | 5,875            | 6,560         | 39           | 47           | 3,435                           | 4,015         |
| Other               | 21,156           | 24,052        | 198          | 240          | 11,827                          | 10,481        |
| <b>Total</b>        | <b>35,464</b>    | <b>40,308</b> | <b>1,155</b> | <b>1,473</b> | <b>45,116</b>                   | <b>45,921</b> |

<sup>1</sup> Comprise intangible assets and property, plant and equipment.

### Geographical information

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

## NOTE 1 SEGMENT INFORMATION — CONTINUED

AMOUNTS IN USD MILLION

|   | 2016        | 2015         |
|---|-------------|--------------|
| <b>Exploration activities (Maersk Oil)</b>            |             |              |
| Income  | 2           | 3            |
| Exploration costs                                     | 223         | 423          |
| Depreciation, amortisation and impairment losses, net | 58          | 948          |
| <b>Exploration expenses, net</b>                      | <b>279</b>  | <b>1,368</b> |
| Intangible assets <sup>1</sup>                        | 412         | 3            |
| Total assets  | 483         | 23           |
| Total liabilities                                     | 89          | 45           |
| Cash flow from operating activities                   | -210        | -365         |
| Cash flow used for capital expenditure                | -426        | 1            |
| <b>Free cash flow</b>                                 | <b>-636</b> | <b>-364</b>  |

<sup>1</sup> Comprise mainly oil rights.

The exploration activities include Maersk Oil's income, expenses, assets, liabilities and cash flows related to exploration for and evaluation of oil and gas resources. Activities in the subsequent development phases are not included. The income relates primarily to farm-out agreements. Expenses comprise exploration costs, equipment costs, amortisation and impairment losses related to exploration rights, etc. The assets, liabilities and cash flows comprise Maersk Oil's entities primarily engaged in exploration activities.

## NOTE 2 OPERATING COSTS

AMOUNTS IN USD MILLION

|   | 2016          | 2015          |
|---|---------------|---------------|
| Costs of goods sold                             | 566           | 470           |
| Bunker costs                                    | 2,156         | 2,987         |
| Terminal costs                                  | 5,211         | 4,885         |
| Intermodal costs                                | 2,870         | 2,818         |
| Port costs                                      | 1,859         | 1,858         |
| Rent and lease costs                            | 2,590         | 2,931         |
| Exploration costs                               | 223           | 423           |
| Staff costs                                     | 5,237         | 5,525         |
| Other   | 7,986         | 9,368         |
| <b>Total operating costs</b>                    | <b>28,698</b> | <b>31,265</b> |
| <b>REMUNERATION OF EMPLOYEES</b>                |               |               |
| Wages and salaries                              | 4,615         | 4,917         |
| Severance payments                              | 127           | 148           |
| Pension costs, defined benefit plans            | 27            | 37            |
| Pension costs, defined contribution plans       | 334           | 344           |
| Other social security costs                     | 337           | 353           |
| <b>Total remuneration</b>                       | <b>5,440</b>  | <b>5,799</b>  |
| Of which:                                       |               |               |
| Recognised in the cost of assets                | 68            | 76            |
| Included in exploration and restructuring costs | 135           | 198           |
| <b>Expensed as staff costs</b>                  | <b>5,237</b>  | <b>5,525</b>  |
| Average number of employees <sup>1</sup>        | 87,736        | 88,355        |

<sup>1</sup> Reference is made to the sustainability report for the under-represented gender in leadership, cf. page 114.

Rent and lease costs include contingent rent totalling USD 187m (USD 152m), which entirely relates to operating leases.

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

For information about share-based payment reference is made to note 10.

## NOTE 2 OPERATING COSTS — CONTINUED

AMOUNTS IN USD MILLION

| Fees and remuneration to the Management Board (previously the Executive Board)        | 2016      | 2015      |
|---|-----------|-----------|
| Fixed annual fee  | 13        | 15        |
| Cash incentive  | 2         | 3         |
| Performance shares  | -2        | -         |
| Remuneration in connection with redundancy, resignation and release from duty to work | 22        | -         |
| Lump sum retirement payment   | -1        | 1         |
| <b>Total remuneration to the Management Board</b>                                     | <b>34</b> | <b>19</b> |

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

Some members of the Executive Board had the right to a lump sum payment on retirement at or above a certain age. The maximum amount payable under the Agreement was 24 months of salary. The related service cost was recognised over the term of the agreement.

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

| Fees to the statutory auditors | PricewaterhouseCoopers<br>Statsautoriseret<br>Revisionspartnerselskab |          | PwC including<br>network firms |           |
|--------------------------------|---|----------|--------------------------------|-----------|
|                                | 2016  | 2015     | 2016                           | 2015      |
| Statutory audit                | 5   | 3        | 11                             | 8         |
| Other assurance services       | -   | -        | -                              | -         |
| Tax and VAT advisory services  | 1   | 1        | 3                              | 2         |
| Other services                 | 1   | 2        | 1                              | 3         |
| <b>Total fees</b>              | <b>7</b>  | <b>6</b> | <b>15</b>                      | <b>13</b> |

| Fees to the statutory auditors | KPMG<br>Statsautoriseret<br>Revisionspartnerselskab |          | KPMG including<br>network firms |           |
|--------------------------------|---|----------|---------------------------------|-----------|
|                                | 2016  | 2015     | 2016                            | 2015      |
| Statutory audit                | -   | 1        | -                               | 8         |
| Other assurance services       | -   | -        | -                               | -         |
| Tax and VAT advisory services  | -   | -        | -                               | 4         |
| Other services                 | -   | -        | -                               | 1         |
| <b>Total fees</b>              | <b>-</b>  | <b>1</b> | <b>-</b>                        | <b>13</b> |

## NOTE 3 GAIN ON SALE OF NON-CURRENT ASSETS, ETC., NET

AMOUNTS IN USD MILLION

|  | 2016       | 2015       |
|--|------------|------------|
| Gains <sup>1</sup>                                   | 246        | 509        |
| Losses   | 68         | 31         |
| <b>Gain on sale of non-current assets, etc., net</b> | <b>178</b> | <b>478</b> |

<sup>1</sup> Gains include dividends received from available-for-sale investments.

Gains were primarily related to dividends received from available-for-sale investments of USD 88m (USD 27m) and the sale of shares in Danmarks Skibskredit A/S of USD 54m.

In 2015, gains were primarily related to the sale of Danske Bank of USD 223m and sale of Esvagt of USD 76m.

## NOTE 4 FINANCIAL INCOME AND EXPENSES

AMOUNTS IN USD MILLION

|   | 2016       | 2015       |
|---|------------|------------|
| Interest expenses on liabilities                                      | 540        | 415        |
| Of which borrowing costs capitalised on assets <sup>1</sup>           | 137        | 159        |
| Interest income on loans and receivables                              | 86         | 65         |
| Interest income on securities   | 3          | 5          |
| Fair value adjustment transferred from equity hedge reserve (loss)    | 69         | 53         |
| Unwind of discount on provisions                                      | 94         | 86         |
| <b>Net interest expenses</b>  | <b>477</b> | <b>325</b> |
| Exchange rate gains on bank balances, borrowings and working capital  | 629        | 746        |
| Exchange rate losses on bank balances, borrowings and working capital | 728        | 778        |
| <b>Net foreign exchange gains/losses</b>                              | <b>-99</b> | <b>-32</b> |
| Fair value gains from derivatives                                     | 204        | 306        |
| Fair value losses from derivatives <sup>2</sup>                       | 311        | 387        |
| Fair value gains from securities                                      | 46         | 23         |
| Fair value losses from securities                                     | 1          | 9          |
| <b>Net fair value gains/losses</b>                                    | <b>-62</b> | <b>-67</b> |
| Dividends received from securities                                    | 21         | 1          |
| <b>Financial expenses, net</b>  | <b>617</b> | <b>423</b> |
| Of which:   |            |            |
| Financial income  | 989        | 1,146      |
| Financial expenses  | 1,606      | 1,569      |

<sup>1</sup> The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 4.1% (3.8%).

<sup>2</sup> Include loss on hedging instrument in fair value hedge of USD 21m (loss of USD 27m) and gain on the hedged item of USD 27m (gain of USD 38m).

For an analysis of gains and losses from derivatives reference is made to note 14.

## NOTE 5 TAX

AMOUNTS IN USD MILLION

|   | 2016         | 2015         |
|---|--------------|--------------|
| <b>TAX RECOGNISED IN THE INCOME STATEMENT</b>                                 |              |              |
| Current tax on profits for the year   | 739          | 1,249        |
| Adjustment for current tax of prior periods                                   | -378         | -142         |
| Utilisation of previously unrecognised deferred tax assets                    | -5           | -1           |
| <b>Total current tax</b>  | <b>356</b>   | <b>1,106</b> |
| Origination and reversal of temporary differences                             | 179          | -634         |
| Adjustment for deferred tax of prior periods                                  | 253          | 60           |
| Adjustment attributable to changes in tax rates and laws                      | 46           | -170         |
| Recognition of previous unrecognised deferred tax assets                      | -39          | -61          |
| Reassessment of recoverability of deferred tax assets, net                    | 66           | 3            |
| <b>Total deferred tax</b>   | <b>505</b>   | <b>-802</b>  |
| <b>Total income tax</b>   | <b>861</b>   | <b>304</b>   |
| Tonnage and freight tax   | 60           | 90           |
| Oil tax based on gross measures   | 133          | 128          |
| <b>Total tax expense</b>  | <b>1,054</b> | <b>522</b>   |
| <b>TAX RECONCILIATION:</b>  |              |              |
| Profit/loss before tax  | -843         | 1,447        |
| Profit/loss subject to Danish and foreign tonnage taxation, etc. <sup>1</sup> | 1,676        | -1,466       |
| Internal gain/loss on sale of assets  | -2           | -            |
| Share of profit/loss in joint ventures  | -149         | -165         |
| Share of profit/loss in associated companies                                  | 55           | -97          |
| Profit/loss before tax, adjusted  | 737          | -281         |
| Tax using the Danish corporation tax rate (2016: 22.0%, 2015: 23.5%)          | 162          | -67          |
| Effect of income taxes on oil and gas   | 593          | 480          |
| Tax rate deviations in foreign jurisdictions                                  | -9           | -398         |
| Non-taxable income  | -86          | -220         |
| Non-deductible expenses   | 123          | 179          |
| Adjustment to previous years' taxes   | -125         | -82          |
| Effect of changed tax rate  | 46           | -170         |
| Change in recoverability of deferred tax assets                               | 22           | -59          |
| Deferred tax asset not recognised   | 120          | 533          |
| Other differences, net  | 15           | 108          |
| <b>Total income tax</b>   | <b>861</b>   | <b>304</b>   |
| <b>Tax recognised in other comprehensive income and equity</b>                | <b>-16</b>   | <b>-12</b>   |
| Of which:   |              |              |
| Current tax   | 4            | -16          |
| Deferred tax  | -20          | 4            |

<sup>1</sup> Including impairment losses on vessels, rigs under tonnage taxation.

## NOTE 6 INTANGIBLE ASSETS

### AMOUNTS IN USD MILLION

|   | Goodwill   | Terminal and service concession rights | Oil concession rights   | Other rights            | Total         |
|---|------------|--|-------------------------|-------------------------|---------------|
| <b>COST</b>                               |            |  |                         |                         |               |
| 1 January 2015                            | 542        | 1,370                                  | 7,612                   | 631                     | 10,155        |
| Addition                                  | -          | 220                                    | 24                      | 47                      | 291           |
| Acquired in business combinations         | 8          | 16                                     | -                       | 6                       | 30            |
| Disposal                                  | -          | -                                      | 118                     | 96                      | 214           |
| Disposal on sale of businesses            | 1          | 17                                     | -                       | -                       | 18            |
| Transfer, assets held for sale            | -          | -                                      | -                       | 6                       | 6             |
| Exchange rate adjustment                  | -54        | -65                                    | -                       | -16                     | -135          |
| <b>31 December 2015</b>                   | <b>495</b> | <b>1,524</b>                           | <b>7,518</b>            | <b>578</b>              | <b>10,115</b> |
| Addition                                  | -          | 259                                    | 439                     | 124                     | 822           |
| Acquired in business combinations         | 248        | 845                                    | -                       | 36                      | 1,129         |
| Disposal                                  | -          | -                                      | 515                     | 5                       | 520           |
| Transfer, assets held for sale            | -1         | -                                      | -                       | -                       | -1            |
| Exchange rate adjustment                  | -12        | -57                                    | -                       | -6                      | -75           |
| <b>31 December 2016</b>                   | <b>730</b> | <b>2,571</b>                           | <b>7,442</b>            | <b>727</b>              | <b>11,470</b> |
| <b>AMORTISATION AND IMPAIRMENT LOSSES</b> |            |  |                         |                         |               |
| 1 January 2015                            | 451        | 257                                    | 6,145                   | 484                     | 7,337         |
| Amortisation                              | -          | 3                                      | 80                      | 51                      | 134           |
| Impairment losses                         | -          | -                                      | 1,026                   | -                       | 1,026         |
| Disposal                                  | -          | -                                      | 118                     | 96                      | 214           |
| Disposal on sale of businesses            | -          | 17                                     | -                       | -                       | 17            |
| Transfer, assets held for sale            | -          | -                                      | -                       | 6                       | 6             |
| Exchange rate adjustment                  | -43        | -26                                    | -                       | -10                     | -79           |
| <b>31 December 2015</b>                   | <b>408</b> | <b>217</b>                             | <b>7,133</b>            | <b>435</b>              | <b>8,193</b>  |
| Amortisation                              | -          | 65                                     | 72                      | 51                      | 188           |
| Impairment losses                         | -          | -                                      | -                       | 11                      | 11            |
| Disposal                                  | -          | -                                      | 515                     | 5                       | 520           |
| Exchange rate adjustment                  | -12        | -8                                     | -                       | -2                      | -22           |
| <b>31 December 2016</b>                   | <b>396</b> | <b>274</b>                             | <b>6,690</b>            | <b>490</b>              | <b>7,850</b>  |
| <b>CARRYING AMOUNT:</b>                   |            |  |                         |                         |               |
| <b>31 December 2015</b>                   | <b>87</b>  | <b>1,307</b> <sup>1</sup>              | <b>385</b> <sup>2</sup> | <b>143</b> <sup>3</sup> | <b>1,922</b>  |
| <b>31 December 2016</b>                   | <b>334</b> | <b>2,297</b> <sup>1</sup>              | <b>752</b> <sup>2</sup> | <b>237</b> <sup>3</sup> | <b>3,620</b>  |

<sup>1</sup> Of which USD 89m (USD 472m) is under development. USD 34m (USD 37m) is related to terminal rights with indefinite useful life in Poti Sea Port Corp. The impairment test is based on the estimated value in use according to business plans. An average discount rate of 12.9% (13.5%) p.a. after tax has been applied in the calculations. Furthermore, the development in volumes and rates are significant parameters. Service concession rights with a carrying amount of USD 95m (USD 192m) have restricted title.

<sup>2</sup> Of which USD 384m (USD 107m) is related to oil concession rights where amortisation will begin when production commences. These rights will only be subject to impairment testing when trigger events occur.

<sup>3</sup> Of which USD 43m (USD 26m) is related to on-going development of software.

## NOTE 6 INTANGIBLE ASSETS — CONTINUED

### AMOUNTS IN USD MILLION

Impairment tests of intangible assets were carried out using the below methods and key assumptions based on identified impairment indicators during the year, cf. note 23. In the cash generating units below the tests gave rise to impairment losses.

| Operating segment            | Cash generating unit | Methodology  | Applied discount rate p.a. after tax |       | Impairment losses |              | Recoverable amount |      |
|------------------------------|----------------------|--------------|--------------------------------------|-------|-------------------|--------------|--------------------|------|
|                              |                      |              | 2016                                 | 2015  | 2016              | 2015         | 2016               | 2015 |
| <b>OIL CONCESSION RIGHTS</b> |                      |              |                                      |       |                   |              |                    |      |
| Maersk Oil                   | Angola               | Value in use | -                                    | 11.5% | -                 | 114          | -                  | -    |
| Maersk Oil                   | USA                  | Value in use | -                                    | 8.0%  | -                 | 44           | -                  | 267  |
| Maersk Oil                   | UK                   | Value in use | -                                    | 8.0%  | -                 | 38           | -                  | -    |
| Maersk Oil                   | Norway               | Value in use | -                                    | 8.0%  | -                 | 6            | -                  | 1    |
| Maersk Oil                   | Brazil               | Value in use | -                                    | 11.0% | -                 | 599          | -                  | -    |
| Maersk Oil                   | Kurdistan            | Value in use | -                                    | 14.5% | -                 | 225          | -                  | 96   |
| <b>OTHER RIGHTS</b>          |                      |              |                                      |       |                   |              |                    |      |
| Other                        |                      | Value in use | -                                    | -     | 11                | -            | 6                  | -    |
| <b>Total</b>                 |                      |              |                                      |       | <b>11</b>         | <b>1,026</b> |                    |      |

## NOTE 7 PROPERTY, PLANT AND EQUIPMENT

AMOUNTS IN USD MILLION

|                                   | Ships,<br>containers,<br>etc. | Production<br>facilities<br>and equip-<br>ment, etc. | Rigs         | Construc-<br>tion work<br>in progress<br>and pay-<br>ment on<br>account | Total         |
|-----------------------------------|-------------------------------|--|--------------|---|---------------|
| <b>COST</b>                       |                               |  |              |   |               |
| 1 January 2015                    | 42,973                        | 28,409   | 8,397        | 4,908   | 84,687        |
| Addition                          | 1,480                         | 1,033  | 10           | 4,790   | 7,313         |
| Acquired in business combinations | 5                             | 8  | -            | -   | 13            |
| Disposal                          | 1,006                         | 175  | 204          | 15  | 1,400         |
| Disposal on sale of businesses    | 7                             | 48   | -            | 10  | 65            |
| Transfer                          | 1,400                         | 1,710  | 1,582        | -4,692  | -             |
| Transfer, assets held for sale    | -853                          | 45   | -            | -25   | -833          |
| Exchange rate adjustment          | -243                          | -326   | -            | -100  | -669          |
| <b>31 December 2015</b>           | <b>43,749</b>                 | <b>30,656</b>  | <b>9,785</b> | <b>4,856</b>  | <b>89,046</b> |
| Addition                          | 1,467                         | -57 <sup>1</sup>                                     | 115          | 2,844   | 4,369         |
| Acquired in business combinations | 1                             | 422  | -            | 5   | 428           |
| Disposal                          | 1,816                         | 106  | 11           | 125   | 2,058         |
| Transfer                          | 719                           | 1,184  | 93           | -1,996  | -             |
| Transfer, assets held for sale    | -40                           | -66  | -            | -   | -106          |
| Exchange rate adjustment          | -41                           | -284   | -            | 4   | -321          |
| <b>31 December 2016</b>           | <b>44,039</b>                 | <b>31,749</b>  | <b>9,982</b> | <b>5,588</b>  | <b>91,358</b> |

<sup>1</sup> The negative addition is due to adjustments of abandonment provision predominantly in the UK.

|   | Ships,<br>containers,<br>etc. | Production<br>facilities<br>and equip-<br>ment, etc. | Rigs         | Construc-<br>tion work<br>in progress<br>and pay-<br>ment on<br>account | Total         |
|---|-------------------------------|--|--------------|---|---------------|
| <b>DEPRECIATION AND<br/>IMPAIRMENT LOSSES</b>                 |                               |  |              |   |               |
| 1 January 2015  | 17,568                        | 20,451   | 1,951        | 46  | 40,016        |
| Depreciation  | 2,271                         | 1,869  | 507          | -   | 4,647         |
| Impairment losses   | 17                            | 1,120  | 27           | 986   | 2,150         |
| Reversal of impairment losses                                 | -                             | 7  | -            | -   | 7             |
| Disposal  | 832                           | 141  | 204          | -   | 1,177         |
| Disposal on sale of businesses                                | 1                             | 34   | -            | 8   | 43            |
| Transfer, assets held for sale                                | -319                          | 14   | -            | -   | -305          |
| Exchange rate adjustment                                      | -91                           | -143   | -            | -   | -234          |
| <b>31 December 2015</b>                                       | <b>18,613</b>                 | <b>23,129</b>  | <b>2,281</b> | <b>1,024</b>  | <b>45,047</b> |
| Depreciation  | 2,274                         | 1,472  | 570          | -   | 4,316         |
| Impairment losses   | 736                           | 13   | 1,431        | 261   | 2,441         |
| Disposal  | 1,595                         | 92   | 4            | 28  | 1,719         |
| Transfer, assets held for sale                                | -27                           | -43  | -            | -   | -70           |
| Exchange rate adjustment                                      | -26                           | -128   | -            | 1   | -153          |
| <b>31 December 2016</b>                                       | <b>19,975</b>                 | <b>24,351</b>  | <b>4,278</b> | <b>1,258</b>  | <b>49,862</b> |
| <b>CARRYING AMOUNT:</b>                                       |                               |  |              |   |               |
| <b>31 December 2015</b>                                       | <b>25,136</b>                 | <b>7,527</b>   | <b>7,504</b> | <b>3,832</b>  | <b>43,999</b> |
| <b>31 December 2016</b>                                       | <b>24,064</b>                 | <b>7,398</b>   | <b>5,704</b> | <b>4,330</b>  | <b>41,496</b> |
| <b>OF WHICH CARRYING AMOUNT<br/>OF FINANCE LEASED ASSETS:</b> |                               |  |              |   |               |
| <b>31 December 2015</b>                                       | <b>1,621</b>                  | <b>5</b>   | <b>-</b>     | <b>-</b>  | <b>1,626</b>  |
| <b>31 December 2016</b>                                       | <b>2,377</b>                  | <b>73</b>  | <b>-</b>     | <b>8</b>  | <b>2,458</b>  |

## NOTE 7 PROPERTY, PLANT AND EQUIPMENT — CONTINUED

### AMOUNTS IN USD MILLION

Impairment tests of property, plant and equipment have been carried out for cash generating units with indications of impairment. In the cash generating units below the test gave rise to impairment losses and reversals.

| Operating segment     | Cash generating unit                            | Methodology  | Applied discount rate p.a. after tax |       | Impairment losses |              | Reversal of impairment losses |          | Recoverable amount |      |
|-----------------------|---|--------------|--------------------------------------|-------|-------------------|--------------|-------------------------------|----------|--------------------|------|
|                       |   |              | 2016                                 | 2015  | 2016              | 2015         | 2016                          | 2015     | 2016               | 2015 |
| Maersk Line           | Multi-purpose vessels                           | Fair value   | -                                    | -     | -                 | 17           | -                             | -        | -                  | -    |
| Maersk Oil            | Angola  | Value in use | -                                    | 11.5% | -                 | 645          | -                             | -        | -                  | 3    |
|                       | Kazakhstan                                      | Value in use | -                                    | 11.0% | -                 | 418          | -                             | -        | -                  | 16   |
|                       | Denmark   | Value in use | -                                    | 8.0%  | -                 | 310          | -                             | -        | -                  | 465  |
|                       | USA   | Value in use | -                                    | 8.0%  | -                 | 54           | -                             | -        | -                  | 660  |
|                       | UK <sup>1</sup>                                 | Value in use | -                                    | 8.0%  | -                 | 649          | -                             | -        | -                  | 269  |
|                       | Norway  | Value in use | -                                    | 8.0%  | -                 | 28           | -                             | -        | -                  | 7    |
| Maersk Drilling       | Deepwater rigs                                  | Value in use | 8.5%                                 | 8.5%  | 1,069             | -            | -                             | -        | 2,788              | -    |
|                       | Jack-up rigs <sup>2</sup>                       | Value in use | 8.5%                                 | 8.5%  | 441               | -            | -                             | -        | 3,460              | -    |
|                       | Endurer   | Fair value   | -                                    | -     | -                 | 27           | -                             | -        | -                  | -    |
| Maersk Supply Service | Anchor Handling Tug Supply Vessels <sup>3</sup> | Value in use | 8.5%                                 | 8.5%  | 834               | -            | -                             | -        | 172                | -    |
|                       | Other   | Value in use | -                                    | -     | 65                | -            | -                             | -        | 399                | -    |
| Other                 |   |              | -                                    | -     | 32                | 2            | -                             | 7        | -                  | -    |
| <b>Total</b>          |   |              |                                      |       | <b>2,441</b>      | <b>2,150</b> |                               | <b>7</b> |                    |      |

<sup>1</sup> In the UK each field/area is regarded as a cash generating unit. The most significant impairment in 2015 was USD 374m on the Gryphon area.

<sup>2</sup> Mainly related to ultra-harsh environment jack-up rigs, covering four cash generating units, operating in the North Sea.

<sup>3</sup> Comprise anchor handling tug supply vessels intended for recycling as well as continued use in separate cash generating units. In addition to the above, USD 309m is recognised as impairments in the income statement and booked as provision. This impairment is related to newbuildings, which will be delivered in 2017 and 2018.

#### Impairments

The impairments recognised in Maersk Drilling and Maersk Supply Service are due to challenging market conditions. Predicting the future income streams in such depressed markets remains uncertain, cf. note 23.

#### Transfers

Transfers to assets held for sale primarily relate to APM Terminals' divestment of Pentaver in the UK and four vessels in Maersk Tankers.

In 2015, transfers to assets held for sale were primarily related to Esvagt, five MPV vessels in Maersk Line, four vessels in Maersk Tankers and various minor assets in APM Terminals.

## NOTE 7 PROPERTY, PLANT AND EQUIPMENT — CONTINUED

### AMOUNTS IN USD MILLION

#### Finance leases

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

#### Operating leases as lessor

Property, plant and equipment include assets, mainly drillships, jack-up rigs and vessels, which are leased out as part of the Group's activities. For Maersk Drilling the amounts include both expected lease income and service fee related hereto.

|                             | Maersk Drilling | Other      | Maersk Drilling | Other        |
|-----------------------------|-----------------|------------|-----------------|--------------|
| Operating lease receivables | 2016            | 2016       | 2015            | 2015         |
| Within one year             | 1,342           | 238        | 1,943           | 441          |
| Between one and five years  | 2,353           | 337        | 3,211           | 390          |
| After five years            | 44              | 265        | 234             | 286          |
| <b>Total</b>                | <b>3,739</b>    | <b>840</b> | <b>5,388</b>    | <b>1,117</b> |

#### Ownership of production facilities and vessels

Ownership of production facilities, etc., relating to oil production in Qatar and Algeria with a carrying amount of USD 0.6bn (USD 1.2bn) is transferred to state-owned oil companies on an on-going basis according to agreements. The right of use is maintained during the concession period.

#### Pledges

Ships, buildings, etc. with carrying amount of USD 4.0bn (USD 4.1bn) have been pledged as security for loans of USD 2.3bn (USD 2.6bn).

## NOTE 8 DEFERRED TAX

### AMOUNTS IN USD MILLION

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

|                               | Assets       |              | Liabilities  |              | Net liabilities |             |
|-------------------------------|--------------|--------------|--------------|--------------|-----------------|-------------|
|                               | 2016         | 2015         | 2016         | 2015         | 2016            | 2015        |
| Property, plant and equipment | 146          | 71           | 1,694        | 1,737        | 1,548           | 1,666       |
| Provisions, etc.              | 770          | 1,306        | 59           | 29           | -711            | -1,277      |
| Tax loss carry forwards       | 1,036        | 1,090        | -            | -            | -1,036          | -1,090      |
| Other                         | 109          | 101          | 323          | 191          | 214             | 90          |
| <b>Total</b>                  | <b>2,061</b> | <b>2,568</b> | <b>2,076</b> | <b>1,957</b> | <b>15</b>       | <b>-611</b> |
| Offsets                       | -1,471       | -1,677       | -1,471       | -1,677       | -               | -           |
| <b>Total</b>                  | <b>590</b>   | <b>891</b>   | <b>605</b>   | <b>280</b>   | <b>15</b>       | <b>-611</b> |

#### Change in deferred tax, net during the year

|   | 2016        | 2015        |
|---|-------------|-------------|
| <b>1 January</b>                          | <b>-611</b> | <b>165</b>  |
| Property, plant and equipment             | -143        | -378        |
| Provisions, etc.                          | 564         | -274        |
| Tax loss carry forwards                   | 64          | -209        |
| Other                                     | 20          | 59          |
| <b>Recognised in the income statement</b> | <b>505</b>  | <b>-802</b> |
| Other, including business combinations    | 121         | 26          |
| <b>31 December</b>                        | <b>15</b>   | <b>-611</b> |

#### Unrecognised deferred tax assets

|                                  | 2016         | 2015         |
|----------------------------------|--------------|--------------|
| Deductible temporary differences | 957          | 1,040        |
| Tax loss carry forwards          | 1,047        | 819          |
| <b>Total</b>                     | <b>2,004</b> | <b>1,859</b> |

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

## NOTE 9 SHARE CAPITAL AND EARNINGS PER SHARE

### AMOUNTS IN USD MILLION

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

At the Annual General Meeting of A.P. Møller - Mærsk A/S on 30 March 2015, the shareholders decided on the cancellation of 432,618 treasury shares, whereby the share capital has decreased. The cancellation of the treasury shares took place in Q2 2015.

Development in the number of shares:

|                         | A shares          |            | B shares          |            | Nominal value |              |
|-------------------------|-------------------|------------|-------------------|------------|---------------|--------------|
|                         | of DKK 1,000      | of DKK 500 | of DKK 1,000      | of DKK 500 | DKK million   | USD million  |
| 1 January 2015          | 10,988,834        | 332        | 10,988,905        | 190        | 21,978        | 3,985        |
| Cancellation            | 86,500            | -          | 346,118           | -          | 433           | 79           |
| Conversion              | 7                 | -14        | 3                 | -6         | -             | -            |
| <b>31 December 2015</b> | <b>10,902,341</b> | <b>318</b> | <b>10,642,790</b> | <b>184</b> | <b>21,545</b> | <b>3,906</b> |
| Cancellation            | 146,122           | -          | 582,398           | -          | 728           | 132          |
| Conversion              | 2                 | -4         | -                 | -          | -             | -            |
| <b>31 December 2016</b> | <b>10,756,221</b> | <b>314</b> | <b>10,060,392</b> | <b>184</b> | <b>20,817</b> | <b>3,774</b> |

All shares are fully issued and paid up.

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

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

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

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

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

Development in the holding of own shares:

| Own shares         | No. of shares of DKK 1,000 |                | Nominal value DKK million |            | % of share capital |              |
|--------------------|----------------------------|----------------|---------------------------|------------|--------------------|--------------|
|                    | 2016                       | 2015           | 2016                      | 2015       | 2016               | 2015         |
| <b>A SHARES</b>    |                            |                |                           |            |                    |              |
| 1 January          | 69,585                     | 61,075         | 70                        | 61         | 0.32%              | 0.28%        |
| Addition           | 76,537                     | 95,010         | 77                        | 95         | 0.36%              | 0.43%        |
| Cancellation       | 146,122                    | 86,500         | 147                       | 86         | 0.68%              | 0.39%        |
| <b>31 December</b> | <b>-</b>                   | <b>69,585</b>  | <b>-</b>                  | <b>70</b>  | <b>0.00%</b>       | <b>0.32%</b> |
| <b>B SHARES</b>    |                            |                |                           |            |                    |              |
| 1 January          | 361,409                    | 342,066        | 361                       | 342        | 1.68%              | 1.56%        |
| Addition           | 306,278                    | 382,972        | 306                       | 383        | 1.42%              | 1.77%        |
| Cancellation       | 582,398                    | 346,118        | 582                       | 346        | 2.70%              | 1.57%        |
| Disposal           | 7,647                      | 17,511         | 7                         | 18         | 0.03%              | 0.08%        |
| <b>31 December</b> | <b>77,642</b>              | <b>361,409</b> | <b>78</b>                 | <b>361</b> | <b>0.37%</b>       | <b>1.68%</b> |

Additions of own shares related to the buy-back programmes initiated in September 2014 and 2015. The purpose of the share buy-back programme was to adjust the capital structure of the Company.

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

The Board of Directors proposes a dividend to the shareholders of DKK 150 per share of DKK 1,000 – a total of DKK 3,123m, equivalent to USD 443m at the exchange rate as per 31 December 2016 (DKK 300 per share of DKK 1,000 – a total of DKK 6,464m equivalent to USD 946m).

Payment of all dividends is expected to take place on 31 March 2017.

Payment of dividends to shareholders does not trigger taxes to A.P. Møller - Maersk.

## NOTE 9 SHARE CAPITAL AND EARNINGS PER SHARE — CONTINUED

AMOUNTS IN USD MILLION

Basis for calculating earnings per share is the following:

| A.P. Møller - Mærsk A/S' share of: | 2016          | 2015       |
|------------------------------------|---------------|------------|
| <b>Profit/loss for the year</b>    | <b>-1,939</b> | <b>791</b> |

|                                    | 2016              | 2015              |
|------------------------------------|-------------------|-------------------|
| Issued shares 1 January            | 21,545,382        | 21,978,000        |
| Average number of own shares       | 383,665           | 319,705           |
| Average number of cancelled shares | 386,155           | 241,792           |
| <b>Average number of shares</b>    | <b>20,775,562</b> | <b>21,416,503</b> |

At 31 December 2016, there is no dilution effect on earnings per share from the 11,475 issued share options. The issued share options corresponded to 0.06% of the total average number of shares in the Group. At 31 December 2015, there was a dilution effect on earnings per share from the 22,915 issued share options. The issued share options corresponded to 0.11% of the total average number of shares in the Group.

## NOTE 10 SHARE-BASED PAYMENT

### Equity settled incentive plans (excluding share options plan)

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

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

The actual transfer of performance shares is further contingent upon the degree of certain financial goals being achieved. This means that the number of shares that eventually will vest may be adjusted during the vesting period.

The members of the Management Board as well as other employees are not entitled to any dividend during the vesting period. Special conditions apply regarding illness, death and resignation as well as changes in the Company's capital structure, etc. A portion of the Group's holding of own shares is reserved for transfer of restricted and performance shares.

|  | Restricted Shares Plan Employees <sup>1</sup> | Performance Shares Plan Members of the Management Board <sup>1</sup> | Performance Shares Plan Employees <sup>1</sup> | Total fair value <sup>1</sup> |
|--|---|--|--|-------------------------------|
| Outstanding awards under equity-settled incentive plans (excl. share option plans) | No.   | No.  | No.  | USD million                   |
| 1 January 2015   | 8,635   | 3,100  | 18,953   |                               |
| Granted  | 3,995   | -  | 1,478  | 12                            |
| Adjustment <sup>2</sup>  | 1,664   | -1,240   | -7,175   |                               |
| Forfeited  | 190   | -  | 1,157  |                               |
| <b>Outstanding 31 December 2015</b>  | <b>14,104</b>                                 | <b>1,860</b>   | <b>12,099</b>                                  |                               |
| Granted  | 7,078   | 20   | 395  | 10                            |
| Exercised  | 5,730   | -  | -  |                               |
| Adjustment <sup>2</sup>  | -   | -620   | -11,339  |                               |
| Forfeited  | 385   | 1,260  | 312  |                               |
| <b>Outstanding 31 December 2016</b>  | <b>15,067</b>                                 | <b>-</b>   | <b>843</b>                                     |                               |

<sup>1</sup> At the time of grant.

<sup>2</sup> Primarily due to changes in the degree of certain financial goals being achieved.

The fair value of restricted shares (A.P. Møller - Mærsk A/S B shares) granted to 140 (137) employees was USD 9m (USD 9m) at the time of the grant. Total value of granted restricted shares recognised in the income statement is USD 8m (USD 8m).

The fair value of performance shares (A.P. Møller - Mærsk A/S B shares) granted to 1 (0) member of the Management Board and to 16 (17) employees was USD 1m (USD 3m). Total value of granted performance shares recognised in the income statement is an income of USD 15m (cost of USD 4m). The net income in 2016 is due to adjustment in the number of performance shares that are expected to vest.

## NOTE 10 SHARE-BASED PAYMENT — CONTINUED

### AMOUNTS IN USD MILLION

The fair value per restricted share at the time of grant is DKK 8,463 (DKK 14,733), which is equal to the volume weighted average share price on the date of grant, i.e. 1 April, 2016. The fair value per performance share at the time of grant is DKK 13,130 (DKK 13,130), which is equal to the average closing share price on the first five trading days following the release of the Group's Annual Report in 2014.

On 1 April 2016, the restricted shares originally granted in 2013 were settled with the employees. The weighted average share price at that date was DKK 8,463.

The average remaining contractual life for the restricted shares as per 31 December 2016 is 1.4 years (1.1 years) and the average remaining contractual life for the performance shares as per 31 December 2016 is 0.3 years (1.3 years).

#### Cash settled incentive plan

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

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

| Outstanding awards under cash-settled performance share plan | Employees    | Total fair value <sup>1</sup> | Carrying amount of liabilities |
|--|--------------|-------------------------------|--------------------------------|
|  | No.          | USD million                   | USD million                    |
| 1 January 2015   | -            |                               |                                |
| Granted  | 18,758       | 32                            |                                |
| Adjustment   | -8,816       |                               |                                |
| Forfeited  | 1,126        |                               |                                |
| <b>Outstanding 31 December 2015</b>                          | <b>8,816</b> |                               | <b>3</b>                       |
| Granted  | 435          | 1                             |                                |
| Adjustment <sup>2</sup>                                      | -8,686       |                               |                                |
| Forfeited  | 565          |                               |                                |
| <b>Outstanding 31 December 2016</b>                          | <b>-</b>     |                               | <b>-</b>                       |

<sup>1</sup> At the time of grant.

<sup>2</sup> Due to changes in the degree of certain financial goals being achieved.

The fair value of awards granted to 27 (484) employees was USD 1m (USD 32m) at the time of grant. Total value of the awards recognised in the income statement is an income of USD 3m (a cost of USD 3m).

The fair value per award at the time of grant is calculated at DKK 10,829, which is equal to the average of the closing price of the A.P. Møller - Mærsk A/S B-share on the days when the plan was announced to the employees less the effect due to the extraordinary dividend payout.

The average remaining contractual life for the cash settled incentive plan as per 31 December 2016 is 1.1 years (2.1 years).

#### Share options plan

In addition to the plans described above, the Group has a Share Options Plan for former partners in Firmaet A.P. Møller and other employees. Each share option granted is a call option to buy an existing B share of nominal DKK 1,000 in A.P. Møller - Mærsk A/S. Share options related to this plan have not been granted since 2012.

The share options were granted at an exercise price corresponding to 110% of the average of the market price on the first five trading days following the release of A.P. Møller - Mærsk A/S' Annual Report. Exercise of the share options is contingent on the option holder still being employed at the time of exercise. The share options can be exercised when at least two years and no more than five years have passed from the time of granting. Special conditions apply regarding illness, death and resignation as well as changes in the Company's capital structure, etc. As at 31 March 2015, the exercise prices were reduced by DKK 1,671 corresponding to the extraordinary dividend paid out.

The share options can only be settled in shares. A portion of the Group's holding of own shares is reserved for settlement of granted options.

|  | Partners in Firmaet A.P. Møller <sup>1</sup> | Employees <sup>1</sup> | Total         | Average exercise price <sup>2</sup> |
|--|--|------------------------|---------------|-------------------------------------|
| Outstanding share options <sup>1</sup> | No.  | No.                    | No.           | DKK                                 |
| 1 January 2015                         | 11,660                                       | 28,845                 | 40,505        | 10,366                              |
| Exercised                              | 3,945  | 13,565                 | 17,510        | 9,867                               |
| Forfeited                              | -  | 80                     | 80            | 9,418                               |
| <b>Outstanding 31 December 2015</b>    | <b>7,715</b>                                 | <b>15,200</b>          | <b>22,915</b> | <b>8,975</b>                        |
| <b>Exercisable 31 December 2015</b>    | <b>7,715</b>                                 | <b>15,200</b>          | <b>22,915</b> | <b>8,975</b>                        |
| Exercised <sup>2</sup>                 | -  | 1,880                  | 1,880         | 8,298                               |
| Expired                                | 3,875  | 5,685                  | 9,560         |                                     |
| <b>Outstanding 31 December 2016</b>    | <b>3,840</b>                                 | <b>7,635</b>           | <b>11,475</b> | <b>8,298</b>                        |
| <b>Exercisable 31 December 2016</b>    | <b>3,840</b>                                 | <b>7,635</b>           | <b>11,475</b> | <b>8,298</b>                        |

<sup>1</sup> At the time of grant.

<sup>2</sup> Exercise prices reduced by DKK 1,671 as from 31 March 2015 due to effect on share price from extraordinary dividend payout.

Total value of granted share options recognised in the income statement is USD 0m (USD 0m).

The weighted average share price at the dates of exercise of share options was DKK 10,154 (DKK 14,966).

The average remaining contractual life as per 31 December 2016 is 0.3 years (0.8 years) and the exercise price for outstanding share options is DKK 8,298 (DKK 8,298 to DKK 9,919).

## NOTE 11 BORROWINGS

AMOUNTS IN USD MILLION

|                                    | 2016          | 2015          |
|------------------------------------|---------------|---------------|
| Bank and other credit institutions | 4,967         | 4,830         |
| Finance lease liabilities          | 2,271         | 1,507         |
| Issued bonds                       | 8,097         | 6,406         |
| <b>Total</b>                       | <b>15,335</b> | <b>12,743</b> |
| Of which:                          |               |               |
| Classified as non-current          | 13,320        | 11,408        |
| Classified as current              | 2,015         | 1,335         |

|                            | Minimum lease payments | Interest   | Carrying amount | Minimum lease payments | Interest   | Carrying amount |
|----------------------------|------------------------|------------|-----------------|------------------------|------------|-----------------|
| Finance lease liabilities  | 2016                   | 2016       | 2016            | 2015                   | 2015       | 2015            |
| Within one year            | 326                    | 126        | 200             | 196                    | 73         | 123             |
| Between one and five years | 1,252                  | 396        | 856             | 1,003                  | 216        | 787             |
| After five years           | 1,522                  | 307        | 1,215           | 742                    | 145        | 597             |
| <b>Total</b>               | <b>3,100</b>           | <b>829</b> | <b>2,271</b>    | <b>1,941</b>           | <b>434</b> | <b>1,507</b>    |

The finance lease agreements are described in note 7.

## NOTE 12 PENSIONS AND SIMILAR OBLIGATIONS

AMOUNTS IN USD MILLION

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

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

In 2017, the Group expects to pay contributions totalling USD 41m to funded defined benefit plans (USD 83m in 2016).

|   | United Kingdom | Other      | Total      | United Kingdom | Other      | Total      |
|---|----------------|------------|------------|----------------|------------|------------|
|   | 2016           | 2016       | 2016       | 2015           | 2015       | 2015       |
| <b>SPECIFICATION OF NET LIABILITY</b>               |                |            |            |                |            |            |
| Present value of funded plans                       | 2,014          | 431        | 2,445      | 2,074          | 466        | 2,540      |
| Fair value of plan assets                           | -2,091         | -360       | -2,451     | -2,195         | -383       | -2,578     |
| Net liability of funded plans                       | -77            | 71         | -6         | -121           | 83         | -38        |
| Present value of unfunded plans                     | -              | 67         | 67         | -              | 93         | 93         |
| Impact of minimum funding requirement/asset ceiling | 81             | -          | 81         | 76             | -          | 76         |
| <b>Net liability 31 December</b>                    | <b>4</b>       | <b>138</b> | <b>142</b> | <b>-45</b>     | <b>176</b> | <b>131</b> |
| Of which:   |                |            |            |                |            |            |
| Pensions, net assets                                |                |            | 96         |                |            | 162        |
| Pensions and similar obligations                    |                |            | 238        |                |            | 293        |

## NOTE 12 PENSIONS AND SIMILAR OBLIGATIONS — CONTINUED

### AMOUNTS IN USD MILLION

The majority of the Group's defined benefit liabilities are in the UK (80%) and the USA (14%). All of the plans in the UK and the majority of the plans in the USA are funded. Although all of the UK plans are now closed to new entrants, active members in the two largest plans continue to accrue new benefits. The smaller UK plans are all closed to new accruals, although a salary link remains in some of the plans.

Overall, the plans have an average duration of 16 years and approximately 51% of the obligation is in respect of pensioner members.

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

| Significant financial assumptions | United Kingdom | Total | United Kingdom | Total |
|-----------------------------------|----------------|-------|----------------|-------|
|                                   | 2016           | 2016  | 2015           | 2015  |
| Discount rate                     | 2.7%           | 2.9%  | 3.7%           | 3.8%  |
| Inflation rate                    | 3.4%           | 3.2%  | 3.2%           | 3.0%  |
| Future salary increase            | 3.6%           | 3.6%  | 3.5%           | 3.5%  |
| Future pension increase           | 3.1%           | 3.0%  | 2.9%           | 2.8%  |

Rates of life expectancy reflect the most recent mortality investigations and in line with market practice an allowance is made for future improvements in life expectancy. The Group assumes that future improvements will be in line with the latest projections (1.25% in 2016 and 2015) for all UK plans.

| Life expectancy            | 2016 | 2036 | 31 December |      |
|----------------------------|------|------|-------------|------|
|                            |      |      | 2015        | 2035 |
| 65 year old male in the UK | 21.9 | 23.7 | 22.0        | 23.7 |

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

| Sensitivities for key assumptions in the UK |  | 2016     |          | 2015     |          |
|---|--|----------|----------|----------|----------|
| Factors                                     | "Change in liability"                  | Increase | Decrease | Increase | Decrease |
| Discount rate                               | Increase/(decrease) by 10 basis points | -35      | 36       | -33      | 34       |
| Inflation rate                              | Increase/(decrease) by 10 basis points | 22       | -24      | 18       | -21      |
| Life expectancy                             | Increase/(decrease) by 1 year          | 92       | -90      | 83       | -82      |

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

The expected contributions to the UK plans for 2017 are USD 36m (USD 71m in 2016) of which USD 15m (USD 46m in 2016) is deficit recovery contributions. In most of the UK plans, any surplus remaining after the last member dies may be returned to the Group. However, the Merchant Navy Ratings Pension Fund (MNRPF) and the Merchant Navy Officers Pension Fund (MNOFPF) contributions paid by the Group are not refundable in any circumstance and the balance sheet liability reflects an adjustment for any agreed deficit recovery contributions in excess of deficit determined using the Group's assumptions. In 2016, an adjustment of USD 46m (USD 76m) was applied in this respect.

| Specification of plan assets  | United Kingdom | Other      | Total        | United Kingdom | Other      | Total        |
|-------------------------------|----------------|------------|--------------|----------------|------------|--------------|
|                               | 2016           | 2016       | 2016         | 2015           | 2015       | 2015         |
| Shares                        | 357            | 176        | 533          | 492            | 161        | 653          |
| Government bonds              | 695            | 69         | 764          | 571            | 72         | 643          |
| Corporate bonds               | 439            | 61         | 500          | 408            | 67         | 475          |
| Real estate                   | 100            | 5          | 105          | 121            | 4          | 125          |
| Other assets                  | 500            | 49         | 549          | 603            | 79         | 682          |
| <b>Fair value 31 December</b> | <b>2,091</b>   | <b>360</b> | <b>2,451</b> | <b>2,195</b>   | <b>383</b> | <b>2,578</b> |

All the plan assets held by the Group are quoted, except for an insignificant portion.

## NOTE 12 PENSIONS AND SIMILAR OBLIGATIONS — CONTINUED

AMOUNTS IN USD MILLION

| Change in net liability  | Present value of obligations | Fair value of plan assets | Adjustments | Net liability | Of which: United Kingdom |
|--|------------------------------|---------------------------|-------------|---------------|--------------------------|
| <b>1 January 2015</b>  | <b>2,762</b>                 | <b>2,545</b>              | -           | <b>217</b>    | <b>22</b>                |
| Current service cost, administration cost, etc.                                    | 24                           | -6                        | -           | 30            | 10                       |
| Calculated interest expense/income   | 93                           | 86                        | -           | 7             | -                        |
| <b>Recognised in the income statement in 2015</b>                                  | <b>117</b>                   | <b>80</b>                 | -           | <b>37</b>     | <b>10</b>                |
| Actuarial gains/losses from changes in financial and demographic assumptions, etc. | -                            | -                         | -           | -             | 21                       |
| Return on plan assets, exclusive calculated interest income                        | -                            | -142                      | -           | -142          | -149                     |
| Adjustment for minimum funding requirement   | -                            | -                         | 79          | 79            | 79                       |
| <b>Recognised in other comprehensive income in 2015</b>                            | <b>-</b>                     | <b>-142</b>               | <b>79</b>   | <b>-63</b>    | <b>-49</b>               |
| Contributions from the Group and employees   | 1                            | 117                       | -           | -116          | -96                      |
| Benefit payments   | -195                         | -186                      | -           | -9            | -                        |
| Internal transfers   | 69                           | -                         | -           | 69            | 68                       |
| Effect of business combinations and disposals                                      | 3                            | -                         | -           | 3             | -                        |
| Exchange rate adjustment   | -124                         | -120                      | -3          | -7            | -                        |
| <b>31 December 2015</b>  | <b>2,633</b>                 | <b>2,578</b>              | <b>76</b>   | <b>131</b>    | <b>-45</b>               |
| Current service cost, administration cost, etc.                                    | 20                           | -6                        | -           | 26            | 7                        |
| Calculated interest expense/income   | 90                           | 89                        | -           | 1             | -3                       |
| <b>Recognised in the income statement in 2016</b>                                  | <b>110</b>                   | <b>83</b>                 | -           | <b>27</b>     | <b>4</b>                 |
| Actuarial gains/losses from changes in financial and demographic assumptions, etc. | 328                          | -                         | -           | 328           | 336                      |
| Return on plan assets, exclusive calculated interest income                        | -                            | -249                      | -           | -249          | -242                     |
| Adjustment for unrecognised asset due to asset ceiling                             | -                            | -                         | 38          | 38            | 38                       |
| Adjustment for minimum funding requirement   | -                            | -                         | -21         | -21           | -21                      |
| <b>Recognised in other comprehensive income in 2016</b>                            | <b>328</b>                   | <b>-249</b>               | <b>17</b>   | <b>96</b>     | <b>111</b>               |

| Change in net liability                    | Present value of obligations | Fair value of plan assets | Adjustments | Net liability | Of which: United Kingdom |
|--|------------------------------|---------------------------|-------------|---------------|--------------------------|
| Contributions from the Group and employees | 1                            | 79                        | -           | -78           | -69                      |
| Benefit payments                           | -156                         | -120                      | -           | -36           | -                        |
| Settlements                                | -21                          | -23                       | -           | 2             | -                        |
| Exchange rate adjustment                   | -383                         | -395                      | -12         | -             | 3                        |
| <b>31 December 2016</b>                    | <b>2,512</b>                 | <b>2,451</b>              | <b>81</b>   | <b>142</b>    | <b>4</b>                 |

**Multi-employer plans**

Due to collective agreements, some entities in the Group participate together with other employers in defined benefit pension and health insurance schemes for current and retired employees (multi-employer plans). The Group has joint and several liability to fund total obligations. In 2016, the Group's contributions are estimated at USD 141m (USD 134m). The Group's share of total contributions paid to the pension schemes over the past five years is in the range of 7% to 13%. The contributions to be paid in 2017 are expected to be USD 110m (USD 132m).

No reliable basis exists for allocation of the schemes' obligations and plan assets to individual employer participants. The Group's share might be significant and deficit in some of the schemes may necessitate increased contributions in the future. Based on the most recent available financial data from the plans' trustees, according to US GAAP, the plan assets totalled USD 8.7bn (USD 8.4bn) and the actuarial value of obligations USD 10.1bn (USD 9.6bn). Net obligations in the plans with deficits totalled USD 1.9bn (USD 1.7bn). Financial data for the four major plans that constitute 85% of total obligations and 84% of total plan assets is less than 1.5 years old. In general, the contributions to the schemes are based on man hours worked or cargo tonnage handled, or a combination hereof.

## NOTE 13 PROVISIONS

AMOUNTS IN USD MILLION

|   | Abandonment  | Restructuring | Legal disputes, etc. | Other      | Total        |
|---|--------------|---------------|----------------------|------------|--------------|
| 1 January 2016  | 3,166        | 158           | 1,889                | 498        | 5,711        |
| Provision made  | 59           | 135           | 327                  | 518        | 1,039        |
| Amount used   | 149          | 117           | 815                  | 96         | 1,177        |
| Amount reversed   | 191          | 51            | 327                  | 264        | 833          |
| Addition from business combinations                                       | -            | -             | 1                    | 4          | 5            |
| Unwind of discount  | 103          | -             | -10                  | 1          | 94           |
| Exchange rate adjustment  | -            | -3            | -3                   | -5         | -11          |
| <b>31 December 2016</b>   | <b>2,988</b> | <b>122</b>    | <b>1,062</b>         | <b>656</b> | <b>4,828</b> |
| Of which:   |              |               |                      |            |              |
| Classified as non-current   | 2,741        | 3             | 619                  | 210        | 3,573        |
| Classified as current   | 247          | 119           | 443                  | 446        | 1,255        |
| Non-current provisions expected to be realised after more than five years | 2,610        | 1             | 28                   | 32         | 2,671        |

Provisions for abandonment comprise estimated expenses for abandonment of oil and gas fields at discounted value. The present value of the obligations is expected to be realised as follows:

| USD million          | 0-10 years | 10-20 years | 20-30 years | 30-40 years | Total |
|----------------------|------------|-------------|-------------|-------------|-------|
| Expected utilisation | 1,281      | 916         | 744         | 47          | 2,988 |

The discount and inflation rates used are at weighted average 2.8% and 2.3% respectively (3.3% and 2.3%).

Restructuring includes provisions for decided and publicly announced restructurings. Legal disputes, etc. include among other things tax, indirect tax and duty disputes. Other includes provisions for onerous contracts, warranties and risk under certain self-insurance programmes. The provisions are subject to considerable uncertainty, cf. note 23.

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

## NOTE 14 DERIVATIVES

AMOUNTS IN USD MILLION

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

|                         | 2016       | 2015       |
|-------------------------|------------|------------|
| Non-current receivables | 14         | 17         |
| Current receivables     | 161        | 84         |
| Non-current liabilities | 526        | 652        |
| Current liabilities     | 536        | 286        |
| <b>Liabilities, net</b> | <b>887</b> | <b>837</b> |

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

|  | Cash flow hedges<br>2016 | Fair value hedges<br>2016 | Held for trading<br>2016 | Cash flow hedges<br>2015 | Fair value hedges<br>2015 | Held for trading<br>2015 |
|--|--------------------------|---------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| Currency derivatives <sup>1</sup>      | -219                     | -452                      | -263                     | -211                     | -325                      | -319                     |
| Interest rate derivatives <sup>1</sup> | -21                      | 65                        | 3                        | -62                      | 86                        | -6                       |
| <b>Total</b>                           | <b>-240</b>              | <b>-387</b>               | <b>-260</b>              | <b>-273</b>              | <b>-239</b>               | <b>-325</b>              |

<sup>1</sup> Majority of the hedges recognised in equity are realised within one year.

## NOTE 14 DERIVATIVES — CONTINUED

AMOUNTS IN USD MILLION

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

|   | 2016        | 2015        |
|---|-------------|-------------|
| Hedging foreign exchange risk on operating costs                                  | -71         | -240        |
| Hedging interest rate risk  | -69         | -53         |
| Hedging foreign exchange risk on the cost of property, plant and equipment        | -116        | 2           |
| Other   | -8          | -9          |
| <b>Total reclassified from equity reserve for hedges</b>                          | <b>-264</b> | <b>-300</b> |
| <b>DERIVATIVES ACCOUNTED FOR AS HELD FOR TRADING:</b>                             |             |             |
| Currency derivatives recognised directly in financial income/expenses             | -107        | -66         |
| Interest rate derivatives recognised directly in financial income/expenses        | -23         | -25         |
| Oil prices and freight rate derivatives recognised directly in other income/costs | -44         | -9          |
| <b>Net gains/losses recognised directly in the income statement</b>               | <b>-174</b> | <b>-100</b> |
| <b>Total</b>  | <b>-438</b> | <b>-400</b> |

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

Interest rate derivatives and cross currency swaps are used to swap floating to fixed rates on borrowings and are recognised in the income statement concurrently with the hedged interest expenses. They are also used to swap fixed rates to floating rates, of which some are fair value hedges.

Furthermore, the Group enters into derivatives to hedge economic risks that are not accounted for as hedging. These derivatives are accounted for as held for trading.

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

NOTE 15 FINANCIAL INSTRUMENTS  
BY CATEGORY

AMOUNTS IN USD MILLION

|   | Carrying amount<br>2016 | Fair value<br>2016 | Carrying amount<br>2015 | Fair value<br>2015 |
|---|-------------------------|--------------------|-------------------------|--------------------|
| <b>CARRIED AT AMORTISED COST</b>                |                         |                    |                         |                    |
| Loans receivable                                | 329                     | 329                | 547                     | 547                |
| Finance lease receivables                       | 31                      | 31                 | 28                      | 28                 |
| Other interest-bearing receivables and deposits | 92                      | 92                 | 77                      | 77                 |
| <b>Total interest-bearing receivables</b>       | <b>452</b>              | <b>452</b>         | <b>652</b>              | <b>652</b>         |
| Trade receivables                               | 3,814                   |                    | 3,476                   |                    |
| Other receivables (non-interest-bearing)        | 1,461                   |                    | 1,248                   |                    |
| Cash and bank balances                          | 4,105                   |                    | 4,008                   |                    |
| <b>Total loans and receivables</b>              | <b>9,832</b>            |                    | <b>9,384</b>            |                    |
| <b>CARRIED AT FAIR VALUE</b>                    |                         |                    |                         |                    |
| Bonds   | 40                      | 40                 | 312                     | 312                |
| Shares  | 11                      | 11                 | 448                     | 448                |
| Other securities                                | 1                       | 1                  | 1                       | 1                  |
| <b>Total securities (held for trading)</b>      | <b>52</b>               | <b>52</b>          | <b>761</b>              | <b>761</b>         |
| Derivatives                                     | 175                     | 175                | 101                     | 101                |
| Shares (available-for-sale)                     | 796                     | 796                | 860                     | 860                |
| <b>Other financial assets</b>                   | <b>971</b>              | <b>971</b>         | <b>961</b>              | <b>961</b>         |
| <b>Total financial assets</b>                   | <b>10,855</b>           |                    | <b>11,106</b>           |                    |
| <b>CARRIED AT AMORTISED COST</b>                |                         |                    |                         |                    |
| Bank and other credit institutions              | 4,967                   | 5,115              | 4,830                   | 4,953              |
| Finance lease liabilities                       | 2,271                   | 2,719              | 1,507                   | 1,679              |
| Issued bonds                                    | 8,097                   | 8,244              | 6,406                   | 6,446              |
| <b>Total borrowings</b>                         | <b>15,335</b>           | <b>16,078</b>      | <b>12,743</b>           | <b>13,078</b>      |
| Trade payables                                  | 4,901                   |                    | 5,015                   |                    |
| Other payables                                  | 1,374                   |                    | 1,205                   |                    |
| <b>Total borrowings and payables</b>            | <b>21,610</b>           |                    | <b>18,963</b>           |                    |
| <b>CARRIED AT FAIR VALUE</b>                    |                         |                    |                         |                    |
| Derivatives                                     | 1,062                   | 1,062              | 938                     | 938                |
| Other payables                                  | 7                       | 7                  | 5                       | 5                  |
| <b>Other financial liabilities</b>              | <b>1,069</b>            | <b>1,069</b>       | <b>943</b>              | <b>943</b>         |
| <b>Total financial liabilities</b>              | <b>22,679</b>           |                    | <b>19,906</b>           |                    |

## NOTE 15 FINANCIAL INSTRUMENTS BY CATEGORY — CONTINUED

### AMOUNTS IN USD MILLION

#### Financial instruments measured at fair value

Financial instruments measured at fair value can be divided into three levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 – Inputs for the asset or liability that are not based on observable market data.

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

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

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

#### Financial instruments carried at amortised cost

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

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

| Movement during the year<br>in level 3                | Non-listed shares  |                  | Other securities | Total financial assets | Other payables | Total financial liabilities |
|---|--------------------|------------------|------------------|------------------------|----------------|-----------------------------|
|   | Available-for-sale | Held for trading |                  |                        |                |                             |
| Carrying amount 1 January 2015                        | 943                | 9                | 2                | 954                    | 1              | 1                           |
| Addition  | -                  | -                | -                | -                      | 4              | 4                           |
| Disposal  | -                  | 9                | 1                | 10                     | -              | -                           |
| Gains/losses recognised in the income statement       | -                  | -                | -                | -                      | 1              | 1                           |
| Gains/losses recognised in other comprehensive income | -97                | -                | -                | -97                    | -              | -                           |
| Exchange rate adjustment, etc.                        | -1                 | -                | -1               | -2                     | -1             | -1                          |
| <b>Carrying amount 31 December 2015</b>               | <b>845</b>         | <b>-</b>         | <b>-</b>         | <b>845</b>             | <b>5</b>       | <b>5</b>                    |
| Addition  | 15                 | -                | -                | 15                     | -              | -                           |
| Disposal  | 103                | -                | -                | 103                    | -              | -                           |
| Gains/losses recognised in the income statement       | -                  | -                | -                | -                      | 1              | 1                           |
| Gains/losses recognised in other comprehensive income | 24                 | -                | -                | 24                     | -              | -                           |
| Exchange rate adjustment, etc.                        | -                  | -                | -                | -                      | 1              | 1                           |
| <b>Carrying amount 31 December 2016</b>               | <b>781</b>         | <b>-</b>         | <b>-</b>         | <b>781</b>             | <b>7</b>       | <b>7</b>                    |

The main part of the closing balance in 2016 comprises the 19% share in Dansk Supermarked Group. The estimated fair value in DKK in December is equal to the initial valuation of the 19%. The decrease in the carrying amount of the investment can be attributed to the development in the DKK/USD exchange rate since initial recognition.

The valuation is tested against a combination of valuation methodologies taking into account both the retail operations as well as the real estate portfolio owned by Dansk Supermarked Group. The valuation is assessed using both a discounted cash flow model with reference to selected listed peers and real estate yields. The discounted cash flow model relies on a discount rate of 6.5% (7.0%) reflecting a weighted average of an assumed discount rate for the retail business and an assumed yield for the real estate business as well as a long-term terminal growth rate of 2% (2%).

## NOTE 16 FINANCIAL RISKS, ETC.

### AMOUNTS IN USD MILLION

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

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

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

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

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's profit or the value of its holdings of financial instruments. Below sensitivity analyses relate to the position of financial instruments at 31 December 2016.

The sensitivity analyses for currency risk and interest rate risk have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies remain unchanged from hedge designations in place at 31 December 2016. Furthermore, it is assumed that the exchange rate and interest rate sensitivities have a symmetric impact, i.e. an increase in rates results in the same absolute movement as a decrease in rates.

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

#### Currency risk

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

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

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

An increase in the USD exchange rate of 10% against all other significant currencies to which the Group is exposed, is estimated to have a positive impact on the Group's profit before tax by USD 0.1bn (USD 0.0bn) and to affect the Group's equity, excluding tax, negatively by USD 0.1bn (USD 0.1bn). The sensitivities are based only on the impact of financial instruments that are outstanding at the balance sheet date, cf. notes 14 and 15, and are thus not an expression of the Group's total currency risk.

#### Interest rate risk

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

The Group strives to maintain a combination of fixed and floating interest rates on its net debt, reflecting expectations and risks. The hedging of the interest rate risk is governed by a duration range and is primarily obtained through the use of interest rate swaps. The duration of the Group's debt portfolio is 2.2 years (2.5 years). A general increase in interest rates by one percentage point is estimated, all other things being equal, to have insignificant effect on profit before tax and equity, excluding tax.

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

| Borrowings by interest rate levels inclusive of interest rate swaps | Carrying amount | Next interest rate fixing |              |              |
|---|-----------------|---------------------------|--------------|--------------|
|   |                 | 0-1 year                  | 1-5 years    | 5- years     |
| <b>2016</b>   |                 |                           |              |              |
| 0-3%  | 8,048           | 5,434                     | 1,589        | 1,025        |
| 3-6%  | 5,719           | 2,605                     | 1,156        | 1,958        |
| 6%-   | 1,568           | 100                       | 415          | 1,053        |
| <b>Total</b>  | <b>15,335</b>   | <b>8,139</b>              | <b>3,160</b> | <b>4,036</b> |
| Of which:   |                 |                           |              |              |
| Bearing fixed interest  | 7,363           |                           |              |              |
| Bearing floating interest   | 7,972           |                           |              |              |
| <b>2015</b>   |                 |                           |              |              |
| 0-3%  | 8,603           | 4,688                     | 3,067        | 848          |
| 3-6%  | 2,964           | 744                       | 618          | 1,602        |
| 6%-   | 1,176           | 85                        | 457          | 634          |
| <b>Total</b>  | <b>12,743</b>   | <b>5,517</b>              | <b>4,142</b> | <b>3,084</b> |
| Of which:   |                 |                           |              |              |
| Bearing fixed interest  | 7,422           |                           |              |              |
| Bearing floating interest   | 5,321           |                           |              |              |

## NOTE 16 FINANCIAL RISKS, ETC. — CONTINUED

### AMOUNTS IN USD MILLION

#### Credit risk

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

| Maturity analysis of trade receivables | 2016         | 2015         |
|--|--------------|--------------|
| Receivables not due                    | 2,529        | 2,361        |
| Less than 90 days overdue              | 1,079        | 926          |
| More than 90 days overdue              | 485          | 490          |
| Receivables, gross                     | 4,093        | 3,777        |
| Provision for bad debt                 | 279          | 301          |
| <b>Carrying amount</b>                 | <b>3,814</b> | <b>3,476</b> |

#### Liquidity risk

The Group's objective is to maintain a liquidity profile in line with an investment grade credit rating. Capital is managed for the Group as a whole. The equity share of total equity and liabilities was 52.5% at the end of 2016 (57.3%).

|                                | 2016   | 2015   |
|--------------------------------|--------|--------|
| Borrowings                     | 15,335 | 12,743 |
| Net interest-bearing debt      | 10,737 | 7,770  |
| Liquidity reserve <sup>1</sup> | 11,842 | 12,397 |

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

In addition to the liquidity reserve, the Group had committed loans of USD 2.2bn which are dedicated to financing of specific assets and therefore will only become available at certain times in the future.

Based on the liquidity reserve, loans for the financing of specific assets, the maturity of outstanding loans, and the current investment profile, the Group's financial resources are deemed satisfactory. In March 2016, the Group issued EUR 1.5bn in three-year and five-year bonds in the euro market. In June 2016, the Group issued NOK 5.2bn in five-year, seven-year and ten-year bonds in the Norwegian kroner market.

The average term to maturity of loan facilities in the Group was about five years (about four years at 31 December 2015).

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

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

| Maturities of liabilities and commitments   | Carrying amount | Cash flows including interest |               |               | Total         |
|---|-----------------|-------------------------------|---------------|---------------|---------------|
|   |                 | 0-1 year                      | 1-5 years     | 5- years      |               |
| <b>2016</b>                                 |                 |                               |               |               |               |
| Bank and other credit institutions          | 4,967           | 1,111                         | 3,127         | 1,142         | 5,380         |
| Finance lease liabilities                   | 2,271           | 326                           | 1,252         | 1,522         | 3,100         |
| Issued bonds                                | 8,097           | 1,029                         | 5,352         | 2,838         | 9,219         |
| Trade payables                              | 4,901           | 4,901                         | -             | -             | 4,901         |
| Other payables                              | 1,381           | 1,348                         | 16            | 17            | 1,381         |
| <b>Non-derivative financial liabilities</b> | <b>21,617</b>   | <b>8,715</b>                  | <b>9,747</b>  | <b>5,519</b>  | <b>23,981</b> |
| Derivatives                                 | 1,062           | 536                           | 409           | 117           | 1,062         |
| <b>Total recognised in balance sheet</b>    | <b>22,679</b>   | <b>9,251</b>                  | <b>10,156</b> | <b>5,636</b>  | <b>25,043</b> |
| Operating lease commitments                 |                 | 1,615                         | 3,128         | 5,395         | 10,138        |
| Capital commitments                         |                 | 5,161                         | 2,812         | 1,114         | 9,087         |
| <b>Total</b>                                |                 | <b>16,027</b>                 | <b>16,096</b> | <b>12,145</b> | <b>44,268</b> |
| <b>2015</b>                                 |                 |                               |               |               |               |
| Bank and other credit institutions          | 4,830           | 994                           | 3,228         | 1,021         | 5,243         |
| Finance lease liabilities                   | 1,507           | 196                           | 1,003         | 742           | 1,941         |
| Issued bonds                                | 6,406           | 533                           | 4,162         | 2,806         | 7,501         |
| Trade payables                              | 5,015           | 5,015                         | -             | -             | 5,015         |
| Other payables                              | 1,210           | 1,204                         | 5             | 1             | 1,210         |
| <b>Non-derivative financial liabilities</b> | <b>18,968</b>   | <b>7,942</b>                  | <b>8,398</b>  | <b>4,570</b>  | <b>20,910</b> |
| Derivatives                                 | 938             | 286                           | 573           | 79            | 938           |
| <b>Total recognised in balance sheet</b>    | <b>19,906</b>   | <b>8,228</b>                  | <b>8,971</b>  | <b>4,649</b>  | <b>21,848</b> |
| Operating lease commitments                 |                 | 1,895                         | 3,545         | 4,038         | 9,478         |
| Capital commitments                         |                 | 2,857                         | 5,126         | 1,398         | 9,381         |
| <b>Total</b>                                |                 | <b>12,980</b>                 | <b>17,642</b> | <b>10,085</b> | <b>40,707</b> |

## NOTE 17 COMMITMENTS

### AMOUNTS IN USD MILLION

#### Operating lease commitments

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

|                                | Maersk Line <sup>1</sup> | APM Terminals | Other <sup>1</sup> | Total         |
|--------------------------------|--------------------------|---------------|--------------------|---------------|
| <b>2016</b>                    |                          |               |                    |               |
| Within one year                | 993                      | 281           | 341                | 1,615         |
| Between one and two years      | 596                      | 243           | 184                | 1,023         |
| Between two and three years    | 489                      | 246           | 120                | 855           |
| Between three and four years   | 349                      | 270           | 99                 | 718           |
| Between four and five years    | 180                      | 274           | 78                 | 532           |
| After five years               | 248                      | 4,888         | 259                | 5,395         |
| <b>Total</b>                   | <b>2,855</b>             | <b>6,202</b>  | <b>1,081</b>       | <b>10,138</b> |
| Net present value <sup>2</sup> | 2,529                    | 3,527         | 912                | 6,968         |
| <b>2015</b>                    |                          |               |                    |               |
| Within one year                | 1,221                    | 248           | 426                | 1,895         |
| Between one and two years      | 770                      | 244           | 287                | 1,301         |
| Between two and three years    | 524                      | 228           | 151                | 903           |
| Between three and four years   | 443                      | 226           | 90                 | 759           |
| Between four and five years    | 277                      | 226           | 79                 | 582           |
| After five years               | 136                      | 3,651         | 251                | 4,038         |
| <b>Total</b>                   | <b>3,371</b>             | <b>4,823</b>  | <b>1,284</b>       | <b>9,478</b>  |
| Net present value <sup>2</sup> | 3,015                    | 2,866         | 1,104              | 6,985         |

<sup>1</sup> About 40% of the time charter payments in Maersk Line and about one-third in Maersk Tankers are estimated to relate to operational costs for the assets.

<sup>2</sup> The net present value has been calculated using a discount rate of 6% (6%).

|   | Maersk Line  | APM Terminals | Maersk Oil   | Maersk Drilling | Other        | Total        |
|---|--------------|---------------|--------------|-----------------|--------------|--------------|
| <b>Capital commitments</b>  |              |               |              |                 |              |              |
| <b>2016</b>   |              |               |              |                 |              |              |
| Capital commitments relating to acquisition of non-current assets | 2,798        | 1,004         | 1,975        | 460             | 1,300        | 7,537        |
| Commitments towards concession grantors                           | -            | 1,484         | 66           | -               | -            | 1,550        |
| <b>Total capital commitments</b>                                  | <b>2,798</b> | <b>2,488</b>  | <b>2,041</b> | <b>460</b>      | <b>1,300</b> | <b>9,087</b> |
| <b>2015</b>   |              |               |              |                 |              |              |
| Capital commitments relating to acquisition of non-current assets | 2,886        | 712           | 2,275        | 474             | 1,635        | 7,982        |
| Commitments towards concession grantors                           | -            | 1,307         | 92           | -               | -            | 1,399        |
| <b>Total capital commitments</b>                                  | <b>2,886</b> | <b>2,019</b>  | <b>2,367</b> | <b>474</b>      | <b>1,635</b> | <b>9,381</b> |

The decrease in capital commitments is primarily related to contractual payments during 2016.

1 December 2016 Maersk Line A/S, a fully owned subsidiary of A.P. Møller - Mærsk A/S, and the Oetker Group reached an agreement for Maersk Line to acquire the German shipping line Hamburg Südamerikanische Dampfschiffahrts-Gesellschaft KG (Hamburg Süd). The acquisition is subject to final agreement and regulatory approvals.

Until the final sales and purchase agreement is signed, which is expected early Q2 2017, A.P. Møller - Maersk has no material commitment in connection with this acquisition.

## NOTE 17 COMMITMENTS — CONTINUED

### AMOUNTS IN USD MILLION

| Newbuilding programme                      | 2017      | No.       | Total     |
|--|-----------|-----------|-----------|
|  |           | 2018      |           |
| Container vessels                          | 18        | 9         | 27        |
| Rigs and drillships                        | 1         | -         | 1         |
| Tanker vessels                             | 5         | 6         | 11        |
| Anchor handling vessels and tugboats, etc. | 26        | 3         | 29        |
| <b>Total</b>                               | <b>50</b> | <b>18</b> | <b>68</b> |

| Capital commitments relating to the newbuilding programme | USD million  |              | Total        |
|---|--------------|--------------|--------------|
|   | 2017         | 2018         |              |
| Container vessels   | 1,693        | 877          | 2,570        |
| Rigs and drillships                                       | 447          | -            | 447          |
| Tanker vessels  | 129          | 159          | 288          |
| Anchor handling vessels and tugboats, etc.                | 885          | 112          | 997          |
| <b>Total</b>  | <b>3,154</b> | <b>1,148</b> | <b>4,302</b> |

USD 4.3bn of the total capital commitments are related to the newbuilding programme for ships, rigs, etc. at a total contract price of USD 5.5bn including owner-furnished equipment. The remaining capital commitments of USD 4.8bn relate to investments mainly within APM Terminals and Maersk Oil.

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

## NOTE 18 CONTINGENT LIABILITIES

### AMOUNTS IN USD MILLION

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

The necessary facility of USD 546m (USD 392m) has been established in order to meet the requirements for using USA waters under the American Oil Pollution Act of 1990 (Certificate of Financial Responsibility).

Custom Bonds of USD 384m (USD 216m) have been provided to various port authorities in India.

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

When exploring or producing oil in foreign countries, each subsidiary is generally liable for contractual obligations jointly with the other consortium parties.

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

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

## NOTE 19 CASH FLOW SPECIFICATIONS

AMOUNTS IN USD MILLION

|  | 2016          | 2015          |
|--|---------------|---------------|
| <b>CHANGE IN WORKING CAPITAL</b>                                       |               |               |
| Trade receivables  | -373          | 354           |
| Other working capital movements  | 125           | 53            |
| Exchange rate adjustment of working capital                            | -17           | -25           |
| <b>Total</b>   | <b>-265</b>   | <b>382</b>    |
| <b>PURCHASE OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT</b> |               |               |
| Addition   | -5,191        | -7,604        |
| Addition, assets held for sale   | -             | -1            |
| Of which finance leases, etc.  | 947           | 3             |
| Of which borrowing costs capitalised on assets                         | 137           | 159           |
| Change in payables to suppliers regarding purchase of assets           | -134          | -90           |
| Change in provision for abandonment                                    | -132          | 401           |
| <b>Total</b>   | <b>-4,373</b> | <b>-7,132</b> |

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

## NOTE 20 ACQUISITION/SALE OF SUBSIDIARIES AND ACTIVITIES

AMOUNTS IN USD MILLION

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

<sup>1</sup> Intangible assets consist mainly of terminal rights

<sup>2</sup> Liabilities acquired consist mainly of borrowings

<sup>3</sup> Non-controlling interest relates to companies owned less than 100% by Grup Maritim TCB S.L. and it is measured at the non-controlling interest's proportionate share of the acquirees' identifiable net assets.

## NOTE 20 ACQUISITION/SALE OF SUBSIDIARIES AND ACTIVITIES — CONTINUED

### AMOUNTS IN USD MILLION

#### Acquisitions during 2016

##### Grup Marítim TCB S.L.

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

Taking control of Grup Marítim TCB has expanded the Group's position in Spain and will accelerate its growth in Latin America.

The total enterprise value of USD 1.2bn consisted of total purchase price of USD 0.8bn and acquired net interest bearing debt of USD 0.4bn.

Adjustments to the provisional amounts were made since the acquisition date including the allocation of goodwill of USD 248m.

The goodwill of USD 248m is attributable to network synergies between APM Terminals and the Grup Marítim TCB S.L. in Latin America and on the Iberian Peninsula and is not deductible for tax purposes.

From the acquisition date to 31 December 2016, Grup Marítim TCB contributed with a revenue of USD 0.3bn. If the acquisition had occurred on 1 January 2016, the impact on Group's revenue would have been USD 0.3bn. The result contributed to the Group is minor.

The accounting for the business combination is considered provisional at 31 December 2016 due to certain contingencies, indemnities, etc.

#### Acquisitions during 2015

No acquisitions of subsidiaries or activities, to an extent of any significance to the Group, were completed in 2015.

#### Sales during 2016

No sales of subsidiaries or activities were undertaken in 2016.

#### Sales during 2015

Sales during 2015 primarily comprise Esvagt.

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

## NOTE 21 RELATED PARTIES

### AMOUNTS IN USD MILLION

|  | Associated companies |      | Joint ventures |      | Management <sup>1</sup> |                 |
|--|----------------------|------|----------------|------|-------------------------|-----------------|
|  | 2016                 | 2015 | 2016           | 2015 | 2016                    | 2015            |
| <b>INCOME STATEMENT</b>                          |                      |      |                |      |                         |                 |
| Operating costs                                  | 278                  | 243  | 767            | 751  | 13 <sup>2</sup>         | 16 <sup>2</sup> |
| Remuneration to management                       | -                    | -    | -              | -    | 40                      | 24              |
| Other income                                     | -                    | -    | -              | 2    | -                       | -               |
| Financial expenses                               | -                    | 8    | -              | 1    | -                       | -               |
| Other  | 16                   | 18   | 79             | 80   | -                       | -               |
| <b>ASSETS</b>                                    |                      |      |                |      |                         |                 |
| Other receivables, non-current                   | -                    | -    | 121            | 158  | -                       | -               |
| Other  | 53                   | 44   | 85             | 66   | -                       | -               |
| <b>LIABILITIES</b>                               |                      |      |                |      |                         |                 |
| Bank and other credit institutions, etc. current | -                    | -    | 23             | 19   | -                       | -               |
| Trade payables                                   | 39                   | 33   | 86             | 90   | 1                       | 2               |
| Other  | -                    | -    | -              | -    | -                       | -               |
| Purchase of property, plant and equipment, etc.  | -                    | -    | -              | -    | -                       | 13              |
| Dividends  | 51                   | 47   | 160            | 108  | -                       | -               |

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

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

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

Dividends distributed are not included.

## NOTE 22 SIGNIFICANT ACCOUNTING POLICIES

### AMOUNTS IN USD MILLION

#### BASIS OF PREPARATION

The Consolidated financial statements for 2016 for A.P. Møller - Maersk have been prepared on a going concern basis and in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act. The Consolidated financial statements are also in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

The accounting policies are consistent with those applied in the Consolidated financial statements for 2015. A number of changes to accounting standards became effective 1 January 2016. Those relevant to A.P. Møller - Maersk are: 'Annual improvements to IFRSs 2012-2014 cycle' as well as 'Accounting for acquisitions of interests in joint operations' (amendments to IFRS 11) and 'Disclosure initiative' (amendments to IAS 1). The amendments encompass various guidance and clarifications, which has had no material effect on the financial statements.

#### CONSOLIDATION

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

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

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

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

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

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

#### FOREIGN CURRENCY TRANSLATION

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

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

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

#### SEGMENT INFORMATION

The allocation of business activities into segments reflects A.P. Møller - Maersk's character as a conglomerate and is in line with the internal management reporting. Some activities are related, but are managed individually. The reportable segments are as follows:

|                              |   |
|------------------------------|---|
| <b>Maersk Line</b>           | Global container shipping activities  |
| <b>APM Terminals</b>         | Container terminal activities and inland container services   |
| <b>Damco</b>                 | Freight forwarding and supply chain management services   |
| <b>Svitzer</b>               | Towing and related marine activities  |
| <b>Maersk Oil</b>            | Oil and gas production and exploration activities   |
| <b>Maersk Drilling</b>       | Offshore drilling activities as well as operation of land-rigs through 50% ownership of Egyptian Drilling Company |
| <b>Maersk Supply Service</b> | Global offshore marine services   |
| <b>Maersk Tankers</b>        | Tanker shipping of refined oil products   |

## NOTE 22 SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

### AMOUNTS IN USD MILLION

In addition, A.P. Møller - Maersk comprises other businesses, which neither individually nor in aggregate constitute reportable segments. These include, inter alia, Maersk Container Industry, Maersk Aviation, Maersk Training and Høegh Autoliners (associated company).

The reportable segments do not comprise costs in group functions. In addition, oil hedging activities in Maersk Oil Trading and the results of Maersk Oil Trading's activity in the form of purchasing bunker and lubricating oil on behalf of entities in A.P. Møller - Maersk are not allocated to reportable segments.

Revenue between segments is limited except for terminal activities where a large part of the services is delivered to A.P. Møller - Maersk's container shipping activities. Sales of products and services between segments are based on market terms.

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

### INCOME STATEMENT

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

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

Oil and gas sales are recognised as revenue upon discharge from the production site, reflecting the production entitlement quantities. In agreements where tax is settled in oil, an amount corresponding to the sales value is recognised as both revenue and tax.

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

For drilling activities, which are typically carried out under long-term agreements, revenue is recognised in accordance with the agreed day rates for the work performed to date. Mobilisation fees are recognised straight-line over the production period, along with amortisation of mobilisation costs. Compensations received, or receivable, for early termination are recognised as revenue with deferral of an estimated value of any obligations to standing ready for new engagements in the remaining contract period.

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

**Exploration and evaluation costs** in the oil and gas activities are expensed as they are incurred.

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

**Tax** comprises an estimate of current and deferred income tax as well as adjustments to previous years of those. Income tax is tax on taxable profits and consists of corporation tax, hydrocarbon tax in Denmark and other countries, withholding tax of dividends, etc. In addition, tax comprises tonnage tax and oil tax based on gross measures. Tonnage tax is classified as tax when creditable in, or paid in lieu of, income tax. Oil tax on gross measures is a special tax in certain countries on the production of hydrocarbons, and is separately disclosed within tax to provide clarity over A.P. Møller - Maersk's overall tax expense. Tax is recognised in the income statement to the extent it arises from items recognised in the income statement, including tax of gains on intra-group transactions that have been eliminated in the consolidation.

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

### STATEMENT OF COMPREHENSIVE INCOME

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

On disposal or discontinuation of an entity, A.P. Møller - Maersk's share of the accumulated exchange rate adjustment relating to the relevant entity with a non-USD functional currency is reclassified to the income statement. Accumulated value adjustments of securities are transferred to the income statement in the event of sale or when there is objective evidence that the asset is impaired.

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

### BALANCE SHEET

**Intangible assets** are measured at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets. Intangible assets in connection with acquired oil resources (concession rights, etc.) are amortised from the commencement of production until the fields' expected production periods end – a period of up to 20 years. Acquired exploration rights are amortised from the date of acquisition for a period of up to five years. IT software is amortised over a useful life of 3-5 years.

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

## NOTE 22 SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

### AMOUNTS IN USD MILLION

**Property, plant and equipment** are valued at cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight-line basis over the useful lives at an estimated residual value. For oil production facilities, including facilities under construction, where oil is received as payment for the investment (cost oil), depreciation generally takes place concurrently with the receipt of cost oil.

The useful lives of new assets are typically as follows:

|   |  |
|---|--|
| <b>Ships, etc.</b>  | 20-25 years                                  |
| <b>Rigs</b>   | 25 years                                     |
| <b>Containers, etc.</b>   | 12 years                                     |
| <b>Buildings</b>  | 10-50 years                                  |
| <b>Terminal infrastructure</b>  | 10-20 years or concession period, if shorter |
| <b>Plant and machinery, cranes and other terminal equipment</b>   | 5-20 years                                   |
| <b>Other operating equipment, fixtures, etc.</b>  | 3-7 years                                    |
| <b>Oil and gas production facilities, etc.<br/>– based on the expected production periods of the fields</b> | up to 20 years                               |

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

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

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

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

Intangible assets and property, plant and equipment are tested for impairment, if there is an indication of impairment. However, annual impairment tests are carried out for goodwill and other intangible assets with indefinite useful lives as well as intangible assets that are not yet in use, except oil concession rights in scope of IFRS 6.

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

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

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

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

**Securities**, including shares, bonds and similar securities are recognised on the trading date at fair value and subsequently measured at the quoted market price for listed securities and at estimated fair value for non-listed securities. Securities forming part of the liquidity resources are classified as current assets and value adjustments are recognised in the income statement under financial items. Other equity investments are classified as non-current assets and unrealised value adjustments recognised in other comprehensive income and transferred to the income statement in the event of sale or when there is objective evidence that the asset is impaired.

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

**Loans and receivables** are initially recognised at fair value, plus any direct transaction costs and subsequently measured at amortised cost using the effective interest method. Write-down is made for anticipated losses based on specific individual or group assessments.

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

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

## NOTE 22 SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

### AMOUNTS IN USD MILLION

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

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

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

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

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

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

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

### DERIVATIVE FINANCIAL INSTRUMENTS

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

The effective portion of changes in the value of derivative financial instruments designated to hedge highly probable future transactions is recognised in other comprehensive income until the hedged transactions are realised. At that time, the cumulated gains/losses are transferred to the items under which the hedged transactions are recognised. The effective portion of changes in the value of derivative financial instruments used to hedge the value of recognised financial assets and liabilities is recognised in the income statement together with changes in the fair value of the hedged assets or liabilities that can be attributed to the hedging relationship. The ineffective portion of hedge transactions and changes in the fair values of derivative financial instruments, which do not qualify for hedge accounting, are recognised in the income statement as financial income or expenses for interest and currency based instruments, and as other income/costs for oil price hedges and forward freight agreements, including time value for oil price hedges.

### BUSINESS COMBINATIONS AND DISPOSAL OF SUBSIDIARIES

Upon acquisition of new entities, the acquired assets, liabilities and contingent liabilities are measured at fair value at the date control was achieved using the acquisition method. Identifiable intangible assets are recognised if they arise from a contractual right or can otherwise be separately identified. The difference between the fair value of the acquisition cost and the fair value of acquired identifiable net assets is recognised as goodwill. Any subsequent changes to contingent acquisition costs are recognised as other income or other costs in the income statement. Transaction costs are recognised as operating costs as they are incurred. When A.P. Moller - Maersk ceases to have control of a subsidiary, the value of any retained investment is re-measured at fair value and the value adjustment is recognised in the income statement as gain (or loss) on sale of non-current assets. The effect of the purchase and sale of non-controlling interests without changes in control is included directly in equity.

### CASH FLOW STATEMENT

Cash flow from operating activities includes all cash transactions other than cash flows arisen from investments and divestments, principal payments of loans, instalments on finance lease liabilities and equity transactions. Capitalisation of borrowing costs and abandonment costs are considered as non-cash items, and the actual payments of those are included in cash flow from operations.

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

## NOTE 22 SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

### AMOUNTS IN USD MILLION

#### NEW FINANCIAL REPORTING REQUIREMENTS

A.P. Moller - Maersk has not yet applied the following standards:

- IFRS 9 Financial instruments
- IFRS 15 Revenue from contracts with customers
- IFRS 16 Leases

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

A.P. Moller - Maersk has in all material respect concluded analyses of the impending changes resulting from IFRS 9 and IFRS 15. The key findings are explained below. The project initiated to prepare for IFRS 16 is ongoing, where conclusions cannot be drawn yet.

#### IFRS 9 Financial instruments

The IASB accounting standard Financial Instruments (IFRS 9) has been endorsed by the EU and A.P. Moller - Maersk has decided to adopt IFRS 9 from 1 January 2017.

The implementation of IFRS 9 will not affect the current classification and measurement of the Group's financial instruments, and the new standard does not fundamentally change the hedging relationships. Management has elected to classify the 19% shareholding in Dansk Supermarked Group as fair value through other comprehensive income. The accumulated currency loss at year-end 2016 of USD 235m currently recognised in other comprehensive income will as a consequence remain in equity as will any future value adjustments related to this investment.

Finally, the effect of the change from the 'incurred loss' model in IAS 39 to the 'expected credit loss' model in IFRS 9 is considered immaterial due to the low credit risk in the Group. The implementation of IFRS 9 is therefore not expected to materially impact the financial position or performance of A.P. Moller - Maersk.

#### IFRS 15 Revenue from contracts with customers

A.P. Moller - Maersk's current practices for recognising revenue have shown to comply in all material aspects with the concepts and principles encompassed by the new standard. The following two changes have been identified, which in our view deviate from current industry practices.

In tanker shipping, revenue in accordance with IAS 18 is recognised by the stage of completion from discharge-to-discharge. According to IFRS 15, revenue shall be recognised on transfer of control, which is deemed to occur over time from load-to-discharge. The change will result in a shift in timing for when recognition of revenue from a contract commences. In return, costs incurred in positioning of the tanker to the load port are capitalised as contract costs and amortised as revenue is recognised. The change does not have a material impact on the financial position or performance of A.P. Moller - Maersk.

In contracts for sale of oil and gas, quantities transferred on vessel or pipeline to customers are identified as performance obligations. Hence, IFRS 15 revenue will reflect the sales entitlement method. A.P. Moller - Maersk will continue to present total revenue based on production entitlement. Changes in payables/receivables for over-/underlifts, as well as the value of oil used to settle tax, will be presented as entitlement adjustments in Other Revenue.

#### IFRS 16 Leases

Due to the ongoing strategy review, the nature, number and complexity of lease contracts to which A.P. Moller - Maersk is expected to be committed at the end of 2018 is unpredictable at present, thus the expected impact of the new standard cannot be estimated. For the same reason, management has not made any decisions on transition options.

## NOTE 23 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

### AMOUNTS IN USD MILLION

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

In certain areas, the outcome of business plans, including ongoing negotiations with external parties to execute those plans or to settle claims that are raised against A.P. Moller - Maersk, is highly uncertain. Therefore, assumptions may change or the outcome may differ in the coming years, which could require a material upward or downward adjustment to the carrying amounts of assets and liabilities. This note includes the areas, in which A.P. Moller - Maersk is particularly exposed to a material adjustment of the carrying amounts as at the end of 2016.

#### GENERAL

##### Aspects of uncertainty

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

##### Crude oil prices

The future development in the oil price is an uncertain and significant factor impacting accounting estimates across A.P. Moller - Maersk either directly or indirectly. Directly impacted is Maersk Oil on sales prices, but also in regards to entitlement volume (Qatar), production life times, price of licenses and prospects for exploration and development plans. Maersk Line is directly impacted by the price of bunker oil, but competitive landscape determines the extent to which the results are impacted.

Maersk Drilling and Maersk Supply Services are impacted by the demand for rigs and supply vessels as the oil companies may cancel or defer projects and exert pressure for lower rates, more contract flexibility and low cost solutions when oil prices are low. APM Terminals' locations in oil producing countries, e.g. Nigeria, Angola, Egypt, Russia, and Brazil, are indirectly impacted by the development in oil prices and the consequences on the countries' economies, which not only has an effect on volume handled in the terminals, but also on exchange rates.

The decline in the oil price since 2014, where OPEC decided not to adjust the production level as a response to increased supply of oil from non-OPEC countries continued until January 2016, where the Brent oil price reached a 10-year low of 28 USD/barrel. Since January 2016, the Brent oil price has increased and ended 2016 at 57 USD/barrel. In November, the OPEC countries agreed to cut production from January 2017, which was the first proposed output cut since 2008 and was backed by the first agreement including non-OPEC producers since 2001. The Brent oil price forward curve has followed the upward trend in the short-term whereas the medium-term forward price has only increased slightly compared to end 2015.

The oil price projections caused significant impairment losses across Maersk Oil's portfolio in 2015 due to the low oil price itself and derived effects on future commerciality, investments and production lives.

#### INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

A.P. Moller - Maersk carries goodwill of USD 334m (USD 87m) and intangible assets with indefinite lives of USD 34m (USD 37m). The increase in goodwill relates to the acquisition of Grup Maritim TCB through a business combination in March 2016 and relates to the terminal business on the Iberian Peninsula and South America. The majority of non-current assets are amortised over their useful economic lives. Management assesses impairment indicators across this asset base. Judgement is applied in the definition of cash generating units and in the selection of methodologies and assumptions for impairment tests.

The determination of cash generating units differs for the various businesses. Maersk Line operates its fleet of container vessels in an integrated network for which reason the global container shipping activities are tested for impairment as a single cash generating unit. Maersk Oil tests fields individually or combined, when connected through shared infrastructure. APM Terminals considers each terminal individually in impairment tests, unless when the capacity is managed as a portfolio, which is the case for certain terminals in Northern Europe and Global Ports Investments (Russia). Maersk Drilling considers rigs with similar functionality and operating environment as cash generating units due to largely interdependent cash flows. Maersk Tankers, Svitzer and Maersk Supply Service group vessels according to type, size, etc. in accordance with the structure governing management's ongoing follow-up.

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

#### Impairment considerations

Despite the short-term increase in the oil price due to the OPEC agreement, the mid- and long-term expectations have not changed significantly compared to last year. Since the decline in the oil price from mid-2014, oil companies have dramatically reduced their exploration and development activities adversely impacting offshore drilling activities. In addition the decline in the breakeven price for shale oil production has made this the lowest cost option for new oil production.

The current supply/demand imbalance in the offshore rig market along with the uncertainty in regards to the future oil price projections driving demand are the key drivers for impairments in Maersk Drilling. During 2016, new contracts were closed at day rates at or near cash breakeven levels caused by owners preferring to have rigs utilised rather than stacked. These factors in conjunction with fewer tenders for new contracts and increasing termination of existing contracts have led to a change in management's expectations of the offshore drilling business, where a recovery is still expected – but not to the same level as before the decrease in the oil price in 2014. The day rates in the short to medium term are expected to moderately increase compared to the all-time low rates seen in 2016. In line with analysts in the market, management expects a gradual move towards more economically sustainable rates in the long-term, but at a lower level than previously. Based on these challenging market conditions an impairment charge of USD 1.5bn was recognised in Maersk Drilling.

## NOTE 23 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS — CONTINUED

### AMOUNTS IN USD MILLION

Within the deepwater segment where breakeven development prices are the highest the uncertainty is higher than within the jack-up market, which on the other hand is impacted by the delivery of a large number of newbuilds during the next few years.

The fair value estimates are highly uncertain due to the character of the assets and few transactions. The value in use calculations for the individual cash generating units are sensitive to the day rates expected to apply when contracts expire and to the risks of idle periods in the forecasts. In addition, the discount rate, growth rate and EBITDA margin in the terminal period are critical variables.

The current significant supply/demand imbalance in the Offshore Supply Vessel (OSV) industry with around 25% of vessels laid up, and the significant uncertainty regarding future demand are the key drivers for impairments in Maersk Supply Service of USD 1.2bn. Maersk Supply Service operates within three markets in the offshore supply vessel industry: the Anchor Handling Tug Supply Vessel (AHTS) market, the Subsea Supply Vessels (SSV) market, and the Platform Supply Vessel (PSV) market, who are all facing challenges.

Maersk Supply Service is mainly exposed toward the AHTS market, which is currently oversupplied, and facing a structural demand shift. Historically the activity has been driven by moored rigs, which the vessels have been purpose built to serve. The downturn in the rig market has shown that the rigs that are stacked and recycled are predominantly the moored rigs, which are typically older generation rigs and are not expected to return to the market due to the supply demand imbalance in the rig market. Management does see growth within alternative work scopes such as trenching FPSO mooring/support, towing and accommodation, but the main business has declined over the last years and is expected to stay at a low level in the future, and is the main driver for the impairment in Maersk Supply Service.

Although oversupplied, the Subsea Supply Vessel market is faced with a more positive outlook. The SSV market where installation, repair and maintenance, and mobilisation within the offshore market drive demand is expected to recover, as there will still be a need for further exploration, development and maintenance in the offshore oil and gas space to meet future global energy consumption. SSV vessels can be utilised in adjacent growth markets such as decommissioning and deep sea mining, which supports management's expectations to the future of the SSV market.

The Platform Supply Vessel (PSV) market is the most oversupplied segment in the OSV industry. The PSV segment is perceived as the most commoditised segment and is the least differentiated segment and this is expected to continue. Due to the increased market imbalance and the uncertain outlook for the market, management now expects a lower pick up in the market. Maersk Supply Service's exposure to the PSV market is limited.

Market values for the vessels in all three segments are uncertain, as the number of transactions have been very limited in 2016 as the market is distressed.

The low oil price was the key driver of the impairment of assets in Maersk Oil in 2015, but the assumptions and judgements about the future are multiple and complex. Below is an overview of the principle impairment indicators and management's approach in the choice of assumptions.

| Consideration                           | Uncertain factors                               | Management's approach  | Assets impacted  |
|---|---|--|--|
| <b>Crude oil price</b>                  | Source used for price projections               | Short-term Brent forward curve and thereafter inflated towards a prudent view of market analysts' projection of the normalised long-term oil price | All estimates of recoverable amounts for development and production assets   |
| <b>Field development</b>                | Outcome of changed strategies and plans         | Full derecognition of assets if projects prove commercially unviable   | Concession rights and development assets in Angola, Kazakhstan and Kurdistan |
|   | Terms of expiring production sharing agreements | Probability assessment for a prolongation of expiring contracts  |  |
|   | Success in pursuing partners                    | Risks reflected in discount rates  |  |
| <b>Abandonment</b>                      | Risks in approved plans                         |  |  |
|   | Time for cease of production                    | Cessation time advanced as appropriate   | Production assets in the UK and Denmark                                      |
| <b>Expired or relinquished licenses</b> | Decommissioning costs                           | Appropriate cost estimates   |  |
|   | Extension options                               | Derecognition of exploration assets until uncertainties are resolved   | Concession rights in Brazil, USA and Kurdistan                               |
|   | Farm-out options                                |  |  |

The above has been considered for other fields, which did not lead to further impairment charges or reversals in 2016.

Other critical factors in impairment tests of assets employed in Maersk Oil are: effect of cost-saving projects, reservoir evaluation, unitisation options, taxation, inflation and discount rates. The projection of operating expenses is based on the scope of work agreed with parties in joint arrangements and current prices for drilling, etc. The forecasts take into consideration tax rates and tax laws in force at the reporting date. Changes in taxation can have material impact on the recoverable amounts.

In Maersk Line the further decrease in freight rates and the negative result in 2016 are impairment indicators, although Maersk Line generated positive cash flows in the year. In addition, the estimated fair value of the fleet continues to be significantly lower than the carrying amount. Consequently, an estimate of the recoverable amount has been prepared by a value in use calculation. The cash flow projection is based on forecasts as per December 2016 covering plans for 2017-21. The key sensitivities are: development in freight rates, container volumes, bunker costs, effect of cost savings as well as the discount rate. Management has applied an assumption of growth in volumes and continued pressure on, but increasing freight rates, and continued cost efficiency. The impairment test continues to show headroom from value in use to the carrying amount. Management is of the opinion that the assumptions applied are sustainable and that the gap to fair value can be explained mainly by Maersk Line performing at margins above the industry average.

## NOTE 23 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS — CONTINUED

### AMOUNTS IN USD MILLION

In APM Terminals the decline in activity in oil producing countries is an impairment indicator for the terminals in these countries. Management assesses impairment triggers and based on these estimate recoverable amounts on the individual terminals. As APM Terminals' interest in Global Port Investments, being the share of equity and significant intangible assets acquired, was impaired in 2014, management reassessed the recoverable amount of its interest. Uncertain variables in the estimate are the economic outlook in Russia, local competition, effect on volume and operating expenses and discount rate. Offsetting effects prevented impairment in 2016, but the carrying amount of the investment may not be sustainable in the next few years, if markets develop significantly adverse compared to current expectations. Estimates of recoverable amounts were also prepared for other terminals where decreasing volumes triggered impairment tests. No impairment charge was necessary. Continued economic deterioration and lacking cash repatriation opportunities in certain oil producing countries can potentially put further pressure on carrying amounts of terminals in these countries.

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

#### Amortisation, depreciation and residual values

Useful lives are estimated based on past experience. Management decides from time to time to revise the estimates for individual assets or groups of assets with similar characteristics due to factors such as quality of maintenance and repair, technical development and environmental requirements. For oil production facilities the production period is based on management's judgement of when it will no longer be commercially viable to extract more oil or gas, which is highly dependent of the future oil price, production costs and the technical feasibility for extraction. Refer to note 22 for the useful lives typically used for new assets.

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

#### ABANDONMENT OBLIGATIONS

In oil and gas activities provisions are made for the cost of plugging wells, removing production facilities and re-establishing the environment (sea bed etc.). The recognised obligation is based on contractual agreements and current regulatory requirements.

Decommissioning costs are highly judgemental, although driven by A.P. Moller - Maersk's own plans made in cooperation with partners and other interests. A.P. Moller - Maersk has limited actual experience with offshore abandonment and local conditions can be different. The forecast period is long and the discount rates are therefore key variables in the estimates. The methodology used is consistent with general industry practice. Expected timing of the use of the provision and average discount rates can be found in note 13.

#### OPERATIONS IN COUNTRIES WITH LIMITED ACCESS TO REPATRIATING SURPLUS CASH

A.P. Moller - Maersk operates worldwide and in this respect has operations in countries where the access to repatriating surplus cash is limited. In these countries, Management makes judgements as to how these transactions and balance sheet items are recognised in the financial statement. Judgement is based on the possibilities to repatriate cash through alternative ways through trading with equities or commodities.

#### PROVISIONS FOR PENSION AND OTHER EMPLOYEE BENEFITS

For defined benefit schemes management makes assumptions about future remuneration and pension changes, employee attrition rates, life expectancy, inflation and discount rates. When setting those assumptions management takes advice from the actuaries performing the valuation. The inflation and discount rates are determined centrally for the major plans on a country-by-country basis. All other assumptions are determined on a plan-by-plan basis. Refer to note 12 for information about key assumptions and the sensitivity of the liability to changes in those.

Plan assets are measured at fair value by fund administrators.

#### PROVISIONS FOR LEGAL DISPUTES, UNCERTAIN TAX POSITIONS, ETC.

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

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

#### DEFERRED TAX ASSETS

Judgement has been applied in the measurement of deferred tax assets with respect to A.P. Moller - Maersk's ability to utilise the assets. Management considers the likelihood of utilisation based on the latest business plans and recent financial performances of the individual entities. Net deferred tax assets recognised in entities having suffered an accounting loss in either the current or preceding period amount to USD 332m (USD 415m), excluding entities participating in joint taxation schemes. These assets mainly relate to unused tax losses or deductible temporary differences generated in the development of oil and gas fields, during construction of terminals or in mobilisation of drilling rigs, where taxable profits have been generated either in the current period or is expected within a foreseeable future.

#### ASSESSMENT OF CONTROL, JOINT CONTROL OR SIGNIFICANT INFLUENCE

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

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

When assessing joint control, an analysis is carried out to determine which decisions require unanimity and whether these concern the activities that significantly affect the returns. Joint control is deemed to exist when business plans, work programmes and budgets are unanimously adopted. Within oil and gas activities, an assessment of joint control is carried out for each phase. These are typically exploration and development, production and decommissioning.

## NOTE 23 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS — CONTINUED

### AMOUNTS IN USD MILLION

Unanimity is often not required during the production phase. Given that the contracting parties have direct and unrestricted rights and obligations in the arrangements' assets or liabilities regardless of voting rights, the arrangements are accounted for as joint operations during all phases.

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

### LEASING

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

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

### AVAILABLE FOR SALE INVESTMENTS

Judgement is applied in the valuation of the non-listed shares in Dansk Supermarked Group that are classified as investments available for sale, which is recognised through other comprehensive income. Refer to note 15 for further details.

## NOTE 24 JOINT OPERATIONS

### AMOUNTS IN USD MILLION

The Group's joint operations are solely within Maersk Oil. Significant joint operations are listed below:

| 2016                         | Place of business                                | Country         | Ownership interest | Voting rights      |
|------------------------------|--|-----------------|--------------------|--------------------|
| <b>IN PRODUCTION</b>         |  |                 |                    |                    |
| Hassi Berkine                | Algeria onshore, Block 208 (El Merk) + Block 404 | Algeria         | 11.0%              | -                  |
| Dansk Undergrunds Consortium | Danish North Sea                                 | Denmark         | 31.2%              | 31.2%              |
| Sarsang                      | Iraqi Kurdistan onshore                          | Iraqi Kurdistan | 18.0%              | 22.5%              |
| Dunga                        | Kazakhstan onshore                               | Kazakhstan      | 60.0%              | 60.0%              |
| Gryphon                      | United Kingdom North Sea                         | United Kingdom  | 86.5%              | 86.5%              |
| South Gryphon                | United Kingdom North Sea                         | United Kingdom  | 89.9%              | 89.9%              |
| Harding                      | United Kingdom North Sea                         | United Kingdom  | 30.0%              | 30.0%              |
| Golden Eagle                 | United Kingdom North Sea                         | United Kingdom  | 31.6%              | 31.6%              |
| Jack                         | Gulf of Mexico                                   | USA             | 25.0%              | 25.0%              |
| <b>NOT IN PRODUCTION</b>     |  |                 |                    |                    |
| Chissonga                    | Block 16, offshore Angola                        | Angola          | 65.0%              | 65.0%              |
| Johan Sverdrup               | Norway North Sea, Block 501                      | Norway          | 20.0% <sup>1</sup> | 20.0% <sup>1</sup> |
| Culzean                      | United Kingdom North Sea                         | United Kingdom  | 50.0%              | 50.0%              |
| Flyndre                      | United Kingdom North Sea                         | United Kingdom  | 65.9%              | 65.9%              |
|                              | Norway North Sea                                 | Norway          | 6.3%               | 6.3%               |
| South Lokichar               | North-west Kenya                                 | Kenya           | 25.0%              | 25.0%              |

<sup>1</sup> On 20 August 2015 Maersk Oil was granted an 8.44% interest in the Johan Sverdrup field (utilised between Block 501 and Block 265).

| 2015                         | Place of business                                | Country         | Ownership interest | Voting rights      |
|------------------------------|--|-----------------|--------------------|--------------------|
| <b>IN PRODUCTION</b>         |  |                 |                    |                    |
| Hassi Berkine                | Algeria onshore, Block 208 (El Merk) + Block 404 | Algeria         | 11.0%              | -                  |
| Campo Polvo                  | Offshore Brazil                                  | Brazil          | 40.0%              | 40.0%              |
| Dansk Undergrunds Consortium | Danish North Sea                                 | Denmark         | 31.2%              | 31.2%              |
| Sarsang                      | Iraqi Kurdistan onshore                          | Iraqi Kurdistan | 18.0%              | 22.5%              |
| Dunga                        | Kazakhstan onshore                               | Kazakhstan      | 60.0%              | 60.0%              |
| Gryphon                      | United Kingdom North Sea                         | United Kingdom  | 86.5%              | 86.5%              |
| South Gryphon                | United Kingdom North Sea                         | United Kingdom  | 89.9%              | 89.9%              |
| Harding                      | United Kingdom North Sea                         | United Kingdom  | 30.0%              | 30.0%              |
| Golden Eagle                 | United Kingdom North Sea                         | United Kingdom  | 31.6%              | 31.6%              |
| Jack                         | Gulf of Mexico                                   | USA             | 25.0%              | 25.0%              |
| <b>NOT IN PRODUCTION</b>     |  |                 |                    |                    |
| Chissonga                    | Block 16, offshore Angola                        | Angola          | 65.0%              | 65.0%              |
| Johan Sverdrup               | Norway North Sea                                 | Norway          | 20.0% <sup>1</sup> | 20.0% <sup>1</sup> |
| Culzean                      | United Kingdom North Sea                         | United Kingdom  | 50.0%              | 50.0%              |
| Flyndre                      | United Kingdom North Sea                         | United Kingdom  | 65.9%              | 65.9%              |
|                              | Norway North Sea                                 | Norway          | 6.3%               | 6.3%               |
| Buckskin                     | Gulf of Mexico                                   | USA             | 20.0%              | 20.0%              |

# Parent company

## **A.P. Møller - Mærsk A/S**

(In parenthesis the corresponding figures for 2015)

### **Financial statements 2016**

Income statement / Statement of comprehensive income / Balance sheet at 31 December / Cash flow statement / Statement of changes in equity  
Notes to the financial statements / Statement of the Board of Directors and the Management Board / Independent auditor's report

## INCOME STATEMENT

AMOUNTS IN USD MILLION

| Note  | 2016        | 2015         |
|---|-------------|--------------|
| 1 Revenue   | 1,045       | 1,395        |
| 2 Operating costs   | 627         | 717          |
| Other income  | -           | 1            |
| <b>Profit before depreciation, amortisation and impairment losses, etc.</b> | <b>418</b>  | <b>679</b>   |
| 6,9 Depreciation, amortisation and impairment losses, net                   | 290         | 607          |
| 3 Gain/loss on sale of companies and non-current assets, etc., net          | 54          | 2,217        |
| <b>Profit before financial items</b>  | <b>182</b>  | <b>2,289</b> |
| 4 Dividends   | 182         | 206          |
| 4 Financial income  | 1,211       | 1,192        |
| 4 Financial expenses  | 2,143       | 1,178        |
| <b>Profit/loss before tax</b>   | <b>-568</b> | <b>2,509</b> |
| 5 Tax   | 84          | 143          |
| <b>Profit/loss for the year – continuing operations</b>                     | <b>-652</b> | <b>2,366</b> |
| 9 Profit/loss for the year – discontinued operations                        | -           | -            |
| <b>Profit/loss for the year</b>   | <b>-652</b> | <b>2,366</b> |
| <b>APPROPRIATION:</b>   |             |              |
| Proposed dividend   | 443         | 946          |
| Retained earnings   | -1,095      | 1,420        |
| <b>Proposed dividend per share, DKK</b>                                     | <b>150</b>  | <b>300</b>   |
| <b>Proposed dividend per share, USD</b>                                     | <b>21</b>   | <b>44</b>    |

## STATEMENT OF COMPREHENSIVE INCOME

AMOUNTS IN USD MILLION

| Note  | 2016        | 2015         |
|---|-------------|--------------|
| <b>Profit/loss for the year</b>   | <b>-652</b> | <b>2,366</b> |
| Other equity investments:   |             |              |
| Fair value adjustment for the year  | 24          | -97          |
| Reclassified to income statement, gain on sale of non-current assets, etc., net         | -51         | -            |
| Cash flow hedges:   |             |              |
| Value adjustment of hedges for the year   | -37         | -40          |
| 14 Reclassified to income statement   | 73          | 24           |
| 5 Tax on other comprehensive income   | 19          | 10           |
| <b>Total items that are or may be reclassified subsequently to the income statement</b> | <b>28</b>   | <b>-103</b>  |
| <b>Other comprehensive income, net of tax</b>   | <b>28</b>   | <b>-103</b>  |
| <b>Total comprehensive income for the year</b>  | <b>-624</b> | <b>2,263</b> |

## BALANCE SHEET AT 31 DECEMBER

AMOUNTS IN USD MILLION

| Note  | 2016          | 2015          |
|---|---------------|---------------|
| 6 <b>Property, plant and equipment</b>                  | <b>1,605</b>  | <b>1,716</b>  |
| 7 Investments in subsidiaries                           | 30,496        | 30,353        |
| 7 Investments in associated companies                   | 207           | 355           |
| Other equity investments                                | 759           | 838           |
| 15 Interest bearing receivables from subsidiaries, etc. | 7,697         | 7,548         |
| 14 Derivatives  | 59            | 157           |
| Other receivables                                       | 425           | 610           |
| <b>Financial non-current assets, etc.</b>               | <b>39,643</b> | <b>39,861</b> |
| 8 <b>Deferred tax</b>                                   | <b>99</b>     | <b>350</b>    |
| <b>Total non-current assets</b>                         | <b>41,347</b> | <b>41,927</b> |
| <b>Inventories</b>                                      | <b>38</b>     | <b>48</b>     |
| Trade receivables                                       | 173           | 227           |
| Tax receivables   | 197           | 58            |
| 15 Interest bearing receivables from subsidiaries, etc. | 4,493         | 2,540         |
| 14 Derivatives  | 267           | 199           |
| Other receivables                                       | 44            | 36            |
| Other receivables from subsidiaries, etc.               | 454           | 444           |
| Prepayments   | 41            | 53            |
| <b>Receivables, etc.</b>                                | <b>5,669</b>  | <b>3,557</b>  |
| <b>Securities</b>                                       | <b>1</b>      | <b>660</b>    |
| <b>Cash and bank balances</b>                           | <b>2,060</b>  | <b>2,393</b>  |
| <b>Total current assets</b>                             | <b>7,768</b>  | <b>6,658</b>  |
| <b>Total assets</b>                                     | <b>49,115</b> | <b>48,585</b> |

## BALANCE SHEET AT 31 DECEMBER

AMOUNTS IN USD MILLION

| Note  | 2016          | 2015          |
|---|---------------|---------------|
| 10 Share capital                                      | 3,774         | 3,906         |
| Reserves  | 16,728        | 18,650        |
| <b>Total equity</b>                                   | <b>20,502</b> | <b>22,556</b> |
| 12 <b>Borrowings, non-current</b>                     | <b>9,772</b>  | <b>8,705</b>  |
| 13 Provisions   | 1,335         | 1,690         |
| 14 Derivatives  | 513           | 612           |
| 8 Deferred tax  | 97            | 48            |
| <b>Other non-current liabilities</b>                  | <b>1,945</b>  | <b>2,350</b>  |
| <b>Total non-current liabilities</b>                  | <b>11,717</b> | <b>11,055</b> |
| 12 <b>Borrowings, current</b>                         | <b>1,389</b>  | <b>817</b>    |
| 12 <b>Interest bearing debt to subsidiaries, etc.</b> | <b>14,168</b> | <b>12,737</b> |
| 13 Provisions   | 122           | 315           |
| Trade payables  | 170           | 188           |
| Tax payables  | 173           | 170           |
| 14 Derivatives  | 429           | 329           |
| Other payables  | 379           | 357           |
| Other payables to subsidiaries, etc.                  | 52            | 19            |
| Deferred income                                       | 14            | 42            |
| <b>Other current liabilities</b>                      | <b>1,339</b>  | <b>1,420</b>  |
| <b>Total current liabilities</b>                      | <b>16,896</b> | <b>14,974</b> |
| <b>Total liabilities</b>                              | <b>28,613</b> | <b>26,029</b> |
| <b>Total equity and liabilities</b>                   | <b>49,115</b> | <b>48,585</b> |

## CASH FLOW STATEMENT

AMOUNTS IN USD MILLION

| Note  | 2016          | 2015          |
|---|---------------|---------------|
| Profit before financial items                                       | 182           | 2,289         |
| 6,9 Depreciation, amortisation and impairment losses, net           | 290           | 607           |
| 3 Gain on sale of companies and non-current assets, etc., net       | -54           | -2,217        |
| 19 Change in working capital  | 76            | 143           |
| Other non-cash items  | -420          | 38            |
| Cash from operating activities before financial items and tax       | 74            | 860           |
| Dividends received  | 465           | 50            |
| Financial income received   | 705           | 585           |
| Financial expenses paid   | -703          | -421          |
| Taxes paid  | -252          | -332          |
| <b>Cash flow from operating activities</b>                          | <b>289</b>    | <b>742</b>    |
| 19 Purchase of property, plant and equipment                        | -149          | -158          |
| Sale of property, plant and equipment                               | 2             | 19            |
| Acquisition of and capital increases in subsidiaries and activities | -76           | -62           |
| Sale of subsidiaries and activities                                 | -             | 3             |
| Purchase/sale of shares in associated companies, etc.               | -             | 4,944         |
| Other financial investments   | 438           | 2             |
| Cash flow used for capital expenditure                              | 215           | 4,748         |
| Purchase/sale of securities, trading portfolio                      | 703           | 65            |
| <b>Cash flow used for investing activities</b>                      | <b>918</b>    | <b>4,813</b>  |
| Repayment of borrowings   | -885          | -840          |
| Proceeds from borrowings  | 2,791         | 2,559         |
| Purchase of own shares  | -475          | -780          |
| Sale of own shares  | 2             | 26            |
| Dividends distributed   | -953          | -6,141        |
| Movements in interest bearing loans to/from subsidiaries, etc., net | -1,933        | 142           |
| <b>Cash flow from financing activities</b>                          | <b>-1,453</b> | <b>-5,034</b> |
| <b>Net cash flow from continuing operations</b>                     | <b>-246</b>   | <b>521</b>    |
| 9 Net cash flow from discontinued operations                        | -             | -             |
| <b>Net cash flow for the year</b>                                   | <b>-246</b>   | <b>521</b>    |
| Cash and cash equivalents 1 January                                 | 2,387         | 2,018         |
| Currency translation effect on cash and cash equivalents            | -122          | -152          |
| <b>Cash and cash equivalents 31 December</b>                        | <b>2,019</b>  | <b>2,387</b>  |

| Cash and cash equivalents                    | 2016         | 2015         |
|--|--------------|--------------|
| Cash and bank balances                       | 2,060        | 2,393        |
| Overdrafts                                   | 41           | 6            |
| <b>Cash and cash equivalents 31 December</b> | <b>2,019</b> | <b>2,387</b> |

## STATEMENT OF CHANGES IN EQUITY

AMOUNTS IN USD MILLION

|  | Share capital     | Reserve for hedges | Retained earnings | Total equity  |
|--|-------------------|--------------------|-------------------|---------------|
| Equity at 1 January 2015                       | 3,985             | -49                | 23,249            | 27,185        |
| Other comprehensive income, net of tax         | -                 | -6                 | -97               | -103          |
| Profit/loss for the year                       | -                 | -                  | 2,366             | 2,366         |
| <b>Total comprehensive income for the year</b> | <b>-</b>          | <b>-6</b>          | <b>2,269</b>      | <b>2,263</b>  |
| Dividends to shareholders                      | -                 | -                  | -6,141            | -6,141        |
| 11 Value of share-based payments               | -                 | -                  | 3                 | 3             |
| 10 Purchase of own shares                      | -                 | -                  | -780              | -780          |
| 10 Sale of own shares                          | -                 | -                  | 26                | 26            |
| 10 Capital increases and decreases             | -79 <sup>1</sup>  | -                  | 79 <sup>1</sup>   | -             |
| <b>Total transactions with shareholders</b>    | <b>-79</b>        | <b>-</b>           | <b>-6,813</b>     | <b>-6,892</b> |
| <b>Equity 31 December 2015</b>                 | <b>3,906</b>      | <b>-55</b>         | <b>18,705</b>     | <b>22,556</b> |
| <b>2016</b>                                    |                   |                    |                   |               |
| Other comprehensive income, net of tax         | -                 | 55                 | -27               | 28            |
| Profit/loss for the year                       | -                 | -                  | -652              | -652          |
| <b>Total comprehensive income for the year</b> | <b>-</b>          | <b>55</b>          | <b>-679</b>       | <b>-624</b>   |
| Dividends to shareholders                      | -                 | -                  | -953              | -953          |
| 11 Value of share-based payments               | -                 | -                  | -4                | -4            |
| 10 Purchase of own shares                      | -                 | -                  | -475              | -475          |
| 10 Sale of own shares                          | -                 | -                  | 2                 | 2             |
| 10 Capital increases and decreases             | -132 <sup>2</sup> | -                  | 132 <sup>2</sup>  | -             |
| <b>Total transactions with shareholders</b>    | <b>-132</b>       | <b>-</b>           | <b>-1,298</b>     | <b>-1,430</b> |
| <b>Equity 31 December 2016</b>                 | <b>3,774</b>      | <b>-</b>           | <b>16,728</b>     | <b>20,502</b> |

<sup>1</sup> At the Annual General Meeting of A.P. Møller - Mærsk A/S on 30 March 2015, cf. note 10, the shareholders decided on the cancellation of treasury shares, whereby the share capital has decreased by a transfer of reserves to retained earnings.

<sup>2</sup> At the Annual General Meeting of A.P. Møller - Mærsk A/S on 12 April 2016, cf. note 10, the shareholders decided on the cancellation of treasury shares, whereby the share capital has decreased by a transfer of reserves to retained earnings.

# NOTES

|  |    |  |    |
|--|----|--|----|
| <b>NOTE 1</b>  |    | <b>NOTE 13</b>                                       |    |
| — Revenue  | 82 | — Provisions   | 90 |
| <b>NOTE 2</b>  |    | <b>NOTE 14</b>                                       |    |
| — Operating costs  | 82 | — Derivatives  | 91 |
| <b>NOTE 3</b>  |    | <b>NOTE 15</b>                                       |    |
| — Gain on sale of companies and<br>non-current assets, etc., net | 83 | — Financial instruments<br>by category               | 92 |
| <b>NOTE 4</b>  |    | <b>NOTE 16</b>                                       |    |
| — Financial income and expenses                                  | 84 | — Financial risks, etc.                              | 93 |
| <b>NOTE 5</b>  |    | <b>NOTE 17</b>                                       |    |
| — Tax  | 84 | — Commitments  | 95 |
| <b>NOTE 6</b>  |    | <b>NOTE 18</b>                                       |    |
| — Property, plant and equipment                                  | 85 | — Contingent liabilities                             | 96 |
| <b>NOTE 7</b>  |    | <b>NOTE 19</b>                                       |    |
| — Investments in subsidiaries<br>and associated companies        | 85 | — Cash flow specifications                           | 96 |
| <b>NOTE 8</b>  |    | <b>NOTE 20</b>                                       |    |
| — Deferred tax   | 86 | — Related parties                                    | 97 |
| <b>NOTE 9</b>  |    | <b>NOTE 21</b>                                       |    |
| — Discontinued operations  | 86 | — Significant accounting<br>policies                 | 98 |
| <b>NOTE 10</b>   |    | <b>NOTE 22</b>                                       |    |
| — Share capital  | 87 | — Significant accounting<br>estimates and judgements | 99 |
| <b>NOTE 11</b>   |    |  |    |
| — Share-based payment  | 88 |  |    |
| <b>NOTE 12</b>   |    |  |    |
| — Borrowings   | 90 |  |    |

## NOTE 1 REVENUE

AMOUNTS IN USD MILLION

|  | 2016         | 2015         |
|--|--------------|--------------|
| Sale of oil and gas                    | 749          | 961          |
| Revenue from vessels and drilling rigs | 238          | 361          |
| Other revenue                          | 58           | 73           |
| <b>Total revenue</b>                   | <b>1,045</b> | <b>1,395</b> |

## NOTE 2 OPERATING COSTS

AMOUNTS IN USD MILLION

|   | 2016       | 2015       |
|---|------------|------------|
| Rent and lease costs  | 103        | 146        |
| Exploration costs   | 8          | 43         |
| Staff costs reimbursed to Rederiet A.P. Møller A/S <sup>1</sup> | 182        | 154        |
| Other   | 334        | 374        |
| <b>Total operating costs</b>                                    | <b>627</b> | <b>717</b> |
| Average number of employees employed directly by the Company    | 2          | 2          |

<sup>1</sup> Wages and salaries USD 187m (USD 151m), pension plan contributions USD 14m (USD 10m), other social security costs USD 1m (USD 0m) less capitalised staff costs etc. USD 20m (USD 7m).

| The Company's share of fees and remuneration to the Management Board <sup>1</sup>     | 2016      | 2015      |
|---|-----------|-----------|
| Fixed annual fee  | 6         | 8         |
| Cash incentive  | 1         | 1         |
| Performance shares  | -1        | -         |
| Remuneration in connection with redundancy, resignation and release from duty to work | 15        | -         |
| Lump sum retirement payment   | -1        | 1         |
| <b>Total remuneration to the Management Board</b>                                     | <b>20</b> | <b>10</b> |

<sup>1</sup> Previously the Executive Board

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

Some members of the Executive Board had the right to a lump sum payment on retirement at or above a certain age. The maximum amount payable under the Agreement was 24 months of salary. The related service cost was recognised over the term of the Agreement.

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

## NOTE 2 OPERATING COSTS — CONTINUED

AMOUNTS IN USD MILLION

| Fees to the statutory auditors of A.P. Møller - Mærsk A/S | 2016     | 2015     |
|---|----------|----------|
| <b>PRICEWATERHOUSECOOPERS</b>                             |          |          |
| <b>STATSAUTORISERET REVISIONSPARTNERSELSKAB</b>           |          |          |
| Statutory audit   | 1        | 1        |
| Other assurance services                                  | -        | -        |
| Tax and VAT advisory services                             | 0        | 0        |
| Other services  | 1        | 1        |
| <b>Total fees</b>   | <b>2</b> | <b>2</b> |
| <b>KPMG STATSAUTORISERET REVISIONSPARTNERSELSKAB</b>      |          |          |
| Statutory audit   | -        | 1        |
| Other assurance services                                  | -        | -        |
| Tax and VAT advisory services                             | -        | -        |
| Other services  | -        | 0        |
| <b>Total fees</b>   | <b>-</b> | <b>1</b> |

## NOTE 3 GAIN ON SALE OF COMPANIES AND NON-CURRENT ASSETS, ETC., NET

AMOUNTS IN USD MILLION

|  | 2016      | 2015         |
|--|-----------|--------------|
| Gains  | 54        | 2,217        |
| <b>Gain on sale of companies and non-current assets, etc., net</b> | <b>54</b> | <b>2,217</b> |

Gains were related to sale of shares in Danmarks Skibskredit A/S.

2015 gains mainly relate to sale of shares in Danske Bank of USD 2.2bn including dividend of USD 158m.

## NOTE 4 FINANCIAL INCOME AND EXPENSES

AMOUNTS IN USD MILLION

|  | 2016        | 2015       |
|--|-------------|------------|
| Interest expenses on liabilities   | 391         | 283        |
| Of which borrowing costs capitalised on assets <sup>1</sup>                                      | 3           | 3          |
| Interest income on loans and receivables   | 506         | 440        |
| Interest income on securities  | 2           | 2          |
| Fair value adjustment transferred from equity hedge reserve (loss)                               | 77          | 12         |
| Unwind of discount on provisions   | 40          | 37         |
| <b>Net interest income</b>   | <b>3</b>    | <b>113</b> |
| Exchange rate gains on bank balances, borrowings and working capital                             | 308         | 378        |
| Exchange rate losses on bank balances, borrowings and working capital                            | 172         | 236        |
| <b>Net foreign exchange gains</b>  | <b>136</b>  | <b>142</b> |
| Fair value gains from derivatives  | 222         | 345        |
| Fair value losses from derivatives <sup>2</sup>  | 309         | 480        |
| Fair value gains from securities <sup>3</sup>  | 44          | 22         |
| <b>Net fair value losses<sup>2</sup></b>   | <b>43</b>   | <b>113</b> |
| Dividends received from subsidiaries and associated companies, net                               | 76          | 179        |
| Dividends received from other securities   | 106         | 27         |
| <b>Total dividend income</b>   | <b>182</b>  | <b>206</b> |
| Reversal of impairment losses, investments in subsidiaries and associated companies <sup>4</sup> | 129         | 5          |
| Impairment losses, investments in subsidiaries and associated companies <sup>5</sup>             | 1,157       | 133        |
| <b>Financial income/expenses, net</b>  | <b>-750</b> | <b>220</b> |
| Of which:  |             |            |
| Dividends  | 182         | 206        |
| Financial income   | 1,211       | 1,192      |
| Financial expenses   | 2,143       | 1,178      |

<sup>1</sup> The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 4.1% p.a. (3.8% p.a.).

<sup>2</sup> Including loss on hedging instrument in fair value hedge of USD 21m (loss of USD 27m) and gain on the hedged item of USD 27m (gain of USD 38m).

<sup>3</sup> Mainly shares in Danske Bank. All Danske Bank shares were sold in 2016.

<sup>4</sup> Reversal of impairment losses relates mainly to investment in Maersk Aviation Holding A/S, Damco International A/S and Maersk Tankers A/S (in 2015 Maersk Aviation Holding A/S).

<sup>5</sup> Impairment losses to lower value in use relate in particular to investment in Maersk Supply Service A/S (impairment loss USD 944m), but also Maersk Container Industry A/S and Høegh Autoliners Holdings AS (in 2015 Maersk Container Industry A/S). Gross dividends received from subsidiaries in 2016 of USD 359m are offset by impairment losses of USD 283m caused by the dividend paid.

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

## NOTE 5 TAX

AMOUNTS IN USD MILLION

|  | 2016        | 2015        |
|--|-------------|-------------|
| <b>TAX RECOGNISED IN THE INCOME STATEMENT</b>                        |             |             |
| Current tax on profit for the year                                   | 81          | 313         |
| Adjustment to long-term hydrocarbon tax receivable                   | -125        | 16          |
| Adjustment of tax provision  | -10         | -23         |
| Adjustment for current tax of prior periods                          | -168        | 37          |
| Withholding taxes  | 6           | 3           |
| <b>Total current tax</b>   | <b>-216</b> | <b>346</b>  |
| Origination and reversal of temporary differences                    | 128         | -213        |
| Adjustment for deferred tax of prior periods                         | 135         | 38          |
| Write-down of deferred tax assets                                    | 37          | -           |
| Adjustment attributable to changes in tax rates and laws             | -           | -3          |
| Recognition of previous unrecognised deferred tax asset              | -           | -25         |
| <b>Total deferred tax</b>  | <b>300</b>  | <b>-203</b> |
| <b>Total tax expense</b>   | <b>84</b>   | <b>143</b>  |
| <b>TAX RECONCILIATION:</b>   |             |             |
| Profit/loss before tax   | -568        | 2,509       |
| Tax using the Danish corporation tax rate (2016: 22.0%, 2015: 23.5%) | -125        | 589         |
| Effect of income taxes on oil and gas                                | 11          | 18          |
| Non-deductible expenses  | 244         | 82          |
| Gains related to shares, dividends, etc.                             | -47         | -569        |
| Adjustment to previous years' taxes                                  | -16         | 25          |
| Deferred tax asset not recognised                                    | 37          | -24         |
| Adjustment of tax provision  | -27         | 27          |
| Other differences, net   | 7           | -5          |
| <b>Total income tax</b>  | <b>84</b>   | <b>143</b>  |
| <b>Tax recognised in other comprehensive income and equity</b>       | <b>19</b>   | <b>10</b>   |
| Of which:  |             |             |
| Current tax  | 19          | 10          |

## NOTE 6 PROPERTY, PLANT AND EQUIPMENT

AMOUNTS IN USD MILLION

|   | Production facilities and equipment, etc. | Rigs            | Construction work in progress and payment on account | Total        |
|---|---|-----------------|--|--------------|
| <b>COST</b>                               |   |                 |  |              |
| 1 January 2015                            | 6,224                                     | 933             | 265  | 7,422        |
| Addition                                  | 100                                       | -               | 157  | 257          |
| Transfer                                  | 223                                       | 43              | -266   | -            |
| <b>31 December 2015</b>                   | <b>6,547</b>                              | <b>976</b>      | <b>156</b>   | <b>7,679</b> |
| Addition                                  | 47  | -               | 132  | 179          |
| Transfer                                  | 176                                       | -               | -176   | -            |
| <b>31 December 2016</b>                   | <b>6,770</b>                              | <b>976</b>      | <b>112</b>   | <b>7,858</b> |
| <b>DEPRECIATION AND IMPAIRMENT LOSSES</b> |   |                 |  |              |
| 1 January 2015                            | 4,888                                     | 468             | -  | 5,356        |
| Depreciation                              | 249                                       | 48              | -  | 297          |
| Impairment losses                         | 310 <sup>1</sup>                          | -               | -  | 310          |
| <b>31 December 2015</b>                   | <b>5,447</b>                              | <b>516</b>      | <b>-</b>   | <b>5,963</b> |
| Depreciation                              | 187                                       | 50              | -  | 237          |
| Impairment losses                         | -   | 53 <sup>1</sup> | -  | 53           |
| <b>31 December 2016</b>                   | <b>5,634</b>                              | <b>619</b>      | <b>-</b>   | <b>6,253</b> |
| <b>CARRYING AMOUNT:</b>                   |   |                 |  |              |
| <b>31 December 2015</b>                   | <b>1,100</b>                              | <b>460</b>      | <b>156</b>   | <b>1,716</b> |
| <b>31 December 2016</b>                   | <b>1,136</b>                              | <b>357</b>      | <b>112</b>   | <b>1,605</b> |

<sup>1</sup> Impairment losses 2016 are related to one drilling rig, based on a recoverable amount of USD 0. Impairment losses 2015 are related to the Danish oil activities, based on value in use at discount rate 8.0% and a recoverable amount of USD 465m.

### Operating leases as lessor

Property, plant and equipment include assets that are leased out as part of the Company's activities. The future lease income is USD 96m (USD 250m) of which USD 67m (USD 155m) is receivable within one year, and USD 29m (USD 95m) between one and five years.

### Pledges

Vessels, rigs and containers, etc., owned by subsidiaries with a carrying amount of USD 1.6bn (USD 1.9bn) have been pledged as security for loans of USD 0.9bn (USD 1.2bn).

## NOTE 7 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

AMOUNTS IN USD MILLION

|                                | Investments in subsidiaries | Investments in associated companies |
|--------------------------------|-----------------------------|-------------------------------------|
| <b>COST</b>                    |                             |                                     |
| 1 January 2015                 | 18,461                      | 799                                 |
| Addition <sup>1</sup>          | 23,140                      | -                                   |
| Return of capital <sup>1</sup> | 8,000                       | -                                   |
| Disposal                       | 2                           | -                                   |
| <b>31 December 2015</b>        | <b>33,599</b>               | <b>799</b>                          |
| Addition <sup>2</sup>          | 1,306                       | -                                   |
| Disposal                       | 0                           | -                                   |
| <b>31 December 2016</b>        | <b>34,905</b>               | <b>799</b>                          |
| <b>IMPAIRMENT LOSSES</b>       |                             |                                     |
| 1 January 2015                 | 2,674                       | 444                                 |
| Impairment losses <sup>3</sup> | 578                         | -                                   |
| Disposal                       | 1                           | -                                   |
| Reversal of impairment losses  | 5                           | -                                   |
| <b>31 December 2015</b>        | <b>3,246</b>                | <b>444</b>                          |
| Impairment losses <sup>3</sup> | 1,290                       | 150                                 |
| Disposal                       | 0                           | -                                   |
| Reversal of impairment losses  | 127                         | 2                                   |
| <b>31 December 2016</b>        | <b>4,409</b>                | <b>592</b>                          |
| <b>CARRYING AMOUNT:</b>        |                             |                                     |
| <b>31 December 2015</b>        | <b>30,353</b>               | <b>355</b>                          |
| <b>31 December 2016</b>        | <b>30,496</b>               | <b>207</b>                          |

<sup>1</sup> Additions in 2015 comprise mainly capital increases in Maersk Line A/S USD 12.7bn, Maersk A/S USD 8.0bn and Maersk Drilling Holding A/S USD 2.3bn. Return of capital relates to Maersk Line A/S. All mentioned transactions are non-cash.

<sup>2</sup> Additions in 2016 are capital increases in Maersk Drilling Holding A/S USD 1.2bn (non-cash) and Maersk Container Industry A/S USD 0.1bn.

<sup>3</sup> Impairments are recognised when carrying amount exceeds value in use as described in notes 4, 21 and 22.

Reference is made to pages 109–111 for a list of significant subsidiaries and associated companies.

## NOTE 8 DEFERRED TAX

AMOUNTS IN USD MILLION

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

|                               | Assets     |            | Liabilities |           | Net assets |            |
|-------------------------------|------------|------------|-------------|-----------|------------|------------|
|                               | 2016       | 2015       | 2016        | 2015      | 2016       | 2015       |
| Property, plant and equipment | 10         | 3          | 47          | 29        | -37        | -26        |
| Inventories                   | -          | -          | 30          | 39        | -30        | -39        |
| Provisions, etc.              | 20         | 259        | -           | -         | 20         | 259        |
| Liabilities, etc.             | -          | -          | 50          | 17        | -50        | -17        |
| Tax loss carry forwards       | 100        | 127        | -           | -         | 100        | 127        |
| Other                         | 1          | -          | 2           | 2         | -1         | -2         |
| <b>Total</b>                  | <b>131</b> | <b>389</b> | <b>129</b>  | <b>87</b> | <b>2</b>   | <b>302</b> |
| Offsets                       | -32        | -39        | -32         | -39       | -          | -          |
| <b>Total</b>                  | <b>99</b>  | <b>350</b> | <b>97</b>   | <b>48</b> | <b>2</b>   | <b>302</b> |

| Change in deferred tax, net during the year | 2016     | 2015       |
|---|----------|------------|
| 1 January                                   | 302      | 99         |
| Recognised in the income statement          | -300     | 203        |
| <b>31 December</b>                          | <b>2</b> | <b>302</b> |

### Unrecognised deferred tax assets

Deferred tax assets of USD 245m (USD 206m) relating to mainly provisions have not been recognised.

No tax value is recognised, as it is not considered likely that the deferred tax assets can be realised in the foreseeable future.

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

## NOTE 9 DISCONTINUED OPERATIONS

AMOUNTS IN USD MILLION

### Discontinued operations and assets held for sale 2015

Maersk Line activities have been transferred to a separate legal entity, Maersk Line A/S in 2015 and were classified as discontinued operations. Maersk Line activities are included in profit and loss and cash flow for the period up to the transfer of the activities.

|   | 2016     | 2015      |
|---|----------|-----------|
| <b>PROFIT/LOSS FOR THE YEAR – DISCONTINUED OPERATIONS</b>   |          |           |
| Revenue   | -        | 1,927     |
| Expenses  | -        | 1,709     |
| Gains/losses on sale of assets and businesses <sup>1</sup>  | -        | -148      |
| Financial items, net  | -        | -72       |
| <b>Profit/loss before tax, etc.</b>                         | <b>-</b> | <b>-2</b> |
| Tax <sup>2</sup>  | -        | -2        |
| <b>Profit/loss for the year – discontinued operations</b>   | <b>-</b> | <b>0</b>  |
| <b>CASH FLOWS FROM DISCONTINUED OPERATIONS FOR THE YEAR</b> |          |           |
| Cash flow from operating activities                         | -        | 120       |
| Cash flow used for investing activities <sup>3</sup>        | -        | -37       |
| Cash flow from financing activities                         | -        | -83       |
| <b>Net cash flow from discontinued operations</b>           | <b>-</b> | <b>0</b>  |

<sup>1</sup> The profit for the period for the Maersk Line activities is offset by a similar loss on sale of the activities.

<sup>2</sup> The tax relates to the profit from the ordinary activities of discontinued operations.

<sup>3</sup> The net cash flow for the period for Maersk Line activities is offset by cash flow used for investing activities.

## NOTE 10 SHARE CAPITAL

### AMOUNTS IN USD MILLION

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

At the Annual General Meeting of A.P. Møller - Mærsk A/S on 30 March 2015, the shareholders decided on the cancellation of 432,618 treasury shares, whereby the share capital has decreased. The cancellation of the treasury shares took place in Q2 2015.

Development in the number of shares:

|                         | A shares          |            | B shares          |            | Nominal value |              |
|-------------------------|-------------------|------------|-------------------|------------|---------------|--------------|
|                         | of DKK 1,000      | of DKK 500 | of DKK 1,000      | of DKK 500 | DKK million   | USD million  |
| 1 January 2015          | 10,988,834        | 332        | 10,988,905        | 190        | 21,978        | 3,985        |
| Cancellation            | 86,500            | -          | 346,118           | -          | 433           | 79           |
| Conversion              | 7                 | -14        | 3                 | -6         | -             | -            |
| <b>31 December 2015</b> | <b>10,902,341</b> | <b>318</b> | <b>10,642,790</b> | <b>184</b> | <b>21,545</b> | <b>3,906</b> |
| Cancellation            | 146,122           | -          | 582,398           | -          | 728           | 132          |
| Conversion              | 2                 | -4         | -                 | -          | -             | -            |
| <b>31 December 2016</b> | <b>10,756,221</b> | <b>314</b> | <b>10,060,392</b> | <b>184</b> | <b>20,817</b> | <b>3,774</b> |

All shares are fully issued and paid up.

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

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

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

Note 9 in the Consolidated financial statements includes rules for changing the share capital, and information regarding the authorisation of the Board of Directors to acquire own shares as well as the total number of own shares held by the Group.

Development in the holding of own shares:

| Own shares         | No. of shares of DKK 1,000 |                | Nominal value DKK million |            | % of share capital |              |
|--------------------|----------------------------|----------------|---------------------------|------------|--------------------|--------------|
|                    | 2016                       | 2015           | 2016                      | 2015       | 2016               | 2015         |
| <b>A SHARES</b>    |                            |                |                           |            |                    |              |
| 1 January          | 69,585                     | 61,075         | 70                        | 61         | 0.32%              | 0.28%        |
| Addition           | 76,537                     | 95,010         | 76                        | 95         | 0.36%              | 0.43%        |
| Cancellation       | 146,122                    | 86,500         | 146                       | 86         | 0.68%              | 0.39%        |
| <b>31 December</b> | <b>0</b>                   | <b>69,585</b>  | <b>0</b>                  | <b>70</b>  | <b>0.00%</b>       | <b>0.32%</b> |
| <b>B SHARES</b>    |                            |                |                           |            |                    |              |
| 1 January          | 361,409                    | 342,066        | 361                       | 342        | 1.68%              | 1.56%        |
| Addition           | 306,278                    | 382,972        | 306                       | 383        | 1.42%              | 1.77%        |
| Cancellation       | 582,398                    | 346,118        | 582                       | 346        | 2.70%              | 1.57%        |
| Disposal           | 7,647                      | 17,511         | 7                         | 18         | 0.03%              | 0.08%        |
| <b>31 December</b> | <b>77,642</b>              | <b>361,409</b> | <b>78</b>                 | <b>361</b> | <b>0.37%</b>       | <b>1.68%</b> |

Additions of own shares relate to the buy-back programmes initiated in September 2014 and 2015. The purpose of the share buy-back programme was to adjust the capital structure of the Company.

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

## NOTE 11 SHARE-BASED PAYMENT

### AMOUNTS IN USD MILLION

#### Equity settled incentive plans (excluding share options plan)

The Group has two different equity settled incentive plans. The Restricted Shares Plan was introduced in 2013 and grants have in 2013, 2014 and 2015 been awarded to employees. In 2014, the Group established a Performance Shares Plan for members of the Management Board and other employees.

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

The actual transfer of performance shares is further contingent upon the degree of certain financial goals being achieved. This means that the number of shares that eventually will vest may be adjusted during the vesting period.

The members of the Management Board as well as other employees are not entitled to any dividend during the vesting period. Special conditions apply regarding illness, death and resignation as well as changes in the Company's capital structure, etc. A portion of A.P. Møller - Mærsk A/S' holding of own shares is reserved for transfer of restricted and performance shares.

The fair value of restricted shares (A.P. Møller - Mærsk A/S B shares) granted to 140 (137) employees was USD 9m (USD 9m) at the time of the grant. Total value of restricted shares recognised in the income statement is USD 2m (USD 2m).

The fair value of performance shares (A.P. Møller - Mærsk A/S B shares) granted to 1 (0) member of the Management Board and to 16 (17) employees was USD 1m (USD 3m). Total value of performance shares recognised in the income statement is a cost of USD 4m (an income of USD 8m).

The fair value per restricted share at the time of grant is DKK 8,463 (DKK 14,733), which is equal to the volume weighted average share price on the date of grant, i.e. 1 April 2016. The fair value per performance share at the time of grant is DKK 13,130 (DKK 13,130), which is equal to the average closing share price on the first five trading days following the release of A.P. Møller - Mærsk A/S' Annual Report in 2014.

On 1 April 2016, the restricted shares originally granted in 2013 were settled with the employees. The weighted average share price at that date was DKK 8,463.

The average remaining contractual life for the restricted shares as per 31 December 2016 is 1.4 years (1.1 years) and the average remaining contractual life for the performance shares as per 31 December 2016 is 0.3 years (1.3 years).

| Outstanding awards under equity-settled incentive plans (excl. share option plans) | Restricted Shares Plan | Performance Shares Plan                      | Performance Shares Plan | Total fair value <sup>1</sup> |
|--|------------------------|--|-------------------------|-------------------------------|
|  | Employees <sup>1</sup> | Members of the Management Board <sup>1</sup> | Employees <sup>1</sup>  |                               |
|  | No.                    | No.  | No.                     | USD million                   |
| 1 January 2015   | 8,635                  | 3,100  | 18,953                  |                               |
| Granted  | 3,995                  | -  | 1,478                   | 12                            |
| Adjustment <sup>2</sup>  | 1,664                  | -1,240                                       | -7,175                  |                               |
| Forfeited  | 190                    | -  | 1,157                   |                               |
| <b>Outstanding 31 December 2015</b>  | <b>14,104</b>          | <b>1,860</b>                                 | <b>12,099</b>           |                               |
| Granted  | 7,078                  | 20   | 395                     | 10                            |
| Exercised  | 5,730                  | -  | -                       |                               |
| Adjustment <sup>2</sup>  | -                      | -620   | -11,339                 |                               |
| Forfeited  | 385                    | 1,260  | 312                     |                               |
| <b>Outstanding 31 December 2016</b>  | <b>15,067</b>          | <b>0</b>                                     | <b>843</b>              |                               |

<sup>1</sup> At the time of grant.

<sup>2</sup> Primarily due to changes in the degree of certain financial goals being achieved.

## NOTE 11 SHARE-BASED PAYMENT — CONTINUED

### AMOUNTS IN USD MILLION

#### Cash settled incentive plan

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

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

|   | Employees    | Total fair value <sup>1</sup> | Carrying amount of liabilities |
|---|--------------|-------------------------------|--------------------------------|
|   | No.          | USD million                   | USD million                    |
| <b>Outstanding awards under cash-settled performance share plan</b> |              |                               |                                |
| Granted   | 18,758       | 32                            |                                |
| Adjustment <sup>2</sup>   | -8,816       |                               |                                |
| Forfeited   | 1,126        |                               |                                |
| <b>Outstanding 31 December 2015</b>                                 | <b>8,816</b> |                               | <b>3</b>                       |
| Granted   | 435          | 1                             |                                |
| Adjustment <sup>2</sup>   | -8,686       |                               |                                |
| Forfeited   | 565          |                               |                                |
| <b>Outstanding 31 December 2016</b>                                 | <b>0</b>     |                               | <b>-</b>                       |

<sup>1</sup> At the time of grant.

<sup>2</sup> Due to changes in the degree of certain financial goals being achieved.

The fair value of awards granted to 27 (484) employees was USD 1m (USD 32m) at the time of grant. Total value of the awards recognised in the income statement is a cost of USD 3m (income of USD 2m).

The fair value per award at the time of grant is calculated at DKK 10,829, which is equal to the average of the closing price of the A.P. Møller - Mærsk A/S' B share on the days when the plan was announced to the employees less the effect due to the extraordinary dividend payout.

The average remaining contractual life for the cash settled incentive plan as per 31 December 2016 is 1.1 years (2.1 years).

#### Share options plan

In addition to the plans described above, the Group has a Share Options Plan for former partners in Firmaet A.P. Møller and other employees. Each share option granted is a call option to buy an existing B share of nominal DKK 1,000 in A.P. Møller - Mærsk A/S. Share options related to this plan have not been granted since 2012.

The share options were granted at an exercise price corresponding to 110% of the average of the market price on the first five trading days following the release of A.P. Møller - Mærsk A/S' Annual Report. Exercise of the share options is contingent on the option holder still being employed at the time of exercise. The share options can be exercised when at least two years and no more than five years have passed from the time of granting. Special conditions apply regarding illness, death and resignation as well as changes in the Company's capital structure, etc. As at 31 March 2015, the exercise prices were reduced by DKK 1,671 corresponding to the extraordinary dividend paid out.

The share options can only be settled in shares. A portion of A.P. Møller - Mærsk A/S' holding of own shares is reserved for settlement of granted options.

|  | Partners in Firmaet A.P. Møller <sup>1</sup> | Employees <sup>1</sup> | Total         | Average exercise price <sup>2</sup> |
|--|--|------------------------|---------------|-------------------------------------|
|  | No.  | No.                    | No.           | DKK                                 |
| <b>Outstanding share options<sup>1</sup></b> |  |                        |               |                                     |
| 1 January 2015                               | 11,660                                       | 28,845                 | 40,505        | 10,366                              |
| Exercised                                    | 3,945  | 13,565                 | 17,510        | 9,867                               |
| Forfeited                                    | -  | 80                     | 80            | 9,418                               |
| <b>Outstanding 31 December 2015</b>          | <b>7,715</b>                                 | <b>15,200</b>          | <b>22,915</b> | <b>8,975</b>                        |
| <b>Exercisable 31 December 2015</b>          | <b>7,715</b>                                 | <b>15,200</b>          | <b>22,915</b> | <b>8,975</b>                        |
| Exercised <sup>2</sup>                       | -  | 1,880                  | 1,880         | 8,298                               |
| Expired                                      | 3,875  | 5,685                  | 9,560         | -                                   |
| <b>Outstanding 31 December 2016</b>          | <b>3,840</b>                                 | <b>7,635</b>           | <b>11,475</b> | <b>8,298</b>                        |
| <b>Exercisable 31 December 2016</b>          | <b>3,840</b>                                 | <b>7,635</b>           | <b>11,475</b> | <b>8,298</b>                        |

<sup>1</sup> At the time of grant.

<sup>2</sup> Exercise prices reduced by DKK 1,671 as from 31 March 2015 due to effect on share price from extraordinary dividend payout.

Total value of granted share options recognised in the income statement is USD 0m (USD 0m).

The weighted average share price at the dates of exercise of share options was DKK 10,154 (DKK 14,966).

The average remaining contractual life as per 31 December 2016 is 0.3 years (0.8 years) and the exercise price for outstanding share options is DKK 8,298 (DKK 8,298 to DKK 9,921).

## NOTE 12 BORROWINGS

AMOUNTS IN USD MILLION

|                                    | 2016          | 2015          |
|------------------------------------|---------------|---------------|
| Bank and other credit institutions | 3,064         | 3,116         |
| Issued bonds                       | 8,097         | 6,406         |
| Subsidiaries, etc.                 | 14,168        | 12,737        |
| <b>Total</b>                       | <b>25,329</b> | <b>22,259</b> |
| Of which:                          |               |               |
| Classified as non-current          | 9,772         | 8,705         |
| Classified as current              | 15,557        | 13,554        |

## NOTE 13 PROVISIONS

AMOUNTS IN USD MILLION

|                           | Abandonment  | Legal disputes, etc. | Other    | Total        |
|---------------------------|--------------|----------------------|----------|--------------|
| 1 January 2016            | 1,322        | 337                  | 346      | 2,005        |
| Provision made            | 40           | 66                   | 4        | 110          |
| Amount used               | 36           | 239                  | 357      | 632          |
| Amount reversed           | -            | 77                   | -        | 77           |
| Unwind of discount        | 40           | -                    | -        | 40           |
| Exchange rate adjustment  | -            | -                    | 11       | 11           |
| <b>31 December 2016</b>   | <b>1,366</b> | <b>87</b>            | <b>4</b> | <b>1,457</b> |
| Of which:                 |              |                      |          |              |
| Classified as non-current | 1,335        | -                    | -        | 1,335        |
| Classified as current     | 31           | 87                   | 4        | 122          |

Non-current provisions for abandonment of USD 1.3bn (USD 1.1bn) is expected realised after more than five years.

Provisions for abandonment comprise estimated expenses for abandonment of oil and gas fields at discounted value. The present value of the obligations is expected realised as follows:

| USD million          | 0-10 years | 10-20 years | 20-30 years | Total |
|----------------------|------------|-------------|-------------|-------|
| Expected utilisation | 593        | 33          | 740         | 1,366 |

The discount and inflation rates used are at weighted average 2.5% and 1.8%, respectively.

Legal disputes, etc. include tax and duty disputes among other things. Other includes provisions for unsettled claims and onerous contracts. The provisions are subject to considerable uncertainty, cf. note 22.

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

## NOTE 14 DERIVATIVES

### AMOUNTS IN USD MILLION

Foreign exchange forwards and option contracts are used to hedge the currency risk related to recognised and unrecognised transactions. Interest rate swaps are used to hedge interest rate exposure on borrowings.

| Fair value 31 December  | 2016       | 2015       |
|-------------------------|------------|------------|
| Non-current receivables | 59         | 157        |
| Current receivables     | 267        | 199        |
| Non-current liabilities | 513        | 612        |
| Current liabilities     | 429        | 329        |
| <b>Liabilities, net</b> | <b>616</b> | <b>585</b> |

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

|  | Cash flow<br>hedges | Fair value<br>hedges | Held for<br>trading | Cash flow<br>hedges | Fair value<br>hedges | Held for<br>trading |
|--|---------------------|----------------------|---------------------|---------------------|----------------------|---------------------|
|  | 2016                | 2016                 | 2016                | 2015                | 2015                 | 2015                |
| Currency derivatives <sup>1</sup>      | -                   | -452                 | -223                | -                   | -326                 | -282                |
| Interest rate derivatives <sup>1</sup> | -                   | 65                   | -6                  | -39                 | 85                   | -23                 |
| <b>Total</b>                           | -                   | <b>-387</b>          | <b>-229</b>         | <b>-39</b>          | <b>-241</b>          | <b>-305</b>         |

<sup>1</sup> Majority of the hedges recognised in equity are realised within one year.

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

|  | 2016        | 2015        |
|--|-------------|-------------|
| Hedging foreign exchange risk on operating costs                           | -           | -1          |
| Hedging foreign exchange risk on gain on sale of non-current assets, etc.  | 4           | -           |
| Hedging interest rate risk   | -77         | -12         |
| <b>Total effective hedging</b>   | <b>-73</b>  | <b>-13</b>  |
| Ineffectiveness recognised in financial expenses                           | -           | -11         |
| <b>Total reclassified from equity reserve for hedges</b>                   | <b>-73</b>  | <b>-24</b>  |
| <b>DERIVATIVES ACCOUNTED FOR AS HELD FOR TRADING:</b>                      |             |             |
| Currency derivatives recognised directly in financial income/expenses      | -98         | -102        |
| Interest rate derivatives recognised directly in financial income/expenses | -16         | -60         |
| <b>Net gains/losses recognised directly in the income statement</b>        | <b>-114</b> | <b>-162</b> |
| <b>Total</b>   | <b>-187</b> | <b>-186</b> |

Currency derivatives hedge future revenue, operating costs and investments, primarily in subsidiaries, and are recognised on an ongoing basis in the income statement and the cost of property, plant and equipment, respectively.

Interest rate derivatives swap floating to fixed rates on borrowings and are recognised in the income statement concurrently with the hedged interest expenses. They are also used to swap fixed rates to floating rates of which some are fair value hedges.

Furthermore, the Company enters into derivatives to hedge economic risks that are not accounted for as hedging. These derivatives are accounted for as held for trading.

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

## NOTE 15 FINANCIAL INSTRUMENTS BY CATEGORY

AMOUNTS IN USD MILLION

|   | Carrying amount<br>2016 | Fair value<br>2016 | Carrying amount<br>2015 | Fair value<br>2015 |
|---|-------------------------|--------------------|-------------------------|--------------------|
| <b>CARRIED AT AMORTISED COST</b>                              |                         |                    |                         |                    |
| Interests bearing receivables from subsidiaries, etc.         | 12,190                  | 12,190             | 10,088                  | 10,088             |
| Finance lease receivables                                     | 10                      | 10                 | 11                      | 11                 |
| Other interest-bearing receivables and deposits               | 1                       | 1                  | 317                     | 317                |
| <b>Total interest-bearing receivables</b>                     | <b>12,201</b>           | <b>12,201</b>      | <b>10,416</b>           | <b>10,416</b>      |
| Trade receivables   | 173                     |                    | 227                     |                    |
| Other receivables (non-interest-bearing)                      | 458                     |                    | 318                     |                    |
| Other receivables from subsidiaries, etc.                     | 454                     |                    | 444                     |                    |
| Cash and bank balances  | 2,060                   |                    | 2,393                   |                    |
| <b>Total loans and receivables</b>                            | <b>15,346</b>           |                    | <b>13,798</b>           |                    |
| <b>CARRIED AT FAIR VALUE</b>                                  |                         |                    |                         |                    |
| Bonds   | -                       | -                  | 221                     | 221                |
| Shares  | 1                       | 1                  | 439                     | 439                |
| <b>Total securities (held for trading)</b>                    | <b>1</b>                | <b>1</b>           | <b>660</b>              | <b>660</b>         |
| Derivatives   | 326                     | 326                | 356                     | 356                |
| Shares (available-for-sale)                                   | 759                     | 759                | 838                     | 838                |
| <b>Other financial assets</b>                                 | <b>1,085</b>            | <b>1,085</b>       | <b>1,194</b>            | <b>1,194</b>       |
| <b>Total financial assets</b>                                 | <b>16,432</b>           |                    | <b>15,652</b>           |                    |
| <b>CARRIED AT AMORTISED COST</b>                              |                         |                    |                         |                    |
| Bank and other credit institutions                            | 3,064                   | 3,188              | 3,116                   | 3,196              |
| Issued bonds  | 8,097                   | 8,244              | 6,406                   | 6,446              |
| Interest bearing loans from subsidiaries etc.                 | 14,168                  | 14,168             | 12,737                  | 12,737             |
| <b>Total borrowings</b>                                       | <b>25,329</b>           | <b>25,600</b>      | <b>22,259</b>           | <b>22,379</b>      |
| Trade payables  | 170                     |                    | 188                     |                    |
| Other payables  | 379                     |                    | 357                     |                    |
| Other payables to subsidiaries and associated companies, etc. | 52                      |                    | 19                      |                    |
| <b>Total borrowings and payables</b>                          | <b>25,930</b>           |                    | <b>22,823</b>           |                    |
| <b>CARRIED AT FAIR VALUE</b>                                  |                         |                    |                         |                    |
| Derivatives   | 942                     | 942                | 941                     | 941                |
| <b>Other financial liabilities</b>                            | <b>942</b>              | <b>942</b>         | <b>941</b>              | <b>941</b>         |
| <b>Total financial liabilities</b>                            | <b>26,872</b>           |                    | <b>23,764</b>           |                    |

### Financial instruments measured at fair value

Financial instruments measured at fair value can be divided into three levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 – Inputs for the asset or liability that are not based on observable market data.

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

Fair value of derivatives falls mainly within level 2 of the fair value hierarchy and is calculated on the basis of observable market data as of the end of the reporting period.

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

### Financial instruments carried at amortised cost

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

Fair value of listed issued bonds falls within level 1 of the fair value hierarchy. Fair value of the remaining borrowing items falls within level 2 of the fair value hierarchy and is calculated on the basis of discounted interests and instalments.

## NOTE 15 FINANCIAL INSTRUMENTS BY CATEGORY — CONTINUED

AMOUNTS IN USD MILLION

| Movement during the year in level 3                   | Non-listed shares  |                  | Total financial assets |
|---|--------------------|------------------|------------------------|
|   | Available-for-sale | Held for trading |                        |
| Carrying amount 1 January 2015                        | 935                | 1                | 936                    |
| Gains/losses recognised in other comprehensive income | -97                | -                | -97                    |
| <b>Carrying amount 31 December 2015</b>               | <b>838</b>         | <b>1</b>         | <b>839</b>             |
| Disposal  | 103                | -                | 103                    |
| Gains/losses recognised in other comprehensive income | 24                 | -                | 24                     |
| <b>Carrying amount 31 December 2016</b>               | <b>759</b>         | <b>1</b>         | <b>760</b>             |

The main part of the closing balance in 2016 comprises the 19% share in Dansk Supermarked Group. The estimated fair value in DKK in December is equal to the initial valuation of the 19%. The decrease in the carrying amount of the investment can be attributed to the development in the DKK/USD exchange rate since initial recognition.

The valuation is tested against a combination of valuation methodologies taking into account both the retail operations as well as the real estate portfolio owned by Dansk Supermarked Group. The valuation is assessed using both a discounted cash flow model with reference to selected listed peers and real estate yields. The discounted cash flow model relies on a discount rate of 6.5% (7.0%) reflecting a weighted average of an assumed discount rate for the retail business and an assumed yield for the real estate business as well as a long-term terminal growth rate of 2% (2%).

## NOTE 16 FINANCIAL RISKS, ETC.

The Company's activities expose it to a variety of financial risks: market risks, i.e. currency risk and interest rate risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central finance department under policies approved by the Board of Directors. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Company's Business Units.

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's profit or the value of its holdings of financial instruments. Below sensitivity analyses relate to the position of financial instruments at 31 December 2016.

The sensitivity analyses for currency risk and interest rate risk have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies remain unchanged from hedge designations in place at 31 December 2016. Furthermore, it is assumed that the exchange rate and interest rate sensitivities have a symmetric impact, i.e. an increase in rates results in the same absolute movement as a decrease in rates.

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

### Currency risk

The Company's currency risk arises due to income from shipping and oil-related activities are denominated mainly in USD, while the related expenses are incurred in both USD and a wide range of other currencies such as DKK, EUR, CNY and GBP. Overall, the Company has net income in USD and net expenses in most other currencies. As the net income is in USD, this is also the primary financing currency. The majority of the Company's borrowings is thus in USD.

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

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

An increase in the USD exchange rate of 10% against all other significant currencies to which the Company is exposed, is estimated to have an impact on the Company's profit before tax by USD -0.1bn (USD 0.0bn) and the Company's equity, excluding tax, by USD -0.1bn (USD 0.0bn). The sensitivities are based only on the impact of financial instruments that are outstanding at the balance sheet date, cf. notes 14 and 15, and are thus not an expression of the Company's total currency risk.

## NOTE 16 FINANCIAL RISKS, ETC. — CONTINUED

### AMOUNTS IN USD MILLION

#### Interest rate risk

The Company has most of its debt denominated in USD, but part of the debt (e.g. issued bonds) is in other currencies such as EUR, NOK, GBP and SEK. Some loans are at fixed interest rates, while others are at floating interest rates.

The Company strives to maintain a combination of fixed and floating interest rates on its net debt, reflecting expectations and risks. The hedging of the interest rate risk is governed by a duration range and is primarily obtained with interest rate swaps.

A general increase in interest rates by one percentage point is estimated, all other things being equal, to have insignificant effect on profit before tax and equity, excluding tax.

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

| Borrowings and interest-bearing debt to subsidiaries<br>by interest rate levels inclusive of interest rate swaps | Carrying<br>amount | Next interest rate fixing |              |              |
|--|--------------------|---------------------------|--------------|--------------|
|  |                    | 0-1 year                  | 1-5 years    | 5- years     |
| <b>2016</b>  |                    |                           |              |              |
| 0-3%   | 21,122             | 18,643                    | 1,475        | 1,004        |
| 3-6%   | 4,208              | 2,434                     | 454          | 1,320        |
| <b>Total</b>   | <b>25,330</b>      | <b>21,077</b>             | <b>1,929</b> | <b>2,324</b> |
| Of which:  |                    |                           |              |              |
| Bearing fixed interest   | 4,595              |                           |              |              |
| Bearing floating interest  | 20,735             |                           |              |              |
| <b>2015</b>  |                    |                           |              |              |
| 0-3%   | 19,887             | 16,118                    | 3,030        | 739          |
| 3-6%   | 2,366              | 527                       | 607          | 1,232        |
| 6%-  | 6                  | -                         | 6            | -            |
| <b>Total</b>   | <b>22,259</b>      | <b>16,645</b>             | <b>3,643</b> | <b>1,971</b> |
| Of which:  |                    |                           |              |              |
| Bearing fixed interest   | 5,934              |                           |              |              |
| Bearing floating interest  | 16,325             |                           |              |              |

#### Credit risk

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

#### Maturity analysis of trade receivables incl. subsidiaries, etc.

|                           | 2016       | 2015       |
|---------------------------|------------|------------|
| Receivables not due       | 145        | 183        |
| Less than 90 days overdue | 27         | 40         |
| More than 90 days overdue | 6          | 10         |
| Receivables, gross        | 178        | 233        |
| Provision for bad debt    | 5          | 6          |
| <b>Carrying amount</b>    | <b>173</b> | <b>227</b> |

## NOTE 16 FINANCIAL RISKS, ETC. — CONTINUED

### AMOUNTS IN USD MILLION

#### Liquidity risk

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

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

| Maturities of liabilities and commitments      | Carrying amount | Cash flow including interest |              |              | Total         |
|--|-----------------|------------------------------|--------------|--------------|---------------|
|  |                 | 0-1 year                     | 1-5 years    | 5- years     |               |
| <b>2016</b>                                    |                 |                              |              |              |               |
| Bank and other credit institutions             | 3,064           | 647                          | 2,016        | 654          | 3,317         |
| Issued bonds                                   | 8,097           | 1,029                        | 5,352        | 2,838        | 9,219         |
| Interest bearing loans from subsidiaries, etc. | 14,168          | 14,178                       | -            | -            | 14,178        |
| Trade payables                                 | 170             | 170                          | -            | -            | 170           |
| Other payables                                 | 379             | 379                          | -            | -            | 379           |
| Other payables to subsidiaries, etc.           | 52              | 52                           | -            | -            | 52            |
| <b>Non-derivative financial liabilities</b>    | <b>25,930</b>   | <b>16,455</b>                | <b>7,368</b> | <b>3,492</b> | <b>27,315</b> |
| Derivatives                                    | 942             | 429                          | 395          | 118          | 942           |
| <b>Total recognised in balance sheet</b>       | <b>26,872</b>   | <b>16,884</b>                | <b>7,763</b> | <b>3,610</b> | <b>28,257</b> |
| Operating lease commitments                    |                 | 72                           | 95           | 25           | 192           |
| Capital commitments                            |                 | 73                           | 23           | -            | 96            |
| <b>Total</b>                                   |                 | <b>17,029</b>                | <b>7,881</b> | <b>3,635</b> | <b>28,545</b> |
| <b>2015</b>                                    |                 |                              |              |              |               |
| Bank and other credit institutions             | 3,116           | 558                          | 2,090        | 729          | 3,377         |
| Issued bonds                                   | 6,406           | 533                          | 4,162        | 2,806        | 7,501         |
| Interest bearing loans from subsidiaries, etc. | 12,737          | 12,744                       | -            | -            | 12,744        |
| Trade payables                                 | 188             | 188                          | -            | -            | 188           |
| Other payables                                 | 357             | 357                          | -            | -            | 357           |
| Other payables to subsidiaries, etc.           | 19              | 19                           | -            | -            | 19            |
| <b>Non-derivative financial liabilities</b>    | <b>22,823</b>   | <b>14,399</b>                | <b>6,252</b> | <b>3,535</b> | <b>24,186</b> |
| Derivatives                                    | 941             | 329                          | 533          | 79           | 941           |
| <b>Total recognised in balance sheet</b>       | <b>23,764</b>   | <b>14,728</b>                | <b>6,785</b> | <b>3,614</b> | <b>25,127</b> |
| Operating lease commitments                    |                 | 67                           | 142          | 35           | 244           |
| Capital commitments                            |                 | 79                           | 32           | 19           | 130           |
| <b>Total</b>                                   |                 | <b>14,874</b>                | <b>6,959</b> | <b>3,668</b> | <b>25,501</b> |

## NOTE 17 COMMITMENTS

### AMOUNTS IN USD MILLION

#### Operating lease commitments

As part of the Company's activities, customary agreements are entered into regarding operating lease of vessels, equipment and office buildings, etc. The future charter and operating lease payments for continuing operations are:

|                                | 2016       | 2015       |
|--------------------------------|------------|------------|
| Within one year                | 72         | 67         |
| Between one and two years      | 51         | 64         |
| Between two and three years    | 20         | 48         |
| Between three and four years   | 15         | 17         |
| Between four and five years    | 9          | 13         |
| After five years               | 25         | 35         |
| <b>Total</b>                   | <b>192</b> | <b>244</b> |
| Net present value <sup>1</sup> | 164        | 200        |

<sup>1</sup> The net present value has been calculated using a discount rate of 6% p.a. (6% p.a.).

About one-third of the time charter payments within shipping activities are estimated to relate to operating costs for the assets.

Total operating lease costs incurred are stated in note 2.

#### Capital commitments

At the end of 2016, capital commitments amount to USD 96m (USD 130m), primarily related to oil activities.

## NOTE 18 CONTINGENT LIABILITIES

### AMOUNTS IN USD MILLION

Guarantees amount to USD 0.8bn (USD 0.8bn). Of this, USD 0.8bn (USD 0.8bn) is related to subsidiaries. The guarantees are not expected to be realised, but they can mature within one year.

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

The necessary facility (in 2015 USD 392m) to meet the requirements for using USA waters under the American Oil Pollution Act of 1990 (Certificate of Financial Responsibility) has in 2016 been transferred to Maersk Line A/S and Maersk Tankers A/S.

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

Tax may crystallise on repatriation of dividends. Through participation in joint taxation scheme with A.P. Møller Holding A/S, the Company is jointly and severally liable for taxes payable, etc. in Denmark.

## NOTE 19 CASH FLOW SPECIFICATIONS

### AMOUNTS IN USD MILLION

|  | 2016        | 2015        |
|--|-------------|-------------|
| <b>CHANGE IN WORKING CAPITAL</b>                             |             |             |
| Trade receivables  | 54          | 118         |
| Other receivables and prepayments                            | 4           | -271        |
| Trade payables and other payables, etc.                      | 4           | 240         |
| Other working capital movements                              | 5           | 18          |
| Exchange rate adjustment of working capital                  | 9           | 38          |
| <b>Total</b>   | <b>76</b>   | <b>143</b>  |
| <b>PURCHASE OF PROPERTY, PLANT AND EQUIPMENT</b>             |             |             |
| Addition   | -179        | -257        |
| Of which borrowing costs capitalised on assets               | 3           | 3           |
| Change in payables to suppliers regarding purchase of assets | -13         | -4          |
| Change in provision for abandonment                          | 40          | 100         |
| <b>Total</b>   | <b>-149</b> | <b>-158</b> |

## NOTE 20 RELATED PARTIES

AMOUNTS IN USD MILLION

|  | Subsidiaries |        | Associated companies |      | Joint ventures |      | Management <sup>1</sup> |      |
|--|--------------|--------|----------------------|------|----------------|------|-------------------------|------|
|  | 2016         | 2015   | 2016                 | 2015 | 2016           | 2015 | 2016                    | 2015 |
| <b>CONTINUING OPERATIONS</b>                     |              |        |                      |      |                |      |                         |      |
| <b>INCOME STATEMENT</b>                          |              |        |                      |      |                |      |                         |      |
| Revenue  | 1,011        | 1,268  | -                    | -    | 5              | 6    | -                       | -    |
| Operating costs                                  | 70           | 191    | -                    | -    | -              | -    | -                       | -    |
| Remuneration to management                       | -            | -      | -                    | -    | -              | -    | 23                      | 13   |
| Dividends  | 65           | 169    | -                    | -    | 11             | 10   | -                       | -    |
| Financial income                                 | 664          | 690    | -                    | 43   | -              | -    | -                       | -    |
| Financial expenses                               | 96           | 62     | -                    | 12   | -              | -    | -                       | -    |
| <b>ASSETS</b>                                    |              |        |                      |      |                |      |                         |      |
| Interest bearing receivables, non-current        | 7,697        | 7,548  | -                    | -    | -              | -    | -                       | -    |
| Derivatives, non-current                         | 45           | 146    | -                    | -    | -              | -    | -                       | -    |
| Trade receivables                                | 149          | 195    | -                    | -    | 11             | 6    | -                       | -    |
| Tax receivables                                  | 113          | 58     | -                    | -    | -              | -    | -                       | -    |
| Interest bearing receivables, current            | 4,493        | 2,540  | -                    | -    | -              | -    | -                       | -    |
| Derivatives, current                             | 193          | 158    | -                    | -    | -              | -    | -                       | -    |
| Other receivables, current                       | 454          | 444    | -                    | -    | -              | -    | -                       | -    |
| Prepayments                                      | -            | -      | -                    | -    | -              | 2    | -                       | -    |
| <b>LIABILITIES</b>                               |              |        |                      |      |                |      |                         |      |
| Derivatives, non-current                         | 1            | 5      | -                    | -    | -              | -    | -                       | -    |
| Interest bearing debt, current                   | 14,168       | 12,737 | -                    | -    | -              | -    | -                       | -    |
| Trade payables                                   | 40           | 53     | -                    | -    | -              | -    | -                       | -    |
| Tax payables                                     | 125          | 113    | -                    | -    | -              | -    | -                       | -    |
| Derivatives, current                             | 44           | 91     | -                    | -    | -              | -    | -                       | -    |
| Other liabilities, current                       | 52           | 17     | -                    | -    | -              | 2    | -                       | -    |
| Investment in property, plant and equipment      | 5            | -      | -                    | -    | -              | -    | -                       | -    |
| Sale of companies, property, plant and equipment | 0            | 0      | -                    | -    | -              | -    | -                       | -    |
| Capital increases and purchase of shares         | 1,306        | 23,140 | -                    | -    | -              | -    | -                       | -    |
| Return of capital                                | -            | 8,000  | -                    | -    | -              | -    | -                       | -    |
| <b>DISCONTINUED OPERATIONS</b>                   |              |        |                      |      |                |      |                         |      |
| Income statement – income                        | -            | 75     | -                    | -    | -              | 3    | -                       | -    |
| Income statement – expenses                      | -            | 539    | -                    | 20   | -              | 65   | -                       | -    |

<sup>1</sup> The Board of Directors and the Management Board in A.P. Møller - Mærsk A/S, A.P. Møller Holding A/S, A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal and their close relatives (including undertakings under their significant influence).

The Company sold in Q1 2015 Danske Bank shares at a total value of USD 4.4bn to A.P. Møller Holding A/S, cf. stock announcement.

## NOTE 20 RELATED PARTIES — CONTINUED

### AMOUNTS IN USD MILLION

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

In relation to Danske Bank's arrangement of payment transactions, sale and purchase of securities, etc., only the related costs are included in the above, until the Company's significant influence over Danske Bank was lost as per 30 March 2015.

Dividends distributed are not included.

## NOTE 21 SIGNIFICANT ACCOUNTING POLICIES

### AMOUNTS IN USD MILLION

The financial statements for 2016 for A.P. Møller - Mærsk A/S have been prepared on a going concern basis and in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act. The financial statements are also in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

The accounting policies of the Company are consistent with those applied in the financial statements 2015 and with the accounting policies for the Group Consolidated statements (note 22 in the Consolidated financial statements) with the following exceptions:

- Shares in subsidiaries and associated companies are measured at cost or a lower value in use;
- Dividends from subsidiaries and associated companies are recognised as income at the time of declaration, unless considered a return of capital in subsidiary;
- No segment information is disclosed;
- Value of granted share options, restricted shares and performance shares to employees in subsidiaries is expensed directly in the relevant subsidiary. At the time of the grant, the subsidiary settles the amount with A.P. Møller - Mærsk A/S and the counter posting made in equity. At the time of exercising, the proceeds are included in the Company's equity.

### NEW FINANCIAL REPORTING REQUIREMENTS

The Company has not yet applied the following standards:

- IFRS 9 Financial instruments
- IFRS 15 Revenue from contracts with customers
- IFRS 16 Leases

IFRS 9 and IFRS 15 are effective from 1 January 2018 and are endorsed by the EU. IFRS 16 is effective from 1 January 2019 and expected to be endorsed by the EU before the effective date. The Company has decided to adopt IFRS 9 from 1 January 2017. Early adoption of IFRS 15 and IFRS 16 is currently not considered.

The Company has in all material respect concluded analyses of the impending changes resulting from IFRS 9 and IFRS 15. The key findings are explained below. The project initiated to prepare for IFRS 16 is ongoing, wherefore conclusions cannot be drawn yet.

### IFRS 9 Financial instruments

The IASB accounting standard Financial Instruments (IFRS 9) has been endorsed by the EU and the Company has decided to adopt IFRS 9 from 1 January 2017.

The implementation of IFRS 9 will not affect the current classification and measurement of the Company's financial instruments, and the new standard does not fundamentally change the hedging relationships. Management has elected to classify the 19% shareholding in Dansk Supermarked Group as fair value through other comprehensive income. The accumulated currency loss at year-end 2016 of USD 235m currently recognised in other comprehensive income will as a consequence remain in equity as will any future value adjustments related to this investment.

Finally, the effect of the change from the 'incurred loss' model in IAS 39 to the 'expected credit loss' model in IFRS 9 is considered immaterial due to the low credit risk in the Company. The implementation of IFRS 9 is therefore not expected to materially impact the financial position or performance of the Company.

## NOTE 21 SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

### AMOUNTS IN USD MILLION

#### IFRS 15 Revenue from contracts with customers

The Company's current practices for recognising revenue have shown to comply in all material aspects with the concepts and principles encompassed by the new standard. The following change has been identified, which in our view deviates from current industry practice.

In contracts for sale of oil and gas, quantities transferred on vessel or pipeline to customers are identified as performance obligations. Hence, IFRS 15 revenue will reflect the sales entitlement method. The Company will continue to present total revenue based on production entitlement. Changes in payables/receivables for over-/underlifts, as well as the value of oil used to settle tax, will be presented as entitlement adjustments in other revenue.

#### IFRS 16 Leases

The nature, number and complexity of lease contracts to which the Company is expected to be committed at the end of 2018 is unpredictable at present, thus the expected impact of the new standard cannot be estimated. For the same reason, management has not made any decisions on transition options.

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## NOTE 22 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

### AMOUNTS IN USD MILLION

When preparing the financial statements of the Company, management undertakes a number of accounting estimates and judgements to recognise, measure and classify the Company's assets and liabilities.

Estimates that are material to the Company's financial reporting are made on the basis of, inter alia, determination of the useful life and residual value of property, plant and equipment, determination of impairment of property, plant and equipment and financial non-current assets including subsidiaries and associates, recognition of deferred tax assets and recognition and measurements of provisions. Reference is made to notes 6, 7, 8 and 13.

Management assesses impairment indicators for investments in subsidiaries and associated companies, and determines value in use generally consistent with the assumptions described in note 6, 7 and 23 of the Consolidated financial statements.

The accounting estimates and judgements are described in further detail in note 23 of the Consolidated financial statements.

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# STATEMENT OF THE BOARD OF DIRECTORS AND THE MANAGE- MENT BOARD

The Board of Directors and the Management Board have today discussed and approved the Annual Report of A.P. Møller - Mærsk A/S for 2016.

The Annual Report for 2016 of A.P. Møller - Mærsk A/S has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act and in our opinion gives a true and fair view of A.P. Møller - Mærsk's and the Company's assets and liabilities, financial position at 31 December 2016 and of the results of A.P. Møller - Mærsk's and the Company's operations and cash flows for the financial year 2016.

In our opinion, the Directors' report includes a fair review of the development in A.P. Møller - Mærsk's and the Company's operations and financial conditions, the results for the year, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that A.P. Møller - Mærsk and the Company face.

We recommend that the Annual Report be approved at the Annual General Meeting on 28 March 2017.

**Copenhagen, 8 February 2017**

## MANAGEMENT BOARD

**Søren Skou** — Group CEO

**Claus V. Hemmingsen** — Group Vice CEO

**Jakob Stausholm** — Group CFO

## BOARD OF DIRECTORS

**Michael Pram Rasmussen** — Chairman

**Niels Jacobsen** — Vice Chairman

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

**Dorothee Blessing**

**Niels B. Christiansen**

**Renata Frolova-Hammer**

**Arne Karlsson**

**Jan Leschly**

**Palle Vestergaard Rasmussen**

**Robert Routs**

**Jim Hagemann Snabe**

**Robert Mærsk Uggla**

# INDEPENDENT AUDITOR'S REPORT

## To the shareholders of A.P. Møller - Mærsk A/S

### OUR OPINION

In our opinion, the Consolidated financial statements and the Parent company financial statements (pp 35-104 and pp 109-111) give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2016 and of the result of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

### What we have audited

A.P. Møller - Mærsk A/S' Consolidated financial statements and Parent company financial statements for the financial year 1 January to 31 December 2016 comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, including summary of significant accounting policies for the Group as well as for the Parent Company. Collectively referred to as the "financial statements".

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial

statements in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue recognition

Recognition of the Group's revenue is complex due to the volume of transactions and the extent of different revenue streams within the segments.

We focused on this area, as recognition of revenue involves accounting policy decisions and judgements made by management originating from different customer behaviour, market conditions, terms and nature of services in the various segments.

Further, the volume of transactions and extent of different revenue streams require various IT setups of revenue recognition throughout the Group, which are complex and introduce an inherent risk to the revenue recognition process.

Reference is made to notes 1 and 22 in the Consolidated financial statements.

### *How our audit addressed the Key Audit Matter*

Our audit procedures included considering the appropriateness of the Group's revenue recognition accounting policies and assessing compliance with applicable accounting standards.

We tested the relevant controls, including applicable information systems and management's monitoring of controls, used

to ensure the completeness, accuracy and timing of revenue recognised.

We performed substantive procedures over invoicing and significant contracts in order to assess the accounting treatment and principles applied.

We applied Computer Assisted Audit Techniques on journal entry testing of revenue entries and performed cut-off testing at year end.

### **Recoverability of the carrying amount of non-current assets**

The principal risk is in relation to management's assessment of future timing and amount of cash flows, which are used to project the recoverability of the carrying amount of tangible and intangible assets.

Bearing in mind the generally long-lived nature of A.P. Møller - Maersk's assets, the most critical assumptions are management's view on the long-term outlook for oil price, freight volumes, freight and rig rates.

We focused on this area, as management is required to exercise considerable judgement because of the inherent complexity in estimating future cash flows.

Due to the significantly reduced activity levels in the offshore oil service markets combined with the large inflow of new capacity over the last years leading to significant oversupply and a large number of rigs and supply vessels being warm-stacked or laid idle impairments were recognised in Maersk Drilling and Maersk Supply Service.

The impairment test showed the value in use of the respective assets to be lower than the carrying amount, resulting in a post-tax impairment of USD 2.6bn.

Reference is made to notes 6, 7 and 23 in the Consolidated financial statements.

### *How our audit addressed the Key Audit Matter*

In addressing the risk, we walked through and tested the controls designed and operated by the Group relating to the assessment of the carrying value of tangible and intangible assets.

We considered the appropriateness of management's defined cash-generating units (CGUs) within the business. We tested whether there were factors requiring management to change their classification since the prior reporting period. We also tested management's process for identifying CGUs that required impairment testing in line with IFRS and tested that all assets requiring impairment testing were identified.

We examined the methodology used by management to assess the carrying amount of tangible and intangible assets assigned to cash-generating units, to determine its compliance with accounting standards and consistency of application.

We performed detailed testing for the assets where the need for an impairment review was identified by management. For those assets expected to be retained in the portfolio, we checked the reasonableness of key assumptions in relation to the ongoing operation of the assets.

We corroborated estimates of future cash flows and challenged whether these were appropriate in light of future oil price, freight and rig rates, volume growth and cost reduction initiative assumptions, including assessed management's macro-economic assumptions regarding short-term and long-term views on prices. We also evaluated the discount rates and market values used and tested the mathematical accuracy of the relevant value-in-use models prepared by management.

### **Estimation in respect of uncertain tax positions**

The Group operates in a complex multinational tax environment and there are open tax audits and inquiries with tax authorities.

Management is required to exercise considerable judgement when determining the appropriate amount to provide in respect of uncertain tax positions.

We focused on this area as the amounts involved are potentially material and the valuation of tax assets and liabilities is associated with uncertainty and judgement.

At 31 December 2016, the Group had recognised provisions in respect of legal disputes etc., which include among other things tax, indirect tax and duty disputes.

Reference is made to notes 8, 13 and 23 in the Consolidated financial statements.

### *How our audit addressed the Key Audit Matter*

We evaluated relevant controls regarding completeness of records of uncertain tax positions and management's procedure for estimating the provision for uncertain tax positions.

In understanding and evaluating management's judgements, we considered the status of recent and current tax authority audits and enquiries, the outcome of previous claims, judgemental positions taken in tax returns and current year estimates and developments in the tax environment.

In addition, we used our tax specialists, evaluated and challenged the adequacy of management's key assumptions and read correspondence with tax authorities to assess management's estimates.

### Estimation of abandonment obligations

The calculation of abandonment obligations requires significant management judgement because of the inherent complexity in estimating future costs.

We focused on this area as the decommissioning of offshore infrastructure is a relatively immature activity and consequently, there is limited historical precedent against which to benchmark estimates of future costs. Further uncertainty exist primarily in respect of estimating time for cease of production and discount rates.

These factors increase the complexity involved in determining accurate accounting provisions that are material to A.P. Møller - Maersk's balance sheet.

Management reviews abandonment obligations on an annual basis. The review incorporates the effects of any changes in local regulations, management's expected approach to decommissioning, cost estimates, discount rates, and the effect of changes in exchanges rates.

Reference is made to notes 13 and 23 in the Consolidated financial statements.

#### *How our audit addressed the Key Audit Matter*

We assessed management's annual review of provisions recorded. In particular, we focused on those assets where changes to the cost estimate directly impact the income statement.

Testing involved understanding the mandatory or constructive obligations with respect to the decommissioning of each asset based on the contractual arrangements and relevant local regulation to validate the appropriateness of the cost estimate including the underlying assumptions.

As part of our testing, we tested the mathematical accuracy of the abandonment calculation and considered the competence and objectivity of management's experts who produced the cost estimates.

### STATEMENT ON THE DIRECTORS' REPORT

The Board of Directors and the Management Board are responsible for the Directors' Report (pp 3-34, pp 106-108 and p 114).

Our opinion on the financial statements does not cover the Directors' Report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Directors' Report includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Director's Report is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Directors' Report.

### THE BOARD OF DIRECTORS' AND THE MANAGEMENT BOARD'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Management Board are responsible for the preparation of Consolidated financial statements and Parent company financial statements that give a true and fair view in accordance with International Financial

Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as the Board of Directors and the Management Board determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Management Board are responsible for assessing the Group's and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors and the Management Board either intends to liquidate the Group or Parent Company or to cease operations, or has no realistic alternative but to do so.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Management Board.
- Conclude on the appropriateness of the Board of Directors' and the Management Board's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee and the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee and the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee and the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Copenhagen, 8 February 2017**

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab  
CVR no. 33 77 12 31

**Mogens Nørgaard Mogensen**

State Authorised Public Accountant

**Gert Fisker Tomczyk**

State Authorised Public Accountant

# Additional information

# BOARD OF DIRECTORS

|   |  |                             |
|---|--|-----------------------------|
| <p><b>Michael Pram Rasmussen (born 1955)</b><br/>Chairman</p> <p>Joined the board in 1999.<br/>Latest re-election in 2015.<br/>Term of office will end in 2017.</p> <p>Former CEO and Chairman, Topdanmark A/S.</p>   | <p><b>Other management duties, etc.:</b><br/>Coloplast A/S (Chairman); Semler Holding A/S (Chairman) and one subsidiary; Henning Larsen Architects A/S (Chairman); Arp-Hansen Hotel Group; JPMorgan Chase International Council; Museumsfonden af 7. december 1966; Louisiana – Fonden; Louisiana Museum of Modern Art.</p>  | Not considered independent. |
| <p><b>Niels Jacobsen (born 1957)</b><br/>Vice Chairman</p> <p>Joined the board in 2007.<br/>Latest re-election in 2015.<br/>Term of office will end in 2017.</p> <p>CEO of William Demant Holding A/S.</p>  | <p><b>Management duties in the William Demant Group:</b><br/>Chairman of 55 subsidiaries; William Demant Invest A/S (Managing Director); Jeudan A/S (Deputy Chairman); Össur hf. (Chairman); HIMPP A/S (Chairman); HIMSA A/S (Chairman); HIMSA II A/S; Sennheiser Communications A/S.</p> <p><b>Other management duties, etc.:</b><br/>LEGO A/S (Chairman); KIRKBI A/S (Vice Chairman); Boston Holding A/S; Thomas B. Thriges Fond (Chairman).</p> | Considered independent.     |
| <p><b>Ane Mærsk Mc-Kinney Uggle (born 1948)</b><br/>Vice Chairman</p> <p>Joined the board in 1991.<br/>Latest re-election in 2016.<br/>Term of office will end in 2018.</p>   | <p><b>Other management duties, etc.:</b><br/>A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal (Chairman); Den A.P. Møllerske Støttefond (Chairman); A.P. Møller Holding A/S (Chairman); Maersk Broker A/S (Chairman); Maersk Broker K/S (Chairman); Estemco A/S (Chairman).</p>  | Not considered independent. |
| <p><b>Dorothee Blessing (born 1967)</b></p> <p>Joined the board in 2014.<br/>Latest re-election in 2015.<br/>Term of office will end in 2017.</p> <p>Regional Head of Germany, Austria &amp; Switzerland and Vice Chairman, EMEA Investment Banking, J.P. Morgan and a member of the supervisory board of J.P. Morgan AG.</p> | <p><b>No other management duties, etc.</b></p>   | Considered independent.     |
| <p><b>Niels B. Christiansen (born 1966)</b></p> <p>Joined the board in 2014.<br/>Latest re-election in 2015.<br/>Term of office will end in 2017.</p> <p>CEO of Danfoss A/S.</p>  | <p><b>Management duties in the Danfoss Group:</b><br/>Chairman of five subsidiaries to Danfoss A/S and board member of one subsidiary.</p> <p><b>Other management duties, etc.:</b><br/>Axcel (Chairman); William Demant Holding; DTU (Technical University of Denmark); DI (Vice Chairman); Fremstillingsindustrien (The Manufacturing Industry).</p>   | Considered independent.     |
| <p><b>Renata Frolova-Hammer (born 1977)</b></p> <p>Joined the board in 2016.<br/>Term of office will end in 2018.</p> <p>Head of Responsible Procurement (employee).</p>  | <p><b>Other management duties, etc.</b><br/>IKEA Industry Holding BV from 2016</p>   | Not considered independent. |

# BOARD OF DIRECTORS — CONTINUED

|  |  |                                    |
|--|--|------------------------------------|
| <p><b>Arne Karlsson (born 1958)</b></p> <p>Joined the board in 2010.<br/>Latest re-election in 2015.<br/>Term of office will end in 2017.</p> <p>Former CEO, Ratos AB.</p>   | <p><b>Other management duties, etc.:</b><br/>Bonnier Holding (Chairman); Bonnier AB;<br/>SNS Förtroenderåd (SNS Board of Trustees) (Chairman); Einar Mattsson (Chairman);<br/>Swedish Corporate Governance Board (Chairman); Ecolean (Chairman);<br/>Swedish Securities Council and WCPF (World's Children's Prize Foundation) (Chairman).</p> | <p>Considered independent.</p>     |
| <p><b>Jan Leschly (born 1940)</b></p> <p>Joined the board in 2000.<br/>Latest re-election in 2016.<br/>Term of office will end in 2018.</p> <p>Chairman and managing partner of Care Capital LLC.<br/>Former CEO, SmithKlineBeecham.</p> | <p><b>Other management duties, etc.:</b><br/>A.P. Møller Holding A/S; Vaxart Pharmaceuticals;<br/>Adjunct professor at Copenhagen Business School.</p>   | <p>Not considered independent.</p> |
| <p><b>Palle Vestergaard Rasmussen (born 1958)</b></p> <p>Joined the board in 2014.<br/>Latest re-election in 2016.<br/>Term of office will end in 2018.</p> <p>Captain (employee).</p>   | <p><b>No other management duties, etc.</b></p>   | <p>Not considered independent.</p> |
| <p><b>Robert Routs (born 1946)</b></p> <p>Joined the board in 2010.<br/>Latest re-election in 2016.<br/>Term of office will end in 2018.</p> <p>Former Executive Director, Royal Dutch Shell plc.</p>                                    | <p><b>Other management duties, etc.:</b><br/>Aegon NV (Chairman); DSM NV (Chairman);<br/>ATCO Group; AECOM.</p>  | <p>Considered independent.</p>     |
| <p><b>Jim Hagemann Snabe (born 1965)</b></p> <p>Joined the board in 2016.<br/>Term of office will end in 2018.</p> <p>Former Co-CEO of SAP AG, Germany.</p>  | <p><b>Other management duties, etc.:</b><br/>Bang &amp; Olufsen A/S (Vice Chairman); Siemens AG; Allianz SE;<br/>SAP SE; World Economic Forum member of the Board of Trustees;<br/>Adjunct professor at Copenhagen Business School.</p>  | <p>Considered independent.</p>     |
| <p><b>Robert Mærsk Uggla (born 1978)</b></p> <p>Joined the board in 2014.<br/>Latest re-election in 2016.<br/>Term of office will end in 2018.</p> <p>CEO of A.P. Møller Holding A/S.</p>  | <p><b>Other management duties, etc.:</b><br/>Foundation Board of IMD.</p>  | <p>Not considered independent.</p> |

# MANAGEMENT BOARD

**Søren Skou (born 1964)**

Group CEO, A.P. Møller - Mærsk A/S  
 CEO, Transport & Logistics division  
 CEO, Maersk Line

Member of Executive Board /  
 Management Board since 2007.

**Other management duties, etc.:**

Skou Invest ApS;  
 International Council of Containership Operators (ICCO).

**Claus V. Hemmingsen (born 1962)**

Group Vice CEO, A.P. Møller - Mærsk A/S  
 CEO, Energy division

Member of Executive Board /  
 Management Board since 2007.

**Other management duties, etc.:**

DFDS A/S (Vice Chairman); Danmarks Rederiforening (Chairman);  
 Danish Chinese Business Forum (Chairman); Egyptian Drilling Company;  
 Den A.P. Møllerske Støttefond; International Chamber of Shipping.

**Jakob Stausholm (born 1968)**

Group CFO, A.P. Møller - Mærsk A/S  
 Chief Financial, Strategy & Transformation Officer,  
 Transport & Logistics division and Maersk Line

Member of the Management Board since 2016.

**No other management duties, etc.**

# COMPANY OVERVIEW

**A.P. Moller - Maersk** comprises approximately 900 companies. Major companies of A.P. Moller - Maersk are listed below.

The Danish Financial Statements Act section 97a, par. 4 has been applied in the company overview.

A more comprehensive list of companies is available on: <http://investor.maersk.com/financials.cfm>

## SUBSIDIARIES

| COMPANY   | COUNTRY OF INCORPORATION | OWNED SHARE |
|---|--------------------------|-------------|
| A.P. Moller Finance SA                          | Switzerland              | 100%        |
| A.P. Moller Singapore Pte. Ltd.                 | Singapore                | 100%        |
| Addicks & Kreye Container Service GmbH & Co. KG | Germany                  | 51%         |
| APM Terminals - Aarhus A/S                      | Denmark                  | 100%        |
| APM Terminals Algeciras S.A.                    | Spain                    | 100%        |
| APM Terminals Apapa Ltd.                        | Nigeria                  | 94%         |
| APM Terminals B.V.                              | The Netherlands          | 100%        |
| APM Terminals Bahrain B.S.C.                    | Bahrain                  | 80%         |
| APM Terminals Callao S.A.                       | Peru                     | 51%         |
| APM Terminals China Co. Ltd.                    | Hong Kong                | 100%        |
| APM Terminals Elizabeth, LLC                    | USA                      | 100%        |
| APM Terminals Gothenburg AB                     | Sweden                   | 100%        |
| APM Terminals India Pvt. Ltd.                   | India                    | 100%        |
| APM Terminals Inland Services S.A.              | Peru                     | 100%        |
| APM Terminals Lazaro Cardenas S.A. de C.V.      | Mexico                   | 100%        |
| APM Terminals Liberia Ltd.                      | Liberia                  | 75%         |
| APM Terminals Maasvlakte II B.V.                | The Netherlands          | 100%        |
| APM Terminals Management B.V.                   | The Netherlands          | 100%        |
| APM Terminals Mobile, LLC                       | USA                      | 100%        |
| APM Terminals Moin S.A.                         | Costa Rica               | 100%        |
| APM Terminals North America B.V.                | The Netherlands          | 100%        |
| APM Terminals Pacific LLC                       | USA                      | 100%        |
| APM Terminals Rotterdam B.V.                    | The Netherlands          | 100%        |
| APM Terminals Tangier SA                        | Morocco                  | 90%         |
| Aqaba Container Terminal Company Ltd.           | Jordan                   | 50%         |
| Bermutine Transport Corporation Ltd.            | Bermuda                  | 100%        |
| Coman SA  | Benin                    | 100%        |
| Container Operators S.A.                        | Chile                    | 100%        |
| Damco (UAE) FZE                                 | United Arab Emirates     | 100%        |
| Damco A/S                                       | Denmark                  | 100%        |
| Damco Australia Pty. Ltd.                       | Australia                | 100%        |
| Damco Belgium NV                                | Belgium                  | 100%        |
| Damco China Ltd.                                | China                    | 100%        |

## SUBSIDIARIES

| COMPANY                                      | COUNTRY OF INCORPORATION | OWNED SHARE |
|--|--------------------------|-------------|
| Damco Distribution Services Inc.             | USA                      | 100%        |
| Damco France SAS                             | France                   | 100%        |
| Damco India Pvt. Ltd.                        | India                    | 100%        |
| Damco International A/S                      | Denmark                  | 100%        |
| Damco Logistics Uganda Ltd.                  | Uganda                   | 100%        |
| Damco Sweden AB                              | Sweden                   | 100%        |
| Damco UK Ltd.                                | UK                       | 100%        |
| Damco USA Inc.                               | USA                      | 100%        |
| Farrell Lines Inc.                           | USA                      | 100%        |
| Gateway Terminals India Pvt. Ltd.            | India                    | 74%         |
| Lilypond Container Depot Nigeria Ltd.        | Nigeria                  | 91%         |
| Maersk (China) Shipping Company Ltd.         | China                    | 100%        |
| Maersk A/S                                   | Denmark                  | 100%        |
| Maersk Agency U.S.A. Inc.                    | USA                      | 100%        |
| Maersk Aviation Holding A/S                  | Denmark                  | 100%        |
| Maersk B.V.                                  | The Netherlands          | 100%        |
| Maersk Bangladesh Ltd.                       | Bangladesh               | 100%        |
| Maersk Container Industry A/S                | Denmark                  | 100%        |
| Maersk Container Industry Dongguan Ltd.      | China                    | 100%        |
| Maersk Container Industry Qingdao Ltd.       | China                    | 100%        |
| Maersk Denizcilik A.Ş.                       | Turkey                   | 100%        |
| Maersk Drilling A/S                          | Denmark                  | 100%        |
| Maersk Drilling Deepwater A/S                | Denmark                  | 100%        |
| Maersk Drilling Deepwater Egypt LLC          | Egypt                    | 100%        |
| Maersk Drilling Holdings Singapore Pte. Ltd. | Singapore                | 100%        |
| Maersk Drilling International A/S            | Denmark                  | 100%        |
| Maersk Drilling Norge AS                     | Norway                   | 100%        |
| Maersk Drilling USA Inc.                     | USA                      | 100%        |
| Maersk Drillship III Singapore Pte. Ltd.     | Singapore                | 100%        |
| Maersk Drillship IV Singapore Pte. Ltd.      | Singapore                | 100%        |
| Maersk Egypt For Maritime Transport SAE      | Egypt                    | 100%        |
| Maersk Energia Ltda.                         | Brazil                   | 100%        |
| Maersk Energy Marketing A/S                  | Denmark                  | 100%        |

**SUBSIDIARIES**

| COMPANY   | COUNTRY OF INCORPORATION | OWNED SHARE |
|---|--------------------------|-------------|
| Maersk Energy UK Ltd.                           | UK                       | 100%        |
| Maersk FPSOs A/S                                | Denmark                  | 100%        |
| Maersk Gabon SA                                 | Gabon                    | 100%        |
| Maersk Global Service Centres (Chengdu) Ltd.    | China                    | 100%        |
| Maersk Global Service Centres (India) Pvt. Ltd. | India                    | 100%        |
| Maersk Holding B.V.                             | The Netherlands          | 100%        |
| Maersk Hong Kong Ltd.                           | Hong Kong                | 100%        |
| Maersk Inc.                                     | USA                      | 100%        |
| Mærsk Innovator Norge A/S                       | Denmark                  | 100%        |
| Mærsk Inspirer Norge A/S                        | Denmark                  | 100%        |
| Maersk Integrator Norge A/S                     | Denmark                  | 100%        |
| Maersk Inter Holding B.V.                       | The Netherlands          | 100%        |
| Maersk Interceptor Norge A/S                    | Denmark                  | 100%        |
| Maersk Intrepid Norge A/S                       | Denmark                  | 100%        |
| Maersk Line A/S                                 | Denmark                  | 100%        |
| Maersk Line Agency Holding A/S                  | Denmark                  | 100%        |
| Maersk Line UK Ltd.                             | UK                       | 100%        |
| Maersk Line, Limited Inc.                       | USA                      | 100%        |
| Maersk Logistics Warehousing China Company Ltd. | Hong Kong                | 100%        |
| Maersk Oil Angola A/S                           | Denmark                  | 100%        |
| Maersk Oil Brasil Ltda.                         | Brazil                   | 100%        |
| Maersk Oil GB Ltd.                              | UK                       | 100%        |
| Maersk Oil Gulf of Mexico Four LLC              | USA                      | 100%        |
| Maersk Oil Kazakhstan GmbH                      | Germany                  | 100%        |
| Maersk Oil North Sea UK Ltd.                    | UK                       | 100%        |
| Maersk Oil Norway AS                            | Norway                   | 100%        |
| Maersk Oil Qatar A/S                            | Denmark                  | 100%        |
| Maersk Oil Three PL B.V.                        | The Netherlands          | 100%        |
| Maersk Oil Trading Inc.                         | USA                      | 100%        |
| Maersk Oil UK Ltd.                              | UK                       | 100%        |
| Mærsk Olie Algeriet A/S                         | Denmark                  | 100%        |
| Mærsk Olie og Gas A/S                           | Denmark                  | 100%        |
| Maersk Shipping Hong Kong Ltd.                  | Hong Kong                | 100%        |

**SUBSIDIARIES**

| COMPANY  | COUNTRY OF INCORPORATION | OWNED SHARE |
|--|--------------------------|-------------|
| Maersk Supply Service (Angola) Lda.                | Angola                   | 49%         |
| Maersk Supply Service A/S                          | Denmark                  | 100%        |
| Maersk Supply Service Canada Ltd.                  | Canada                   | 100%        |
| Maersk Supply Service International A/S            | Denmark                  | 100%        |
| Maersk Supply Service UK Ltd.                      | UK                       | 100%        |
| Maersk Tankers A/S                                 | Denmark                  | 100%        |
| Maersk Tankers Singapore Pte. Ltd.                 | Singapore                | 100%        |
| Maersk Treasury Center (Asia) Pte. Ltd.            | Singapore                | 100%        |
| Maersk Vietnam Ltd.                                | Vietnam                  | 100%        |
| Maersk Viking LLC                                  | USA                      | 100%        |
| MCC Transport Singapore Pte. Ltd.                  | Singapore                | 100%        |
| Mercosul Line Navegacao E Logistica Ltda.          | Brazil                   | 100%        |
| New Times International Transport Service Co. Ltd. | China                    | 100%        |
| Poti Sea Port Corporation                          | Georgia                  | 100%        |
| PT Damco Indonesia                                 | Indonesia                | 98%         |
| Rederiaktieselskabet Kuling                        | Denmark                  | 100%        |
| Rederiet A.P. Møller A/S                           | Denmark                  | 100%        |
| Safmarine (Pty) Ltd.                               | South Africa             | 100%        |
| Safmarine MPV NV                                   | Belgium                  | 100%        |
| Seago Line A/S                                     | Denmark                  | 100%        |
| Sogester - Sociedade Gestora De Terminais S.A.     | Angola                   | 51%         |
| Suez Canal Container Terminal SAE                  | Egypt                    | 55%         |
| Svitzer A/S  | Denmark                  | 100%        |
| Svitzer Australia Pty Ltd                          | Australia                | 100%        |
| Svitzer Marine Ltd.                                | UK                       | 100%        |
| Terminal 4 S.A.                                    | Argentina                | 100%        |
| U.S. Marine Management, Incorporated               | USA                      | 100%        |
| West Africa Container Terminal Nigeria Ltd.        | Nigeria                  | 100%        |

**ASSOCIATED COMPANIES**

| COMPANY   | COUNTRY OF INCORPORATION | OWNED SHARE |
|---|--------------------------|-------------|
| Abidjan Terminal SA   | Côte d'Ivoire            | 40%         |
| Brigantine International Holdings Ltd.                          | Hong Kong                | 30%         |
| Brigantine Services Ltd.  | Hong Kong                | 30%         |
| Congo Terminal Holding SAS                                      | France                   | 30%         |
| Congo Terminal SA   | Republic of the Congo    | 23%         |
| Cosco Ports (Nansha) Ltd.                                       | British Virgin Islands   | 34%         |
| Guangzhou South China Océangate Container Terminal Co. Ltd.     | China                    | 20%         |
| Gujarat Pipavav Port Ltd.                                       | India                    | 43%         |
| Höegh Autoliners Holdings AS                                    | Norway                   | 39%         |
| Intra Inc.  | USA                      | 20%         |
| Meridian Port Services Ltd.                                     | Ghana                    | 42%         |
| Salalah Port Services Company SAOG                              | Oman                     | 30%         |
| Shanghai Tie Yang Multimodal Transportation Co. Ltd.            | China                    | 29%         |
| South Asia Gateway Pvt. Ltd.                                    | Sri Lanka                | 33%         |
| Tianjin Port Alliance International Container Terminal Co. Ltd. | China                    | 20%         |

**JOINT VENTURES**

| COMPANY   | COUNTRY OF INCORPORATION | OWNED SHARE |
|---|--------------------------|-------------|
| Anchor Storage Ltd.   | Bermuda                  | 51%         |
| Ardent Holdings Limited   | UK                       | 50%         |
| Brasil Terminal Portuario S.A.  | Brazil                   | 50%         |
| Cai Mep International Terminal Co. Ltd.                                 | Vietnam                  | 49%         |
| Dalian Port Container Terminal Co. Ltd.                                 | China                    | 20%         |
| Douala International Terminal SA  | Cameroon                 | 40%         |
| Drilling & Petroleum Services Company                                   | Saudi Arabia             | 50%         |
| Egyptian Drilling Company SAE   | Egypt                    | 50%         |
| Eurogate Container Terminal Wilhelmshaven Beteiligungsgesellschaft GmbH | Germany                  | 30%         |
| First Container Terminal ZAO  | Russia                   | 31%         |
| Global Ports Investments PLC  | Cyprus                   | 31%         |
| LR2 Management K/S  | Denmark                  | 50%         |
| North Sea Terminal Bremerhaven Verwaltungsgesellschaft GmbH             | Germany                  | 50%         |
| Pelabuhan Tanjung Pelepas Sdn. Bhd.                                     | Malaysia                 | 30%         |
| Petrolesport OAO  | Russia                   | 31%         |
| Qingdao New Qianwan Container Terminal Co. Ltd.                         | China                    | 16%         |
| Qingdao Qianwan Container Terminal Co. Ltd.                             | China                    | 20%         |
| Shanghai East Container Terminal Co. Ltd.                               | China                    | 49%         |
| Smart International Logistics Company Ltd.                              | China                    | 49%         |
| South Florida Container Terminal LLC                                    | USA                      | 49%         |
| Vostochnaya Stevedore Company OOO                                       | Russia                   | 31%         |
| Xiamen Songyu Container Terminal Co. Ltd.                               | China                    | 25%         |

# DEFINITION OF TERMS

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

## AHTS

Anchor Handling Tug Supply vessel especially suited to deal with the extreme forces of deepwater anchor handling.

## Backlog

The value of future contract coverage (revenue backlog).

## boepd

Barrels of oil equivalent per day.

## Break-even oil price

The break-even oil price is defined as the average price for a barrel of Brent oil at which Maersk Oil would be generating neither an underlying profit nor a loss in a given period, all other things equal.

## Brent

Sweet light crude oil produced in the North Sea.

## Bunker

Type of oil used in ship engines.

## Cash flow from operating activities per share

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

## Contract coverage

Percentage indicating the part of ship/rig days that are contracted for a specific period.

## Dividend yield

The dividend yield is equal to the proposed dividends of the year divided by the shares' price.

## Drewry

Drewry is a leading international provider of research and consulting services to the maritime and shipping industry.

## Drillship

A vessel that has been fitted with drilling equipment, mainly used for deepwater drilling.

## EBIT margin gap to peers

Peer group includes CMA CGM, APL, Hapag Lloyd, Hanjin, ZIM, Hyundai MM, K Line, OOCL, NYK, MOL, COSCO and CSCL. Peer average is TEU-weighted. EBIT margins are adjusted for gains/losses on sale of assets, restructuring charges, income/loss from associates and impairments. Maersk Line's EBIT margin is also adjusted for depreciations to match industry standards (25 years).

## Economic utilisation

The number of contracted days in percentage of total days in the calendar year.

## Energy division

From 2017, the Energy division consists of Maersk Oil, Maersk Drilling, Maersk Supply Service and Maersk Tankers, as well as other businesses (Maersk Training and FPSOs) and unallocated Energy headquarter costs.

## Equity ratio

Is calculated as the equity divided by total assets.

## FFE

Forty Foot Equivalent unit container.

## Idle time

A period of time when a unit is not being used but could be (non-productive time).

## Jack-up rig

A drilling rig resting on legs that can operate in waters of 25–150 metres.

## MPV vessel

Multi-purpose vessel designed to carry both containerised and dry bulk cargoes.

## Net interest-bearing debt (NIBD)

Equals interest-bearing debt less cash and bank balances less other interest-bearing assets.

## NOPAT

Net operating profit or loss after tax.

## Product tanker

Vessel transporting refined oil products.

## Return on equity

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

## Return on invested capital after tax (ROIC)

Is the profit (loss) for the year before financial items but after calculated tax, divided by the quarterly average invested capital (equity plus net interest-bearing debt).

## ROIC

Return on invested capital after tax.

## TEU

Twenty Foot Equivalent Unit container.

## Segments' return on invested capital after tax (ROIC)

Is net operating profit/loss after tax (NOPAT) divided by the quarterly average invested capital, net (segment assets less liabilities).

## Time charter

Hire of a vessel for a specified period.

## Total market capitalisation

Is the total number of shares – excluding A.P. Moller - Maersk's holding of own shares – multiplied by the end-of-year price quoted by NASDAQ OMX Copenhagen.

## Total shareholder return

Total shareholder return is equal to the price appreciation rate (price variance from the beginning to the end of the year) and the dividend yield.

## Transport & Logistics division

From 2017, the Transport & Logistics division consists of all A.P. Moller - Maersk activities except unallocated financial items and those activities allocated to the Energy division.

## Triple-E

Triple-E stands for Economy of scale, Energy efficiency and Environmentally improved.

## Underlying result

Is profit/loss for the year from continuing operations adjusted for net gains/losses from sale of non-current assets, etc. and net impairment losses. The adjustments are net of tax and include A.P. Moller - Maersk's share of mentioned items in associates and joint ventures.

Underlying segment and division result also excludes unallocated financial items.

## Uptime

A period of time when a unit is functioning and available for use.

# COMPANY ANNOUNCE- MENTS 2016

## 10 FEBRUARY

Annual Report 2015 for A.P. Møller - Mærsk A/S

## 10 FEBRUARY

Proposal for election of new member for the Board of Directors

## 14 MARCH

Notice convening the Annual General Meeting 2016 in A.P. Møller - Mærsk A/S

## 16 MARCH

Share buy-back programme completed

## 12 APRIL

Development of the Annual General Meeting on 12 April 2016

## 4 MAY

Interim Report Q1 2016

## 21 JUNE

Articles of Association for A.P. Møller - Mærsk A/S

## 21 JUNE

Registration of capital decrease in connection with cancellation of treasury shares completed

## 23 JUNE

A.P. Møller - Mærsk A/S — Søren Skou appointed new CEO of Maersk Group

## 27 JUNE

A.P. Møller - Mærsk A/S  
— Qatar Al Shaheen Field – Unsuccessful in Tender Process

## 30 JUNE

Information about changed number of votes and share capital

## 7 JULY

The EU Commission closes competition case without finding infringement

## 12 AUGUST

Interim Report Q2 2016

## 22 SEPTEMBER

Progress update on strategic review and change of management

## 2 NOVEMBER

Interim Report Q3 2016

## 2 NOVEMBER

A.P. Møller - Mærsk A/S — Financial Calendar 2017

## 1 DECEMBER

Maersk Line A/S to acquire Hamburg Süd

The complete list of announcements is available on:

<http://investor.maersk.com/releases.cfm>

# EXTERNAL FINANCIAL REPORTING FOR A.P. MOLLER - MAERSK

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

The Annual Report has a focus on the very detailed legally required information, whereas the Annual Magazine has a focus on providing an overview of key developments during the year. The reports can be read individually or combined depending on our stakeholders' interests. The Annual Report is available electronically in English on <http://investor.maersk.com/financials.cfm>

The Annual Magazine provides an overview of the operations and performance of A.P. Møller - Maersk in a concise and easy-to-read format. This publication is not a substitute for the Annual Report and does not contain all the information needed to give as full an understanding of the A.P. Møller - Maersk's performance, financial position and future prospects as provided in the Annual Report. The Annual Magazine is produced in English and Danish, both available in hard copy and for download on <http://investor.maersk.com/financials.cfm>

A.P. Møller - Maersk also produces Interim Reports for each of the first three quarters of the financial year, and a summary report for Q4 is included in the Annual Report.

To further add value, with a focus on the professional segment and others with more specific interests, detailed Presentations are available each quarter following the release of the Interim Reports and the Annual Report.

A.P. Møller - Maersk also hosts, on a regular basis, a Capital Markets Day, which can be followed through a live webcast and the speakers' presentation slides can be accessed via links.

This extended information of Interim Reports, Presentations and webcasts can be found on our Investor Relations website: <http://investor.maersk.com/>

Quarterly figures for 2010-2016 are available on <http://investor.maersk.com/financials.cfm>

The Board of Directors of A.P. Møller - Mærsk A/S continues to consider the "Recommendations for Corporate Governance" implemented by NASDAQ OMX Copenhagen. For further information see page 32 of this report.

## **Sustainability and gender composition of management**

An independently assured Sustainability Report for 2016 is published, which provides detailed information on A.P. Møller - Maersk's sustainability performance. The report serves as A.P. Møller - Maersk's Communication on Progress as required by the UN Global Compact, and ensures compliance with the requirements of Section 99a & b of the Danish Financial Statements Act (Årsregnskabsloven) on corporate social responsibility and reporting on the gender composition of management. The report is available on: [www.maersk.com/sustainability-report-2016](http://www.maersk.com/sustainability-report-2016)

Additional information on how we manage issues, explaining implementation, progress and relevant commitments and frameworks can be found on the Sustainability website <http://www.maersk.com/en/the-maersk-group/sustainability>

## **Government payments – Maersk Oil**

Disclosure of tax payments on a country-by-country basis for 2016 in accordance with the EU Accounting Directive and as implemented in Section 99c of the Danish Financial Statements Act (Årsregnskabsloven) is provided in a separate report. The report is available on: <http://investor.maersk.com/financials.cfm>

# COLOPHON

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