

MAERSK

POST 

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DATA WIZARDS | A team of data scientists is using Maersk Line's data to overcome key operational and commercial challenges. Meet Klaus Holst, Nickie Bolbroe, Jan Voetmann and Brian Rysz, some of the people using advanced analytics to transform the shipping business. Here, a data visualisation tool displays Maersk Line's complex world of container repairs as a simple quilt of coloured squares.

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As global companies fine-tune and alter their supply chains, the Maersk Group businesses are at the heart of the changes and winning business in the process. China's biggest car manufacturer, Geely Automobile Holdings Limited, is one example. Geely's global operation is so large and spread out that it has given Maersk Line and Damco full control of its entire logistics supply chain.

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PHOTO: LU YIBIN

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PHOTO: FELIX SEUFERT

A SOURCE OF EMPOWERMENT | Bicycles from Asia are transforming the countryside in Malawi, providing an economic lifeline and a healthier start to life for the next generation. The bicycles illustrate what trade can do to economies on the rise.

At the front of the queue in tough markets

TURBULENT MARKETS | For Maersk Drilling, keeping its assets at work is the first, essential step in tough markets. "We cannot sit still, waiting for the markets to do us a favour," says Ana Zambelli, Maersk Drilling's Chief Commercial Officer. "Our state-of-the-art rigs and industry leading operational and safety performance can put us at the front of the queue in tough markets."



PHOTO: MAERSK DRILLING

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'The sexiest job of the century'

INNOVATION |

A growing team of data scientists, in what the Harvard Business Review has called 'the sexiest job of the century,' – is using Maersk Line's abundance of data to chip away at key operational and commercial challenges, not to mention to explore ideas for new business models.



PHOTO: PETER ELMHOLT

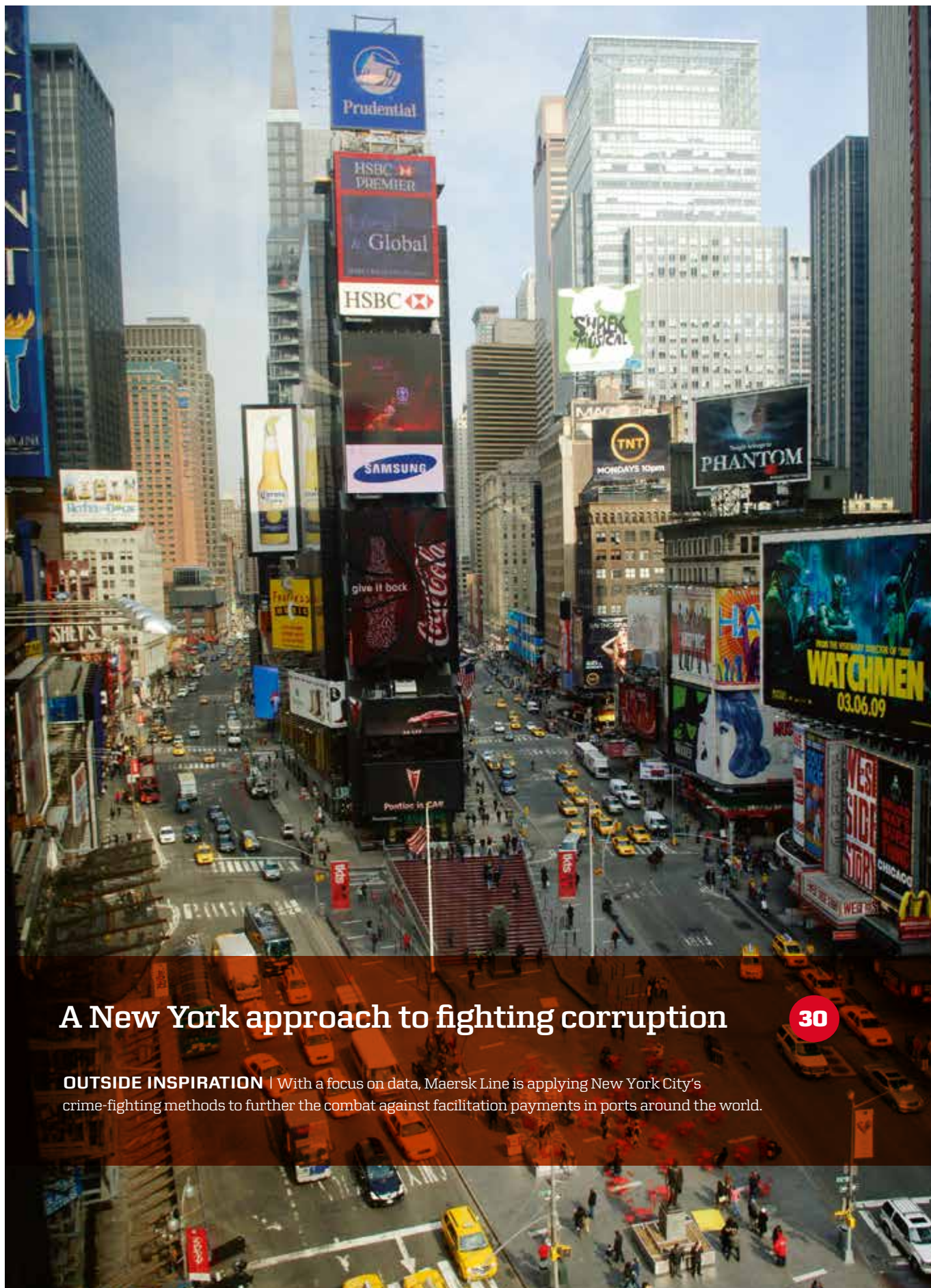
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A New York approach to fighting corruption

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OUTSIDE INSPIRATION | With a focus on data, Maersk Line is applying New York City's crime-fighting methods to further the combat against facilitation payments in ports around the world.

PHOTO: SCANPIX

Growing the business in challenging times



N.S. Andersen

Nils S. Andersen, Group CEO

> It is a difficult time for the global economy. Conditions are very demanding across our markets, yet all our business units have delivered a positive result in the third quarter, which is testimony to the hard work we have put in.

Our businesses are reducing their costs and becoming more efficient to ensure they are in the best possible position to handle such markets. Seven of our eight businesses are delivering top-quartile returns in their industries and with the backing of our strong balance sheet, we are making focused investments to take advantage of growth opportunities.

We had to downgrade our expectations for Maersk Line's result for 2015 and of course this was a disappointment. The business has gone through a very successful turnaround and restructuring over the last years and this is continuing.

Maersk Line has focused on costs, whether improving fuel consumption, increasing network efficiency – such as the vessel sharing agreement with MSC on east-west trades – or being very disciplined about deploying capacity.

It has a competitive advantage and leading position in container shipping, and the downgrade is a measure of the severity of the market downturn that we are facing. The achievements of cost leadership and employees mean we can have confidence in our ability to weather the storm and work to strengthen our position in the future.

Likewise, colleagues in other business units are busy with cost initiatives, which are bringing results across the Group. The aim is to rein in costs but not activity and to stay competitive.

“It will be tough, but we have the right people with the right mindset. The Employee Engagement Index from our survey rose to 76% this year, putting Maersk in a top-quartile position when benchmarked externally”

It will be tough, but we have the right people with the right mindset. The Employee Engagement Index from our survey rose to 76% this year, putting Maersk in a top-quartile position when benchmarked externally. This is truly a great accomplishment in these challenging times and it is particularly pleasing that employees are proud to work for Maersk and of our Core Values.

It is not easy to predict how the markets will develop, as we head into 2016. Being in the right shape means we will have a good starting position. 📈

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Chief Editor: Birgitte Henriksen · **Editor:** Flemming J. Mikkelsen · **Email:** fjm007@maersk.com · **Phone:** +45 3363 1900

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At the front of the queue in

TURBULENT MARKETS | For Maersk Drilling, keeping its assets at work is the first, essential step in tough markets. The business's advanced technology and strong performance has helped it seal eight new contracts for its rigs and drillships this year.

BY SAM CAGE

> When the Maersk Voyager set sail for the steamy waters of West Africa this summer, it marked an important development in Maersk Drilling's business activities.

Its new contract was one of eight signed by Maersk Drilling this year, showing how the business's track record, relationship with key clients and advanced and reliable hardware are helping it conclude new business even with markets being under pressure.

Maersk Voyager is the last of four ultra deepwater drillships in Maersk Drilling's fleet, and is ready to operate in water depths of up to 3,600 metres. Delivered in February 2015, the contract with the Italian oil and gas company Eni was concluded in March, and is to run for 3.5 years with an option to extend by a year.

In tough markets for drilling contractors with oil companies cutting back on spending, ensuring assets are at work is the first step to keeping the business ticking over, and subsequently in putting it in a position to take advantage of an upturn.



"We cannot sit still waiting for markets to do us a favour," says Ana Zambelli, Maersk Drilling's Chief Commercial Officer.



Maersk Voyager is one of four ultra deepwater drillships in Maersk Drilling's fleet and has a 3.5 year contract with ENI.

PHOTOS: MAERSK DRILLING

tough markets

News in brief

Group engagement takes a significant leap up

With a 3 percentage point increase this year, the Employee Engagement Index in the Maersk Group has hit 76 %. This brings Maersk to a top-quartile position when benchmarked externally.

This remarkable increase is driven by a positive trend in engagement levels amongst most of the business units and is predominantly driven by an increase of 4 percentage points among Blue Collar, Seafarer and Offshore employees, alongside improvements on many of the Group-wide priorities.

The company's "ability to uphold the Maersk Values, its "commitment to diversity and inclusion", and "employees' satisfaction with career opportunities" are all priority areas that are rated more favourably this year.

"We have achieved our ambition of being in the top quartile among the highly respected companies that we benchmark ourselves against. We have reached our goal despite the fact that we are operating in challenging market situations – which makes it a significant accomplishment," says Group CEO, Nils S. Andersen. He especially notes the fact that employees are prouder of working for Maersk, and more favourably inclined in relation to how the company upholds its Core Values.

"Our Values define the way we do business. Therefore, it is of great importance to me that our employees trust that as a company we respect our heritage and live our Values," says Nils S. Andersen.

"We cannot sit still, waiting for the markets to do us a favour," says **Ana Zambelli**, Maersk Drilling's Chief Commercial Officer.

"Our state-of-the-art rigs and industry leading operational and safety performance can put us at the front of the queue in tough markets, thereby ensuring that we keep our people and machinery working for the benefit of both us and our customers."

Revenue backlog

Maersk Drilling has built up a solid revenue backlog of USD 5.8 billion, providing earnings visibility over the coming period. This has to be combined with its cost structure and finding ways to do things more efficiently, and reaching better agreements with contractors, Zambelli says.

Able to withstand wind speeds of 100 knots and waves of nearly 15 metres, the Maersk Voyager shows the value in building top-class hardware. While its automation means that standard operations can be conducted without personnel on the drill floor, ensuring safety and consistency, dual pipe handling maximises its efficiency and working time.

Operational uptime has remained high at 97% for jack-ups and 98% for floating rigs and there has been a steady improvement in safety performance, in terms of the frequency of lost time incidents. "With the track record and reliability of our rigs, customers are inviting us in for the few jobs that are available in the market," says Claus Bachmann, Vice President and Asset Manager for deepwater operations. 🇳🇴

New Maersk Drilling contracts in 2015

- > Long-term contract for ultra deepwater drillship Maersk Voyager
- > Short-term contract for ultra deepwater drillship Maersk Venturer
- > Five-year contract extension for semi-submersible Heydar Aliyev
- > 16-month contract extension for ultra-harsh jack-up rig Mærsk Innovator
- > 150-day contract for ultra-harsh jack-up rig Mærsk Giant
- > Three-year contract for jack-up rig Maersk Resilient
- > A 250 day extension for Maersk Resolve in the Danish sector of the North Sea
- > A three-year extension for Maersk Discoverer offshore Egypt

The next generation of ships and rigs

- > Maersk Drilling's XLE rigs will be featured in a new Discovery Channel television series, which will show the Group's energy supply chain, following Maersk experts and subcontractors as they design and build the next generation of ships and drilling rigs
- > Filming started earlier this year and will mainly be taking place in Denmark, Norway and South Korea. The series will be broadcast in late 2016

'The sexiest job of the century'

INNOVATION | A growing team of **data scientists** – in what the Harvard Business Review has called “the sexiest job of the century” – is using Maersk Line’s abundance of data to chip away at key operational and commercial challenges, not to mention to explore ideas for new business models.

BY JOHN CHURCHILL

> More than 4 million times a year in one thousand different locations, a repair is carried out on a Maersk Line container. It costs the company more than USD 300 million, annually.

Maersk Line has recorded the details of all of these repairs going back for years – what was done, what it cost, where and when it took place – in spreadsheets. As in many other areas of the business, the data was there; what **Brian Rysz** needed was insight into the data.

As the Head of Maersk Line’s Global Equipment Management and Repair, Rysz wanted to know if and how the data could help him shave millions from the annual repair budget.

“Every day, tens of thousands of containers are flowing in and out of repair shops all over the world. There are so many variables to consider, i.e. the type of container, the manufacturer, the cargo that was in it, the parts used, the repair done and the location,” says Rysz. “If we could use that info to identify where we’re getting good and bad repairs from and why, we could start making a dent in this cost.”

Making the data tell a story

Back in January, Rysz was introduced to Nicki Bolbroe and Klaus Holst. Both are analysts with Maersk Line’s Advanced Analytics team, a relatively new team in Maersk Line comprising eight data analysts, experts in combining mathematics and other disciplines with computer programming to extract meaning from large and different data sets.

After some initial meetings with Rysz to determine exactly what he wanted, Bolbroe and Holst holed up in a conference room for one week with their laptops and several colleagues from Maersk Line IT’s Agile Data Lab. The ADL team are data hunters, they had collected and cleaned the mountain of data the analysts needed. It consisted of repair data going back five years along with data for several other related actions carried out on every container, including ‘pre-trip inspections’ for reefer containers, and every movement and every booking over the period for each of the 2.7 million containers in the Maersk Line fleet. All in all, it amounted to several billion lines of data.

“The business tells us what they want and we have to figure out how to get there,” says Nicki Bolbroe.



Jan Voetmann
Head of Advanced Analytics
Maersk Line

More than **4 million** times a year in one thousand different locations, a repair is carried out on a Maersk Line container.

“We crunch the numbers, add information, make and test some algorithms, code some things, share it with the business and subsequently repeat the process until we all get to where we want to be.”

The big picture on a small screen

After a week of non-stop work, Rysz says the analysts nailed it. Suddenly, the Maersk Line world of repairs was on his computer screen in an easy to understand red and blue quilt of different sized squares.

Rysz could simply click around, country by country, city by city and “visit” each individual repair shop, and thereby see precisely where he was getting good and bad repairs. He could even sort the data by type of repair, time frame and more. For the first time, he had an overview of Maersk Line’s global repair activity; he had the insight into his costs he was looking for.

century'



Brian Rysz
*Head of Global Equipment
Management and Repair
Maersk Line*

**Repairing
containers costs
the company more
than **USD 300**
million,
annually.**

One immediate finding was that the importation of certain spare parts into India – a huge repair location – was not necessary. The data proved that locally sourced floorboard materials were not leading to a greater frequency of repeat repairs as suspected, but that the cargo being loaded there – marble and concrete – is a factor. This knowledge alone will save Maersk Line USD 2 million a year.

"This is incredibly exciting, but it's also new. We cannot say at this point that 'this visibility will save us this much', but we're already sharing the findings with suppliers to help them improve. We know it will have an impact," says Rysz.

The sexiest job of the century

A visit to the Advanced Analytics team on a Friday afternoon confirms some expectations – complex



Klaus Holst
*Analyst
Maersk Line*

**The AA team is
comprised of eight people
with varied academic
backgrounds and experience,
along with a lot of skill overlap
in mathematics and a
statistical computer
programming language
called '**R**'.**

PHOTOS: PETER ELMHOLT

"At the moment we're moving from core business intelligence reporting to exploratory data analysis and our focus is primarily operational and commercial optimisation. In ten years though, maybe sooner, when the data quality and capabilities are mature, Maersk Line's analytics functions will help directly grow the company's bottom line"

– JAN VOETMANN, HEAD OF ADVANCED ANALYTICS IN MAERSK LINE.



> mathematical equations on one person's screen and what appears to be programming code on another. Bon Jovi's "Wanted, Dead or Alive" plays out loud on team leader Jan Voetmann's phone. "It's Friday," he says.

The AA team is comprised of eight people with varied academic backgrounds and experience, along with a lot of skill overlap in mathematics and a statistical computer programming language called 'R'. All eight of them are data scientists – what the Harvard Business Review has called "the sexiest job of the 21st century."

At 43-years of age, Voetmann is the Head of Advanced Analytics and the oldest in the department. He has a Masters in Mathematical Economics. He wrote his thesis about one of his heroes, John Nash, the mathematician and professor portrayed in the movie, "A Beautiful Mind."

Voetmann's first hire two years ago was Nicki Bolbroe, who at 27 is the youngest member of the team. He has a Masters in Management Science and specialises in econometrics. Klaus Holst is one of the latest additions to the team. He has a PhD in Statistics with particular expertise in two branches, survival analysis and event history analysis.

"More than anything, what data scientists do is make discoveries while swimming in data," writes the Harvard Business Review in a story titled Data Scientist: The Sexiest Job of the 21st Century. "In a competitive landscape where challenges keep changing and data never stops flowing, data scientists help decision makers shift from ad hoc analysis to an ongoing conversation with data."

"What kind of business is Maersk Line? It's a shipping business, but it's also very much a logistics business that depends on optimisation," says Jakob

Maersk Line's Advanced Analytics team

Maersk Line's Advanced Analytics team has a long list of projects it is working on with different parts of the Maersk Line business and many more lined up.

- Operational optimisation and commercial excellence are the primary focus of the team
- Besides container repairs, the team is involved in a variety of operational efficiency projects. Two of the biggest are bunker optimisation and empty container forecasting. They are multi-billion dollar cost areas with the kind of complexity the team thrives on
- New business models are a third area of endeavour that reflects the likelihood that Maersk Line's globe-spanning operational and commercial data – combined with the ability to analyse it – will one day be a valuable product itself



Klaus Holst, Nicki Bolbroe and Jan Voetmann (with Brian Rysz) are all analysts with Maersk Line's Advanced Analytics team, a relatively new team in Maersk Line comprising eight data analysts who are experts in combining mathematics and other disciplines with computer programming to extract meaning from large and different data sets.



PHOTO: PETER ELMHOLT

What is a data scientist?

Definitions of what a 'data scientist' does are long, but all of them describe a person able to leverage multiple disciplines – economics, coding, statistics, mathematical modelling – in order to extract knowledge and insight from large and various data sets that may be unstructured and incomplete.

Stausholm, Maersk Line's Chief Transformation Officer: "If we want real cost leadership and commercial excellence, applying the technology and the competencies of advanced analysts can take us much further than conventional analysis."

The analytics community is also excited to see Maersk entering this space. A conference for users of 'R' hosted by Voetmann's team this past summer filled the large auditorium at Maersk HQ in Copenhagen with curious peers eager to hear what Maersk Line was doing with analytics.

"Liner shipping has many interesting problems for people like us; complex problems that need to be solved, mathematically. It's very challenging and motivating. It's an exciting time to be in this field," says Holst.

The future of shipping

The AA team has a long list of projects it is working on with different parts of the Maersk Line business and many more in the queue. Operational optimisation and commercial excellence are the primary focus of the team and these projects dominate the list.

Besides container repairs, they are involved in a variety of operational efficiency projects. Two of the biggest are bunker optimisation and empty container forecasting. They are multi-billion dollar cost areas with the kind of complexity the team thrives on.

Commercially, the ground is just as fertile, from automated and intelligent pricing and quoting systems to determining the most desirable cargo mix for vessel utilisation and customer profitability analysis.

New business models are a third area of the team's focus, reflecting the likelihood that Maersk Line's globe-spanning operational and commercial data – combined with the ability to analyse it – will one day be a valuable product itself.

"We don't know where analytics will take us, but we can see the next few phases where this team will create a lot of value for the business," says Jakob Stausholm.

"It's early though, we're learning to walk right now. We have to keep building our competencies, looking at the kind of tools we need and to define how we want to work. That includes giving the analysts room to play and explore their own ideas. It's going to be exciting to see how it develops and where it takes us." ■

A huge prize in mature fields

EFFICIENT OPERATIONS | Maersk Oil is improving the efficiency of its operations to ensure it gets as much as possible out of mature fields. One example is the Global Producer III in the UK North Sea, where production has more than doubled over the course of a year.

BY SAM CAGE

> The Global Producer III has been riding the waves, storms and sunshine of the North Sea for the last eight years. But things have been a little different lately on board the Maersk Oil floating production, storage and offloading (FPSO) vessel.

In July 2014, the vessel was producing 16,500 barrels of oil per day. A year later, it was pumping out more than double that amount thanks to a concerted campaign to iron out inefficiencies.

The success of the Global Producer III team shows how Maersk Oil can generate more value from its existing assets, complementing big projects like Culzean and Johan Sverdrup, and is an important plank in its strategy to become a top five producer in the North Sea, says Chief Operating Officer **Gretchen Watkins**.

"Operational excellence is key to growing our production, and this shows just how it can be done," Watkins says.

"This is about getting our house in order in terms of cost and earning the right to grow even further. For

any operator in the North Sea, a huge prize awaits, and that's reliably and safely producing the most that we can from our existing operations," she says.

Fixing the key issues

The improvements at Global Producer III contributed to a 30% growth in Maersk Oil's production over a year, with a 33% reduction in operating expenditure per barrel produced. In addition, the number of safety incidents has dropped by two thirds since 2009.

Production efficiency is a ratio that compares actual output with the maximum potential production. It fell as low as 43% in 2014 on Global Producer III. The corresponding figure to date this year is well over 70% with a forecast of 85% in 2016. So what has changed?

One of the biggest factors was a change in mindset, bringing together the onshore and offshore teams across asset and function, says offshore installation manager **Andy Maddrick**. The onshore and offshore teams have also worked to improve maintenance planning, with a view

to reducing the number of days the installation is shut down. In 2015, the team has managed to reduce the planned shutdown days by half to 30, in comparison with 2013.

A dedicated team worked so the vessel could have two operating gas compressors, so it can continue producing even if one is out of operation for some reason. Usually, it had only one compressor available. Production growth has also been supported by infill wells, which are drilled between producing wells to enable more efficient recovery from the reservoir.

"In the last 12 to 18 months, we've really gone after the issues that previously made our production performance so unpredictable," says Maddrick.


Care and attention

The higher volumes are also due to our having maximised the potential of the Balloch reservoir, which is situated in the North Sea, 225 kilometres northeast of Aberdeen. The well drawdown limits were changed and the ability to handle heavier gas was significantly improved, contributing to an increase in available gas capacity and higher flow rates of wells, which allowed the vessel to unlock more oil, faster than expected.

"We've developed a plan that we all trust and that means we're more confident when pushing for improvement and results," says Global Producer III operations manager Chris Petrovski. "But we're not complacent - this is still an installation that needs a lot of care and attention, so we recognise that we're only as good as our previous day's production." ❄

Operational excellence is key to growing Maersk Oil's production, and Global Producer III shows how it can be done.





Production on Global Producer III has more than doubled.

Boosting barrels

Maersk Oil's Operations Excellence programme is reducing unplanned down-time and increasing production across the portfolio, says COO Gretchen Watkins. Across Maersk Oil, more planned shut-downs have been completed on time in 2015 than ever before.

The Global Producer III team started the process of planning ahead to iron out inefficiencies by focusing on the key issues that had been holding back operations and subsurface delivery, explains Brian Welinder, asset manager for the Quad 15 area of the North Sea, where the vessel is located.

"That means proactively planning ahead, raising the bar and enhancing our wells, reservoirs and facilities, and all the time we've been doing this, maintaining and improving our safety mindset and focusing on implanting a strong performance and safety culture," Welinder says.

The Global Producer III

Maersk Oil has been operating the floating production, storage and off-loading (FPSO) vessel, Global Producer III since 2007

60.8 million barrels have been produced since Maersk Oil assumed operatorship. It weighs 54,500 metric tonnes and is 217 metres long, located 140 miles north east of Aberdeen and accommodates 105 people.

There are three operating production fields in the area: Dumbarton, Lochranza and Balloch. Maersk Oil UK owns 100% of all three fields.

Towards a top 5 North Sea producer

Maersk Oil aims to become one of the five biggest producers in the North Sea in the first half of the next decade, from its current ranking as the 9th biggest. It will achieve this by combining its existing portfolio, major capital investment – including the Culzean and Johan Sverdrup projects with more efficient operations.

THEME | OPPORTUNITIES FOR MAERSK

Global growth is slower than expected. Yet, there are opportunities for the Maersk Group. As companies fine-tune their supply chains, Maersk businesses are winning business. In this theme, Maersk Post unfolds examples of how the business units are meeting their challenges.

Global manufacturers are chasing more flexible supply chains

ble

All companies are focusing on their supply chains, looking to lower their costs and diversify risk. And, in some cases that means building production facilities closer to consumer markets.

LOWER COSTS AND GREATER ACCESS TO NEW MARKETS | Global growth is slower than expected and uncertainties abound. Yet, there are opportunities out there for Maersk. As companies fine-tune and alter their supply chains, Maersk businesses are at the heart of the changes and winning business.

BY JOHN CHURCHILL

> Two years ago, Maersk Line offered no direct service to Mexico from Japan; there was simply too little demand for it. Today, the Japan-Mexico trade is Maersk Line's single largest volume trade from Japan, accounting for roughly 20% of export volumes.

The reason: Asian carmakers – along with their American and European counterparts – are investing billions in new assembly plants in Mexico. The attraction being a combination of lower cost (land, labour and energy) and proximity to growing consumer markets, in Mexico as well as in the United States and Latin America.

"Global growth forecasts are being lowered and uncertainty is the word, so it's a challenging period we're in," says **Graham Slack**, Chief Economist for the Maersk Group.





"All companies are focusing on their supply chains, looking to lower their costs and diversify risk, not by leaving China but by expanding elsewhere. And in some cases that means building production closer to consumer markets."

The shift in Japanese trade to Mexico is an example of the opportunities Maersk businesses have as supply chain alterations occur. In this case, the potential for a lot more business stems from the nearly 2,000 Japanese car part suppliers that have followed the carmakers to Mexico and will need supply chain assistance.

"As logistic partners and service providers across thousands of supply chains, Maersk Line, APM Terminals and Damco can play a key role in enabling their customers to cut costs and grow their businesses," says Slack.

Planes, cranes, automobiles and future champions

Cars are an increasingly important business segment for Maersk Line as carmakers hunt lower costs and greater access to markets. Instead of producing complete cars and sending them on 'ro-ro' vessels, manufacturers build car parts in one or more locations



APM Terminals now open

A HUGE WIN | A partnership between the local community and the terminal helped persuade Airbus to bring its new airplane factory to Mobile, Alabama, as its first-ever manufacturing facility in the United States.

BY JOHN
CHURCHILL

> European aircraft giant, **Airbus**, opened its first U.S.-based manufacturing site in **Mobile, Alabama** in September just 5 km from APM Terminals Mobile.

Airbus expects the USD 600 million Brookley Aeroplex site to be producing one Airbus passenger jet nearly every week by 2018 and APM Terminals will play a key role in achieving that. The new factory is bringing revenue and jobs to the region, while also showing the range of business possibilities APM Terminals has beyond its core of container handling.

"This is a huge win for Mobile and APM Terminals. It is the result of two years of hard work on the part of the city and county of Mobile, the Alabama State Port Authority, and APM Terminals. All to show Airbus the value of the supply chain package they could get here, i.e. an excellent logistics infrastructure, highly skilled labour and the support of the entire local shipping community," says Brian Harold, Head of APM Terminals Mobile.

No ordinary cargo or operation

APM Terminals has invested USD 250 million in the Mobile, Alabama terminal both throughout construction of the facility and since its opening in 2008. It has been used to modernise equipment and expand the yard to

accommodate the increased business from shipping lines serving Alabama's growing industrial base, as well as, from larger vessels calling US Gulf ports, currently and following the opening of the expanded Panama Canal.

To handle Airbus' airplanes the terminal has made several accommodations and requires continued capital investments. The giant pre-assembled sections of the A320 Family passenger plane – the wings, fuselage and tail fins – began arriving at the terminal in September inside break-bulk vessels.

To handle the delicate unloading of these heavy, expensive airplane sections, APM Terminals Mobile has fitted its post-Panamax cranes with head blocks capable of rotating 360 degrees. This allows the crane to lift and rotate longer objects – like the 31-metre long A320 fuselage – and carry them through the legs of the crane and on to a waiting truck. The gates of the terminal have also been rearranged, and widened, to accommodate the turning radius of the trucks carrying the pieces.

In addition, a dedicated 4,000-Square Metre storage area has been built for the plane parts with anchor points to fix them to the ground and avoid



PHOTO: LIU YIBIN

China's biggest car manufacturer, Geely Automobile Holdings Limited, produces car parts in China but has final assembly plants in places like Russia, Uruguay, Sri Lanka and Belarus.

and ship them in containers to final assembly points closer to the consumer markets.

China's biggest car manufacturer, **Geely Automobile Holdings Limited**, is one example. It produces car parts in China but has final assembly plants in places like Russia, Uruguay, Sri Lanka and Belarus. In 2014, Geely shipped 21,000 40-ft containers with Maersk Line – 40% of its export volume – and expects its use of containers to increase.

Geely's global operation is so large and spread out that it has given Maersk Line and Damco full control of its entire logistics supply chain.

"It's a partnership that allows us to respond quickly if there is a sudden increase in the agreed number of containers and also for to ensure on-time-delivery," says Cathy Yang, a sales representative with Damco in Wuhan, China. 🇨🇳



PHOTO: RENE STRANDBYGAARD

Graham Slack, Chief Economist for the Maersk Group: "Global growth forecasts are being lowered and uncertainty is the word, so it's a challenging period we're in."

for airplanes



PHOTO: SCANPIX

European aircraft giant, Airbus, opened its first U.S.-based manufacturing site in Mobile, Alabama in September, just 5 km from APM Terminals Mobile.

movement in the high winds that often come off the Gulf. Airbus splits its aircraft manufacturing into production sites in several locations in Europe and final assembly in Europe, China and now the United States. The new facility in Mobile, Alabama will receive pre-assembled sections of the A320 Family passenger jets, primary for sale in North America.

"The Airbus U.S. Manufacturing Facility is an important step forward in Airbus' strategy, and has strengthening our position as a leader and competitor in all of our key markets," Airbus CEO Fabrice Brégier said in a September press statement.

"It enables us to grow our already significant presence in America – the largest single-aisle aircraft market in the world – and to be closer to our U.S. customers and key supplier partners."

Brian Harold says the experience has proved to him that the opportunities for more non-traditional business like this are quite good.

"We're continuing to work with the state and local government to get more business like this," he says.

"There are plenty of opportunities, not just for break-bulk and project cargo, but also in connection with the cargo in some of the containers such as machinery, palletised cargo and other standard packaged freight. We can handle and deliver such cargo at the terminal and save these customers money by removing a warehouse from their supply chain." 🇺🇸



Maersk Line's Huawei deal earned with time

BUILDING A RELATIONSHIP | A long-term deal with the world's largest telecommunication equipment provider, **Chinese Huawei**, solidifies Maersk Line's relationship with an important customer and underlines the importance of relationship building in growing markets where the next generation of global brands is growing fast.

BY JOHN CHURCHILL

➤ In 2003, when Maersk Line began carrying cargo for Huawei, the brand was not well known outside of China. And sales were less than USD 5 billion. Twelve years later, it is the world's largest telecommunication equipment provider and third largest mobile phone manufacturer with 170,000 employees and more than USD 50 billion in sales.

"One of the reasons for Huawei's success is that we are helping them protect their reputation as a trusted brand with a contract that has on-time-delivery and proactive, dedicated customer service as its top priorities. I think this contract shows that we've earned their trust as a long-term partner in their logistics chain," says Daisy Yuan, Huawei Key Client Manager in Maersk South China.

Custom fit for Huawei's needs

According to **Daisy Yuan**, Huawei is highly focused on their customers' experience. Huawei's customers also impose high expectations on Huawei for timely delivery of the products, so Huawei depends on a reliable and proactive transport provider with high on-time arrival capabilities in order to fulfil these expectations. With the new contract, Maersk Line guarantees not only access to, and space for Huawei cargo on its ships, but also a dedicated customer service team they can reach at any time.

"They are Care Premium customers and our agreement with them gives them two dedicated customer service contacts in Shenzhen and round-the-clock access and support. They can reach us anytime, but most importantly, we will contact them with alternatives if there are delays or disruptions," says Daisy Yuan.

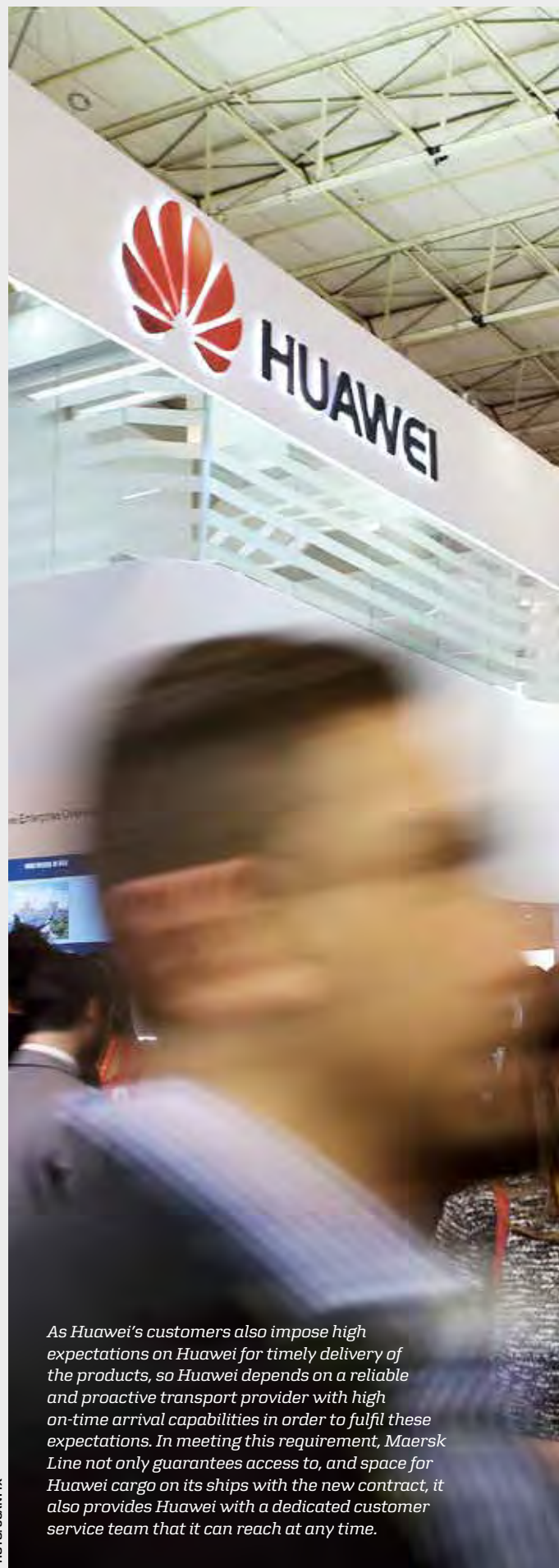


PHOTO: SCANPIX

As Huawei's customers also impose high expectations on Huawei for timely delivery of the products, so Huawei depends on a reliable and proactive transport provider with high on-time arrival capabilities in order to fulfil these expectations. In meeting this requirement, Maersk Line not only guarantees access to, and space for Huawei cargo on its ships with the new contract, it also provides Huawei with a dedicated customer service team that it can reach at any time.



PHOTO: MAERSK LINE

"One of the reasons for Huawei's success is that we are helping them protect their reputation as a trusted brand with a contract that has on-time-delivery and proactive, dedicated customer service as its top priorities," says Daisy Yuan, Huawei Key Client Manager in Maersk South China.

The contract between Maersk Line and Huawei is a 3-year deal with an option for two more years. It ensures Huawei has the ocean transport it needs to feed a supply chain, which begins in Shenzhen, China with goods that are subsequently shipped all over the world.

The contract is one of only a handful of long-term contracts Maersk Line has with customers. Last summer, Maersk Line signed a 10-year deal to ship 2.5 million export containers for New Zealand's Kotahi. By the end of 2016, that deal will include regular calls to the Port of Tauranga with much larger ships (6,500 TEU) than those currently serving the port.

Vincent Clerc, Maersk Line's Chief Trade and Marketing Officer, says Maersk Line is not trying to move all its customers to long-term contracts, although he would like to see about 10% of Maersk Line's 9.5 million annual container volume represented by contracts of three-years or longer.

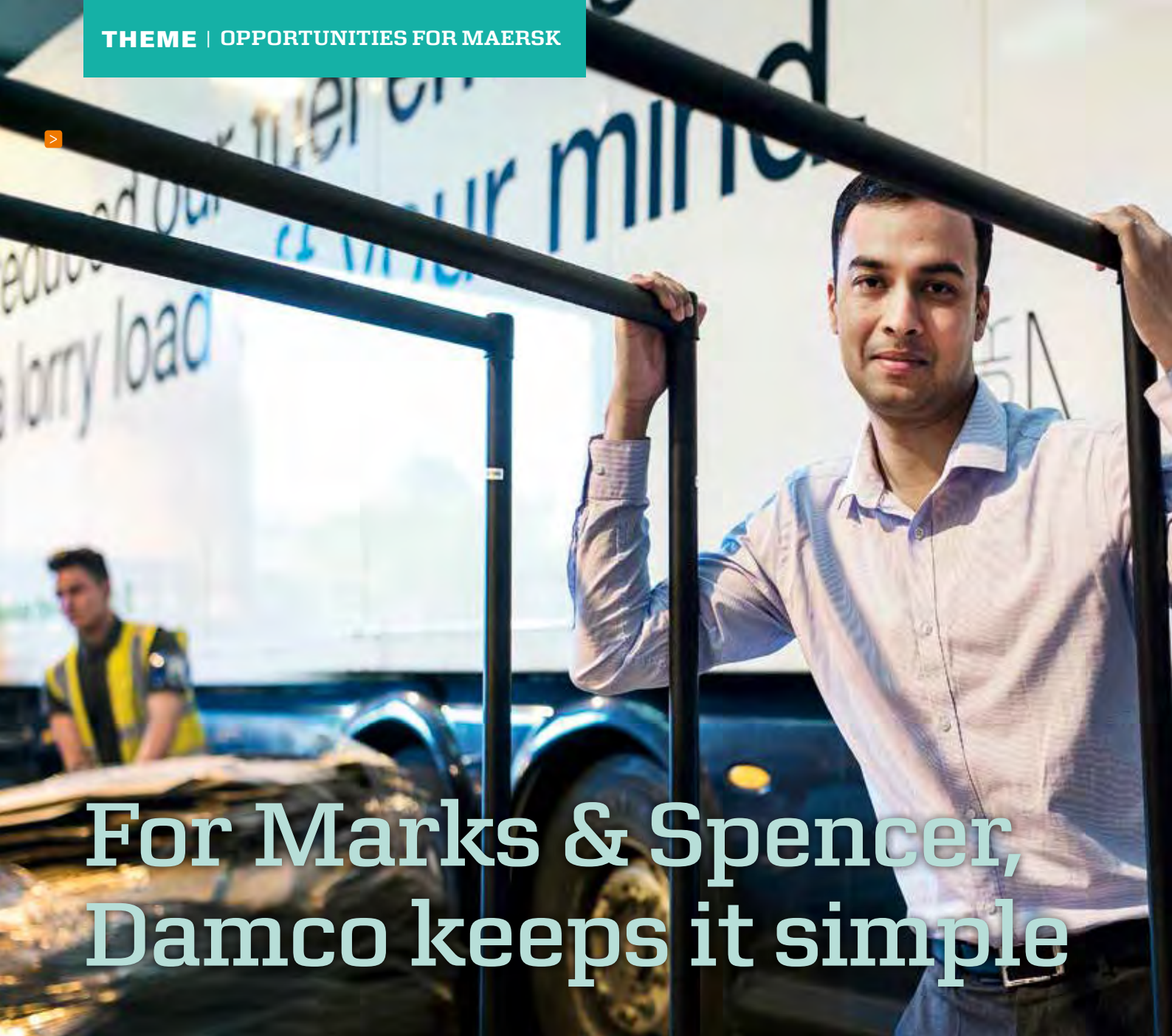
"Long-term contracts allow us to make a long-term investment in a market and it helps us build a much stronger relationship with that customer at hand," says Clerc. "While it gives us a lot of confidence and flexibility knowing that we have these committed volumes, it also shows other customers and potential customers in a given market that this service is not going away, and that they can count on our service to the area."

Tracking the next big brands

Huawei's rapid rise in China and subsequently overseas is a reminder to Maersk Line's local organisations to their keep ears to the ground and recognise the next generation of big brands early on in their growth.

"We have a huge focus on expanding our footprint among local companies in India, China and Latin America so that we don't have to rely solely on our traditional European and American businesses," says Clerc. "Future Champions is what we call up-and-coming local businesses. Some of them will no doubt be our biggest customers in 10 years' time, so we want to earn those relationships now." *





For Marks & Spencer, Damco keeps it simple

WINNING NEW BUSINESS | Famed British retailer Marks & Spencer is sourcing more of its production from new, lower cost locations. By helping navigate logistic and infrastructure challenges, Damco is winning new business from this important customer.

BY JOHN CHURCHILL

➤ To supply its more than 1,330 stores in 17 countries, British retailer **Marks & Spencer** relies on a supply chain of factories spread around the world. Increasingly, the retailer is looking to newer, cheaper sourcing markets like Cambodia and Bangladesh where Damco's expertise is paying off for both companies.

"It is such an enormous company with so many products that it can't just rely on a few factories in a few countries. It's expanding its sourcing to find lower costs and spread out its risks," says **Nishant Sharma**, Damco's Global Account Director for Marks & Spencer.

He says airfreight is one need that is growing fast as a result, rising from 5-7% of total freight volume in 2014

to 15% this year, amounting to more than 20,000 tonnes of cargo.

"It used to be simple, they used the same air freighter all over the world, but the new locations and focus on cost has changed that. The market is very fragmented in these places with lots of local vendors and these companies don't have the systems and visibility M&S needs; so we offered to set it up and provide them with that visibility."

Before this implementation, Damco had zero air-freight business with M&S. Today, they are the retailer's leading provider of airfreight, providing 15% of the total.

Close to the customer

To stay as close to their operations as possible, Sharma



Nishant Sharma, Damco's Global Account Director for Marks & Spencer: "It is such an enormous company with so many products that it can't just rely on a few factories in a few countries. It's expanding its sourcing to find lower costs and spread out its risks."

PHOTO: PETER ELMHOLT

spends two or three days a week at M&S headquarters in London when he's not in Heathrow or Felixstowe. He says the airfreight project began as "just two people talking." Today it is M&S' global model.

"We look after a lot of things as one of M&S' two supply chain management partners. We also sit on a lot of data and visibility on their behalf, so we can see where they may need help and can step in with a solution and earn some additional revenue," says Sharma.

Proactive solutions for customers

Sometimes Damco needs to step outside its expertise and pick up a new one to save a customer money. With two big warehouses in Asia, Marks & Spencer was routinely transporting thousands of tonnes of cargo across borders. However, M&S was missing out on duty-free benefits from existing free trade agreements due to imprecise cargo declaration.

"There is no expertise in handling these kinds of customs declaration quirks so we had to research it ourselves in order to develop it for M&S. Now it's a new product in Malaysia," says Sharma. "It's certainly not a typical Damco product, but because it was a customer demand we looked into it and now we save them a chunk of money every month, which we get a piece of."

In Cambodia, one of M&S most important new sourcing markets, Damco needed to find alternatives to using the country's one small airport where only one air freighter operated regularly.

The solution they came up with was to truck the cargo to Bangkok, Thailand, and fly it out from there. To reduce the transit time and potential delays, they trained the trucking supplier on how to handle the necessary documentation and consulted Thai customs on how to streamline the process.

"In these places, infrastructure of every kind can't keep up with the demand from companies coming in to set up operations," says Sharma. "With the visibility and data we have, we can create logistic solutions that fit their needs and also deliver a profit to us." *

Looking back



PHOTO: ARCHIVE

Bits, bytes and benefits over time

Your first screen today is your phone. Two years ago, it was your desktop screen. At that time, the internet had already been making a business impact for 10-15 years. Windows entered the scene in the 1990's, when MCS (Maersk Communication System) was still the tool for bookings, keeping track of the business and communicating in the liner and logistics business. The term "Supply Chain Management" was first coined in 1982 and shortly afterwards, the bar code – as simple and revolutionary as the container – together with other advances in information technology (later known as IT) played a key role in making global trade a reality.





Taking the road less travelled

BY PETER TORSTENSEN

> Each year, the Maersk Peary Ice Class tanker only has a two month window in which to fight its way through stormy weather and huge masses of ice to reach Antarctica.

Carrying 25,000 tons of jet fuel, along with other supplies, to the American research base, McMurdo, Maersk Peary travels down to Antarctica every year. Its next visit is scheduled to take place in January 2016.

The mission is demanding for both crew and vessel, which is why it always takes place during the summer season from mid-January to mid-March. Inaccessible for the remaining 10 months of the year, ships can only navigate through the Southern Ocean safely during this limited period.

Even so, the captain and crew are hugely dependent on advanced equipment such as ice radar, infrared cameras and detailed satellite imagery. Although the crew has tried the voyage many times before, sailing through the unwelcoming waters north of Antarctica remains a challenging mission.

"It's not as if we can call 'Mayday Mayday' if we have any problems - because there isn't anyone else around. There is no reason to be down here unless you are going to Antarctica," says Captain Everett M. Hatton. *

MAERSK PEARY IS AN ICE CLASS TANKER

- It is built of thicker and stronger steel than that used in a normal vessel. It can safely break fresh ice up to 0.6 meters thick without causing damage to the hull
- The Maersk Peary can accommodate 30 crew members and has a 15,000 horsepower engine to drive it through the ice

PHOTO: GARRETT LONG



Zambia eyes centre

BRIDGING THE GAP | The economic potential of the African hinterlands is undeniable. Transportation to the coast, however, is a costly add-on. Easier logistics, partnerships and filling containers both ways is Maersk Line's way to ease the burden, moving landlocked countries away from the periphery.

BY ANDERS ROSENDAHL

➤ Copper, the metal, is used in such a wide range of industries that its price has become as an indicator of overall economic health.

Therefore, the decreasing copper price from the peak in 2011 is something that in the eyes of financial analysts translates into lower industrial demand, less economic

growth and raised eyebrows. For **Zambia**, where copper is the back bone of the economy, the decline means a slowdown and hard times.

"Zambia is copper, and copper is Zambia," says **Bruce Marshall**, Maersk Line's Country Manager for the Hinterland Territories of Zambia, Zimbabwe and Malawi.

"While the situation is quite severe, prices have always fluctu-

ated like this. We believe the prices will recover, but the question is when it will happen. Meanwhile, we can collaborate with our customers and partners to make our joint logistics more efficient," he says.

Far from a port

In 2013, Zambia's 760,000 tonne production of copper was second only to the Democratic Republic of



PHOTO: FELIX SEUFFERT

Copper mining has a tremendous social impact in Zambia. According to some estimates, there are twelve dependents per person employed in this industry. The Konkola Copper Mines employ around sixteen thousand people.

the Congo in Africa, and accounted for roughly three quarters of the country's export base.

Maersk Line, whose vessels play a huge role in supporting the development of economies on the African continent, bridges the hinterlands with the coast through partnerships with rail and truck operators, thereby utilising inland corridors. For example, Maersk Line has partnered with Manica, a logistics service provider, and Grindrod, a railway operator in providing service to Konkola Copper Mines (KCM), one of **Zambia's** four major copper producers with its 140,000 tonne annual output.



PHOTO: FELIX SEUFFERT

*Connectivity allows countries in remote locations to develop their economy and to sell to the rest of the world. "For Zambia, this represents both an economic opportunity and an opportunity for growth that perhaps haven't even been envisaged today", says **David Patterson** of the Konkola Copper Mine.*

"Our collaboration with Maersk is important in terms of finding solutions for getting our product to our customers in a cost-effective manner. There's no question that rail is going to be an important part of the future economic development story in Africa," says David Patterson, Vice President of Local Economic Development at KCM.

For KCM, the opportunities and challenges are clear:

"Globalisation presents opportunities for countries that in the past were on the outer periphery of the global economy. A landlocked country like Zambia can now sell its products to the largest sources of economic growth in the world, so it's a great opportunity for a broader economic growth story," says David Patterson.

"However, many of our customers are in China, so we need to move our product halfway around the world, travelling some 2,500 kilometres to the coast before we can put it on a ship. This challenge is significant," he says.

Africa's transportation challenges cannot be solved by any one group on its own. A mining company cannot build a railway to the coast and a shipping company cannot build a railway in the opposite direction. Instead, solutions that improve the infrastructure, which according to

the World Bank could add more than 2% to the annual GDP growth of the nations in question, require collaboration between industry players, transportation providers, governments and communities.

Bridging the gap

As much as 85% of the cost of importing or exporting a container into/from Zambia from/to Asia is connected to transporting it across the hinterlands.

"We are working hard to round-trip our containers, working with customers through supply-chain reviews to try and unlock more round-tripping opportunities. This helps to improve our cost picture, making servicing the inland locations more profitable," says Bruce Marshall.

In spite of some diversification within Zambia's export base in recent years, copper production and prices still dictate the pulse of this Central African country, home to the mineral-rich Copperbelt where major copper deposits were discovered in 1895.

In general, analysts are optimistic that the market for copper will rebound in the years ahead, but they disagree on how strong that turnaround will be, and, as Bruce Marshall points out, when it will happen. 📈

Pedal power to **MALAWI**

A SOURCE OF EMPOWERMENT | Bicycles from Asia are transforming the countryside in **Malawi**, providing an economic lifeline and a healthier start to life for the next generation. The bicycles illustrate what trade can do to economies on the rise.

BY ANDERS
ROSENDAHL

➤ Leaning on his bicycle in the outskirts of Lilongwe, Malawi, Bryan Banda is not just hanging around. He is waiting for the next passenger for his kabaza, the local name for a bicycle taxi:

"I make 20 trips a day, which gives me an income of about 3-4,000 kwacha (roughly USD 4-5)," he explains.

Foot on the ladder

For the past year, 19-year-old Banda has made his living driving passengers around the city on the cushy seat on the rear rack of his bicycle, a job he says that he enjoys. In a country with few opportunities for employment, his story is not unique.

"Bicycles give work, they give relatively inexpensive mobility, and they give dignity and a real sense of being people of worth in a community," says Professor Gordon Pirie of the African Centre for Cities at the University of Cape Town in South Africa.

"For a relatively small capital outlay, bicycle owners could really begin to get their feet on the bottom of the ladder of service delivery and running small businesses," Pirie adds.

1,000 calls from Asia

Maersk Line and Safmarine vessels call at African ports from Asia more than 1,000 times annually and the increasing volumes of finished goods, anything from rice and palm oil to electronics and motorcycles, are reflected in the hard numbers: from 187,000 containers (forty-foot equivalent) in 2005 to 605,000 in 2014, corresponding to a whopping 224% increase over a decade.

Last year, Safmarine carried 200 of these containers, filled with bicycles, to Africa's hinterland countries via the port in Beira, Mozambique, distributing a staggering 100,000 bicycles in the process.

"As an African, I am proud to be a part of Maersk Line and proud to be a member of my generation, being here at this time, when access to trade and ease of trade is empowering so many people and creating a lot of jobs", says **Carolyn Kathewera**, a Malawian who currently works as branch manager at Maersk Line's office in Nacala, Mozambique.

Bryan Banda is waiting for the next passenger for his kabaza, the local name for a bicycle taxi: "I make 20 trips a day, which gives me an income of about 3-4,000 kwacha (roughly USD 4-5)."



"For many Malawians, a bicycle represents a job and an economic lifeline. Bicycles have transformed my country," says Carolyn Kathewera.

Five years into the boom

The two-wheeler has become a common sight across many African countries. Not least in **Malawi**, where bicycles are not only used as taxis, but also for transporting firewood, livestock and even functioning as ambulances. In short, bicycles are vehicles for economic empowerment and personal freedom in Malawi.

"The big influx of bicycles in Malawi started five years ago. Because of our relationship with China more bicycles are coming in at affordable prices," says Eric Tsetekani, an executive director with MaiKhanda Trust, an NGO that works to distribute special carts that can



attach to a bicycle, thereby creating an ambulance. This helps patients and pregnant women, in particular, to get from small villages to hospitals. The average distance in rural Malawi from one's home to the local health centre is more than 10 kilometres and the narrow paths to the villages do not allow a motorised ambulance access. Previously, people would walk to the health centres.

"In my project, we have about 110 of these bicycles distributed amongst the communities, and this is saving the lives of mothers and babies," says Eric Tsetekani.

Meanwhile, kabaza rider Bryan Banda has sped off on his kabaza towards the market in town. His passenger is a woman who wants to do some grocery shopping. After another few trips, he'll be ready for an after-work beer. 🍺

News in brief

Cost cut to tackle difficult markets

Maersk businesses are reducing costs to stay competitive in the tough market environment. Recently, Maersk Line and Maersk Supply Service announced further details on their programmes.

Maersk Line will be reducing its network capacity and postponing investments in new capacity, while at the same time reducing its operating costs. The latter will be achieved by escalating already announced plans to simplify the organisation. In light of lower demand, these initiatives will allow Maersk Line to deliver on the ambition to grow at least in line with the market and thereby defend their market leading position.

Today, Maersk Line has 23,000 land based staff globally. Its organisational transformation and on-going automation and digitalisation will enable Maersk Line to reduce the global organisation by at least 4,000 positions by the end of 2017 with the aim of minimising redundancies through managing natural attrition.

"We are fewer people today than we were a year ago. We will be fewer next year and the following year. These decisions are not taken lightly, but they are necessary steps to transform our industry," says CEO of Maersk Line, Søren Skou.

As a consequence of the low offshore activity, Maersk Supply Service implemented an end-to-end review in early 2015, of all earning potentials and cost drivers – a review that has pointed towards sustainable annual savings of approximately USD 30 million.

The continued market decline in the offshore industry has led to a number of vessel lay-ups globally. At present Maersk Supply Service has eight vessels in lay-up and foresees additional lay-ups in the months to come. Approximately 120 seafarers have already been made redundant over the last couple of months in Canada, Australia and Brazil where local content regulation applies, and now further measures are needed.

"Regrettably we have to further adjust the crew pool by approximately 200 European and South African offshore positions," says Jørn Madsen, CEO of Maersk Supply Service.

Cadets with a great green idea

INNOVATION AND ENTREPRENEURSHIP | What started out as a school project has now led to a start-up company and busy times for two ambitious Maersk cadets. Their idea aims to reduce pollution and optimise energy consumption on board vessels.

BY PETER TORSTENSEN

> After spending hours sailing around the world in engine rooms on board Maersk Line vessels, it came abundantly clear to **Maersk cadets** Rasmus Tarp and Uffe Wilken how crucial it is to use energy on board as efficiently as possible and how vital it is to control engines emissions.

Back at the Svendborg International Maritime Academy in Denmark, SIMAC, they signed up for an Innovation & Entrepreneurship class. Here they joined forces with fellow student Casper Ryborg Simmelsgaard, who had earned his sea legs with the Danish shipping line DFDS.

Together, the three young cadets came up with an idea that has won several prizes and formed the foundation for their new company, **"Gas2Green"**.

"We see a huge potential in this. If we can develop a prototype and get it installed on vessels, it will result in big bunker savings and reduce emissions," says Maersk cadet Uffe Wilken.

Simple but efficient

Their idea is to add an electrolytic cell to an existing scrubber system (scrubbers can be used to clean exhaust gas with the help of water).

In the electrolytic cell, it is possible to split the polluted scrubber water down to its main elements, i.e. hydrogen and oxygen. By doing so, the hydrogen can be used as energy on board the ship, saving bunker costs in the process and ensuring that the sulphur can be collected for disposal.

"The idea seems pretty simple

Constantly cutting emissions

Maersk Line is currently testing scrubber systems as one way of cleaning the exhaust gas from vessels. Therefore Palle Laursen, Head of Ship Management in Maersk Line, finds the idea on how to clean scrubber water while optimising energy consumption on board very interesting:

"Maersk Line is constantly working to reduce its emissions and if these young cadets succeed in building this prototype, it could impact our industry and be interesting for Maersk Line," says Laursen.

"Thanks to innovative ideas, we have been able to reduce our costs significantly, especially those associated with fuel. In order to keep Maersk Line in its market leading position, we need to keep on challenging ourselves so that we can continue to facilitate global trade at the lowest cost," says Laursen.



PHOTO: PETER ELMHOLT



Rasmus Tarp, Uffe Wilken and Casper Ryborg Simmelsgaard in SIMAC's workshop. They will be testing their idea on a real engine here before building the prototype.

and we often wonder why no one came up with it before", says Wilken.

"But I guess that's what they said when the wheel was invented", he says with a grin.

Prize-winning idea

The idea has not only been awarded the **Danish Entrepreneur Prize**, but also the European Entrepreneur Prize and the Hyundai Brilliant Young Entrepreneur Prize. The three young colleagues were happy to win the prizes, but not surprised. They knew they had a strong idea, and the business plan to back it up.

"We hope that one day our invention will be found on vessels throughout the world," says Maersk cadet Rasmus Tarp.

Funding needed

As full-time students with a company to run, the three entrepreneurs have their hands full. They go to school during the day and run their company at night.

"We put in many hours on this project, but are happy to do so, as it means everything to us," says Rasmus Tarp.

They are now working hard to secure funding. Money is needed for an independent "proof of concept" that will show potential customers that their idea works. After that, they need to build a prototype that can be tested on vessels.

"It will fly – one way or another," says Uffe Wilken. "Everybody keeps telling us that the idea has huge potential. Now we just need to make it happen!" ✱

News in brief

Adjustment of expectations for the 2015 result

Market conditions world-wide have been weaker than the Group had previously expected.

In particular, the container shipping market has deteriorated beyond the Group's expectations.

Therefore, the Group is adjusting its expectation for the 2015 result. The previous expectation, as announced in the Q2 report, was an underlying result of around USD 4.0 billion based on an underlying result contribution from Maersk Line higher than USD 2.2 billion.

The Group's new expectation is an underlying result of around USD 3.4 billion based on an underlying result from Maersk Line of around USD 1.6 billion.

All other business units have maintained their result guidance.

"It is regrettable that we have to adjust our expectations for the 2015 result. All of our business units have delivered a positive result in the third quarter, despite difficult conditions across our markets," says Maersk Group CEO, Nils S. Andersen.

"Over the years, Maersk Line has taken steps to ensure a cost effective and resilient operation, but the current deterioration in the container shipping market is also impacting our business," says Andersen.

Maersk Oil reduces workforce

The current oil price environment presents both challenges and opportunities for the Group's energy businesses. Maersk Oil has made good progress in transforming its costs and is aiming for a reduction of 20% by the end of 2016.

As part of its effort to improve profitability and position itself for growth in a lower price environment, Maersk Oil is reducing its overall global workforce by 10-12%.

Maersk Oil sees considerable scope to grow the business and take advantage of current market conditions but only if it can show sound and sustainable cost management with its global Cost Transformation programme.

Maersk Oil is reducing the scope of some projects, such as reassessing the Chissonga project in Angola and the earlier than planned retirement of the Janice asset in the UK North Sea, not to mention, prioritising those with more robust economics like Johan Sverdrup and Culzean and focusing on longer term growth opportunities, says CEO of Maersk Oil, Jakob Thomasen.

"Despite hard-won operational gains and our sharp focus on cost during 2015, Maersk Oil is not immune to the continued challenges of a USD 50 oil world," says Thomasen.

A New York approach to

OUTSIDE INSPIRATION | With a focus on data, Maersk Line is applying New York City's crime-fighting methods to further the combat against facilitation payments in ports around the world.

BY TERRY BAYNES

➤ In a team effort spanning operations, ship management, captains and legal, Maersk Line is implementing a new data-driven strategy for confronting the improper demands for payment faced by its vessels, and it is drawing inspiration from an unlikely source: the New York District Attorney's Office.

"There haven't been a lot of success stories in the industry when it comes to countering facilitation payments. We started by looking at systematic strategies for targeting crime in general," says Maersk Line's Senior Legal counsel, Kristin Berglund, who heads up its anti-corruption programme. "We've proudly 'stolen' ideas and strategies from some of the most successful district attorneys in New York who managed to turn around the city's crime scene dramatically," she says.

For its part, Maersk Line has been collecting data on its vessels' facilitation payments since 2011 and is looking for ways to use the information in the battle against **corruption**. And, that's where New York's much heralded crime-busting efforts come in.

What is a bribe and what is a **facilitation payment**?

Bribe:

Any payment to obtain something the giver is not entitled to receive. Payments greater than USD 150 made to one person, and smaller payments to higher level officials, even to obtain something the giver is clearly entitled to receive, would generally be considered potential bribes.

Maersk has a zero tolerance policy for bribes.

Facilitation payment:

Small payments such as cash or cigarettes demanded by low-level public officials to perform routine duties, which they otherwise refuse to perform. They are given to obtain something the giver is clearly entitled to receive.

Maersk's policy is that facilitation payments must be opposed and avoided. If this cannot be done without significant consequences for the company or employees, they must be documented and reported. The Group's ultimate goal is to eliminate facilitation payments entirely.



Maersk has a strict zero-tolerance policy on bribery, yet facilitation payments remain a challenge for the shipping industry as a whole. While bribes are payments to obtain something the giver is not entitled to receive, facilitation payments are small payments such as cash, cigarettes or soft drinks demanded by low-level public officials in order to perform routine duties. The small payments are so ingrained in some ports that officials consider them customary or part of their salaries. Refusing to pay can lead to expensive commercial delays for a vessel or even threats to the crew.

fighting **corruption**

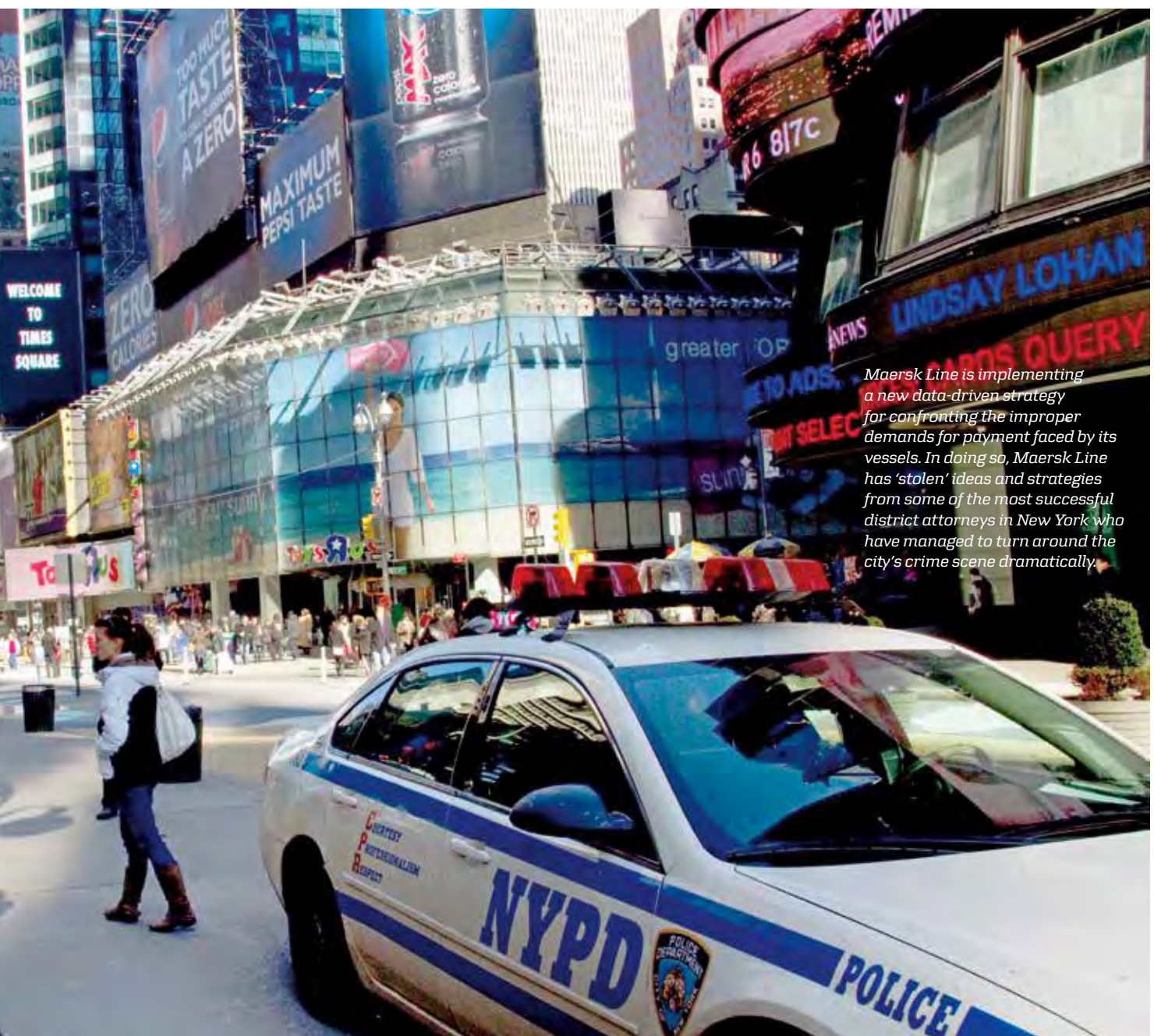


PHOTO: SCANPIX

Maersk Line is implementing a new data-driven strategy for confronting the improper demands for payment faced by its vessels. In doing so, Maersk Line has 'stolen' ideas and strategies from some of the most successful district attorneys in New York who have managed to turn around the city's crime scene dramatically.

The New York model has two main elements that Maersk Line is adapting to its shipping activities. The first is the so-called "quality of life crime" policing strategy, which consists of going after the small offences that affect people's quality of life by creating an environment of disorder and diminishing people's trust in the system.

Maersk Line is targeting facilitation payments, which, while small, can place a significant mental strain on a captain and crew, creating inefficiency and impairing the integrity of the system in the process. Pilots, who board

a vessel to guide it to berth, have refused to do so, in order to extort cigarettes, and captains have faced the use of physical force.

Mapping the data

The second element the company has adopted is New York's strategy of using data to map out crime activity and go after repeat serious offenders known as 'crime drivers'.

Maersk Line has launched a mapping project, based on its facilitation payment data. The fleet's administration



Maersk Line's Senior Legal Counsel, Kristin Berglund: "There haven't been a lot of success stories in the industry when it comes to countering facilitation payments. We started by looking at systematic strategies for targeting crime in general."

> software, WIN-ADMI, logs all supplies that go on and off a ship, tracking the cigarette cartons or soft drinks that are given away. Where facilitation payments cannot be avoided, captains are required to record who made the demand and what the circumstances were. The Liner Operations Clusters – or clusters – are now tasked with using that data to target the offending ports.

"When one country is particularly bad, it tends to have a ripple effect on the surrounding countries. When a captain has had a very tough experience at one port, he's fatigued and demoralised. Countering the demands at the next port will be more challenging and the likelihood of succeeding in that encounter is reduced," says Berglund.

All of the clusters must strategise and come up with each their own map, classifying the countries in their region as one of the four following groups: Group 1, where ships should never have to pay facilitation payments; Group 2, where a zero tolerance policy will be implemented; Group 3, where the reduction will be gradual; and Group 4, which will remain under observation.

Setting targets

According to Berglund, the clusters have started returning the maps and recommended actions for their regions, and so far they're taking an ambitious approach.

The Latin America cluster, for example, returned its map with five main offender countries classified in



PHOTO: PETER ELMHOLT

zero-tolerance Group 2. Inspired by the success of pilot initiatives in other countries, the cluster aims to be the first cluster to have a 100% reduction of facilitation payments in the entire region by the second quarter of 2016.

"We are looking forward to this challenge, and we are sure that with constant care and team work we can emulate the result achieved in the pilot projects in the rest of Latin America", says Analida Villavicencio,

Payments stamped out

FACILITATION PAYMENTS ELIMINATED | Maersk Line has reduced aggregate facilitation payments globally by more than 40% in the first half of 2015 compared to a year ago. One of these places is Pakistan, where facilitation payments were eliminated in 2014 after a coordinated effort by the West Central Asia Liner Operations Cluster husbandry agents.

BY TERRY BAYNES

> Maersk Line has reduced aggregate facilitation payments globally by more than 40% in the first half of 2015 compared to a year ago – and the number of payments has also declined. In some countries, it has succeeded in stamping out facilitation payments altogether.

One of these places is Pakistan, where facilitation payments were eliminated in 2014 following a coordinated effort by the West Central Asia

Liner Operations Cluster husbandry agents, who provide services to vessels and captains during port calls.

For decades, it had been common practice to give customs officials 'gifts' when they came on-board says Saman Amin, a Cluster Operations Manager based in Karachi. Last year, however, it was decided that Maersk Line was going to further accelerate the move towards a global zero facilitation policy.

"So, we came up with a strategy as to how we were going to implement this in a way that wouldn't be detrimental to our business," says Amin.

Local husbandry agents briefed captains on the company's policy and on who to contact if any issues arose ahead of port calls. They emphasised that all the documentation and paperwork required at local level should be in perfect order.



who works with Port Optimisation and Husbandry Performance for the Americas Marine Department at the Latin America Liner Operations Cluster in Panama.

Given the success Maersk Line has already achieved with so-called “hot spot” initiatives, Berglund is optimistic that the strategy will pay off.

“We’ve learned a lot from our pilot initiatives that can be applied to other countries, and are embarking on this project with a proven playbook,” she says. ➡

Best practices for combating facilitation payment demands

The Group’s anti-corruption policy is summarised in a Best Practices document. Recommended actions include:

- ➔ Place the anti-corruption placard and materials on the gangway and in all visible places on the vessel, including on meeting tables when sitting with officials
- ➔ The crew should be well-prepared when embarking, with all the necessary paperwork in order
- ➔ Be consistent in the reduction of facilitation payments: If one vessel reduces demands, talk to other vessels on the same route so that they can follow
- ➔ Inform the government official that Maersk is a member of the UN Global Compact and that the company has promised to counter unofficial payments
- ➔ Explain Maersk policy, including the fact that we record all such payments. Insist that the official signs receipts for anything given
- ➔ Local operations should escalate any issues to the relevant local authorities. Consider whether to involve local shipping associations and other carriers



The policy was implemented gradually, starting with US-flagged vessels, and with captains tapering down the number of ‘gifts’ they gave out. While the captains were encouraged to start saying no to officials’ demands, it was up to them to decide how firm a stance was to be taken. At first, the change came as a surprise to officials, but when the captains and husbandry agents explained the company’s stance it was accepted.

“When this policy came out initially, I was sceptical about it as it was a big change, and any change is almost always met with resistance. But being Maersk Line - the largest carrier in Pakistan – our policies are respected and I am happy to say that

the ‘zero facilitation’ policy has been carried out very successfully here,” says Amin.

Implementing the turnaround

Timothy Oliver, a senior master previously on the Safmarine Ngami, now on the Maersk Newbury, witnessed the change to zero facilitation payments in Pakistan.

“Before this, port authorities would require a mini supermarket sweep-type operation. I was advised before my first call that I would need additional trays of soft drinks, cigarettes – good quality, please, and definitely not counterfeit,” he says.

After the change, Captain Oliver says he followed company procedures, remained polite and

stood his ground. On arrival, port officials were issued a copy of Maersk’s anti-corruption policy, and after the first couple of port calls, they stopped bothering to make the requests. Over the next year, Captain Oliver says he gave out nothing except the odd glass of mineral water or cup of tea or coffee. He credits husbandry responsible for helping to implement the turnaround.

“Our husbandry support was very helpful in backing me up and was always on board or very close by whenever any official appeared on board unexpectedly trying his luck,” he says. ➡

> 'It's the duty of all employees to avoid facilitation payments'

THE FIGHT AGAINST CORRUPTION | Group Legal's Head of Compliance, Joseph Simon, has worked for seven years to protect the Maersk Group from one of the biggest risks any global company faces – corruption. Maersk Post asked him some key questions about the Maersk Group's anti-corruption programme.

BY MARK RENOUF

Q: *We have a zero tolerance policy for bribes, yet in the case of facilitation payments, the Group has implemented a rule "to actively oppose such payments and work towards eliminating them". Why not zero tolerance for both?*

A: "Some business units, such as Maersk Oil and Maersk Drilling, have been able to implement zero-tolerance practices. This is largely due to cooperation between the oil and gas industry and governments to stop facilitation payments. That is the kind of effective cooperation we are working to generate in our other business areas, and the Maritime Anti-corruption Network (MACN), which Maersk helped establish in 2011, is an example of success. Here, about 60 transport related companies are working with governments on specific projects to combat facilitation payments. While there should be no doubt that Maersk aspires to a future in which absolutely no facilitation payments are made by (or on behalf of) any companies in the Group, we recognise that facilitation payments are still an unavoidable aspect of the transport business in many countries. We are therefore focusing our efforts on finding practical ways to eliminate them through our own efforts and by cooperating with governments and other companies. It's the duty of all employees across the Group to genuinely try to avoid facilitation payments."

Q: *Maersk's anti-corruption policy was signed by the Group CEO in 2009 and is now integrated into its governance framework, COMMIT. How important is it to ensure compliance?*

A: "It's just as important as our daily operations and commercial work, because how we obtain business is just as important

as obtaining the business. This goes to the heart of the Group Core Values – our name and our reputation is fundamental to our business success. Training provides employees with information necessary to comply with our internal rules and with laws, and clear management support underscores to employees the importance of compliance in daily business."




PHOTO: RICKY MOLLOY

Group Legal's Head of Compliance, Joseph Simon, has worked to protect the Maersk Group from corruption for seven years.

Q: *How important is it for employees to feel comfortable or safe about reporting concerns or actual instances of corruption?*

A: "Regardless of the line of reporting, it is important that people feel comfortable reporting potential wrongdoing so that the Group can investigate and address any alleged violations properly and catch any issues early on. The best way to report possible wrongdoing is to report one's concerns to a manager, but some employees, and especially external parties, may prefer to use the Group's whistle-blower system, which can be accessed online and by telephone in about 40 languages. We are currently implementing an updated version of the system, which should make reporting and managing the system easier and more effective."

Q: *Whose responsibility is it ultimately to stamp out facilitation payments?*

A: "In general, it is a globally recognised fact that facilitation payments can only be eliminated when business and governments genuinely cooperate to eliminate them. As for Maersk, both our employees and our service providers must work together to combat these payments, since both groups can face payment demands in conducting our business. Management support for these efforts has been very clear – and needs to continue if we are to succeed in stopping these payments." 

MY MAERSK

As the leader of a corporate social responsibility effort at Maersk Line Korea, sales executive Andy Pi does volunteer work amongst the needy, and creates opportunities for cross-departmental interaction among colleagues.



Andy Pi working with children from the Holt organisation.

Learning values through volunteer work

BY TAN YI HUI

> The first time Sales Executive Andy Pi visited **Holt Children's Services** with 21 colleagues; he did not know what to expect. The social welfare organisation houses and supports around 250 disabled people, ranging from young children to elderly individuals.

He says, "We cleaned rooms, served meals, and helped bathe those in need of support. Although I had donated to this organisation for several years, it was my first time visiting the residence in person. It did take some of the children a little while to warm up to us."

"However, now that we have become regular visitors and volunteers in Holt Town, many of the children have started regarding us as parental figures."

CSR activities on the rise

What started as a donation of 50 personal computers from Maersk Line Korea to the Holt organisation, has culminated in

ANDY PI YUNHUI IN BRIEF

Age: 40

Nationality: Korean

Education: MBA at SKKU (Sung Kyun Kwan University)

First job : Sales representative

Interests: Watching and playing sports, especially golf, and watching US television shows

regular volunteer visits by Andy and his colleagues. He adds, "Most of my colleagues who volunteered on that first excursion

are still big supporters of the organisation today."

Maersk Line Korea continues its support of Holt Children's Services, not only through periodical visits but also through financial donations and charity events, which Maersk employees such as Andy participate in.

According to Maersk Line Korea, more employees have been joining CSR activities, and the volunteers are reaping benefits themselves, which in turn has enhanced employee engagement in general. Andy explains: "We regularly meet after our volunteer activities, usually over lunch or coffee, to discuss our experience. These are opportunities to bond."

"It is also a chance for informal cross-department interaction and a great way for people to meet their colleagues outside of the office. Volunteering has also taught us important values such as team work" ✨

Who should we feature in the next MyMaersk?

If you have an inspiring colleague who leads an extraordinary life inside or outside of work, nominate them for MyMaersk by sending an email to maerskpost@maersk.com.

Wearing the World

Finished product delivered

5 Maersk Line concludes by shipping worldwide to major retail destinations such as Europe and the US. Garments are a big business out of Bangladesh, with an estimated 80% of the country's exports in 2015 attributed to this trade.



Half of cotton exports out of West Africa

1 The story begins in West Africa, a region that accounts for almost a fifth of the world's cotton. In the cotton fields of Mali and Burkina Faso, almost half a million tons of cotton fibre are produced during the harvesting season between January and September.

Bales of cotton are transported via road to port cities in the Ivory Coast, Cameroon and other countries. They are then packed into forty-foot containers and loaded onto Maersk Line and Safmarine vessels.

With 20,000 FFE (forty-foot equivalent) carried per annum from West Africa, both carriers under the Group account for about 50% of the West Africa market, servicing about 20 cotton traders.



INTRA-REGION SUPPLY CHAIN | Your latest fashion item from the local retail store comes from all over the world, facilitated by the global and intra-regional network of carriers within the Group.

BY YI HUI TAN

➤ When you put on your latest cotton clothing purchase from the local shopping centre, you actually own something that has gone halfway around the world as part of its creation, spanning time zones and international borders. And it is also more than likely that Maersk is involved in this supply chain.

From raw cotton to spun yarn, then fabrics and finally ready-made garments, the production of a piece of clothing requires an intricate network of connectivity because costs, skills and resources are distributed over different geographical regions.

According to **Brian Moore**, Sales Director from Maersk Line USA, clothing as a commodity is very time sensitive. It is considered perishable in that it has a limited shelf life, during which it can be sold for full price:

"From the picking of cotton til the final production, there are many handoffs and pre-production movements. All of which, all have to be accomplished smoothly to avoid a diminished return. This all leads to great emphasis on timely delivery with logistics being of great importance," says Moore.

He sums it up: "A growing number of clothing retailers and importers taking a stronger interest in the pre-production movement of the materials on which their product depends. They may not own the materials by terms of sale but the need for proper handling of the materials is just as important as the finished product." ■

A depiction of one of the many cotton supply chains around the world that Maersk is involved in

Infographic by Erickson Enriquez/Lars Boje

Fabric to branded garments

4 MCC then ships the finished fabrics back to Southeast Asia destinations such as Bangladesh, to be manufactured into garments which are then branded under familiar fashion labels such as H&M and Mango.



Yarn to fabric

3 The yarn is transported by intra-Asia carrier MCC Transport, mainly to East China, where it is further processed into fabrics, the final step before it is converted into clothes.



"Actually, Vietnam can convert yarn to fabric but only in limited capacity. Shipping the yarn over to China is a matter of maximising investment as over the years, the factories that control this part of the supply chain are more established in China," says Pierre Toon, Country Manager for MCC Transport, Vietnam.

From yarn to ready-made garments

2 The cotton travels almost 16,000 km across seas, and is trans-shipped to Vietnam, capping the first leg of the raw materials journey within a month. In Vietnam, the cotton fibre is spun into strands of filaments that comprise yarn.



"China used to be a major buyer of cotton, but not anymore. The destination is now Vietnam and other countries in Southeast Asia," says Didier Willemse, Commodity Manager for Maersk Line and Safmarine for West Africa.

20,000

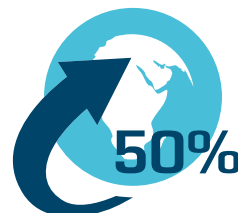
Forty-foot equivalent carried per annum from West Africa



A fifth of the world's cotton comes from West Africa



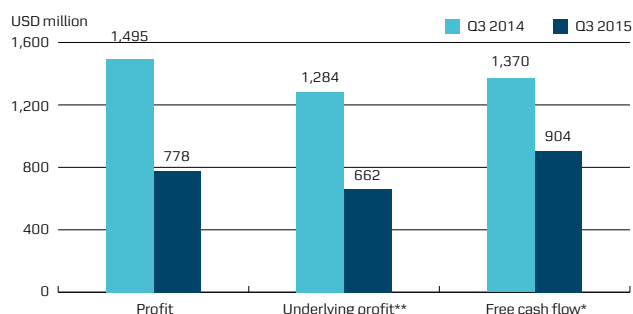
West Africa produces about 750,000 tonnes of cotton a year, equivalent to the weight of 2 Empire State buildings



Bangladesh's estimated export in 2015 on garments alone

All business units remain profitable in tough markets

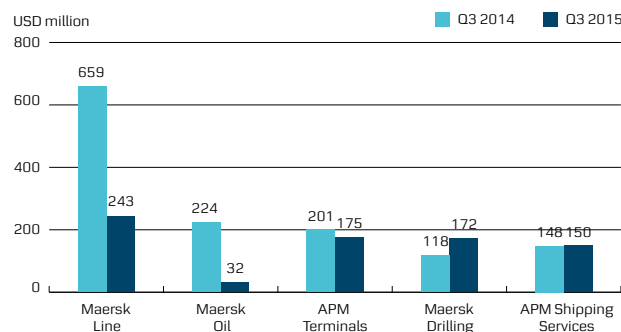
Group Financial Highlights, Q3 2015



* 2014 figures relate solely to continuing operations.

** Continuing businesses excluding the net impact of divestments and impairments. Comparative figures for Q3 2014 have been restated.

Underlying profit by activity, Q3 2015**



The Group delivered a profit of USD 778m (USD 1.5bn) that has been negatively impacted by the lower oil price and lower average container freight rates that are down 51% and 19% respectively compared to the same period last year. The return on invested capital (ROIC) was 7.6% (12.7%).

GROUP HIGHLIGHTS

The underlying profit was USD 662m (USD 1.3bn) with lower profits in Maersk Line, Maersk Oil and APM Terminals and an improved result in Maersk Drilling. Meanwhile, APM Shipping Services was on par with Q3 last year.

The Group's revenue decreased by USD 2.1bn or 17% compared to Q3 2014, predominantly due to the lower oil price and lower average container freight rates. The operating expenses decreased by USD 1.1bn, mainly due to lower bunker prices and cost saving initiatives.

The Maersk Group – and especially Maersk Line – was severely impacted by continued low economic growth and significant market imbalances.

Global container demand is expected to have grown by 0-1%, whereas the global container fleet grew by almost 9%. Container



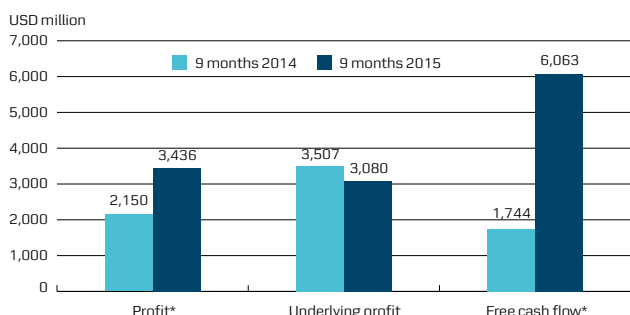
PHOTO: APM TERMINALS

freight rates declined significantly across all trades except in North America. Particularly, Maersk Line's key Europe trades were impacted severely.

“The continuous actions taken in all our business units to reduce the cost base will enable us to maintain our ability to pursue the opportunities arising in our industries”

MAERSK GROUP CEO NILS S. ANDERSEN

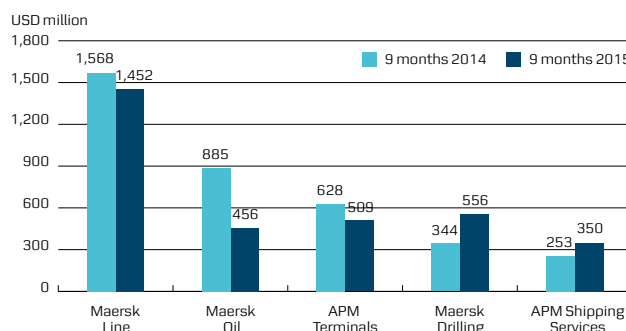
Group Financial Highlights, 9 months 2015



* Figures for 2014 relate only to continuing operations.

** Continuing businesses excluding the net impact of divestments and impairments. Comparative figures for Q3 2014 have been restated.

Underlying profit by activity, 9 months 2015**



PORTFOLIO HIGHLIGHTS



Maersk Line delivered an underlying profit of USD 243m (USD 659m).

The quarter was characterised by poor market conditions with oversupply and decreased imports into Europe, where freight rates declined to new historical lows. Revenue of USD 6.0bn was 14.9% lower than in Q3 2014 due to an average decline in freight rate of 19.3%, where the key Europe trades, in particular, were severely impacted. Estimated EBIT-margin gap to peers was 5.7%-points in Q2 2015, consistent with Maersk Line's ambition to sustain a gap to peers above 5%-points.



Maersk Oil increased its production, reduced its costs and lowered its exploration costs. However, the underlying profit decreased by 86% to USD 32m, driven by a 51% lower average oil price of USD 50 per barrel.

Its entitlement production increased by 26% to 300,000 boepd due to a higher entitlement share of recovery in Qatar combined with production from new fields and improved operational performance, particularly in the UK. The business is scaling back its exploration costs and is on track to reduce operating expenses by 10% by end-2015 and 20% towards end-2016. It has also reduced its headcount by 1,250 in 2015.

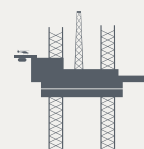


APM Terminals delivered an underlying profit of USD 175m (USD 201m). Its revenue decreased by 5.7%, negatively impacted by a sharp decline in import volumes into

oil producing countries in West Africa, Russia and Brazil, the appreciating USD and divestments in 2014.

Revenue improvements and cost saving initiatives have delivered approximately USD 50m to the bottom line in Q3 2015. However, the impact of the adverse market conditions was only partly mitigated.

APM Terminals signed an agreement to acquire 100% of Grup Maritim TCB, adding 11 terminals in Europe and Latin America to its portfolio and an additional 3.5m TEU in estimated annual throughput. The transaction is expected to close in Q1 2016.



Maersk Drilling's underlying profit rose by 46% to USD 172m (USD 118m) positively impacted by fleet growth, cost savings and strong operational performance, yet negatively affected by increased idle time. Its total revenue backlog

amounted to USD 5.8bn (USD 6.6bn) and the initiated cost reduction and efficiency enhancement programme delivered savings of more than 10% compared to Q3 2014.



APM Shipping Services made a profit of USD 154m (USD 119m) and a ROIC of 13.1% (8.7%). The underlying profit was USD 150m (USD 148m).

	Q3	Q3		FY
(USD million)	2015	2014	Change	2014

Maersk Line

Revenue	6,018	7,074	-15%	27,351
Reported profit	264	685	-61%	2,341
Operating cash flow	694	1,029	-33%	4,119
Volume (FFE '000)	2,427	2,401	1.1%	9,442
Rate (USD/FFE)	2,163	2,679	-19%	2,630
Bunker (USD/tonne)	324	575	-44%	562
ROIC (%)	5.2	13.5	-8.3pp	11.6

Maersk Oil

Revenue	1,321	2,174	-39%	8,737
Reported profit	32	222	-86%	-861
Operating cash flow	548	726	-25%	2,594
Prod. (boepd '000)	300	238	26%	251
Brent (USD per barrel)	50	102	-51%	99
ROIC (%)	2.1	17.5	-15.4pp	-15.2

APM Terminals

Revenue	1,046	1,109	-5.7%	4,455
Reported profit	175	345	-49%	900
Operating cash flow	224	318	-30%	925
Throughput (TEU m)	8.9	9.7	-8.7%	38.3
ROIC (%)	11.6	22.5	10.9pp	14.7

Maersk Drilling

Revenue	646	525	23%	2,102
Reported profit	184	192	-4.2%	478
Operating cash flow	382	127	201%	701
ROIC (%)	9.0	10.7	-1.7pp	7.1

APM Shipping Services

Revenue	1,307	1,536	-15%	5,926
Reported profit	154	119	29%	-230
Operating cash flow	255	95	168%	590
ROIC (%)	13.1	8.7	4.4pp	-4.2

Guidance for 2015

The Group expects an underlying result of around USD 3.4bn which is unchanged from the result adjustment published on 23 October. Gross cash flow used for capital expenditure is now expected to be around USD 7bn (USD 8.7bn) from previously around USD 8bn, while cash flow from operating activities is still expected to develop in line with the result.

The Group's guidance for 2015 is subject to considerable uncertainty, not least due to developments in the global economy, the container freight rates and the oil price.

For more details regarding the financials for Q3 2015 please visit the Investor Relations web site: <http://investor.maersk.com/financials.cfm>

Unless otherwise stated, all figures in brackets refer to the corresponding figures for the same period of the previous year.



PHOTO: SCANPIX

Africa poised for energy revolution

BIG PICTURE | Without access to energy, hundreds of millions of people across the African continent are limited in terms of business, education and development. A budding renewable technology boom could turn this upside down, as solar technology represents an enormous technological leap forward for the African continent. The International Energy Agency estimates that 500 million Africans will rely on solar powered lighting by 2030. With more than 1,000 annual calls into African ports from Asia where much solar equipment is produced, Maersk Line and Safmarine are helping to enable the trade that is bringing solar technology to African communities.

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