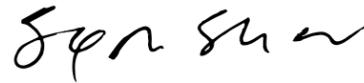


EXECUTING ON THE NEW STRATEGY

MESSAGE FROM THE GROUP CEO

Søren Skou



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

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

Transport & Logistics

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

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

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

Providing the industry's most competitive network

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

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

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

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

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

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



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

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

Energy

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

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

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

All four businesses in the Energy division come with strong track records and they will be attractive partners in industries that are changing rapidly but nevertheless still represent a total revenue pool in excess of USD 2 trillion in 2016. Maersk Oil has managed to adapt to the new oil price environment by reducing operating expenses by 30% between 2014 and 2016. The promising Culzean and Johan Sverdrup projects are progressing well, and good project execution has reduced Culzean's anticipated capital expenditure. Maersk Drilling delivered a strong result and has good forward cash flows. Maersk Tankers has been top-quartile in its industry in 2016 and Maersk Supply Service is making progress in the integrated solution space.

Commitment to safety

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

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