PRESS RELEASE
Annual Report 2016


HIGHLIGHTS

- 2016 was a difficult year, with headwinds in all our markets. It was also a year when we decided to substantially transform A.P. Moller - Maersk to become a focused container shipping, logistics and ports company with a growing revenue.

- A.P. Moller - Maersk delivered an underlying profit of USD 711m in 2016, which was in line with our guidance.

- A.P. Moller - Maersk reported a loss of USD 1.9bn negatively impacted by impairments in 2016 of USD 2.7bn in Maersk Supply Service and in Maersk Drilling as a consequence of an expected weaker outlook.

- Our priorities for 2017 remain on integrating our Transport & Logistics businesses as well as progressing the work on finding structural solutions for each of our oil and oil-related businesses.

- For 2017, we expect A.P. Moller - Maersk to deliver an underlying profit above 2016, with an improvement in underlying profit in excess of USD 1bn in Maersk Line compared to 2016.

A.P. Moller - Maersk delivered an unsatisfactory loss of USD 1.9bn (profit of USD 925m) negatively impacted by post-tax impairments of USD 2.8bn (USD 2.6bn) primarily relating to Maersk Drilling of USD 1.4bn (USD 27m) and Maersk Supply Service of USD 1.2bn (USD 0m). In line with the latest guidance provided in November, the underlying profit came at USD 711m (USD 3.1bn). The return on invested capital (ROIC) was negative 2.7% (positive 2.9%). The free cash flow was negative USD 29m (positive USD 6.6bn including the sale of shares in Danske Bank of USD 4.9bn).

“2016 was a difficult year financially, with headwinds in all of our markets. However, it was also a year when we decided to substantially transform A.P. Moller - Maersk for the future. We have set a new course that over the next few years will lead A.P. Moller - Maersk to become a focused container shipping, logistics and ports company with the aim of growing revenue again.

We delivered an underlying profit of USD 711m, in line with guidance but clearly unsatisfactory. The main driver of the underlying result was a loss in Maersk Line. A.P. Moller - Maersk reported a net loss
for the year of USD 1.9bn impacted by impairments totalling USD 2.7bn in Maersk Drilling and Maersk Supply Service as a consequence of significant over-supply and reduced long-term demand expectations.

As communicated at our Capital Markets Day in December, our top priorities for 2017 remain integrating our Transport & Logistics businesses, taking out cost in APM Terminals and Damco, closing the Hamburg-Süd acquisition, as well as progressing the work on finding structural solutions for each of our oil and oil-related businesses.

For 2017, we expect A.P. Moller - Maersk to deliver an underlying profit above 2016, mainly driven by an improvement in underlying profit in excess of USD 1bn in Maersk Line compared to 2016,” says Maersk Group CEO Søren Skou.

ANNUAL REPORT 2016 HIGHLIGHTS

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>35,464</td>
<td>40,308</td>
<td>-4,844</td>
</tr>
<tr>
<td>Profit/loss before depreciation, amortisation and impairment losses, etc.</td>
<td>6,767</td>
<td>9,074</td>
<td>-2,307</td>
</tr>
<tr>
<td>Depreciation, amortisation and impairment losses, net</td>
<td>7,265</td>
<td>7,944</td>
<td>-679</td>
</tr>
<tr>
<td>Gain on sale of non-current assets, etc., net</td>
<td>178</td>
<td>478</td>
<td>-300</td>
</tr>
<tr>
<td>Profit/loss before financial items</td>
<td>-226</td>
<td>1,870</td>
<td>-2,096</td>
</tr>
<tr>
<td>Profit/loss before tax</td>
<td>-843</td>
<td>1,447</td>
<td>-2,290</td>
</tr>
<tr>
<td>Profit/loss for the period</td>
<td>-1,897</td>
<td>925</td>
<td>-2,822</td>
</tr>
<tr>
<td>Underlying result</td>
<td>711</td>
<td>3,071</td>
<td>-2,360</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>4,326</td>
<td>7,969</td>
<td>-3,643</td>
</tr>
<tr>
<td>Cash flow used for capital expenditure</td>
<td>-4,365</td>
<td>-1,408</td>
<td>-2,947</td>
</tr>
<tr>
<td>Return on invested capital after tax (ROIC), annualised</td>
<td>-2.7%</td>
<td>2.9%</td>
<td>-5.6%</td>
</tr>
</tbody>
</table>

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

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

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

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

The underlying profit of USD 711m was within the guidance of below USD 1.0bn. Compared to last year, the reduction in the underlying result was due to losses in Maersk Line and Maersk Supply Service and with lower underlying results in APM Terminals, Maersk Tankers and Svitzer, while Maersk Oil, Maersk Drilling and Damco recorded increased underlying profits.

Revenue decreased to USD 35.5bn (USD 40.3bn) across all eight businesses, predominantly due to lower average container freight rates and lower oil price. Operating expenses decreased by USD 2.6bn mainly due to lower bunker prices and focus on cost efficiency across all businesses.

A.P. Moller - Maersk’s cash flow from operating activities was USD 4.3bn (USD 8.0bn) impacted by the lower profit, higher net working capital and a one-off dispute settlement in Maersk Oil. Net cash flow used for capital expenditure was USD 4.4bn (USD 6.3bn excluding the sale of shares in Danske Bank of USD 4.9bn). Gross cash flow used for capital expenditure was USD 5.0bn, USD 1.0bn lower than latest guidance, mainly due to timing of payments in APM Terminals and Maersk Drilling.

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

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

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

Maersk Line reached an agreement on 1 December 2016 to acquire Hamburg Süd, the German container shipping line. Hamburg Süd is the world’s seventh largest container shipping line and a leader in the North-South trades. The acquisition is subject to final agreement expected early in Q2 2017 and to regulatory approvals expected end 2017. The transaction is expected to be completed by end 2017.

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

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

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

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

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

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

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

GUIDANCE FOR 2017

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

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

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

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

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

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

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

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

The guidance for 2017 excludes the acquisition of Hamburg Süd.
SENSITIVITY GUIDANCE
A.P. Moller - Maersk’s guidance for 2017 is subject to considerable uncertainty, not least due to developments in the global economy, the container freight rates and the oil price.

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

<table>
<thead>
<tr>
<th>Factors</th>
<th>Change</th>
<th>Effect on A.P. Moller - Maersk’s underlying result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil price for Maersk Oil</td>
<td>+/-10 USD/barrel</td>
<td>+/-USD 0.26bn</td>
</tr>
<tr>
<td>Bunker price</td>
<td>+/-100 USD/tonne</td>
<td>+/-USD 0.4bn</td>
</tr>
<tr>
<td>Container freight rate</td>
<td>+/-100 USD/FFE</td>
<td>+/-USD 1.1bn</td>
</tr>
<tr>
<td>Container freight volume</td>
<td>+/-100,000 FFE</td>
<td>+/-USD 0.1bn</td>
</tr>
</tbody>
</table>

* Sensitivity estimated on the current oil price level.

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