Maersk **Q2** 2017 report

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Webcast	www.investor.maersk.com

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Forward-looking Statements

This presentation contains forward-looking statements. Such statements are subject to risks and uncertainties as various factors, many of which are beyond A.P. Møller – Mærsk A/S' control, may cause actual development and results to differ materially from the expectations contained in the presentation

Comparative figures

Unless otherwise stated, all comparisons refer to y/y changes

Q2 2017

Key Statements

Key Statements Q2 2017

Highlights Q2

Transport & Logistics

- **Revenue growth continued** in the second quarter
- **Turnaround in underlying profit** of more than **USD 0.5bn q/q**
- **Maersk Line** reported a **profit of USD 339m** and a **ROIC of 6.7%**
- We **reiterate guidance** for A.P. Moller - Maersk of an underlying profit above 2016 (USD 711m), despite impact from **cyber-attack**

Container market fundamentals

- Continued recovery in container market reflected in **increasing rates**, resulting in **improved profitability** compared to Q2 2016
- **North-South** trades continued to **recover**
- **Supply/demand balance** is developing **favorably** in container shipping
- Further **consolidation** was announced

Energy Division

- Continuing to progress on **defining sustainable structural solutions** for the oil and oil-related businesses in Energy
- Maersk Oil continues to improve earnings with low **breakeven oil price**
- **Maersk Tankers** negatively impacted by **impairments** at a cyclical low

Key Statements Q2 2017

Cyber-Attack

What happened?

- On June 27th A. P. Moller – Maersk, amongst many global companies, was **hit by the malware NotPetya**
- The malware **entered through a software used for filing tax in Ukraine**
- The malware made **applications and data unavailable**
- The **impact was contained** to mainly impacting the **container related businesses**: Maersk Line, APM Terminals, and Damco

What have we done?

- **Actions were taken immediately** to contain the malware
- Several system had to be shut down for a period for **precautionary measures**
- **A large number of manual work-arounds were put in place** to be able to serve our customers best possible
- Today **all recoverable applications are up and running**
- **Full control of vessels** was maintained through the incident

What was the impact?

- The **system shutdowns** resulted in significant interruption and **affecting our customers as well as our employees**
- **No data breach or data-loss** to third party
- The **financial impact** of the attack was limited in Q2. The **majority** will occur in Q3 2017, mainly stemming from lost volumes during the incident as well as extraordinary costs in IT and operations
- We expect the financial impact of the cyber attack to be in the range of **USD 200-300m**.

Key Statements Q2 2017

Hamburg Süd progressing as planned

Integration

- The transaction is **progressing as planned**
- An **integration team** is working hard to make the **process** as **smooth as possible** to the **customers** as well as **employees**
- **Cost synergies** are estimated at **USD 350-400m** by 2019 as earlier announced

Regulatory approval

- At current **12 jurisdictions** have approved the the transaction
- Of the major jurisdictions, **regulatory approvals** in China, Korea, Brazil, Chile and South Africa are **outstanding**.
- The announced **divestment of Mercosul Line** in Q2 supports the Brazilian regulatory approval process.

Next step

- We are in **close dialogue** with all relevant **authorities** providing necessary input for approval.
- The **final closing** is expected during **4th quarter**

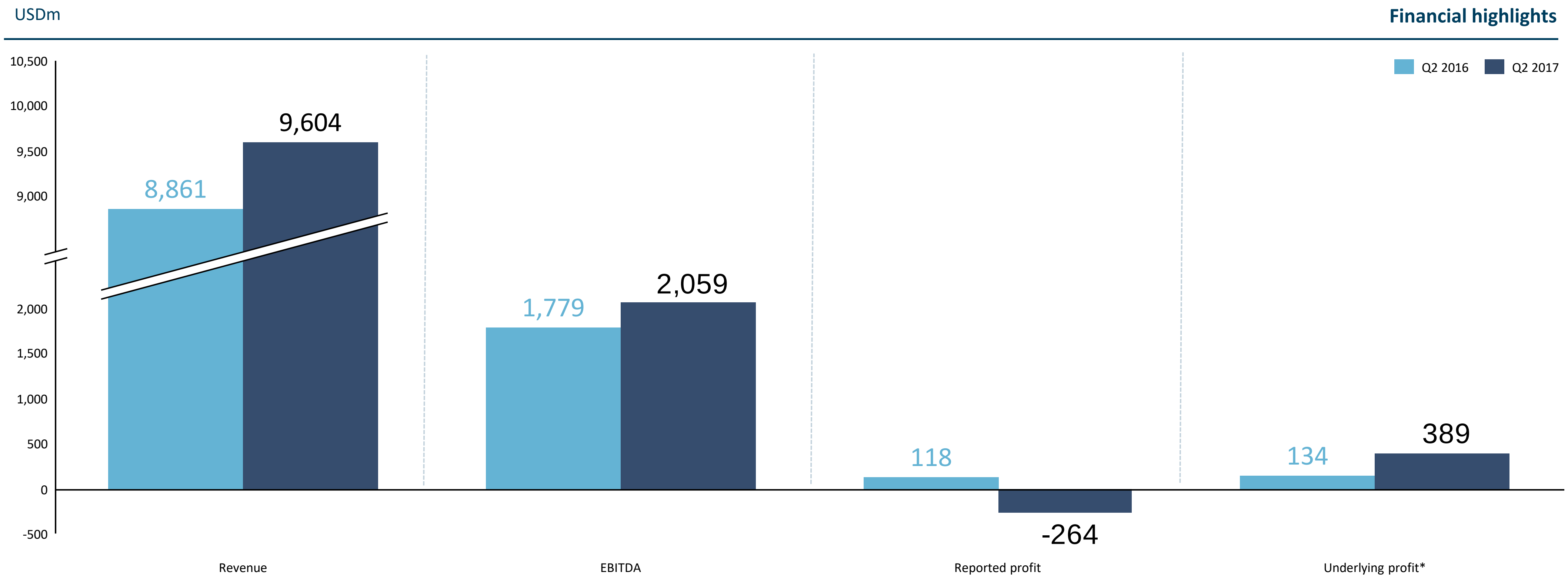
*Hamburg Süd acquisition and divestment of Mercosul subject to approval from the authorities

Q2 2017

Financial Highlights

Financial Highlights Q2 2017

Revenue increase



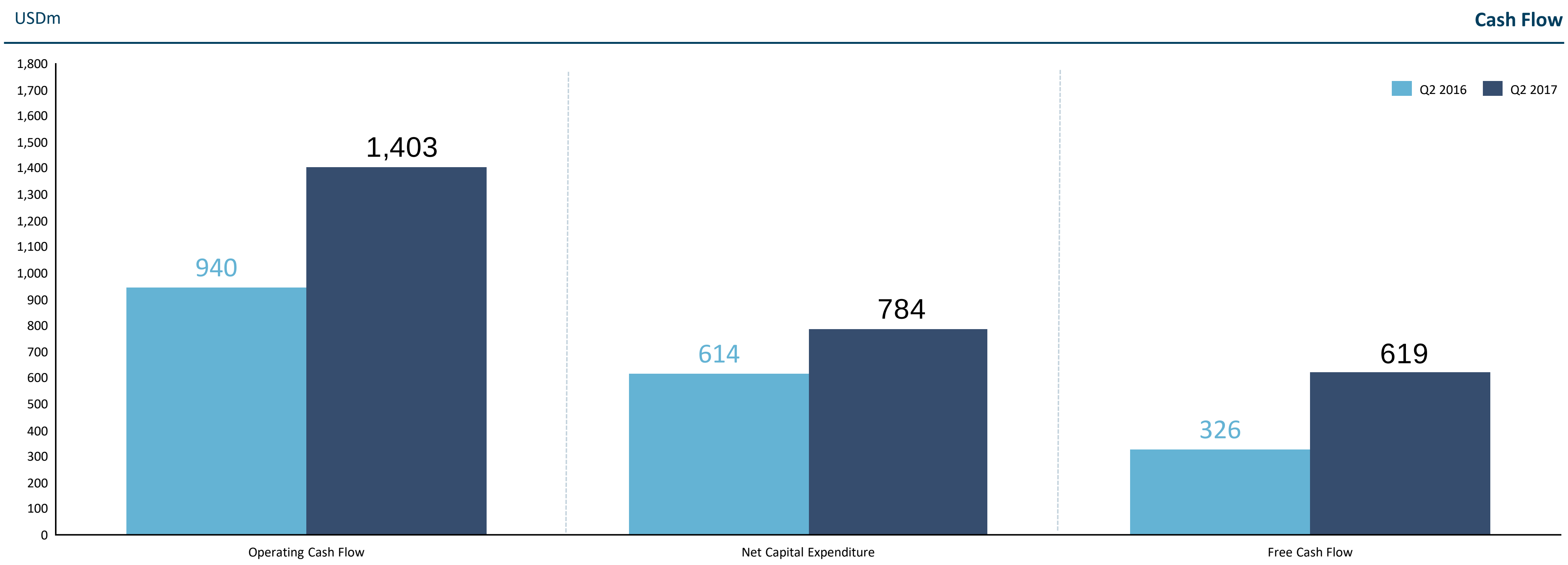
*Underlying profit is equal to the profit or loss for the period excluding net impact from divestments and impairments

Revenue increased by 8.4% mainly driven by higher revenue in Maersk Line and Maersk Oil, partly offset by Maersk Drilling and APM Terminals.

Profit declined to USD -264m, negatively impacted by impairments amounting to USD 732m in APM Terminals, Svitzer and Maersk Tankers.

Financial Highlights Q2 2017

Cash flow from operating activities increased



Cash flow from operating activities increased compared to last year, driven by higher earnings.

Gross capital expenditure was USD 1,224m (USD 751m) mainly related to investments in project developments in Maersk Oil and APM Terminals as well as the delivery of two vessels in Maersk Line

*Underlying profit is equal to the profit or loss for the period excluding net impact from divestments and impairments

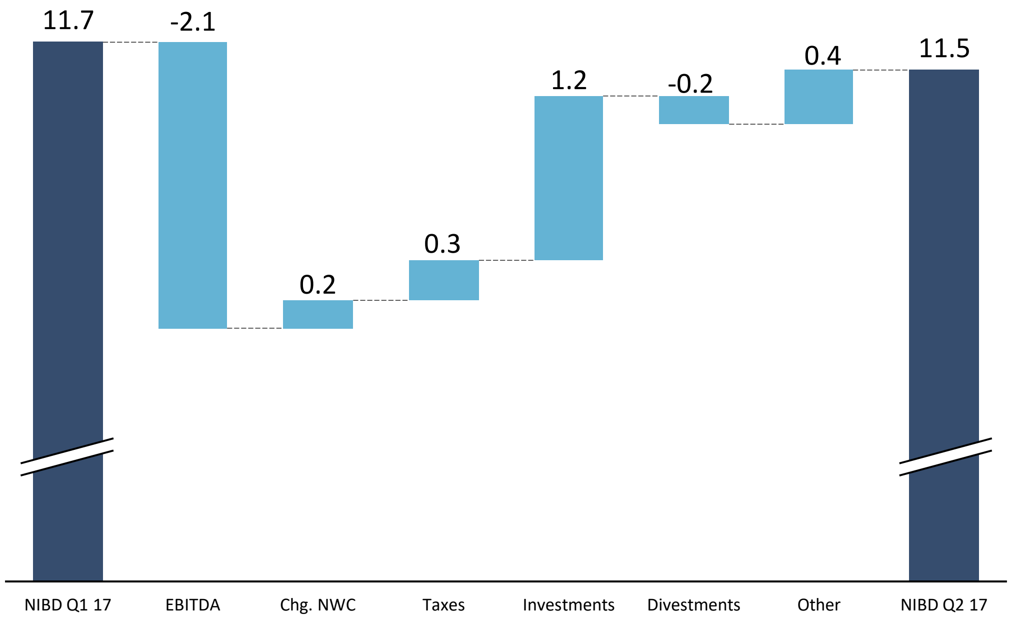
Financial Highlights Q2 2017

Investment grade a priority

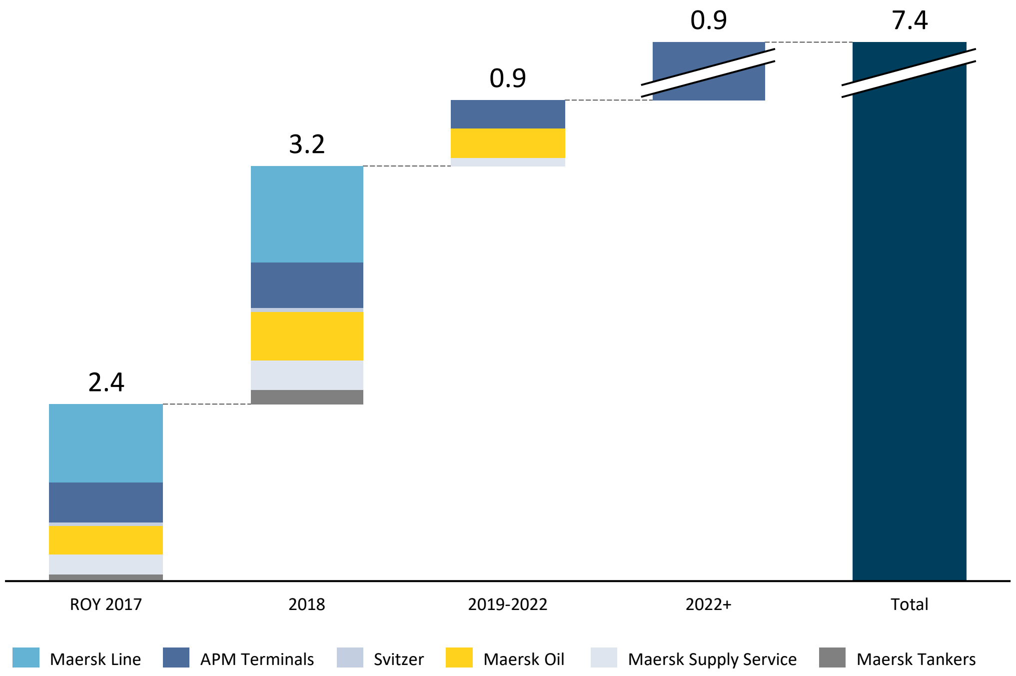
USDbn

Net Debt and Contractual Capex Commitments

Net debt USD 11.7bn in Q1 2017 to USD 11.5bn end of Q2 2017



High degree of flexibility in the future contractual commitment from 2018



A.P. Moller-Maersk is committed to remain investment grade rated and well capitalised.

Funding in place with a liquidity reserve of USD 11.3bn by end of Q2 2017.

Total contractual commitments was USD 7.4bn with USD 4.9bn in Transport & Logistics and USD 2.5bn in Energy.

Compared to end 2016 the total future contractual commitments are lowered by USD 1.7bn.

*Excluding the acquisition of Hamburg Süd.

A.P. Moller - Maersk

Consolidated financial **information**

Income Statement (USDm)	Q2 2017	Q2 2016	Change	FY 2016
Revenue	9,604	8,861	8%	35,464
EBITDA	2,059	1,779	16%	6,767
Depreciation, etc.	1,852	1,294	43%	7,265
Gain on sale of non-current assets, etc. net	53	111	-52%	178
EBIT	**302**	**656**	**-54%**	**-226**
Financial costs, net	-241	-154	56%	-617
Profit before tax	61	502	-88%	-843
Tax	325	384	-15%	1,054
Profit for the period	**-264**	**118**	**-324%**	**-1,897**
Underlying result	389	134	190%	711

Key figures (USD million)	Q2 2017	Q2 2016	Change	FY 2016
Cash flow from operating activities	1,403	940	49%	4,326
Cash flow used for capital expenditure	-784	-614	28%	-4,355
Net interest bearing debt	11,550	11,706	-1%	10,737
Earnings per share (USD)	-13	5	-360%	-93
ROIC (%)	-0.3	2.0	-2.3pp	-2.7

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TRANSPORT & LOGISTICS

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Transport & Logistics

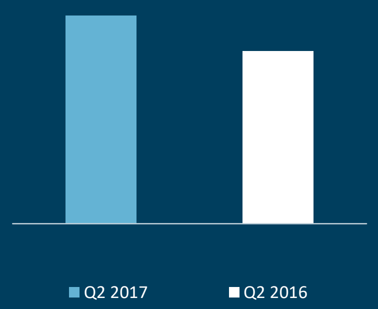
Transport & Logistics

Transport & Logistics division increased consolidated revenue by 15%, and the underlying profit of USD 442m was significantly ahead of last year.

The Transport & Logistics businesses have been working as one integrated division for two quarters, and are progressing as expected towards realising synergies, improving ROIC by 2% by 2019.

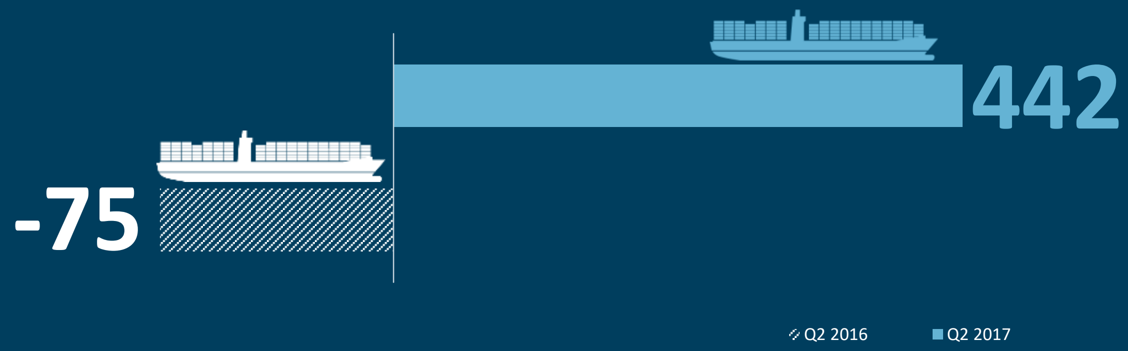
Maersk Line grew its equity weighted volumes at APM Terminals by approximately 7-8%, while Maersk Container Industry reported a strong result, as examples of synergies.

Revenue



Revenue increased by 15% compared to Q2 2016, mainly driven by Maersk Line and Maersk Container Industry, partly offset by APM Terminals.

Underlying profit (USD m)



	Q2 2017 (USD m)	Q2 2016 (USD m)
Revenue	7,671	6,690
Profit/loss	247	6
Operating cash flow	971	359
ROIC (%)	3.1	0.1

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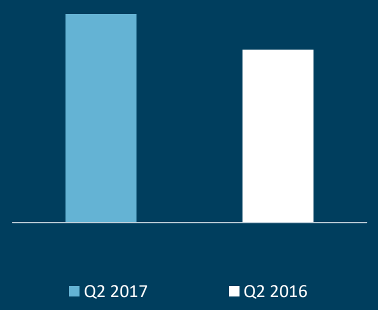
Transport & Logistics

Maersk Line

Maersk Line reported a profit of USD 339m after four consecutive lossmaking quarters, resulting in a ROIC of 6.7%.

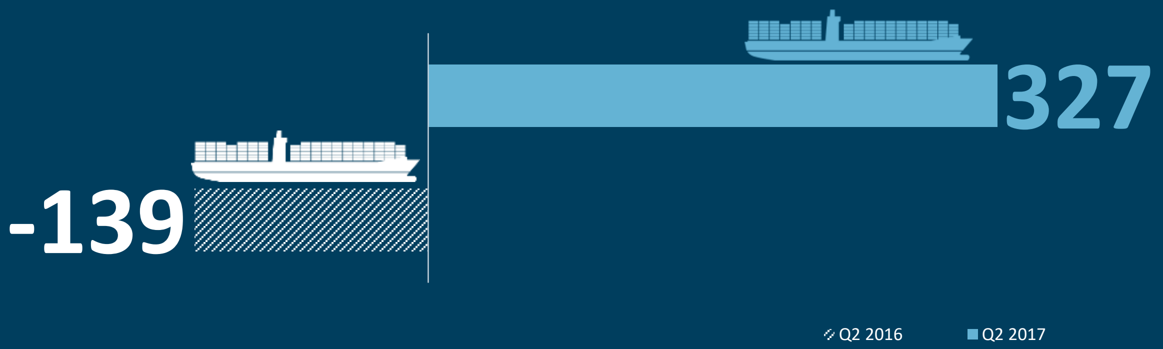
Market fundamentals continue to improve as demand outgrew nominal supply growth for the third consecutive quarter and further industry consolidation was announced.

Revenue



Revenue increased by 21% compared to Q2 2016, driven by an increase in average freight rate of 22%

Underlying profit (USD m)



	Q2 2017 (USD m)	Q2 2016 (USD m)
Revenue	6,100	5,061
EBITDA	859	365
Operating cash flow	788	89
ROIC (%)	6.7	-3.0

Maersk Line

Profitable again

With EBITDA improving 135%, Maersk Line is back in black, despite bunker cost increasing USD 328m, with both East-West and North-South trades being profitable in the quarter.

Bunker cost increased USD 119 per tonne while bunker efficiency deteriorated by 5.2% to 923 kg/FFE (877 kg/FFE).

Maersk Line's capacity increased 8.2% compared to Q2 2016 to 3,400k TEU, 5.1% compared to Q1 2017, as more capacity was deployed to accommodate the slot purchase agreement signed with Hamburg Süd and HMM.

USD million	Q2 2017	Q2 2016	Change	FY 2016
Revenue	6,100	5,061	21%	20,715
EBITDA	859	365	135%	1,525
Underlying profit	327	-139	N/A	-384
Reported profit	**339**	**-151**	**N/A**	**-376**
Operating cash flow	788	89	785%	1,060
Capital expenditures	-579	-109	N/A	-586
Volume (FFE '000)	2,700	2,655	2%	10,415
Rate (USD/FFE)	2,086	1,716	22%	1,795
Bunker (USD/tonne)	313	194	61%	223
ROIC (%)	6.7	-3.0	9.7pp	-1.9

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Maersk Line

Average freight rate **increased** in all trades

Average freight rates improved by 22% compared to Q2 2016 and 8% compared to Q1 2017. Rates on all three main trades increased y/y. The largest increases, were seen on East-West, driven by the trades from Asia to Europe and the Pacific trades. North-South trades improved across all trades.

Maersk Lines volumes increased on the headhaul trades by 5.2%, which was partly offset by a decrease on the backhaul trades of 5.6%.

Based on the strong market share growth last year focus in Q2 has mainly been on restoring profitability.

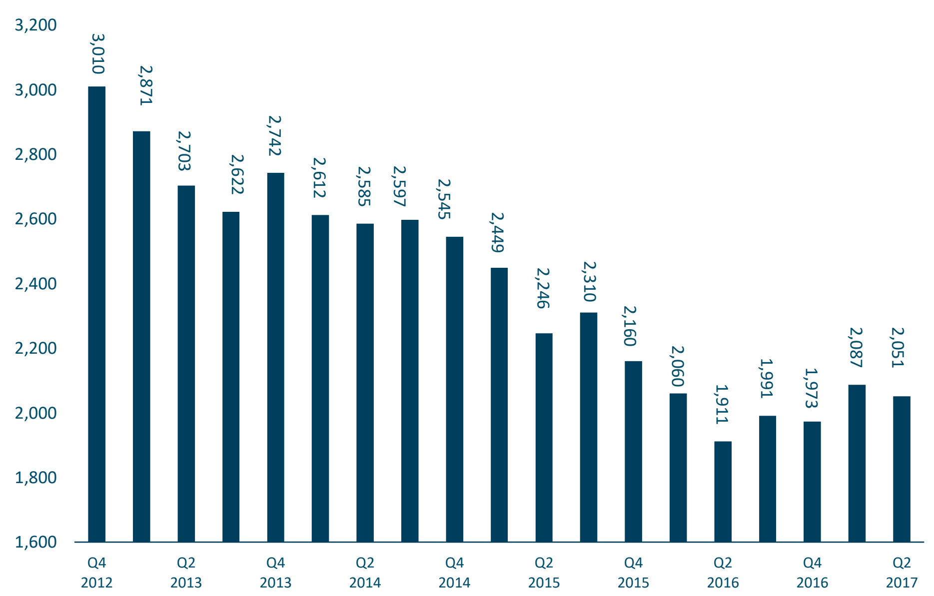
Average freight rate (USD/FFE)	Q2 2017	Q2 2016	Change, USD	Change, %
East-West	2,229	1,642	587	35.8
North-South	2,259	1,938	321	16.5
Intra-regional	1,349	1,320	29	2.2
Total	**2,086**	**1,716**	**370**	**21.6**

Loaded volumes (USD/FFE)	Q2 2017	Q2 2016	Change, FFE	Change, %
East-West	939	951	-12	-1.3
North-South	1,309	1,294	15	1.1
Intra-regional	452	410	42	10.2
Total	**2,700**	**2,655**	**44**	**1.7**

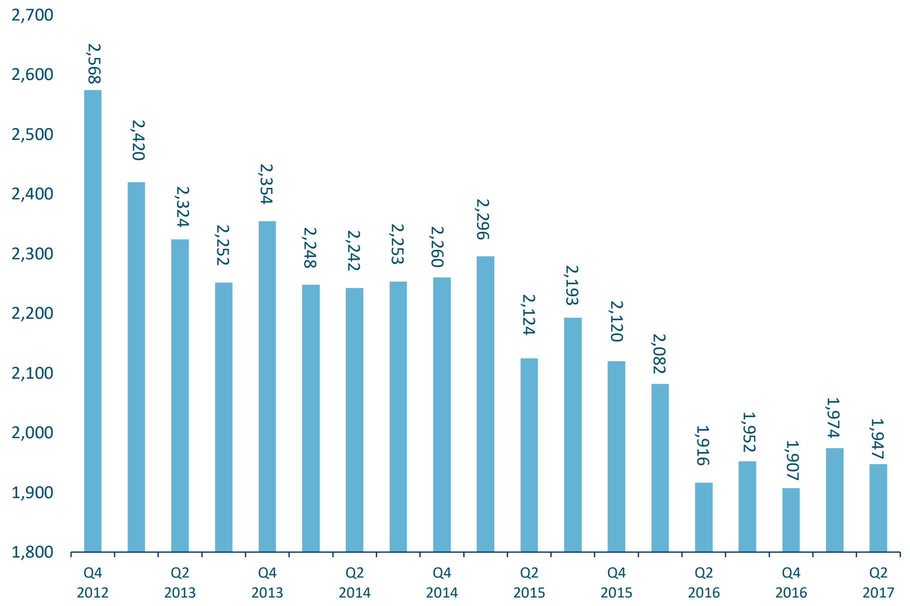
Maersk Line

Unit cost decreased compared to Q1

USD/FFE **Unit cost including VSA income, floating bunker**



USD/FFE **Unit cost including VSA income, fixed bunker[1]**



Unit cost was 7.3% (140 USD/FFE) higher y/y and 1.7% lower q/q (36 USD/FFE) driven by 61% higher bunker price.

At a fixed bunker price, the unit cost was 1.6% (31 USD/FFE) higher y/y and 1.4% (27 USD/FFE) lower q/q. The increase y/y was driven by lower utilisation and less backhaul volumes partly offset by lower charter rates.

Definition: EBIT cost excl. gain/loss, restructuring cost, associated companies share and incl. VSA income.

1 Fixes at 200 USD/ton

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Transport and Logistics

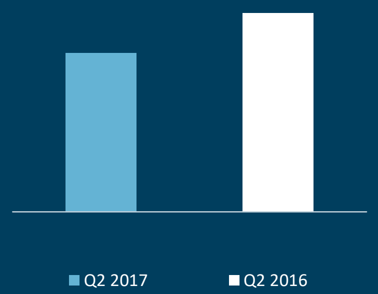
APM Terminals

APM Terminals reported a loss of USD 100m, negatively impacted by impairments of USD 250m, partially offset by divestment gain of USD 34m and tax provision of USD 18m. Underlying profit of USD 98m reflected a stabilizing trend.

In Latin America, mainly on the East Coast, consolidation of liner services negatively impacted volumes and rates.

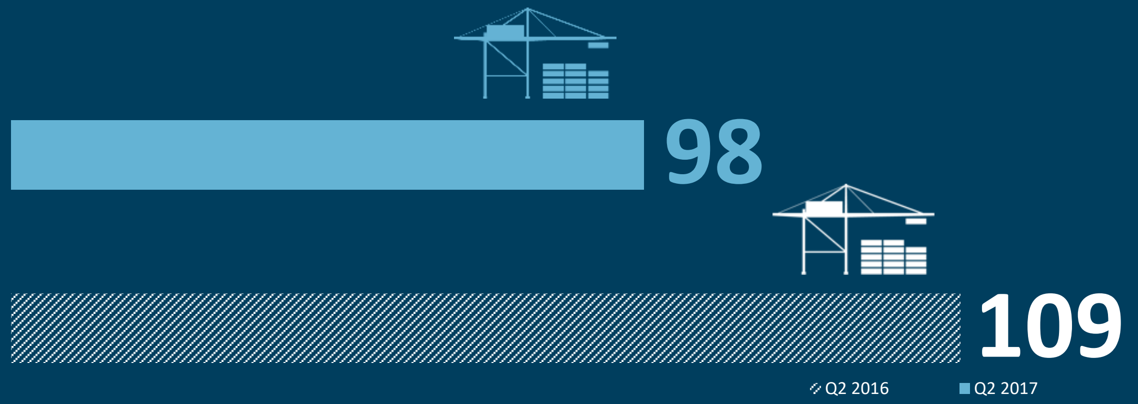
APM Terminals has during 2017 successfully negotiated a total of 18 commercial agreements for new volume while 5 existing agreements discontinued.

Revenue



Revenue declined by 7%, negatively impacted by rate of exchange and construction revenue

Underlying profit (USD m)



	Q2 2017 (USD m)	Q2 2016 (USD m)
Revenue	989	1,064
EBITDA	147	187
Operating cash flow	131	163
ROIC (%)	-5.0	5.8

APM Terminals

Volume growth in line with market

Revenue per move declined by 10%, mainly due to currency effects and partly due to lower rates in key terminals.

Unit cost decreased by 3%, mainly driven by currency effects and cost efficiencies, partly offset by inflation.

Capex discipline remains a key focus and declined to USD 70m (USD 173m) in Q2 2017.

Equity weighted throughput increased by 4.3% in Q2, mainly due to newly operated terminals and strong volumes in joint ventures.

Like for like throughput increased by 2.9%, mainly driven by the North-East Asian terminals and the Rotterdam terminals, while the global market grew 4% (Drewry).

USD million	Q2 2017	Q2 2016	Change	FY 2016
Revenue	989	1,064	-7%	4,176
EBITDA	147	187	-21%	764
Share of profit:				
- Associated companies	28	25	12%	92
- Joint ventures	13	22	-41%	101
Underlying profit	98	109	-10%	433
Reported profit	**-100**	**112**	**-189%**	**438**
Operating cash flow	131	163	-20%	819
Capital expenditures	-70	-173	-60%	-1,549
Throughput (TEU m)	9.8	9.4	4.3%	37.3
Revenue per move	178	198	-10%	198
Unit cost per move	168	174	-3%	172
ROIC (%)	-5.0	5.8	-10.8pp	5.7

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Transport and Logistics

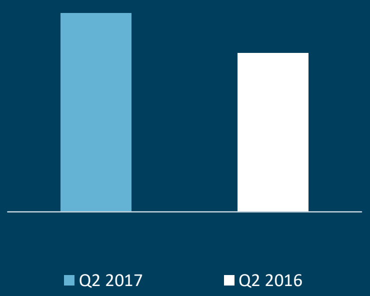
DAMCO

Damco reported a profit of USD 0m and a ROIC of 1.0% negatively impacted by declining freight forwarding margins as well as the cyber-attack.

Freight volumes in supply chain management grew by 7% and 6% in air freight, while ocean controlled volumes decreased 4% due to a shift in commercial strategy.

Freight forwarding margins remained below last year, due to increased freight rates, and market conditions remains challenging on Damco's primary trade lanes.

Revenue



Revenue increased by 2%, mainly driven by growth in supply chain management and air freight volumes.

Underlying profit (USD m)

	Q2 2017 (USD m)	Q2 2016 (USD m)
Revenue	631	619
EBITDA	9	23
Operating cash flow	-6	19
ROIC (%)	1.0	18.5

Transport and Logistics

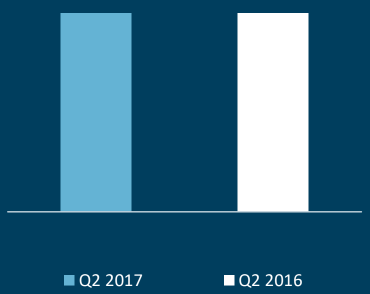
Svitzer

Svitzer reported a profit of USD 19m, with a ROIC of 5.8%, negatively affected by commercial pressure as well as impairments of USD 18m, partly offset by deferred tax assets recognition.

Towage activity increased by 5%, mainly due to increased activity in Australia, while Europe remains flat.

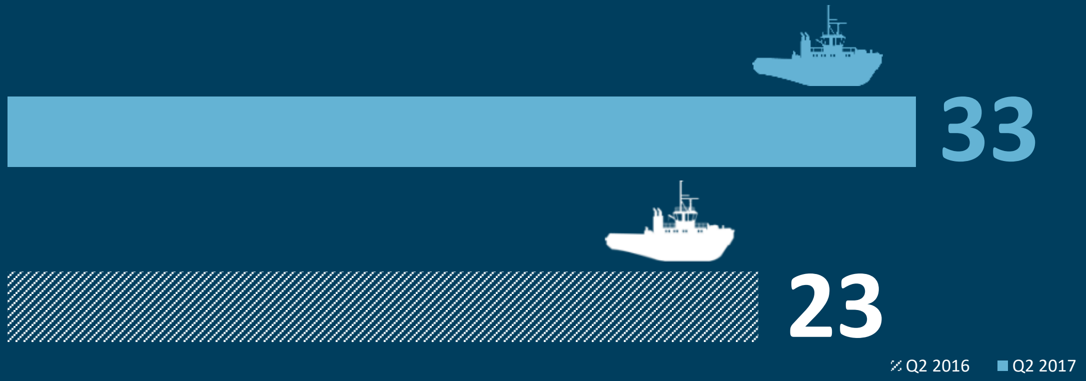
Market share for harbour towage in competitive ports in Australia was 95%, slightly lower than Q2 2016, while market share in Europe was on par with Q2 2016 at 56%.

Revenue



Revenue was on par with Q2 2016, impacted by an increase in Australia, which was offset by a decrease in Europe.

Underlying profit (USD m)



	Q2 2017 (USD m)	Q2 2016 (USD m)
Revenue	162	162
EBITDA	46	42
Operating cash flow	32	30
ROIC (%)	5.8	7.8

Transport and Logistics

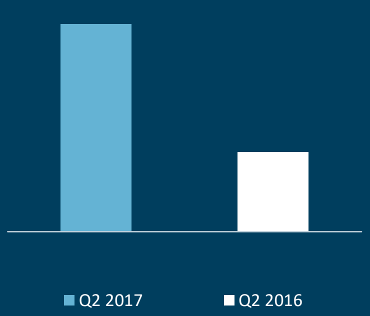
Maersk Container Industry

Maersk Container Industry reported a profit of USD 15m and a ROIC of 18%, positively affected by increased revenue as well as lower unit costs.

EBITDA increased to USD 28m positively impacted by improved efficiencies and higher volumes in both dry and reefer.

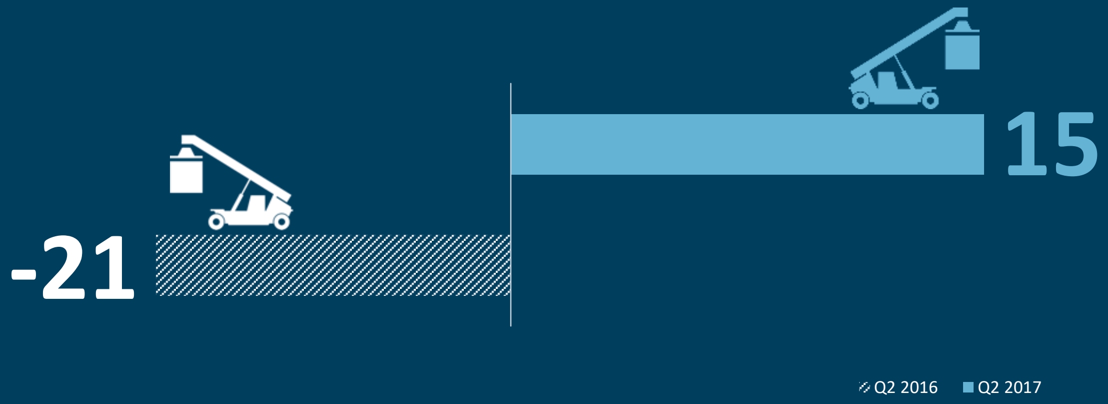
With targeted cost drive initiatives, the cost gap to competition is effectively minimized and MCI is now industry competitive in both refrigerated and dry containers.

Revenue



Revenue increased by 161% positively impacted by higher sales and higher market price in dry containers.

Underlying profit (USD m)



	Q2 2017 (USD m)	Q2 2016 (USD m)
Revenue	285	108
EBITDA	28	-21
Operating cash flow	9	13
ROIC (%)	18.0	-19.6

ENERGY DIVISION

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Energy Division

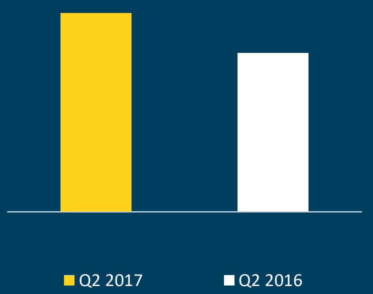
Maersk Oil

Maersk Oil reported a profit of USD 191m positively impacted by a 9% higher average oil price as well as operating expenses and one-off income totalling USD 66m related to tax and provisions.

Entitlement production, as expected, decreased by 14% compared to Q2 2016, which is partly due to lower entitlement in Qatar as well as natural decline from mature assets in UK.

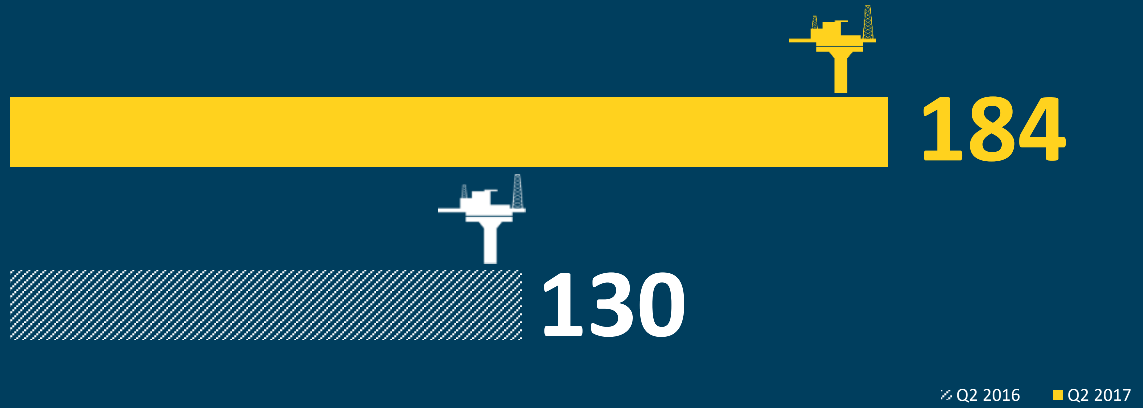
Cash flow from operating activities was USD 410m (USD 514m) mainly due to net working capital and higher taxes paid.

Revenue



Revenue increased by 7%, driven by an average oil price of USD 50 per barrel versus USD 46 per barrel in Q2 2016.

Underlying profit (USD m)



	Q2 2017 (USD m)	Q2 2016 (USD m)
Revenue	1,368	1,278
EBITDA	801	755
Operating cash flow	410	514
ROIC (%)	18.5	12.1

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Maersk Oil

Strong financial performance

USD million	Q2 2017	Q2 2016	Change	FY 2016
Revenue	1,368	1,278	7%	4,808
Exploration costs	16	47	-66%	223
EBITDA	801	755	6%	2,600
Underlying profit	184	130	42%	497
Reported profit	**191**	**130**	**46%**	**477**
Operating cash flow	410	514	-20%	1,484
Capital expenditures	-259	-330	22%	-1,675
Prod. (boepd '000)	284	331	14%	313
Brent (USD per barrel)	50	46	9%	44
ROIC (%)	18.5	12.1	6.4pp	11.4

Operating expenses was reduced by 3%, excluding exploration costs and costs related to purchase of oil and gas for resale, to USD 452m (USD 468m).

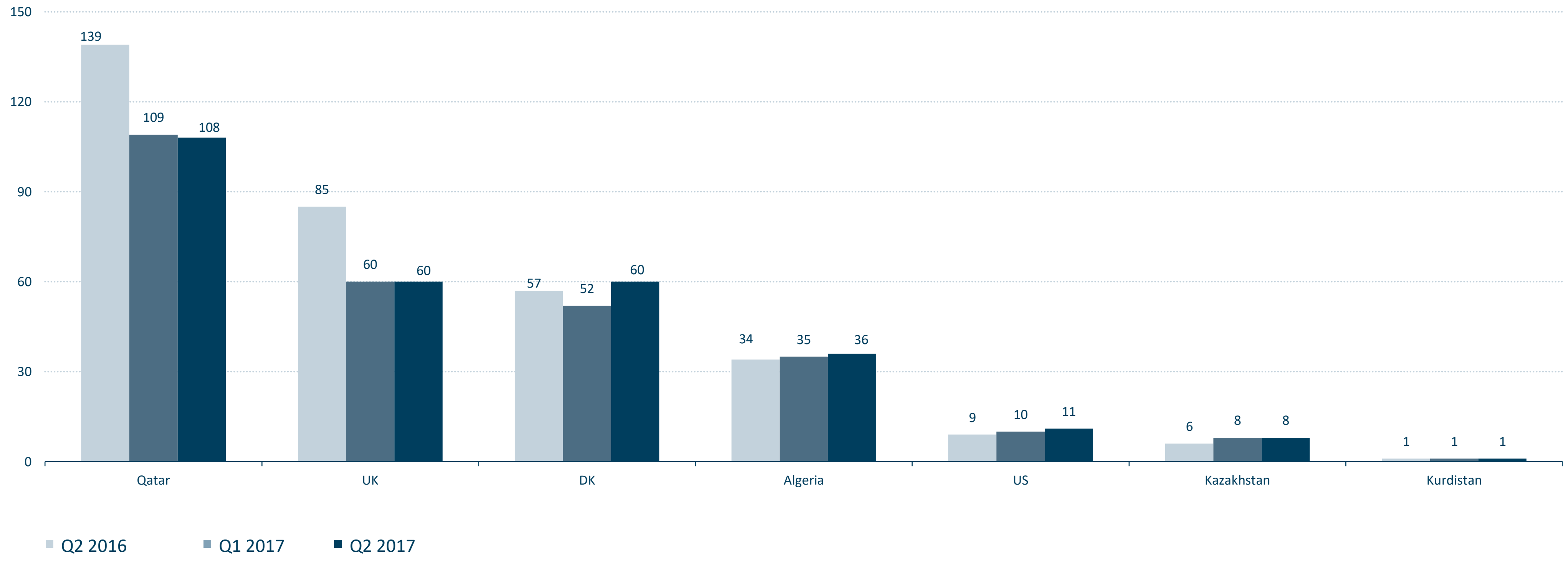
Maersk Oil continues to expect a NOPAT break-even price of USD 40-45 per barrel for 2017 onwards excluding Qatar.

Maersk Oil

Entitlement share of production

‘000 boepd

Maersk Oil’s entitlement share of production



Entitlement production decreased to 284,000 boepd (331,000 boepd) mainly as a result of:

Fewer entitlement barrels of oil in Qatar due to cost reductions and higher oil price leading to fewer barrels for cost recovery.

Lower production in the UK from natural decline of mature assets, including a reduction from the Balloch field (25,000 boepd) and cessation of production from Janice (5,000 boepd)

Energy Division

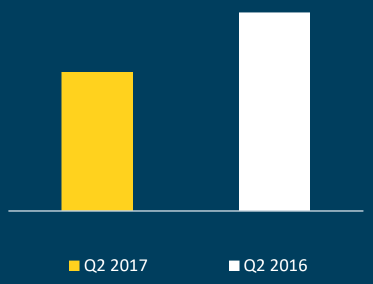
Maersk Drilling

Maersk Drilling reported a profit of USD 28m, reflecting that economic utilisation of the fleet is affected by ten rigs being fully or partly idle during the quarter.

Despite contracts being signed at a very low level, there has been a pick up in tender activity during Q2, and Maersk Drilling has signed a contract extension as well as a new contract with a total value of USD 29m.

By end of Q2 17 the total revenue backlog amounted to USD 3.1bn.

Revenue



Revenue declined by -38% compared to Q2 2016, negatively impacted by significantly lower day-rates.

Underlying profit (USD m)

	Q2 2017 (USD m)	Q2 2016 (USD m)
Revenue	349	566
EBITDA	155	330
Operating cash flow	150	129
ROIC (%)	1.7	8.3

Maersk Drilling

Financially **challenged,** higher **tender** activity

The offshore drilling industry remains financially challenged although tender activity improved during Q2 compared to last year.

The economic utilisation decreased to 64% (83%) reflecting that 9 rigs are idle by the end of Q2.

Average operational uptime was 97% (98%) for the jack-up rigs and 90% (99%) for the floating rigs, negatively affected by temporary equipment issues on a jack-up and a drillship.

USD million	Q2 2017	Q2 2016	Change	FY 2016
Revenue	349	566	-38%	2,297
EBITDA	155	330	-53%	1,390
Underlying profit	28	164	-83%	743
Reported profit	**28**	**164**	**-83%**	**-694**
Operating cash flow	150	129	16%	1,345
Capital expenditures	-8	-220	N/A	-315
Fleet	24	23	+1	23
Contracted days	1,293	1,686	-23%	6,307
ROIC (%)	1.7	8.3	-6.6	-9.0

Energy Division

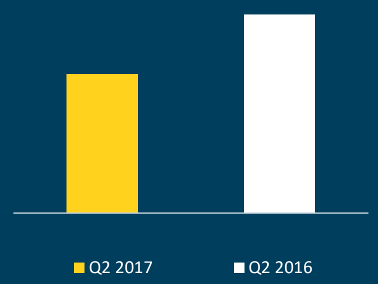
Maersk Supply Service

Maersk Supply Service reported a loss of USD 10m and a ROIC of negative 5.4%.

Total operating cost decreased to USD 64m (USD 71m) primarily due to fewer operating vessels and lower crew cost.

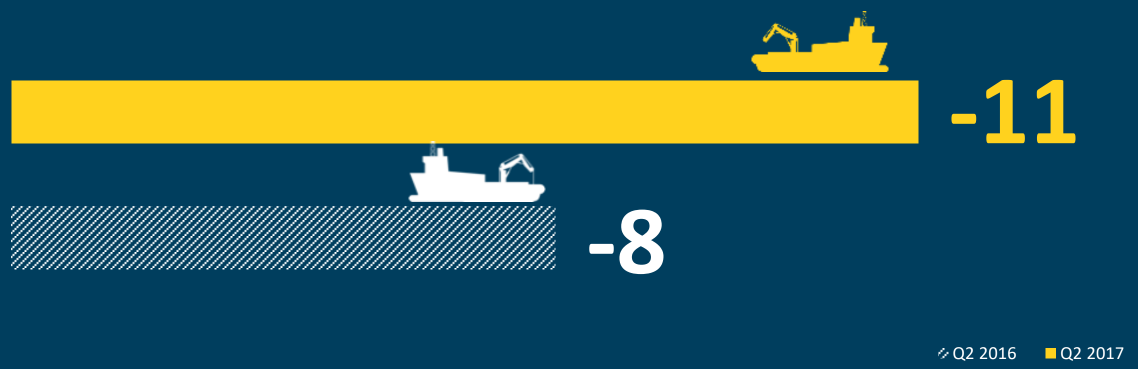
Cash flow used for capital expenditures increased, related to assets under construction. Maersk Supply Service has successfully postponed delivery of 9 vessels with a CAPEX impact of approximately USD 400m.

Revenue



Revenue and underlying result decreased compared to Q2 2016, which is mainly a result of lower utilisation

Underlying result (USD m)



	Q2 2017 (USD m)	Q2 2016 (USD m)
Revenue	74	102
EBITDA	10	31
Operating cash flow	-17	7
ROIC (%)	-5.4	-24.0

Energy Division

Maersk Tankers

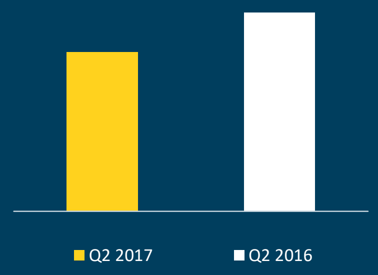
Maersk Tankers reported a loss of USD 483m (profit of USD 28m), negatively impacted by impairments of USD 464m due to an expected continuation of the lower asset valuations.

Maersk Tankers' average Time Charter Equivalent (TCE) earnings declined by 27% compared to Q2 2016, negatively impacted by the declining freight rates and the lower commercial performance.

Daily running costs was lowered by 3%, which were achieved through lower repair and maintenance costs, crewing efficiencies and procurement optimisations.

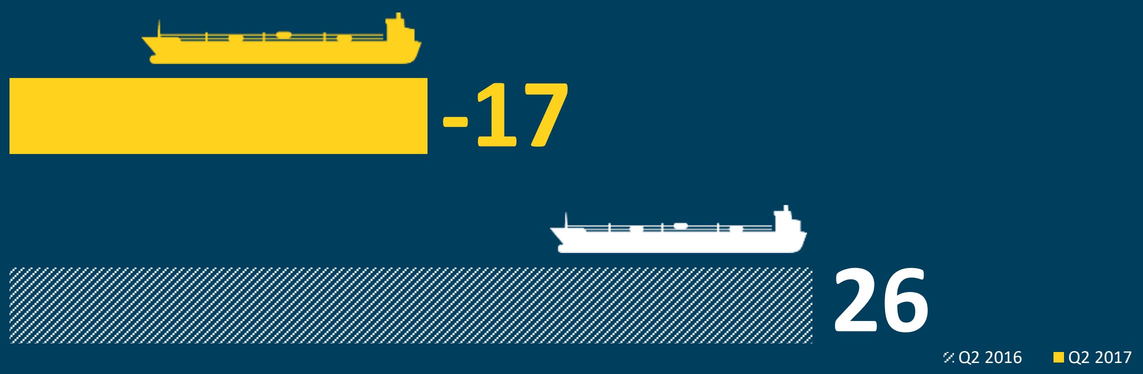
*Source: The Baltic Exchange, Clarksons PLC and S&P Global Platts

Revenue



Revenue declined by 9% negatively impacted by an average market rate decline of 21%*.

Underlying result (USD m)



	Q2 2017 (USD m)	Q2 2016 (USD m)
Revenue	206	226
EBITDA	19	61
Operating cash flow	16	71
ROIC (%)	-133.1	6.9

MAERSK

Q2 2017

Guidance

Guidance

Guidance for 2017

Changes in guidance are versus guidance given at Q1 2017. All figures in parenthesis refer to full-year 2016.

A.P. Moller - Maersk's expectation of an underlying profit above 2016 (USD 711m) is unchanged, despite expected negative impact from the June cyber-attack. Gross capital expenditure for 2017 is still expected to be USD 5.5-6.5bn (USD 5.0bn).

The guidance for 2017 excludes the acquisition of Hamburg Süd.

The Transport & Logistics division reiterates the expectation of an underlying profit above USD 1bn, despite expected negative result impact from the June cyber-attack estimated at a level of USD 200-300m, of which the majority relates to lost revenue in July. The vast majority of the impact of the cyber-attack was in Maersk Line.

Maersk Line reiterates the expectation of an improvement in excess of USD 1bn in underlying profit compared to 2016 (loss of USD 384m) mainly due to improvements in freight rates and partly increasing volumes. Global demand for seaborne container transportation is still expected to increase 2-4%, but in the upper end of the range.

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

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

The entitlement production is still 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 now expected to be below the 2016 level (USD 223m).

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

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 rest of 2017 for four key value drivers are listed in the table below:

Factors	**Change**	**Effect on A.P. Moller - Maersk's underlying result rest of year**
Oil price for Maersk Oil*	+ / - 10 USD/barrel	+ / - USD 0.1bn
Bunker price	+ / - 100 USD/tonne	- / + USD 0.2bn
Container freight rate	+ / - 100 USD/FFE	+ / - USD 0.6bn
Container freight volume	+ / - 100,000 FFE	+ / - USD 0.1bn

*) Sensitivity estimated on the current oil price level.

Q&A

To ask a question please press 01

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