MAERSK LINE – STAYING THE COURSE

Capital Markets Day, 24 September 2014

MAERSK
LINE

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Introduction

Søren Skou
Chief Executive Officer

9.1 million*
containers later

- Enabling world trade
- Supporting growth in emerging markets
- And bringing everyday goods to consumers around the world

* Containers moved since CMD 2013 (H1 2014 – LTM)

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Delivering on all our medium term objectives

MEDIUM TERM OBJECTIVES	2012 H1	2013 H1	2014 H1
Top quartile performer[1]	**2nd quartile** performer	**Best** in class	**Best** in class
EBIT-margin 5%-points above peer average	**3%** points above peer average	**8%** points above peer average	**9%** points above peer average
Growing with the market	Growing with market	Growing with market	Growing with market
Funded by own cash flow	**USD -2,348m** free cash flow	**USD +762m** free cash flow	**USD +727m** free cash flow
Returns above 8.5% (ROIC)	**-3.8%** ROIC	**+6.2%** ROIC	**+9.9%** ROIC

Note: 1) Performance rank based on EBIT-margin
Source: Maersk Line

Four key topics

1. Building a track record of stable returns
2. Expect challenging conditions to continue
3. Good progress, but more to do
4. Growth agenda to sustain our position

Financials

Jakob Stausholm
Chief Strategy, Finance and Transformation Officer

1. Building a track record of stable returns

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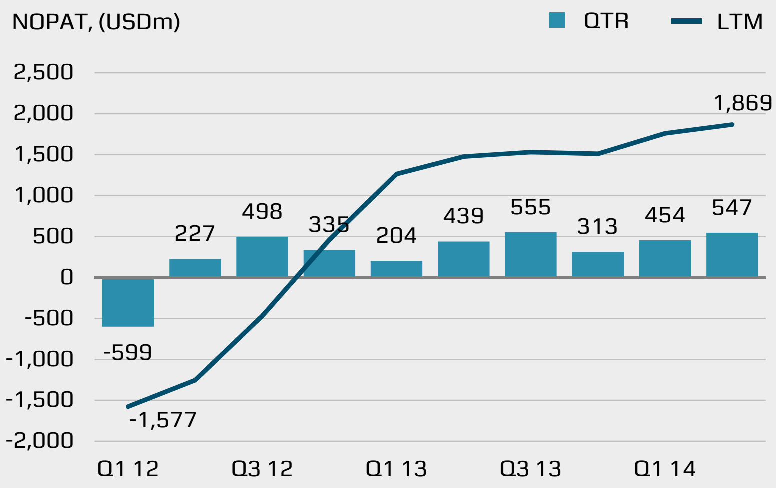
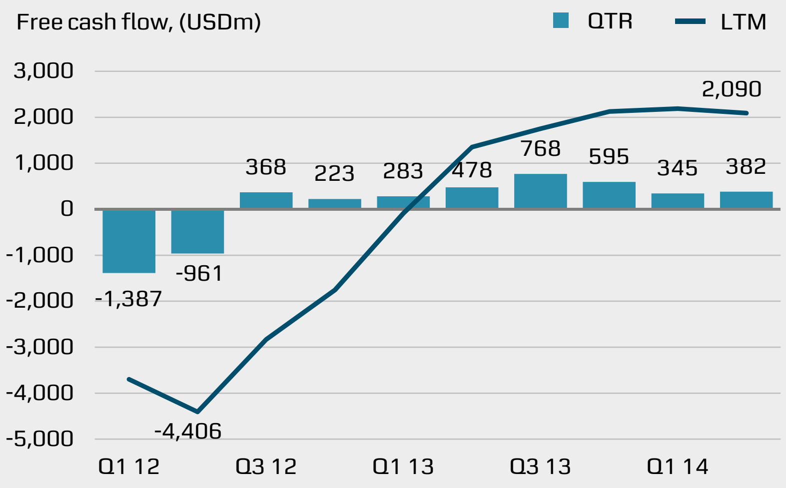
Building a track record of stable returns

Y/Y NOPAT growth in 8 of 10 quarters



ROIC, (%)	-12.7	4.6	9.7	6.5	4.0	8.5	10.9	6.2	9.0	10.8

And stabilizing free cash flow



CFFI, (USDm)	1,130	1,130	714	576	479	311	491	326	368	488

Source: Maersk Line

Key financial disclosures

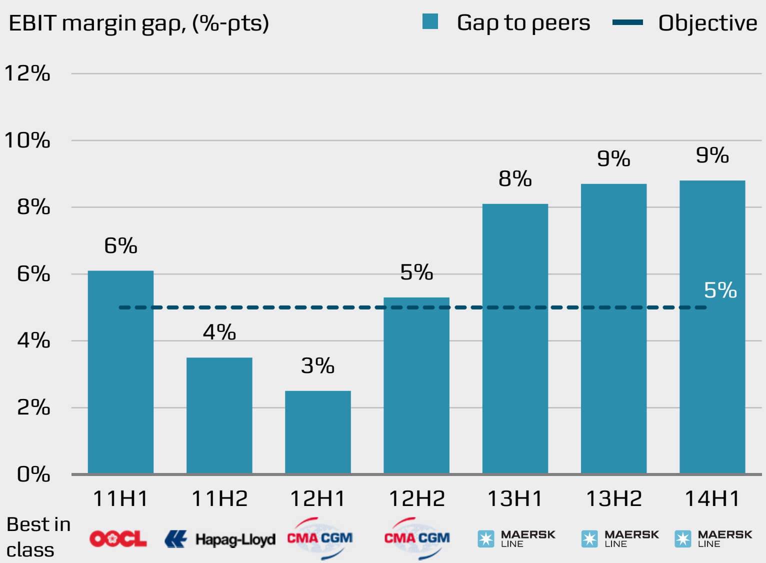
Profit and loss

Profit and Loss, (USDm)	H1 2014	H2 2013	H1 2013
Total revenue	**13,365**	**13,232**	**12,964**
EBITDA	**1,886**	**1,762**	**1,551**
Depreciation	-836	-883	-897
Other	20	30	8
EBIT	**1,070**	**909**	**662**
Tax	-69	-42	-19
NOPAT	**1,001**	**867**	**643**
Cash flow from operations	1,583	2,180	1,552
Cash flow CAPEX	-856	-817	-790
Invested capital	20,176	20,046	20,525
ROIC, (%)	**9.9%**	**8.6%**	**6.2%**
Volume, ('000 FFE)	4,639	4,501	4,338
Nominal capacity, ('000 TEU)	2,682	2,653	2,635
Average freight rates, (USD per FFE)	2,631	2,658	2,691

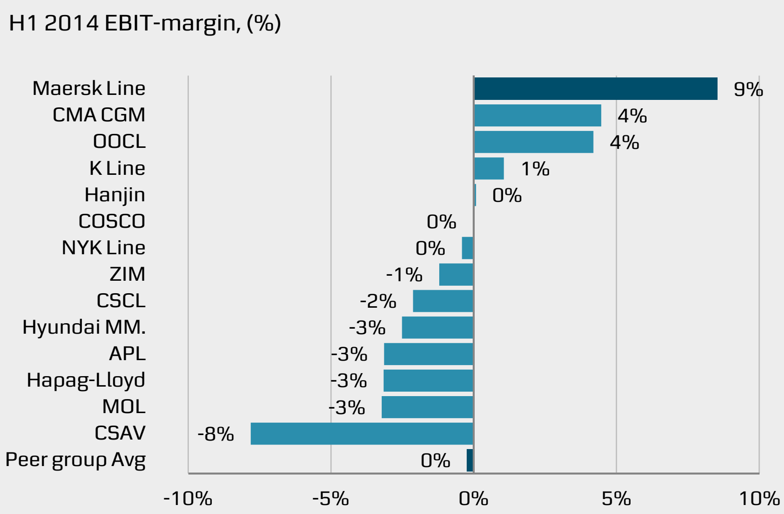
Source: Maersk Line

Gap to peers remains at high level

Gap of 9pp in H1 2014...



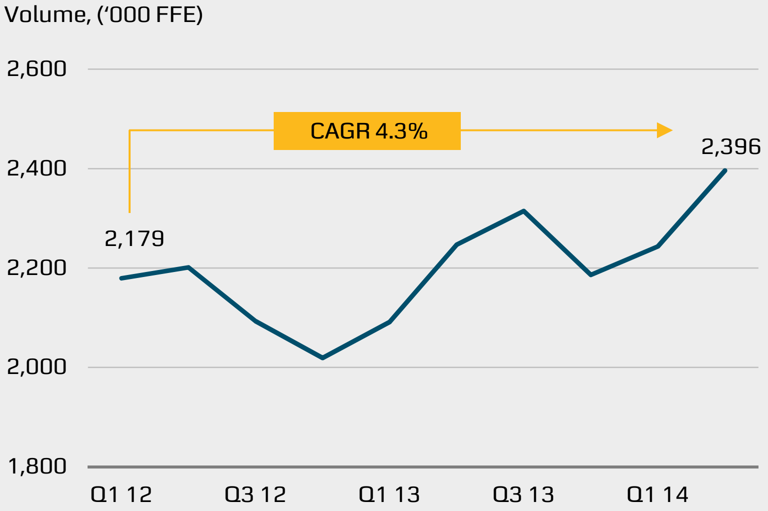
...while most peers are loss-making



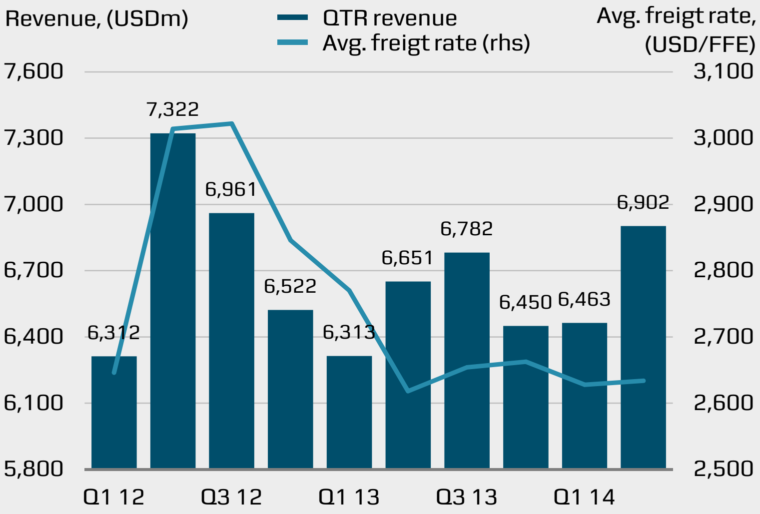
Note: Peer group includes CMA CGM, APL, Hapag Lloyd, Hanjin, ZIM, Hyundai MM, K Line, CSAV, OOCL, NYK, MOL, COSCO, CSCL. Peer average is TEU-weighted. EBIT margins are adjusted for gains/losses on sale of assets, restructuring charges, income/loss from associates. Maersk Line' EBIT margin is also adjusted for depreciations to match industry standards (25 years).
Source: Alphaliner, Company reports, Maersk Line

We are fighting off downward pressure on our top line...

Despite moving more volumes...



...falling rates results in stagnating topline

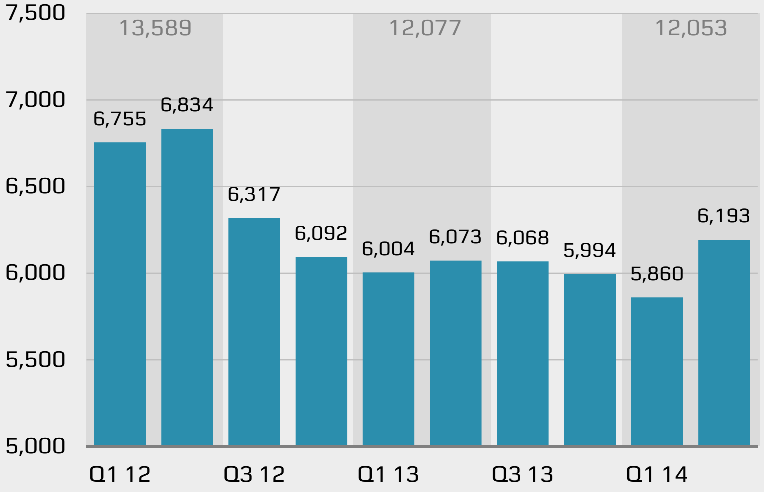


Source: Maersk Line

...by reducing cost by more than revenue is declining

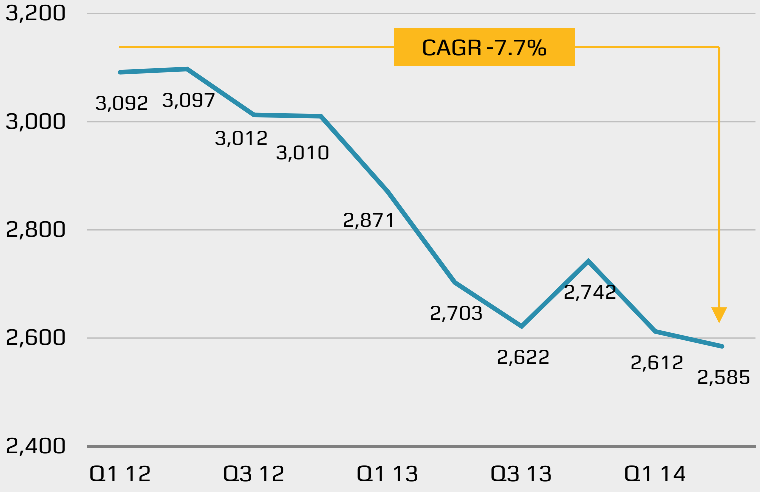
Total cost held flat since H1 2013...

Total cost, (USDm)



...meaning lower unit costs

Unit cost, (USD/FFE)



Note: Unit cost includes VSA income.
Source: Maersk Line

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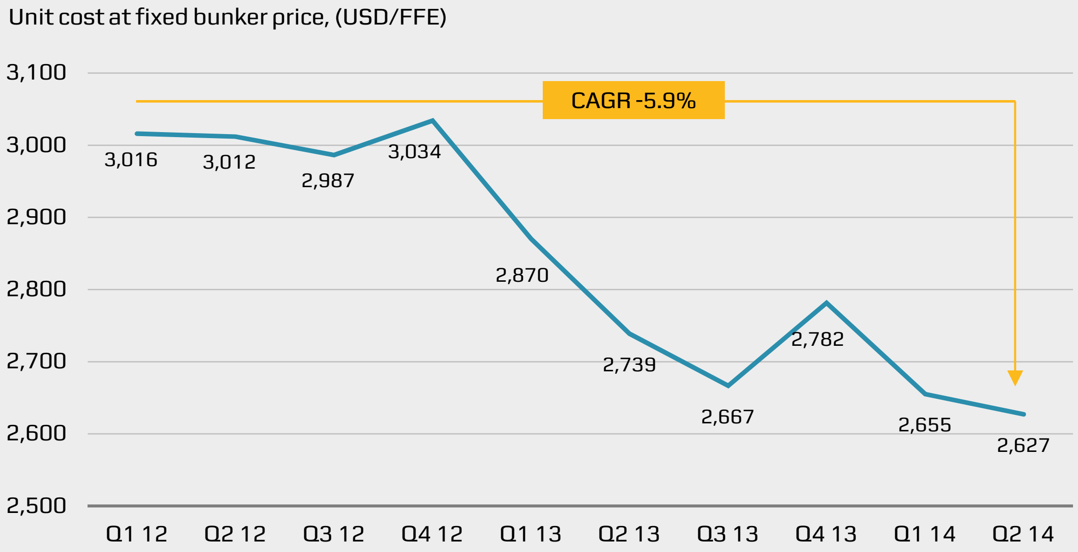
Underlying unit cost reduction main driver behind the improved results

Strong downward decline in underlying unit costs



Note: Bunker price fixed at USD 626/MT
Source: Maersk Line

Main cost drivers

- Active capacity management
- Better network design
  - A more integrated network
  - More effective use of hubs
  - Fewer port calls and canal transits
- Lower bunker cost
  - Slow steaming
  - Speed equalization
  - Larger vessels
  - Higher share of owned and more efficient vessels
  - Retrofits

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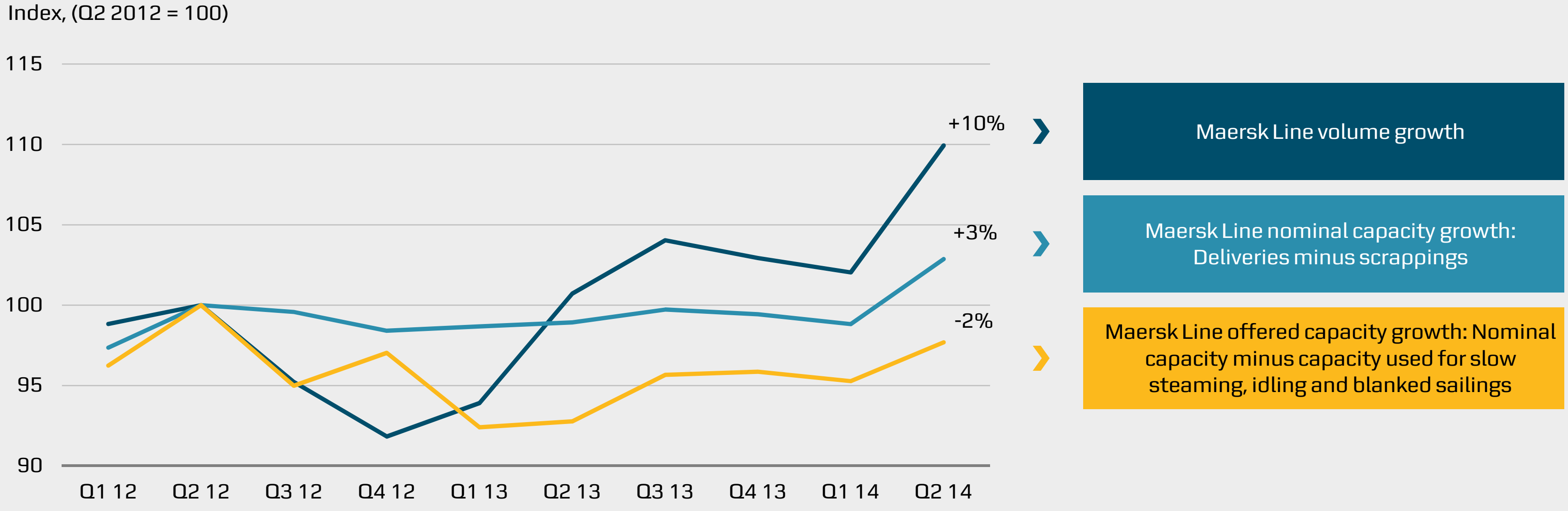
We are growing capacity less than volume...

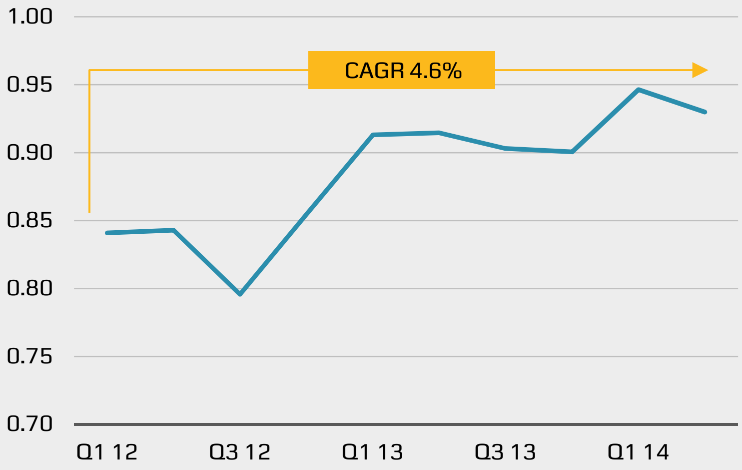
Both nominal and offered capacity growing less than volume



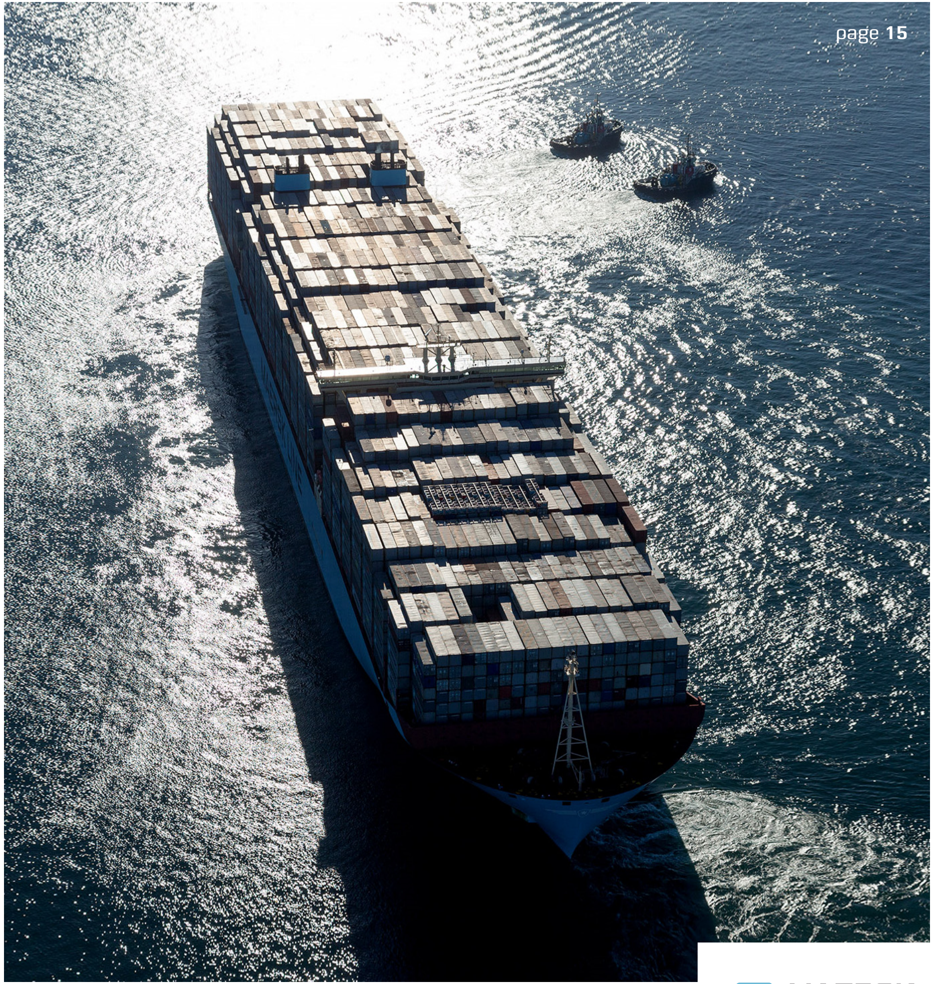
Notes: Offered capacity = Nominal capacity less idling, blanked sailings and slow steaming.
Source: Maersk Line

...leading to better vessel utilization

Capacity turn, (FFE/TEU)



Notes: Capacity turn = Volume / Nominal capacity adj. for idling and vessels added for slow steaming
Source: Maersk Line



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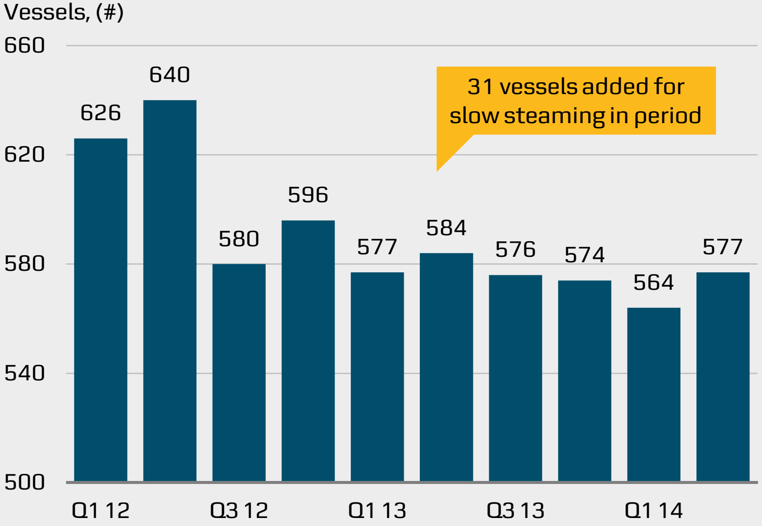
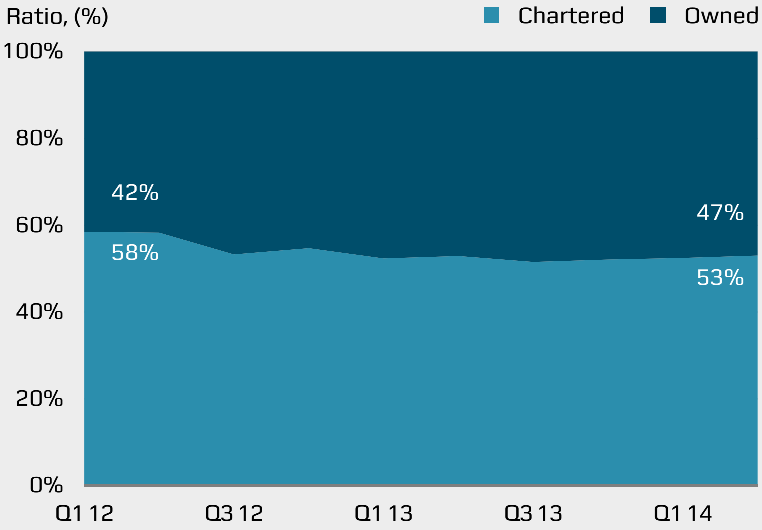
Reducing the number of vessels by redelivery of charter vessels

Large reduction in number of vessels despite slow steaming...



...achieved by redelivering uncompetitive charter vessels

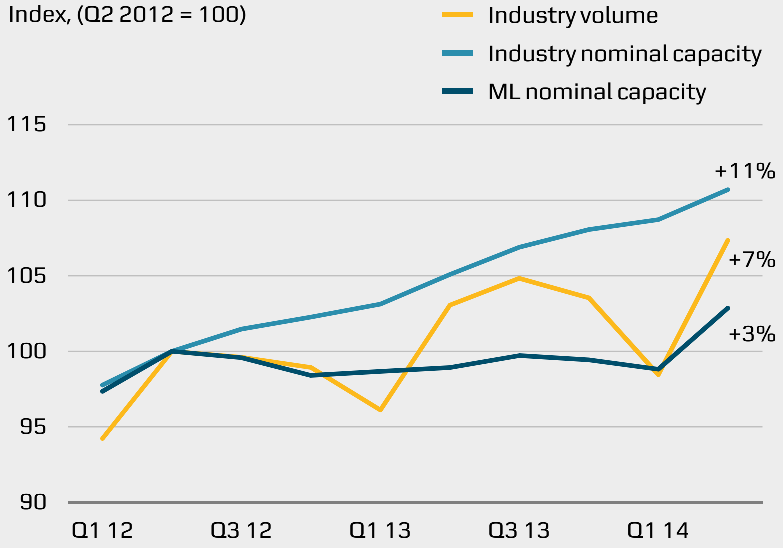


Note: Ratio of chartered/owned calculated on number of vessels.
Source: Maersk Line

We increased capacity much less than industry

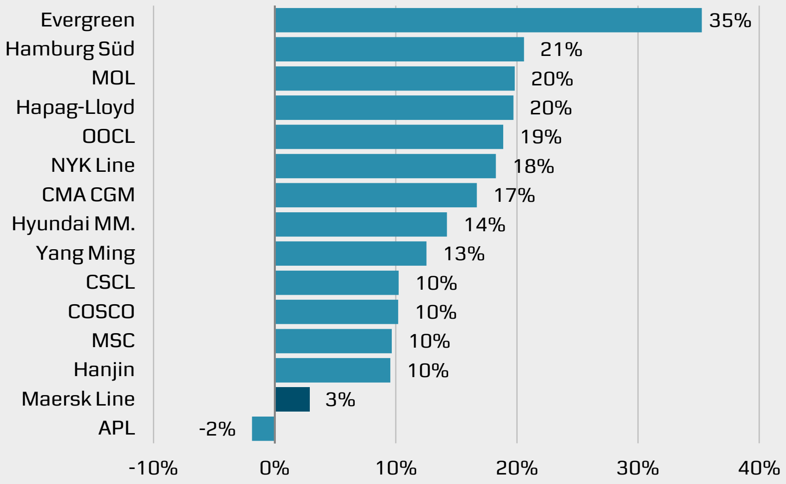
Growing capacity less than industry...

Index, (Q2 2012 = 100)



...also compared to top 15 carriers

Nominal capacity growth, (Q2 2012 – Q2 2014)



Source: Maersk Line, Alphaliner

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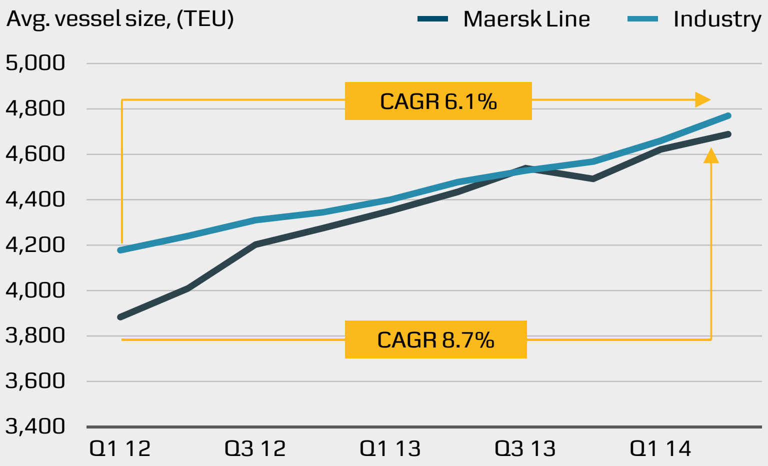
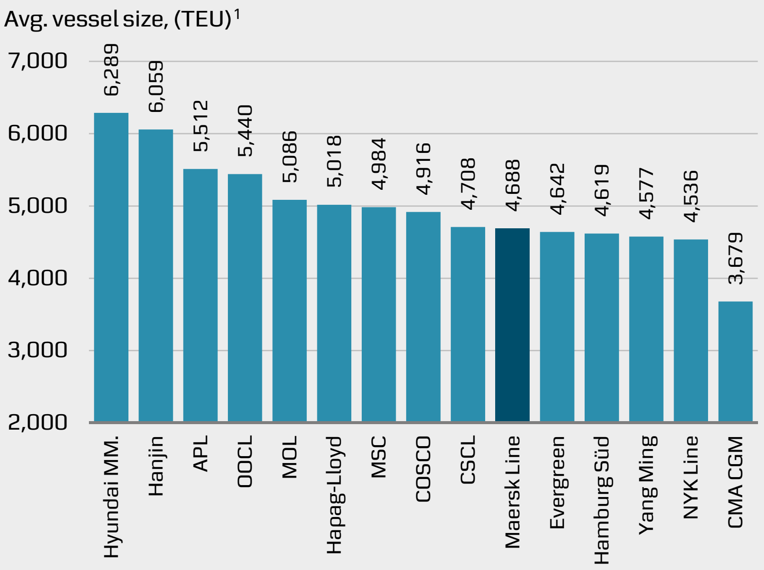
Outperformance not caused by avg. vessel size

Increase in avg. vessel size slightly above industry...



...but without being largest in industry

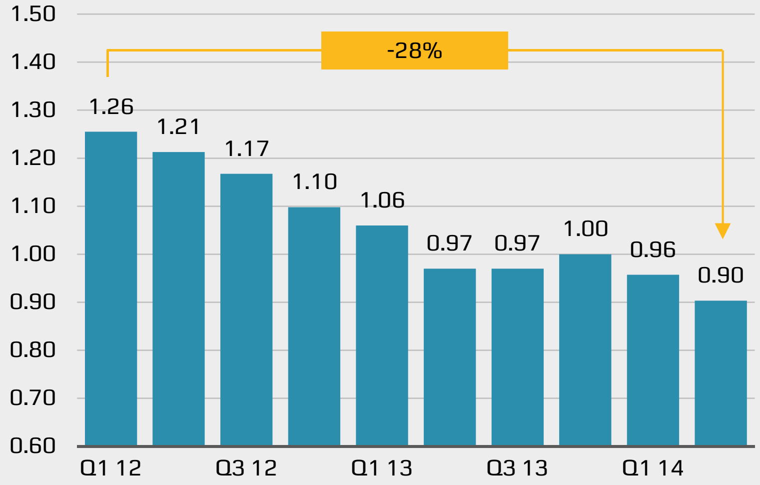


Note: Industry = Top 15 carriers excl. Maersk Line. 1) As of end-June 2014
Source: Alphaliner, Maersk Line

Bunker cost declined significantly due to higher efficiency

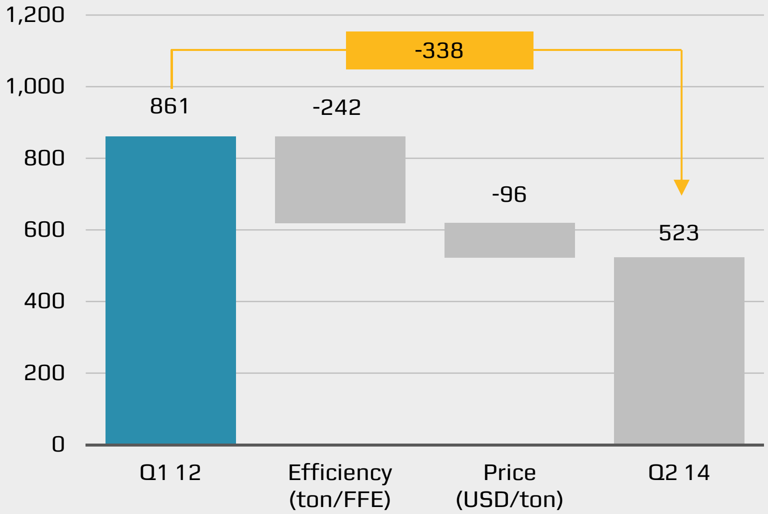
Improved bunker efficiency...

Bunker efficiency, (ton/FFE)



...main driver behind bunker cost reduction

Bunker cost per FFE, (USD/FFE)

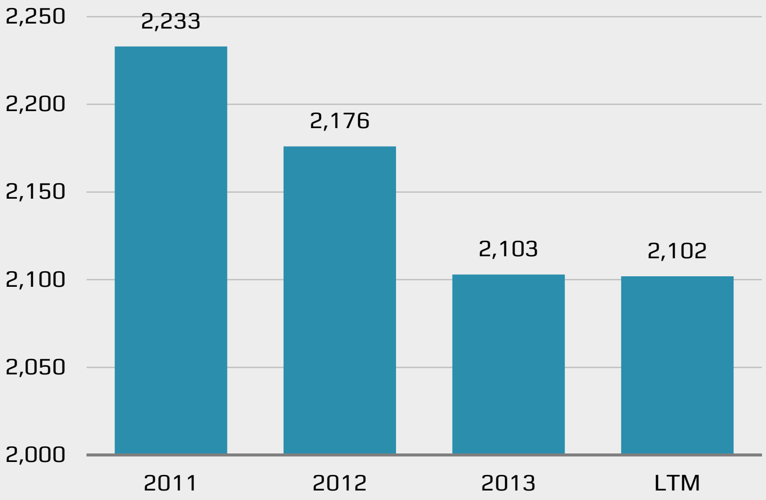


Source: Maersk Line

Continued focus on SG&A to realize scale benefits

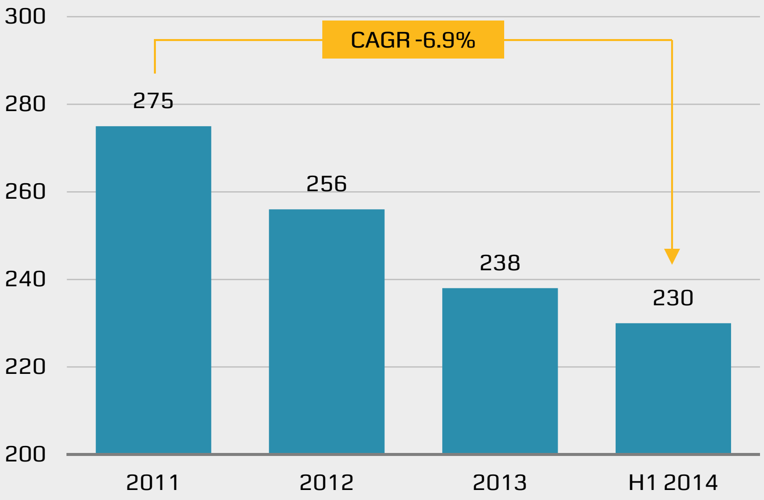
Total SG&A declining slightly y/y...

Total SG&A cost, (USDm)



...but significantly per FFE

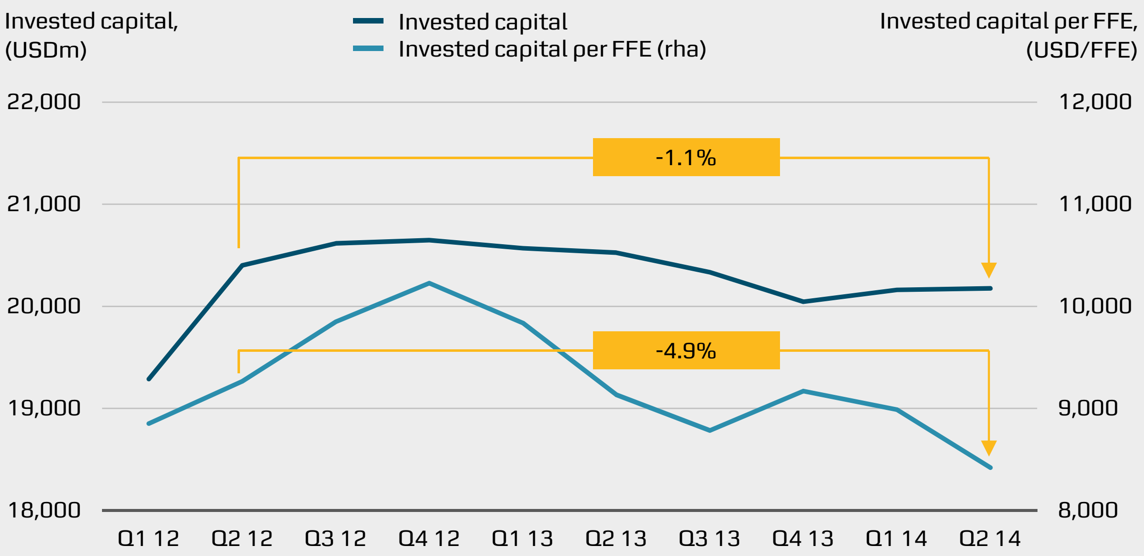
SG&A unit cost, (USD/FFE)



Source: Maersk Line

Keeping the balance sheet fit despite growing volumes and more slow steaming

Decline in invested capital since Q2 2012



Source: Maersk Line

Key points

- Slow steaming has increased capital intensity
- We have increased our owned fleet and handed back time charter tonnage (off balance sheet)
- Container utilization increased
- Net working capital reduced

Building a track record of stable returns

- Delivering on our promises with ROIC exceeding medium term target of 8.5%
- More stable and continuously improving earnings
- Results driven by disciplined capacity management and cost leadership
- Consistently performing above industry

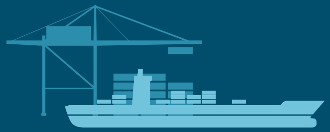
Market outlook

Søren Skou
Chief Executive Officer

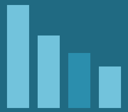
2. Expect challenging conditions to continue

We are facing a number of key challenges

SUPPLY/DEMAND IMBALANCE



DECLINING RATES

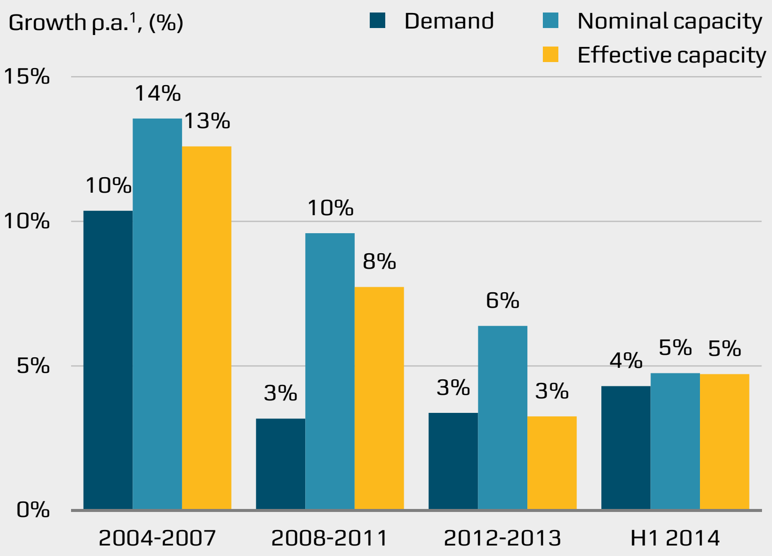


EAST-WEST CHALLENGE

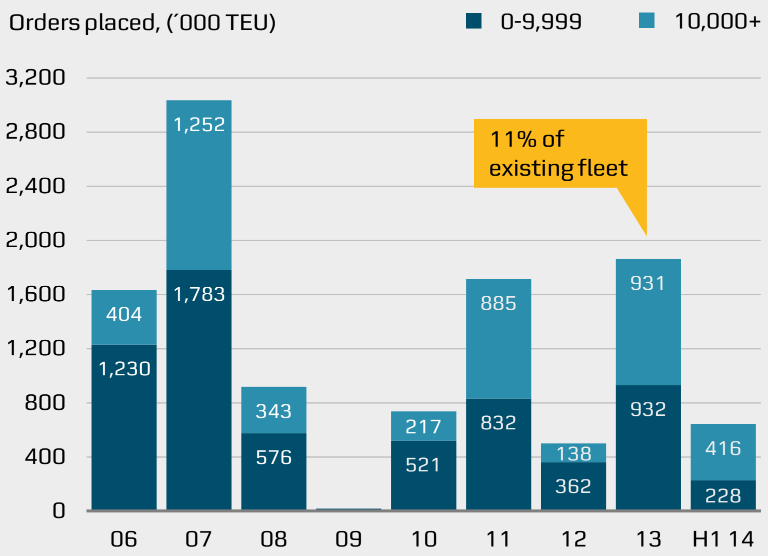
PROTECT NORTH-SOUTH

The industry continues to be tough…

Capacity is outgrowing demand…



…and large ordering continues



Notes: H1 2014 figures y/y 1) Nominal capacity growth is deliveries less scrappings. Effective capacity is nominal capacity less idling, blanked sailings and slow steaming based on internal estimations. As of end June 2014.
Source: Maersk Line, Alphaliner

…driven by weak industry fundamentals

Declining and volatile rates…

~2% reduction

Freight rate at fixed bunker price 2004-H1 2014 (CAGR)

which leads to overcapacity…

10% vs. 6%

Nominal capacity growth vs. demand growth (2004-H1 2014)

gives incentive to invest in larger vessels…

-25%

Unit cost reduction when doubling vessel size[1]

leading to strong vessels ordering…

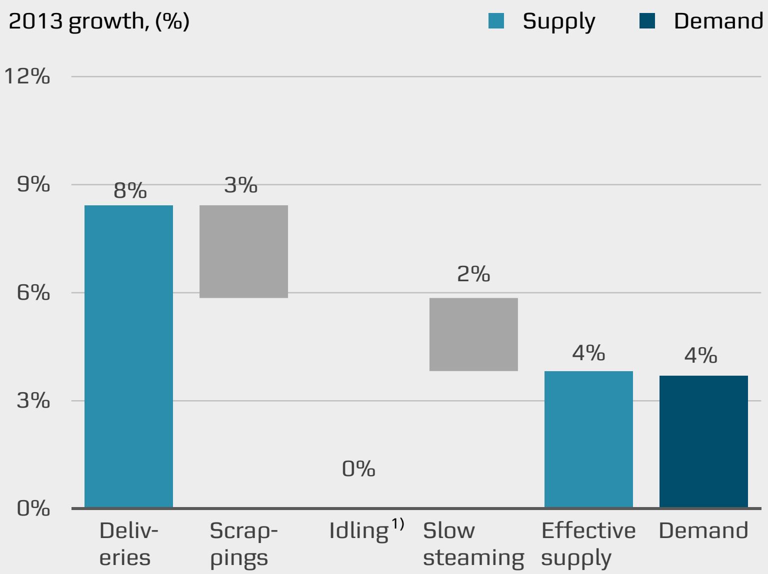
11%

Average yearly vessel capacity ordered 2004-H1 2014 (% of fleet)

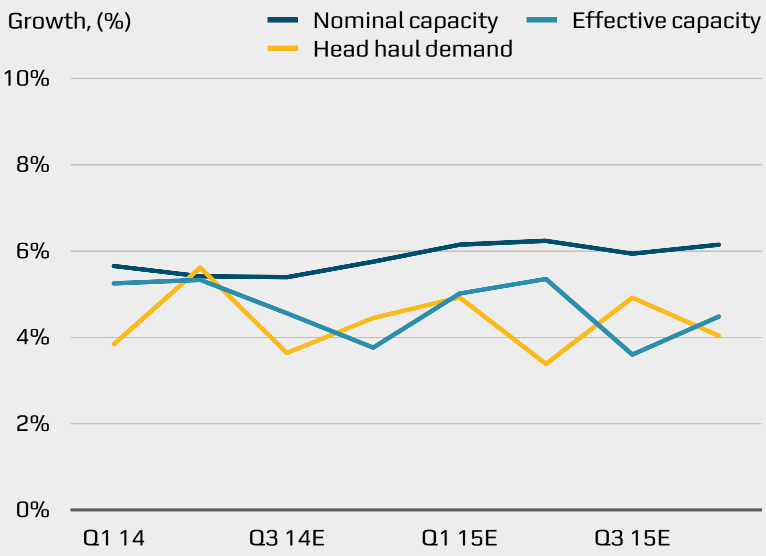
Note: Nominal capacity growth is deliveries less scrappings. 1) Assuming unchanged utilization of larger vessel
Source: Maersk Line, Alphaliner

The current supply/demand gap is expected to remain constant in the near term...

Supply/demand growth in sync in 2013...



...but gap not expected to close

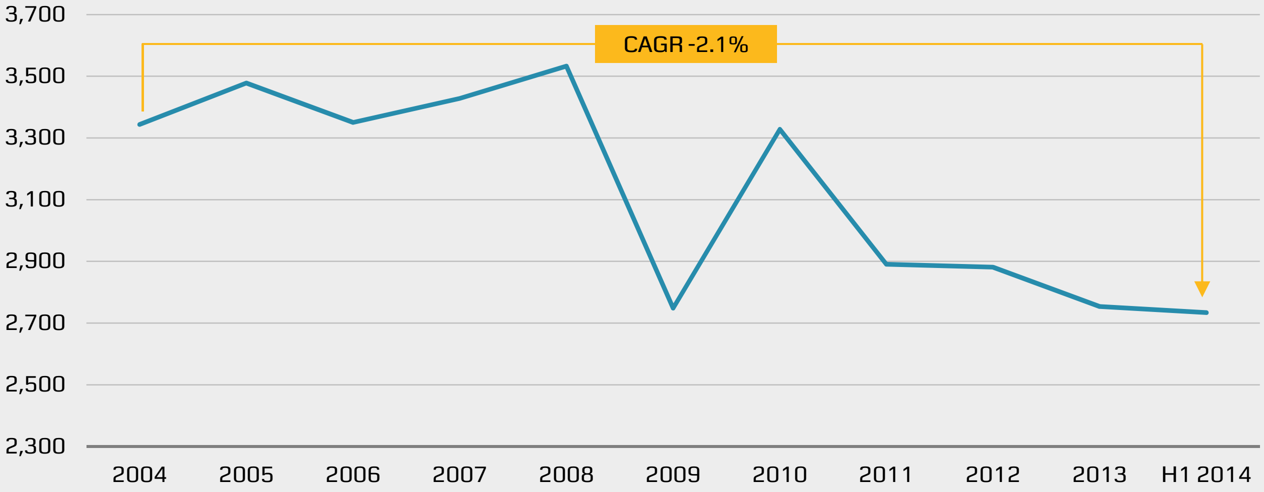


Note: 1) Idling includes blanked sailings. Slow steaming includes changes in length of routes
Source: Maersk Line, Alphaliner, Compair Data

...but we expect a long term trend of declining rates

Maersk Line's average freight rate has declined 2.1% p.a. since 2004

Maersk Line freight rate – fixed bunker[1], (USD/FFE)

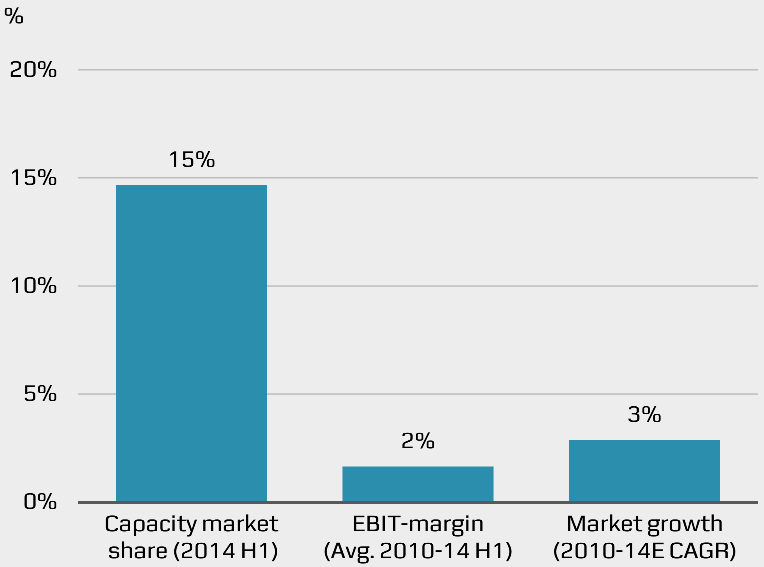


Since	CAGR (%)
2004	-2.1%
2008	-4.6%
2010	-5.5%
2013	-1.4%

Notes: 1) Freight rate adjusted to fixed bunker price of 662 USD/ton in all years.
Source: Maersk Line

We are particular challenged on the East-West trades...

East-West characteristics



Note: East-West trades: Asia-Europe, Transpacific & Transatlantic. EBIT-margin is an arithmetic average.
Source: Alphaliner, Maersk Line

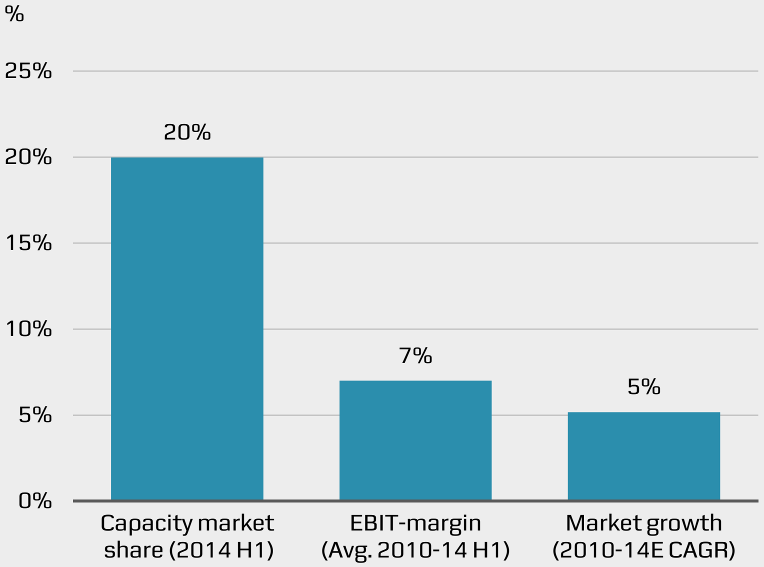
East-West trends

- Modest long term demand growth
- Large influx of large container vessels
- Carriers grouping together in alliances
- Low barriers to entry due to easy access to terminals
- Strong position of freight forwarders
- Limited room to differentiate on product and service

› Industry continues to chase lower costs

...resulting in competitive pressure on the North-South trades

North-South characteristics



Note: North-South trades: Africa, Latin America, West Central Asia & Oceania. EBIT-margin is an arithmetic average .
Source: Alphaliner, Maersk Line

North-South trends

- Higher long term demand growth in developing economies
- Cascading of larger vessels from East-West – Panamax abundance
- More carriers focusing on North-South trades
- Differentiated customer needs

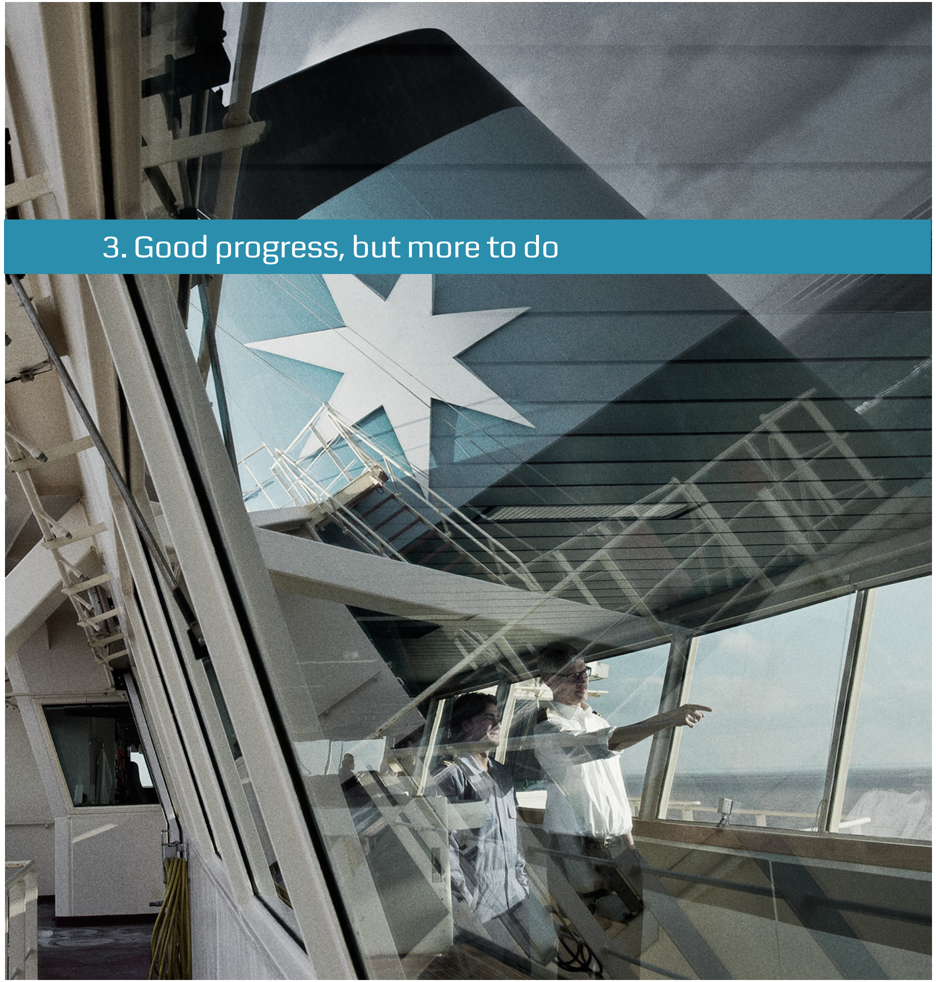
› Unlocking potential through customer focus

A deflationary mindset still required

Forward looking statements

	2003-2013	2013	2014E	2015E	2016E
Industry demand (CAGR growth, %)	7%	4%	4-5%	4-6%	4-6%
Industry nominal capacity (CAGR growth, %)	10%	6%	6%	7%	4-6%
Cost (Maersk Line)		**Deflationary mindset:** Continue to drive cost reductions			
Market share (Maersk Line)		**Grow with market:** Keep market share			
Investments (Maersk Line) CFFI (Net), USD bn	2.3	1.6	Avg. 2.5 p.a.		

Notes: Nominal capacity growth is expected deliveries less expected scrappings. Investments from 2003-2013 are an avg. for the period and includes Damco, Maersk Container Industry and Container Inland Services from 2003-08, while APM Terminals is excluded. The P&O Nedlloyd acquisition in 2005 is included. Investments include committed investments, approved but not committed investments and non-approved investments.
Source: Maersk Line, Alphaliner.



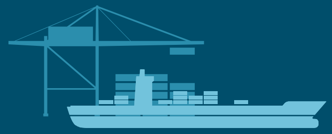
3. Good progress, but more to do

Strategy

Our strategy addresses main challenges

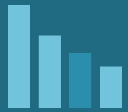
SUPPLY/DEMAND IMBALANCE

- Disciplined capacity deployment
- Grow with the market



DECLINING RATES

- Cost leadership
- Deflationary cost mindset



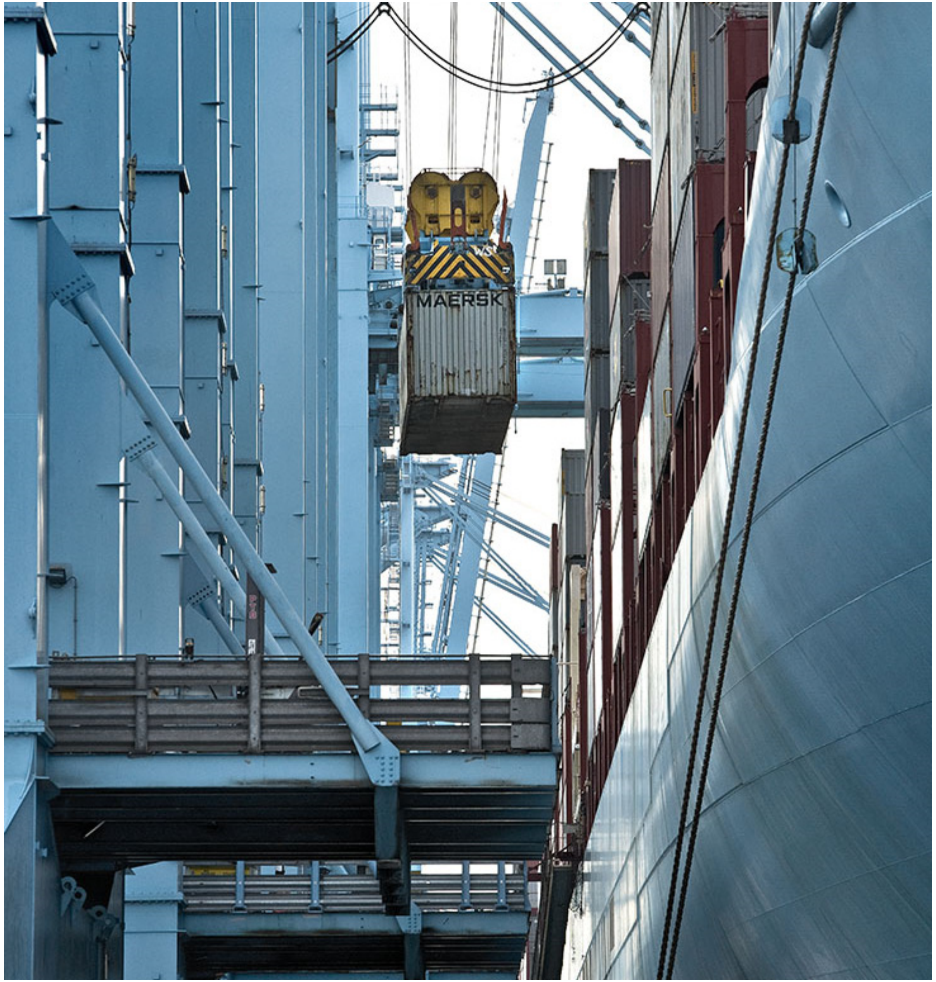
EAST-WEST CHALLENGE

- Lower cost and an improved product from Maersk Line-MSC* VSA

PROTECT NORTH-SOUTH

- Largest vessels possible
- Local footprint and local knowledge

[*] Disclaimer: Whether the Maersk Line-MSC VSA will be implemented depends among other things on whether Maersk Line and MSC will receive the regulatory approvals and assurances they deem necessary. Therefore this material is tentative and subject to change.



A vast toolbox for cost cutting...

Network rationalization

Speed equalization & Slow steaming

Improve utilization

Container efficiency

Maersk Line-MSC* VSA

Improve procurement

Inland optimization

Deployment of larger vessels

Retrofits

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Source: Maersk Line

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...which is continuously being put into use

Example of network optimization...

WHAT: Combining AC3 and Safari services to pendulum service through rationalization of overlapping ports

IMPACT: Reduced bunker consumption, time, and port expenses while using one less vessel – Total saving USD 20m p.a.

Note: AC3 string: West Coast South America – Far East Asia. Safari string: South Africa – Far East Asia
Source: Maersk Line

...and continuing slow steaming

TA2 – Transatlantic:
From 5 to 6 vessels - Net saving USD 10m p.a.

ME1 – North Europe – Middle East:
From 7 to 8 vessels – Net saving USD 15m p.a.

MECL1 – Middle East – US East Coast:
From 8 to 9 vessels - Net saving USD 20m p.a.

Maersk Line-MSC* VSA to meet East-West challenge

Maersk Line-MSC* VSA highlights

- Vessel Sharing Agreement (VSA) with MSC on all East-West trades
- Replaces all existing East-West VSAs for both carriers
- 10 year duration – starting early 2015
- Operated through Joint Working Procedures as a traditional VSA
- Standard VSA legal filings

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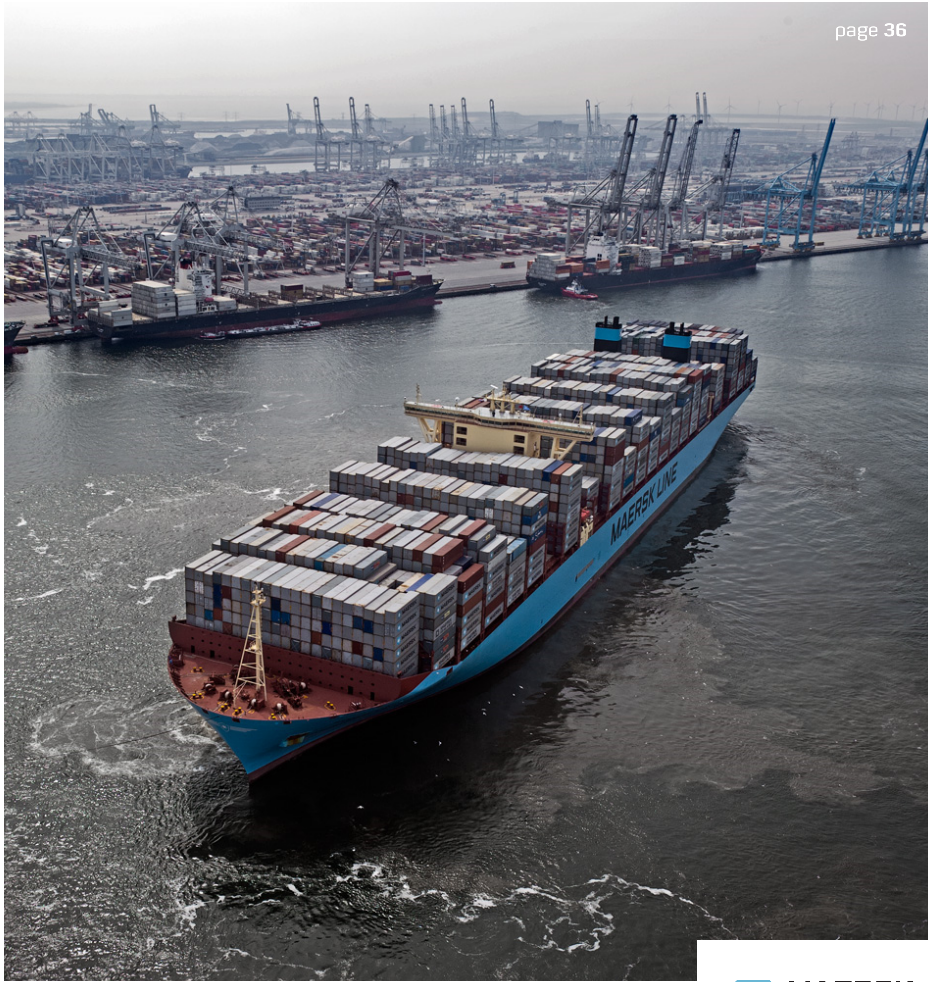
Source: Maersk Line



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Maersk Line-MSC* VSA will provide cost savings...

INCREASED AVERAGE VESSEL SIZE

- Lower East-West network cost

BETTER EEE DEPLOYMENT

- Not adding significant capacity to the market
- Improved utilization

LOWER CO_2 EMISSIONS

- Shorter strings used for bunker savings
- Lower speed

› Annual benefit estimated at USD 350m

[*] Disclaimer: Whether the Maersk Line-MSC VSA will be implemented depends among other things on whether Maersk Line and MSC will receive the regulatory approvals and assurances they deem necessary. Therefore this material is tentative and subject to change.
Note: Annual benefit estimation based on 2015 network with and without Maersk Line-MSC VSA
Source: Maersk Line

...and a better product

- Expanding the network with more strings on the Asia – Europe and Transatlantic trades
- Ability to maintain high number of weekly sailings – deploying EEEs alone would reduce weekly sailings at current capacity
- More direct port-to-port pairs: 1,036 vs. 788
- More ports called: 291 vs. 212

› **An improved product offering without increasing capacity**

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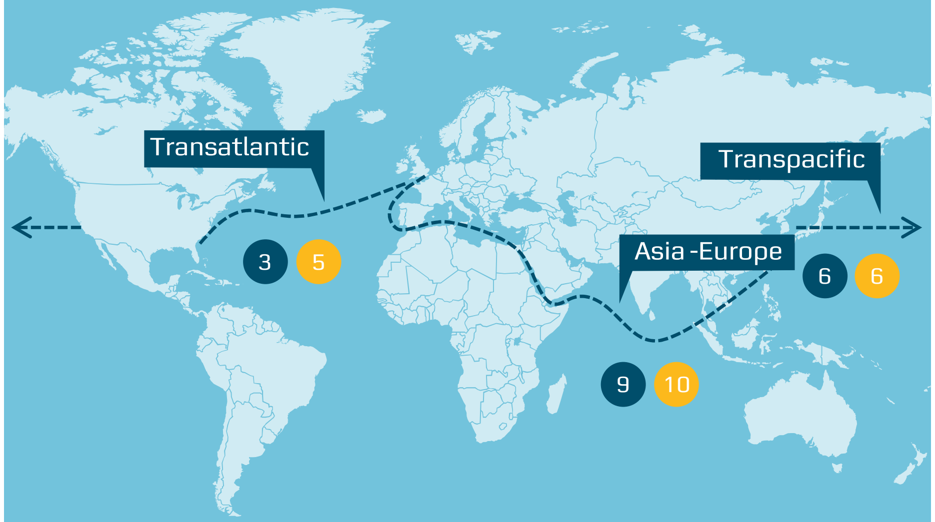
Source: Maersk Line

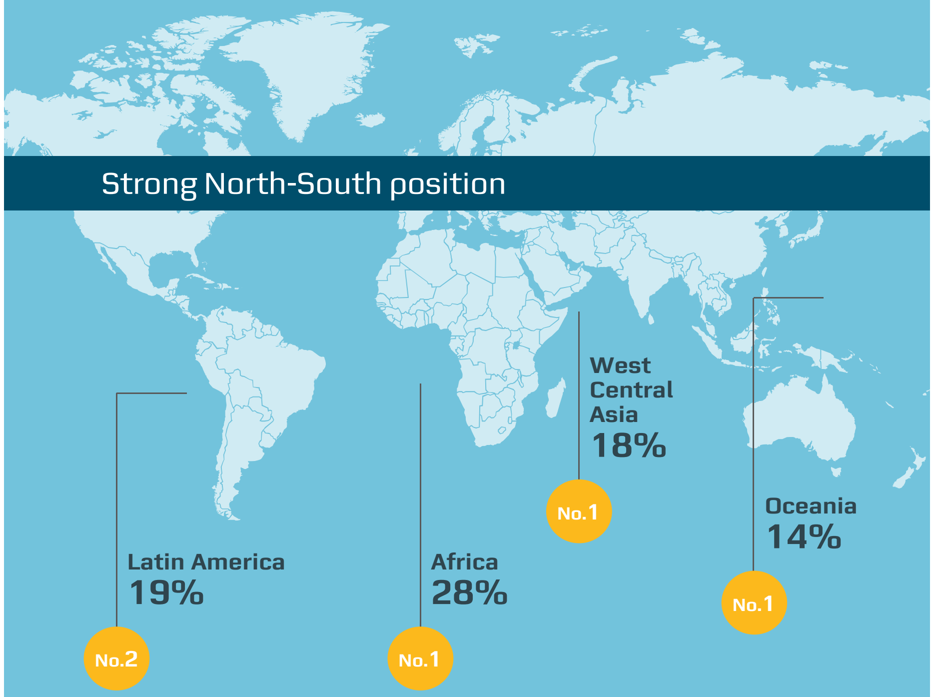


East-West strings in network

18 Current Maersk Line strings (incl. existing VSAs)

21 Maersk Line-MSC VSA* strings

Strong North-South position



Note: Market positions are indicated as capacity shares
Source: Maersk Line, Alphaliner

We will defend our North-South leadership…

Defend through three main tools

Cost leadership

- Largest vessels possible
- Lowest unit cost

Best product

- More ports called on each trade than most competitors
- More extensive feeder network

Boots on the ground

- Extensive local knowledge from years experience
- Local footprint – offices in most countries

...and look for growth opportunities

Reestablishing the SeaLand brand – where Maersk Line is under-weight

- New intra-Americas brand – leveraging on experience from MCC and Seago Line
- Will focus on the special needs of short haul customers
- Using an already well recognized brand in the region
- Headquarter in South Florida with ~250 dedicated employees across the region
- Independent commercial setup

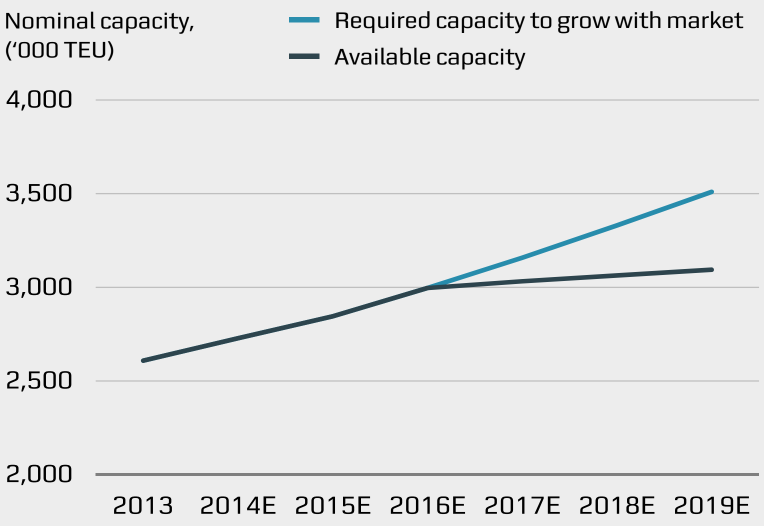
› **Ready to launch primo 2015**

Growth

4. Growth agenda to sustain our position

New vessels needed by 2017 to grow with market

Invest to grow with the market



Note: Based on estimated demand growth of 4-6% p.a.
Source: Maersk Line

Investment expectations

- Maersk Line is now delivering on medium term objectives, thus prudent to invest in a disciplined manner
- Current orderbook not sufficient to grow with market - 425,000 TEU new capacity needed for delivery in 2017-2019
- Vessels will support low cost position by being largest possible in each trade
- Surplus of smaller vessels makes chartering attractive in this segment

› **Expected avg. net investment cash flow of USD ~3 bn p.a. 2015-2019**

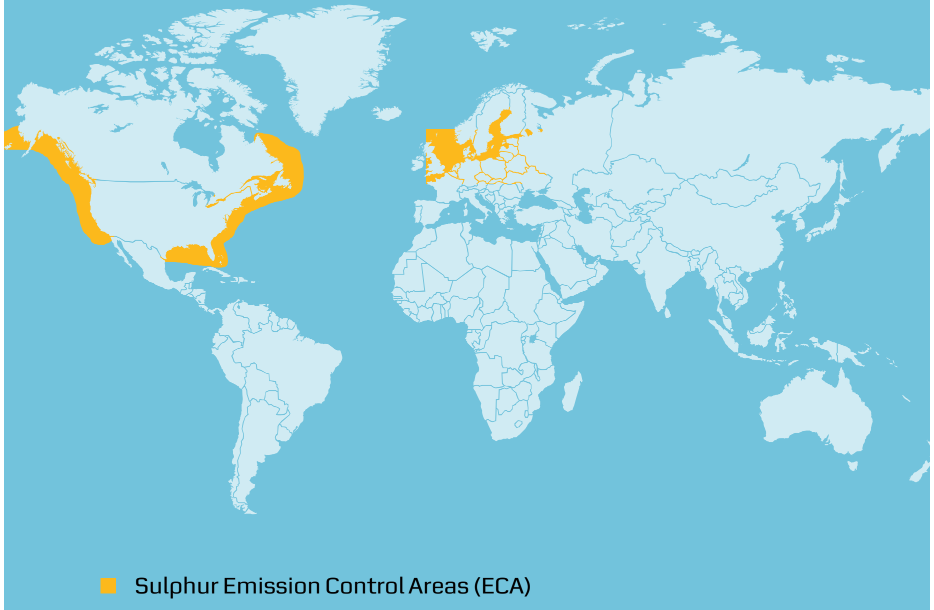
Investments to meet regulatory changes

Regulation will raise bunker cost

- Stricter regulation for Sulphur Emission Control Areas (ECA) per 1 January 2015
- Lower sulphur fuel is more expensive and will increase our bunker cost by estimated USD 200m p.a.
- Maersk Line will introduce a tariff to customers to recoup increased costs
- Future vessel investments will consider options that reduce sulphur emissions

Source: Maersk Line, IMO

ECA will affect North America and North Europe related trades



MAERSK LINE

Key messages

Aiming to persistently deliver medium term target

Medium term objectives

- Top quartile performer
- EBIT-margin 5% points above peer average
- Growing with the market
- Funded by own cash flow
- Returns above 8.5% (ROIC)

Four key topics

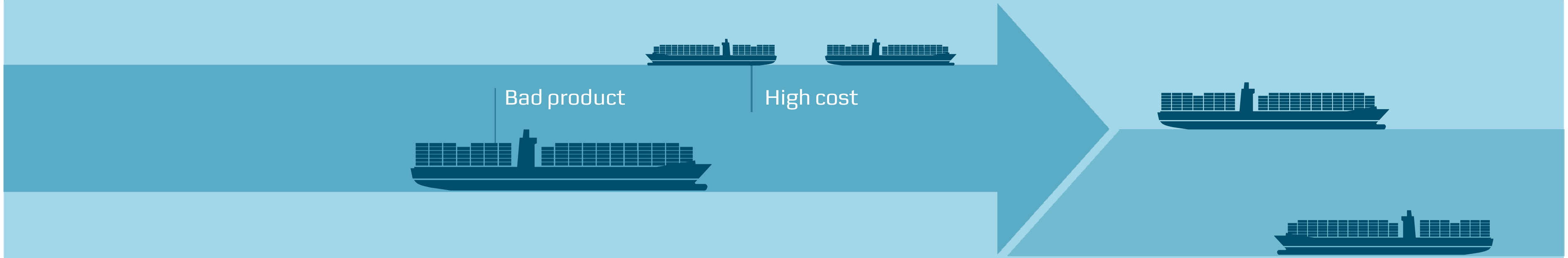
1. Building a track record of stable returns
2. Expect challenging conditions to continue
3. Good progress, but more to do
4. Growth agenda to sustain our position

Mary Mærsk loaded with 17,603 TEU – a mix of full and empty containers - on journey from Algericas, Spain bound for Tanjung Pelepas, Malaysia on 21 July, 2014

Appendix

MAERSK LINE

The logic of Vessel Sharing Agreements



Servicing a trade

CARRIERS FACING TOUGH MARKET REQUIREMENTS

- 2 carriers operate on same trade
- Each ships 10,000 TEU per week
- Low cost (scale) and frequent sailings (more vessels) are the two main parameters for customers

Stand alone

TRADE-OFF BETWEEN PRODUCT AND COST

- Both carriers face same tradeoff
- 1 weekly sailing of 10,000 TEU – low cost but bad product
- 2 weekly sailings of 5,000 TEU – good product but high costs

Vessel Sharing Agreement

ENABLING GOOD PRODUCT AT LOW COST

- 2 weekly sailings - 10,000 TEU
- Each carrier fills half vessel 2 times per week
- Still independent sales and pricing
- Guidelines for sharing costs