HIGHLIGHTS

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).

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.

Underlying result reconciliation

	Profit/loss for the year – continuing operations		Gain/loss on sale of non-current assets, etc., net[1]		Impairment losses, net[1]		Tax on adjustments		Underlying result	
USD million	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Maersk Line	-376	1,303	25	40	-17	-17	-	-7	**-384**	**1,287**
APM Terminals	438	654	23	15	-10	14	-8	-1	**433**	**626**
Damco	31	19	-	5	-	-	-	-1	**31**	**15**
Svitzer	91	120	5	5	-3	-	-	-1	**89**	**116**
Maersk Oil	477	-2,146	-14	5	-3	-3,131	-3	545	**497**	**435**
Maersk Drilling	-694	751	-1	46	-1,510	-27	74	-	**743**	**732**
Maersk Supply Service	-1,228	147	-1	30	-1,219	-	36	-	**-44**	**117**
Maersk Tankers	62	160	4	5	-	-1	-	-	**58**	**156**
Other businesses, unallocated activities and eliminations	-698	-83	142	331	-130	-1	2	-	**-712**	**-413**
Maersk consolidated	-1,897	925	183	482	-2,892	-3,163	101	535	**711**	**3,071**

[1] Including A.P. Moller - Maersk's share of gains on sale of non-current assets etc., net, and impairments, net, recorded in joint ventures and associated companies.

UNALLOCATED ACTIVITIES

Unallocated activities comprise activities which are not attributable to reportable segments, including financial items as well as centralised purchasing and resale of bunker and lubricating oil to companies in A.P. Moller - Maersk. Net financial expenses were USD 617m (USD 423m) primarily driven by USD 152m higher net interest expenses due to higher net debt, as well as USD 67m higher net foreign exchange losses.

A.P. Moller - Maersk's shares in Danmarks Skibskredit A/S were sold in September, with closing of the transaction in November. The transaction resulted in a cash inflow of USD 106m and a gain of USD 54m.

A.P. Moller - Maersk sold its remaining stake of 16.2 million shares in Danske Bank A/S in November. Proceeds from the sale were USD 482m.

CREDIT RATING

A.P. Moller - Maersk remains investment grade rated, however, the credit rating agencies Moody's and Standard & Poor's downgraded A.P. Moller - Maersk's rating from Baa1 and BBB+, to Baa2 and BBB, respectively, both with negative outlook.

SHARE BUY-BACK PROGRAMME

A.P. Moller - Maersk completed its share buy-back programme in Q1 and acquired own shares at a value of DKK 3.2bn (equal to USD 0.5bn) as part of the DKK 6.7bn programme, equal to approximately USD 1bn.

As part of the share buy-back programme 146,122 A-shares and 582,398 B-shares were cancelled in Q2 in accordance with the decision at the Annual General Meeting on 12 April 2016.

ISSUE OF BONDS IN EUR AND NOK

A.P. Møller - Mærsk A/S issued bonds of EUR 1.5bn, equal to USD 1.7bn, with maturities in 2019 and 2021, and bonds of NOK 5.2bn, equal to USD 620m, with maturities in 2021, 2023 and 2026, respectively. The proceeds were for general corporate purposes.

STRATEGIC REVIEW

A.P. Moller - Maersk initiated a strategic review on 23 June to evaluate the strategic and structural options with the objective to generate growth, increase agilities, unlock synergies, and maximise shareholder value.

The outcome of the strategic review was announced in September, stating a clear decision on a new strategy for A.P. Moller - Maersk, which involves separating the transport and logistics and the oil and oil related businesses into two divisions.

As a result of the strategic review and to support the execution of the new strategies the Management Board and management fora were changed. The Management Board of A.P. Møller - Mærsk A/S now consists of Søren Skou, Group CEO, Claus V. Hemmingsen, Group Vice CEO, and Jakob Stausholm, Group CFO.

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).

Forward-looking statements
The Annual Report contains forward-looking statements. Such statements are subject to risks and uncertainties as various factors, many of which are beyond A.P. Moller - Maersk's control, may cause actual development and results to differ materially from expectations contained in the Annual Report.

The financial reporting for 2017 will change effective as of Q1 2017 as a consequence of the new structure for A.P. Moller - Maersk with a Transport & Logistics division and an Energy division.

All figures in parenthesis refer to full year 2016.

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:

Factors	Change	Effect on A.P. Moller - Maersk's underlying result
Oil price for Maersk Oil[1]	+/-10 USD/barrel	+/-USD 0.26bn
Bunker price	+/-100 USD/tonne	-/+USD 0.4bn
Container freight rate	+/-100 USD/FFE	+/-USD 1.1bn
Container freight volume	+/-100,000 FFE	+/-USD 0.1bn

[1] Sensitivity estimated on the current oil price level.

FIVE YEAR SUMMARY

AMOUNTS IN USD MILLION

INCOME STATEMENT	2016	2015	2014	2013	2012
Revenue	35,464	40,308	47,569	47,386	49,491
Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)	6,767	9,074	11,919	11,372	11,797
Depreciation, amortisation and impairment losses, net	7,265	7,944	7,008	4,628	5,065
Gain on sale of non-current assets, etc., net	178	478	600	145	610
Share of profit/loss in joint ventures	149	165	-6	152	130
Share of profit/loss in associated companies	-55	97	412	295	222
Profit/loss before financial items (EBIT)	-226	1,870	5,917	7,336	7,694
Financial items, net	-617	-423	-606	-716	-780
Profit/loss before tax	-843	1,447	5,311	6,620	6,914
Tax	1,054	522	2,972	3,237	3,161
Profit/loss for the year – continuing operations	-1,897	925	2,339	3,383	3,753
Profit/loss for the year – discontinued operations	-	-	2,856	394	285
Profit/loss for the year	-1,897	925	5,195	3,777	4,038
A.P. Møller - Mærsk A/S' share	-1,939	791	5,015	3,450	3,740
Underlying result	711	3,071	4,532	3,409	N/A

BALANCE SHEET	2016	2015	2014	2013	2012
Total assets	61,118	62,408	68,844	74,509	72,396
Total equity	32,090	35,739	42,225	42,513	39,324
Invested capital	42,808	43,509	49,927	54,630	53,814
Net interest-bearing debt	10,737	7,770	7,698	11,642	14,489
Investments in property, plant and equipment and intangible assets	6,748	7,647	9,368	7,087	7,826

CASH FLOW STATEMENT	2016	2015	2014	2013	2012
Cash flow from operating activities[1]	4,326	7,969	8,761	8,909	7,041
Cash flow used for capital expenditure[1]	-4,355	-1,408	-6,173	-4,881	-5,822

FINANCIAL RATIOS	2016	2015	2014	2013	2012
Return on invested capital after tax (ROIC)	-2.7%	2.9%	11.0%	8.2%	8.9%
Return on equity after tax	-5.6%	2.4%	12.3%	9.2%	10.7%
Equity ratio	52.5%	57.3%	61.3%	57.1%	54.3%

STOCK MARKET RATIOS	2016	2015	2014	2013	2012
Earnings per share (EPS), USD	-93	37	230	158	171
Diluted earnings per share, USD	-93	37	230	158	171
Cash flow from operating activities per share, USD[1]	208	372	401	408	323
Ordinary dividend per share, DKK	150	300	300[2]	280	240
Ordinary dividend per share, USD	21	44	49[2]	52	42
Share price (B share), end of year, DKK	11,270	8,975	12,370	11,770	8,520
Share price (B share), end of year, USD	1,597	1,314	2,021	2,175	1,506
Total market capitalisation, end of year, USD m	32,215	27,587	42,848	46,305	31,876

BUSINESS DRIVERS	2016	2015	2014	2013	2012
Maersk Line					
Transported volumes (FFE in '000)	10,415	9,522	9,442	8,839	8,493
Average freight rate (USD per FFE)	1,795	2,209	2,630	2,674	2,881
Unit cost (USD per FFE incl. VSA income)	1,982	2,288	2,584	2,731	3,054
Average fuel price (USD per tonne)	223	315	562	595	661
Maersk Line fleet, owned	292	285	274	275	270
Maersk Line fleet, chartered	347	305	336	299	326
Fleet capacity (TEU in '000)	3,239	2,962	2,946	2,631	2,625
APM Terminals					
Containers handled (measured in million TEU and weighted with ownership share)	37.3	36.0	38.3	36.3	35.4
Number of terminals	73	63	64	65	62
Maersk Oil					
Average share of oil and gas production (thousand barrels of oil equivalent per day)	313	312	251	235	257
Average crude oil price (Brent) (USD per barrel)	44	52	99	109	112
Maersk Drilling					
Operational uptime	98%	97%	97%	97%	92%
Contracted days	6,307	7,086	6,275	5,840	5,574
Revenue backlog (USD bn)	3.7	5.4	6.0	7.9	7.2

[1] From continuing operations.

[2] An extraordinary cash dividend equal to DKK 1,671 per share of nominally DKK 1,000 was declared in connection with the sale of Danske Bank A/S.

STRATEGY

A.P. Moller - Maersk will become an integrated transport and logistics business, while the oil and oil related businesses, either individually or in combination, are to be separated from A.P. Moller - Maersk.

Following a strategic review initiated in June 2016, the Board of Directors decided to reorganise A.P. Moller - Maersk into two independent divisions; an integrated Transport & Logistics division and an Energy division with effect from end-September 2016.

Going forward, the main growth focus of A.P. Moller - Maersk will be on delivering best in class transportation and logistics services as an integrated business. Building on the unique position within container transport and port operations as well as on the significant position in supply chain management and freight forwarding, Transport & Logistics division will leverage its leading position to become the global integrator of container logistics, connecting and simplifying the global supply chain.

The Board of Directors has concluded that the oil and oil related businesses each will require different solutions for sustainable future operations, including separation of entities individually or in combination, from A.P. Moller - Maersk. Depending on market developments and structural opportunities, the objective is to find structural solutions for the oil and oil related businesses before the end of 2018.

Financial reporting for the new divisions will be effectuated from the financial year 2017.

TRANSPORT & LOGISTICS DIVISION

Above 8.5% ROIC over the cycle while growing revenue

Transport & Logistics consists of Maersk Line, APM Terminals, Damco, Svitzer and Maersk Container Industry based on a one-company structure with multiple brands. The vision for Transport & Logistics is to become the global integrator of container logistics by connecting and simplifying the global supply chain. There are three cornerstones to realise the vision:

- Providing simple solutions to customers' complex supply chain needs
- Elevating the customer experience through digital innovation
- Offering the industry's most competitive container transport network to every market in the world.

Managing and operating the business activities in Transport & Logistics in a more integrated manner can unlock profitable growth and synergies through stronger collaboration and disciplined capital allocation.

The profitable growth will be realised from better customer experience across the brands in Transport & Logistics. By covering the entire value chain, supported by digitisation, Transport & Logistics can offer customers reliable logistics services and integrated offerings via tailor-made solutions and expanded products.

Significant synergies will stem from increasing terminal utilisation by ensuring that Maersk Line uses APM Terminals where feasible, at market prices. Productivity will be enhanced by better collaboration and planning between Maersk Line, APM Terminals and Svitzer, especially in APM Terminals key hubs. Organising the five businesses into one Transport & Logistics division also enables significant overhead reductions as overlapping functions are eliminated. Finally, increased cross-selling between Maersk Line, APM Terminals, Damco and Svitzer unlocks potential synergies.

The synergies from integration are expected over a three year period to generate up to two percentage points in ROIC improvement. The Transport & Logistics division targets a ROIC above 8.5% over the cycle combined with growing revenue.

ENERGY DIVISION

Optimising value

Energy consists of Maersk Oil, Maersk Drilling, Maersk Supply Service and Maersk Tankers.

The businesses within Energy continue to be operated and managed individually with the aim of finding sustainable structural solutions before the end of 2018.

The strategy of **Maersk Oil** is to build on its strong position in the North Sea by maximising value from safe operations and ensuring world-class delivery of projects like Culzean, UK, and Johan Sverdrup, Norway. Exploration activities will be kept at a low level, while focus will be on continuous cost reductions and improved production efficiencies. Portfolio management will focus on the North Sea and be based on optimal capability fit.

Maersk Drilling is focused on recalibrating its business through continued cost reductions and best-in-class drilling services to its customers while pursuing superior operational performance. Maersk Drilling will through a deeper engagement with its customers seek to find new models of collaboration that will help customers drive down the overall production cost of oil and gas.

Maersk Supply Service will continue to reduce its cost level and is actively contributing to restoring the supply and demand balance by reducing its fleet by 21 vessels over a period of 21 months. Maersk Supply Service has the ambition of becoming a leading integrator of marine services and solutions for the offshore energy sector, with the aim to bundle services and manage subcontractors to offer simple and efficient operations to customers.

Maersk Tankers will continue to pursue its Taking Lead strategy to retain a strong market position. The strategy is based on digitisation across the priorities; active position taking, cost leadership and third party services.

STRATEGY PROCESS

The Board of Directors will continue to perform an annual strategy review for the Transport & Logistics division and for each of the businesses in the Energy division, including a capital allocation process. The annual strategy conference is held in June at which the Board of Directors discusses proposals put forward by the Management Board and decides any adjustments to the overall strategy.

Strategies, including detailed financial forecasts, plans and opportunities for the coming years, are developed for the Transport & Logistics division and each of the businesses in the Energy division. The total capital requirement across both divisions will be subject to the overall focus on disciplined capital behaviour and will be prioritised in line with the financial policies of A.P. Moller - Maersk and the commitment to maintain an investment grade credit rating.

Between each strategy session, the Management Board and the Board of Directors evaluate the development compared to expectations, and these evaluations may give rise to adjustments of the investment plans and key focus areas.

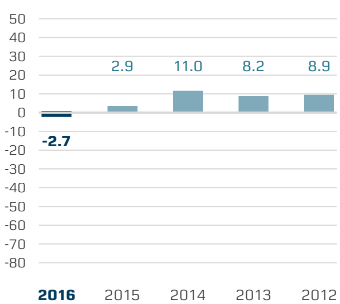
INVESTED CAPITAL AND ROIC

A.P. Moller - Maersk employs around 88,000 employees across 130 countries.

Invested capital USD million

2016	42,808
2015	43,509
2014	49,927
2013	54,630
2012	53,814

ROIC %



For the consolidated A.P. Moller - Maersk the financial ambition up to and including 2016 was to achieve a return on invested capital (ROIC) above 10% over the cycle.

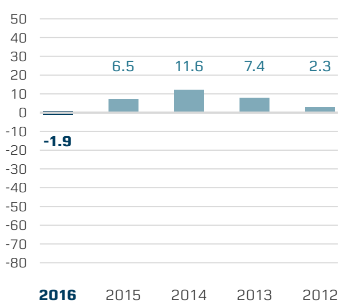
TRANSPORT & LOGISTICS DIVISION

Maersk Line is the world's largest container shipping company.

Invested capital USD million (0% 10% 60%)

2016	46.9%	20,082
2015	46.3%	20,054
2014	40.3%	20,084
2013	39.6%	20,046
2012	40.3%	20,648

ROIC %

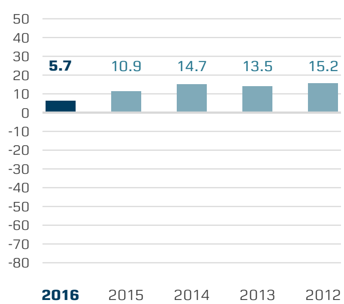


APM Terminals provides port and inland infrastructure to drive global commerce.

Invested capital USD million (0% 10% 60%)

2016	18.6%	7,967
2015	14.3%	6,177
2014	11.9%	5,933
2013	12.2%	6,177
2012	10.7%	5,495

ROIC %

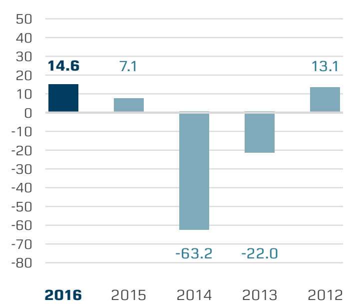


Damco is a world-leading provider of freight forwarding and supply chain management services.

Invested capital USD million (0% 10% 60%)

2016	0.5%	232
2015	0.5%	203
2014	0.6%	321
2013	0.8%	412
2012	1.0%	512

ROIC %

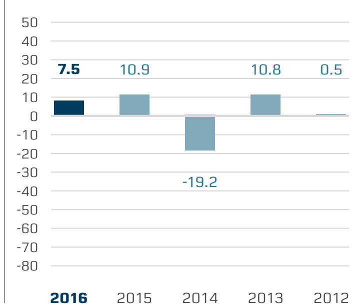


Svitzer provides towage and salvage operations.

Invested capital USD million (0% 10% 60%)

2016	2.8%	1,203
2015	2.6%	1,132
2014	2.1%	1,069
2013	2.7%	1,363
2012	2.9%	1,495

ROIC %

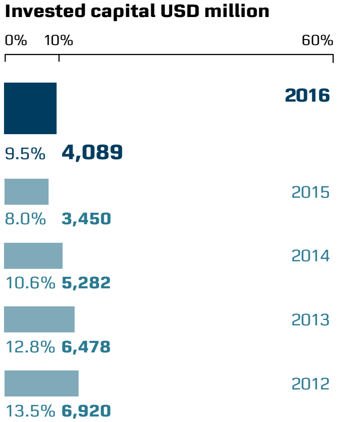


INVESTED CAPITAL AND ROIC

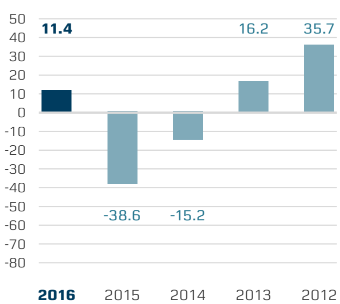
ENERGY DIVISION

Maersk Oil is an international oil and gas company.

Invested capital USD million

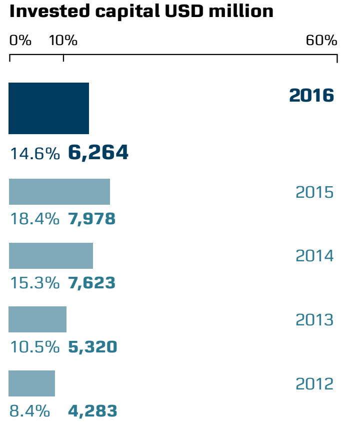


ROIC %

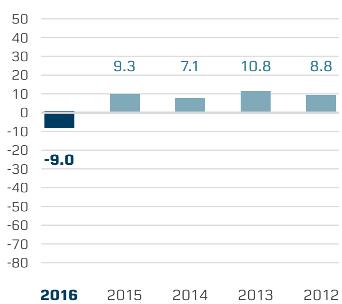


Maersk Drilling supports global oil and gas production by providing drilling services to oil companies around the world.

Invested capital USD million

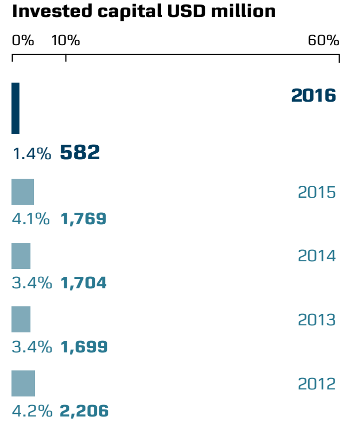


ROIC %

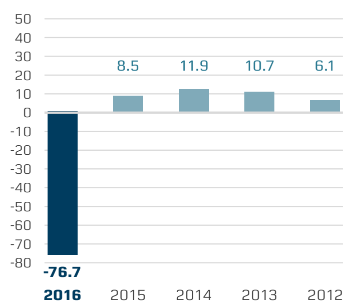


Maersk Supply Service is a leading provider of global offshore marine services.

Invested capital USD million

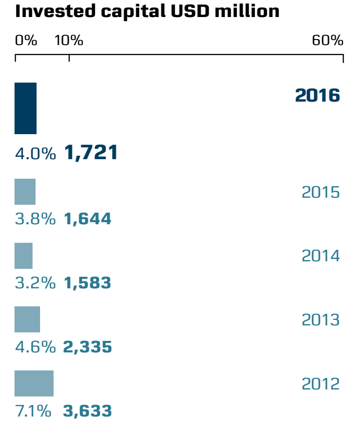


ROIC %

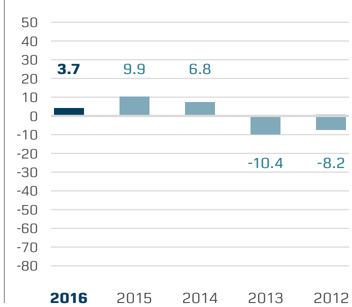


Maersk Tankers operates the largest fleet of product tankers in the industry.

Invested capital USD million



ROIC %



FINANCIAL REVIEW OF THE BUSINESSES

TRANSPORT & LOGISTICS DIVISION

MAERSK LINE

Maersk Line made a loss of USD 376m (profit of USD 1.3bn) and a ROIC of negative 1.9% (positive 6.5%).

Revenue of 20.7bn was 13% lower than in 2015 (USD 23.7bn). The development in revenue was driven by an 18.7% decline in average freight rates to 1,795 USD/FFE (2,209 USD/FFE) and only partially offset by a 9.4% increase in volumes to 10,415k FFE (9,522k FFE). Volumes increased across all trades, with the biggest contributors being East-West backhaul increasing 198k FFE (19%) and North-South headhaul increasing 221k FFE (7.3%).

The lower freight rates were attributable to oversupply in the market as well as modest market demand especially in Africa and Latin America. Maersk Line's freight rates declined significantly across all trades. On East-West, the North American trade declined the most due to increased competition as well as increase in backhaul cargo at lower freight rates. On North-South, the West Central Asia trade declined the most, impacted by imbalance from oversupply built up over 2015 and 2016. Meanwhile, container demand on the North-South trades was notably suppressed in 2016, mainly due to declining imports in Africa and South America. Recognised freight revenue was USD 18.6bn (USD 21.3bn) and other revenue was USD 2.1bn (USD 2.4bn).

Transported volumes

FFE ('000)	2016	2015	Change	Change %
East-West	3,691	3,315	376	11.4
North-South	5,103	4,740	363	7.6
Intra-regional	1,621	1,467	154	10.5
Total	**10,415**	**9,522**	**893**	**9.4**

Average freight rate

USD/FFE	2016	2015	Change	Change %
East-West	1,764	2,190	-426	-19.4
North-South	1,973	2,445	-472	-19.3
Intra-regional	1,308	1,492	-184	-12.3
All	**1,795**	**2,209**	**-414**	**-18.7**

Cost leadership remains a key strategic priority and Maersk Line delivered a record low unit cost at both floating and fixed bunker price. The unit cost at floating bunker was 1,982 USD/FFE or 13% below 2015 (2,288 USD/FFE) while the unit cost at fixed bunker was 10% below 2015. The unit cost benefited from improved fleet utilisation and cost efficiencies while unit cost at floating bunker benefited from a 29% decrease in bunker price. The total bunker cost in 2016 was USD 2.1bn (USD 2.8bn). Bunker efficiency improved by 2.2% to 910 kg/FFE (931 kg/FFE). The cost initiatives announced in Q4 2015 progressed in line with expectations.

The EBIT margin gap to peers (adjusted for impairments, etc.) is estimated at around 6%-points (7%-points) for the full year (Q4 2015 to Q3 2016), above the 5%-points ambition level.

Maersk Line's fleet consisted of 292 owned vessels (1,929k TEU) and 347 chartered vessels (1,310k TEU) with a total capacity of 3,239k TEU by the end of 2016, an increase of 9.4% compared to the end of 2015. Idle capacity at the end of 2016 was 25k TEU (3 vessels) compared to 33k TEU (4 vessels) at the end of 2015.

Maersk Line's total order book corresponds to 11% of the current fleet, compared to industry order book of around 16%. In total Maersk Line has 27 vessels in the order book (367k TEU) for delivery in 2017 and 2018. This consists of eleven 19.6k TEU

For detailed financial information, cf. note 1 in the Consolidated financial statements.

second generation Triple-E, nine 14k TEU vessels and seven 3.6k TEU ice-class vessels for the intra-European market.

Maersk Line has decided to recycle eight Panamax class vessels during Q1 2017 as the vessels are at their economical end of life. The vessels represent approximately 1% of the Maersk Line fleet. The vessels will be scrapped in China and India in full compliance with the A.P. Moller - Maersk "Responsible Ship Recycling Standard".

Compared to 2015, cash flow from operating activities decreased by USD 2.2bn to USD 1.1bn. Cash flow used for capital expenditure was USD 1.6bn lower at USD 586m as there were no deliveries of newbuild vessels. Maersk Line delivered a positive free cash flow of USD 474m (USD 1.1bn).

Fleet overview

Fleet	TEU 2016	TEU 2015	Number of vessels 2016	Number of vessels 2015
Own container vessels				
0 – 2,999 TEU	127,624	122,324	66	64
3,000 – 4,699 TEU	343,567	357,235	83	86
4,700 – 7,999 TEU	241,566	246,390	37	38
> 8,000 TEU	1,216,532	1,116,230	106	97
Total	**1,929,289**	**1,842,179**	**292**	**285**
Chartered container vessels				
0 – 2,999 TEU	383,383	363,851	200	191
3,000 – 4,699 TEU	197,072	132,415	49	34
4,700 – 7,999 TEU	425,540	327,914	70	54
> 8,000 TEU	304,132	295,850	28	26
Total	**1,310,127**	**1,120,030**	**347**	**305**
Own and chartered container vessels	**3,239,416**	**2,962,209**	**639**	**590**
Own and chartered multi-purpose vessels	**-**	**-**	**0**	**4**
Newbuilding programme (own vessels)				
3,000 – 4,699 TEU	25,200	25,200	7	7
> 8,000 TEU	341,930	341,930	20	20
Container vessels total	**367,130**	**367,130**	**27**	**27**

Developments in 2016

Maersk Line reached an agreement on 1 December 2016 to acquire Hamburg Süd. 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 Q2 2017 and to regulatory approvals expected end 2017. The transaction is expected to be completed end 2017. Hamburg Süd will continue to operate as a separate brand and will keep its local organisations and headquarters in Hamburg, Germany. Customers will benefit from having access to a wider and more effective network.

The EU Commission initiated a formal investigation into 14 container shipping companies including Maersk Line in 2013. The EU Commission announced in July 2016 that it closed its formal investigation without finding an infringement of EU competition law.

The market

The challenging market conditions in the container industry continued in 2016. As a testimony to the situation, for the first time in 30 years, the industry saw a major carrier, Hanjin, go out of business. The industry has responded to the challenging market conditions by consolidating. CMA CGM completed its acquisition of Neptune Orient Lines (NOL) and the two Chinese carriers COSCO and CSCL completed their merger in 2016. Additionally three mergers and acquisitions have been agreed, but are still pending regulatory approval; the merger between Hapaq Lloyd and UASC, the merger between the three Japanese carriers NYK, MOL & K Line and Maersk Line's acquisition of Hamburg Süd. Maersk Line's acquisition of Hamburg Süd is still pending final agreement.

2M partners and the South Korean container shipping line Hyundai Merchant Marine (HMM) announced a new strategic cooperation on the East-West trades in December 2016. The cooperation is outside the scope of 2M but will provide HMM access to the 2M network through a combination of slot exchanges and slot purchases. Maersk Line and MSC will charter and operate a number of vessels from HMM. The agreement is scheduled to begin in April 2017 and is subject to regulatory approval. The initial contract is three years with an option to extend.

The industry dynamics continued to impact the container industry in 2016. The inflow of new container vessels was high in the last part of 2015 and early part of 2016. This added to the existing excess supply as global container demand continued to remain subdued in 2016. These supply/demand developments led to significant downwards pressure on freight rates and industry revenues, especially in the first half of the year.

Global container demand grew 2-3% in 2016. Demand growth was low in the first half of 2016 but improved in the second half of 2016, especially in Q4. This partly reflects the contrast to the very weak demand in late 2015, but also reflects improvements in the global economic environment. Container demand on the East-West trades was decent in 2016, driven by higher US imports supported by the US economic expansion and the strong USD. European imports developed more softly and in line with GDP growth in the region. The declining imports in Africa and South America negatively impacted the container demand on the North-South trades. However, imports to South America stabilised somewhat in Q4, reflecting early signs of the Brazilian economy stabilising and improvements in commodity prices.

Global container fleet capacity grew 4% in 2016 (Alphaliner), but with lower growth towards the end of the year. At the end of 2016, the fleet stood at 20.3m TEU of which 6.9% (7.0%) was idle. 934k TEU (136 vessels) were delivered and 665k TEU (201 vessels) were scrapped during 2016. Deliveries were dominated by the 10,000+ vessel segments while mainly smaller and mid-sized vessels were scrapped. The average scrapping age continued to decline and was 19 years in 2016, which compares to an average of 30 years in 2008 where the scrapping age was at its highest. New orderings amounted to 292k TEU (82 vessels), leading to a drop in the order book to 16% (20%) of the fleet at the end of 2016.

The supply/demand gap widened further in the first half of 2016. This resulted in freight rates continuing the downward trend seen in 2015 and in the first part of 2016, before stabilising and even improving gradually in the second half of 2016. Developments in oil and fuel prices supported these dynamics. On average, the China Composite Freight Index (CCFI) declined by 19% in 2016, similar to the development on Maersk Line's East-West trades.

Strategy review

Maersk Line operates in an industry facing two main challenges; supply and demand imbalances leading to low freight rates and digitisation. Maersk Line anticipated these challenges and responded by defining a strategy that focuses on cost leadership, competitive pricing, improved customer experience, and growth. The parts are interlinked as cost leadership enables competitive pricing, which, combined with delivering a great customer experience, is key to driving growth. Growth in turn strengthens cost leadership through scale-benefits, and the strategy is thus a virtuous cycle.

Maersk Line will pursue growth in three ways; organic growth, digitisation and inorganic growth. Organic growth will be driven by improvements in the customer experience and introduction of new solutions together with the other brands in the Transport & Logistics division. Digitisation will support organic growth via customer experience improvements, but will also drive growth in itself through the launch of new revenue generating digital solutions. Maersk Line will pursue inorganic growth through the intended acquisition of Hamburg Süd, subject to final agreement and regulatory approvals.

The intended acquisition of Hamburg Süd, will enable Maersk Line to offer an improved value proposition on its North-South trades and in the reefer segment. It will also enable network and procurement cost synergies for Maersk Line and revenue synergies for APM Terminals.

Development in global container fleet capacity

Million TEU	2018E	2017E	**2016E**	2015	2014	2013
Total capacity	21.9	21.0	20.3	20.0	18.4	17.3
Planned deliveries	1.5	1.4	0.9	1.7	1.5	1.4

Source Alphaliner.

APM TERMINALS

APM Terminals made a profit of USD 438m (USD 654m) and a ROIC of 5.7% (10.9%). Operating business generated a profit of USD 487m (USD 696m) and a ROIC of 8.6% (12.7%) while projects under implementation together with Grup Marítim TCB (TCB) had a loss of USD 49m (loss of USD 42m) stemming from start-up costs.

APM Terminals faced various challenges in its most important markets. In West Africa, the dominant import markets were impacted by the low oil price and related shortage of hard currency. In North-West Europe, gateway and transhipment volumes were stagnant while new capacity was brought online. In general but particularly in North Africa and Latin America, the shipping line consolidation and alliance re-alignment impacted several APM Terminals facilities as alliances increasingly selected competing terminals according to their equity stakes.

Furthermore, the consolidation taking place in the shipping industry means that a smaller group of large liner customers will remain. Concentrating volumes among fewer alliances and shipping lines is shifting bargaining power away from terminals in several locations and puts pressure on rates. APM Terminals experienced lower volumes in terminals with high average revenue per move, and despite the TCB acquisition, total revenue decreased by 1.5%. The average port revenue per move declined by 9% in 2016 from USD 218 per move in 2015 to USD 198 per move in 2016.

APM Terminals continued the cost and performance initiatives introduced in 2015. Operational efficiency initiatives included deployment of advanced optimisation tools, increased use of global shared services, consolidation and sharing of administrative roles and functions between terminals, and other operational excellence projects. Furthermore, cost saving initiatives across all entities and headquarters achieved USD 150m in savings in 2016, contributing to the unit cost reduction from USD 181 per move to USD 172 per move.

The share of profit in joint ventures and associated companies was USD 193m (USD 199m).

Cash flow from operating activities was USD 819m (USD 874m). Cash flow used for capital expenditure was USD 1.5bn (USD 774m), mainly due to the TCB acquisition.

APM Terminals' volume in 2016 was 37.3m TEU (36.0m TEU), weighted by the share of equity in each terminal; 3.7% higher than 2015 mainly due to the TCB volumes. Adjusting for TCB as well as terminals divested in 2015, like-for-like volumes increased 1%, driven by hub terminals and terminals in North Asia and South East Asia.

Developments in 2016

APM Terminals acquired eight out of 11 terminals from the Spanish Grup Marítim TCB's (TCB) port and rail interests. The acquisition added a combined 2m TEU equity-weighted volume to APM Terminals, expanding the network to 73 operating ports in 69 countries.

As part of the TCB transaction, APM Terminals acquired the Terminal de Contenedores Quetzal (TCQ) in Guatemala. An investigation revealed irregularities dating back to before APM Terminals acquired the terminal, and APM Terminals has co-operated fully with the local authorities in clarifying and settling these. While still subject to Senate approval, a settlement of USD 43m has been agreed.

Concluding the TCB transaction with the three initially carved out terminals in Turkey and on the Canary Islands is subject to the fulfilment of certain conditions precedent, which not all have been satisfied.

APM Terminals launched the project to build a new five million TEU capacity terminal in Tangier, Morocco, which is set to become operational in 2019. APM Terminals MedPort Tangier will have up to 2,000 meters of quay and will increase the Tangier Med complex's overall capacity to over nine million TEU.

APM Terminals initiated the first phase of an upgrading and expansion programme for Port Elizabeth, New York, USA, for the terminal to handle larger vessels arriving via the expanded Panama Canal. APM Terminals signed a contract to extend the reach of ten Ship-to-Shore (STS) cranes in Pier 400 Los Angeles, California, the largest gateway port in USA. The STS cranes will be able to accommodate Ultra-Large Container Ships of up to 20,000 TEU capacity.

APM Terminals has concluded agreements with China COSCO Shipping Ports and Qingdao Port International Development to divest a minority of the existing reefer terminal and the new terminal under construction in Vado, Italy. After completing the transaction, APM Terminals will retain a 50.1% share and will operate both terminals.

APM Terminals has entered into an agreement to divest Pentalver, the UK based provider of container transport and other container related services. The sales price is around USD 100m, resulting in a minor gain. The transaction is subject to customary closing conditions and is expected to be finalised in Q1 2017.

The market

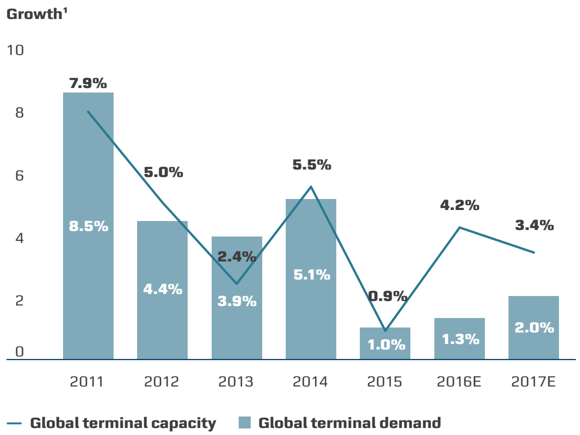
The port industry is facing structural challenges from the cascading of larger container vessels combined with low demand growth leading to fewer liner services and fewer, but larger calls at terminals with more containers to exchange. The increased load on the terminals triggers requirements for upgrades of the terminal infrastructure, equipment, manning and planning capabilities, leading to more capital expenditure and operational cost, but lower utilisation.

The latest estimate for port container volume growth for 2016 was 1.3% (Drewry Q4 forecaster). This covers significant regional differences between Africa (-3.7%) and Latin America (-3.8%) and Middle East/South Asia (+3.6%); while the largest markets for APM Terminals in Europe (+1.9%), North America (+1.5%) and Asia (+1.5%) all showed moderate but positive growth. Demand growth for 2017 is forecasted at approximately 2%. Container terminal capacity is increasing in most markets due to ongoing greenfield and expansion projects in the pipeline and is leading to oversupply in many ports. This is especially the case in North-West Europe, Scandinavia and the Baltic countries where the slow economic recovery is not matching additional capacity being introduced. Demand growth in the Middle East is similarly far from matching the significant capacity increases in the region. With economic growth and strengthened infrastructure driving industrial demand, South and South East Asia are promising to be the most significant centres of growth. The Chinese market is expected to grow slightly, mainly due to consumer driven imports and is expected to result in increasing terminal utilisation.

Strategy review

APM Terminals has shifted focus from investment lead growth to cost leadership and asset utilisation. The ongoing consolidation in the shipping industry through mergers, acquisitions

Capacity development in the terminal industry



[1] Measured as total port throughput and capacity in TEU including empties and transshipments (Drewry).

and re-alignment of alliances requires APM Terminals to rethink the commercial approach. As a response, working together with Maersk Line in the Transport & Logistics division will not only increase utilisation, but also allow Maersk Line to improve network efficiency based on APM Terminals' hubs and to develop joint initiatives to improve productivity and cost. At the same time, closer cooperation and strategic partnerships with other shipping lines and alliances are being pursued in key locations.

APM Terminals will focus on completing new terminals currently under implementation within time and budget, as well as developing the service offering to landside customers and users in the ports and inland locations. This includes continuing to develop digital solutions supporting an improved customer experience across the facilities. Active portfolio management will focus on realising value through divestments and pursuing selected investments in support of the objectives of the Transport & Logistics division.

DAMCO

Damco made a profit of USD 31m (USD 19m) and a ROIC of 14.6% (7.1%), mainly driven by improvements in supply chain management, which was partially due to improved processes and operational efficiencies.

Revenue was USD 2.5bn (USD 2.7bn), down 8.5%, negatively impacted by lower freight rates and rate of exchange movements. Cost saving initiatives and productivity improvements positively impacted the underlying profit with an increased return on sales to 2.2% (1.5%). Damco made improvements in 2016, however, potential remains to further optimise costs and improve commercial effectiveness.

Volumes in supply chain management saw a growth of 2% in 2016, while air and ocean freight volumes grew by 5% and 6% respectively. Within freight forwarding, increased sales efforts and focus on selected trade lanes enabled Damco to grow ahead of the market, however margins continued to be under pressure.

Cash flow from operating activities was USD 4m (USD 127m), significantly lower due to one-off working capital improvements in 2015 following the roll-out of a new operating system in 2014.

Developments in 2016

Damco embarked on a journey of transformation within its supply chain management product offering. By launching a new service portfolio, Damco allows customers to manage complex multi-party supply-chains, delivering new integrated enterprise level business intelligence capabilities. Focus has also been on launching a new digital application factory to support specific customer demands.

The market

The logistics market remained under pressure, especially during the first three quarters of 2016, whereas Q4 showed some improvements in both ocean and airfreight volumes.

Strategy review

Supply chain management, ocean and airfreight remain the major products for Damco, while the focus going forward will be on intensifying development of supply chain solutions.

The ambition for Damco is to combine a strong global network with digital innovation. The strategic focus will be on elevating supply chain solutions and accelerating performance through further cost reduction and revenue growth. Furthermore, Damco will enhance the creation of innovative digital supply chain solutions in collaboration with its customers.

Within the Transport & Logistics division, Damco will collaborate closely with the other businesses, driving synergies for improved product offering and better customer experience.

SVITZER

Svitzer delivered a profit of USD 91m (USD 120m) and a ROIC of 7.5% (10.9%).

Profit declined due to increased competition and lower activity levels, primarily within harbour towage in the Americas and salvage.

Despite fierce competition, overcapacity and slowdown in most shipping segments, Svitzer maintained its market share in competitive ports both in Australia and Europe. Low commodity prices lead to increased pressure on existing contracts as well as to limited growth prospects in terminal towage. Salvage activity continued to be affected by weak emergency response market.

Svitzer addresses the general slowdown and overcapacity by continuously monitoring and adjusting tonnage and crew deployment. Underlying profitability improved through productivity and cost saving initiatives in harbour towage. Positive impacts were offset with high cost related to Brazil entry end 2015, which resulted in an EBITDA margin of 25.9% (28.4%).

Cash flow from operating activities increased to USD 144m (USD 138m). Cash flow used for capital expenditure was USD 192m (USD 152m).

Developments in 2016

Svitzer expanded into new markets, most notably in the Americas, with a new operation to provide towage services at two LNG terminals in Argentina as well as a new harbour towage service in Canada.

Svitzer continued the business development focus on the large and fast growing towage markets such as in Asia and worked towards expanding coverage, particularly in China.

The market

A slowdown induced by low commodity prices continues to impact several of Svitzer's operations. The market for harbour towage continues to be very competitive in developed markets and consolidation is ongoing, also driven by the financial distress of several operators.

The terminal towage activities remain negatively impacted by the current oil price environment, where the oil and gas industry is cutting costs to adapt to a lower oil price level, leading to delays in tender awards, postponements of new projects and renegotiation pressure on existing contracts. The few projects that are being tendered attract low return bids from all international providers. The low oil price makes it difficult to employ vessels and the high number of unutilised vessels in the market puts further pressure on day rates.

Strategy review

Svitzer will increasingly pursue opportunities in cooperating with APM Terminals and Maersk Line in the Transport & Logistics division.

ENERGY DIVISION

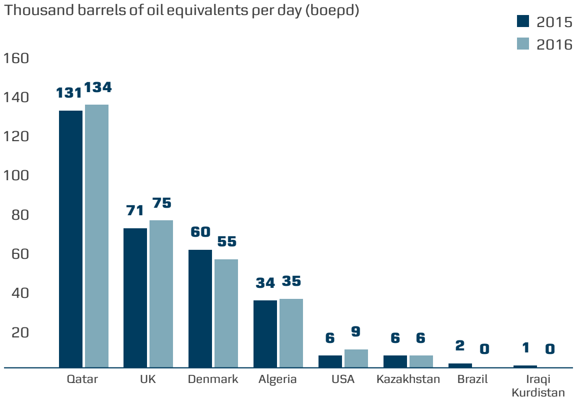
MAERSK OIL

Maersk Oil reported a profit of USD 477m (loss of USD 2.1bn in 2015 where the result was negatively impacted by post-tax impairments of USD 2.6bn) and a positive ROIC of 11.4% (negative 38.6%). The result was delivered under significantly challenged market conditions with low oil prices, in particular in the beginning of the year where the Brent oil price reached a low of USD 27 per barrel.

The underlying profit of USD 497m (USD 435m) was positively impacted by higher production efficiency, lower operating costs of USD 2.0bn (USD 2.5bn), lower exploration costs of USD 223m (USD 423m) and reduction of abandonment provision related to the fully depreciated Leadon and Janice fields in the UK of USD 93m. The result was negatively affected by the lower average oil price of USD 44 per barrel versus USD 52 per barrel in 2015. The break-even oil price was below USD 40 per barrel for the year.

Entitlement share of production

Thousand barrels of oil equivalents per day (boepd)



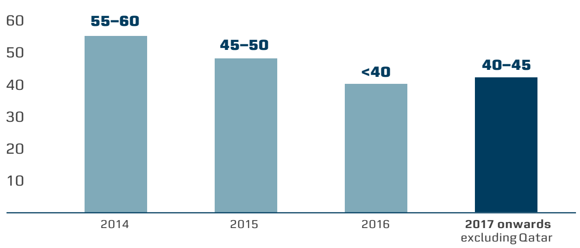
Cash flow from operating activities was USD 1.5bn (USD 1.8bn), negatively impacted by a one-off dispute settlement in Q1. Cash flow used for capital expenditure was USD 1.7bn, 17% lower than in 2015 (USD 2.0bn) and mainly related to Johan Sverdrup in Norway and Culzean in the UK.

Maersk Oil delivered an entitlement production of 313,000 boepd (312,000 boepd) which was lower than latest guidance of 320,000-330,000 boepd as a result of the higher than expected oil price giving less barrels for cost recovery in Qatar. This was partly countered by a strong operational performance in particular in the UK and a production increase to 9,000 boepd from the Jack field in the US Gulf of Mexico. The increases were offset by the natural field decline in Denmark of 9% and the sale of the producing asset in Brazil. Production efficiency was close to 90%, an increase of 6.6%-points over the last two years.

Maersk Oil reduced operating costs, excluding exploration costs, by 20% to USD 2.0bn (USD 2.5bn). The targeted 20% reduction by the end of 2016 compared to the 2014 baseline was improved to 36%. 2016 contributed well to this result through a headcount reduction of approximately 400 employees equal to 8% of the workforce, primarily in headquarters, Kazakhstan, Norway, USA and Angola. Offshoring of back office finance activities to the shared service centre in Pune, India, was executed according to plan. Further reductions came from contract renegotiations, optimised logistics and continued improvement of maintenance planning and management of late life assets.

Break-even price per barrel of oil

USD/barrel



Exploration costs were reduced by 47% to USD 223m (USD 423m), in line with the strategic decisions to reduce exploration expenditure and to focus on the North Sea and on locations with high profitability and strong capability fit. Maersk Oil only completed one exploration well in 2016. The Bagpuss exploration well in the UK encountered hydrocarbons, however not in commercially viable volumes.

Reserves and resources

The yearly update of Maersk Oil's reserves and resources as per end of 2015 showed entitlement reserves and resources (2P+2C) of 1.14bn barrels of oil equivalent (1.31bn) including proved and probable (2P) reserves of 0.65bn barrels of oil equivalent (0.51bn). Reserves and resources numbers for 2016 will be released in connection with the Interim Report for Q1 2017.

Developments in 2016

Two major development projects in the North Sea were in progress by the end of 2016. The Maersk Oil operated Culzean field is a high-pressure/high-temperature gas project expected to supply the UK with 5% of its gas consumption by 2020. Drilling of production wells commenced in Q3 2016 and first production is planned in the second half of 2019. The project is progressing as planned and has achieved cost reductions of USD 500m or 11% of total development cost since sanctioning in 2015.

Development of the Johan Sverdrup field in Norway is progressing ahead of schedule towards first production in 2019 and with the operator Statoil now forecasting a break-even price per barrel below USD 20 for the first phase.

In the Danish sector of the North Sea, the Tyra facilities are approaching the end of their operational life due to a combination of more than 30 years of production and subsidence of the underground chalk reservoir, reducing the gap between the facilities and the sea. Work to identify a safe scenario for production at the Tyra field after 2018 was conducted. However, discussions between the oil and gas industry and the Danish government on fiscal structures have not yet led to an economically viable solution for continued operations after 2018.

In Kenya, the South Lokichar project is progressing with approval of a four-well exploration and appraisal programme. Work is ongoing to construct an early production facility as well as to design a pipeline to cater for future oil export.

Ongoing development projects also include Jack in the US Gulf of Mexico, which is progressing to produce above expectations and where a second phase including two more wells was approved in early 2016. In the UK, the Flyndre field is expected on stream in Q2 2017.

Maersk Oil no longer has producing assets in Brazil following the completion of the divestment of the Polvo Field.

Maersk Oil signed agreements to divest the non-operated interests in the UK assets Wytch Farm, Scott, Telford and Boa, and the non-operated interests in the Norwegian assets Zidane and the Polarled Pipeline. The divestments are pending approval from authorities and will deliver minor gains. Furthermore, Maersk Oil decided to cease production from the Janice oil field in the UK. Also in the UK, decommissioning projects Leadon and Janice are ongoing.

Maersk Oil is working to deliver safe and efficient operations at Al Shaheen in the remaining months of its licence and will exit Qatar in July 2017 following transition to a new operator.

The authorities in the UK enacted a more beneficial tax legislation, resulting in a minor net loss in 2016 due to reduction of deferred tax assets. This comprises a reduction of the Supplementary Tax Charge from 20% to 10% (resulting in a reduction of total income tax from 50% to 40%) and abolition of the Petroleum Revenue Tax.

The market

The oil industry experienced a steep oil price decline from above USD 100 per barrel in the first half of 2014. The Brent oil price reached a low of USD 27 per barrel in Q1 2016, and was around USD 50 per barrel by the end of the year resulting in an average of USD 44 per barrel in 2016. Global demand and supply appear now to be re-balancing, however significant uncertainty remains in the oil price outlook.

Maersk Oil has adapted its portfolio, organisation and cost level to the lower oil price environment. Together with good operational performance, this has allowed Maersk Oil to improve the competitiveness with a break-even oil price reduced from USD 55-60 per barrel in 2014 to below USD 40 per barrel in 2016 and with a target of USD 40-45 per barrel for 2017 onwards excluding Qatar.

Strategy review

Maersk Oil will continue its strategy implementation to solidify its position as a leading North Sea operator with international step-outs.

Maersk Oil will focus on its three-pillar strategy; maximise value from safe operations, world-class project delivery and build the future business. This is to be achieved through a continued focus on improved safety, efficiency and cost control across operations, thereby delivering short-term cash flow and further ensure world-class delivery of projects like Culzean and Johan Sverdrup securing medium-term production.

Finally Maersk Oil will build the future business by engaging in structural solutions such as mergers and joint ventures in the North Sea, where it can build on an extensive experience, leverage capabilities and footprint to create value for shareholders and partners. Maersk Oil will also evaluate its portfolio outside the North Sea and focus in locations with high profitability and strong capability fit.

In line with the new strategy, Maersk Oil will prepare for separation from A.P. Moller - Maersk.

MAERSK DRILLING

Maersk Drilling made a loss of USD 694m (profit of USD 751m) and a ROIC of negative 9.0% (positive 9.3%). The result was negatively impacted by impairments of USD 1.5bn (USD 27m), primarily related to the deepwater segment due to significant oversupply and reduced long-term demand expectations as a consequence of lower offshore spending. The underlying profit of USD 743m (USD 732m) was positively impacted by termination fees of approximately USD 150m moved from 2017 to 2016, savings on operating costs and high operational uptime 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.

The termination fees included the ultra-deepwater semi-submersible Mærsk Deliverer during Q1, the deepwater unit Maersk Valiant and the jack-up Maersk Resolve with effect from September 2016. The jack-up Mærsk Gallant was also terminated, although Maersk Drilling concurrently signed a new contract in direct continuation of the cancelled contract, resulting in a neutral financial impact.

The cost reduction and efficiency enhancement programme, initiated in 2014, delivered further savings of more than 10% in 2016, excluding positive effect from exchange rates and rigs being stacked. Compared to the 2014 baseline, the total savings reached around 20% by the end of 2016, and all targets set out for this programme have been met, however, further savings will still be a central focus area going forward. The savings have primarily been achieved through a strong focus on operating and maintenance costs, but also by optimising yard stays, vendor renegotiations, reduction of staff onshore, rig crew optimisation as well as salary reductions and salary freezes.

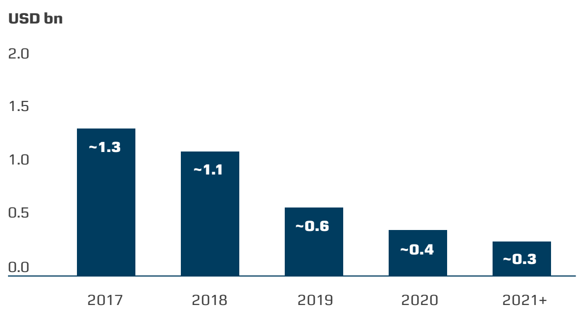
The economic utilisation of the fleet was 78% (85%) adversely affected by increased idle time. The average operational uptime was 98% (98%) for the jack-up rigs and 98% (94%) for the floaters.

Maersk Drilling's forward coverage at the end of 2016 was 56% for 2017, 45% for 2018 and 25% for 2019. The total revenue backlog by the end of the year amounted to USD 3.7bn (USD 5.4bn).

Contract coverage per segment, end 2016

Segment	2017	2018
Jack-up rigs	60%	49%
Floaters	46%	38%
Total	**56%**	**45%**

Revenue backlog, end 2016



Despite lower revenue, cash flow from operating activities of USD 1.3bn (USD 1.3bn) was an increase of USD 62m which was mainly related to termination fees, further cost savings and lower working capital. Cash flow used for capital expenditure declined to USD 315m (USD 854m), mainly due to fewer instalments paid for the newbuild projects as well as delayed delivery of Maersk Invincible into January 2017.

Stacking

At year-end, Maersk Drilling had Mærsk Developer preparing for a contract in Q2 2017, as well as nine rigs idled and off contract. As the market outlook for the offshore drilling industry remains highly uncertain, Maersk Drilling continues to evaluate stacking on a case-by-case basis. Ahead of rigs becoming idle, Maersk Drilling assesses the most attractive stacking conditions and locations for the rigs in balanced consideration of commercial outlook, maintenance plans and costs as well as portfolio considerations. So far, this strategy has resulted in all idle rigs currently being warm-stacked.

Developments in 2016

Maersk Drilling was awarded a contract by Maersk Oil for the jack-up rig Mærsk Gallant. The contract covers the plugging and abandonment of the Leadon and James subsea fields in the UK sector of the North Sea. The duration of the contract is estimated at 230 days with commencement in February 2017. The estimated contract revenue is USD 24m.

Maersk Drilling acquired a contracted newbuild harsh environment jack-up rig for USD 190m, significantly below original construction price. The Maersk Highlander has commenced operations on the Culzean field in the UK sector of the North Sea for Maersk Oil. Maersk Highlander is employed under a five-year contract with a revenue of approximately USD 420m.

The delivery of Maersk Drilling's fourth and final newbuild ultra harsh environment jack-up rig on order, the Maersk Invincible, was delayed from 2016 to January 2017. The rig will commence a five-year drilling contract in Q2 2017.

Maersk Guardian has been refurbished and has commenced on its five-year contract as an accommodation rig for Maersk Oil in the Danish sector of the North Sea.

The market

Offshore contract drilling is in the middle of the worst downturn in the history of the industry, and the industry is expected to continue to deteriorate over the near-term with further declines in rig activity levels and offshore capital spending in 2017.

Brent crude oil prices averaged USD 44 per barrel in 2016, still well below levels required to support a sustained increase in offshore rig demand. The industry does not expect to see significant improvements in offshore rig demand until the market reaches a stable oil price range of USD 60-70 per barrel or until offshore rig cost levels adjust to a lower oil price.

Market shifts have resulted in offshore exploration and production spending declining from a high of USD 290bn in 2014 to a projected USD 190bn in 2016, representing a decline of 34% (Rystad Energy). Offshore spending is expected to decline a further 10-20% in 2017, with further risk of decline if oil prices trade at lower levels or if onshore oil production proves more resilient than expected.

The decline in offshore spending and rig activity levels has led to total industry utilisation falling from a peak of 89% in Q4 2013 to current levels of 56% in Q4 2016. The extent of the decline in the industry is now more severe than the downturn in the mid-1980s.

At present, global rig supply holds significant excess capacity, as approximately 130 floaters and 230 jack-up rigs have been stacked, while the newbuild order book still comprises approximately 40 floaters and 100 jack-up rigs scheduled for delivery, the vast majority of which do not have contracts. This confluence of factors is driving the need for a significant scrapping cycle to resolve the imbalance between supply and demand in the market.

Strategy review

Maersk Drilling remains committed to delivering best-in-class drilling services to its customers. Maersk Drilling will continue to leverage its long-standing history of technical problem solving, focusing on operational excellence and working closely with customers in order to drive higher efficiency levels and joint value creation for both Maersk Drilling and the customer.

The core elements of Maersk Drilling's value proposition include de-risking and reducing customers' total well costs by actively collaborating with each individual customer on reduction of non-productive time and well-spread costs to drive higher business case certainty.

Maersk Drilling will continue to pursue superior operational performance through efficient, consistent and safe high-quality drilling operations based on a commitment to continuous improvements and well-on-well learnings. An example of this is Maersk Drilling's announced partnership with GE to collaborate on a technologically advanced, data-driven analytics pilot project to enhance vessel productivity and to create smarter, more efficient maintenance schemes.

Maersk Drilling is also exploring alternative ways to employ rigs, other than traditional drilling contracts, including decommissioning and accommodation contracts.

In line with the new strategy, Maersk Drilling will prepare for separation from A.P. Moller - Maersk.

MAERSK SUPPLY SERVICE

Maersk Supply Service reported a loss of USD 1.2bn (profit of USD 147m) and a ROIC of negative 76.7% (positive 8.5%), negatively impacted by an impairment of USD 1.2bn due to significant oversupply and reduced long-term demand expectations as a consequence of lower offshore spending. The underlying result was a loss of USD 44m (profit of USD 117m).

Revenue decreased to USD 386m (USD 613m) following lower rates and lower utilisation as well as fewer vessel days available due to divestments and lay-ups. The lower revenue was partly offset by cost reductions with total operating costs at USD 282m (USD 345m). Maersk Supply Service reduced the daily running costs by 11% compared to 2015 on a like-for-like basis in 2016.

Cash flow from operating activities decreased to USD 81m (USD 250m) primarily caused by a lower result. Cash flow used for capital expenditure decreased to USD 103m (USD 206m).

Going into 2017, contract coverage was 16% and 5% for 2018.

Developments in 2016

During 2016, Maersk Supply Service divested ten vessels, thereby reducing its fleet to 47 vessels by the end of 2016. Maersk Supply Service is planning to reduce its fleet by an additional 11 vessels over the course of the next 15 months.

Maersk Supply Service also announced that the four new Stingray Subsea Support Vessels (SSV) that are being delivered in 2017 and 2018 will be flagged to the Isle of Man registry. Maersk Supply Service will be setting up a hub in the UK, consolidating ownership and operation of the company's total of nine project vessels. As a consequence of the fleet reduction and the flagging of existing project vessels to the Isle of Man registry, the Maersk Supply Service crew pool and the onshore organisation were reduced. A total of 325 offshore employees and 43 headquarter positions were made redundant.

Maersk Supply Service was awarded two decommissioning contracts for the Janice subsea field and the Leadon subsea field with Maersk Oil in 2016. The decommissioning work will utilise up to 15 of the company's vessels in 2017, including one of the Stingray SSV newbuildings and one of the Starfish Anchor Handling Tug Supply (AHTS) newbuildings.

Maersk Supply Service took delivery of a new SSV in 2016, which went on a seven-year contract. The total order book commitment of USD 0.9bn comprises ten vessels with planned delivery from Q1 2017 to Q1 2018.

The market

The market demand remains low due to the low oil price, and the general market outlook for the industry is expected to remain subdued in the long term. The industry is currently characterised by financial restructurings and consolidation. In line with market decline, the offshore supply vessel industry continued to see a large number of vessel lay-ups globally, including Maersk Supply Service with 11 vessels laid up at the end of the year.

Strategy review

Maersk Supply Service has announced a new Integrated Solutions business that will support the company's ambition to become a leading integrator of marine services and solutions for the offshore energy sector. With vessel operations remaining the core business, Maersk Supply Service will in addition bundle services and manage subcontractors to offer a more simplified and efficient operation to customers seeking better value from their operations and supply base.

In line with the new strategy, Maersk Supply Service will prepare for separation from A.P. Moller - Maersk.

MAERSK TANKERS

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

Maersk Tankers' response to the declining market conditions was to continue to deliver on its strategy. Through improved commercial decisions, Maersk Tankers' average Time Charter Equivalent (TCE) earnings decreased by 17% compared to 2015, which was less than the general market rates decline. The result also benefited from cost saving initiatives, which reduced costs by USD 30m.

Cash flow from operating activities was USD 180m (USD 291m). Net cash flow from capital expenditure was USD 190m (USD 185m) driven by newbuilding instalments, partly offset by the sale of four vessels. Maersk Tankers took delivery of six mid-range tanker newbuildings during 2016. The order book totals 11 remaining mid-range (MR) product tankers, of which five will be delivered during 2017 and the last six in 2018 as well as an option for ten Long Range 2 (LR2) product tanker vessels.

Developments in 2016

Maersk Tankers signed a contract with Dalian Shipyard for a newbuilding order of ten LR2 product tanker vessels for delivery over a period of three years, with the first vessels entering the fleet in 2019. The newbuilding contract is part of a fleet renewal to sustain a competitive fleet and strong market position in the LR2 segment. The contract reflects the decline in asset prices over the last 12 months. In addition it has a unique contractual structure, which makes the order optional, while keeping prices fixed.

The market

The product tanker market across all segments was challenged in 2016 with rates in several markets declining up to 50% compared to 2015. Starting off strong at the beginning of the year, rates experienced a gradual decline and bottomed out at the end of the third quarter before improving end of 2016. Overall, the deterioration of product tanker rates in 2016 was caused by slowing demand growth for seaborne transportation, a draw-down of oil inventories and an increased number of newbuilding deliveries.

Geographical arbitrage opportunities also weakened throughout the year, which ultimately shortened average trading distances. Utilisation was negatively impacted by a sharp increase in newbuilding deliveries and relatively low scrapping. As a result, net fleet growth registered more than 5% in 2016, doubling the growth rate in 2015.

Strategy review

Maersk Tankers continues to deliver on its strategy while keeping new investments limited.

The strategy is based on digitisation across the priorities; active position taking, cost leadership and third party services. Through active position taking, internal and external data are combined and used in commercial decisions to more accurately forecast which markets and cargo yield highest earnings, so that vessels can be positioned accordingly. Through cost leadership, Maersk Tankers is reducing costs by creating higher efficiencies in systems and processes and improving procurement leverage. By providing third party services, the company operates other owners' vessels against a fee to achieve scale, strong partnerships and income without having to invest.

Maersk Tankers operated 158 product tanker vessels at the end of 2016, of which 84 were owned, 22 chartered and 52 vessels were on commercial management. Combined, these vessels comprise the largest product tanker fleet in the industry.

In line with the new strategy, Maersk Tankers will prepare for separation from A.P. Moller - Maersk.

FINANCIAL REPORT

INCOME STATEMENT

Revenue decreased to USD 35.5bn (USD 40.3bn), predominantly due to lower average container freight rates and lower oil price only partly compensated by higher oil entitlement production. The operating expenses decreased by USD 2.6bn mainly due to lower bunker prices and focus on cost efficiency across business units.

A.P. Moller - Maersk delivered an unsatisfactory loss of USD 1.9bn (profit of USD 925m). The result was negatively impacted by low average container freight rates and post-tax impairments in Maersk Drilling and Maersk Supply Service of USD 1.4bn and USD 1.2bn respectively, partly offset by termination fees in Maersk Drilling and cost savings across all businesses. The result for 2015 was negatively impacted by post-tax impairments of USD 2.6bn on oil assets.

Further comments to the profit development are provided in the Highlights and the Financial review for the businesses.

TAX

Companies in A.P. Moller - Maersk are taxed under different tax regimes, depending on location and activity. Special tax rules apply to some of A.P. Moller - Maersk's activities.

Generally, shipping activities are subject to a tonnage based or similar tax system, under which the computation of taxable income includes an amount, calculated on the basis of the fleet's tonnage. Moreover, in certain countries freight taxes are paid mainly based on the gross freight income in those countries.

In most countries, oil and gas activities are subject to a special form of taxation, which is often considerably higher than the normal corporate tax rate.

Despite the consolidated negative result before tax, taxes are still payable in various countries as a result of local profits, ring fencing of oil profits, timing differences in adjustments and fixed tonnage-based taxes, which also limit the deduction of carry forward operational losses and recognition of tax assets in balance-sheet.

The total tax charge for A.P. Moller - Maersk in 2016 was USD 1.1bn (USD 0.5bn) of which taxes payable to Denmark were USD 0.1bn (USD 0.2bn). The decrease in the special hydrocarbon tax was largely due to the lower oil price.

TOTAL COMPREHENSIVE INCOME

Total comprehensive income for the year was negative by USD 2.3bn (positive USD 540m) and includes the loss for the year of USD 1.9bn (profit of USD 925m) and other comprehensive income, which was negative by USD 401m (negative by USD 385m). Other comprehensive income mainly includes exchange rate adjustment on translation from functional currency to presentation currency, fair value adjustment of certain securities, value adjustment of cash flow hedges and actuarial gains and losses.

BALANCE SHEET

At 31 December 2016, total assets amounted to USD 61.1bn (USD 62.4bn).

Intangible assets of USD 3.6 bn (USD 1.9bn) increased due to the APM Terminals acquisition of Grup Marítim TCB.

Property, plant and equipment of USD 41.5bn (USD 44.0bn) decreased by USD 2.5bn. Investments in the year amounted to USD 4.4bn (USD 7.3bn). Depreciation for the year was USD 4.3bn (USD 4.6bn) and impairment losses of USD 2.4bn (losses of USD 2.1bn) were recognised. Sale of property, plant and equipment amounted to USD 375m (USD 773m) including the assets held for sale. Currency adjustments resulted in a decrease of USD 168m (decrease of USD 435m).

Predicting the value and future income streams from assets in the current depressed markets remains uncertain. For further description of significant accounting estimates and judgements cf. note 23 in the Consolidated financial statements.

Derivatives as of 31 December 2016 were a net liability of USD 887m (net liability of USD 837m). Cash and bank balances totalled USD 4.1bn (USD 4.0bn) at 31 December 2016, including offsetting bank overdrafts of USD 47m (USD 12m). Cash and bank balances include USD 1.1bn (USD 1.2bn) that relates to balances in countries with exchange control or other restrictions. These funds are not readily available for general use by the parent company or other subsidiaries.

Equity totalled USD 32.1bn (USD 35.7bn). The decrease was related to the loss for the year of USD 1.9bn, ordinary dividend paid of USD 1.0bn (USD 1.0bn), the share buy-back of USD 475m, and other comprehensive income of negative USD 401m.

The actuarial net liability for pensions, etc. in relation to defined benefit plans recognised totalled USD 142m (USD 131m) at 31 December 2016. Developments in the actuarial assumptions as well as changes to the minimum funding requirements resulted in actuarial losses of USD 96m (gains of USD 68m), which are included in other comprehensive income. A.P. Moller - Maersk paid USD 78m (USD 116m) to defined benefit plans in 2016.

Deferred tax liabilities totalled USD 605m (USD 280m) at 31 December 2016, and recognised deferred tax assets totalled USD 590m (USD 891m). Furthermore, deferred tax assets of USD 2.0bn (USD 1.9bn) have not been recognised, cf. note 8 in the Consolidated financial statements.

CASH FLOW

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).

OPERATING LEASE COMMITMENTS

The present value of operating lease commitments totalled USD 7.0bn at 31 December 2016 (USD 7.0bn at 31 December 2015) using a discount rate of 6% (6%). The amount is divided into the following main items:

- Maersk Line and Maersk Tankers of USD 2.7bn (USD 3.3bn) primarily relating to vessels on time charter
- APM Terminals of USD 3.5bn (USD 2.9bn) primarily related to future concession fees for port facilities
- Other commitments of USD 0.8bn (USD 0.8bn).

About 40% of the time charter payments in Maersk Line and about one third in Maersk Tankers are estimated to relate to operational costs for the assets, cf. note 17 in the Consolidated financial statements.

CONSOLIDATION

The Consolidated financial statements of A.P. Moller - Maersk are included in the consolidated financial statements of A.P. Møller Holding A/S.

PARENT COMPANY FINANCIAL STATEMENTS

The activities of the parent company comprise the oil and gas activities in the Danish sector of the North Sea and parts of offshore and other shipping activities. In addition, activities include the holding of shares in subsidiaries and associated companies as well as funding, procurement and cash management.

In the parent company financial statements, shares in subsidiaries and associated companies are recognised at cost, cf. note 21, less impairment losses, and in the income statement, dividends from subsidiaries and associated companies are recognised as income.

The net result for the year was a loss of USD 0.7bn (profit of USD 2.4bn), mostly due to lower sales gains and impairment of subsidiaries, particularly Maersk Supply Service A/S.

Cash flow from operating activities was USD 0.3bn (USD 0.7bn). Total assets amounted to USD 49.1bn (USD 48.6bn) and equity totalled USD 20.5bn (USD 22.6bn) at 31 December 2016.

Q4 2016 FINANCIALS

A.P. Moller - Maersk reported a loss of USD 2.7bn (loss of USD 2.5bn) negatively impacted by impairments of USD 1.5bn in Maersk Drilling and USD 1.1bn in Maersk Supply Service. The result for 2015 was impacted by post-tax impairments of USD 2.5bn on oil assets. ROIC was negative 21.2% (negative 20.8%). The underlying loss of USD 63m (loss of USD 9m) was mainly due to lower underlying profit in Maersk Drilling due to more idle rigs, and higher net financial items due to higher debt and negative currency effects, partly offset by higher underlying profit in Maersk Oil.

Free cash flow generation came at USD 522m (USD 498m) with net cash flow used for capital expenditure at USD 943m (USD 1.6bn) while cash flow from operating activities remained high at USD 1.5bn (USD 2.0bn).

Maersk Line reported a loss of USD 146m (loss of USD 182m) and a ROIC of negative 2.9% (negative 3.6%).

Revenue increased 2.4% to USD 5.3bn (USD 5.2bn). The development was driven by volumes increasing 12% to 2,701k FFE (2,404k FFE) partly offset by freight rates decreasing 7.1% to 1,804 USD/FFE (1,941 USD/FFE). Freight rates declined across all trades excluding Europe mainly as a result of the imbalance between supply and demand built up in earlier periods.

Global container demand is estimated to have grown around 4% in Q4 2016. The growth was primarily driven by solid demand on East-West and Intra-regional trades while container volumes on the North-South trades remain subdued. The global container fleet grew around 2%.

The EBIT margin gap to peers (adjusted for impairments, etc.) was around 6%-points in Q3 2016 (5%-points).

Unit cost at floating bunker of 1,973 USD/FFE (2,160 USD/FFE) was 8.7% (187 USD/FFE) lower than the same period last year driven by improved fleet utilisation and cost efficiencies. Total bunker cost increased by 26% and the bunker price increased by 11%. Bunker efficiency deteriorated by 0.4% to 912 kg/FFE

Q4 financials

	Revenue		Result before depreciation, amortisation and impairment losses, etc. (EBITDA)		Net operating profit/loss after tax (NOPAT)		Underlying result		Free cash flow	
USD million	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Maersk Line	5,321	5,194	349	359	-146	-182	-155	-165	229	188
APM Terminals	1,088	1,025	214	199	87	128	91	117	13	-8
Damco	657	683	11	8	4	1	4	1	-21	39
Svitzer	154	169	36	38	18	29	19	28	-15	9
Maersk Oil	1,272	1,302	723	668	230	-2,523	250	-21	426	-2
Maersk Drilling	344	617	152	323	-1,420	181	16	176	118	294
Maersk Supply Service	80	128	16	40	-1,109	-	-23	-	-16	-17
Maersk Tankers	207	240	25	60	-13	30	-13	25	-66	42
Other businesses, unallocated activities and eliminations	-236	-233	-22	-67	-328	-175	-252	-170	-146	-47
Maersk consolidated	8,887	9,125	1,504	1,628	-2,677	-2,511	-63	-9	522	498

(909 kg/FFE). Unit cost at fixed bunker price was 10% below Q4 2015.

Maersk Line delivered a free cash flow of USD 229m (USD 188m), significantly impacted by positive working capital effects of USD 172m (USD 351m) due to timing of vendor payments around year-end.

APM Terminals recorded a profit of USD 87m (USD 128m) and a ROIC of 4.4% (8.3%). Operating business generated a profit of USD 111m (USD 138m) while projects under implementation together with TCB had a loss of USD 24m (loss of USD 10m) stemming from start-up costs. The lower profit was mainly attributable to terminals in oil exporting countries in Africa.

Throughput increased by 10.5% compared to Q4 2015 mainly due to TCB volume. Like-for-like throughput increased by 3.4%. The latest estimate for port container volume growth for Q4 2016 was above 1% (Drewry Q4 forecaster).

Damco delivered a profit of USD 4m (USD 1m) driven by overhead cost reductions and growth in supply chain management activities partially offset by a negative development in freight forwarding products, driven by low freight margins.

Ocean and airfreight volumes grew 9% and 3%, respectively, while supply chain management volumes improved by 6%.

Svitzer reported a profit of USD 18m (USD 29m) and a ROIC of 6.0% (10.4%).

Revenue decreased by USD 15m as a result of lower volumes in harbour towage and weaker GBP against USD. Negative effects were partly offset with new terminal towage activity and tariff increase in Australia.

Profitability improved through productivity and cost saving initiatives in harbour towage. Positive impacts from operational efficiencies, lower bunker cost and effects from weaker GBP against USD, were offset by start-up cost in Argentina resulting in EBITDA margin of 23.5% (22.8%).

Cash flow from operating activities increased to USD 26m (USD 19m). Cash flow used for capital expenditure was USD 41m (USD 10m).

Maersk Oil reported a profit of USD 230m (loss of USD 2.5bn including post-tax impairments of USD 2.6bn) with a positive ROIC of 21.9% (negative 214.3%) mainly impacted by lower operating costs, higher production efficiency, reduction of abandonment provision of USD 93m and a higher oil price. The underlying profit was USD 250m (loss of USD 21m).

Entitlement production decreased to 276,000 boepd (333,000 boepd) due to planned and unplanned shutdowns, fewer cost recovery barrels from Qatar as well as lower production from mature fields mainly in the UK and Denmark.

Operating costs excluding exploration were reduced by 19% and exploration costs decreased by 13% compared to Q4 2015.

Investments decreased by 53% in Q4 mainly due to reductions in Qatar following end of the FDP 2012 and reductions in the UK.

Maersk Oil signed agreements to divest its interests in the non-operated UK assets Wytch Farm, Scott, Telford and Boa and the non-operated interests in the Norwegian assets Zidane and the Polarled Pipeline. The divestments are pending approval from authorities.

Maersk Drilling reported a loss of USD 1.4bn due to recognition of the impairment loss of USD 1.5bn before tax and USD 1.4bn after tax. The underlying profit decreased to USD 16m (USD 176m) negatively impacted by more rigs being idle. ROIC was negative 80.8% (positive 9.0%).

The average operational uptime was 99% (97%) for the jack-up rigs and 98% (90%) for the floating rigs.

Maersk Drilling secured one new contract with estimated revenue of USD 12m.

The delivery of Maersk Drilling's fourth and final newbuild ultra harsh environment jack-up rig on order, the Maersk Invincible, was delayed from expected delivery in Q4 2016 to January 2017.

Maersk Supply Service reported a loss of USD 1.1bn (USD 0m) and a ROIC of negative 392.3% (0.0%) impacted by the impairment of USD 1.1bn. The underlying result was a loss of USD 23m (loss of USD 0m).

Revenue decreased to USD 80m (USD 128m) as a result of lower rates and utilisation as well as fewer vessels available for trading due to divestments and lay-ups.

Total operating costs decreased to USD 64m (USD 88m) primarily due to fewer operating vessels and reduced running costs.

Maersk Supply Service had 11 vessels in lay-up end of year.

Maersk Tankers recorded a loss of USD 13m (profit of USD 30m) and ROIC was negative 3.0% (positive 7.3%). The result was negatively impacted by lower market rates, partly offset by improved commercial performance, increased contract coverage and cost savings.

Other businesses recorded a loss of USD 129m (loss of USD 15m) mainly driven by the impairment of USD 131m in the RORO business.

Unallocated activities comprise activities which are not attributable to reportable segments, including financial items as well as centralised purchasing and resale of bunker and lubricating oil to companies in A.P. Moller - Maersk. Financial items, net, were negative by USD 268m (negative by USD 145m). The negative development of USD 123m was primarily driven by higher debt and negative currency effects.

RISK MANAGEMENT

An established Enterprise Risk Management (ERM) framework is implemented and embedded in A.P. Moller - Maersk. It encompasses identifying events or circumstances affecting the achievement of A.P. Moller - Maersk objectives and strategic goals. Further it presents a framework for assessing the risks in terms of likelihood and impact, determining response plans and monitoring progress.

GOVERNANCE AND PROCESS

To obtain the full depiction of the exposure landscape, multiple types of risks are considered i.e. financial, strategic, operational and compliance risks. In order to support a consistent, robust and focused approach to risk management; the risks are divided into three main categories comprising A.P. Moller - Maersk's risk universe, namely the near term Known Risks, the long-term Emerging Risks and the industry and geography related Portfolio Risks.

The three categories are identified through a combination of risk reporting, cross functional interviews with senior stakeholders, internal analyses and external expert input. Risk reporting transpires from all businesses in A.P. Moller - Maersk and primarily addresses the operational elements of the exposure. Meanwhile, the interviews incorporate a wide range of overarching views on risks with the potential of jeopardising the business objectives. Internal analyses, in turn, provide in-depth knowledge of selected risks and facilitate A.P. Moller - Maersk's wide overview and prioritisation. External expertise is sought in assessing emerging risks and establishing the flag posts for relevant mega trends.

The main findings are reviewed by the Management Board as well as the Board of Directors, and serve as input to the annual strategy and capital allocation processes. Specific risks are regularly revisited to ensure adequacy and effectiveness of the risk responses. The Audit Committee annually reviews the process for adequacy and potential improvements.

THE RISK MANAGEMENT SYSTEM

The global and multi industrial nature of A.P. Moller - Maersk makes it subject to a number of risks. These include exposure stemming from changes to regulatory and operational conditions in certain regions, potential accidents putting employees or assets at risk, fluctuations in currencies, volatility in freight rates and oil prices.

Several mechanisms are in place to mitigate the gross risks and limit A.P. Moller - Maersk's exposure, such as elaborate health, safety and environmental management systems, governance frameworks, hedging of exchange rate exposures, financial policies and insurance activities. Following these embedded efforts to mitigate and limit the gross risk exposure of A.P. Moller - Maersk, the most significant residual risks are consolidated and reported to the Management Board and the Board of Directors for assessment of the need for further mitigating actions and decision on corresponding resource allocation. In an effort to reduce the exposure even further, the key residual risks are subsequently addressed through designated senior management ownership allocation for each risk and elaboration of additional actions. Twice a year, the action plans are reviewed for progress and effectiveness.

KNOWN RISKS

Known Risks are considered actual risks to business objectives within the planning period of five years. Some of the residual risks in focus for the short to medium-term are:

Strategic review and restructuring. Over the course of 2016, A.P. Moller - Maersk embarked on a wide ranging strategic review, restructuring and change management processes. A number of inherent transition risks stem from such initiatives. The continued imbalances in key markets add to the complexity, as well as new management teams across most of the businesses and not least, the prospect of a potential significant acquisition completion during 2017 with associated integration efforts required. Some of the risks revolve around internal organisational changes, such as ensuring focus on continued commercial and operational excellence in the businesses at a time where attention is directed more inward than usual.

Meanwhile, it is imperative to maintain a robust governance structure to preserve integrity, protect the business and ensure continued compliance with external regulatory requirements during the transition. From an external perspective, the announced long-term strategic intent of focusing A.P. Moller - Maersk's portfolio on transport and logistics, while harbouring many opportunities, also increases the concentration risk. Focusing on the transport and logistics businesses raises A.P. Moller - Maersk's relative exposure to the developments in global trade and the underlying drivers.

Last, but not least, as with any strategy, there is an execution risk. In the context of the announced strategy, success rests on the ability to achieve the intended synergies and deliver on the expressed aspirations in the digital space and growth through acquisitions. The above risks are managed through a structured process and significant management attention and oversight.

A prolonged period of low freight rates and oil prices. The subdued freight rates remain a challenge as overcapacity, and the resulting supply-demand gap, erodes value despite reasonably healthy volume growth. The sluggish global economic growth and rising near shoring and protectionist trends also continue to weigh on the outlook for container rates. These risks are addressed by optimisation of the network, increased utilisation of assets through alliances and a focused effort to contribute to consolidation in the industry.

The low oil prices naturally have a direct effect on the activity levels and results in the energy related businesses. Furthermore, in oil dependent economies we have seen the decline in commodity prices deteriorating the financial and fiscal structures, while threatening legal, political and social stability, resulting from heavy reliance on oil and gas revenues. This, in turn, has the potential for adverse effects on several of the businesses located in, or exposed to, these regions.

For all the businesses, we continue to focus on being a cost leader in their industries, and to simplify the organisations. In the energy businesses this has yielded significantly lower break even oil prices, allowing for commercial viability even in the currently difficult market conditions.

Being an operator of large assets, **a major accident or oil spill** remains an inherent risk in A.P. Moller - Maersk's operations, particularly in the oil and gas, offshore and tanker businesses. Production and transportation of oil and natural gas, as well as the operation of large container vessels, are subject to risks such as technical or operational failures and natural disasters. An accident could pose a risk to the employees as well as potentially to the marine environment, wildlife and local communities. Additionally it could result in large scale impacts on assets, income streams, liquidity position and reputation and put the license to operate at risk. A.P. Moller - Maersk is proactively building and supporting incident free operations to mitigate this risk.

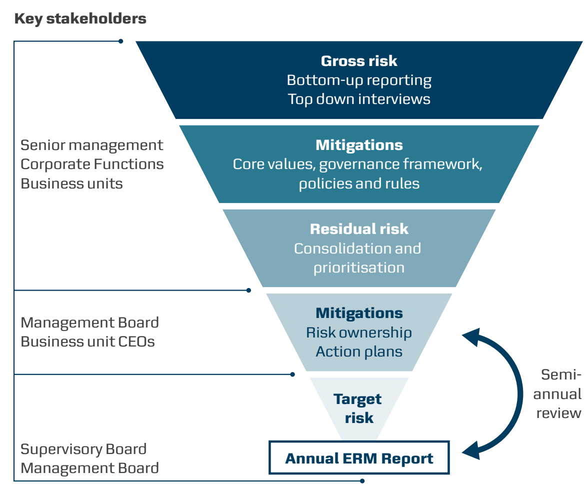
A.P. Moller - Maersk is exposed to **cyber security threats** that could materially affect operations and the financial condition. Cyber-attacks targeting systems or production facilities could result in severe business disruptions and significant losses, as A.P. Moller - Maersk is involved in complex and wide-ranging global services and engaged in increased digitisation of its businesses, making it highly dependent on well-functioning IT systems. The risk is managed through close monitoring and enhancements of cyber resilience and focus on business continuity management in the event that IT systems, despite their efforts, are affected.

EMERGING RISKS

Emerging Risks stem from larger trends, with the potential of impacting the long-term strategy over 5-10 years. Given the longevity of the assets and the long-term ambition of A.P. Moller - Maersk, we look beyond the planning horizon in assessing the risk landscape to ensure the strategy reflects and encompasses long-term uncertainty. Considering the relevant time frame for Emerging Risk, mega trends act as guiding principles and shape the thinking. As part of this effort, A.P. Moller - Maersk is particularly monitoring developments in the sphere of geopolitics and technological progress. Both dimensions pose a number of opportunities in potentially intensifying global trade flows through trade agreements and economic growth, or harvesting efficiency gains stemming from technological development.

Adversely, the trends can develop into threats should they for instance materialise in reversion of globalised supply chains driven by geopolitical tensions, increased automation and rising protectionist measures undermining the long-term outlook for global trade. An intensification of conflicts in regions where A.P. Moller - Maersk operate more stationary assets or accelerated shift away from fossil fuels, also pose long term

Enterprise Risk Management Governance Structure and Process



risks to the businesses, in particular in the terminals and energy industries. A.P. Moller - Maersk monitors and proactively seeks to deepen its understanding of these risks, and to take account of them in its strategy.

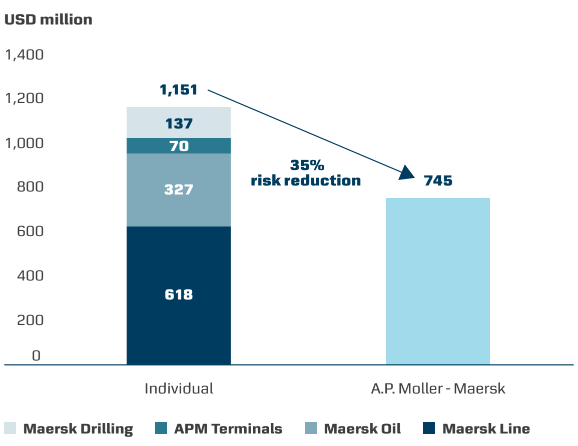
PORTFOLIO RISKS

Portfolio Risks reflect the exposure associated with A.P. Moller - Maersk's composition of businesses and choices of geographic presence. A.P. Moller - Maersk's portfolio consideration and active management were underpinned by the 2016 strategic review and communicated intent of focusing A.P. Moller - Maersk's future strategy on transport and logistics. Historic evidence implies that the future narrowing of the portfolio will on the one hand reduce the risk exposure as the energy related risks will be reduced, but on the other hand the more uniform portfolio will naturally impede the previous diversification effect and increase relative volatility. From a liquidity point of view, the financing costs could also be affected, should the change in business portfolio composition result in any credit rating deterioration.

The existing structure continues to offer a volatility reduction of 35% compared to aggregated fluctuations of the individual business units. From a geographic risk point of view, the portfolio on average remains in the relatively low risk category due to a high level of asset and income spread across geographies.

Impact of diversification

(Underlying result volatility)



Based on the underlying result Q1 2007 – Q4 2016.

CORPORATE GOVERNANCE

Corporate governance is a matter that A.P. Møller - Mærsk A/S' Board of Directors continuously considers on the basis of the Company's activities, external environment, history and needs etc.

RECOMMENDATIONS FOR CORPORATE GOVERNANCE

As a Danish listed company, A.P. Møller - Mærsk A/S must comply with or explain deviations from the "Recommendations for Corporate Governance" (Anbefalinger for god selskabsledelse) implemented by NASDAQ Copenhagen in the Rules for issuers of shares (Regler for udstedere af aktier) and Section 107b of the Danish Financial Statements Act (Årsregnskabsloven).

The Board of Directors of A.P. Møller - Mærsk A/S has prepared a statement on corporate governance for the financial year 2016.

The statement can be reviewed and downloaded via http://investor.maersk.com/governancestatement.cfm

The statement includes a description of the Company's approach to each of the recommendations in the "Recommendations for Corporate Governance" as well as a description of the Company's management structure and the main elements of A.P. Moller - Maersk's internal control and risk management systems related to A.P. Moller - Maersk's financial reporting process.

MANAGEMENT STRUCTURE

A.P. Møller - Mærsk A/S has a two-tier management structure consisting of the Board of Directors and the Management Board as illustrated below. The Board of Directors lays down the general business and management principles for A.P. Moller - Maersk and ensures the proper organisation of A.P. Moller - Maersk. Furthermore, the Board of Directors decides the strategy and the risk policies and supervises the performance of the Company and its management. The Board of Directors shall consist of 4-13 members elected by the Annual General Meeting. The Board members are elected for a two-year term. There are Board members up for election every year to ensure continuity in the work of Board of Directors. Board members are eligible for re-election.

The members of the Management Board as of 1 January 2016 were Nils S. Andersen, Group CEO, Trond Westlie, Kim Fejfer, Claus V. Hemmingsen, Søren Skou and Jakob Thomasen. During 2016 the Management Board changed as follows: On 1 July 2016 Nils S. Andersen stepped down from the Management Board and was replaced by Søren Skou as Group CEO. On 1 October 2016 Kim Fejfer and Jakob Thomasen stepped down from the Management Board. On 1 December 2016 Trond Westlie stepped down and was replaced by Jakob Stausholm as Group CFO. Thus, on 31 December 2016 the members of the Management Board were Søren Skou, Group CEO, Claus V. Hemmingsen, Group Vice CEO, and Jakob Stausholm, Group CFO.

Further information is available in the statement on corporate governance for 2016.

SHAREHOLDER INFORMATION

A.P. Møller - Mærsk A/S paid an ordinary dividend of DKK 300 per share and completed its second share buy-back programme of DKK 6.7bn in 2016. The share price increased 26% over the year, implying a total shareholder return of 29% for 2016.

SHARE PRICE DEVELOPMENT

Maersk B share price increased 26% from its 2015 close of DKK 8,975. As a comparison the benchmark indices MSCI Europe Transportation and OMXC 20 Cap increased by 2% and decreased by 2% respectively. The Maersk B share price reached its highest of DKK 11,550 on 15 December 2016 and its lowest price of DKK 7,410 on 11 February 2016. Total market value of A.P. Moller - Maersk was USD 32.2bn at the end of 2016.

OWNERSHIP

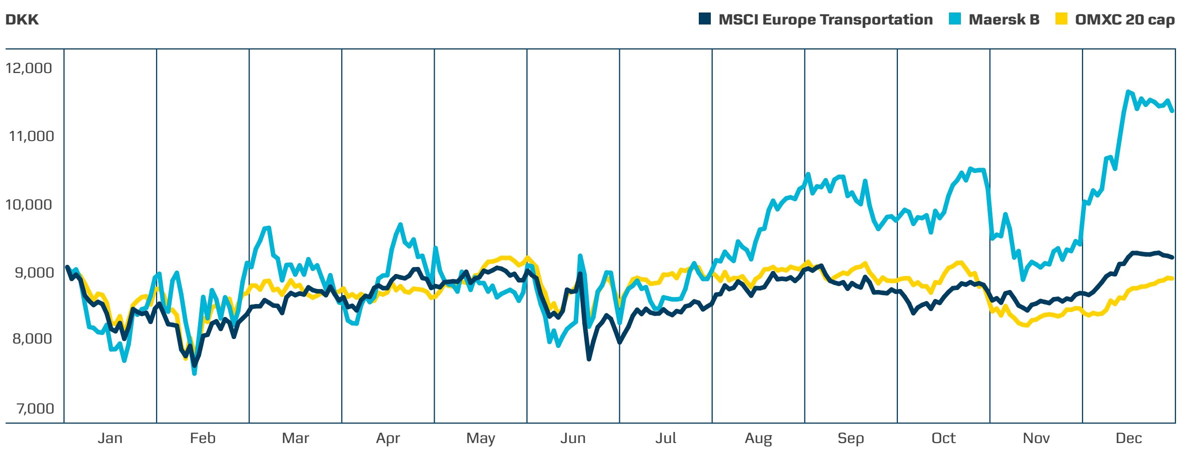
The total number of registered shareholders decreased by 4,000 to around 90,000 during 2016. Shareholders with more than 5% of share capital or votes held 53% of the share capital.

SHARE CAPITAL

Maersk shares are listed on NASDAQ OMX Copenhagen and are divided into two classes; A shares with voting rights and B shares without voting rights. Each DKK 1,000 A share entitles the holder to two votes.

The shareholders decided at the Annual General Meeting on 12 April 2016 on the cancellation of treasury shares. The Company's share capital was reduced with nominally DKK 728,520,000 in total, divided between 146,122 A shares of nominally DKK 1,000 and 582,398 B shares of nominally DKK 1,000 in Q2. After the capital decrease, A.P. Møller - Mærsk A/S' share capital amounted to nominally DKK 20,816,862,000.

Share price development



Source Bloomberg, numbers are rebased.

OWN SHARES

The DKK 6.7bn share buy-back programme initiated on 1 September 2015 was concluded on 15 March 2016. The Board of Directors decided not to initiate a new share buy-back programme in 2016. A.P. Møller - Mærsk A/S' holding of own shares comprised 0.37% of the share capital end of 2016, cf. note 9 in the Consolidated financial statements.

DIVIDEND

Dividend is A.P. Møller - Mærsk A/S' primary distribution of capital to its shareholders. A.P. Møller - Mærsk A/S' objective is to increase the nominal dividend per share over time; supported by underlying earnings growth.

The Board of Directors proposes an ordinary dividend to the shareholders of DKK 150 per share of DKK 1,000 (DKK 300 per share of DKK 1,000). The proposed dividend payment represents an ordinary dividend yield of 1.3% (3.3%), based on the Maersk B share's closing price as of 30 December 2016. Payment is expected to take place on 31 March 2017.

The Maersk share: Key figures	**2016**	2015	2014	2013	2012
Year-end share price (DKK, B share)	11,270	8,975	12,370	11,770	8,520
Share price range (DKK, B share)	4,140	7,605	4,100	3,778	2,564
Market capitalisation at year-end (USD bn, A and B share)	32.2	27.6	42.8	46.3	31.9
Earnings per share (USD)	-93	37	230	158	171
Dividend per share (DKK, A and B share)[1]	150	300	300	280	240
Dividend yield (B share)	1.3%	3.3%	15.9%[2]	2.4%	2.8%
Share buy-back programme (DKK bn)[3]	3.2	5.2	3.9	0	0

[1] Ordinary dividend in proposed year. [2] Including extraordinary dividend.
[3] Actual payments on a cash basis.

FINANCIAL CALENDAR 2017

28 March	Annual General Meeting
11 May	Interim Report Q1 2017
16 August	Interim Report Q2 2017
2 November	Interim Report Q3 2017

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 28 March 2017 in Copenhagen, Denmark.

INVESTOR RELATIONS

Investor Relations had around 265 meetings with participation of more than 500 investors and analysts in Europe and USA in 2016.

A.P. Moller - Maersk is covered by 30 analysts, predominantly from international investment banks, who regularly publish research reports. A list of the analysts and other relevant information, including financial reports, investor presentations, share and bond information, is available on http://investor.maersk.com

Shareholders with more than 5% of share capital or votes

Shareholders according to the Danish Companies Act § 55 are	Share capital	Votes
A.P. Møller Holding A/S, Copenhagen, Denmark	41.51%	51.23%
A.P. Møller og Hustru Chastine Mc-Kinney Møllers Familiefond, Copenhagen, Denmark	8.84%	13.12%
Den A.P. Møllerske Støttefond, Copenhagen, Denmark	3.11%	5.99%