A.P. Møller - Mærsk A/S

Interim Report Q1 2017

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MAERSK

CONTENTS

The Interim Report for Q1 2017 of A.P. Møller - Mærsk A/S (further referred to as A.P. Moller - Maersk as the consolidated group of companies) has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

Comparative figures
Unless otherwise stated, all figures in parenthesis refer to the corresponding figures for the same period prior year.

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

Significant accounting estimates and judgements
For a description of significant accounting estimates and judgements, see note 23 of the Annual Report for 2016.

Directors' report

HIGHLIGHTS Q1 2017

The profit for A.P. Moller - Maersk was USD 253m (USD 224m) with a return on invested capital (ROIC) of 3.5% (2.9%), in line with expectations. Gross cash flow used for capital expenditure was USD 1.6bn (USD 2.1bn). The free cash flow was negative USD 376m (negative USD 1.6bn).

THE CONSOLIDATED FINANCIALS

The underlying profit of USD 201m (USD 214m) was at the same level as last year, reflecting an increase of USD 321m in Maersk Oil due to higher oil price and lower operating expenses, offset by decreases in almost all other businesses. In particular, the overcapacity in the drilling industry lead to a decrease of USD 175m in Maersk Drilling, and despite increasing freight rates, Maersk Line experienced a decrease of USD 112m primarily due to higher bunker costs.

Revenue increased by USD 424m to USD 9.0bn with significant increases of USD 343m or 33% in Maersk Oil, and USD 519m or 10% in Maersk Line, which was only partly countered by a decrease of USD 310m or 47% in Maersk Drilling and USD 62m or 56% in Maersk Supply Service.

Operating expenses increased by USD 319m to USD 7.3bn mainly reflecting an increase of USD 569m in Maersk Line due to 80% higher bunker prices and 10% increase in volumes, partly offset by a decrease of USD 95m in Maersk Oil and USD 74m in Maersk Drilling, stemming from cost saving initiatives across all cost categories. Focus on cost efficiency across all businesses remains high.

Profit before tax was USD 574m (USD 369m) and tax amounted to USD 321m (USD 145m). The increase in effective tax rate from 39.3% to 55.9% was primarily due to a higher proportion of profit before tax stemming from Maersk Oil, which is taxed significantly higher than the normal corporate tax rate.

Cash flow from operating activities increased to USD 877m (USD 250m), primarily due to 2016 being impacted by a one-off dispute settlement in Maersk Oil. Net cash flow used for capital expenditure was USD 1.3bn (USD 1.9bn), mainly regarding investments in Maersk Drilling's XLE Jack-up rig Maersk Invincible, development projects in Maersk Oil and APM Terminals as well as containers acquired in Maersk Line. This was partly offset by divestments of USD 396m (USD 260m) relating to sale-and-leaseback of vessels in Maersk Line and the disposal of the Boa field in Maersk Oil.

Net interest-bearing debt increased to USD 11.7bn (USD 10.7bn at 31 December 2016) mainly due to negative free cash flow of USD 376m, dividend payment of USD 454m and new finance leases of USD 170m.

With an equity ratio of 53.5% (52.5% at 31 December 2016) and a liquidity reserve of USD 10.3bn (USD 11.8bn at 31 December 2016), A.P. Moller - Maersk maintains its strong financial position.

TRANSPORT & LOGISTICS

The new strategic direction for the Transport & Logistics division to integrate the businesses is progressing as planned with expected synergies of up to two percentage points in ROIC improvement by the end of 2019. In accordance with the strategy, Maersk Line increased the volumes to APM Terminals in Q1.

A key part of the growth strategy in Transport & Logistics is developing and introducing new digital products and services to customers. As examples to support these initiatives, Damco launched its digital freight forward platform Twill, and Maersk Line announced a collaboration with IBM on developing blockchain solutions to simplify supply chains.

The sales and purchase agreement to acquire the German container shipping line Hamburg Süd from the Oetker Group was approved by the boards of the Oetker Group and Maersk Line A/S. Maersk Line will acquire Hamburg Süd for EUR 3.7bn on a cash and debt-free basis (Enterprise Value). A syndicated loan facility has been established to fully finance the acquisition. The acquisition is expected to generate annual operational synergies of around USD 350-400m as from 2019, primarily derived from integrating and optimising the vessel networks as well as utilising the terminal capacity in APM Terminals.

The acquisition is subject to regulatory approvals. The US antitrust authorities have approved the acquisition and the EU commission has approved subject to conditions. Maersk Line expects to close the transaction end 2017.

The transaction is part of Transport & Logistics' stated growth objective and represents sizeable operational synergies and commercial opportunities.

The Transport & Logistics division realised a consolidated revenue of USD 7.0bn (USD 6.4bn) up 10% compared to Q1 2016 driven by revenue growth in all businesses, with the exception of Svitzer. The reported underlying loss of USD 1m (profit of USD 79m) was in line with expectations with gradually improving container freight rates and normal seasonal impact around Chinese New Year. The division generated a free cash flow of USD 104m (negative USD 935m); including effect from sale-and-lease back transactions in Maersk Line.

Maersk Line reported a loss of USD 66m (profit of USD 37m) and a negative ROIC of 1.3% (positive 0.7%). The underlying result was a loss of USD 80m (profit of USD 32m).

Market fundamentals continued to improve in Q1 and demand outgrew nominal supply for the second consecutive quarter. Transported volumes increased by 10% partly because of improved demand but also reflecting an increased market share, maintained from the second half of 2016. Freight rates increased by 4.4%, which did not fully compensate for the 80% increase in bunker price. Freight rates mainly increased on East-West trades and especially from Asia to Europe while North-South trades were below last year.

Maersk Line's EBIT margin is estimated to be on par with peer group in Q4 2016, below the ambition of 5%-points gap. The unsatisfactory development was partly driven by trade mix, especially Maersk Line's high exposure to North-South trades, and the impact from excluding Hanjin from the peer group in Q4 2016.

Highlights Q1

	Revenue		Profit/loss		Underlying result		Free cash flow		Cash flow used for capital expenditure		Invested capital		ROIC, annualised	
USD million	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Maersk Line	5,493	4,974	-66	37	-80	32	-55	73	-83	31	20,213	20,157	-1.3%	0.7%
APM Terminals	1,008	962	91	108	91	107	88	-762	-163	-960	8,141	7,731	4.5%	6.2%
Damco	612	596	-8	2	-8	2	-30	-18	-1	-3	255	224	-13.9%	3.0%
Svitzer	157	163	22	27	21	25	-32	-18	-67	-54	1,286	1,202	7.1%	9.4%
Maersk Container Industry	243	112	14	-16	14	-16	42	-67	-4	-5	328	446	16.1%	-15.7%
Other businesses, unallocated and eliminations	-421	-306	-39	-71	-39	-71	91	-143	-52	6	1,120	1,249	14.4%	4.4%
Transport & Logistics	**7,092**	**6,501**	**14**	**87**	**-1**	**79**	**104**	**-935**	**-370**	**-985**	**31,343**	**31,009**	**0.2%**	**1.2%**
Maersk Oil	1,375	1,032	328	-29	292	-29	269	-926	-282	-754	4,142	4,334	31.8%	-3.0%
Maersk Drilling	344	654	48	222	48	223	-306	416	-450	-11	6,624	7,792	3.0%	11.2%
Maersk Supply Service	48	110	-22	-2	-22	-2	-86	-35	-108	-57	736	1,820	-13.3%	-0.4%
Maersk Tankers	228	245	10	48	9	46	-15	44	-32	-24	1,704	1,647	2.3%	11.5%
Other businesses, unallocated and eliminations	-25	5	2	-1	2	-2	4	-2	5	-2	64	50	24.8%	-8.1%
Energy	**1,970**	**2,046**	**366**	**238**	**329**	**236**	**-134**	**-503**	**-867**	**-848**	**13,270**	**15,643**	**11.3%**	**6.2%**
Financial items, net after tax	**-**	**-**	**-127**	**-101**	**-127**	**-101**	**-346**	**-175**	**-16**	**-30**	**-649**	**-193**	**-**	**-**
Eliminations	**-99**	**-8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-6**	**-2**	**-**	**-**
A.P. Moller - Maersk Consolidated	**8,963**	**8,539**	**253**	**224**	**201**	**214**	**-376**	**-1,613**	**-1,253**	**-1,863**	**43,958**	**46,457**	**3.5%**	**2.9%**

APM Terminals reported a profit of USD 91m (USD 108m) and a ROIC of 4.5% (6.2%). The underlying profit was USD 91m (USD 107m), negatively impacted by declining markets in West Africa and rate pressure in a number of locations due to overcapacity.

In line with the new strategy no new terminal projects have been pursued and APM Terminals achieved a positive free cash flow of USD 88m.

Damco realised a loss of USD 8m (profit of USD 2m) with a negative ROIC of 13.9% (positive 3.0%). The underlying loss was USD 8m (profit of USD 2m), affected by a significant margin pressure in freight forwarding products and higher investments in product development.

Svitzer reported a profit of USD 22m (USD 27m) and a ROIC of 7.1% (9.4%). The underlying profit was USD 21m (USD 25m), negatively impacted by lower activity in Europe and Americas, partly offset by cost saving initiatives.

Maersk Container Industry reported a profit of USD 14m (loss of USD 16m) and a positive ROIC of 16.1% (negative 15.7%). The underlying profit was USD 14m (loss of USD 16m), positively impacted by improved efficiencies and significantly higher volumes in both dry and reefer stemming from improved coordination between Maersk Line and Maersk Container Industry. In addition, the market prices for dry containers improved compared to 2016.

ENERGY

The objective of the Energy division is to find structural solutions for the oil and oil related businesses before the end of 2018, ultimately leading to a separation from A.P. Moller - Maersk. In the separation process, the economic value must be maximised for all shareholders, and A.P. Møller - Mærsk A/S must retain a strong capital structure and remain investment grade rated.

Maersk Oil reported a profit of USD 328m (loss of USD 29m) with a positive ROIC of 31.8% (negative 3.0%) at an average oil price of USD 54 (USD 34) per barrel. The underlying profit was USD 292m (loss of USD 29m) positively affected by the higher oil price, cost reductions and lower exploration costs and a one-off tax income of USD 42m.

Entitlement production was 275,000 boepd (350,000 boepd), impacted by lower production in Qatar and the UK.

The Danish government provided new terms for the oil industry, enabling partners in the Danish Underground Consortium (DUC) to progress with a full redevelopment plan for the Tyra facilities towards project sanction by the end of 2017. The agreement with the Danish government is subject to Danish parliamentary approval. The Tyra redevelopment will lead to an increase of the resources in Denmark and will extend the production for decades and at the same time unlock upside in the North Sea area.

Maersk Drilling reported a profit of USD 48m (USD 222m) and a ROIC of 3.0% (11.2%). The underlying profit was USD 48m (USD 223m), negatively impacted by a significant number of rigs being idle but positively impacted by higher operational uptime, cost savings and lower depreciation due to the impairments in Q4 2016.

Maersk Supply Service reported a loss of USD 22m (loss of USD 2m) and a ROIC of negative 13.3% (negative 0.4%). The underlying loss was USD 22m (loss of USD 2m), driven by lower utilisation and lower rates.

Maersk Tankers reported a profit of USD 10m (USD 48m) and a ROIC of 2.3% (11.5%). The underlying profit was USD 9m (USD 46m), negatively impacted by declining rates, partly offset by cost savings.

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 126m (USD 121m) primarily driven by slightly higher net interest expenses due to higher net debt.

CREDIT RATING

A.P. Moller - Maersk remains investment grade rated and holds a Baa2 rating from Moody's and a BBB rating from Standard & Poor's, both with negative outlook.

DIVIDEND

The ordinary dividend of DKK 150 per A.P. Møller - Mærsk A/S share of nominally DKK 1,000 (in total equal to USD 454m) declared at the Annual General Meeting 28 March 2017 was paid on 31 March 2017.

GUIDANCE FOR 2017

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

The guidance for 2017 excludes the acquisition of Hamburg Süd.

The **Transport & Logistics division** reiterates the expectation of an underlying profit above USD 1bn.

Due to gradual improvements in container rates **Maersk Line** continues to expect an improvement in excess of USD 1bn in underlying profit compared to 2016 (loss of USD 384m). Global demand for seaborne container transportation is still expected to increase 2-4%.

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

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

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

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

SENSITIVITY GUIDANCE

A.P. Moller - Maersk's guidance for 2017 is subject to considerable uncertainty, not least due to developments in the global economy, the container freight rates and the oil price.

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

Factors	Change	Effect on the Group's underlying profit Rest of year
Oil price for Maersk Oil[1]	+/-10 USD/barrel	+/-USD 0.2bn
Bunker price	+/-100 USD/tonne	-/+USD 0.3bn
Container freight rate	+/-100 USD/FFE	+/-USD 0.8bn
Container freight volume	+/-100,000 FFE	+/-USD 0.1bn

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

Copenhagen, 11 May 2017

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Changes in guidance are versus guidance given in the Annual Report 2016. All figures in parenthesis refer to full year 2016.

The Interim Report for Q2 is expected to be announced on 16 August 2017.

SUMMARY FINANCIAL INFORMATION

AMOUNTS IN USD MILLION

INCOME STATEMENT	Q1 2017	Q1 2016	Full year 2016
Revenue	8,963	8,539	35,464
Profit before depreciation, amortisation and impairment losses, etc. (EBITDA)	1,706	1,597	6,767
Depreciation, amortisation and impairment losses, net	1,112	1,162	7,265
Gain on sale of non-current assets, etc., net	52	11	178
Share of profit/loss in joint ventures	32	23	149
Share of profit/loss in associated companies	22	21	-55
Profit/loss before financial items (EBIT)	700	490	-226
Financial items, net	-126	-121	-617
Profit before tax	574	369	-843
Tax	321	145	1,054
Profit/loss for the period	253	224	-1,897
A.P. Møller - Mærsk A/S' share	245	211	-1,939
Underlying result	201	214	711
BALANCE SHEET			
Total assets	60,428	64,239	61,118
Total equity	32,316	35,804	32,090
Invested capital	43,958	46,457	42,808
Net interest-bearing debt	11,664	10,653	10,737
Investments in property, plant and equipment and intangible assets	1,670	2,845	6,748
CASH FLOW STATEMENT			
Cash flow from operating activities	877	250	4,326
Cash flow used for capital expenditure	-1,253	-1,863	-4,355
FINANCIAL RATIOS			
Return on invested capital after tax (ROIC), annualised	3.5%	2.9%	-2.7%
Return on equity after tax, annualised	3.1%	2.5%	-5.6%
Equity ratio	53.5%	55.7%	52.5%

STOCK MARKET RATIOS	Q1 2017	Q1 2016	Full year 2016
Earnings per share (EPS), USD	12	10	-93
Diluted earnings per share, USD	12	10	-93
Cash flow from operating activities per share, USD	42	12	208
Share price (B share), end of period, DKK	11,570	8,590	11,270
Share price (B share), end of period, USD	1,662	1,312	1,597
Total market capitalisation, end of period, USD m	33,991	26,832	32,215
GROUP BUSINESS DRIVERS			
Maersk Line			
Transported volumes (FFE in '000)	2,601	2,361	10,415
Average freight rate (USD per FFE)	1,939	1,857	1,795
Unit cost (USD per FFE incl. VSA income)	2,087	2,060	1,982
Average fuel price (USD per tonne)	320	178	223
Maersk Line fleet, owned	284	287	292
Maersk Line fleet, chartered	355	318	347
Fleet capacity (TEU in '000)	3,236	2,992	3,239
APM Terminals			
Containers handled (measured in million TEU and weighted with ownership share)	9.4	8.7	37.3
Number of terminals	75	72	73
Maersk Oil			
Average share of oil and gas production (thousand barrels of oil equivalent per day)	275	350	313
Average crude oil price (Brent) (USD per barrel)	54	34	44
Maersk Drilling			
Operational uptime	99%	97%	98%
Contracted days	1,260	1,683	6,307
Revenue backlog (USD bn)	3.4	4.7	3.7

The interim consolidated financial statements on pages 28-41 have not been subject to audit or review. The interim consolidated financial statements are prepared in accordance with IAS 34.

Financial review

Transport & Logistics

Maersk Line / APM Terminals / Damco / Svitzer

MAERSK LINE

Maersk Line reported a loss of USD 66m (profit of USD 37m) and a ROIC of negative 1.3% (positive 0.7%), in line with expectations. The market fundamentals continued to improve as demand outgrew nominal supply for the second consecutive quarter. Maersk Line's average freight rate increased 4.4% and revenue improved by 10% compared to Q1 2016, however, this was not sufficient to offset the 80% increase in average bunker price.

The East-West trades were profitable in Q1 driven by the Asia to Europe trades, however offset by negative results in the North-South trades.

Revenue of USD 5.5bn was 10% higher than Q1 2016. The development was driven by a 4.4% increase in average freight rate to 1,939 USD/FFE (1,857 USD/FFE) and a 10% increase in volumes to 2,601k FFE (2,361k FFE). Volume mainly increased on backhaul (16.1%) and less on headhaul (7.4%) with the increase driven by both improved demand growth and market share gain maintained from the second half of 2016. Volumes mainly increased in the North America and West Central Asia trades.

Average freight rates increased 4.4%, driven by an increase in the East-West trades of 23% and especially from Asia to Europe while North America was on par with last year. The North-South trades were 4.3% below last year driven by lower rates in Africa and Oceania while freight rates in West Central Asia and Latin America were on par with last year. Despite an improvement, average freight rates did not fully reflect the

MAERSK LINE HIGHLIGHTS USD MILLION	Q1 2017	Q1 2016
Revenue	5,493	4,974
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**436**	**486**
Depreciation, amortisation and impairment losses, net	492	475
Gain on sale of non-current assets, etc., net	14	5
Profit/loss before financial items (EBIT)	**-42**	**16**
Tax	24	+21
Net operating profit/loss after tax (NOPAT)	**-66**	**37**
Underlying result	**-80**	**32**
Cash flow from operating activities	28	42
Cash flow used for capital expenditure	-83	31
Invested capital	20,213	20,157
ROIC, annualised	-1.3%	0.7%
Transported volumes (FFE in '000)	2,601	2,361
Average freight rate (USD per FFE)	1,939	1,857
Unit cost (USD per FFE incl. VSA income)	2,087	2,060
Average fuel price (USD per tonne)	320	178
Maersk Line fleet, owned	284	287
Maersk Line fleet, chartered	355	318
Fleet capacity (TEU in '000)	3,236	2,992

improvement in market fundamentals. Recognised freight revenue was USD 5.0bn (USD 4.5bn) and other revenue was USD 525m (USD 514m).

Total unit cost of 2,087 USD/FFE was 1.3% higher than Q1 2016 (2,060 USD/FFE) while unit cost at fixed bunker price was 5.2% lower. Total unit cost benefited from general cost efficiencies but was more than offset by an 80% increase in bunker prices. Compared to Q4 2016 total unit cost increased 5.8% mainly because of lower utilisation and higher bunker prices. Unit cost at fixed bunker price increased 3.5% compared to Q4 2016.

Average freight rates

USD/FFE	Q1 2017	Q1 2016	Change	Change %
East-West	2,112	1,713	398	23.2
North-South	2,027	2,117	-91	-4.3
Intra-regional	1,308	1,384	-77	-5.6
Total	**1,939**	**1,857**	**82**	**4.4**

Transported volumes

FFE ('000)	Q1 2017	Q1 2016	Change	Change %
East-West	918	851	67	7.9
North-South	1,257	1,141	116	10.2
Intra-regional	426	369	57	15.4
Total	**2,601**	**2,361**	**240**	**10.1**

Newbuilding programme

Newbuilding programme (own vessels)	TEU Q1 2017	TEU Q4 2016	Number of vessels Q1 2017	Number of vessels Q4 2016
3,000 – 4,699 TEU	25,200	25,200	7	7
> 8,000 TEU	361,248	341,930	20	20
Container vessels total	**386,448**	**367,130**	**27**	**27**

Bunker cost was USD 782m (USD 401m) in Q1 2017 while bunker efficiency improved by 1.8% to 940 kg/FFE (957 kg/FFE).

Maersk Line's EBIT margin is estimated to be on par with peer group in Q4 2016, below the ambition of 5%-points gap. The unsatisfactory development was partly driven by trade mix, especially Maersk Line's high exposure to North-South trades, and the impact from excluding Hanjin from the peer group in Q4 2016.

By end Q1, the Maersk Line fleet consisted of 284 owned vessels (1,897k TEU) and 355 chartered vessels (1,338k TEU) with a total capacity of 3,236k TEU, an increase of 8.1% compared to Q1 2016 but on par with Q4 2016. Idle capacity at the end of Q1 2017 was 35k TEU (four vessels) versus 34k TEU (four vessels) at the end of Q1 2016, corresponding to 2.5% of total idle capacity in the market. During the quarter, Maersk Line scrapped seven Panamax vessels and postponed the delivery of three 3.6k TEU ice-class vessels from 2017 to 2018.

By end Q1, Maersk Line had 27 vessels in the order book (386k TEU) for delivery in 2017 and 2018. This consists of eleven 20.6k TEU second generation Triple-E, nine 15k TEU vessels and seven 3.6k TEU ice-class vessels for the intra-European market. Maersk Line's total order book corresponds to 12% of current fleet, compared to an industry order book of around 15%.

Cash flow from operating activities was USD 28m (USD 42m), impacted by the decline in earnings. Cash flow used for capital expenditure was USD 83m (positive USD 31m) as container investments of USD 187m, vessel investment of USD 158m and other investments of USD 38m were partly offset by divestment cash flow of USD 300m mainly related to the divestment of ten container vessels on a sale-and-lease-back agreement as well as seven Panamax vessels sold for scrap. Maersk Line recorded a negative free cash flow of USD 55m (positive USD 73m).

Developments in the quarter

In December 2016, Maersk Line reached an agreement to acquire Hamburg Süd, and a sale and purchase agreement (SPA) between Maersk Line A/S and the Oetker Group was approved in April 2017 by the boards of both companies. The proposed acquisition is subject to regulatory approvals. In March 2017, the US antitrust authorities approved the proposed acquisition without conditions and in April 2017, the EU Commission approved the proposed acquisition subject to conditions. The EU Commission's conditions are that Maersk Line commits to withdraw Hamburg Süd from vessel sharing agreements on certain trade routes. The acquisition is still expected to be closed by the end of 2017.

Maersk Line intends to divest the Brazilian carrier Mercosul with the purpose of securing approval from the Brazilian competition authorities (CADE) for the acquisition of Hamburg Süd. The divestment will ensure that the cabotage market in Brazil remains competitive.

In February, Maersk Line and Hamburg Süd announced a slot purchase agreement for Hamburg Süd's volumes on the East-West trades to be shipped on vessels in the 2M network.

In March, Maersk Line, Mediterranean Shipping Company (MSC) and Hyundai Merchant Marine (HMM) signed an agreement officially launching the strategic cooperation between the three liner companies on East-West trades. This strategic cooperation between 2M and HMM will include a series of slot exchanges and slot purchases on East-West routes.

The market

Global container demand grew nearly 4% in 2016, and strengthened towards the end of the year. The momentum continued into Q1 2017, with global container demand of around 5% year-over-year, reflecting improvements in the global economic environment. Container demand on the East-West trades remained strong driven by imports to both the Far East, North America and Europe. Container demand on the North-South trades rebounded slightly. South America improved after several years of contraction partly driven by higher commodity prices. Furthermore, import growth to the Middle East and India remained strong, while African imports remained low.

The global container fleet capacity stood at 20.3m TEU at the end of Q1 of which 6.8% was idle. In total 217k TEU (36 vessels) were delivered and 209k TEU (65 vessels) were scrapped in the quarter. The high amount of scrapped vessels in recent quarters in combination with deferrals of planned vessel deliveries led to a container fleet growth of only 0.8% in Q1. New orderings amounted to 44k TEU (24 vessels), leading to a drop in the order book to 14.8% of the current fleet at the end of Q1 compared to 19.1% in the same quarter last year (Alphaliner).

Container demand grew stronger than the global container fleet in Q1, but a decline in idling and some network optimisations in the industry limited the improvement in supply/demand gap. Freight rates out of China increased by 12% year-over-year (China Composite Freight Index (CCFI)).

MAERSK LINE ▸
The first second generation Triple-E and the World's largest container vessel, Madrid Maersk at sea trials before its delivery 5 April 2017.

APM TERMINALS

APM Terminals reported a profit of USD 91m (USD 108m) and a ROIC of 4.5% (6.2%), negatively impacted by declining markets in West Africa and rate pressure in a number of locations due to overcapacity.

Operating businesses generated a profit of USD 96m (USD 114m) while projects under implementation realised a loss of USD 5m (loss of USD 6m) stemming from start-up costs.

The oil driven macro-economic situation in West Africa continues to negatively affect profitability through low import volumes and depreciating exchange rates.

In Latin America, mainly the terminals on the east coast are negatively impacted by the consolidation of liner services. Terminals in primarily USA, but also Russia are still facing competitive pressure but have still managed to improve results from last year.

APM Terminals' total volume was 9.4m TEU (8.7m TEU), weighted by the share of equity in each terminal, primarily increasing due to the acquired Grup Marítim TCB (TCB) volumes. Adjusting for TCB as well as newly operated entities, like-for-like volume increased 2.7%, mainly driven by North-East Asia terminals. The new slot purchase agreement with Hamburg Süd will have a positive volume impact for APM Terminals. The average port revenue per move declined by 5.5% from USD 200 per move to USD 189 per move.

Unit cost decreased 7%, mainly driven by currency effects and cost efficiencies, partly offset by inflation.

	USD MILLION	
	Q1	
APM TERMINALS HIGHLIGHTS	**2017**	2016
Revenue	1,008	962
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**168**	**164**
Depreciation, amortisation and impairment losses, net	100	85
Gain on sale of non-current assets, etc., net	-	1
Share of profit/loss in joint ventures	23	18
Share of profit/loss in associated companies	21	25
Profit/loss before financial items (EBIT)	**112**	**123**
Tax	21	15
Net operating profit/loss after tax (NOPAT)	**91**	**108**
Underlying result	**91**	**107**
Cash flow from operating activities	251	198
Cash flow used for capital expenditure	-163	-960
Invested capital	8,141	7,731
ROIC, annualised	4.5%	6.2%
Containers handled (measured in million TEU and weighted with ownership share)	9.4	8.7
Number of terminals	75	72

APM Terminals' global utilisation was 67%, slightly lower than same period last year. Excluding Izmir, Turkey, which started operation end 2016, and still in ramp-up, the global utilisation was 1 percentage point higher than last year, mainly due to Maersk Line contributing additional volume.

The share of profit in joint ventures and associated companies was USD 44m (USD 43m), in line with same period last year.

Cash flow from operating activities was USD 251m (USD 198m), mainly improving due to lower working capital. Cash flow used for capital expenditure was USD 163m (USD 960m) mainly related to projects under implementation. Last year's capital expenditure was mainly related to the acquisition of TCB.

Developments in the quarter

APM Terminals Lazaro Cardenas, Mexico, Latin America's largest semi-automated terminal started operations end February and was officially inaugurated 4 April. The terminal, with the capacity to receive the world's largest ships, will contribute significantly to Mexico's future trade growth.

Integration of the TCB portfolio has largely been completed and the TCB terminals are now included under operating business. The TCB terminals in Spain as well as Latin America are in general performing well in line with the business case. As described in the Annual Report 2016, the Terminal de Contenedores Quetzal (TCQ) in Guatemala has been under investigation for irregularities dating back to before APM Terminals acquired the terminal. This investigation is now completed and the terminal started operations early March. The new concession agreement in TCQ is still subject to Congress approval. The closing of the TCB transaction with the initially carved-out entities in Turkey and on the Canary Islands was subject to certain conditions precedent, some of which have not been satisfied. APM Terminals has therefore notified the Sellers of the TCB portfolio that it will not proceed with the acquisition of the carved-out entities.

APM Terminals increased invested capital to USD 8.1bn (USD 7.7bn), mainly due to implementation projects in Moin, Costa Rica, Lazaro Cardenas, Mexico and Tangier, Morocco. While no major investment projects are being launched, the enlarged APM Terminals portfolio including the projects under implementation creates opportunities for consolidation and potentially divestments. The divestment transaction of Pentalver, the UK based provider of container transport and other related service, was closed early May 2017.

The market

The launch of the new container carrier alliances THE and Ocean and the cooperation of Hyundai MM and Hamburg Süd with the 2M alliance has significantly shifted the market landscape in many ports. APM Terminals have in several locations lost services in this transition as the new and larger alliances in many ports have chosen terminal operators based on their equity interests.

Drewry's forecast for global port throughput growth is 2.6% for Q1 2017 and 2.8% for full year 2017, with a positive and higher growth forecast in all regions than the Q4 2016 forecast. The throughput forecast in Middle East and Latin America changed from negative to growth while the forecast for Asia and North America was slightly higher than last year. South Asia continued to be the region with the highest forecasted growth (6.3%) though much lower than in 2016 (11.2%). The important West Africa port volumes are expected to grow 1.0%.

The forecasted growth is roughly in line with the 2015-20 average forecasted terminal capacity growth of 2.9%, indicating that utilisation will remain on average constant in 2017, though significant differences from port to port may be expected.

APM TERMINALS

APM Terminals Lazaro Cardenas, Mexico, received its first official vessel call with the arrival of Maersk Salalah on 17 February 2017.

DAMCO

Damco reported a loss of USD 8m (profit of USD 2m) and a negative ROIC of 13.9% (positive 3.0%), driven by a significant margin pressure in freight forwarding products and higher investments in product development.

Revenue was USD 612m (USD 596m), driven by volume growth in three main products; supply chain management by 3.5%, while airfreight and ocean controlled volumes grew by 10% and 11%, respectively. The focus in ocean and airfreight products was on selected trade lanes, enabling Damco to grow significantly above last year. Strong development seen especially on China-Benelux, China-US and China-Mexico lanes, where reported growth was 21%, 16% and 23%, respectively.

The forwarding market remained challenging for Damco. Significant carrier rate increases affected ocean and airfreight margins. Damco is aiming to improve freight forwarding margins by launching and expanding the e-platform Twill.

Cost saving initiatives were driving overhead reduction. However, the focus going forward remains on increasing the sales pipeline and commercial effectiveness through digitisation and development of supply chain solutions, as well as delivering on long-term cost sustainability. This will require intensified investments in product development, which will affect the financial results negatively for the rest of the year.

Cash flow from operating activities was negative USD 29m (negative USD 15m) due to the negative result development and higher net working capital.

Developments in the quarter

Damco implemented a number of software robots, created to fulfil specific customers' needs, to drive standardisation and automation of processes, leading to faster and more accurate execution of tasks at lower costs.

DAMCO HIGHLIGHTS	USD MILLION Q1 2017	Q1 2016
Revenue	612	596
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**0**	**10**
Depreciation, amortisation and impairment losses, net	5	7
Share of profit/loss in joint ventures	2	2
Profit/loss before financial items (EBIT)	**-3**	**5**
Tax	5	3
Net operating profit/loss after tax (NOPAT)	**-8**	**2**
Underlying result	**-8**	**2**
Cash flow from operating activities	-29	-15
Cash flow used for capital expenditure	-1	-3
Invested capital	255	224
ROIC, annualised	-13.9%	3.0%

Damco continued to invest in developing forwarding solutions and improving customer experience by launching Twill. Damco expanded offerings within the Orchestrator product by launching a Supply Chain Intelligence solution. This will help users drive supply chain performance through real-time data visualisation and intelligent data analytics based on shipping profiles, carrier performance and performance dashboards.

Product

Q1 volumes	2017	2016	2015
Supply Chain Management (SCM) ('000 cbm)	15,983	15,448	14,945
Ocean (OCE) (TEU), Controlled	141,805	128,303	130,297
AIR (Tonnes)	45,002	40,862	37,971

DAMCO
Co-creating digital solutions.

SVITZER

Svitzer reported a profit of USD 22m (USD 27m) and a ROIC of 7.1% (9.4%), negatively impacted by lower activity in Europe and Americas, partly offset by cost saving initiatives.

Towage activity increased in Australia but declined in Europe mainly as a result of the mild weather, especially in the UK.

Cash flow from operating activities amounted to USD 35m (USD 36m) whereas cash flow from investing activities increased to USD 67m (USD 54m) due to payments on new vessels.

Market share for harbour towage in competitive ports in Australia and Europe was 58%, which was slightly above Q1 2016. Volumes in Australia improved because of increased export of commodities. Furthermore, reduced costs and higher fleet utilisation positively affected profitability.

In Americas, the aftermath of hurricane Matthew negatively affected harbour towage volumes. In 2016, Svitzer entered into new ports in Brazil, Argentina and Canada, but is currently facing commercial challenges establishing its position, especially in seasonal ports. Brazil secured new volume from March while Argentina continues to experience commercial challenges.

Three new terminal towage projects are progressing as planned in Australia and Costa Rica and will commence operations from Q2 2017 and early 2018.

The Market

The market for terminal towage remains negatively impacted by the current oil price environment, where oil companies continue to postpone projects. Due to the challenging economic environment and excess supply of tugs, several oil and gas customers are seeking rate reductions, particularly in the Middle East. Svitzer continues to work with customers to identify mutually beneficial solutions.

		USD MILLION
		Q1
SVITZER HIGHLIGHTS	**2017**	2016
Revenue	157	163
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**44**	**47**
Depreciation, amortisation and impairment losses, net	21	20
Gain on sale of non-current assets, etc., net	1	2
Share of profit/loss in joint ventures	1	3
Profit/loss before financial items (EBIT)	**25**	**32**
Tax	3	5
Net operating profit/loss after tax (NOPAT)	**22**	**27**
Underlying result	**21**	**25**
Cash flow from operating activities	35	36
Cash flow used for capital expenditure	-67	-54
Invested capital	1,286	1,202
ROIC, annualised	7.1%	9.4%

Financial review

Energy

Maersk Oil / Maersk Drilling / Maersk Supply Service / Maersk Tankers

MAERSK OIL

Maersk Oil reported a profit of USD 328m (loss of USD 29m) and a positive ROIC of 31.8% (negative 3.0%). New fiscal terms for the Danish North Sea were agreed subject to Parliament approval, and first oil was achieved from the Flyndre field in the UK.

The underlying profit was USD 292m (loss of USD 29m), excluding USD 36m from the sale of the Boa field in the UK. The higher underlying result was due to a 59% higher average oil price of USD 54 per barrel versus USD 34 per barrel in Q1 2016 and a one-off tax income of USD 42m, partly offset by a 21% lower entitlement production of 275,000 boepd (350,000 boepd).

Maersk Oil reduced operating expenses by 31%, excluding exploration costs and costs related to purchase of oil and gas for resale, to USD 389m (USD 560m).

Maersk Oil is targeting a NOPAT break-even at USD 40-45 per barrel, excluding Qatar for 2017 and beyond.

Cash flow from operating activities was positive USD 551m (negative USD 172m), with Q1 2016 negatively affected by a one-off dispute settlement. Cash flow used for capital expenditure was USD 282m (USD 754m) primarily directed at the Culzean, UK and Johan Sverdrup, Norway developments.

The reduced entitlement production of 275,000 boepd (350,000 boepd) was primarily due to Qatar, where higher oil price and lower operating costs led to fewer entitlement barrels for cost recovery. Further, the cessation of production in Q2 2016 from the Janice field (Q1 2016 production was 6,000 boepd) in the UK and natural decline from mature assets (including reduction of 18,000 boepd from the Dumbarton fields from Q1 2016 to Q1 2017) contributed to the decline in production.

	USD MILLION	
	Q1	
MAERSK OIL HIGHLIGHTS	**2017**	2016
Revenue	1,375	1,032
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**859**	**421**
Depreciation, amortisation and impairment losses, net	306	348
Gain on sale of non-current assets, etc., net	36	-
Profit/loss before financial items (EBIT)	**589**	**73**
Tax	261	102
Net operating profit/loss after tax (NOPAT)	**328**	**-29**
Underlying result	**292**	**-29**
Cash flow from operating activities	551	-172
Cash flow used for capital expenditure	-282	-754
Invested capital	4,142	4,334
ROIC, annualised	31.8%	-3.0%
Exploration costs	20	57
Average share of oil and gas production (thousand barrels of oil equivalent per day)	275	350
Average crude oil price (Brent) (USD per barrel)	54	34

In the remaining portfolio, Denmark, Kazakhstan, US, Algeria and Iraqi Kurdistan, production was in line with or slightly higher than same period last year due to good operational performance offsetting the natural decline.

The Danish government provided new terms for the oil industry, enabling the partners in the Danish Underground Consortium (DUC) to progress with a full redevelopment plan for the Tyra facilities towards project sanction by the end of 2017. The agreement with the Danish government is subject to Danish parliamentary approval. The Tyra redevelopment will lead to an increase of the resources in Denmark and will extend the production for decades and at the same time unlock upside in the North Sea area.

The Culzean gas field in the UK operated by Maersk Oil is progressing with drilling activities and facilities installation work as planned at 40% completion rate and within budget towards first oil in 2019. Also in the UK, the Flyndre development started production on 26 March, currently ramping up towards a production of 10,000 boepd.

In Norway, Maersk Oil participates in the development of the Johan Sverdrup oil field, also progressing according to plans at 40% completion rate and within budget towards first oil in 2019. Furthermore, the Johan Sverdrup Phase 2 facilities concept, which will increase production from the field from 440,000 boepd to 660,000 boepd, passed through the select decision gate into the define phase in late March.

In Kenya, oil was encountered in the first of four exploration and appraisal wells, Erut-1, which was completed in January. Currently, drilling of a second well is in progress and work is ongoing to establish a sanctionable development.

Reserves and resources

The yearly update of Maersk Oil's reserves and resources as per end of 2016 showed entitlement reserves and resources (2P+2C) of 1.0bn barrels of oil equivalent (1.1bn boe) including proved and probable (2P) reserves of 0.56bn barrels of oil equivalent (0.65bn boe). The net (2P) reserves decrease of 94m boe was due to 114m boe entitlement production, partly offset by upward revisions mainly due to better than expected production from the US Jack wells and from Qatar. Contingent resources decline of 22m boe was mainly due to relinquishment of some licences in the UK, US and Norway, offset by booking of the new resources from the newly acquired Kenya licences. The 2P reserves exclude Johan Sverdrup Phase 2 in Norway and the extension of Tyra in Denmark.

Overall, Maersk Oils 1P Reserves Replacement Ratio was 40% (171% in 2015 following sanction of Culzean, UK and Johan Sverdrup, Norway). The 1P Reserves-over-Production ratio, excluding Qatar due to exit mid 2017 is 4.8 (5.2 in 2015).

The reserves and resources are estimated according to international standards (Society of Petroleum Engineers' Petroleum Resources Management System) and an independent third party audits the reserves.

The Market

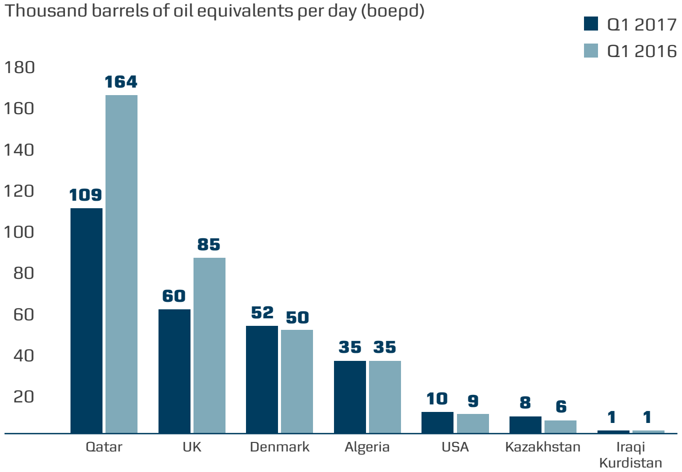
The oil price is still impacted by the OPEC production cuts agreed in 2016 and was within a range of USD 50-55 (30-40) per barrel in Q1.

Global demand and supply appears 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 generally lower oil price environment. Together with good operational performance, this has allowed Maersk Oil to improve the break-even oil price 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.

Entitlement share of production

Thousand barrels of oil equivalents per day (boepd)



Maersk Oil's reserves and resources

	End 2016	End 2015
Proved reserves (1P)	339	408
Probable reserves (2P$_i$)[1]	216	241
Proved and Probable reserves (2P)	555	649
Contingent resources (2C)	470	492
Reserves and resources (2P+2C)	**1,025**	**1,141**

Reserves and resources in million boe – barrels of oil equivalent.
[1] Incremental volume.

MAERSK DRILLING

Maersk Drilling reported a profit of USD 48m (USD 222m) generating a ROIC of 3.0% (11.2%). The result reflects that a significant number of rigs are currently idle. A positive impact resulted from higher operational uptime, further cost savings and lower depreciation due to the impairments in Q4 2016.

The economic utilisation of the fleet was 62% (83%) adversely affected by ten rigs being idle or partly idle. Maersk Drilling delivered a high operational performance across the fleet with an average operational uptime of 100% (96%) for the jack-up rigs and 97% (98%) for the floating rigs.

At the end of Q1 2017, Maersk Drillings' forward contract coverage was 57% for 2017, 46% for 2018 and 25% for 2019, making the backlog one of the strongest in the industry. The total revenue backlog by the end of Q1 amounted to USD 3.4bn (USD 4.7bn).

Maersk Drilling is actively engaged in dialogues with a select few of the major international oil companies exploring new business models with a larger degree of collaboration, e.g. better well planning and commercial alignment between oil companies and contractors.

Furthermore, Maersk Drilling continues to identify and drive cost savings to optimise profitability and cash flows. Maersk Drilling reduced costs further by 5% compared to Q1 2016, excluding exchange rate effects and savings from stacked rigs. The cost savings were mainly achieved through further vendor re-negotiations, implementation of optimised manning structures and work processes on board the rigs, yard stay and maintenance optimisation, reduction of workforce as well as salary freezes.

MAERSK DRILLING HIGHLIGHTS	USD MILLION Q1 2017	2016
Revenue	344	654
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**171**	**407**
Depreciation, amortisation and impairment losses, net	118	145
Share of profit/loss in joint ventures	2	-1
Profit/loss before financial items (EBIT)	**55**	**261**
Tax	7	39
Net operating profit/loss after tax (NOPAT)	**48**	**222**
Underlying result	**48**	**223**
Cash flow from operating activities	144	427
Cash flow used for capital expenditure	-450	-11
Invested capital	6,624	7,792
ROIC, annualised	3.0%	11.2%
Operational uptime	99%	97%
Contracted days	1,260	1,683
Revenue backlog (USD bn)	3.4	4.7

The lower cash flow from operating activities of USD 144m (USD 427m) was a result of fewer rigs being on contract and a termination fee received in Q1 2016. Cash flow used for capital expenditures of USD 450m (USD 11m) mainly reflects the last instalment paid for the newbuild XLE Jack-Up, Maersk Invincible.

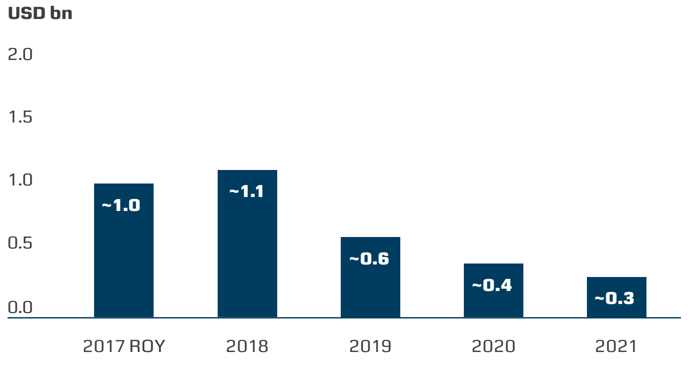
Stacking

At the end of Q1, Maersk Drilling was preparing the Mærsk Developer and Maersk Resolute for contracts in Q2. Further, eight rigs were 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.

Contract coverage per segment

Segment	2017 ROY	2018
Jack-up rigs	61%	50%
Ultra deepwater and midwater rigs	44%	38%
Total	**57%**	**46%**

Revenue backlog, end Q1 2017



Ahead of rigs becoming idle, Maersk Drilling assesses the most attractive stacking conditions and locations for the rigs in balanced consideration of commercial opportunities, 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 the quarter

Maersk Drilling signed two new contracts. The Jack-Up Maersk Resolute received a contract that covers the drilling of two wells offshore the Netherlands with an expected duration of 95 days, commencing in June 2017. Furthermore, Mærsk Gallant was awarded a contract for the drilling of one well in the UK sector of the North Sea. The duration of the contract is approximately 140 days and will commence in Q3 2017. The combined value of the two contracts amounts to USD 16m.

Maersk Drilling reactivated the warm-stacked semi-submersible Mærsk Developer, which was awarded a contract in December 2016 with a duration of 40-45 days. The estimated contract value is USD 12m, and operations commenced in April 2017.

The newbuild XLE Jack-Up Maersk Invincible has arrived in Norway following delivery from DSME in early January 2017. The rig will commence a five-year firm contract with Aker BP in Q2 2017.

The Market

Brent crude oil prices fluctuated around the USD 56 per barrel level during January and February before falling to settle at USD 51 per barrel during March. This remains well below levels required to support a sustained increase in offshore rig demand. Maersk Drilling does not expect to see significant improvements in offshore rig demand until the market reaches a stable oil price above USD 60 per barrel or until offshore drilling cost levels adjust to a lower oil price.

Supply within the offshore drilling sector continues to hold significant excess capacity, as approximately 135 floaters and 225 jack-up rigs have been stacked, while the newbuild order book still comprises approximately 40 floaters and 90 jack-up rigs scheduled for delivery, the vast majority of which do not have contracts. Whilst the market has seen some scrapping in the older floaters fleet, the level of scrapping amongst jack-ups has been marginal.

With the excess supply, the market outlook for offshore drilling remains challenged despite increasing tendering activity, as the day rates currently being tendered are typically close to or below operating cost. Furthermore, the contracts are short in length, leading to idle periods between contracts and higher operating costs for mobilisation, start-up and ramp-down. In the near-term, rig utilisation and day-rates could continue to trend downward, requiring a reduction in the rig supply before recovery.

During Q1 2017, there are signs that utilisation for jack-up rigs will begin to pick up as first half of 2017 progresses, with the floater rig market expected to be 6-12 months behind in recovery.

This view of reaching or approaching the bottom of the market has led to several M&A transactions for rigs during the first quarter, as companies including new entrants look to take advantage of distressed players and reduced asset prices, however, this does not help resolve the oversupply issues for the industry and only increases the number of competitors.

MAERSK SUPPLY SERVICE

Maersk Supply Service reported a loss of USD 22m (loss of USD 2m) and a ROIC of negative 13.3% (negative 0.4%). Maersk Supply Service had eight vessels laid up at the end of Q1.

Revenue decreased to USD 48m (USD 110m) following lower utilisation and lower average rates. Total operating costs decreased to USD 53m (USD 74m) due to fewer operating vessels and reduced running cost.

Cash flow from operating activities remained at the same level of USD 22m due to improvement in net working capital. Cash flow used for capital expenditure increased to USD 108m (USD 57m) due to delivery of Maersk Master.

Going into Q2, contract coverage was 23% for 2017 and 7% for 2018. Utilisation was 54% (62%) in Q1. Maersk Supply Service took delivery of one Anchor Handling Tug Supply (AHTS) newbuilding in Q1, Maersk Master, leaving the total order book at nine vessels which comprises five AHTS vessels and four Subsea Support Vessels. Maersk Supply Service recycled two vessels in Q1 leaving the total fleet at 44 vessels. Maersk Supply Service is planning to divest or recycle an additional seven vessels over the next 12 months.

Market outlook remains subdued

The market demand remains low due to the low oil price and Maersk Supply Service expects the general market outlook for the industry to remain subdued in the near and mid-term. The industry is currently characterised by financial restructurings and consolidation. In line with the market decline, the offshore supply vessel industry continues to see a large number of vessel lay-ups globally, including Maersk Supply Service who had eight vessels laid up at the end of Q1.

Integrated Solutions business well underway

Maersk Supply Service's newly launched Integrated Solutions business is well underway. With vessels at the centre of its services, Maersk Supply Service is adding bundled marine

MAERSK SUPPLY SERVICE HIGHLIGHTS	USD MILLION Q1 2017	2016
Revenue	48	110
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**-5**	**36**
Depreciation, amortisation and impairment losses, net	18	37
Profit/loss before financial items (EBIT)	**-23**	**-1**
Tax	+1	1
Net operating profit/loss after tax (NOPAT)	**-22**	**-2**
Underlying result	**-22**	**-2**
Cash flow from operating activities	22	22
Cash flow used for capital expenditure	-108	-57
Invested capital	736	1,820
ROIC, annualised	-13.3%	-0.4%

solutions to offer a more simplified operation to customers. In line with this, Maersk Supply Service announced in January its long-term partnership agreement with Oceaneering International, Inc. to provide remotely operated vehicles to be installed on board Maersk Supply Service vessels. The partnership will maximise the value of offshore project operations for Maersk Supply Service's customers by simplifying the planning and procurement process and enabling a smoother execution by offering multiple services in one agreement.

New offshore market

Maersk Supply Service secured a partnership with DeepGreen Resources to support a deep-sea mineral recovery project in the Pacific Ocean. For Maersk Supply Service this is an opportunity to utilise a newbuild vessel for an ultra-deep water subsea operation in a new market that will be supported by specialised assets.

MAERSK SUPPLY SERVICE
Maersk Master, a DP2 deep water Anchor Handling Tug Supply Vessel (AHTS) of SALT design, during sea trials in March 2017 in Norway.

MAERSK TANKERS

Maersk Tankers reported a profit of USD 10m (USD 48m) and a ROIC of 2.3% (11.5%). The lower result was due to deteriorating market rates, partly offset by cost savings.

The market remained challenged in Q1. High product inventories and refinery maintenance reduced freight demand in the West of Suez markets, while an increased number of newbuilding deliveries increased competition in the East of Suez markets. Consequently, freight rates on the average spot market dropped by 28% compared to Q1 2016. The market is expected to remain difficult in 2017 due to influx of newbuild vessels and high inventory levels.

The challenged market led Maersk Tankers' average Time Charter Equivalent (TCE) earnings to decrease by 22%, declining across all product segments compared to Q1 2016.

To retain a strong market position, Maersk Tankers progressed its work to use digitisation in commercial decisions. The aim is to increase accuracy in forecasting the markets and cargos that yield highest earnings and position vessels accordingly.

As part of this, Maersk Tankers is strengthening its commercial capabilities by training its commercial team in using new tools and data.

Maersk Tankers reduced daily running cost by 15% in Q1. The reduction was mainly a result of process efficiencies and improved procurement. Maersk Tankers continues to seek cost reduction opportunities and as part of this, announced it will test the use of rotor sails on board a product tanker vessel during 2018 and 2019.

Cash flow from operating activities was USD 17m (USD 68m), negatively impacted by increased working capital. Net cash flow from capital expenditure was USD 32m (USD 24m) driven by newbuilding instalments, partly offset by the sale of one vessel.

		USD MILLION
		Q1
MAERSK TANKERS HIGHLIGHTS	**2017**	2016
Revenue	228	245
Profit/loss before depreciation, amortisation and impairment losses, etc. (EBITDA)	**43**	**78**
Depreciation, amortisation and impairment losses, net	34	33
Gain on sale of non-current assets, etc., net	1	2
Profit/loss before financial items (EBIT)	**10**	**47**
Tax	-	+1
Net operating profit/loss after tax (NOPAT)	**10**	**48**
Underlying result	**9**	**46**
Cash flow from operating activities	17	68
Cash flow used for capital expenditure	-32	-24
Invested capital	1,704	1,647
ROIC, annualised	2.3%	11.5%

Maersk Tankers took delivery of two Mid-Range newbuildings during Q1. The order book totals nine remaining vessels, of which two will be delivered during 2017, and the last seven in 2018 as well as an option for ten Long Range (LR2) product tanker vessels.

Maersk Tankers operated 159 product tanker vessels across the four segments Intermediate, Handy, Mid-Range and Long-Range by the end of Q1. Of these, Maersk Tankers owns 83, 20 are chartered and 56 are on commercial management.

MAERSK TANKERS
Two MR newbuildings joined the fleet in Q1 2017.

STATEMENT OF THE BOARD OF DIRECTORS AND THE MANAGE-MENT BOARD

The Board of Directors and the Management Board have today discussed and approved the interim report of A.P. Møller - Mærsk A/S for the period 1 January 2017 to 31 March 2017.

The interim consolidated financial statements of A.P. Møller - Mærsk A/S has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and further requirements in the Danish Financial Statements Act. In our opinion the interim consolidated financial statements (pages 28-41) give a true and fair view of A.P. Moller - Maersk's consolidated assets, liabilities and financial position at 31 March 2017 and of the result of A.P. Moller - Maersk's consolidated operations and cash flows for the period 1 January to 31 March 2017. Furthermore, in our opinion the Directors' report (pages 3-27) includes a fair review of the development in A.P. Moller - Maersk's operations and financial conditions, the result for the period, cash flows and financial position as well as the most significant risks and uncertainty factors that A.P. Moller - Maersk faces.

Copenhagen, 11 May 2017

MANAGEMENT BOARD

Søren Skou — Group CEO

Claus V. Hemmingsen — Group Vice CEO

Jakob Stausholm — Group CFO

BOARD OF DIRECTORS

Jim Hagemann Snabe — Chairman

Niels Jacobsen — Vice Chairman

Ane Mærsk Mc-Kinney Uggla — Vice Chairman

Dorothee Blessing

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Renata Frolova-Hammer

Arne Karlsson

Jan Leschly

Palle Vestergaard Rasmussen

Robert Routs

Robert Mærsk Uggla

Financials

(In parenthesis the corresponding figures for 2016)

CONDENSED INCOME STATEMENT

AMOUNTS IN USD MILLION

Note		Q1 2017	Q1 2016	Full year 2016
1	Revenue	8,963	8,539	35,464
	Profit before depreciation, amortisation and impairment losses, etc.	**1,706**	**1,597**	**6,767**
	Depreciation, amortisation and impairment losses, net	1,112	1,162	7,265
	Gain on sale of non-current assets, etc., net	52	11	178
	Share of profit/loss in joint ventures	32	23	149
	Share of profit/loss in associated companies	22	21	-55
	Profit/loss before financial items	**700**	**490**	**-226**
	Financial items, net	-126	-121	-617
	Profit/loss before tax	**574**	**369**	**-843**
	Tax	321	145	1,054
1	**Profit/loss for the period**	**253**	**224**	**-1,897**
	Of which:			
	Non-controlling interests	8	13	42
	A.P. Møller - Mærsk A/S' share	**245**	**211**	**-1,939**
	Earnings per share, USD	**12**	**10**	**-93**
	Diluted earnings per share, USD	**12**	**10**	**-93**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

AMOUNTS IN USD MILLION

	Q1 2017	Q1 2016	Full year 2016
Profit/loss for the period	**253**	**224**	**-1,897**
Translation from functional currency to presentation currency	214	115	-330
Other equity investments	11	36	-27
Cash flow hedges	181	70	33
Tax on other comprehensive income	-9	9	16
Share of other comprehensive income of joint ventures and associated companies, net of tax	-	-1	3
Total items that have been or may be reclassified subsequently to the income statement	**397**	**229**	**-305**
Actuarial gains/losses on defined benefit plans, etc.	-	-9	-96
Total items that will not be reclassified to the income statement	**-**	**-9**	**-96**
Other comprehensive income, net of tax	**397**	**220**	**-401**
Total comprehensive income for the period	**650**	**444**	**-2,298**
Of which:			
Non-controlling interests	39	23	54
A.P. Møller - Mærsk A/S' share	**611**	**421**	**-2,352**

CONDENSED BALANCE SHEET

AMOUNTS IN USD MILLION

Note		31 March **2017**	31 March 2016	31 December 2016
	Intangible assets	3,685	3,508	3,620
	Property, plant and equipment	41,814	44,089	41,496
	Financial non-current assets, etc.	4,348	4,571	4,269
	Deferred tax	621	802	590
	Total non-current assets	**50,468**	**52,970**	**49,975**
	Inventories	950	707	862
	Receivables, etc.	5,969	6,117	6,021
	Securities	53	771	52
	Cash and bank balances	2,873	3,627	4,105
	Assets held for sale	115	47	103
	Total current assets	**9,960**	**11,269**	**11,143**
1	**Total assets**	**60,428**	**64,239**	**61,118**

Note		31 March **2017**	31 March 2016	31 December 2016
	Equity attributable to A.P. Møller - Mærsk A/S	31,429	35,037	31,258
	Non-controlling interests	887	767	832
	Total equity	**32,316**	**35,804**	**32,090**
	Borrowings, non-current	13,019	13,387	13,320
	Other non-current liabilities	4,925	5,438	4,975
	Total non-current liabilities	**17,944**	**18,825**	**18,295**
	Borrowings, current	2,041	1,921	2,015
	Other current liabilities	8,111	7,689	8,702
	Liabilities associated with assets held for sale	16	-	16
	Total current liabilities	**10,168**	**9,610**	**10,733**
1	**Total liabilities**	**28,112**	**28,435**	**29,028**
	Total equity and liabilities	**60,428**	**64,239**	**61,118**

CONDENSED CASH FLOW STATEMENT

AMOUNTS IN USD MILLION

	Q1 2017	Q1 2016	Full year 2016
Profit/loss before financial items	700	490	-226
Non-cash items, etc.	911	579	6,357
Change in working capital	-50	-310	-265
Cash from operating activities before financial items and tax	1,561	759	5,866
Financial payments, net	-310	-143	-385
Taxes paid	-374	-366	-1,155
Cash flow from operating activities	**877**	**250**	**4,326**
Purchase of intangible assets and property, plant and equipment	-1,624	-1,352	-4,373
Sale of intangible assets and property, plant and equipment	383	266	494
Acquisition/sale of subsidiaries and activities, etc., net	-12	-777	-476
Cash flow used for capital expenditure	-1,253	-1,863	-4,355
Purchase/sale of securities, trading portfolio	-	10	754
Cash flow used for investing activities	**-1,253**	**-1,853**	**-3,601**
Repayment of/proceeds from loans, net	-470	1,647	1,369
Purchase of own shares	-	-475	-475
Dividends distributed	-454	-	-953
Dividends distributed to non-controlling interests	-	-1	-53
Other equity transactions	31	39	-32
Cash flow from financing activities	**-893**	**1,210**	**-144**
Net cash flow for the period	**-1,269**	**-393**	**581**
Cash and cash equivalents 1 January	4,077	3,996	3,996
Currency translation effect on cash and cash equivalents	68	-9	-500
Cash and cash equivalents, end of period	2,876	3,594	4,077
Of which classified as assets held for sale	-22	-	-19
Cash and cash equivalents, end of period	**2,854**	**3,594**	**4,058**

	Q1 2017	Q1 2016	Full year 2016
Cash and cash equivalents			
Cash and bank balances	2,873	3,627	4,105
Overdrafts	19	33	47
Cash and cash equivalents, end of period	**2,854**	**3,594**	**4,058**

Cash and bank balances include USD 1.2bn (USD 1.1bn at 31 December 2016) that relates to cash and bank 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.

CONDENSED STATEMENT OF CHANGES IN EQUITY

AMOUNTS IN USD MILLION

	A.P. Møller - Mærsk A/S							
	Share capital	Translation reserve	Reserve for other equity investments	Reserve for hedges	Retained earnings	Total	Non-controlling interests	Total equity
Equity 1 January 2017	3,774	-706	-232	-255	28,677	31,258	832	32,090
Other comprehensive income, net of tax	-	183	11	172	-	366	31	397
Profit/loss for the period	-	-	-	-	245	245	8	253
Total comprehensive income for the period	**-**	**183**	**11**	**172**	**245**	**611**	**39**	**650**
Dividends to shareholders	-	-	-	-	-454	-454	-	-454
Value of share-based payment	-	-	-	-	2	2	-	2
Sale of non-controlling interests	-	-	-	-	1	1	8	9
Sale of own shares	-	-	-	-	14	14	-	14
Capital increases and decreases	-	-	-	-	-	-	8	8
Other equity movements	-	-	-	-	-3	-3	-	-3
Total transactions with shareholders	**-**	**-**	**-**	**-**	**-440**	**-440**	**16**	**-424**
Equity 31 March 2017	**3,774**	**-523**	**-221**	**-83**	**28,482**	**31,429**	**887**	**32,316**
Equity 1 January 2016	3,906	-381	-205	-301	32,068	35,087	652	35,739
Other comprehensive income, net of tax	-	124	36	61	-11	210	10	220
Profit/loss for the period	-	-	-	-	211	211	13	224
Total comprehensive income for the period	**-**	**124**	**36**	**61**	**200**	**421**	**23**	**444**
Dividends to shareholders	-	-	-	-	-	-	-2	-2
Value of share-based payment	-	-	-	-	5	5	-	5
Acquisition of non-controlling interests	-	-	-	-	-1	-1	56	55
Purchase of own shares	-	-	-	-	-475	-475	-	-475
Capital increases and decreases	-	-	-	-	-	-	37	37
Other equity movements	-	-	-	-	-	-	1	1
Total transactions with shareholders	**-**	**-**	**-**	**-**	**-471**	**-471**	**92**	**-379**
Equity 31 March 2016	**3,906**	**-257**	**-169**	**-240**	**31,797**	**35,037**	**767**	**35,804**

NOTES

NOTE 1 SEGMENT INFORMATION

AMOUNTS IN USD MILLION

	Maersk Line[1]	APM Terminals[1]	Damco[1]	Svitzer[1]	Maersk Container Industry	Other Businesses	Unallocated	Eliminations	Transport & Logistics
Q1 2017									
External revenue	5,411	666	612	147	68	80	105	-	7,089
Inter-segment revenue	82	342	-	10	175	3	48	-657	3
Total revenue	**5,493**	**1,008**	**612**	**157**	**243**	**83**	**153**	**-657**	**7,092**
Profit/loss before depreciation, amortisation and impairment losses, etc.	**436**	**168**	**-**	**44**	**27**	**18**	**-55**	**1**	**639**
Depreciation and amortisation	492	100	5	21	9	7	2	-2	634
Gain/loss on sale of non-current assets, etc., net	14	-	-	1	-	-	-	-	15
Share of profit/loss in joint ventures	-	23	2	1	-	-	-	-	26
Share of profit/loss in associated companies	-	21	-	-	-	1	-	-	22
Profit/loss before financial items (EBIT)	**-42**	**112**	**-3**	**25**	**18**	**12**	**-57**	**3**	**68**
Financial items, net	-	-	-	-	-	-	-	-	-
Tax	24	21	5	3	4	2	+5	-	54
Profit/loss for the period	**-66**	**91**	**-8**	**22**	**14**	**10**	**-52**	**3**	**14**
Gain/loss on sale of non-current assets, etc., net[2]	14	-	-	1	-	-	-	-	15
Underlying result	**-80**	**91**	**-8**	**21**	**14**	**10**	**-52**	**3**	**-1**
Cash flow from operating activities	28	251	-29	35	46	18	79	46	474
Cash flow used for capital expenditure	-83	-163	-1	-67	-4	-1	-4	-47	-370
Free cash flow	**-55**	**88**	**-30**	**-32**	**42**	**17**	**75**	**-1**	**104**
Investments in non-current assets[3]	**597**	**169**	**2**	**41**	**5**	**-**	**-**	**-**	**814**
Intangible assets	-	2,730	88	17	6	-	-	-	2,841
Property, plant and equipment	21,405	3,599	68	1,126	233	192	87	-17	26,693
Investments in joint ventures	-	1,516	28	79	-	1	-	-	1,624
Investments in associated companies	-	662	1	15	-	196	-	-	874
Other non-current assets	173	208	31	61	31	-	782	-46	1,240
Assets held for sale	2	68	-	3	-	-	-	-1	72
Other current assets	3,420	849	539	148	318	94	1,284	-1,513	5,139
Total non-interest bearing assets	**25,000**	**9,632**	**755**	**1,449**	**588**	**483**	**2,153**	**-1,577**	**38,483**
Non-interest bearing liabilities	4,787	1,491	500	163	260	182	1,326	-1,569	7,140
Invested capital, net	**20,213**	**8,141**	**255**	**1,286**	**328**	**301**	**827**	**-8**	**31,343**

[1] Reportable segments.

[2] Including the Group's share of gains on sale of non-current assets.etc, net and impairments, net, recorded in joint ventures and associated companies.

[3] Comprise additions of intangible assets and property, plant and equipment, including additions from business combinations.

NOTE 1 SEGMENT INFORMATION — CONTINUED

AMOUNTS IN USD MILLION

	Maersk Oil[1]	Maersk Drilling[1]	Maersk Supply Service[1]	Maersk Tankers[1]	Other Businesses	Unallocated	Eliminations	Energy	Eliminations and financial items	Total Group
Q1 2017										
External revenue	1,284	305	39	224	11	-	11	1,874	-	8,963
Inter-segment revenue	91	39	9	4	3	-	-50	96	-99	-
Total revenue	**1,375**	**344**	**48**	**228**	**14**	**-**	**-39**	**1,970**	**-99**	**8,963**
Profit/loss before depreciation, amortisation and impairment losses, etc.	**859**	**171**	**-5**	**43**	**1**	**-2**	**-**	**1,067**	**-**	**1,706**
Depreciation and amortisation	306	118	18	34	3	-	-1	478	-	1,112
Gain/loss on sale of non-current assets, etc., net	36	-	-	1	-	-	-	37	-	52
Share of profit/loss in joint ventures	-	2	-	-	4	-	-	6	-	32
Share of profit/loss in associated companies	-	-	-	-	-	-	-	-	-	22
Profit/loss before financial items (EBIT)	**589**	**55**	**-23**	**10**	**2**	**-2**	**1**	**632**	**-**	**700**
Financial items, net	-	-	-	-	-	-	-	-	-126	-126
Tax	261	7	+1	-	+1	-	-	266	1	321
Profit/loss for the period	**328**	**48**	**-22**	**10**	**3**	**-2**	**1**	**366**	**-127**	**253**
Gain/loss on sale of non-current assets, etc., net[2]	36	-	-	1	-	-	-	37	-	52
Underlying result	**292**	**48**	**-22**	**9**	**3**	**-2**	**1**	**329**	**-127**	**201**
Cash flow from operating activities	551	144	22	17	1	-2	-	733	-330	877
Cash flow used for capital expenditure	-282	-450	-108	-32	5	-	-	-867	-16	-1,253
Free cash flow	**269**	**-306**	**-86**	**-15**	**6**	**-2**	**-**	**-134**	**-346**	**-376**
Investments in non-current assets[3]	**258**	**451**	**103**	**44**	**-**	**-**	**-**	**856**	**-**	**1,670**
Intangible assets	728	105	5	5	1	-	-	844	-	3,685
Property, plant and equipment	6,176	6,263	973	1,666	50	-	-3	15,125	-4	41,814
Investments in joint ventures	-	157	-	1	9	-	-	167	-	1,791
Investments in associated companies	-	-	-	-	-	-	-	-	-	874
Other non-current assets	785	18	1	1	2	-	-	807	23	2,070
Assets held for sale	-	-	-	21	-	-	-	21	114	207
Other current assets	826	551	98	167	24	-	-33	1,633	-203	6,569
Total non-interest bearing assets	**8,515**	**7,094**	**1,077**	**1,861**	**86**	**-**	**-36**	**18,597**	**-70**	**57,010**
Non-interest bearing liabilities	4,373	470	341	157	18	1	-33	5,327	585	13,052
Invested capital, net	**4,142**	**6,624**	**736**	**1,704**	**68**	**-1**	**-3**	**13,270**	**-655**	**43,958**

[1] Reportable segments.

[2] Including the Group's share of gains on sale of non-current assets.etc, net and impairments, net, recorded in joint ventures and associated companies.

[3] Comprise additions of intangible assets and property, plant and equipment, including additions from business combinations.

NOTE 1 SEGMENT INFORMATION — CONTINUED

AMOUNTS IN USD MILLION

	Maersk Line[1]	APM Terminals[1]	Damco[1]	Svitzer[1]	Maersk Container Industry	Other Businesses	Unallocated	Eliminations	Transport & Logistics
Q1 2016									
External revenue	4,899	663	596	154	66	71	47	-	6,496
Inter-segment revenue	75	299	-	9	46	4	-	-428	5
Total revenue	**4,974**	**962**	**596**	**163**	**112**	**75**	**47**	**-428**	**6,501**
Profit/loss before depreciation, amortisation and impairment losses, etc.	**486**	**164**	**10**	**47**	**-10**	**11**	**-54**	**1**	**655**
Depreciation and amortisation	475	85	7	20	8	2	1	-2	596
Gain/loss on sale of non-current assets, etc., net	5	1	-	2	-	-	-	-	8
Share of profit/loss in joint ventures	-	18	2	3	-	-	-	-	23
Share of profit/loss in associated companies	-	25	-	-	-	-4	-	-	21
Profit/loss before financial items (EBIT)	**16**	**123**	**5**	**32**	**-18**	**5**	**-55**	**3**	**111**
Financial items, net	-	-	-	-	-	-	-	-	-
Tax	+21	15	3	5	+2	1	23	-	24
Profit/loss for the period	**37**	**108**	**2**	**27**	**-16**	**4**	**-78**	**3**	**87**
Gain/loss on sale of non-current assets, etc., net[2]	5	1	-	2	-	-	-	-	8
Underlying result	**32**	**107**	**2**	**25**	**-16**	**4**	**-78**	**3**	**79**
Cash flow from operating activities	42	198	-15	36	-62	3	-145	-7	50
Cash flow used for capital expenditure	31	-960	-3	-54	-5	-7	-6	19	-985
Free cash flow	**73**	**-762**	**-18**	**-18**	**-67**	**-4**	**-151**	**12**	**-935**
Investments in non-current assets[3]	**326**	**1,704**	**3**	**28**	**6**	**6**	**6**	**7**	**2,086**
Intangible assets	1	2,516	99	16	1	-	-	-	2,633
Property, plant and equipment	21,583	3,497	76	1,041	251	170	118	-41	26,695
Investments in joint ventures	-	1,504	28	85	-	-	-	-	1,617
Investments in associated companies	1	584	-	15	-	341	-	-	941
Other non-current assets	251	198	32	58	38	20	884	-109	1,372
Assets held for sale	14	12	-	-	-	-	-	-1	25
Other current assets	2,859	809	536	139	268	81	1,015	-1,232	4,475
Total non-interest bearing assets	**24,709**	**9,120**	**771**	**1,354**	**558**	**612**	**2,017**	**-1,383**	**37,758**
Non-interest bearing liabilities	4,552	1,389	547	152	112	175	1,172	-1,350	6,749
Invested capital, net	**20,157**	**7,731**	**224**	**1,202**	**446**	**437**	**845**	**-33**	**31,009**

[1] Reportable segments.
[2] Including the Group's share of gains on sale of non-current assets.etc, net and impairments, net, recorded in joint ventures and associated companies.
[3] Comprise additions of intangible assets and property, plant and equipment, including additions from business combinations.

NOTE 1 SEGMENT INFORMATION — CONTINUED

AMOUNTS IN USD MILLION

	Maersk Oil[1]	Maersk Drilling[1]	Maersk Supply Service[1]	Maersk Tankers[1]	Other Businesses	Eliminations	Energy	Eliminations and financial items	Total Group
Q1 2016									
External revenue	1,032	642	108	244	10	7	2,043	-	8,539
Inter-segment revenue	-	12	2	1	2	-14	3	-8	-
Total revenue	**1,032**	**654**	**110**	**245**	**12**	**-7**	**2,046**	**-8**	**8,539**
Profit/loss before depreciation, amortisation and impairment losses, etc.	**421**	**407**	**36**	**78**	**-**	**-**	**942**	**-**	**1,597**
Depreciation and amortisation	348	145	37	33	3	-	566	-	1,162
Gain/loss on sale of non-current assets, etc., net	-	-	-	2	1	-	3	-	11
Share of profit/loss in joint ventures	-	-1	-	-	1	-	-	-	23
Share of profit/loss in associated companies	-	-	-	-	-	-	-	-	21
Profit/loss before financial items (EBIT)	**73**	**261**	**-1**	**47**	**-1**	**-**	**379**	**-**	**490**
Financial items, net	-	-	-	-	-	-	-	-121	-121
Tax	102	39	1	+1	-	-	141	+20	145
Profit/loss for the period	**-29**	**222**	**-2**	**48**	**-1**	**-**	**238**	**-101**	**224**
Gain/loss on sale of non-current assets, etc., net[2]	-	-	-	2	1	-	3	-	11
Tax on adjustments	-	-1	-	-	-	-	-1	-	-1
Underlying result	**-29**	**223**	**-2**	**46**	**-2**	**-**	**236**	**-101**	**214**
Cash flow from operating activities	-172	427	22	68	-	-	345	-145	250
Cash flow used for capital expenditure	-754	-11	-57	-24	-2	-	-848	-30	-1,863
Free cash flow	**-926**	**416**	**-35**	**44**	**-2**	**-**	**-503**	**-175**	**-1,613**
Investments in non-current assets[3]	**660**	**2**	**55**	**40**	**2**	**-**	**759**	**-**	**2,845**
Intangible assets	815	38	19	3	-	-	875	-	3,508
Property, plant and equipment	6,196	7,656	1,837	1,652	62	-7	17,396	-2	44,089
Investments in joint ventures	-	135	-	1	1	-	137	-	1,754
Investments in associated companies	-	-	-	-	-	-	-	-	941
Other non-current assets	836	44	5	-	2	-	887	130	2,389
Assets held for sale	1	-	-	21	-	-	22	610	657
Other current assets	1,073	736	125	155	23	-21	2,091	-320	6,246
Total non-interest bearing assets	**8,921**	**8,609**	**1,986**	**1,832**	**88**	**-28**	**21,408**	**418**	**59,584**
Non-interest bearing liabilities	4,587	817	166	185	33	-23	5,765	613	13,127
Invested capital, net	**4,334**	**7,792**	**1,820**	**1,647**	**55**	**-5**	**15,643**	**-195**	**46,457**

[1] Reportable segments.
[2] Including the Group's share of gains on sale of non-current assets.etc, net and impairments, net, recorded in joint ventures and associated companies.
[3] Comprise additions of intangible assets and property, plant and equipment, including additions from business combinations.

NOTE 1 SEGMENT INFORMATION — CONTINUED

AMOUNTS IN USD MILLION

	Q1 2017	Q1 2016
REVENUE		
Reportable segments	9,265	8,736
Other businesses	340	199
Unallocated activities (Maersk Oil Trading)	153	47
Eliminations	-795	-443
Total	**8,963**	**8,539**
PROFIT/LOSS FOR THE PERIOD		
Reportable segments	403	413
Other businesses	27	-13
Financial items, net	-126	-121
Unallocated tax	+4	3
Other unallocated items	59	55
Eliminations	4	3
Total	**253**	**224**

	2017	31 March 2016
ASSETS		
Reportable segments	55,383	57,302
Other businesses	1,157	1,258
Unallocated activities	2,153	2,017
Eliminations and financial items	-1,683	-993
Total non-interest bearing assets	**57,010**	**59,584**
Interest bearing assets	3,418	4,655
Total	**60,428**	**64,239**
LIABILITIES		
Reportable segments	12,282	12,395
Other businesses	460	320
Unallocated activities	1,327	1,172
Eliminations and financial items	-1,017	-760
Non-interest bearing liabilities	**13,052**	**13,127**
Interest bearing liabilities	15,060	15,308
Total	**28,112**	**28,435**

NOTE 2 FINANCIAL RISKS, ETC.

AMOUNTS IN USD MILLION

Except of the below, the financial risks, etc. are not significantly different from those described in note 16 of the consolidated financial statements for 2016, to which reference is made.

Liquidity risk

	2017	31 March 2016	31 December 2016
Borrowings	15,060	15,308	15,335
Net interest-bearing debt	11,664	10,653	10,737
Liquidity reserve[1]	10,337	11,898	11,842

[1] Liquidity reserve is defined as undrawn committed revolving facilities with more than one year to expiry, securities and cash and bank balances, excluding securities and balances in countries with exchange control or other restrictions.

In addition to the liquidity reserve, the Group has committed financing for the Hamburg Süd acquisition as well as USD 2.1bn committed loans, which are dedicated to financing of other specific assets and therefore will only become available at certain times in the future.

Based on the liquidity reserve, loans for the financing of specific assets, the maturity of outstanding loans, and the current investment profile, the Group's financial resources are deemed satisfactory.

The average term to maturity of loan facilities in the Group was about five years (about five years at 31 December 2016).

NOTE 3 COMMITMENTS

AMOUNTS IN USD MILLION

Operating lease commitments

At 31 March 2017, the net present value of operating lease commitments totalled USD 6.8bn using a discount rate of 6%, a decrease from USD 7.0bn at 31 December 2016.

Operating lease commitments at 31 March 2017 are divided into the following main business units:

- APM Terminals of USD 3.5bn
- Maersk Line of USD 2.4bn
- Other of USD 0.9bn

About 40% of the time charter payments in Maersk Line are estimated to relate to operating costs for the assets.

Capital commitments	Maersk Line	APM Terminals	Maersk Oil	Maersk Supply Service	Maersk Drilling	Other	Total
31 MARCH 2017							
Capital commitments relating to acquisition of non-current assets	2,712	1,091	1,679	787	7	334	6,610
Commitments towards concession grantors	-	1,301	60	-	-	-	1,361
Total	**2,712**	**2,392**	**1,739**	**787**	**7**	**334**	**7,971**
31 DECEMBER 2016							
Capital commitments relating to acquisition of non-current assets	2,798	1,004	1,975	919	460	381	7,537
Commitments towards concession grantors	-	1,484	66	-	-	-	1,550
Total	**2,798**	**2,488**	**2,041**	**919**	**460**	**381**	**9,087**

Newbuilding programme at 31 March 2017	No. 2017	2018	Total
Container vessels	15	12	27
Tanker vessels	2	7	9
Anchor handling vessels and tugboats, etc.	23	3	26
Total	**40**	**22**	**62**

Capital commitments relating to the newbuilding programme at 31 March 2017	USD million 2017	2018	Total
Container vessels	1,372	1,083	2,455
Rigs and drillships	5	-	5
Tanker vessels	79	182	261
Anchor handling vessels and tugboats, etc.	724	119	843
Total	**2,180**	**1,384**	**3,564**

USD 3.6bn of the total capital commitments is related to the newbuilding programme for ships, rigs, etc. at a total contract price of USD 4.7bn including owner-furnished equipment. The remaining capital commitments of USD 4.4bn relate to investments mainly within APM Terminals and Maersk Oil.

The capital commitments will be financed by cash flow from operating activities as well as existing and new loan facilities.

NOTE 4 ACCOUNTING POLICIES, JUDGEMENTS AND SIGNIFICANT ESTIMATES

The interim consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) and as adopted by the EU and Danish disclosure requirements for listed companies.

The accounting policies, judgements and significant estimates are consistent with those applied in the consolidated financial statements for 2016 in notes 22 and 23 of the Annual Report, to which reference is made, apart from changes described below.

SEGMENT INFORMATION

The allocation of business activities into segments reflects A.P. Moller - Maersk's character as a conglomerate with a Transport & Logistics Division and an Energy Division and is in line with the internal management reporting. The reportable segments are as follows:

Maersk Line[1]	Global container shipping activities
APM Terminals[1]	Container terminal activities and inland container services
Damco[1]	Freight forwarding and supply chain management services
Svitzer[1]	Towing and related marine activities
Maersk Oil[2]	Oil and gas production and exploration activities
Maersk Drilling[2]	Offshore drilling activities as well as operation of land-rigs through 50% ownership of Egyptian Drilling Company
Maersk Supply Service[2]	Global offshore marine services
Maersk Tankers[2]	Tanker shipping of refined oil products

[1] Transport & Logistics Division
[2] Energy Division

In addition, A.P. Moller - Maersk comprises other businesses, which neither individually nor in aggregate constitute reportable segments. These include, inter alia, Maersk Container Industry, Maersk Aviation, Maersk Training, Maersk FPSO and Höegh Autoliners (associated company). Maersk Container Industry is reported individually in the segment reporting, to reflect the management reporting. Maersk Training and Maersk FPSO are reported under the Energy Division, whereas the remaining other businesses are reported within the Transport & Logistics Division.

The reportable segments do not comprise costs in group functions. In addition, oil hedging activities in Maersk Oil Trading and the results of Maersk Oil Trading's activity in the form of purchasing bunker and lubricating oil on behalf of entities in A.P. Moller - Maersk are not allocated to reportable segments. These functions are reported as unallocated costs within the Transport & Logistics Division. Unallocated reported within the Energy Division comprises of the costs for the Energy Division functions responsible for finding structural solutions for the oil and oil related business. Financial items and Net interest bearing debt are reported outside the divisions.

Revenue between segments is limited except for terminal activities where a large part of the services is delivered to A.P. Moller - Maersk's container shipping activities. Sales of products and services between segments are based on market terms.

Segment profit/loss (NOPAT defined as net operating profit/loss after tax), free cash flow and invested capital comprise items directly related to or which can be allocated to segments. Financial assets, liabilities, income and expenses and cash flows from these items are not attributed to reportable segments. With no effect on A.P. Moller - Maersk's results or financial position, long-term agreements between Maersk Line and APM Terminals on reserved terminal facilities are treated as operating leases, which under IFRS would be classified as finance leases.

IFRS 9 – Financial Instruments

As stated in the Annual Report 2016 A.P. Moller - Maersk has decided to adopt IFRS 9 from 1 January 2017.

The implementation of IFRS 9 has not affected the classification and measurement of the Group's financial instruments, and the new standard does not fundamentally change the hedging relationships.

Management has elected to classify the 19% shareholding in Dansk Supermarked Group as fair value through other comprehensive income. The accumulated loss at 1 January 2016 of USD 235m recognised in other comprehensive income will as a consequence remain in equity as will any future value adjustments related to this investment. The remaining equity investments previously classified as assets available for sale have also been classified as fair value through other comprehensive income. The accumulated amount recognised in other comprehensive income for the remaining equity investments is not material.

The effect of the change from the 'incurred loss' model in IAS 39 to the 'expected credit loss' model in IFRS 9 is considered immaterial due to the low credit risk in the Group.

Due to immaterial effects from implementing IFRS 9, the 2016 financial statements have not been restated. The effects as at end of 2016 have been recognised in the financial statement for the period.

As of 1 January 2017, the following changes to accounting standards are effective, but are not endorsed by EU:

- Recognition of Deferred Tax Assets for Unrealised Losses (amendments to IAS 12)
- Disclosure initiative (amendments to IAS 7)
- Annual Improvements 2014-2016 (amendments to IFRS 12)

The amendments encompass various guidance and clarifications, which would not have had material effect on the financial statements in the period if endorsed by the EU.

NOTE 5 SUBSEQUENT EVENTS

In April 2017, the boards of Maersk Line A/S and Oetker Group approved the sale and purchase agreement (SPA) wherein Maersk Line is to acquire Hamburg Süd. Maersk Line will acquire Hamburg Süd for EUR 3.7bn on a cash and debt-free basis (Enterprise Value). A syndicated loan facility has been established to fully finance the acquisition. The acquisition is subject to regulatory approvals. Maersk Line expects to close the transaction end 2017.

Additional information

Definition of terms / Colophon

DEFINITION OF TERMS

Technical terms, abbreviations and definitions of key figures and financial ratios.

Backlog
The value of future contract coverage (revenue backlog).

boepd
Barrels of oil equivalent per day.

Break-even oil price
The break-even oil price is defined as the average price for a barrel of Brent oil at which Maersk Oil would be generating neither an underlying profit nor a loss in a given period, all other things equal.

Brent
Sweet light crude oil produced in the North Sea.

Bunker
Type of oil used in ship engines.

Contract coverage
Percentage indicating the part of ship/rig days that are contracted for a specific period.

Drewry
Drewry is a leading international provider of research and consulting services to the maritime and shipping industry.

EBIT margin gap to peers
Peer group includes CMA CGM, APL, Hapag Lloyd, ZIM, Hyundai MM, K Line, OOCL, NYK, MOL, COSCO and CSCL. Peer average is TEU-weighted.
EBIT margins are adjusted for gains/losses on sale of assets, restructuring charges, income/loss from associates and impairments. Maersk Line's EBIT margin is also adjusted for depreciation to match industry standards (25 years).

Economic utilisation
The number of contracted days in percentage of total days in the calendar year.

Energy
From 2017, Energy consists of Maersk Oil, Maersk Drilling, Maersk Supply Service and Maersk Tankers, as well as other businesses (Maersk Training and FPSOs) and unallocated Energy headquarter costs.

Equity ratio
Is calculated as the equity divided by total assets.

FFE
Forty Foot Equivalent unit container.

Idle period
A period of time when a unit is not being used but could be (non-productive time).

Jack-up rig
A drilling rig resting on legs that can operate in waters of 25–150 metres.

Net interest-bearing debt (NIBD)
Equals interest-bearing debt less cash and bank balances less other interest-bearing assets.

NOPAT
Net operating profit or loss after tax.

Product tanker
Vessel transporting refined oil products.

Return on invested capital after tax (ROIC)
Is the profit (loss) for the year before financial items but after calculated tax, divided by the quarterly average invested capital (equity plus net interest-bearing debt).

TEU
Twenty Foot Equivalent Unit container.

Segments' return on invested capital after tax (ROIC)
Is net operating profit/loss after tax (NOPAT) divided by the quarterly average invested capital, net (segment assets less liabilities).

Time charter
Hire of a vessel for a specified period.

Transport & Logistics
From 2017, Transport & Logistics consists of all A.P. Moller - Maersk activities except unallocated financial items and those activities allocated to Energy.

Triple-E
Triple-E stands for Economy of scale, Energy efficiency and Environmentally improved.

Underlying result
Is profit/loss for the year from continuing operations adjusted for net gains/losses from sale of non-current assets, etc. and net impairment losses. The adjustments are net of tax and include A.P. Moller - Maersk's share of mentioned items in associates and joint ventures.
Underlying segment and division result also excludes unallocated financial items.

Uptime
A period of time when a unit is functioning and available for use.

COLOPHON

BOARD OF DIRECTORS
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AUDITOR
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Statsautoriseret Revisionspartnerselskab

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