A.P. Møller - Mærsk A/S (MAERSKB DC)
Swimming Against the Tide: Initiate at Underperform

UNDERPERFORM
Price target DKK30,000.00
Price DKK42,240.00

Key Takeaway

We initiate coverage of Maersk with an Underperform rating and PT of DKK30,000 on potential earnings disappointment this year and the challenges it faces in sustaining its ROIC target in the long run. We believe the company is a leader among shipping peers but creating value for shareholders has become difficult in the shipping industry. Maersk's oil reserves are at such a low that aggressive ramp-up may not be economical.

Near term, earnings could miss consensus estimates by about 30% for 2013, in our estimate. Consensus estimates could have been formed around management's guidance for a better year for container shipping in 2013, on which we differ. Spot freight rates for Asia-Europe trade have fallen 50% since management's guidance in February. We believe 2Q and 4Q could be loss-making, while 3Q could be profitable mainly due to capacity discipline, although leading volume indicators are showing bearish signs.

Core businesses face longer-term issues. Shipping industry has not been the place to generate value for investors since the global financial crisis. Container volume growth is in a structural slowdown, in our view, and Maersk Line may not grow its market share without triggering a price war. Energy has become the bread-winner for Maersk but the wells could run dry soon. Maersk's reserve-to-production ratio is 4x compared with the industry average of 10x.

Sell into the rally or pair against our OOIL/PetroChina long. Container equities could be volatile in June with the upcoming July 1 GRI, as we believe container liners will fight to avoid a repetition of losses seen in 2011. We think we may see a blip in freight rates and share prices, though we believe the gains would not last. We recommend exiting Maersk on any potential rally or simply pairing it against our Buy-rated OOIL/PetroChina. 2Q results to be announced before market open on August 16 maybe a catalyst, as these, in our estimates, could miss consensus estimate of DKK850 by 35%.

Valuation/Risks

Our 12-month target price of DKK30,000 is based on 70% 2013e P/NAV against 7% return-on-NAV and 12% cost of equity. Upside risk to our Underperform rating could be sustainable rebound for the container industry, which we believe is unlikely in our forecast period.

DKK	Prev.	2011A	Prev.	2012A	Prev.	2013E	Prev.	2014E
Rev. (MM)	--	322,520.0	--	342,058.0	--	324,104.0	--	332,603.0
Net Profit	--	15,189.0	--	21,673.0	--	13,448.0	--	14,319.0
BV/Share	--	44,430.00	--	47,502.00	--	50,560.00	--	53,817.00
ROE	--	8.1%	--	8.3%	--	6.2%	--	6.2%
P/B		1.0x		0.9x		0.8x		0.8x
EPS								
FY Dec	--	3,476.00	--	4,931.00	--	3,059.00	--	3,257.00
FY P/E		12.2x		8.6x		13.8x		13.0x

Financial Summary

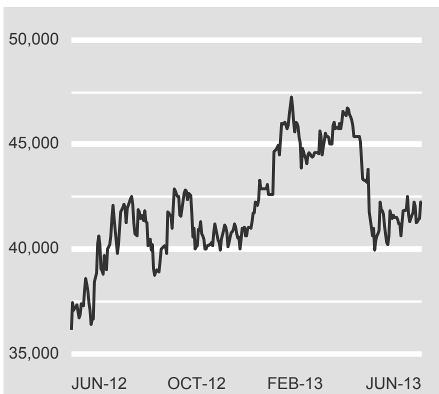
Book Value (MM):	208,800.0
Book Value/Share:	47,502.00
Net Debt (MM):	98,053.0
Return on Avg. Equity:	8.3%
Net Debt/Capital:	47.0%
Long-Term Debt (MM):	98,112.0
Cash & ST Invest. (MM):	13,011.0

Market Data

52 Week Range:	DKK47,480.00 - DKK35,260.00
Total Entprs. Value (MM):	NM
Market Cap. (MM):	DKK185,856.0
Shares Out. (MM):	4.4
Float (MM):	NA
Avg. Daily Vol.:	4,485

Johnson Leung *
Equity Analyst
+852 3743 8055 jleung@jefferies.com
Laban Yu *
Equity Analyst
+852 3743 8047 lyu@jefferies.com
Boyong Liu, CFA *
Equity Analyst
+852 3743 8015 bliu@jefferies.com
Benjamin Wang *
Equity Associate
+852 3743 8035 bwang@jefferies.com
* Jefferies Hong Kong Limited

Price Performance



Jefferies does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that Jefferies may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Please see analyst certifications, important disclosure information, and information regarding the status of non-US analysts on pages 52 to 55 of this report.

Maersk Group

Underperform: DKK 30,000 Price Target

Scenarios

Target Investment Thesis

- Container freight rates average $1,375/TEU
- 2013 full-year bunker price at $607/tonne
- Oil production at 91mn bbl and Brent price at $103/bbl
- Target Price DKK30,000, based on PNAV of 70% and 7% RoNAV

Upside Scenario

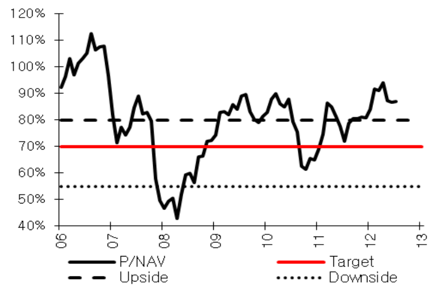
- Container freight rates inch up to an average $1,400/TEU
- 2013 full-year bunker price at $600/tonne
- Oil production at 91mn bbl and Brent at $115/bbl
- Target Price DKK38,500, based on PNAV of 85% and 8.5% RoNAV

Downside Scenario

- Container freight rates struggle and average $1,350/TEU
- 2013 full-year bunker price increase to $650/tonne
- Oil production at 91mn bbl and Brent at $95/bbl
- Target Price DKK22,000, based on PNAV of 55% and 4.8% RoNAV

Long Term Analysis

Forward PNAV



Source: Jefferies estimates

Long Term Financial Model Drivers

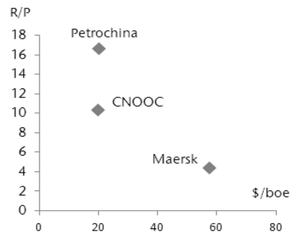
LT Earnings CAGR	NA
Organic Revenue Growth	NA
Acquisition Contribution	NA
Operating Margin Expansion	NA

Other Considerations

Disposal of Maersk's non-core assets could unlock more value not discounted by the equity market. However, our bottom-up analysis values the company below its total book value, mainly on discrepancies in container shipping's asset value. In other words, spin-off of its container shipping segment might unlock most of the hidden value, which is unlikely because (1) it is a core business and (2) our NAV works out to be 5.5x EV/EBITDA or $5324/TEU for a fleet that is 13 years old on average, which looks fair on these ball park figures.

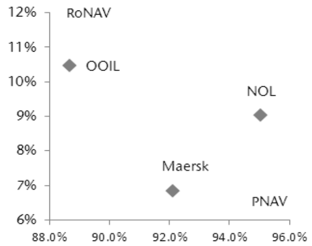
Peer Group

R/P ratio vs. 3 year average F&D cost



Source: Jefferies estimates

P/NAV vs. RoNAV



Source: Jefferies estimates

Recommendation / Price Target

Ticker	Rec.	PT
Maerskb DC	**Underperform**	**DKK30,000**
316 HK	Buy	HK$68.00
NOL SP	Underperform	S$1.00
857 HK	Buy	HK$15.00
883 HK	Hold	HK$13.25

Source: Jefferies estimates

Catalysts

- Indicators of strength for the upcoming peak season
- 2Q earnings on 16 August
- Results from finding and development in oil fields
- Disposal or spin-off of substantial business segments

Company Description

Maersk Group is a large shipping and energy conglomerate. Its core business segments include container shipping, container ports, oil exploration and production, and offshore drilling. The company's other businesses include freight forwarding, tanker, offshore supply services, harbour towage, and retail shopping. Maersk operates the largest container shipping fleet in the world with almost 600 ships and 2.6TEU capacity. It also owns the world's largest harbour tug fleet and the world's fifth-largest product tanker fleet.

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

Contents

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Investment thesis

We initiate coverage of Maersk with an Underperform rating and price target of DKK30,000, potential downside of 30%. Near term, 2Q results could be the catalyst, as we believe the outcome could miss consensus estimates by 35%.

Our FY13 earnings estimate is 28% lower than consensus'. Container shipping could disappoint, versus the guidance of a better year in 2013.

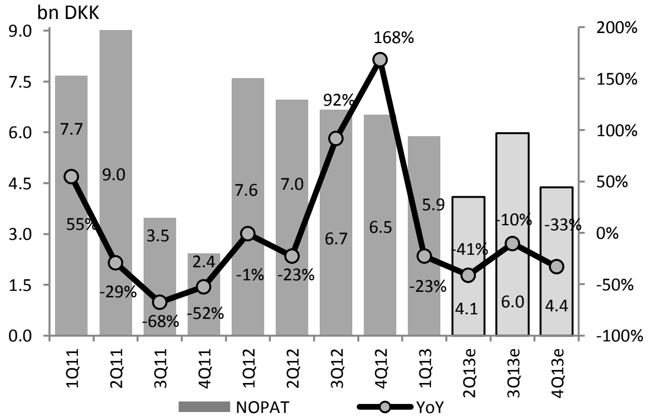
Long term, Maersk Oil's reserves are running dry and new finds could be too expensive to come by. Maersk has been built to be the best shipping company but creating value for shareholders has become difficult in the shipping industry.

The stock is trading 8% below its full valuation, which we believe is rich because the company has not been delivering and is unlikely to deliver better than its cost of equity of 12%.

Earnings headwinds in the next 18 months

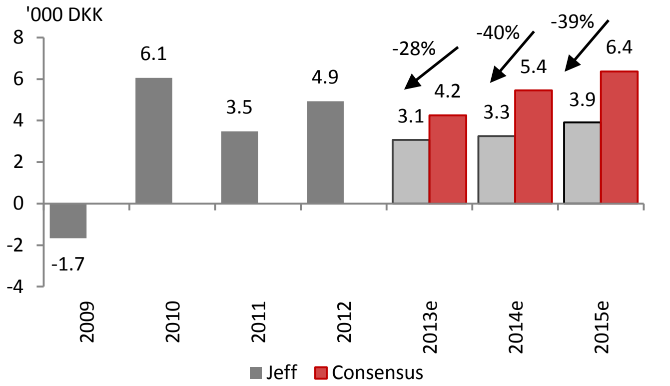
We estimate Maersk's earnings will miss consensus estimates by a large margin in both 2013 and 2014. Overall net profit could drop by 10-40% YoY in the next four quarters on deterioration in earnings in Maersk Line and Maersk Oil. First, we think Maersk Line could record losses in 2Q and 4Q this year, with a brief rebound in 3Q on the back of some industry-wide discipline, which usually does not last. 2014 could be a tougher year, in our view, because more container shipping capacity will come on line. Second, Maersk Oil's earnings could be dragged by sequentially lower oil prices in 2Q and 3Q, but the production output pick-up in the newly commenced oil fields may put Maersk oil back on the growth track in 2014 compared with 2013, assuming oil prices remain unchanged. Bloomberg consensus estimates have recently seen some downward revisions for 2013 earnings, but we think a much bigger cut may be warranted.

Chart 1: Quarterly consolidated NOPAT – we expect YoY deterioration throughout 2013



Source: Jefferies estimates, company

Chart 2: Annual EPS: 2013 to be worse than 2012 per consensus EPS estimates, but we are more bearish



Source: Jefferies estimates, company data, Bloomberg

We expect Maersk Line to record losses in 2Q13 due to a rapid decline in spot freight rates. Container shipping industry is witnessing a price war currently. Simply having Maersk Line take the lead in pushing up freight rates does not seem to have been as effective as it was at end of 2011. Several rounds of general rate increases (GRI) have

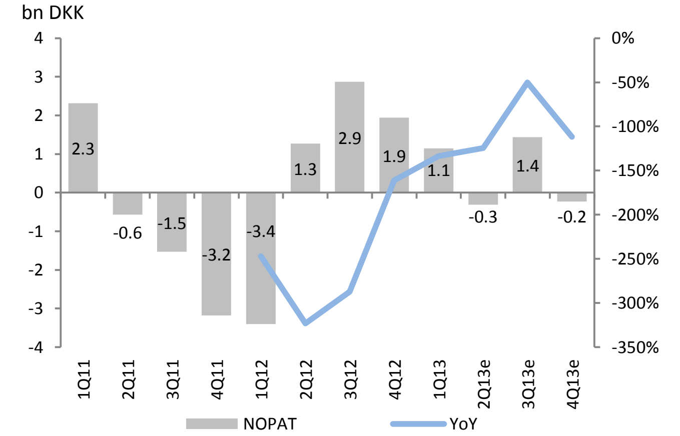
Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

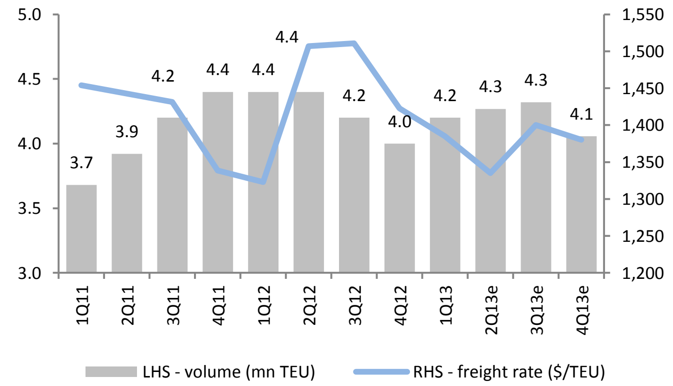
turned out to be either unsustainable[1] or a complete failure since May 2011. The influx of very large container ships (VLCS) at a time when demand for container import from Europe to US is lacklustre has led to a fall in container shipping freight rates. Even container imports into US are not strong, in our view, on data that east-bound Trans-Pacific trade may have grown just 3.5% while US retail sales have grown 4.2% for the first four months of this year. This is a reversal from historical trends, where container volumes have grown at a multiple of US retail sales.

Chart 3: Maersk Line Quarterly NOPAT – 2Q and 3Q could be loss-making



Source: Jefferies estimates, company data

Chart 4: Maersk's Line top-line breakdown: slightly lower volumes and much weaker freight rates in 2013



Source: Jefferies estimates, company data

Looking ahead, as we approach the usual peak season for container shipping that should run from June to October, the leading Asian export indicators do not provide much positive news. The Chinese PMI index usually leads container volumes for a couple of months, suggesting, at best, soft volume growth in the near term. Official PMI export order index in May was below 50, suggesting lack of sequential pick-up in export volumes in the following months. On the other hand, spot freight rates to Europe have reached a point that could be so unsustainably low that carriers may be forced to withdraw some capacity to lift freight rates. **Hence, we have nonetheless assumed improvement in freight rates during 3Q that would turn Maersk Line profitable again for a quarter.**

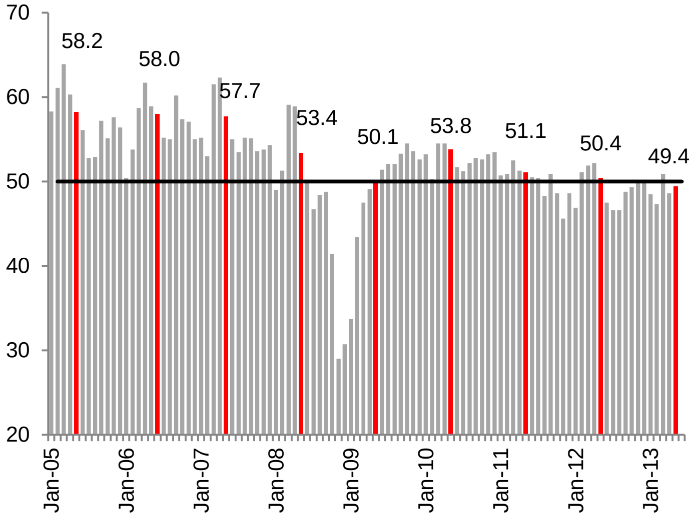
[1] Spot freight rates are by nature volatile. By unsustainable, we mean the increases achieved in the GRI could not be maintained even for couple of weeks.

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

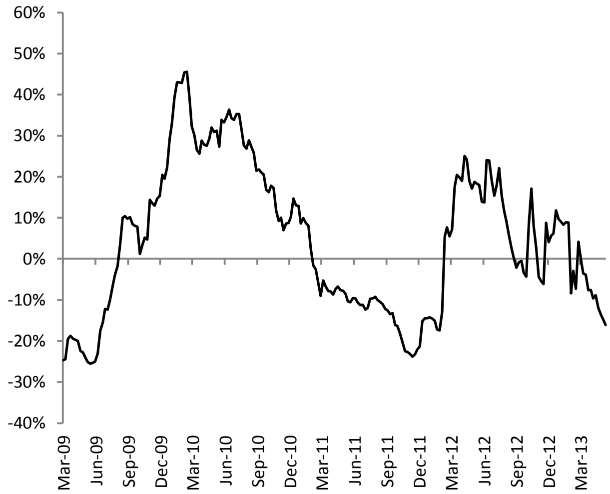
Jefferies

Chart 5: Chinese PMI export orders – indicates some sequential contraction ahead



Source: CFLP.

Chart 6: ROCE[2] for Asia-Europe trade: freight rates drove profits to unsustainably low levels



Source: Jefferies

Further out, Maersk Line could generate even less NOPAT in 2014 vs 2013 although it should be able to stay profitable. Container shipping industry could be greeted with challenges similar to those it has been facing since 2011 – too much capacity. In fact, we see that the capacity growth in container shipping could accelerate into 2014 as much of the new capacity originally planned for 2013 delivery has been pushed back to 2014. Moreover, there are also some additional new orders. Placing new build orders at a time of chronic over-capacity may seem counter intuitive for many equity investors at the first glance**.** Many in container shipping find it is necessary to upgrade their fleet for fuel efficiency and economies of scale in response to constant high oil prices, which has been extending the over-capacity problem. However, these shipping executives may have a more bullish long-term view than us on container shipping demand.

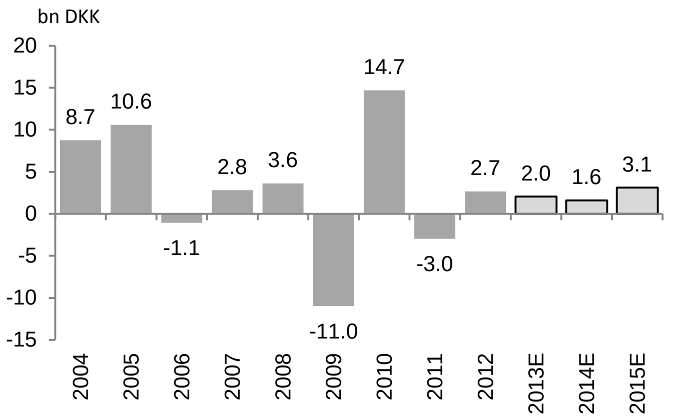
[2] ROCE is the operating profit over replacement costs of ships/container boxes

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

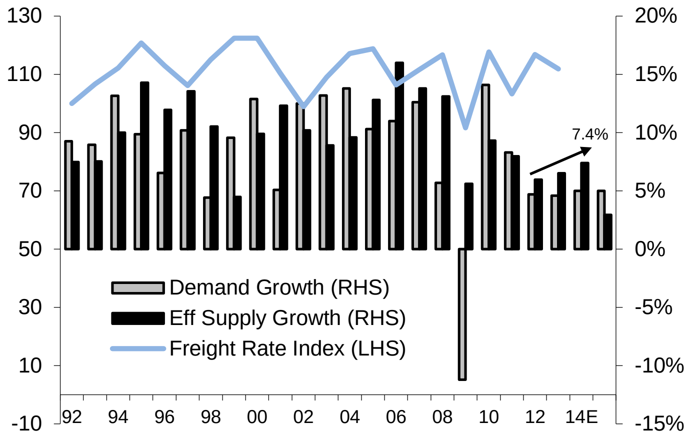
Jefferies

Chart 7: Maersk Line annual NOPAT: 2014 earnings could be lower than even 2013's, though



Source: Jefferies estimates, company data

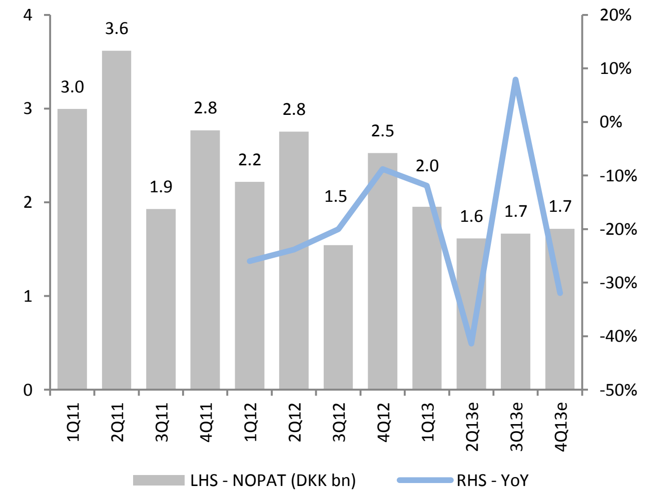
Chart 8: Container shipping demand/supply: capacity growth could accelerate into 2014 at 7.4%



Source: Alphaliner, Jefferies estimates

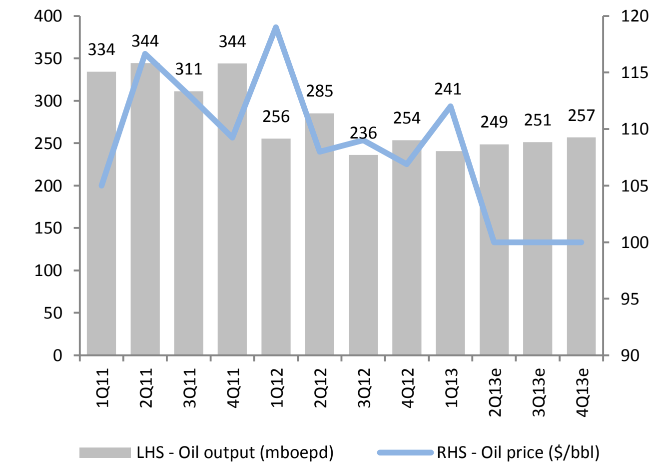
Oil earnings to weaken in the near term on price and production: Brent price has been about $103/bbl, compared with $110/bbl in 1Q and the 2012 full-year average of $108/bbl. Every $1/bbl move in oil price could impact Maersk Oil's pre-tax earnings by $23-24mn per quarter this year. We have assumed a gradual pick-up in production based on the new oil fields in Algeria, Kazakhstan and the UK coming on line, but we do not see a continued decline in output from the existing fields, which seems quite likely given Maersk Oil's low R/P ratio.

Chart 9: Maersk Oil Quarterly NOPAT – underlying earnings likely to be weaker on oil price



Source: Jefferies estimates, company. Note: 1Q12 figures in the chart do not include the $0.9bn one-off gain from the settlement of the tax dispute in Algeria

Chart 10: Maersk Oil's output and secured oil price: both counters likely lower in 2013 though output may improve sequentially and slowly



Source: Jefferies estimates, company data

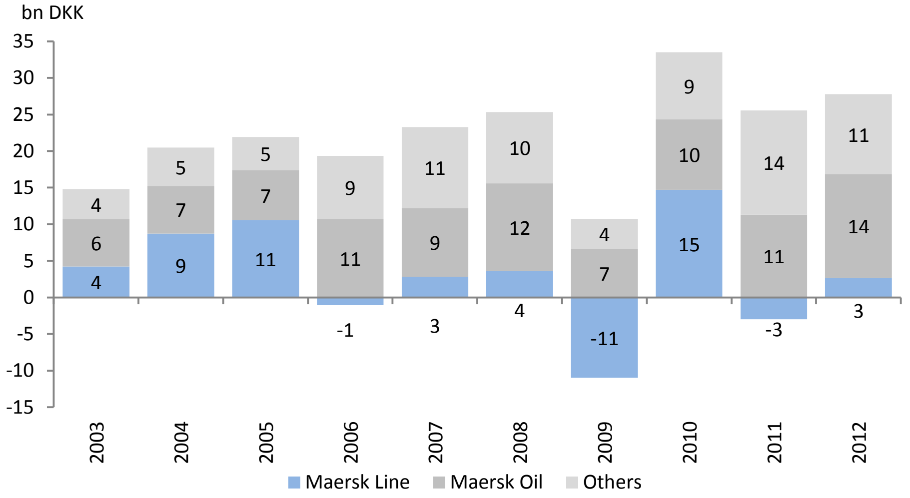
Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Tall order for the long run

Management's long-term target of $1bn profit and >10% ROIC[3] from each of its four core growth businesses (container shipping, container terminals, oil exploration and offshore drilling) seem challenging. Maersk set out to be a top-of-the-class shipping company, which we believe it has succeeded in, but it has been tough for the shipping industry to generate equity value and this seems increasingly so, particularly after the super shipping cycle concluded about five years ago. Energy maybe a venture Mr A.P. Moller, the founder of the company, started in the 1960s as a side business, we think, to help Denmark reduce its reliance on Arab oil, but it has become its main source of income, as shipping income has been highly cyclical. However, the reserves in the oil field where Maersk owns the rights to explore are running dry.

Chart 11: Maersk Group NOPAT breakdown – container shipping is the core area of competence but business environment is unfavourable; E&P has been the bread-winner but its reserves are low now



Source: Company data

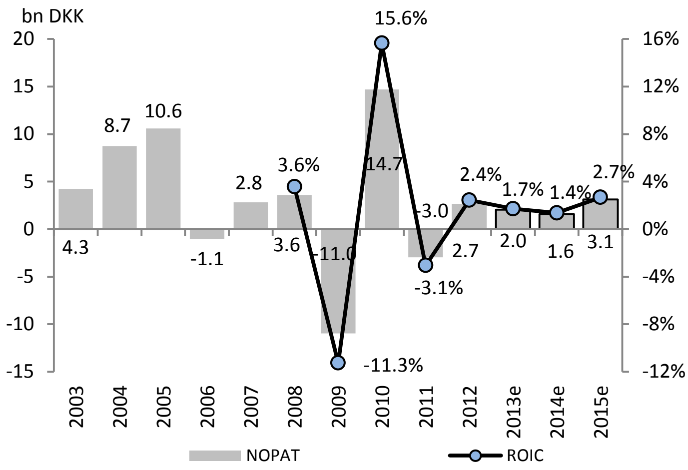
Container shipping managed to deliver over only $1bn NOPAT in three out of the last 10 years and we figure it would need $2bn NOPAT to generate >10% ROIC. Container shipping volume is in a structural slowdown, in our view, because outsourcing, which was once a driver of container shipping's growth multiple over global GDP growth, has matured. Over-building in the value chain of shipping over the past decade, particularly the ship yard capacity developed in the Far East, could be another long-term supply side overhang for not only container shipping but also shipping in general. We do not expect container shipping to sustain another multiple-year up-cycle as it did between 2003 and 2008, which however could take time for the shipping industry to make adjustments for. The dilemma for Maersk Line, as the largest container liner in the world, is that it cannot grow earnings by increasing market share, like its smaller competitors. This is because competition is so sensitive to its volume growth that any growth here for Maersk could trigger a price war. Maersk Line could be a victim of its own success.

[3] Return on invested capital (ROIC) for Maersk is the profit or loss for the year before interest but after calculated tax, divided by the average invested capital, which is equity plus net interest bearing debt.

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

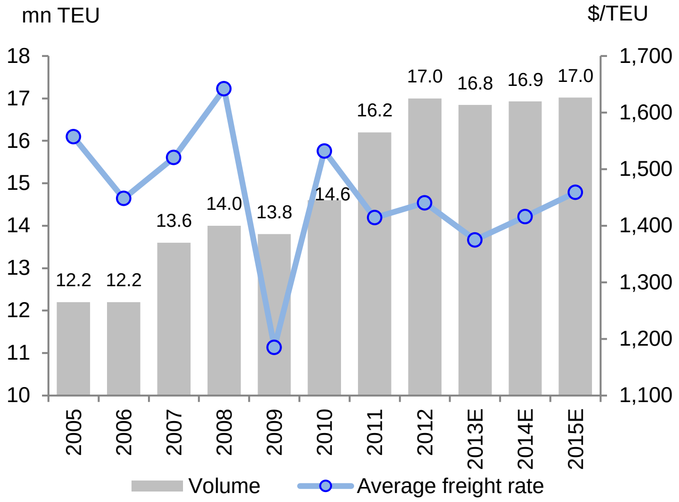
Please see important disclosure information on pages 52 - 55 of this report.

Chart 12: Maersk Line's NOPAT and ROIC – need a much better operating environment for 10% ROIC target



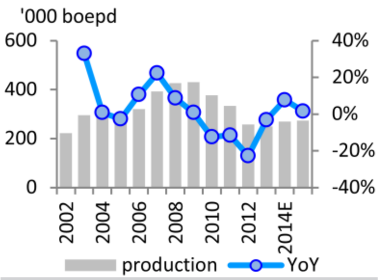
Source: Jefferies estimates, company data.

Chart 13: Maersk's Line's container top-line breakdown



Source: Jefferies estimates, company data.

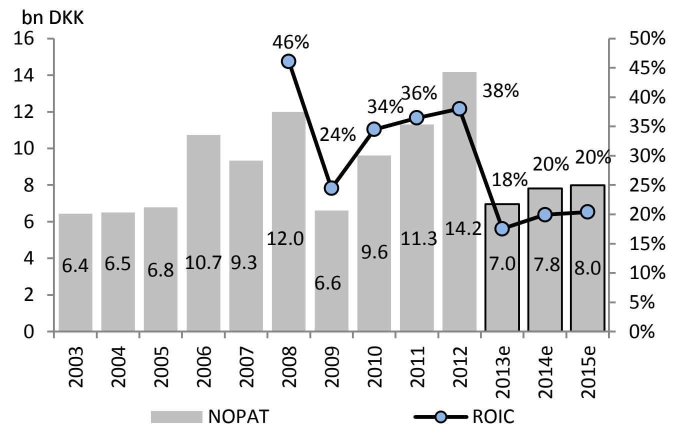
Chart 14: Maersk Oil's annual production



Source: Jefferies estimates, company data

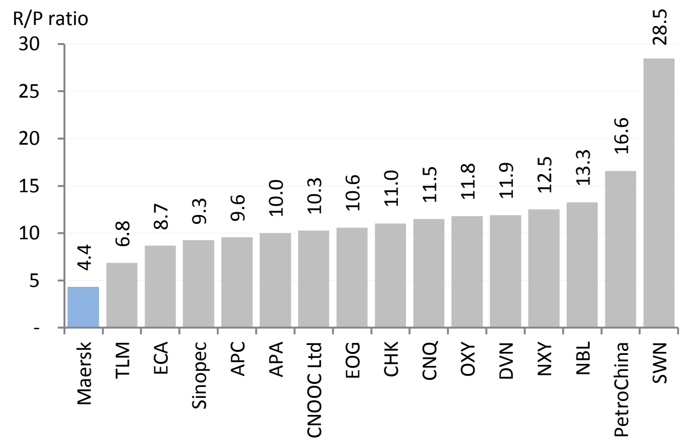
Maersk Oil should be able to sustain $1bn profit and >10% ROIC, but the issue here may be an inevitable drop in earnings. Maersk Oil's reserve-to-production (R/P) ratio, a key indicator for an oil company's long-term production potential, is only about 4x, compared with the industry average of 10x. In fact, the daily output of Maersk Oil has dropped 40% from the peak of 430 mboepd in 2009 to just 257 mboepd last year. Attempts at finding new reserves could be expensive, as Maersk is now spending about $57.55/bbl in its find and development (F&D) costs, which would require $170/bbl oil to break even, based on our estimates. We are concerned that either a decline in Maersk Oil's production in the long run or over-spending in capex could be hard to recover.

Chart 15: Maersk Oil's NOPAT and ROIC



Source: Jefferies estimates, company data

Chart 16: R/P ratio



Source: Jefferies estimates, company data

The promotion of port terminals and offshore drilling businesses into the group of core growth businesses is a welcome move, in our view. APMT, the port terminal business, has proven to be far more lucrative and less cyclical than the container shipping business which the APMT was formed to service at the beginning. Port business tends to have higher entry barriers and, hence, less competition than that faced by its

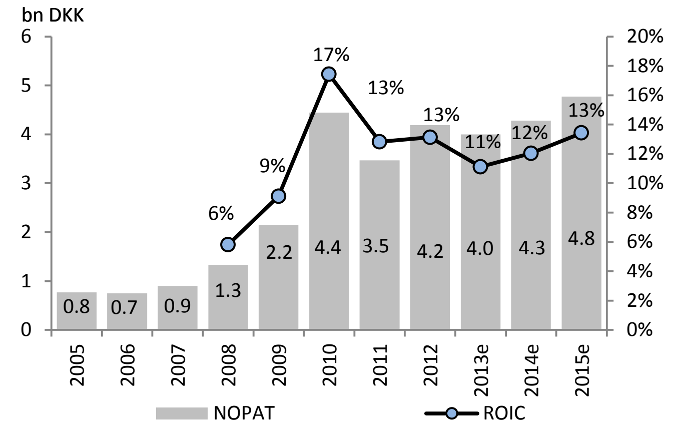
Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

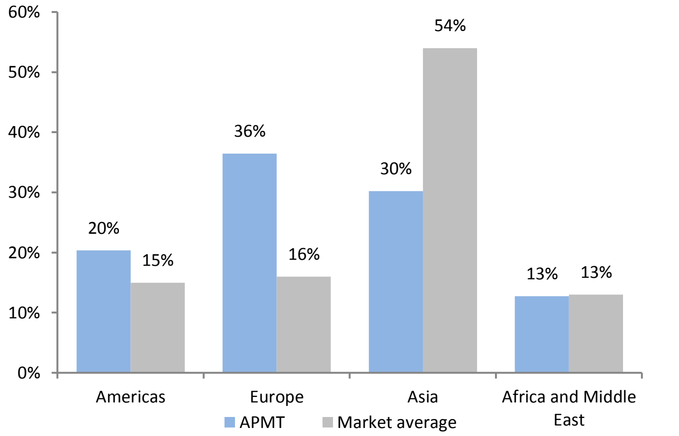
container shipping counterpart. However, the primary challenge, in our view, for container shipping industry is the structural slowdown in volumes, which should impact port terminals as well. Since the APMT was originally tailor-made to service the operations of Maersk Line, several ports in APMT's portfolio are transhipment hubs, which tend to have lower yields as transhipment cargo pays less than captive import/export cargo. Moreover, APMT has relatively more ports located in Europe and the US, which are locations that have suffered more cyclical slowdown in port throughput in recent years. **We are afraid APMT may not reach its target of $1bn NOPAT by 2016 as per its objective, save for any one-off disposal gains.**

Chart 17: APMT's NOPAT and ROIC – reaching $1bn could be challenging



Source: Jefferies estimates, company data

Chart 18: APMT's throughput mix vs market average: APMT is particularly heavy in the US and Europe



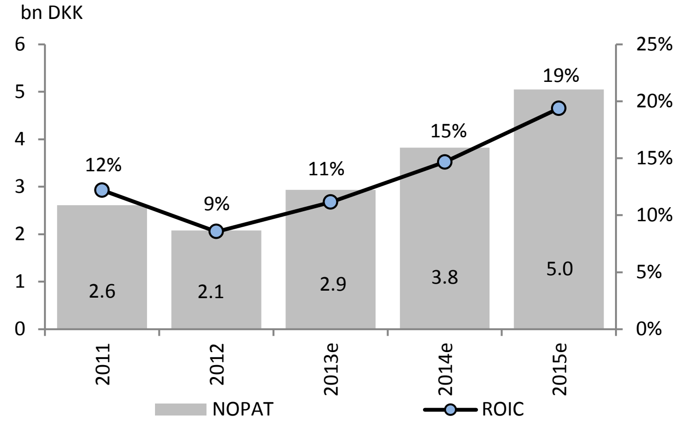
Source: Alphaliner, Jefferies estimates, company data

Maersk Drilling is a rising star in the group in terms of earnings growth but it may need a bigger fleet to achieve the $1bn target by 2018. Offshore drilling businesses are likely on a sustained up-cycle, with high oil price support and exploration being extended to deep waters. Maersk Drilling, Maersk's offshore drilling unit, executed a speculative order of four drillships at the tail end of Macondo incident brilliantly and these ships could now likely secure contracts that generate 20% ROCE, in our view. Hence, Maersk Drilling will likely be the fastest growth unit, with the best chance to leap to the $1bn profit target within the core growth group except Maersk Oil, which is already well past the $1bn target. However, Maersk Drilling, in our view, may need a bigger fleet to more comfortably sustain the $1bn target. We need to assume all its rigs would operate at 95% capacity to reach the $1bn target which has some downside risk as the downtime in rigs could be expensive and is not uncommon even when the market is highly favourable.

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

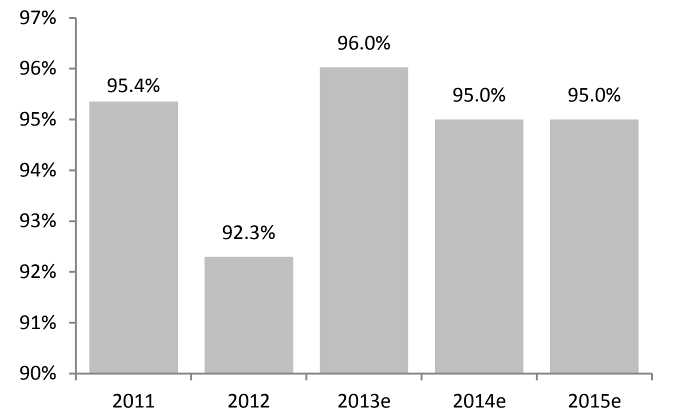
Please see important disclosure information on pages 52 - 55 of this report.
Jefferies

Chart 19: Maersk Drilling's NOPAT and ROIC – could be close to its target of reaching $1bn by 2018



Source: Jefferies estimates, company data

Chart 20: Rig uptime: Two of the five floaters suffered extended downtime last year



Source: Jefferies estimates, company data

2013 earning estimates

Table 1: P&L summary – Maersk Line

mn DKK	2012	2013e
Revenue	157,122	141,702
EBITDA	12,852	12,138
Depreciation	9,836	10,107
EBIT	3,016	2,031
Impairment	-112	0
Disposal	133	35
Others	6	4
Tax	372	34
NOPAT	2,671	2,035

Source: Jefferies estimates, company data

Container shipping – Maersk Line's 2013 earnings could be lower YoY

Maersk Line will likely continue to perform better than most of its peers but may not show earnings growth in 2013 as guided. We estimate that the bunker savings from a cut in both price and consumption could be negated out by the drop in the freight rates. If volumes turned out to be lower YoY, Maersk Line could see earnings decline YoY. On quarterly progress, we expect two loss-making quarters in 2Q13 and 3Q13 to sandwich a profitable quarter in 3Q13.

Top line would be lower 6% YoY in 2013 on both lower volumes and freight rates. European economy has impacted imports, as demonstrated by the low utilization rates of vessels on Asia-Europe trade, which has averaged only 81% since the beginning of the year, compared with 88% for the same period last year. As Asia Europe trade is Maersk Line's largest market, probably representing 30% of its volumes, we expect Maersk Line's average rates to weaken by 5% YoY in 2013. Spot rates in Asia Europe trade have crashed in the past few months and may hit their bottom in the near term. Implementation of GRI could lift rates in 3Q13 but its effects would in any case dissipate in 4Q13, in our view. Maersk Line's volumes were down 5% YoY in 1Q13 but we expect some rebound in 2H13, leaving the full-year volumes down only 1% YoY.

Bunker expenses, about 23% of OPEX, could be cut by consumption saving and price drop. We assume bunker prices to be lowered to $608/tonne in 2Q and then to $600/tonne going forward. Maersk Line has achieved massive bunker consumption savings during 4Q12 and 1Q13, probably on various bunker savings measures[4] and also the significant amount of idling of its vessels. We calculated that Maersk Line's bunker consumption per slot has been lowered by 27% and 22% YoY to 824kg/TEU and 850kg/TEU for 4Q12 and 1Q13, respectively. The same counter was once about 1,200kg/TEU in 2010. We expect the pace of savings to slow in the coming quarters, but overall bunker consumption per slot may still be lowered by 14% YoY in 2013, based on our assumptions.

[4] Other than slow-streaming, Maersk Line has also done a number alteration works on its vessels such as lifting the control tower to allow for one more layer of stacking on deck, coating of the ships, bow change, engine de-rating etc.

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Jefferies

Table 2: Operating data and P&L summary – Maersk Line

	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13e	3Q13e	4Q13e
Key drivers								
Freight rates (US$/TEU)	1,323	1,507	1,511	1,423	1,385	1,335	1,400	1,380
Volume (1,000 TEU)	4,400	4,400	4,200	4,000	4,200	4,268	4,320	4,058
Bunker price ($/tonne)	685	696	648	601	625	608	600	600
Fuel consumption (mn tons)	3	3	2	2	2	2	2	2
Fuel consumption per slot (kg/TEU)	1,089	1,061	950	824	850	848	838	818
P&L summary (mn DKK)								
Revenue	35,824	42,340	41,459	37,499	35,651	34,836	36,977	34,238
EBITDA	-967	3,816	5,883	4,120	3,566	2,197	4,092	2,283
Depreciation	2,306	2,441	2,553	2,536	2,499	2,536	2,536	2,536
EBIT	-3,273	1,375	3,330	1,584	1,067	-339	1,556	-253
Impairment	23	77	-213	1	0	0	0	0
Gain/loss on disposal	6	32	39	56	35	0	0	0
Associated companies	1	2	2	1	1	1	1	1
Tax	159	219	292	-298	-43	-27	125	-20
NOPAT	-3,402	1,267	2,866	1,940	1,146	-311	1,432	-232

Source: Jefferies estimates, company data

Oil E&P: Maersk Oil

Maersk Oil's NOPAT likely to fall by DKK7bn or 50% in 2013, as: 1) 2012 earnings was helped by non-operating income of DKK5bn from the settlement of tax dispute in Algeria; 2) oil price drop of $8/bbl in 2013 compared with the 2012 could translate into a DKK4bn impact; and 3) decline in output by 3% or 3mn barrels would also have a DKK2bn impact, which would be mitigated by DKK4bn reduction in OPEX, recurring profit tax and royalties.

Maersk Oil's output may, however, pick up sequentially from here, as the newly commenced oil fields in Algeria (El Merk), Kazakhstan (Dunga) and UK (Balloch) should ramp up gradually to their full potential. However, we highlight that one downside risk for Maersk's Oil is the gradual decline in production volumes of maturing oil fields and the incremental capex investments needed to maintain production levels, which cannot be easily modelled with the given disclosures.

Table 3: P&L summary – Maersk Oil

mn DKK	2012	2013e
Revenue	58,833	51,938
EBITDA	41,125	33,443
Depreciation	10,812	9,074
EBIT	30,313	24,369
Impairment	169	0
Disposal	632	0
Others	-243	-328
Tax	21,609	17,088
NOPAT	14,164	6,953

Source: Jefferies estimates, company data

Table 4: Production data and P&L summary – Maersk Oil

	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13e	3Q13e	4Q13e
Key revenue assumptions								
Oil production (MM bbls)	23	26	22	23	22	23	23	24
Oil price ($/bbl)	119	108	109	107	112	100	100	100
P&L summary (mn DKK)								
Revenue	14,406	15,759	14,268	14,400	13,447	12,553	12,830	13,108
EBITDA	10,518	11,779	9,606	9,222	8,809	8,034	8,211	8,389
Depreciation	2,807	3,031	2,592	2,382	1,928	2,382	2,382	2,382
EBIT	7,711	8,748	7,014	6,840	6,881	5,652	5,829	6,007
Impairment	0	0	0	169	0	0	0	0
Gain/loss on disposal	624	-6	8	6	0	0	0	0
Associated companies	-31	-46	-77	-89	-82	-82	-82	-82
Tax	5,865	5,941	5,401	4,402	4,846	3,955	4,081	4,207
NOPAT	7,341	2,755	1,544	2,524	1,953	1,615	1,667	1,718

Source: Jefferies estimates, company data

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

Table 5: P&L summary – APMT

mn DKK	2012	2013e
Revenue	27,697	26,562
EBITDA	6,332	5,759
Depreciation	2,088	1,990
EBIT	4,244	3,769
Impairment	0	0
Disposal	715	38
Others	344	932
Tax	1,113	738
NOPAT	4,190	4,001

Source: Jefferies estimates, company data

Port terminals: APMT earnings may drop 5% YoY in 2013

We expect APMT to continue its efforts to capture third-party volumes that may offer up to 68% higher average tariff compared with volumes from Maersk Line. However, we estimate more aggressive marketing targeting third-party liners' volumes mean these volumes should be lower going forward. While volume was weak in 1Q13 due to reduced activity at the US and European ports, volume growth may pick up in the coming quarters. Overall, we assume that third-party volumes will grow 12% YoY while Maersk Line volumes will shrink 2% YoY in 2013. Average tariff, however, could be 6% YoY lower, as 1Q13 results suggested that tariff for third-party liners may have fallen.

Table 6: Operating data and P&L summary – APMT

($/TEU)	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13e	3Q13e	4Q13e
Key drivers								
Volume ('000 TEU)	8,600	9,100	9,000	8,700	8,600	9,469	9,652	9,326
3rd party volume ('000 TEU)	3,956	4,277	4,320	4,481	4,300	4,790	4,838	5,018
Maersk's share of volume ('000 TEU)	4,644	4,823	4,680	4,220	4,300	4,678	4,814	4,307
Tariff ($/TEU)	140	130	132	138	121	128	128	130
Tariff - 3rd party revenue ($/TEU)	158	162	165	186	150	160	160	160
Tariff - 3rd party revenue ($/TEU)	95	102	101	120	92	95	95	95
P&L summary (mn DKK)								
Revenue	6,840	6,887	7,072	6,898	5,874	6,855	6,971	6,862
EBITDA	1,554	1,733	1,666	1,379	1,137	1,508	1,673	1,441
Depreciation	511	520	528	529	403	529	529	529
EBIT	1,043	1,213	1,138	850	734	979	1,144	912
Impairment	0	0	0	0	0	0	0	0
Gain/loss on disposal	600	66	12	37	38	0	0	0
Associated companies	81	78	73	112	233	233	233	233
Tax	392	422	266	33	66	218	248	206
NOPAT	1,332	935	957	966	939	994	1,129	939

Source: Jefferies estimates, company data. Note: We assumed the inter-segment income for APMT are all from Maersk Line in calculating the aveage tariff rate paid by Maersk

Offshore drilling: Maersk Drilling

Table 7: P&L summary – Maersk Drilling

mn DKK	2012	2013e
Revenue	10,947	11,098
EBITDA	4,277	5,164
Depreciation	1,507	1,500
EBIT	2,770	3,664
Impairment	-162	0
Disposal	48	0
Others	0	24
Tax	575	750
NOPAT	2,081	2,938

Source: Jefferies estimates, company data

Improvement uptime should lift earnings in 2013. Almost 98% of the available days for Maersk Drilling's rigs have already been fixed. We think NOPAT at Maersk Drilling may improve 41% YoY to DKK3bn in 2013 as uptime improves to 96% in 2013 from 92% in 2012. 2012 results were negatively impacted by the extended operation suspension concerning two semi-submersible, which lowered Maersk Drilling's floaters' uptime to 85% (92%) in 2012.

Pre-commencement costs for the two new drillships could hit earnings in 4Q. However, revenue may deteriorate in 4Q with the roll-off of jack up Maersk Resolve at the end of its current employment contract with EON in the UK. In addition, the delivery of two drillships in Sep. 13 and Dec.13 may incur substantial preparation costs before their commencement of operations in early 2014. These ships already have contracts with Exxon Mobil and CoP/Marathon, with start of operations expected in 1Q14 and 2Q14.

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

Table 8: Operating data and P&L summary – Maersk Drilling

mn DDK	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13e	3Q13e	4Q13e
Operating days								
Jack-up	1,041	1,041	1,041	1,041	1,041	1,041	1,041	1,041
Floater	520	520	526	526	518	524	501	437
Charter rate ($/day)								
Jack-up	139,583	139,583	141,117	141,117	156,749	158,491	156,773	146,972
Floater	297,657	297,657	297,657	297,657	333,333	333,333	352,490	400,000
Cost days								
Jack-up	1,092	1,092	1,104	1,104	1,080	1,092	1,104	1,104
Floater	455	455	460	460	450	455	490	583
Daily costs ($/day)								
Jack-up	109,583	109,583	109,583	109,583	109,583	109,583	109,583	109,583
Floater	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000
P&L summary (mn DKK)								
Revenue	2,772	2,691	2,683	2,801	2,711	2,818	2,819	2,751
EBITDA	1,254	1,285	1,057	681	1,345	1,355	1,314	1,151
Depreciation	365	377	377	388	336	388	388	388
EBIT	889	908	680	293	1,009	967	926	763
Impairment	0	-172	-2	12	0	0	0	0
Gain/loss on disposal	0	-2	-1	51	0	0	0	0
Associated companies	0	0	0	0	6	6	6	6
Tax	178	149	157	91	189	204	196	161
NOPAT	711	585	520	265	826	769	736	607

Source: Jefferies estimates, company data

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

Valuation

Table 9: NAV per share estimate

mn DKK	2013e
Ships	120,990
Container ships	47,855
MP ships	1,513
Drilling ships	34,685
Supply service vessels	11,828
Tanker ships	16,857
Tugs and standby	5,910
FPSO	2,341
Containers	15,737
Terminals	68,786
Order book	19,550
Others	96,919
Dansk Supermarked	14,098
Maersk Oil	52,366
Damco	5,106
Danske Ban, DFDS, and Others	25,350
Total EV	321,982
Net debt	-102,502
Minority Interests	-22,692
NAV	196,787
No of shares	4.40
NAV/ Sh	44,769

Source: Jefferies estimates

Our 12-month target price of DKK30,000 is based on 70% 2013e P/NAV versus our estimates of 7% return-on-NAV and 12% cost of equity.

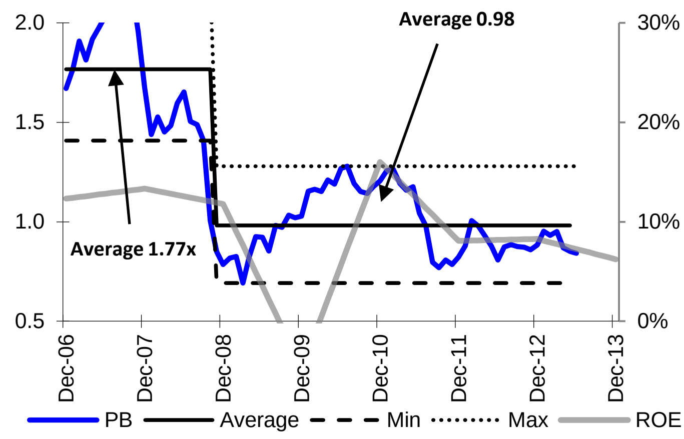
The full value of Maersk based on our NAV estimate is about DKK45,000, which is just 9% above the current share price. We doubt the stock could sustain above its NAV, as the company is unlikely to generate over 12% return-on-NAV for our forecast period.

Cost of equity is based on 8.6% WACC on 46% debt ratio at 5% cost of debt. For the sake of simplicity, we have assumed zero tax rate for shipping activities, as tonnage tax is applied in Denmark. The application of tax shield would have increased the cost of equity on the same WACC. Most of the actual tax expenses are associated with Maersk Oil, which we have valued by EV/EBITDAX, meaning the EV has been adjusted for tax and exploration expenses.

Minority interests of DKK23bn include the 32% interest in Danske Supermarked and about 31% interest in APMT's subsidiaries. We have estimated from the Profit Attributable to Minority Interest on the P&L statement that about 31% of APMT's enterprise value maybe for minority interests. But the equity share based throughput of APMT's subsidiaries suggests that APMT's minority interests may only amount to 18%. If we assume 18%, instead of 31%, as minority interest in APMT, our NAC/share would increase by 4% to DKK46,481/share.

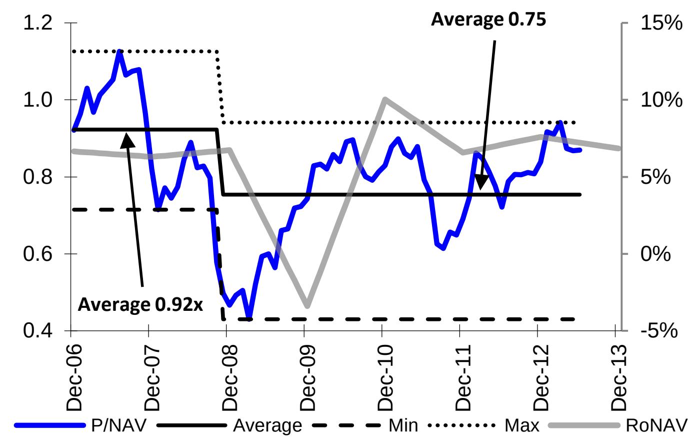
The stock is trading at the high end of its historical P/NAV but at the low end of its historical P/B. Return on equity has been much lower since GFC to justify a de-rating, in our view. NAV has deteriorated by 30% from its peak in 2007 to year-end 2013, in our estimate, leading to the rise in P/NAV.

Chart 21: PB vs ROE



Source: Jefferies, company data

Chart 22: PNAV vs RoNAV



Source: Jefferies, company data

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Enterprise valuation by segment

Table 10: 2013 EV estimations

Business segment	mn $	mn DKK	Valuation methodology	Comments
Maersk Lines	11,501	65,105	Replacement value: x1	We calculate the replacement value of container vessel and boxes by depreciating the average newbuild price to the average age of the asset. Maersk Line will own a total of 279 container ships with an average size of 5,691TEU at an average age of 12.8 years; a fleet of about 2mn TEU container boxes at 5 years; and 11 multi-purpose vessels by end of 2013. The unit price would be about $5,324/TEU slot price for container ships and $1350/TEU for the container boxes. 1Q13 book value of Maersk Line's non-current assets is DKK126.5bn, which likely includes substantial amount of non-shipping assets such as agency properties and with vessels' value higher than the current market prices.
APM Terminals	12,151	68,786	EV-to-(EBITDA+income from Asso/JCE): 10.3x	Comparables used are listed global port operators such as DP World and ICTSI. The average EV/EBITDA for those companies is 13.3x but we use 10.3 for APMT because APMT's terminal assets have heavier weighting in trans-shipment hubs, and lower profit margin areas such as the US and Europe. AMPT will operate a total of 62 ports in 40 different countries by end of 2013. The book value of APMT's non-current assets plus its investments in the JCE and associated companies at DKK34.8bn in 1Q13 is 50% below our replacement costs estimate. Since most of the port terminal value is the concession right, which is intangible, port terminals' book values, which are based on the construction costs usually, are typically below their actual economic value, particularly for operators that are seldom involved in M&A such as APMT.
Damco	902	5,106	EV-to-EBITDA: 10.8x	Comparables used are listed European and US freight forwarding companies such as Panalpina, K&N, Deutschepost, and Expeditors. Book value of this company's non-current assets is DKK2.0bn in 1Q13, 60% lower than our DKK5.1bn estimate, as freight forwarding is an asset light business that makes the book value of fixed assets less relevant for valuation.
Maersk Tankers	2,978	16,857	Replacement value: x1	Tanker fleet will include 16 VLCCs, 82 product tankers, and 13 gas carriers by end of 2013. Crude tankers are VLCCs while product tankers are either MR size or large Aframax vessels. The company also has 13 LPG tankers which apparently are being disposed of at the moment. Average age is 10 years. 1Q13 book value of non-current assets is DKK17.1bn, just 2% higher than our DKK16.9bn replacement cost estimate.
Maersk Oil	9,250	52,366	EV-to-EBITDAX: 3.0x	We have adjusted the EV-to-EBITDA multiple methodology for tax and exploration expenses. We have assumed Maersk Oil's EV/EBITDAX to be 5x at 2006 that gradually deteriorates to 3x by 2013, to mirror the depletion of Maersk Oil's reserve. Maersk Oil's non-current assets' book value at DKK55.0bn is 5% higher than our DKK52.4bn estimate.
Maersk Drilling	6,127	34,685	Replacement value: x1	The offshore rig fleet will include 12 jack-ups, 4 semi submersibles, and 10 drilling barges. Two additional drillships will be delivered in 2013 that are included in our end of 2013 EV. Average age would be approximately 11.8 years old. DKK27.1bn book value of non-current assets in 1Q13 is 22% below our DKK34.7bn replacement costs estimate, which is mainly due to the asset appreciation of the oil rigs in recent years.
Maersk Supply Services	2,089	11,828	Replacement value: x1	The fleet will include 49 anchor handling vessels, 13 supply vessels, and 35 emergency vessels. Given the limited disclosure, we have assumed an average age of 10 years. 1Q13 book value of non-current assets is DKK12.6bn is 7% higher than our replacement costs estimate at DKK11.8bn.
Svitzer	1,044	5,910	Replacement value: x1	Global leader with a fleet of 351 tug boats. Due to lack of disclosures, we have used the Maersk tug boat fleet list from Clarkson to estimate that the average age as 19.3 years. 1Q13 book value of non-current assets at DKK8.8bn is 48% higher than our estimates at DKK5.9bn.
Maersk FPSO and LNG	414	2,341	Replacement value: x1	The company disposed of Maersk Curlew in April 2013 while 2 FPSOs and the entire LNG fleet was sold in 2012. Currently, the company only has three FPSOs left. This segment stopped being a reportable segment and asset value is not available.
Dansk Supermarked	2,490	14,098	EV-to-EBITDA: 6.1x	For comparables, we have used large European supermarket chains such as Carrefour, Tesco, and Casino. Dansk Supermarked is the largest retail company in Denmark with about 1,300 stores in Denmark, Sweden, Germany, and Poland. 1Q13 book value of non-current assets at DKK19.0bn is 34% above our estimates at DKK14.1bn.
Danske Bank	3,749	21,221	% ownership	We simply use the market value of the 20% ownership in Danske Bank as it is listed in the Copenhagen Stock Exchange.
DFDS	273	1,544	% ownership	We simply use the market value of the 31% ownership in DFDS as it is listed in the Copenhagen Stock Exchange.
Others	457	2,585	Book value	Securities investments, software rights, and others are included here at book value due to the lack of disclosure. Interests in DFDS A/S are also included here at market value.

Source: Jefferies estimates, company data, Clarksons, Bloomberg

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

Table 10: 2013 EV estimations (cont'd)

Business segment	mn $	mn DKK	Valuation methodology	Comments
Order book				
Maersk Line	1,054	5,968	Newbuild price	Maersk Line will only have 16 18,000TEU vessels on its order book by end of this year: 9 to be delivered in 2014 and 7 in 2015. Those vessels are of high specifications and were bought in early 2011 when newbuild prices were higher. Hence, we assume them to be about $155mn instead of the purchase price of $190mn.
APM Terminals	809	4,580	Contractual price	APMT has six projects in progress (three in Latin America, two in Western Europe, and one in China). We assumed that about $800mn will have been spent on development these projects by end of this year.
Maersk Drilling	1,510	8,548	Contractual price	Maersk Drilling will have 2 drill ships and 3 harsh water jack ups on order book by the end of 2013. We have assumed $450mn for the Jack-ups and $650mn for drillships on Maersk's order book.
Supply Services	80	454	Contractual price	Maersk Supply Service has 2 anchor handling tug vessels to be delivered in 2014 and 2015.
Total	**56,877**	**321,982**		

Source: Jefferies estimates, company data, Clarksons, Bloomberg

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

Catalysts

Any data that hint at strength for the container season

Maersk Line's 2013 profitability would rely on the strength in the peak season which may turn out to be worse than expected, in our view. Consensus is forming among investors that freight rates would rebound from peak season onwards, which could help companies turn profitable this as the current freight rates may reach a level that is unsustainably low. We expect plenty of volatility during the peak season, but doubt whether the average freight rates earned by carriers could be much higher due to the generally weak fundamentals. The Chinese PMI export index is still indicating soft volumes ahead.

2Q results before market open on August 16

2Q results could suffer a 55% YoY and 40% QoQ drop in EPS on lower container freight rates and lower crude prices. Consensus has recently cut 2Q earnings, which is, however, 56% higher than ours. The actual decline in profit and potential disappointment to the consensus estimates could be negative catalyst when the results are announced before market open on 16 August.

Announcement of future oil finds

Maersk Oil needs to discover 55% more oil finds to reach its 400,000boepd output target, which would be significant for Maersk's to sustain its earnings in the future, particularly in the light of our bearish view on container shipping in the long run. Investors would follow closely news flow concerning any success or failure of the current exploration projects of Maersk Oil.

Disposal of any substantial assets

Management has turned more value-driven in recent years, executing six noticeable divestments for a $1.4bn gain since 2010. We believe management will continue to dispose non-core businesses or a business that is unlikely to be developed into a significant contributor to the ROIC of the group. Disposal of some of Maersk's assets may allow Maersk to book gains and realise the value that may not be in the share price. However, our NAV is below company's net book value, so disposals may not always be profitable.

Risks

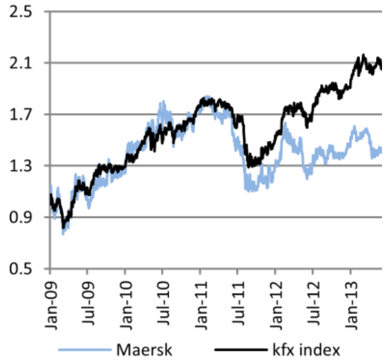
Upside risk to our Underperform rating could be a sustainable rebound in the container industry, which we believe is unlikely in our forecast period. The container shipping market will likely remain over capacity in the next 18 Months because of the delivery of the new vessels and slow recovery in the container shipment's usual destinations. Freight rates, at best, may see more volatility but are difficult to be sustained at levels that allow Maersk Line to generate better than 10% ROIC, in our estimates.

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

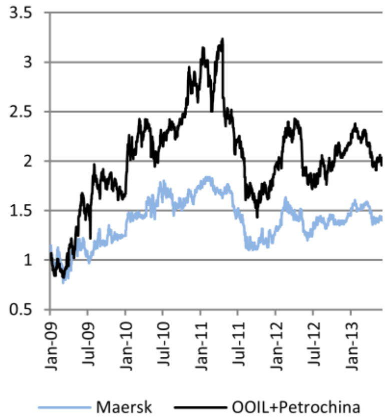
Jefferies

Chart 23: Maersk B underperforming KFX Index



Source: Jefferies, Bloomberg

Chart 24: Relative performance of Maersk-B and the pair OOIL/Petrochina



Source: Source: Jefferies, Bloomberg

Trading tactics

Maersk is a low beta stock that has been underperforming the local indices such as Copenhagen and STXE Euro 600 Index, particularly due to the challenges it is currently facing. Hence, it is a low-risk Underperform call, in our view, even in a bull market.

In the face of some additional volatility due to the impending freight rates increases in June and July, which we do not think could be sustained into September, we would tactically sell the stock into the coming rallies, particularly when the stock is trading closer to 1x NAV, which is DKK45,000, between now and the results due on 16 August.

Alternatively, we could pair it against our long standing Buy-rated stocks such as OOIL (316:HK) and PetroChina (857:HK).

Maersk has been the top percentile performer among the container liners but OOIL has been even better in results delivery. Being small and still being managed on a day-to-day basis by its owner family allows OOIL even more flexibility and quicker response to market, relative to Maersk Line. OOIL is a pure container shipping company that also helps its owner/management to focus its resources on one segment. Last, OOIL may still grow by gaining market share without the same potential adverse effects Maersk Line may have on the market while gaining market share.

Maersk is running low on oil reserves while PetroChina has huge potential in its gas reserves, which is waiting for liberalization of the pricing mechanism in China to unlock. One could argue this may take time for the Chinese government to change its energy policies but the fact that PetroChina has proven reserves while Maersk does not would allow PetroChina outperform Maersk's energy unit.

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

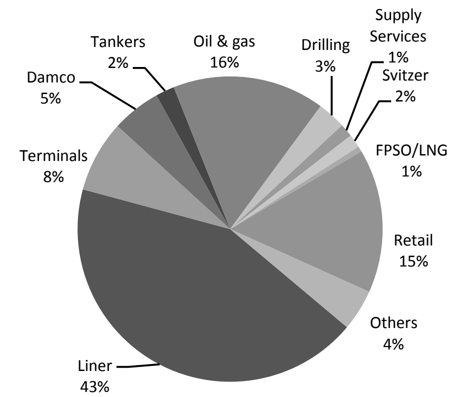
Please see important disclosure information on pages 52 - 55 of this report.

Company overview

AP Moller – Maersk Group (Maersk) is a shipping and energy conglomerate with interests in retail in North Europe and banking in Denmark. Maersk started as a shipping company over 100 years ago and is still better known for its shipping activities, with the largest container liners in the world, despite the energy segment's significant contribution to its portfolio. In recent years, management has been focusing more on the energy side, which is probably natural given the relative business performance of energy over shipping.

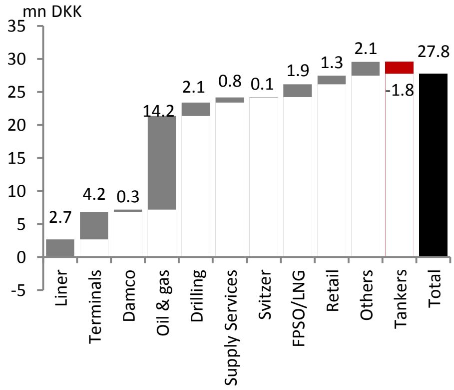
About 64% of Maersk's capital has been deployed in the shipping space and Maersk's business portfolio includes 1) container shipping and related businesses such as port terminals and freight forwarding; 2) tankers; 3) offshore platforms supply vessels; and 4) tug boats. On the energy side, Maersk is involved as a mid-sized energy exploration and offshore drilling company, originating from its experience in exploring the Danish concession in North Sea.

Chart 25: Revenue breakdown – liner is the main business segment



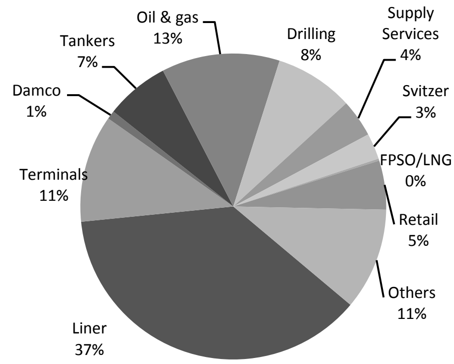
Source: Company data. Note: Both Damco and Terminals are also part of container shipping's value chain

Chart 26: 2012 NOPAT breakdown – oil & gas the main bottom-line contributor



Source: Company data

Chart 27: Invested capital – Maersk has invested mostly in container shipping



Source: Company data

Maersk is a global giant in the container shipping industry with its container shipping activities together with its terminals and freight forwarding businesses. It operates about 600 container vessels and 62 port terminals that cover all trade lanes in the world. Maersk Line's market leadership has played the undesired role of constraining its own growth, in our view, as competition has become so sensitive to any assertiveness from Maersk Line that any sign of Maersk Line growing its market share could trigger a price war, which, in turn, undermines its earnings. Maersk Line's market share is just about 10% but its every move is closely scrutinised by the market.

Container Shipping – Maersk Line

Maersk Line has the largest container shipping fleet globally at 600 vessels, with leading positions in most main trade lanes, particularly those surrounding Europe. Since container shipping is its largest segment in terms of revenue contribution and its earnings are the most volatile among Maersk's business segments, investors tend to trade Maersk as a container shipping proxy, which we think makes sense despite the large bottom-line contribution from Maersk Oil. Maersk Line's influence on Maersk earnings may grow if Maersk Oil's earnings decline structurally due to its decline in oil output. In fact, container shipping alone is the largest segment within Maersk by capital invested at 37%. On adding revenues from APMT and Damco , which, broadly speaking, are also container shipping businesses, with Maersk's, container shipping activities contribute over 50% of Maersk's group revenue.

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

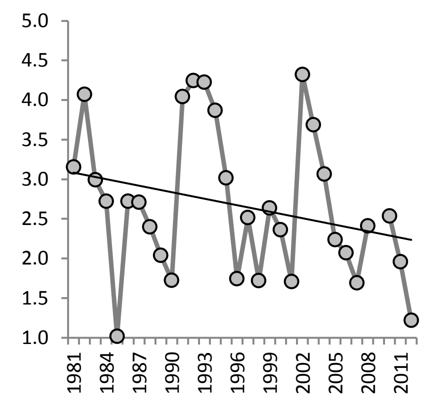
Please see important disclosure information on pages 52 - 55 of this report.
Jefferies

Industry overview

Container shipping is liner trade: Container shipping is a marine transportation industry that mostly ships consumer products inside container boxes from the emerging markets to developed markets. The ships sail on fixed routes and fixed schedule – a liner trade, which is comparable to bus or airline operations. Relative to other shipping segments such as bulk and tankers, container shipping industry is more consolidated; and both capital- and labour-intensive. The relatively higher level of entry barriers also means a higher barrier of exit that keeps the industry competitive.

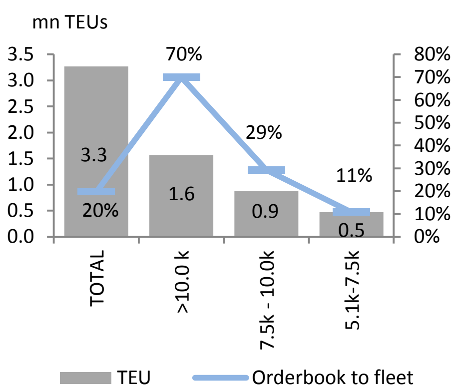
Bearish on the structural head winds in long term: First and foremost, we think the industry is in a structural slowdown in demand as outsourcing, which once drove container volume to grow at a multiple to GDP growth, has matured. In fact, the new concepts of in-sourcing and near sourcing may well lead to container volume growing at pace below the global GDP growth. Second, overbuilding of the value chain for container shipping has removed bottlenecks in an industry that once merited container shipping. For example, currently shipbuilding capacity is ample, with order-to-delivery circle of new build shortened to about 1-1.5 years, instead of several years, as was case during the 2004 to 2008 period. Surplus shipbuilding capacity could cap the upside for future cycles.

Chart 28: Container volume growth vs GDP growth – The multiplier has been trending down



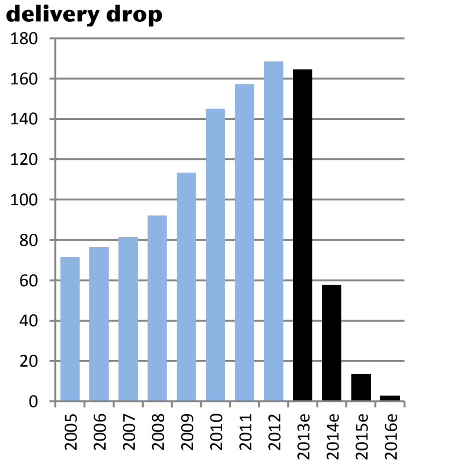
Source: Jefferies estimates, Bloomberg, CEIC

Chart 29: Orderbook by ship size – fleets segments over 7.5k TEU have the most important orderbooks compared to fleet size



Source: Jefferies, Alphaliner

Chart 30: Global shipyard delivery (DWT Mn) – ships yards will be vastly underutilized going forward as delivery drop



Source: Clarkson

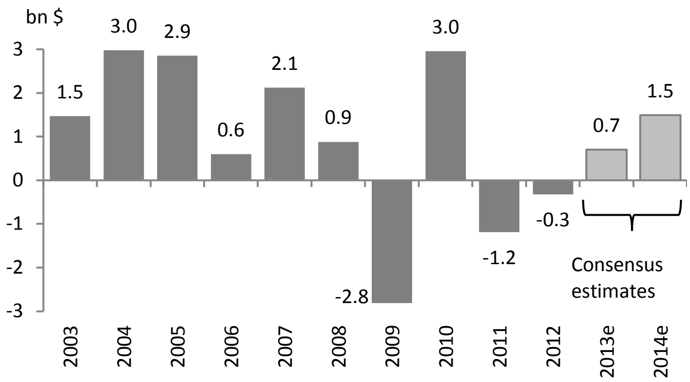
Near-term earnings downturn: Spot container freight rates have deteriorated 30% since reaching the peak in just a year ago as recession in Europe and the continued influx of the very large container ships (VLCS) depressed utilization. We think container liners could see substantial earnings deterioration in 2Q and 3Q, where losses may not have been expected by the equity market. Maersk Line could make losses in the coming quarters, in our view, if the AE GRI in July cannot be sustained.

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

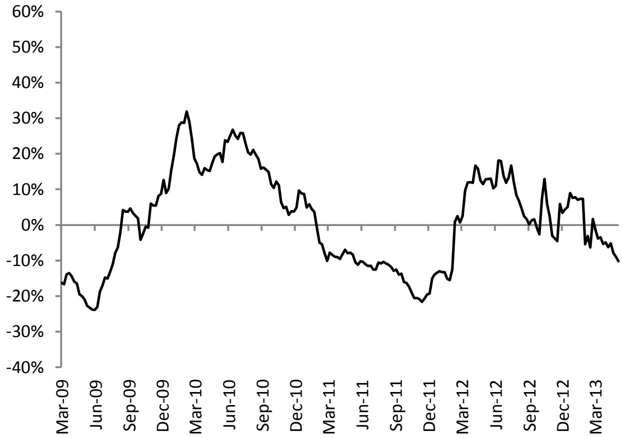
Jefferies

Chart 31: Container shipping industry's annual EBIT-consensus is expecting strong recovery in 2014



Source: Company data, Bloomberg. Note: companies include OOIL, CSCL, NOL, YMM, and Evergreen.

Chart 32: Container ROCE – value eroding since the beginning of the year



Source: Jefferies estimates.
Note: See bottom of page for ROCE definition[5]

The consensus is too bullish on 2014, in our view: Bloomberg consensus is estimating a jump in container shipping earnings in 2014 across the listed container names, which is built on the assumption of an improving economy and slowdown in capacity growth. However, capacity growth in 2014 could be higher than that in 2013 because a lot of new capacity originally planned for 2013 delivery has been pushed back to 2014. Delivery of 11 VLCS has been postponed from 2013 to 2014, which means 54 new VLCS should arrive in 2014, compared with 38 in 2013.

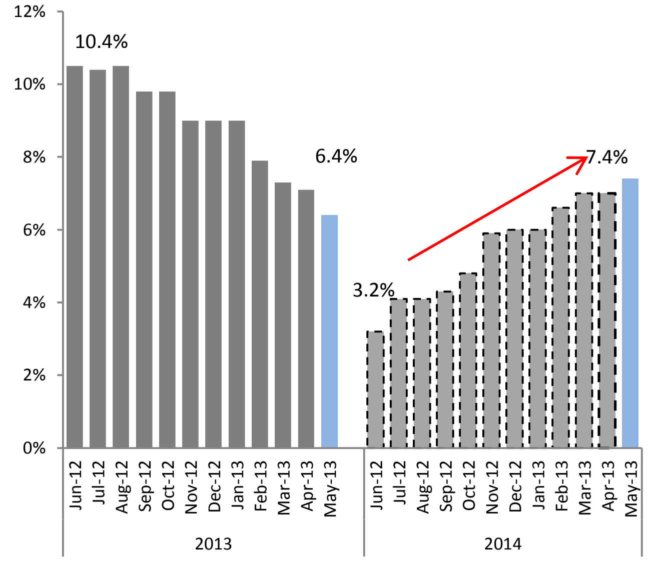
[5] Container liner ROCE is the average of ROCEs for TP and AE. ROCE is operating profit over replacement costs of ships/container boxes

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

Chart 33: Container shipping capacity growth: capacity growth for 2014 is being revised upward as same for 2013 is being revised downward over the past 12 Months



Source: Alphaliner data and Jefferies analysis.

Note: X axis is the date when the capacity projection is made

Table 11: Delivery plan of VLCS (>9,999TEU): more VLCSs will be delivered in 2014 than in 2013 due to postponement

	2013			2014		
	Old[7]	**New[8]**	**Diff.**	**Old[7]**	**New[8]**	**Diff.**
MSC[1]	2	0	-2	2	2	0
Maersk[2]	5	4	-1	8	9	1
Hanjin	4	4	0	5	5	0
CSCL[3]	8	4	-4	0	6	6
APL[4]	5	2	-3	0	2	2
Zim	0	0	0	0		0
COSCON	4	4	0	4	4	0
HL[5]	7	4	-3	0	3	3
HMM	0	0	0	5	5	0
UASC	0	0	0	0		0
OOCL	4	4	0	2	2	0
MOL[6]	5	4	-1	4	6	2
NYK	4	4	0	0		0
CMA CGM	2	2	0	0		0
EMC	1	2	1	9	8	-1
YMM	0	0	0	0		0
NOO	0	0	0	2	2	0
Total	**51**	**38**	**-13**	**41**	**54**	**13**

Source: Alphaliner data and Jefferies analysis

Note: See bottom of page for recent changes in delivery plan[6]

*Please see our report, **Downcycle mistaken as upcycle,** published on 6 April 2011 for further details on container shipping industry overview.*

Equity story of Maersk Line

Maersk Line's management is mandated by the board to deliver (1) returns better than cost of capital; (2) EBIT margin 5% points better than the market; and (3) volume growth in line with market. However, if there is a conflict between these objectives, the volume growth part is probably the one to forgo.

Largest container liner in the world: Being the largest container liner, Maersk Line has an edge in an industry that is becoming increasingly commoditized. Maersk Line will operate the largest container vessels in the coming triple E but Maersk Line's vessels are not the largest by average size. Even in the Asia Europe trade, Maersk Line's average vessel size is smaller than that of the MSC/CMA-CGM alliance and about the same size as CKYH alliance. However, Maersk Line's container shipping fleet is the largest in terms of operating capacity, amounting to 2.6mn TEU, compared with the second-placed MSC's 2.3mn TEU and the average of about 0.5-0.6mn TEU among Asian container liners under our coverage. The sources of economies of scale for Maersk may come from the independent and seamless operations and a diversified market mix that smaller container liners cannot afford.

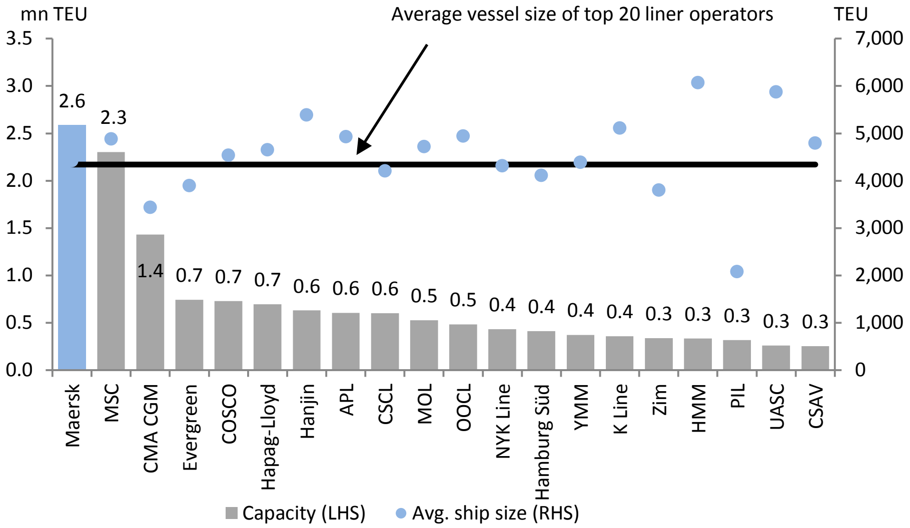
[6] (1) 2 of MSC's VLCS have been cancelled, (2) Maersk postponed 1x 18,000TEU ship to 2014, (3) CSCL postponed 4x 10,000 TEU from 2013 to 2014. CSCL also added 2x 18,000TEU ships from new order, (4) APL postponed 2x 13,000TEU from 2013 to 2014, (5) Hapag Lloyd postponed 3x 13,000 ships from 2013 to 2014, (6) MOL postponed 1x 14,000TEU from 2013 to 2014 and also chartered an additonal 10,000TEU for 2014, (7) Old data are as of Jan 2013, (8) New data are as of May 2013

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

Chart 34: Operating capacity and average ship size – Maersk has the largest container fleet but its average ship size is close to the industry average



Source: Alphaliner

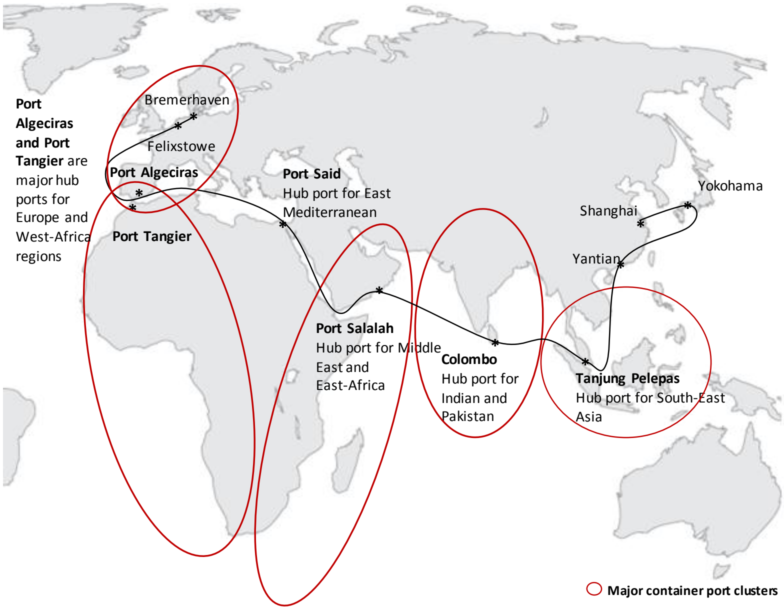
Independent operation affords flexibility and lower costs: One advantage of running a much larger fleet than the average container liners is that Maersk Line can afford more independence compared with others, which mostly have to participate in an alliance with three or five other container liners. Independence, in our view, allows Maersk Line more flexibility to plan its operations and avoid the additional costs that usually come with the complications of having to cooperate with other alliance members. Alliance formation allows the container liners to offer more comprehensive services, e.g. higher frequency of sailing and wider geographical coverage, through slot sharing without expanding their own fleet. Yet, every vessel operating carrier may have its own port terminal arrangement and stowage priority that may not be the most cost-effective for its slot sharing partners. Moreover, deployment and port rotation on each service will have to balance interests of each alliance member. Hence, alliance members usually save on capex but pay additional operating costs while sometimes even sacrifice some of their individual commercial interests for better service offerings.

Seamless operation: Another advantage from running a bigger business volume is that Maersk Line has large enough business volume to build seamless operations across container shipping's value chain such as port terminals and land side logistics. Maersk is the third largest terminal operator in the world and the probably one of the top-three supply chain management (SCM) providers in the Trans-Pacific trade. Port terminal operation is an integral part of container shipping. Port terminal expenses make up about 24% of Maersk Line's total operating costs, compared with bunker and vessel costs at 25% and 26%, respectively. The economies of scale for Maersk Line's triple E vessels could only be fully expressed if the port terminals that the triple E vessels are calling are developed with the infrastructure and equipment that could handle triple E vessels.

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Chart 35: Carefully selected Asia-Europe route allows Maersk to covers major hub ports and leverage on volume effect of Hub-and-Spoke network



Source: Alphaliner, Jefferies. Note: This is a simplified map of AE-1service route. Detailed full port rotation is Felixstowe, Zeebrugge, Rotterdam, Bremerhaven, Wilhelmshaven, Colombo, Singapore, Yantian, Kobe, Nagoya, Yokohama, Ningbo, Shanghai, Hong Kong, Yantian, Tanjung Pelepas, Felixstowe

Diversified route exposure: Large fleet also allow Maersk Line to run a highly diversified route mix while still being a significant player in all the important East-West and North-South trade lanes. Exposure to the Latin America and African trades have helped Maersk Line weather the frequent downturn in the Asia-Europe trade over the past few years.

Table 12: League table of geographical coverage – Maersk operates on all lines, reducing risk through diversification

	Existing fleet Size	FE-N. Am	Eur-FE	ME/ISC	Eur-N. Am	Africa	Lat Am	ANZ/ Oceania	Intra-FE	Intra-Europe	Trade lane covered
Maersk		**O**	**O**	**O**	**O**	**O**	**O**	**O**	**O**	**O**	**9**
MSC		O	O	O	O	O	O	O	O	O	9
CMA CGM		O	O	O	O	O	O	O	O	O	9
COSCON		O	O	O	O	O	O	O	O	O	9
Hapag-Lloyd		O	O	O	O	O	O	O	O	O	9
Evergreen		O	O	O	O	O	O	O	O	O	9
APL		O	O	O	O	O	O	O	O	O	9
CSCL		O	O	O	X	O	O	O	O	X	7
Hanjin		O	O	O	O	O	O	O	O	X	8
CSAV		X	O	O	O	O	O	X	X	X	5
MOL		O	O	O	O	O	O	O	O	X	8
OOCL		O	O	O	O	X	X	O	O	O	7
Ham Süd		X	X	O	O	X	O	O	X	O	5
NYK		O	O	O	X	O	O	O	O	X	7
K Line		O	O	O	X	O	O	O	O	X	7
Yang Ming		O	O	O	X	X	X	O	O	O	6
Zim		O	O	O	O	O	O	X	O	O	8
HMM		O	O	O	X	X	O	O	O	X	6
PIL		O	O	O	X	O	O	O	O	X	7
UASC		O	O	O	X	O	O	O	O	O	8
Wan Hai		O	O	O	X	O	O	X	O	X	6
TS Lines		O	X	O	X	X	X	O	O	X	4

Source: Alphaliner. Note: O indicates coverage for a trade land while X indicates no coverage.

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

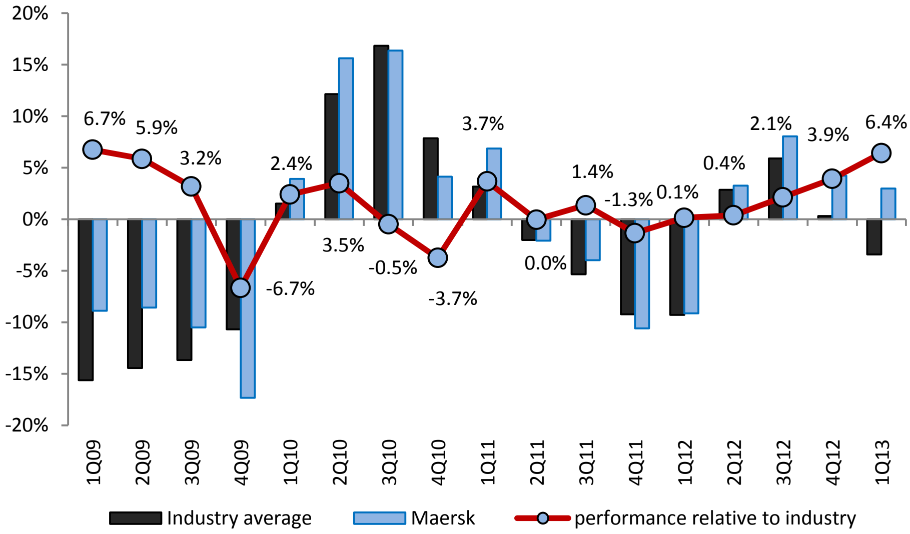
Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

Operating and financial performance

Superior performance at operating margin level: Maersk Line has performed better than the industry average over the past four years, with an average OP margin of 0.8% since 1Q09 while the industry average has been about -0.8%. Management has set a target EBIT margin of 5% points better than peers, returns better than cost of capital and volume growth in line with the market.

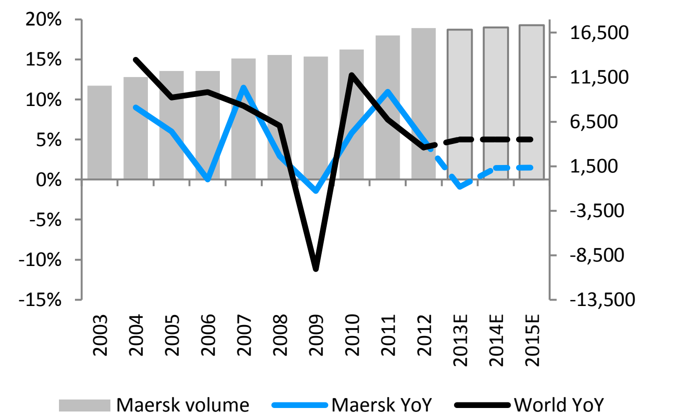
Chart 36: Maersk Line's quarterly OP relative to peers



Source: Jefferies, company data

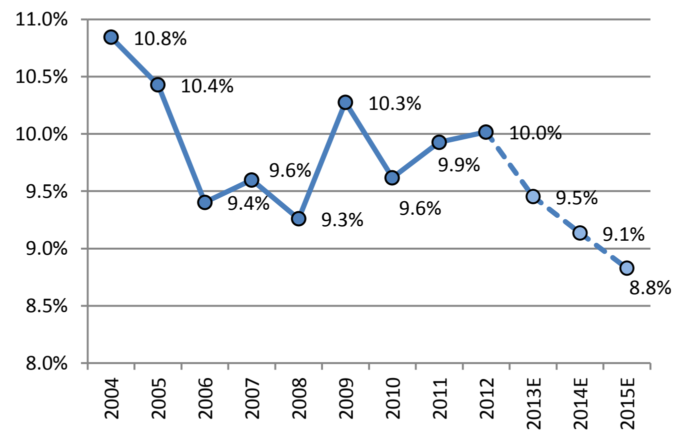
May need to give up market share for profit: Maersk Line may not be able to grow along with the market or the market freight rates may plummet from in reaction to competition. Hence, Maersk Line's leadership in the industry has put the company in an unenviable position of choosing between volume and profit. In order to sustain freight rates in the market, Maersk Line's volume growth has been tracking below the global average since 3Q12, recording 9% YoY and 3% YoY drops in volumes for both 4Q12 and 1Q13, respectively. There is a chance, in our view, that Maersk Line's market share in global container volumes may drop from about 10% in 2012 to 8.8% by 2015.

Chart 37: Maersk Lines volume to trend below world volume growth



Source: Jefferies estimates, company data

Chart 38: Market share of Maersk Lines: could go lower



Source: Jefferies estimates

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

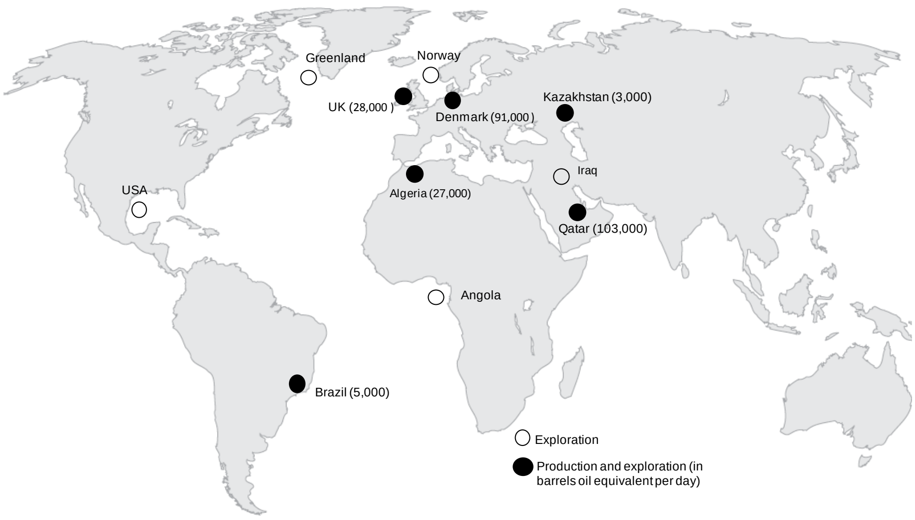
Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

Oil exploration – Maersk Oil

Maersk Oil is a medium-sized oil exploration and production company with 260 mboe/d of output in 2012. Its main oil fields are in the North Sea and Qatar, contributing ~195 mboe/d (75% of total) in 2012. North Sea's oil fields are drying up while Qatar's concession seems to have a ceiling for revenue, which effectively caps growth. Maersk Oil's goal of reaching 400,000boe/d by 2020 should depend on developing fields such as Angola's Chissonga, UK's Culzean and Norway's Johan Svedrup, which are still in the Assess and Select stage of exploration. We figure management's objective of 400,000boepd by 2020 is too optimistic.

Chart 39: Maersk oil operations



Source: Jefferies, company data

Industry overview

Near term, China rebalancing and shale oil in the US may slow oil price upside: China's oil demand growth has fallen from Nov-12 to Jan-13 highs of 9-10% YoY to 1.4% and -1.4% in March and April. While this is likely subnormal, we believe China has entered a period where demand growth is suppressed by falling energy intensity (from economic re-balancing), natural gas substitution and efficiency gains from new transportation infrastructure. Surging oil production from shale oil fields in the US could also dampen world oil prices in while global economic growth remains lacklustre.

Car ownership in China to drive long-term demand for oil: China, which imports about 10% of global seaborne oil, has yet to enter the exponential phase of oil consumption growth. China consumed only 2.5 barrels per person in 2010. In comparison, the average American consumed 22.2 barrels per person and average Japanese consumed 12.6 barrels per person in 2010. In developed economies, oil is a "consumer" energy source largely due to universal car ownership and oil's near monopoly as a transportation fuel. In the US with 120% car penetration, consumer uses of oil (gasoline 49% and jet kerosene 10%) account for 59% of petroleum product yield.

In China by contrast, where car penetration is only 4%, consumer uses of oil (gasoline 19% and jet kerosene 4%) account for 19% of petroleum product yield. While China's gasoline demand is growing over 10% per annum, we estimate consumption growth from industrial users of oil to be below 2%. As per capita income increases in China, especially with the rebalancing of economy towards consumption in the 12th 5-year plan, we expect car ownership to drive increases in oil consumption. We believe oil consumption would see an inflection point around 2016-17, when China clears US$10,000/head PPP GDP, the car affordability threshold. But before this happens, oil in

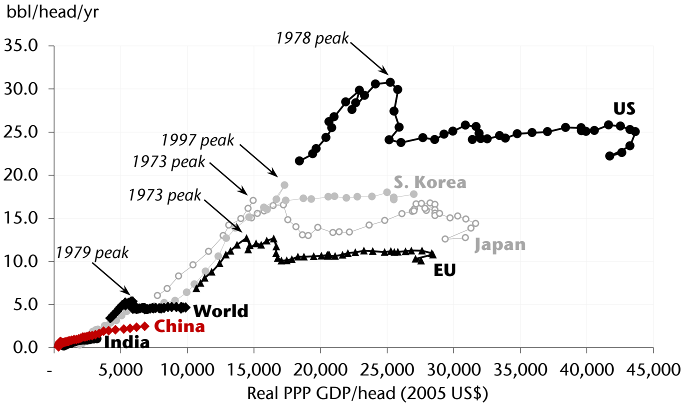
Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

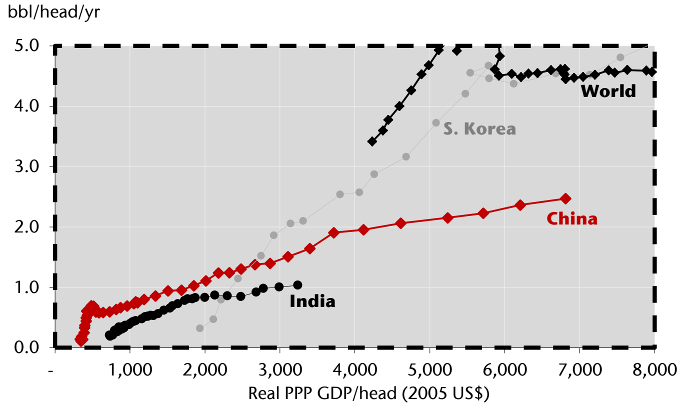
China would continue to be an industrial fuel, exhibiting low, single-digit demand growth.

Chart 40: Oil consumption/head vs. PPP GDP/head, 1965-2010



Source: CEIC, China NBS, World Bank, Jefferies

Chart 41: Oil consumption/head vs. PPP GDP/head, 1965-2010



Source: CEIC, China NBS, World Bank, Jefferies

Maersk Oil's equity story

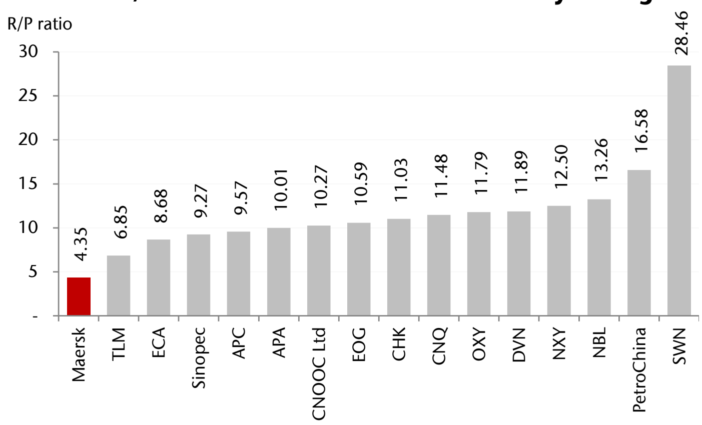
Reversing terminal decline in output. Maersk Oil's production has been declining since 2009. The company has been blowing down its reserves (less than 100% reserve replacement rate) since 2005. By 2012, Maersk Oil's production had fallen 38% from its peak. The company's R/P (reserves to production) ratio has fallen to an abysmally low 4.35. An R/P ratio below 10 is worrisome for E&P companies, signalling that production is difficult to be maintained without heavy capex spending.

Because of declining prospects in Maersk's other business segments, management strategy has been to divert capital to Maersk Oil, hoping to drive production back to its former levels by 2020. The company has spent heavily over the past few years, acquiring early stage assets in Central Asia, North Africa, the UK, North America, West Africa and Northern Europe.

Chart 42: Maersk oil production profile and 2020 target

Source: Company reports, Jefferies

Chart 43: R/P ratio: extreme low end of industry average



Source: Company reports, Jefferies

Ambitious plans. According to Maersk Oil, the company will spend US$4-6B per year on exploration and development through 2020. This spending is supposed to offset declines as well as develop new production. From management disclosures, it appears that Maersk believes it can develop 315 mboe/d of production for ~US$16.7bn capex. We are highly sceptical.

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

Table 13: Maersk Oil expansion projects and capex projections

2012-2014 Sanctioned Projects

Project	First production	Capex *(US$m)*	Plateau production *(mboe/d)*	Cost of production *(US$/boe/d)*
Dunda (Kazakhstan)	2012	600	15	40,000
El Merk (Algeria)	2012	500	15	33,333
Golden Eagle (UK)	2014	1,100	20	55,000
Jack (USA)	2014	700	8	87,500
	Total/avg	**2,900**	**58**	**50,000**

2015-2020 Under Evaluation

Project	First production	Capex *(US$m)*	Plateau production *(mboe/d)*	Cost of production *(US$/boe/d)*
Elly-Luke (Denmark)	2015	1,100	8-15	95,652
Chissonga (Angola)	2017-18	TBD	TBD	TBD
Johan Sverdup (Norway)	2018	2,000	50	40,000
Culzean (UK)	2017-19	1,950	20-45	60,000
Buckskin (USA)	2019	TBD	TBD	TBD
	Est total/avg	**13,807**	**257**	**53,723**

Note: We estimate 180 mboe/d of declines from existing fields

Source: Maersk, Jefferies

Reversing terminal declines is expensive: Compared with select peers, Maersk Oil has the highest three-year average finding and development (F&D) costs. Finding and development costs are essentially the capex required to add a barrel of proved reserves. It includes development capex as well as acquisition spending, exploration expense and incurred asset retirement obligations (which are not included for our Maersk Oil estimate as yearly numbers are not disclosed).

High F&D costs are not surprising given Maersk Oil's ultra-low R/P ratio. The company is spending exorbitantly to not only arrest declines in existing fields but also to add production from development projects. A general industry rule of thumb is that three times the F&D costs is the oil price needed to justify capex.

Based on Maersk Oil's capex and low reserve additions over the past three years, the company needs +US$170/boe oil to justify its drilling program. At this rate, the company needs to spend US$220,000 [7] to add a boe/d of production, not the optimistic ~US$50,000 per boe/d. While this rate of spend will likely come down – we believe it must if the company is to make any kind of return on investment – the likelihood that all its expansion projects will be as cheap to develop as predicted is very low, especially when the vast majority of projects are still in the evaluation stage.

At this point, we find it highly improbable that the company can hit its production targets unless oil prices surge past US$170/bbl.

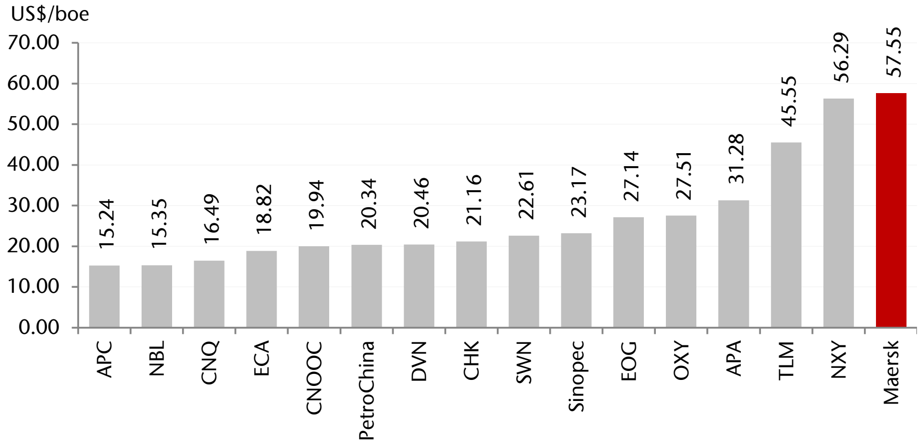
[7] The costs for adding a barrel per day of production is computerized by F&D costs per barrel times number of days in a year and industry average R/P ratio. In this case, it is $57.55/boepd x 365 days x 12 = $220,000.

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

Chart 44: 3 year average finding and development cost



Source: Company data, Jefferies

Container port terminals – APMT

APMT is the second largest container terminal operator in the world, having handled 35.4mn TEU at its 62 terminals spread around the world in 2012. APMT has become as big a bottom line contributor as Maersk Line in recent years, contributing DKK18bn to NOPAT compared with Maersk Line's DKK19bn since 2005. However, APMT has been much less of an influence over Maersk's share price as APMT's earnings are relatively more stable. Port is an integral part of the container shipping business with the port terminal costs accounting for 24% of Maersk Line's operating costs. Port terminal upgrade/development needs to be initiated 18-24 months ahead of new launch of larger vessels or new service. A container liner could only be sure its new service launch or vessel upgraded can be executed without any mishaps in the land side operation if it controls the port terminal operations.

Industry overview

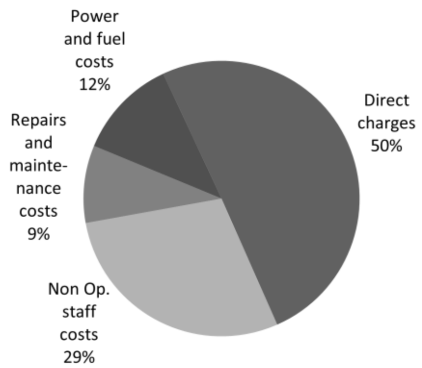
Container traffic growth is set to slow down structurally: Port terminals' business performance relies heavily on volume growth. Tariff is usually stable while the main variables are the finance costs, labour costs and volumes. Since a big part of the labour costs are still fixed although many port operators have over the years outsourced the labour and so make a portion of the labour costs scalable according to volumes, volume cycle drives earnings for port terminals. Port terminal operators collect fees for lifting containers between gate, quay and vessels; and storing containers at yard area. Service contracts are usually entered into between terminal operators and container liners but shippers and consignees also pay handling fees to terminal operators. Port terminals is a relatively more stable businesses than container shipping, as the industry is less competitive industry due to high barriers of entry for port operations at each port location.

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

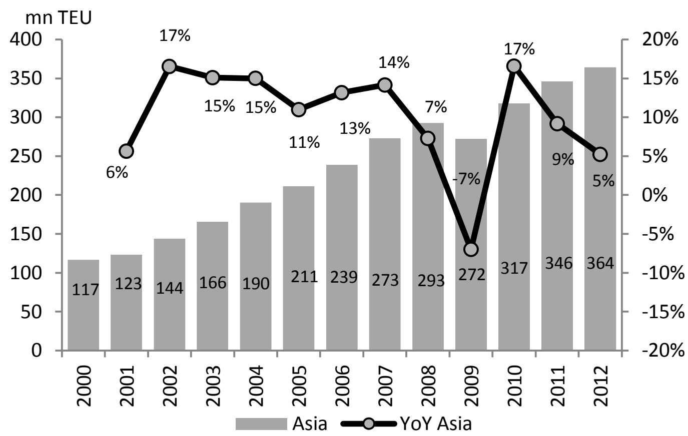
Chart 45: HIT cash cost breakdown



Source: HPHT. Note: Direct costs are mostly labour costs

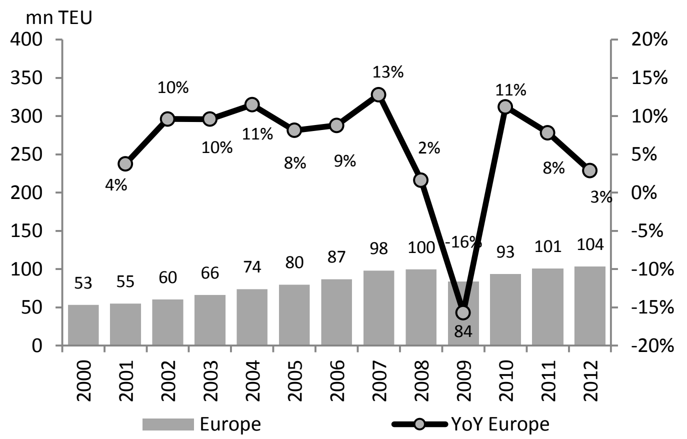
Slowdown in growth put profit margin under pressure for the long run: Structural slowdown in container shipping volume and cost inflation, particularly labour costs in emerging markets, may continue to squeeze the port terminal operators' profit margin in the long run. Container volume growth will likely slow down to 1x global GDP growth on the maturing of the outsourcing process, which was the main driver for container shipping industry's additional growth over GDP growth. The main costs for container terminals are labour costs and capital costs. The latter include operating leases, depreciation and finance costs that are associated with the investment in the civil construction and equipment. Labour costs are on the rise, particularly in emerging markets where the per capita GDP is growing much faster than the global average. Investments are also forced to pick up as ever larger container vessels are being introduced into the trade despite the consensus outlook of slowing container volume growth.

Chart 46: Asia container throughput and growth



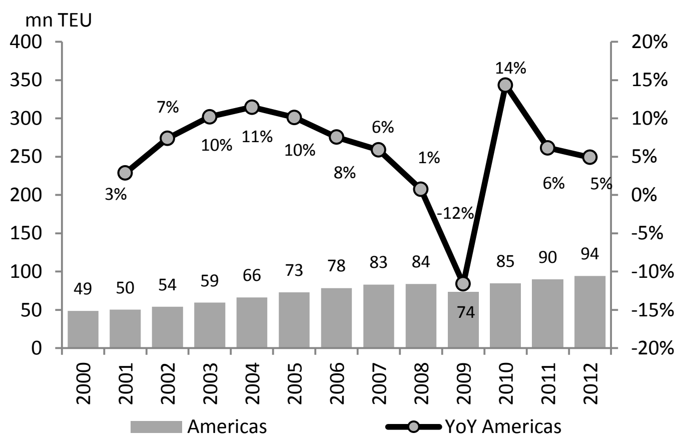
Source: Alphaliner

Chart 47: Europe container throughput and growth



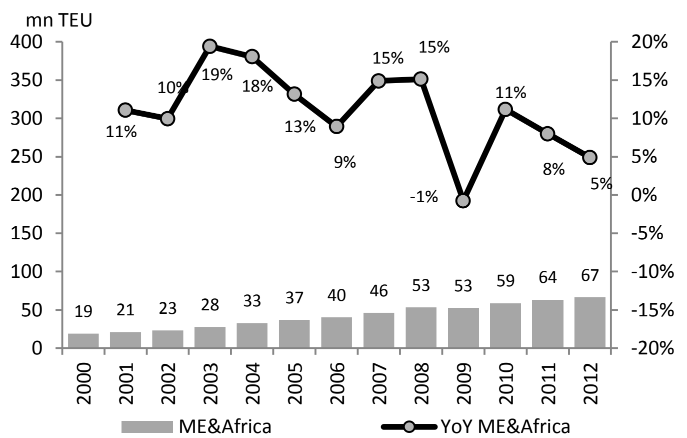
Source: Alphaliner

Chart 48: Americas container throughput and growth



Source: Alpahliner

Chart 49: Middle-East and Africa container throughput and growth



Source: Alpahliner

Near-term growth may pick up slowly from cycle low of 2012: Volume growth may improve cyclically on better macro environment but the growth may be just around 5% globally, i.e. 1% point better than in 2012 or a slight premium to IMF's global GDP growth forecast of 3.5% YoY. Europe may still be in a slow destocking process; volume

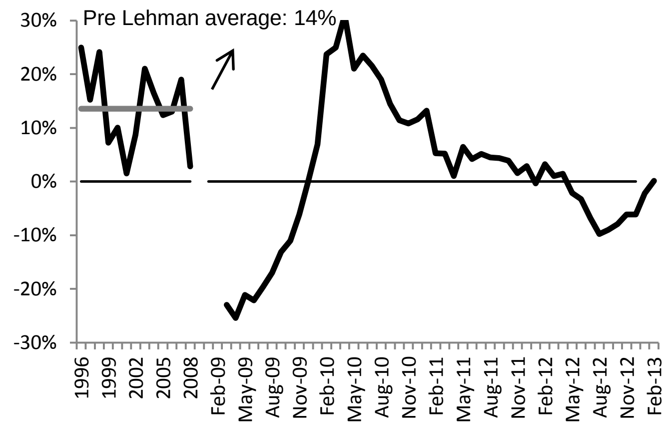
Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

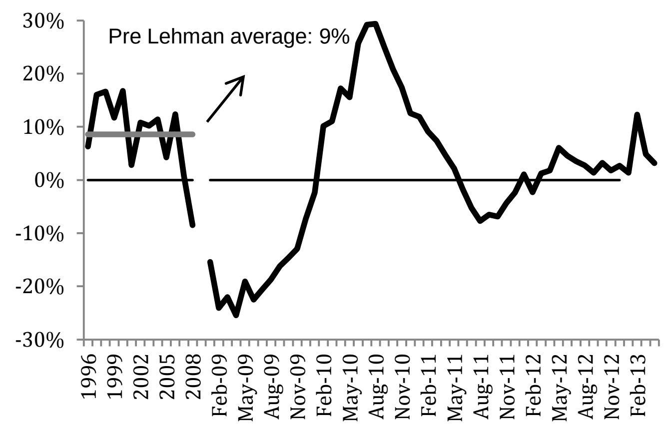
may contract 3% YoY in 1H13 before rebounding by 0.9% YoY in 2H13, implying about 1.1% YoY contraction for the full year 2013, compared to a 4.4% YoY contraction in 2012. TP volume may grow by 4.0%, better than the 2.5% in 2012. US retail sales, which have been a key driver for US import container volumes, may remain as strong as they were in the last two years but Eastbound TP volume growth could track below US retail sales growth, in our view.

Chart 50: AE volume growth



Source: CTS

Chart 51: TP volume growth

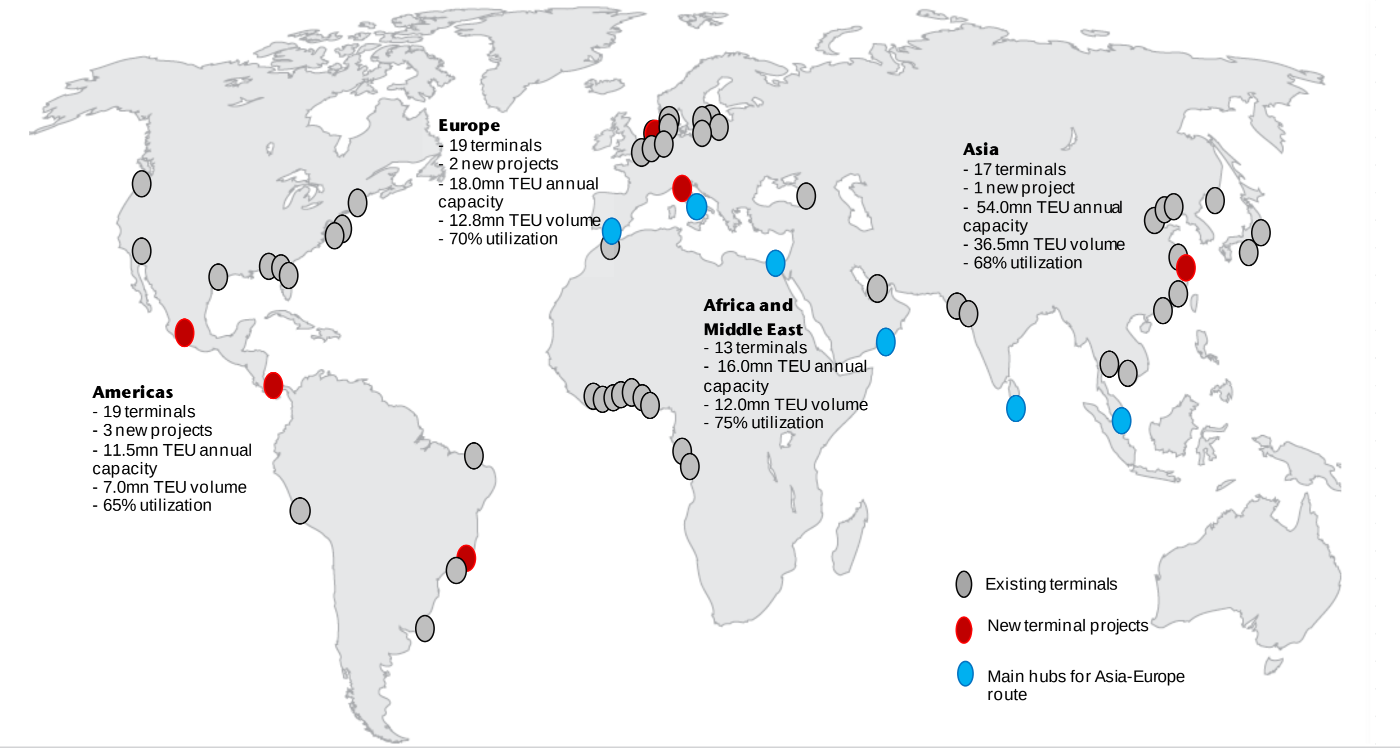


Source: Port websites

Equity story of APMT

APMT has potential to grow despite the challenging environment outlined above. APMT could still grow its earnings through: (1) volumes, particularly with the acquisition of new port concession, or (2) cargo mix change towards higher paying third-party volumes. APMT's earnings margin is structurally lower than that of its peers due to partly the port locations and partly 50% of its volume is from Maersk Line, which APMT could address.

Chart 52: APMT global terminals



Source: Company data

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.
Jefferies

Continue its inorganic growth path while others pause. APMT has been active in acquiring new port concessions while the usual bidders for port assets have taken a more cautious stance since Lehman crisis, which we believe created a good opportunity for acquisitions. APMT has acquired 13 new port concessions, including Santos, Lazaro Cardenas, and an equity interest in a Russian port group, while exiting six ports since 2008. The ports APMT exited are mostly the ones where APMT has no management control APMT and where its operations know-how could not be deployed to improve the value of its investments. The private equity investments from the financial institutions that were once very active between 2006 and 2008 have mostly been quiet in the port M&A market. Even the leading port operators have showed much less appetite for additional port interests recently than before. HPH has, in fact, cut its port exposure by selling some of its port interests to PSA and listed the interests in its home port – South China in Singapore Stock Exchange. PSA has added only Damman to its port development portfolio in the past two years. DPW too has not acquired more new port interests other than Surinam port since 2011, a sharp contrast to the flurry of acquisitions that it executed between its acquisition of CSX's port interests in Hong Kong in 2005 and of P&O's port portfolio in 2006.

Port development track record may earn APMT better price for new concessions: Inorganic growth could be good only if the price is right. We think APMT may have an edge in winning concessions at reasonable price than the other active competing bidders these days, because it has a proven track record in development and operation of many ports globally. APMT has a very widespread port locations that cover (1) most of major transhipment hubs along the Asia-Europe trade; (2) both east and west coasts of North American ports where carriers are often required to develop their own port terminals; (3) a handful of west African ports, which is a reflection of where Maersk Line's strength lies.

APMT has actively leveraged on the benefits while reduced the harms from its association with Maersk Line. APMT's association with Maersk Line may provide more benefits than disadvantages for APMT in acquiring new port terminal assets. Better access to volumes is a unique feature for APMT that other similar sized global port operators do not have. The base volume that Maersk Line could bring for APMT terminals sometimes serve as a bargain chip for APMT to win over new port concession, particularly at greenfield locations. The association with Maersk Line was once considered as a deterrent in third-container liners calling APMT's ports but this perception has somewhat changed, although slowly, as APMT has reduced its lineage with Maersk Line over the years – such as changes in reporting line within Maersk and re-allocation away from Maersk's home base – Copenhagen.

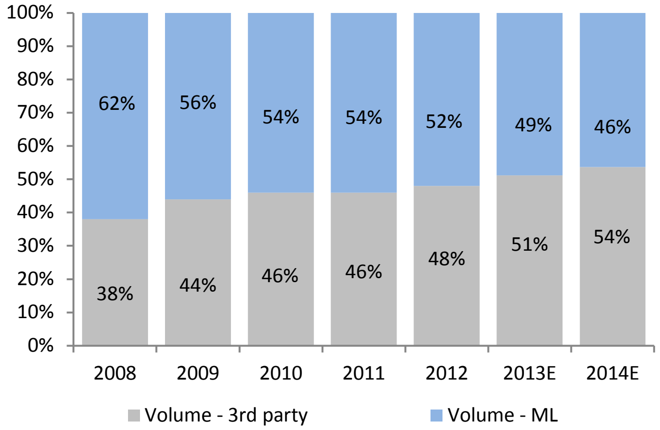
Higher third-party volumes could lift APMT's profit margins. APMT has shown some success over the years by lifting the volume contribution from third-party liners form 34% in 2007 to 50% recently. The more the third-party volumes, the easier it is for APMT to market its independence from Maersk Line. In fact, acquiring third-party volumes is a necessity for APMT to reach its goal of generating $1bn NOPAT by 2016, because the third-party volumes pay better than Maersk Line's volume at APMT's port terminals. Maersk Line probably enjoys higher volume incentivised discount to tariff for its large volume contribution to APMT and brings in more transhipment and empty positioning volumes, which are all usually priced at a faction of standard tariff for laden boxes.

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

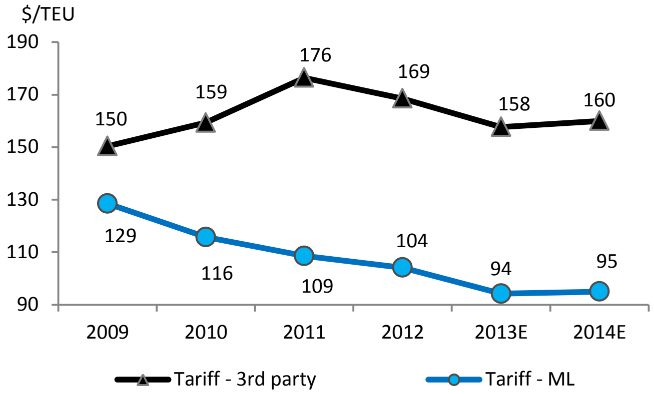
Jefferies

Chart 53: APMT volume mix – third-party volumes to continue to take more volume share from Maersk Line



Source: Jefferies estimates, Company Data

Chart 54: Tariff differences – third- party pays higher average tariff than Maersk Line

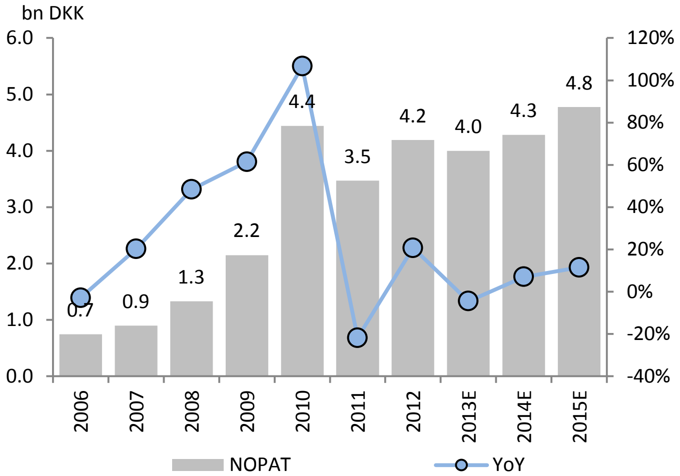


Source: Jefferies estimates, Company Data

Operating and financial performance

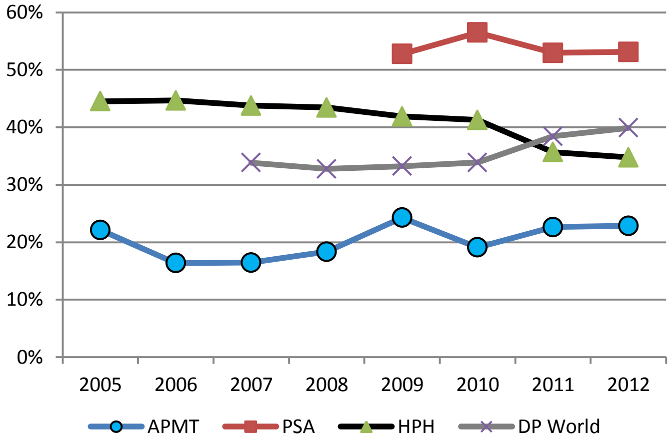
Management objective for APMT is to deliver $1bn NOPAT by 2016 by market share gain from its customers and cost cuts.

Chart 55: APMT NOPAT



Source: Jefferies estimates, company data

Chart 56: Port operators' EBITDA margin – APMT is well below its competitors

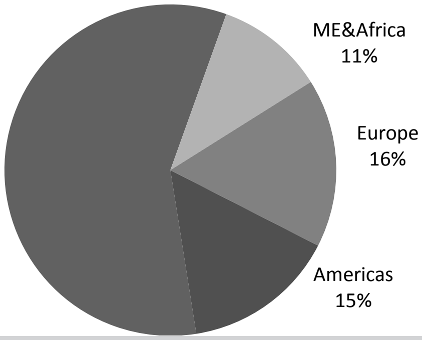


Source: Company Data

Lower profit margins than its global peers: APMT's EBIT margins trail those of its global port operator peers because, we believe, of its significant exposure to the North American ports and likely higher portion of transhipment volumes. Costs at the US ports tend to be higher than those in other port locations. Tariff for transhipment cargo is much lower than the same for usual import and export cargo. Probably a result of conscious decision to steer away from its US exposure, all the new port concessions that APMT has acquired since 2008 are all outside of the US. Moreover, APMT has been more active in winning port concessions for port locations that have more so-called captive import and export volumes in recent years.

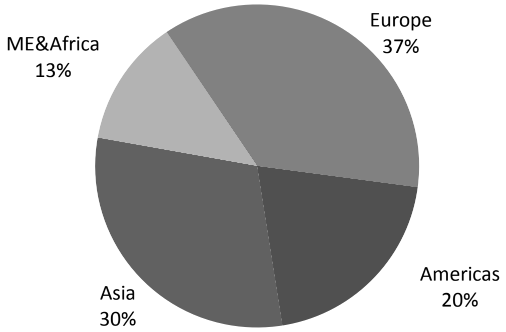
Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Chart 57: Global cargo mix – Asia is largely dominant with 58% market share



Source: Alphaliner

Chart 58: APMT cargo mix – Europe is largest segment

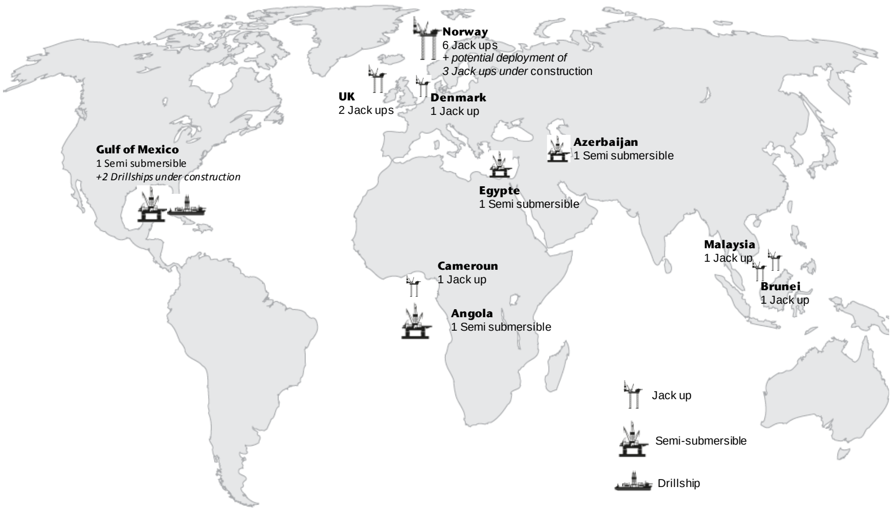


Source: Jefferies, company data

Driller – Maersk Drilling

Maersk Drilling is a strong niche player in the ultra-harsh shallow water drilling market in North Sea, while it has also branched out to the other ultra-deep water drilling markets in the recent years. It contributed DKK2.1bn or just 7% of NOPAT for the group in 2012 and according to management objective, this may be increased by 16% p.a. in the next two years to reach DKK6.7bn by 2018, making Maersk Drilling the rising star in the Maersk business portfolio. We see bright prospects in Maersk Drilling, given the likely strong demand for the high specifications offshore equipment while Maersk Drilling has three high specifications Jack-ups and four high specifications drillships on the order book.

Chart 59: Maersk Drilling's global offshore operations



Source: Jefferies, company data

Industry overview

Offshore drillers: Offshore drilling industry provides rigs and crews on daily charter rates to oil companies for offshore exploration activities. Although rigs could be mobilized, the high mobilization costs tend to keep the offshore rig market fairly localised around major offshore hydrocarbon exploration regions.

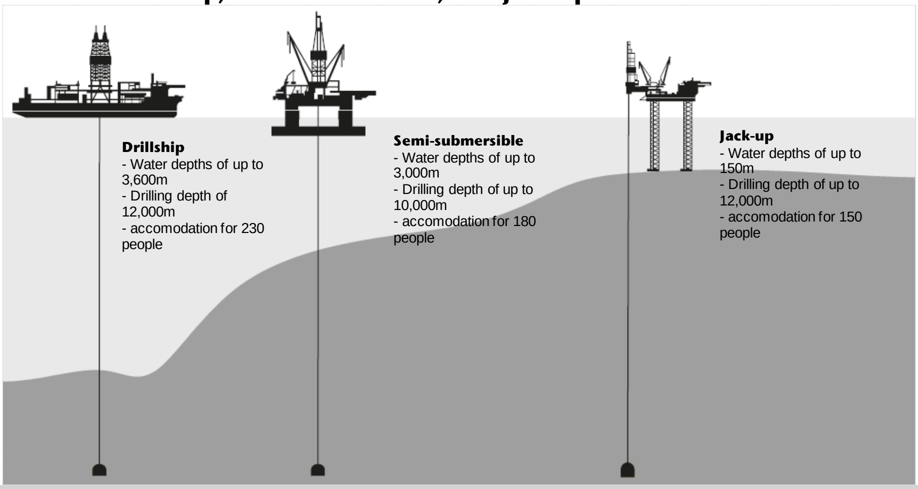
The drilling rigs could generally be classified into floaters, which include drillships and semi-submersibles, and jack-ups. Floaters operate in the deep water whereas drillships are built to operate further away from land because of its self-propelled mobility and bigger loading capacity. Jack-ups operate in the swallow water where its legs can reach the seabed as support to keep the rig above water. Globally, there are about 800 offshore rigs

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

breaking down to 90 drill ships, 220 semi-submersibles and 490 jack-ups. However, of these 800 rigs, apparently 60 are basically left to face inevitable retirement due to long-term stacking[8], according to our Global Oil Services and Equipment Team.

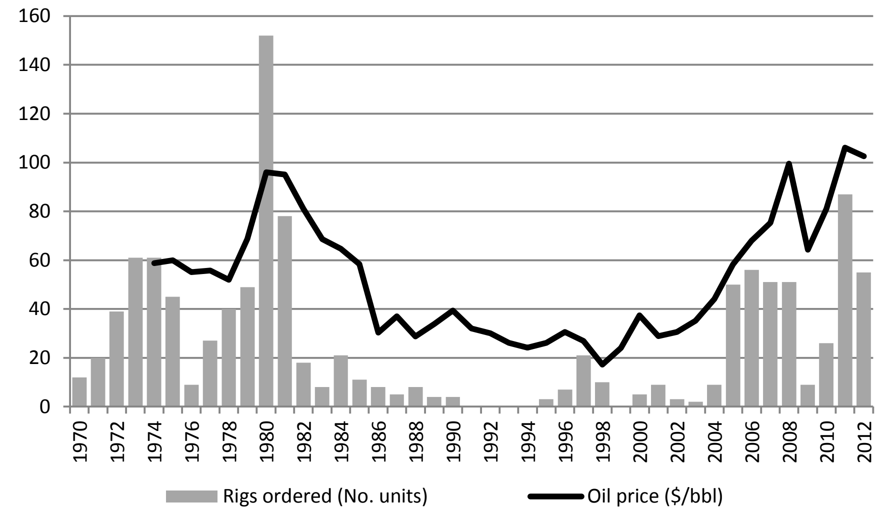
Chart 60: Drillship, semi-submersible, and jack-up



Source: 2C Production, company

Utilization and charter rates are the earning drivers for drillers, which ultimately depend on the strength of demand relative to supply of the offshore drillings. Demand for offshore drilling depends primarily on oil price where the offshore activities have clearly taken off since the crude price surpassed $60/tonne in 2006. Influx of new offshore rig construction orders started in 2005 and 2006 while deliveries came in 2008. However, fairly robust demand, particularly for new rigs which come with better specifications has seen constant shortage. Utilization for most deep water and ultra-harsh rigs that Maersk Drilling specialised in have been about 100%.

Chart 61: Crude price and oil rig orders: rig orders tend to jump when oil price surpasses $60/bbl



Source: HIS-Petrodata

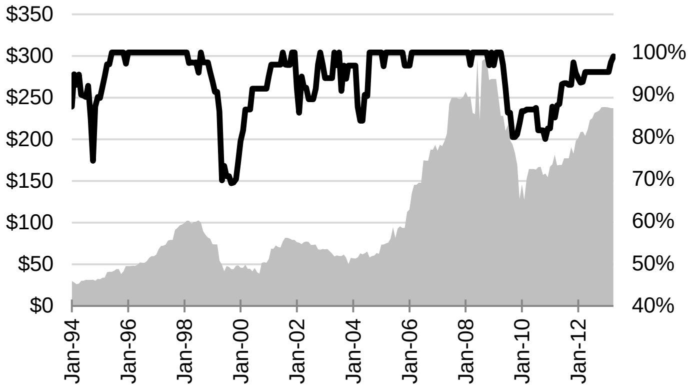
[8] Stacking is a term for oil rig similar idea as "lay-up" for ships. Rigs can be hot, warm and cold lay-up depending on the period the lay-up.

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

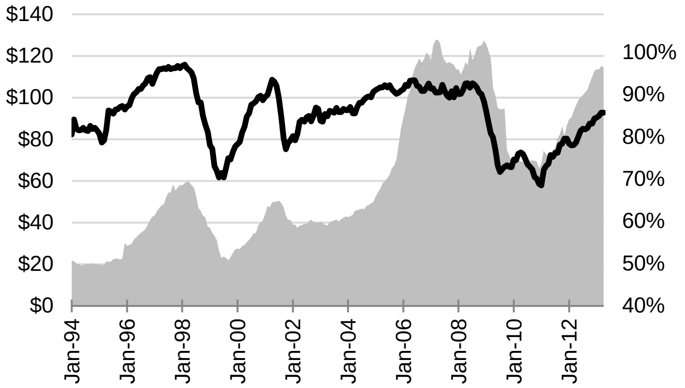
Jefferies

Chart 62: Jackup dayrates and utilization – North Sea



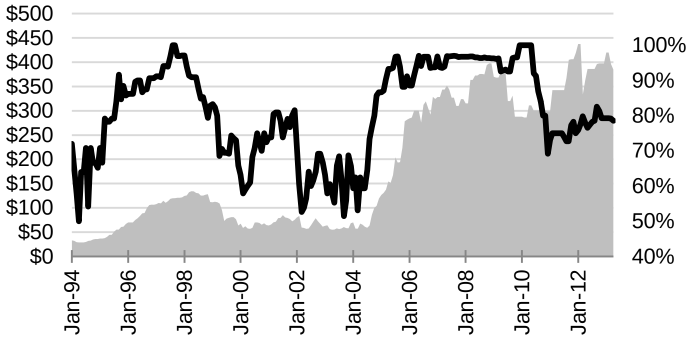
Source: Jefferies's Oil Services and Equipment Research Team, IHS-Petrodata.

Chart 63: Jackup dayrates and utilization – World Average



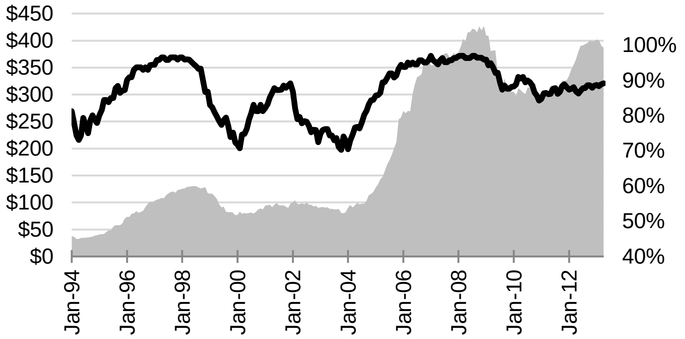
Source: Jefferies's Oil Services and Equipment Research Team,, IHS-Petrodata

Chart 64: Semi-submersible dayrates and utilization – Gulf of Mexico



Source: Jefferies's Oil Services and Equipment Research Team,, IHS-Petrodata

Chart 65: Semi-submersible dayrates and utilization – World Average



Source: Jefferies's Oil Services and Equipment Research Team,, IHS-Petrodata

Robust energy demand lift off shore drilling: We are bullish on oil prices in the long term as we think Chinese oil consumption has yet to really take off, which will come as China comes to an inflection point on private car ownership. Off shore deep water drilling is a high cost exploration activity highly sensitive to oil prices. Hence, we believe long-term demand for the offshore drilling rigs will continue to be robust during our forecast period. Upstream supply, i.e. shipbuilding capacity, however, could be an overhang for any maritime sector including offshore drilling. However, drillships are capital-intensive, technically demanding to operate, and predominantly built at the Korean yards where yard spaces are relatively limited for 2014, meaning new orders may be delivered only in 2015 and beyond. Jack-up supply could pick up further as Singapore yards, which lead in jack-up construction, will likely have plenty of open slots from 2014 after a peak delivery year in 2013. However, the risk/reward ratio may still be sufficient to deter much of the speculative ordering in this space.

Near term, peak delivery in in 2013-2014 may mean binary markets where high spec equipment may still be favoured. Demand for safety and efficiency have seen several oil exploration companies willing to pay more for the higher specification equipment, particularly since the Macondo blowout in April 2010. While new rigs delivery should peak in 2013 and could remain elevated in 2014, the market may just become binary, in our view, with the high specification deep water rigs still in shortage while the low specifications rigs may from time to time feel unwanted because of the supply of equipment and also the requirement from the oil companies for safer and more efficient

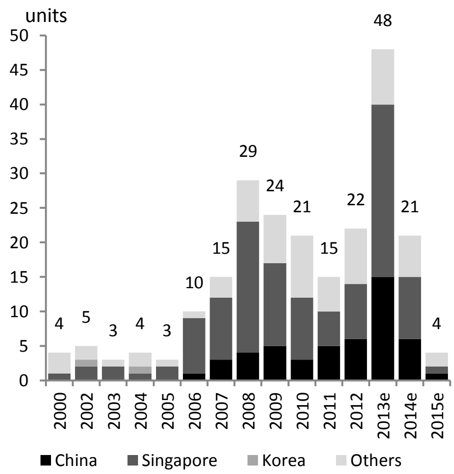
Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

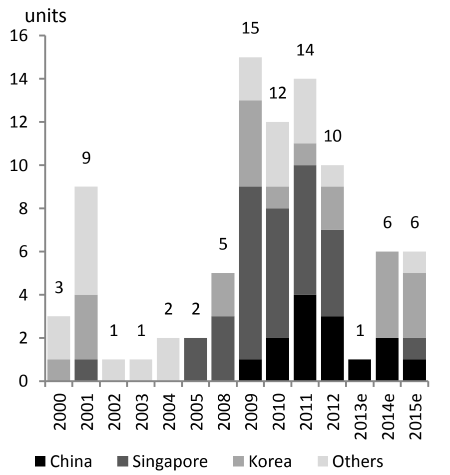
rigs. About 70 rigs and 48 rigs are scheduled to be delivered this year and next year, which will be about 10% and 6%, respectively.

Chart 66: Jack up scheduled deliveries



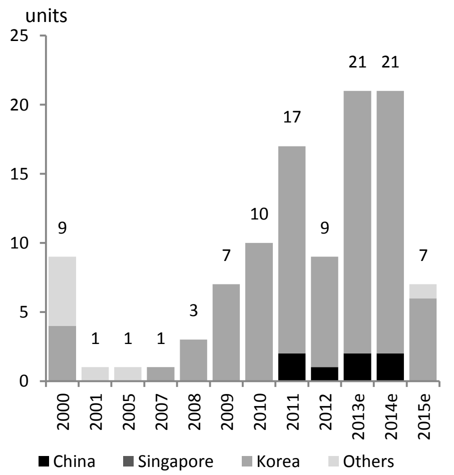
Source: Jefferies, IHS-Petrodata

Chart 67: Semi-submersible scheduled deliveries



Source: Jefferies, IHS-Petrodata

Chart 68: Drillship scheduled deliveries



Source: Jefferies, IHS-Petrodata

Equity story of Maersk Drilling

High tide lifts all boats. The markets for high specifications drillers are now very favourable for the rig owners. Maersk Drilling's Drillships, which cost $650mn each, could command charter rates of up to $600k per day that is about 20% ROCE for these drillships. 11 of Maersk Drilling's 15 Jack-ups are of high specifications while all of its own floaters are for ultra-deep water.

Table 14: Maersk Drilling's rig operations

Name	Type	Delivery year	Yard	Customer	Current location
Jack up Harsh Water					
Maersk Innovator	JU Harsh High Spec	2002	Hyundai Heavy Ind.	Conoco Phillips	Norway
Maersk Inspirer	JU Harsh High Spec	2004	Hyundai Heavy Ind.	Statoil	Norway
Maersk Gallant	JU Harsh High Spec	1993	Keppel FELS	Conoco Phillips	Norway
Maersk Giant	JU Harsh High Spec	1986	Hitachi Zosen	Dong	Norway
Maersk Guardian	JU Harsh High Spec	1986	Hitachi Zosen	Lundin	Norway
Maersk Reacher	JU Harsh High Spec	2009	Keppel FELS	BP	Norway
Jack up Premium					
Maersk Resolute	JU Harsh Standard	2008	Keppel FELS	Hess	Denmarl
Maersk Resolve	JU Harsh Standard	2009	Keppel FELS	EON	UK
Maersk Resilient	JU Harsh High Spec	2008	Keppel FELS	Conoco Phillips	UK
Maersk Endurer	JU Harsh High Spec	1984	Nippon Kokan	Addax	Cameroon
Maersk Completer	JU 361-400-IC	2007	Jurong Shipyard	BSP	Brunei
Maersk Convincer	JU 361-400-IC	2008	Jurong Shipyard	Petronas	Malaysia
Jack up under construction					
XL Enhanced I	JU Harsh High Spec	2014	Keppel FELS	Total	Norway
XL Enhanced II	JU Harsh High Spec	2014	Keppel FELS	Detnorske	Norway
XL Enhanced III	JU Harsh High Spec	2015	Keppel FELS	Statoil	Norway
Floaters - Semi-Sub					
Maersk Developer	Semi-submersible	2009	Keppel FELS	Statoil	US Gulf of Mexico
Maersk Deliverer	Semi-submersible	2010	Keppel FELS	Chevron	Angloa
Maersk Discoverer	Semi-submersible	2009	Keppel FELS	BP	Egypt
Heydar Aliyev	Semi-submersible	2001	GVA	BP	Azerbaijan
Nanhai VI	Semi-submersible	1980	Caspian Shipyard	BHP	Australia

Source: Company Data, IHS-Petrodata

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

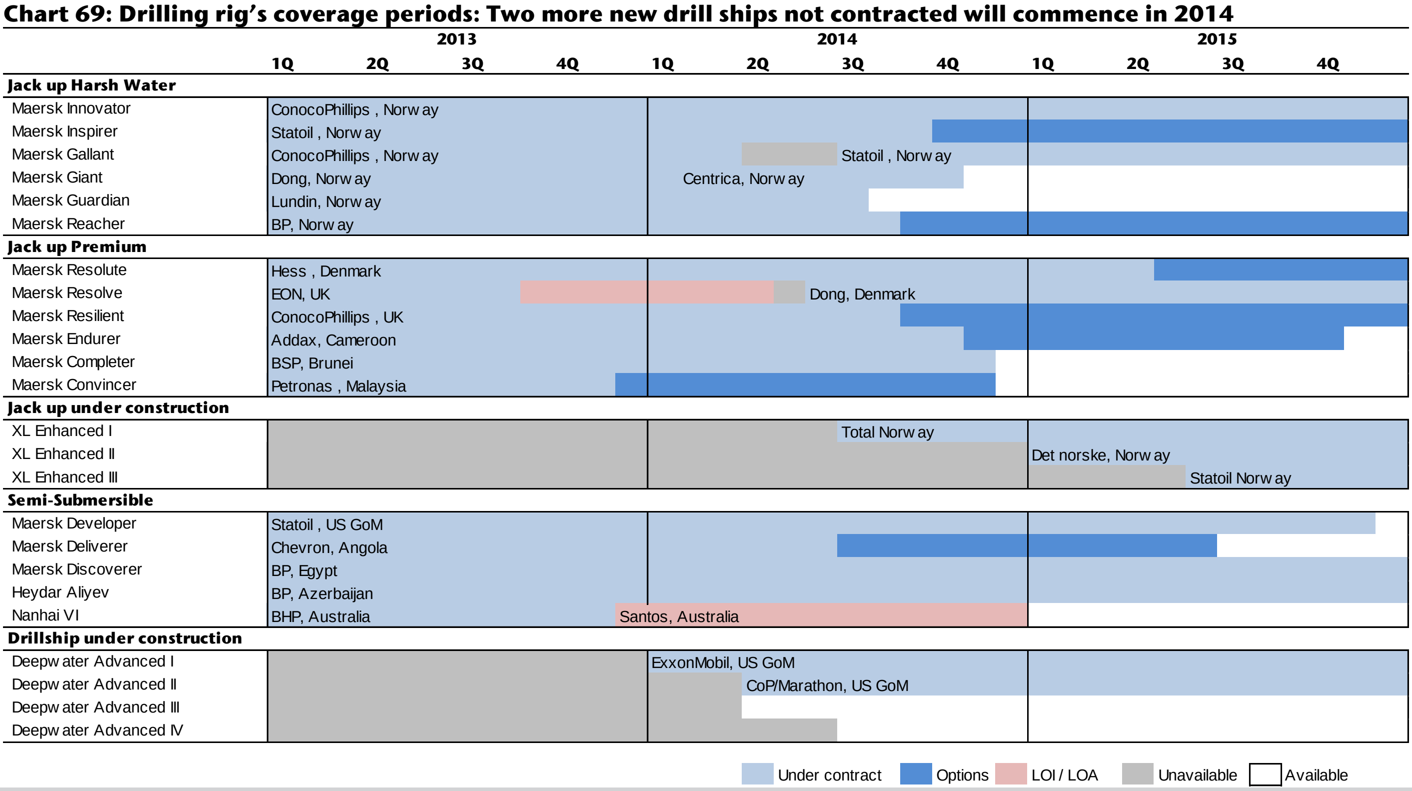
Table 14: Maersk Drilling's rig operations (cont'd)

Name	Type	Delivery year	Yard	Customer	Current location
Drillship under construction					
Deepwater Advanced I	Drillship	2013	Hyundai Heavy Ind.	Exxon Mobil	US Gulf of Mexico
Deepwater Advanced II	Drillship	2013	Hyundai Heavy Ind.	CoP/Marathon	US Gulf of Mexico
Deepwater Advanced III	Drillship	2014	Hyundai Heavy Ind.		
Deepwater Advanced IV	Drillship	2014	Hyundai Heavy Ind.		

Source: Company Data, IHS-Petrodata

Existing rigs mostly covered with contracts through 2014 and good timing for speculative construction: Maersk Drilling's rigs are covered with contracts for 98% of the remaining period of 2013 and 79% of 2014. Maersk Drilling currently has seven drillers on order book. Four of them are speculative orders in the sense that they were not backed by a charter contract when they were ordered. The recent strength of the high specifications off shore rig market offer them opportunities to secure employment at good charter rates. The first two have just been fixed with charter rates of $560k/day and $630k/day. The remaining two drillships due for delivery in 2Q14 and 3Q14 will likely be able to secure lucrative contracts.

Chart 69: Drilling rig's coverage periods: Two more new drill ships not contracted will commence in 2014



Source: Jefferies estimates, company data

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

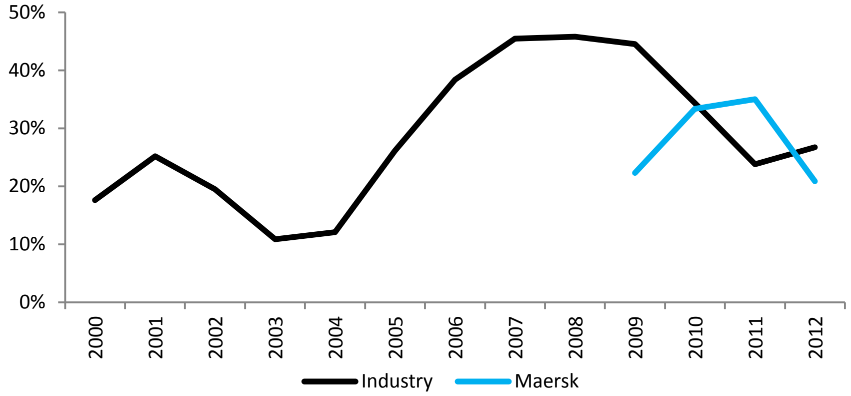
Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

Operating and financial performance

2012 EBIT margin affected by delay in dry docking for two semi-submersibles: Maersk Drilling's EBIT margin at 21% in 2012 was at the lower end among the offshore peers, which was partly due to the extended dry docking of two semi-submersibles and partly due to the likely lower margin non-offshore drilling businesses.

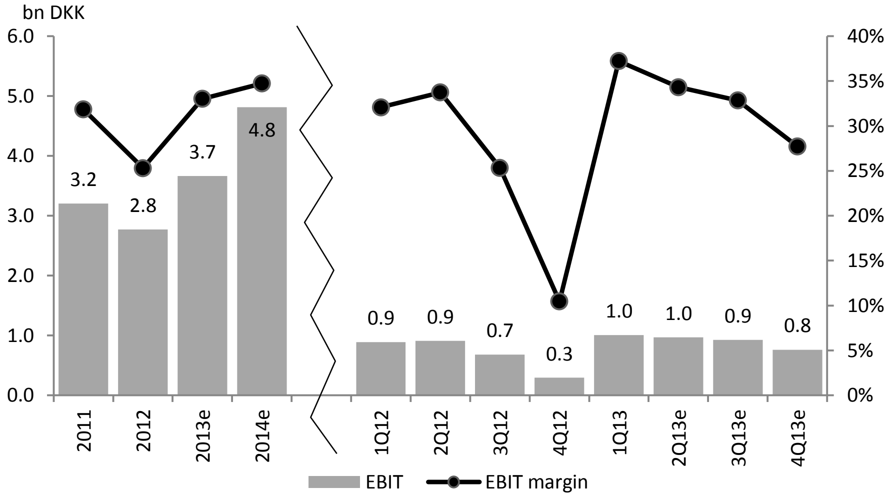
Chart 70: Maersk Drilling EBIT margin vs industry average



Source: Jefferies estimates. Note: Industry includes: Noble, Trans Ocean, Ensco, Rowan, Atwood, Diamond, Seadrill, and Ocean Rig.

Pre-commencement preparation may drag profit margin in 4Q13: Maersk Drilling's 2 drillships due for delivery end of this year will not commerce their operations until 1Q14 and 2Q14. Hence, there would be a period of about one quarter where they will incur costs without revenue to compensate for the costs. We factored in about $28mn costs spread over 3Q and 4Q to account such pre-commencement preparation that negatively impact the earnings during those two quarters.

Chart 71: Maersk Drilling EBIT



Source: Jefferies estimates, company data

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

History

1904 and 1912: The two predecessors of Maersk, The Steamship Company Svendborg and Steamship Company of 1912, were formed in 1904 and 1914, respectively, by Mr A. P. Moller.

1918: Odense Steel Shipyard was founded in 1918. Later a better facility called The Lindo Shipyard was established in 1959. Lindo Shipyard was eventually closed in 2012 after delivering RoRo vessel Eurocargo Bringdisi in January 2012. Lindo's last container ship delivery was Mathilde Maersk 9038TEU in 2009, after having delivered a number of ground breaking container ships including Emma Maersk in 2005 during its 53 years of services.

1928: Maersk Tankers and Maersk Line operations started in 1928. Well-timed VLCC construction in mid 1960s allowed Maersk to catch up with the super cycle for tankers due partly to the closure of Suez Canal between 1967 and 1973. Maersk Line ventured into container shipping in mid-70s and later emerged as the largest container shipping company in the 1990s.

1938: Mr Maersk Mc-Kinney Moller, son of Mr A. P. Moller, returned to Denmark to work for his father. Maersk took over the overall management of the group in 1965 when Mr A P Moller passed away, withdrew from daily management in 1993, and retired from chairmanship of the group in 2003.

1962: Maersk Oil's activities started in 1962 when the A. P. Moller Group, the previous name of Maersk, was awarded the concession for the exploration of hydrocarbon in Denmark. Maersk Oil commenced exploration in Danish part of North Sea in 1966 that its production eventually spread around the world and peaked at 430 mboepd in 2009.

1975: Maersk Line introduced nine container ships into its Trans-Pacific service.

1999: Maersk Line acquired **Safmarine and Sealand** in 1999 and later P&O in 2005. Safmarine solidified Maersk's leading position in African trade while Sealand vaulted Maersk to be a leading container liner in the Trans-Pacific trade. Another large container liner, **P&O Nedlloyd** was acquired in 2005.

2011: Maersk ordered triple E vessels at Daewoo, first time a significant container ship model ordered at a non-Maersk controlled shipyard. The plan somehow backfired as it triggered a wave of VLCS orders that extended the over- capacity issue for the container shipping industry probably for a couple more years.

2012: Mr Maersk Mc-Kinney Moller passed away.

Management – Executive Board

Currently, the members of the principal shareholding family are in the board of directors, while Maersk's day-to-day operations are managed by a six-member executive board that consists of the following executive directors.

1. CEO - Mr Nils Andersen, joint 2007 from Carlsberg A/S.
2. CFO – Mr Trond Westlie, joint 2010 from Aker Kvaerner ASA.
3. Director - Mr Claus Hemmingsen who is the CEO of Maersk Drilling and also oversees activities in Maersk Supply Service, Maersk Tankers, Svitzer and Maersk FPSO. Mr Hemmingsen join the company in 1981.
4. Director - Mr Jakob Thomasen who is the CEO of Maersk Oil. Mr Thomasen joined Maersk as a geologist in 1987.

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

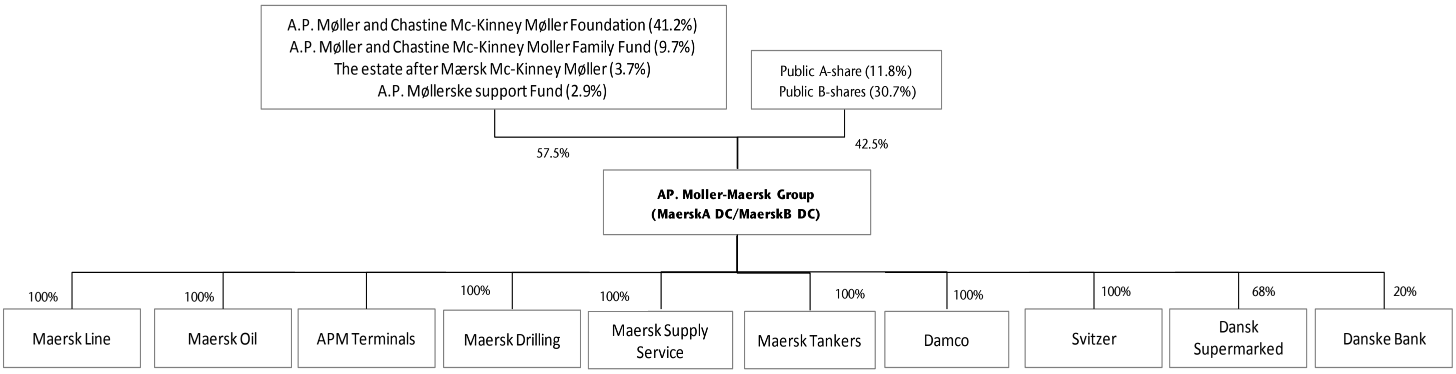
5. Director - Mr Kim Feifer who is the CEO of APMT. Mr Feifer joined the company as a financial controller in 1992.

6. Director - Mr Soren Skou, the CEO of Maersk Line. Mr Skou joined the company as a management trainee in 1983.

Current management is mix of executives with long tenures at Maersk and others with significant non-shipping experience. Most of the senior management was developed internally, which is still common in Maersk. Of the six members in the executive board, two of them – Mr Claus Hemmingsen, the CEO of Maersk Drilling, and Mr Soren Skou, the CEO of Maersk Line – joined the company when they were just 19 years old and went through the internal shipping school training and a number of job rotations at different locations globally. Two other executive board members, Mr Jakob Thomasen, CEO of Maersk Oil, and Kim Feifer, CEO of APMT, joined Maersk when they were 26 and 27 years old, respectively, likely right after their university studies. Joining the company when one is past mid-20s used to be considered late because most of the staff, particularly those in Denmark and the management trainees from overseas offices, tend to join the company in their late teens and early 20s. We notice this is changing in the recent years as many senior executives are being recruited from outside of the organization. The most noticeably examples are Mr Nils Andersen and Mr Trond Westlie, the Group CFO, with the last two members of the executive board having developed a significant part of their career outside the group. CEO, Mr, Nils Andersen, took over in December 2007 when the company went through a management upheaval about two years after the merger between Maersk Line and P&O in 2005.

Corporate structure

Chart 72: Shareholding structure



Source: Company Data, Jefferies

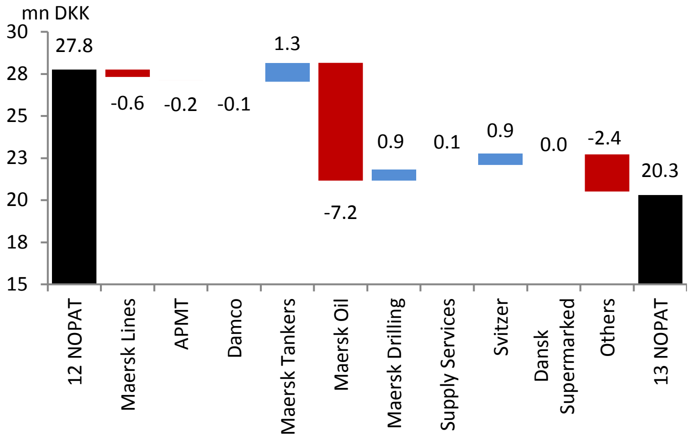
Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com
Please see important disclosure information on pages 52 - 55 of this report.
Jefferies

Financial analysis

Income statement

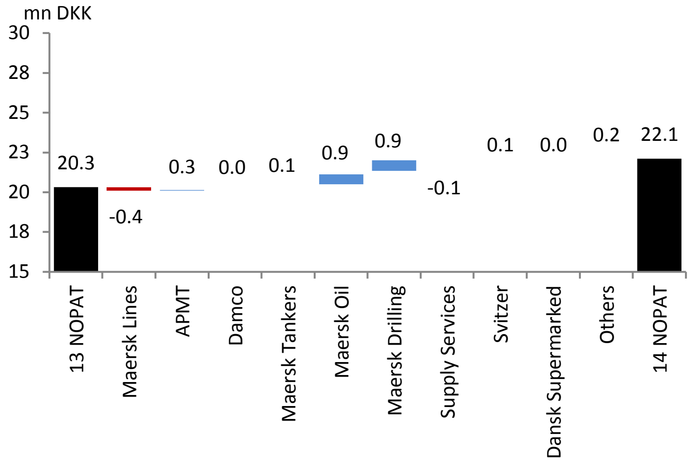
Possibly 21% YoY drop in earnings in 2013. 2013 NOPAT could drop DKK7bn or 30% YoY. The main drop comes from Maersk Oil where the 2012 earnings were lifted by the DKK5bn tax settlement at Algeria. Oil price decline of $8/bbl and production decline of about 3mn barrels could also hit earnings by DKK6bn, mitigated by DKK4bn reduction in OPEX, profit tax and royalties. Container shipping earnings could be halved compared with 2012 on $66/FEU or a 5% drop in freight rates, which could be mitigated by the 14% YoY drop in fuel consumption per slot. We believe 14% is massive, but Maersk Line has indeed reduced consumption per slot by 22% YoY in 1Q13 although partly due to the idling of vessels during slack season.

Chart 73: Segment-wise contribution to 2012-13 NOPAT change



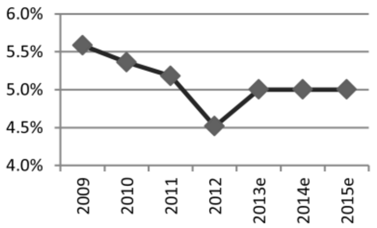
Source: Jefferies estimates

Chart 74: Segment-wise contribution to 2013-14 NOPAT change



Source: Jefferies estimates

Chart 75: Effective interest rate



Source: Jefferies estimates, company data

Modest earnings recovery in 2014. A 6% improvement in net earnings may be achieved during 2014 on probably (1) 8% YoY increase in oil production, in our estimate; (2) still challenging but stabilising container shipping market; and (3) commencement of operation for the four drillships currently under construction.

We have assumed 5% effective interest rate. Maersk have lowered its effective interest rate[9] every year since 2008 when it peaked at 8.9% in our estimate based as Maersk lowered its leverage through a new equity issuance in 2009 and improvement in operating results. The 2012 effective interest rate is 4.5%. We are assuming 5% from 2013 through 2015.

Balance sheet

Healthy balance sheet. Maersk has a healthy balance sheet at just about 47% net-debt-to-equity ratio at end of 2012. The leverage is well below the shipping industry average over 100% for net-debt-to-equity ratio but above the upstream oil companies' 30% net-debt-to-equity. We expect the balance sheet leverage to continue to come off slowly in our forecast period as capex remains stable while earnings continue to lift equity value. Its interest coverage ratio (EBITDA/interest expenses) has been about 16-17x over the past

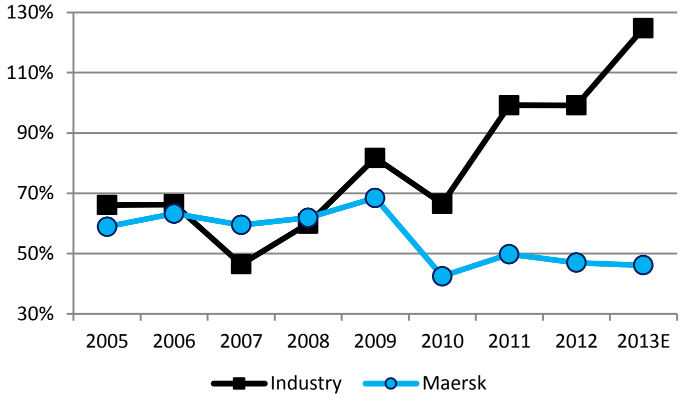
[9] Net interest expenses over the net debt balance at the beginning of the year.

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com
Please see important disclosure information on pages 52 - 55 of this report.
Jefferies

few years after hitting the bottom of 9x in 2009 when earnings collapsed from the impact of GFC.

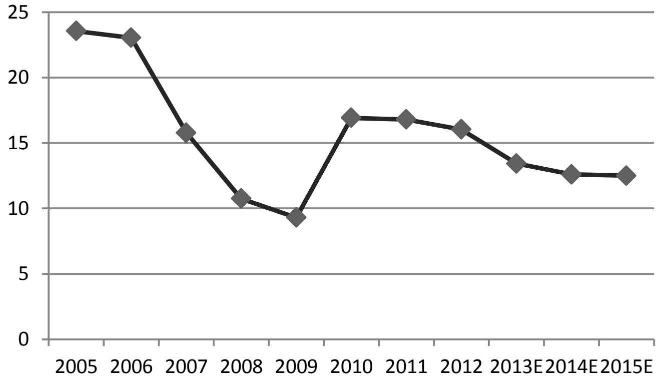
Maersk has DKK80bn liquidity reserve compared with to DKK100bn interest bearing debt and DKK80bn capital commitment as at end of 1Q13. About DKK26bn or 26% of the interest bearing debts are publicly listed in nine bonds that yield about 2-3%.

Chart 76: Net-debt-to-equity ratio: Maersk Line has far stronger balance sheet than its shipping peers



Source: Jefferies, Company data. Companies included are OOIL, CSCL, NOL, Cosco, MOL, NYK, K-line, YMM, Evergreen, HMM, Hanjin, Hapag Lloyd, SITC, Wan Hai, RCL, SAMU, Heung A, CMA-CGM, Pacific Basin, CSD, Sinotrans.

Chart 77: EBITDA interest coverage ratio



Source: Jefferies, company data

Conservative depreciation policies, in our view. 66% of the Maersk's fixed assets are the vessels, rigs and port terminal civil works and equipment. Maersk depreciates its vessel and rigs by 20-25 years, which are at the conservative end, as most of the international peers depreciate their ships by 25 years and rigs by 30-35 years. Goodwill is small at just 1% of total fixed assets. Other intangibles are concessions to port terminal operations and oil rights, which are about 8% of total fixed assets.

Ratio of working capital relative to the revenue has increased in last few years. The increase in receivables particularly in 2012 where the receivable account has increased from DKK25bn in 2011 to DKK31bn, as according to the management, full share of Maersk Tanker's P&L and balance sheet has been included in 2012, while only pool income was included in 2011.

Cash flow

Free cash flow may turn negative in this and coming years due to the drop in earnings and still fairly sizeable. Capex is mainly for the oil exploration and about 30% for the delivery of the vessels and rigs.

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

Appendix 1: Financial summary

Table 15: Financial summary

Profit & Loss

DKK mn	2011	2012	2013E	2014E
Revenue	322,520	342,058	324,104	332,603
% change YoY	-79%	6%	-5%	3%
Gross Profit	113,062	110,049	102,146	108,519
Gross margin	35%	32%	32%	33%
EBITDA	76,955	70,186	63,253	68,606
EBITDA margin	24%	21%	20%	21%
Operating Profit	48,066	39,213	35,719	40,032
Operating margin	15%	11%	11%	12%
Net Int expense	-4,580	-4,376	-4,709	-5,443
Associates	651	1,286	2,076	2,076
Others	6,393	6,410	1,728	2,000
Earnings before tax	50,530	42,533	34,814	38,665
Tax	-32,447	-19,138	-19,212	-21,994
as % of EBT	64%	45%	55%	57%
Net profit after Tax	15,189	21,673	13,448	14,319
Share outstanding	4.4	4.4	4.4	4.4
EPS - Reported	3,476	4,931	3,059	3,257
% change YoY	n.m.	42%	-38%	6%

Cash flow

DKK mn	2011	2012	2013E	2014E
Net Profit before minority	18,083	23,395	15,602	16,671
Depreciation	28,889	30,973	27,534	28,575
Working Capital Changes	-8,226	-2,189	687	-255
Others	140	-7,977	0	0
Cash Flow from Operations	38,886	44,202	43,823	44,990
Capital Expenditure	-42,058	-47,108	-48,267	-49,705
Sales of fixed assets	2,255	10,121	0	0
Investments	-6,468	3,181	0	0
Others	-6,121	-2,836	0	0
Cash Flow from Investing	-52,392	-36,642	-48,267	-49,705
Debt Raised/(Repaid)	7,044	-828	36,200	22,231
Equity Raised/(Repaid)	0	0	0	0
Dividends Paid	-4,947	-5,475	-5	-4
Cash Flow from Financing	2,158	-7,817	36,195	22,227
Change in cash	-11,348	-257	31,751	17,513
DPS (DKK)	1,000	1,200	918	977

Balance sheet

DKK mn	2011	2012	2013E	2014E
Cash	13,095	13,011	31,810	49,323
Fixed Assets	254,828	261,369	282,102	303,232
Investment	37,703	42,430	42,430	42,430
Working Capitals	8,221	10,410	9,723	9,978
Other Assets	33,774	37,956	37,956	37,956
Assets Employed	347,621	365,176	404,021	442,918
Shareholders' Funds	194,157	208,800	222,243	236,557
Minorities	13,778	13,744	15,898	18,250
Short Term Debt	12,914	12,952	0	0
Long Term Debt	96,884	98,112	134,312	156,543
Others	29,888	31,568	31,568	31,568
Capital Employed	347,621	365,176	404,021	442,918
Total Net Debt	96,703	98,053	102,502	107,221
BVPS (JPY)	44,430	47,502	50,560	53,817

Ratio Analysis

%	2011	2012	2013E	2014E
EBITDA margin	24%	21%	20%	21%
Operating margin	15%	11%	11%	12%
Net margin	5%	6%	4%	4%
SG&A/sales	-11%	-12%	-12%	-12%
Revenue growth	-79%	6%	-5%	3%
Gross profit growth	-61%	-3%	-7%	6%
EBITDA growth	-62%	-9%	-10%	8%
Operating profit growth	-61%	-18%	-9%	12%
Net profit growth	-74%	43%	-38%	6%
EBITDAR/(Int.+op. lease)	4.8	4.2	4.0	4.8
Net debt to equity	50%	47%	46%	45%
ROE	8.1%	8.3%	6.2%	6.2%
ROA	4.6%	5.7%	3.5%	3.5%

Source: Jefferies estimates, company data

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

Appendix 2: Other reportable segments

Table 16: Description and recent development of other reportable segments

Business segment	Segment description	Recent developments
Damco	Damco has developed from being a consolidator[1] within Maersk Line about 30 years ago into a more freight forwarding focused transporter today. Damco has not been investors' focus given its relatively small contribution to Maersk bottom line. However, Damco's supply chain management service (SCM) has been an integral part of Maersk Line's service offerings that is supposed to help Maersk Line increase its stickiness with its customers particularly in the Trans-Pacific trade. Damco stated in its website that it managed 2.7mn TEU ocean freight and supply chain management volume and 0.2mn tonnes of airfreight. Within the 2.7mn TEU, 0.75mn TEU may come from freight forwarding business[2], which would rank Damco as a top-10 ocean freight forwarder in the world. Damco is classified as opportunistic core within Maersk, with the group setting "profitable growth" as Damco's target.	**Near-term volatility add challenges to logistics business**: Slowdown in container volume growth in the long run certainly posts a constant challenge for any business entertaining container shipment. Near term, the extreme volatility of the ocean freight rates since last year also makes freight forwarding business difficult to manage. Since container liners could not secure much freight rates increase in the contracted businesses to compensate for cost inflation, they have been focusing on pushing up spot freight rates, which could squeeze freight forwarders' margins.
Maersk Tankers	Maersk Tankers operates a fleet of 157 tankers, of which 113 are owned. The company's owned fleet comprises 16 crude tankers, 82 product tankers, and 13 gas tankers. With a large product tanker fleet position, Maersk Tankers is among the global top-5 product tanker owners (Clarksons).	Tanker business has been loss-making since it started reporting separately from 1Q11. The company's recent decision seems to point towards a reduction in its exposure to tanker activities. In 2012, the company decided to put two VLCC tankers in cold lay-up and sold 10 product tankers. In May 2013, the company also disposed of its entire fleet of VLGCs. Currently, the company has no vessels on order book.
Maersk Supply services	Maersk Supply Services owns and operates a fleet of 100 Anchor handling, supply, and emergency & rescue ships. This company is a specialized offshore service provider with an offering ranging from towing and anchor handling to personal transfer, and first line response for oil spills.	In 1Q13, the company benefitted from higher spot rates for AHTS and PSV in the North Sea. Its contract coverage for the remainder of 2013 and for 2014 are 67% and 37%, respectively. The company has two Anchor handling supply vessels and four emergency rescue vessels on order book.
Svitzer	Svitzer is the world's largest tug fleet operator with a fleet of 368, of which 351 are self-owned. The company's main business segments are harbour towage and response shipping. In harbor towage, tug boats are typically used tow larger vessels to and away from berth as the larger vessels turn off their main engine. So Svitzer works fairly closely with container ships also. The company has an important fleet of 137 ships which are categorized as "other vessels". Due to a lack of disclosure, we have assumed that these are Svitzers' salvage vessels.	While salvage business is weaker YoY in 1Q13, tariff increases for its towage activities in the UK and in Australia that were implemented on Apr 1st. 2013 should support revenue starting 2Q13. The company has four tugboats on order book.
Dansk Supermarked	Dansk Supermarked is a large retail corporation that owns several chain stores including Netto, Føtex, Bilka, and Salling. The company was founded as a JV in 1965 when Maersk decided to support the expansion plans of Danish merchant Herman Salling. Dansk Supermarked's main business is supermarkets where it has presence in discount supermarkets (Netto), supermarkets (Føtex), and hypermarkets (Bilka). Dansk Supermarked also 2 large department stores (Salling) in Aarhus and Aalborg. Through the discount supermarket chain Netto, Dansk Supermarked has expanded to Germany, Poland, and Sweden.	The current economic situation has two main impacts on consumer spending. First, consumers have become increasingly cost conscious and have shifted their spending from normal supermarkets to discount stores. Second, cost consciousness has also supported the growth of on-line shopping, which has put the company's non-food business under pressure. While the company's own on-line shops have both grown strongly in 2012, company management noticed a decline in overall non-food business.

Source: Company Data

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

Appendix 3: Segment P&L summaries

Table 17: Segment P&L summary – quarterly forecast

mn DKK	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13e	3Q13e	4Q13e
Maersk Lines								
Revenue	35,824	42,340	41,459	37,499	35,651	34,836	36,977	34,238
EBIT	-3,273	1,375	3,330	1,584	1,067	-339	1,556	-253
EBIT margin	-9.1%	3.2%	8.0%	4.2%	3.0%	-1.0%	4.2%	-0.7%
NOPAT	-3,402	1,267	2,866	1,940	1,146	-311	1,432	-232
NOPAT margin	-9.5%	3.0%	6.9%	5.2%	3.2%	-0.9%	3.9%	-0.7%
Maersk Oil								
Revenue	14,406	15,759	14,268	14,400	13,447	12,553	12,830	13,108
EBIT	7,711	8,748	7,014	6,840	6,881	5,652	5,829	6,007
EBIT margin	53.5%	55.5%	49.2%	47.5%	51.2%	45.0%	45.4%	45.8%
NOPAT	7,341	2,755	1,544	2,524	1,953	1,615	1,667	1,718
NOPAT margin	51.0%	17.5%	10.8%	17.5%	14.5%	12.9%	13.0%	13.1%
APM Terminals								
Revenue	6,840	6,887	7,072	6,898	5,874	6,855	6,971	6,862
EBIT	1,043	1,213	1,138	850	734	979	1,144	912
EBIT margin	15.2%	17.6%	16.1%	12.3%	12.5%	14.3%	16.4%	13.3%
NOPAT	1,332	935	957	966	939	994	1,129	939
NOPAT margin	19.5%	13.6%	13.5%	14.0%	16.0%	14.5%	16.2%	13.7%
Maersk Drilling								
Revenue	2,772	2,691	2,683	2,801	2,711	2,818	2,819	2,751
EBIT	889	908	680	293	1,009	967	926	763
EBIT margin	32.1%	33.7%	25.3%	10.5%	37.2%	34.3%	32.8%	27.7%
NOPAT	711	585	520	265	826	769	736	607
NOPAT margin	25.6%	21.7%	19.4%	9.5%	30.5%	27.3%	26.1%	22.1%
Damco								
Revenue	4,186	4,662	5,046	5,063	4,366	5,200	5,350	5,500
EBIT	76	104	145	88	32	95	99	103
EBIT margin	1.8%	2.2%	2.9%	1.7%	0.7%	1.8%	1.8%	1.9%
NOPAT	40	158	91	31	34	62	65	67
NOPAT margin	1.0%	3.4%	1.8%	0.6%	0.8%	1.2%	1.2%	1.2%
Maersk Tankers								
Revenue	1,865	1,850	1,888	1,676	2,486	2,253	2,278	2,278
EBIT	-162	-80	-3,182	22	-77	-145	-120	-120
EBIT margin	-8.7%	-4.3%	-168.5%	1.3%	-3.1%	-6.4%	-5.3%	-5.3%
NOPAT	-162	-49	-1,614	14	-82	-152	-127	-127
NOPAT margin	-8.7%	-2.6%	-85.5%	0.8%	-3.3%	-6.7%	-5.6%	-5.6%
Maersk Supply Services								
Revenue	1,218	1,241	1,343	1,278	1,284	1,284	1,284	1,284
EBIT	255	194	269	88	311	190	190	190
EBIT margin	20.9%	15.6%	20.0%	6.9%	24.2%	14.8%	14.8%	14.8%
NOPAT	236	186	285	58	312	180	180	180
NOPAT margin	19.4%	15.0%	21.2%	4.5%	24.3%	14.0%	14.0%	14.0%
Svitzer								
Revenue	1,483	1,197	1,288	1,230	1,051	1,223	1,236	1,236
EBIT	217	235	264	-1,067	172	205	221	221
EBIT margin	14.6%	19.6%	20.5%	-86.7%	16.4%	16.7%	17.9%	17.9%
NOPAT	187	190	199	-522	172	240	256	256
NOPAT margin	12.6%	15.9%	15.5%	-42.4%	16.4%	19.6%	20.7%	20.7%
Dansk Supermarked								
Revenue	13,030	13,579	13,712	15,289	13,628	13,628	13,628	16,354
EBIT	330	304	192	614	400	318	250	691
EBIT margin	2.5%	2.2%	1.4%	4.0%	2.9%	2.3%	1.8%	4.2%
NOPAT	267	292	211	514	301	239	188	519
NOPAT margin	2.0%	2.2%	1.5%	3.4%	2.2%	1.8%	1.4%	3.2%
Total								
Revenue	81,250	88,818	87,196	84,794	79,324	79,697	82,423	82,660
EBIT	7,338	13,211	12,732	10,971	10,212	7,579	9,753	8,172
EBIT margin	9.0%	14.9%	14.6%	12.9%	12.9%	9.5%	11.8%	9.9%
Net profit	6,152	5,263	5,150	5,108	4,010	2,398	4,240	2,800
NP margin	7.6%	5.9%	5.9%	6.0%	5.1%	3.0%	5.1%	3.4%
EPS	1,406	1,201	1,173	1,162	912	546	965	637

Source: Jefferies estimates, company data

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

Table 18: Segment P&L summary – annual forecast

mn DKK	2011	2012	2013e	2014e	2015e
Maersk Lines					
Revenue	134,444	157,122	141,702	142,847	146,530
EBIT	-3,565	3,016	2,031	1,728	3,385
EBIT margin	-2.7%	1.9%	1.4%	1.2%	2.3%
NOPAT	-2,961	2,671	2,035	1,594	3,118
NOPAT margin	-2.2%	1.7%	1.4%	1.1%	2.1%
Maersk Oil					
Revenue	67,554	58,833	51,938	55,761	56,699
EBIT	41,871	30,313	24,369	27,274	27,893
EBIT margin	62.0%	51.5%	46.9%	48.9%	49.2%
NOPAT	11,311	14,164	6,953	7,814	7,994
NOPAT margin	16.7%	24.1%	13.4%	14.0%	14.1%
APM Terminals					
Revenue	25,073	27,697	26,562	28,870	30,881
EBIT	3,697	4,244	3,769	4,289	4,890
EBIT margin	14.7%	15.3%	14.2%	14.9%	15.8%
NOPAT	3,471	4,190	4,001	4,281	4,774
NOPAT margin	13.8%	15.1%	15.1%	14.8%	15.5%
Maersk Drilling					
Revenue	10,056	10,947	11,098	13,857	16,163
EBIT	3,203	2,770	3,664	4,813	6,368
EBIT margin	31.9%	25.3%	33.0%	34.7%	39.4%
NOPAT	2,611	2,081	2,938	3,821	5,050
NOPAT margin	26.0%	19.0%	26.5%	27.6%	31.2%
Damco					
Revenue	14,737	18,957	20,416	21,150	21,150
EBIT	517	413	328	389	389
EBIT margin	3.5%	2.2%	1.6%	1.8%	1.8%
NOPAT	331	320	228	255	255
NOPAT margin	2.2%	1.7%	1.1%	1.2%	1.2%
Maersk Tankers					
Revenue	6,957	7,279	9,295	9,373	9,707
EBIT	-1,184	-3,402	-462	-363	-329
EBIT margin	-17.0%	-46.7%	-5.0%	-3.9%	-3.4%
NOPAT	-817	-1,811	-488	-391	-357
NOPAT margin	-11.7%	-24.9%	-5.2%	-4.2%	-3.7%
Maersk Supply Services					
Revenue	5,047	5,080	5,136	5,136	5,136
EBIT	1,331	806	880	758	758
EBIT margin	26.4%	15.9%	17.1%	14.8%	14.8%
NOPAT	1,301	765	852	720	720
NOPAT margin	25.8%	15.1%	16.6%	14.0%	14.0%
Svitzer					
Revenue	4,677	5,198	4,746	4,904	4,904
EBIT	685	-351	818	871	871
EBIT margin	14.6%	-6.8%	17.2%	17.8%	17.8%
NOPAT	547	54	923	1,011	1,011
NOPAT margin	11.7%	1.0%	19.5%	20.6%	20.6%
Dansk Supermarked					
Revenue	55,227	55,610	57,238	54,512	54,512
EBIT	2,253	1,440	1,659	1,638	1,747
EBIT margin	4.1%	2.6%	2.9%	3.0%	3.2%
NOPAT	5,371	1,284	1,247	1,230	1,311
NOPAT margin	9.7%	2.3%	2.2%	2.3%	2.4%
Total					
Revenue	322,520	342,058	324,104	332,603	341,875
EBIT	48,059	39,596	35,722	40,032	44,606
EBIT margin	14.9%	11.6%	11.0%	12.0%	13.0%
Net profit	15,189	21,673	13,448	14,319	17,166
NP margin	4.7%	6.3%	4.1%	4.3%	5.0%
EPS	3,476	4,931	3,059	3,257	3,905

Source: Jefferies estimates, company data

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

Appendix 4: Shipping comparison table

Table 19: Peer comparison

Company	CSCL	OOIL	NOL	Cosco	MOL	NYK	K-Line	Maersk	YMM	Ever	PBS	CSD
Ticker	2866 HK	316 HK	NOL SP	1919 HK	9104 JP	9101 JP	9107 JP	MAERSKB DC	2609 TT	2603 TT	2343 HK	1138 HK
Rating	UP	Buy	UP	UP	Hold	Hold	UP	UP	UP	Hold	Hold	UP
Target price	1.55	68.00	1.00	2.60	375	250	170	30,000	9.05	18.40	4.50	3.00
Current price	2.01	49.85	1.11	3.29	372.00	266.00	207.00	42,240	12.40	16.50	4.45	3.20
Up/down	-23%	36%	-10%	-21%	1%	-6%	-18%	-29%	-27%	12%	1%	-6%
No of Sh.(MM)	11,683	626	2,590	10,216	1,206	1,701	939	4.40	2,819	3,475	1,937	3,405
MV (US$ MM)	3,026	4,020	2,293	4,331	4,481	4,517	1,942	32,553	1,169	1,918	1,110	1,404
09 EPS	-0.55	-0.60	-0.29	-0.73	10.55	-11.90	-97.87	-1,674	-5.87	-3.99	0.06	0.31
10 EPS	0.36	3.01	0.18	0.67	48.06	46.18	39.98	6,061	4.18	5.74	0.05	0.50
11 EPS	-0.24	0.29	-0.18	-1.03	-21.56	-42.82	-54.03	3,476	-3.33	-1.12	0.02	0.31
12 EPS	0.04	0.47	-0.16	-0.94	-148.26	11.11	12.50	4,931	0.02	0.04	-0.08	0.02
13 EPS	0.08	0.74	0.08	-0.21	17.50	8.78	-5.10	3,059	0.73	1.95	-0.02	-0.22
14 EPS	0.08	0.77	0.03	0.07	12.00	9.69	12.03	3,257	0.87	2.22	-0.03	-0.10
09 PE	n.m.	n.m.	n.m.	n.m.	53.46	n.m.	n.m.	-19.48	n.m.	n.m.	10.77	27.97
10 PE	7.35	2.60	8.26	11.88	12.27	7.46	8.63	7.63	3.74	3.41	13.52	20.00
11 PE	n.m.	22.92	n.m.	n.m.	n.m.	n.m.	n.m.	12.16	n.m.	n.m.	31.77	18.47
12 PE	42.29	12.84	n.m.	n.m.	n.m.	17.47	10.68	8.35	661.00	424.75	n.m.	175.67
13 PE	20.84	8.64	10.67	n.m.	21.26	30.30	n.m.	13.81	17.08	8.46	n.m.	n.m.
14 PE	20.88	8.30	33.35	39.75	31.00	27.45	17.21	12.97	14.18	7.45	n.m.	n.m.
09 PB	0.94	0.64	0.91	1.82	1.03	1.01	0.89	0.92	0.95	0.88	0.86	1.39
10 PB	1.06	0.88	1.19	1.75	1.07	0.86	0.90	1.11	1.05	0.93	0.91	1.52
11 PB	0.94	0.98	1.21	1.40	0.73	0.78	0.74	0.95	1.78	1.16	0.69	0.82
12 PB	0.75	0.84	1.14	1.30	0.59	0.51	0.37	0.87	1.13	1.00	0.71	0.51
13 PB	0.68	0.81	0.96	1.06	0.80	0.68	0.58	0.84	1.23	0.87	0.98	0.39
14 PB	0.66	0.74	1.00	1.03	0.78	0.67	0.56	0.78	1.13	0.78	1.02	0.40
09 ROE	-22.7%	-9.1%	-28.1%	-15.8%	2.0%	-2.9%	-21.4%	-4.7%	-40.2%	-20.7%	8.2%	5.0%
10 ROE	15.4%	39.2%	15.4%	15.5%	8.8%	11.7%	10.2%	16.0%	32.1%	29.6%	7.0%	7.8%
11 ROE	-10.0%	3.7%	-16.3%	-25.8%	-4.0%	-11.5%	-15.5%	8.1%	-26.0%	-5.8%	2.1%	4.5%
12 ROE	2.0%	6.7%	-17.2%	-32.0%	-30.4%	3.1%	3.7%	8.3%	0.2%	0.2%	-11.3%	0.3%
13 ROE	3.3%	9.8%	9.4%	-8.2%	3.9%	2.3%	-1.4%	6.2%	7.7%	10.8%	-3.4%	-3.3%
14 ROE	3.2%	9.3%	2.9%	2.6%	2.6%	2.5%	3.3%	6.2%	8.5%	11.0%	-4.4%	-1.6%
09 PNAV	1.08	0.47	0.70	1.36	1.04	0.75	0.87	0.66	0.50	0.85	0.94	1.67
10 PNAV	1.12	0.89	1.02	1.43	1.09	0.70	0.86	0.77	0.74	0.76	0.96	1.51
11 PNAV	0.92	1.00	1.01	1.15	0.79	0.81	0.85	0.80	1.42	1.11	0.83	1.27
12 PNAV	0.86	0.92	1.05	1.33	0.55	0.62	0.67	0.82	1.15	0.90	0.85	1.05
13 PNAV	0.93	0.90	0.95	1.57	0.60	0.54	0.60	0.94	1.58	0.96	1.06	1.14
14 PNAV	1.11	0.82	0.95	1.64	0.62	0.53	0.67	0.91	1.16	1.19	1.24	1.30
09 RONAV	-29.5%	-7.1%	-20.4%	-13.3%	1.9%	-2.3%	-23.9%	-3.4%	-27.6%	-21.6%	8.7%	6.0%
10 RONAV	15.2%	34.3%	12.3%	12.0%	8.9%	9.4%	10.0%	10.0%	19.8%	22.3%	7.1%	7.5%
11 RONAV	-10.5%	4.4%	-15.3%	-24.9%	-4.4%	-13.1%	-19.5%	6.6%	-25.6%	-6.0%	2.6%	6.9%
12 RONAV	2.0%	7.8%	-17.6%	-39.0%	-31.4%	3.5%	6.3%	9.8%	0.2%	0.2%	-13.9%	0.6%
13 RONAV	4.5%	10.5%	8.9%	-12.6%	2.8%	1.8%	-1.5%	6.8%	9.2%	11.3%	-3.7%	-9.9%
14 RONAV	5.3%	9.9%	2.8%	4.1%	2.0%	1.9%	3.9%	7.0%	8.2%	15.9%	-5.5%	-5.4%
09 EV/fleet	101%	45%	88%	109%	n.a.	n.a.	n.a.	n.a.	79%	97%	95%	164%
10 EV/fleet	106%	81%	102%	119%	n.a.	n.a.	n.a.	n.a.	88%	91%	98%	140%
11 EV/fleet	94%	102%	106%	106%	n.a.	n.a.	n.a.	n.a.	110%	114%	89%	131%
12 EV/fleet	93%	106%	100%	108%	n.a.	n.a.	n.a.	n.a.	105%	96%	93%	104%
13 EV/fleet	90%	87%	91%	113%	n.a.	n.a.	n.a.	n.a.	105%	99%	99%	96%
14 EV/fleet	97%	81%	96%	114%	n.a.	n.a.	n.a.	n.a.	104%	100%	112%	106%
09 ROCE	-10.3%	-0.8%	0.2%	12.2%	n.a.	n.a.	n.a.	n.a.	-6.5%	-5.4%	18.2%	3.2%
10 ROCE	13.9%	24.7%	17.1%	21.4%	n.a.	n.a.	n.a.	n.a.	16.9%	19.6%	18.7%	4.6%
11 ROCE	-2.4%	8.0%	6.8%	5.6%	n.a.	n.a.	n.a.	n.a.	0.7%	-0.4%	17.3%	4.8%
12 ROCE	4.2%	11.2%	8.0%	6.8%	n.a.	n.a.	n.a.	n.a.	4.7%	5.9%	13.3%	0.8%
13 ROCE	6.6%	12.6%	7.5%	10.6%	n.a.	n.a.	n.a.	n.a.	10.3%	9.8%	2.2%	-0.5%
14 ROCE	4.1%	12.8%	7.0%	10.7%	n.a.	n.a.	n.a.	n.a.	10.3%	7.5%	8.8%	0.8%

Source: Jefferies estimates, company data. Share prices as of 04/06/2013

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Jefferies

Appendix – NC companies mentioned in the report

Name	**Ticker**	**Share price** (lcy)	**Rating**
Hanjin iShipping	117930 KS	7,160	NC
Hyundai Merchant Marines	011200 KS	11,100	NC
Panalpina Welttransport	PWTN SW	97.10	NC
Deutsche Post	DPW GY	19.48	NC
KUEHNE & NAGEL	KNIN VX	103.60	NC
Dubai Port World	DPW DU	15.99	NC
ICTSI	ICT PM	87.35	NC
Noble Energy	NBL US	57.18	NC
Canadian Natural Resources	CNQ US	28.88	NC
Encana Corp	ECA US	18.31	NC
Occidental Petroleum	OXY US	93.34	NC
Apache Corp	APA US	85.25	NC
Talisman Energy	TLM US	11.53	NC
Danske Bank	DANSKE DC	114.30	NC
DFDS	DFDS DC	339.50	NC

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.
Jefferies

Clarkson Research Services Limited (CRSL) have not reviewed the context of any of the statistics or information contained in the commentaries and all statistics and information were obtained by Jefferies International Ltd. From standard CRSL published sources. Furthermore, CRSL have not carried out any form of due diligence exercise on the information, as would be the case with finance raising documentation such as Initial Public Offering (IPOs) or Bond Placements. Therefore reliance on the statistics and information contained within the commentaries will be for the risk of the party relying on the information and CRSL does not accept any liability whatsoever for relying on the statistics or information.

Insofar as the statistical and graphical market information come from CRSL, CRSL points out that such information is drawn from CRSL database and other sources. CRSL has advised that: (i) some information in CRSL's database is derived from estimates or subjective judgements; and (ii) the information in the databases of the maritime data collection agencies may differ from the information in CRSL's database; and (iii) whilst CRSL has taken reasonable care in the compilation of the statistical and graphical information and believes it to be accurate and correct, data compilation is subject to limited audit and validation procedures and may accordingly contain errors; and (iV) CRSL, its agents, officers and employees do not accept liability for any loss suffered in consequence of reliance on such information or in any other manner; and (v) the provision of such information does not obviate any need to make appropriate further enquiries; (vi) the provision of such information is not an endorsement of any commercial policies and/or any conclusions by CRSL; and (vii) shipping is a variable and cyclical business and any forecasting concerning it cannot be very accurate

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Company Description

Maersk Group is a shipping conglomerate. It s main activities include container shipping, tanker, ports, harbour towage, offshore service, offshore drilling, oil exploration and production, and retail shopping.

Analyst Certification

I, Johnson Leung, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.
I, Laban Yu, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.
I, Boyong Liu, CFA, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.
I, Benjamin Wang, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.
Registration of non-US analysts: Johnson Leung is employed by Jefferies Hong Kong Limited, a non-US affiliate of Jefferies LLC and is not registered/qualified as a research analyst with FINRA. This analyst(s) may not be an associated person of Jefferies LLC, a FINRA member firm, and therefore may not be subject to the NASD Rule 2711 and Incorporated NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst.

Registration of non-US analysts: Laban Yu is employed by Jefferies Hong Kong Limited, a non-US affiliate of Jefferies LLC and is not registered/qualified as a research analyst with FINRA. This analyst(s) may not be an associated person of Jefferies LLC, a FINRA member firm, and therefore may not be subject to the NASD Rule 2711 and Incorporated NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst.

Registration of non-US analysts: Boyong Liu, CFA is employed by Jefferies Hong Kong Limited, a non-US affiliate of Jefferies LLC and is not registered/qualified as a research analyst with FINRA. This analyst(s) may not be an associated person of Jefferies LLC, a FINRA member firm, and therefore may not be subject to the NASD Rule 2711 and Incorporated NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst.

Registration of non-US analysts: Benjamin Wang is employed by Jefferies Hong Kong Limited, a non-US affiliate of Jefferies LLC and is not registered/qualified as a research analyst with FINRA. This analyst(s) may not be an associated person of Jefferies LLC, a FINRA member firm, and therefore may not be subject to the NASD Rule 2711 and Incorporated NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst.

As is the case with all Jefferies employees, the analyst(s) responsible for the coverage of the financial instruments discussed in this report receives compensation based in part on the overall performance of the firm, including investment banking income. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Aside from certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgement.

Company Specific Disclosures

Benjamin Wang owns a long equity position of Orient Overseas International.
Jefferies Group, Inc, its affiliates or subsidiaries expect to receive or intend to seek compensation for investment banking services from BP plc within the next three months.

For Important Disclosure information on companies recommended in this report, please visit our website at https://javatar.bluematrix.com/sellside/Disclosures.action or call 212.284.2300.

Meanings of Jefferies Ratings

Buy - Describes stocks that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.
Hold - Describes stocks that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.
Underperform - Describes stocks that we expect to provide a total negative return (price appreciation plus yield) of 10% or more within a 12-month period.
The expected total return (price appreciation plus yield) for Buy rated stocks with an average stock price consistently below $10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated stocks with an average stock price consistently below $10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated stocks with an average stock price consistently below $10, the expected total return (price appreciation plus yield) is minus 20% within a 12-month period.
NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Jefferies policies.
CS - Coverage Suspended. Jefferies has suspended coverage of this company.
NC - Not covered. Jefferies does not cover this company.
Restricted - Describes issuers where, in conjunction with Jefferies engagement in certain transactions, company policy or applicable securities regulations prohibit certain types of communications, including investment recommendations.

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Monitor - Describes stocks whose company fundamentals and financials are being monitored, and for which no financial projections or opinions on the investment merits of the company are provided.

Valuation Methodology

Jefferies' methodology for assigning ratings may include the following: market capitalization, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of the parts, net asset value, dividend returns, and return on equity (ROE) over the next 12 months.

Conviction List Methodology

1. The aim of the conviction list is to publicise the best individual stock ideas from Jefferies Global Research
2. Only stocks with a Buy or Underperform rating are allowed to be included in the recommended list.
3. Stocks are screened for minimum market capitalisation and adequate daily turnover. Furthermore, a valuation, correlation and style screen is used to ensure a well-diversified portfolio.
4. Stocks are sorted to a maximum of 30 stocks with the maximum country exposure at around 50%. Limits are also imposed on a sector basis.
5. Once a month, analysts are invited to recommend their best ideas. Analysts' stock selection can be based on one or more of the following: non-Consensus investment view, difference in earnings relative to Consensus, valuation methodology, target upside/downside % relative to the current stock price. These are then assessed against existing holdings to ensure consistency. Stocks that have either reached their target price, been downgraded over the course of the month or where a more suitable candidate has been found are removed.
6. All stocks are inserted at the last closing price and removed at the last closing price. There are no changes to the conviction list during the month.
7. Performance is calculated in US dollars on an equally weighted basis and is compared to MSCI World AC US$.
8. The conviction list is published once a month whilst global equity markets are closed.
9. Transaction fees are not included.
10. All corporate actions are taken into account.

Risk which may impede the achievement of our Price Target

This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, the financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary. Past performance of the financial instruments recommended in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from, any of the financial instruments mentioned in this report can rise as well as fall and may be affected by changes in economic, financial and political factors. If a financial instrument is denominated in a currency other than the investor's home currency, a change in exchange rates may adversely affect the price of, value of, or income derived from the financial instrument described in this report. In addition, investors in securities such as ADRs, whose values are affected by the currency of the underlying security, effectively assume currency risk.

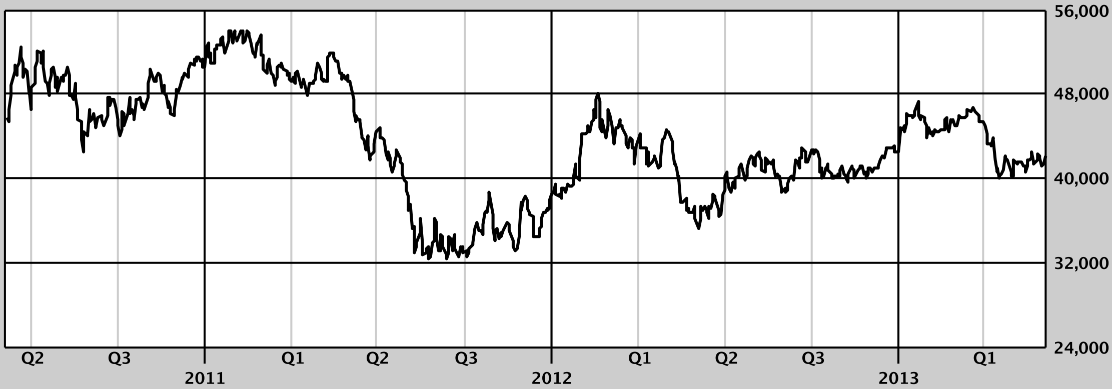
Other Companies Mentioned in This Report

- A.P. Møller - Mærsk A/S (MAERSKB DC: DKK42,240.00, UNDERPERFORM)
- Anadarko Corporation (APC: $86.26, BUY)
- Atwood Oceanics, Inc. (ATW: $54.52, BUY)
- BHP Billiton (BLT LN: p1,843.00, BUY)
- BP plc (BP/ LN: p464.10, HOLD)
- Carrefour (CA FP: €21.47, HOLD)
- Casino (CO FP: €77.05, HOLD)
- Chevron (CVX: $121.57, BUY)
- China Cosco Holdings - H (1919 HK: HK$3.32, UNDERPERFORM)
- China Shipping Container - H (2866 HK: HK$1.98, UNDERPERFORM)
- China Shipping Development - H (1138 HK: HK$3.17, UNDERPERFORM)
- CNOOC Ltd. (883 HK: HK$13.76, HOLD)
- ConocoPhillips Corporation (COP: $61.62, HOLD)
- Devon Energy Corp. (DVN: $56.64, BUY)
- Diamond Offshore Drilling (DO: $68.56, HOLD)
- Ensco plc (ESV: $60.41, BUY)
- EOG Resources, Inc. (EOG: $128.52, BUY)
- Evergreen Line (2603 TT: TWD16.40, HOLD)
- Kawasaki Kisen Kaisha, Ltd. (9107 JP: ¥195, UNDERPERFORM)
- Mitsui O.S.K. Lines (9104 JP: ¥360, HOLD)
- Neptune Orient Lines (NOL SP: SGD1.10, UNDERPERFORM)
- Nippon Yusen Kabushiki Kaisha (9101 JP: ¥260, HOLD)
- Noble Corp. (NE: $38.97, HOLD)
- Orient Overseas International (316 HK: HK$49.60, BUY)
- Pacific Basin Shipping Ltd (2343 HK: HK$4.40, HOLD)
- Petrochina Co. Ltd. - A (601857 CH: CNY8.51, BUY)
- Petrochina Co. Ltd - H (857 HK: HK$9.00, BUY)
- Rowan Companies (RDC: $33.77, BUY)

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

- Southwestern Energy (SWN: $37.63, HOLD)
- Statoil (STL NO: NOK131.70, BUY)
- Tesco (TSCO LN: p345.60, BUY)
- Total SA (FP FP: €38.00, BUY)
- Transocean Ltd. (RIG: $50.28, HOLD)
- Yang Ming Marine Transport (2609 TT: TWD12.30, UNDERPERFORM)

Rating and Price Target History for: A.P. Møller - Mærsk A/S (MAERSKB DC) as of 06-05-2013



Distribution of Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
BUY	783	47.57%	153	19.54%
HOLD	733	44.53%	97	13.23%
UNDERPERFORM	130	7.90%	1	0.77%

Other Important Disclosures

Jefferies Equity Research refers to research reports produced by analysts employed by one of the following Jefferies Group LLC ("Jefferies") group companies:

United States: Jefferies LLC which is an SEC registered firm and a member of FINRA.

United Kingdom: Jefferies International Limited, which is authorized and regulated by the Financial Conduct Authority; registered in England and Wales No. 1978621; registered office: Vintners Place, 68 Upper Thames Street, London EC4V 3BJ; telephone +44 (0)20 7029 8000; facsimile +44 (0)20 7029 8010.

Hong Kong: Jefferies Hong Kong Limited, which is licensed by the Securities and Futures Commission of Hong Kong with CE number ATS546; located at Suite 2201, 22nd Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

Singapore: Jefferies Singapore Limited, which is licensed by the Monetary Authority of Singapore; located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950.

Japan: Jefferies (Japan) Limited, Tokyo Branch, which is a securities company registered by the Financial Services Agency of Japan and is a member of the Japan Securities Dealers Association; located at Hibiya Marine Bldg, 3F, 1-5-1 Yuraku-cho, Chiyoda-ku, Tokyo 100-0006; telephone +813 5251 6100; facsimile +813 5251 6101.

India: Jefferies India Private Limited, which is licensed by the Securities and Exchange Board of India as a Merchant Banker (INM000011443) and a Stock Broker with Bombay Stock Exchange Limited (INB011438539) and National Stock Exchange of India Limited (INB231438533) in the Capital Market Segment; located at 42/43, 2 North Avenue, Maker Maxity, Bandra-Kurla Complex, Bandra (East) Mumbai 400 051, India; Tel +91 22 4356 6000.

This material has been prepared by Jefferies employing appropriate expertise, and in the belief that it is fair and not misleading. The information set forth herein was obtained from sources believed to be reliable, but has not been independently verified by Jefferies. Therefore, except for any obligation under applicable rules we do not guarantee its accuracy. Additional and supporting information is available upon request. Unless prohibited by the provisions of Regulation S of the U.S. Securities Act of 1933, this material is distributed in the United States ("US"), by Jefferies LLC, a US-registered broker-dealer, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6, under the US Securities Exchange Act of 1934. Transactions by or on behalf of any US person may only be effected through Jefferies LLC. In the United Kingdom and European Economic

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com

Please see important disclosure information on pages 52 - 55 of this report.

Area this report is issued and/or approved for distribution by Jefferies International Limited and is intended for use only by persons who have, or have been assessed as having, suitable professional experience and expertise, or by persons to whom it can be otherwise lawfully distributed. Jefferies International Limited has adopted a conflicts management policy in connection with the preparation and publication of research, the details of which are available upon request in writing to the Compliance Officer. Jefferies International Limited may allow its analysts to undertake private consultancy work. Jefferies International Limited's conflicts management policy sets out the arrangements Jefferies International Limited employs to manage any potential conflicts of interest that may arise as a result of such consultancy work. For Canadian investors, this material is intended for use only by professional or institutional investors. None of the investments or investment services mentioned or described herein is available to other persons or to anyone in Canada who is not a "Designated Institution" as defined by the Securities Act (Ontario). In Singapore, Jefferies Singapore Limited is regulated by the Monetary Authority of Singapore. For investors in the Republic of Singapore, this material is provided by Jefferies Singapore Limited pursuant to Regulation 32C of the Financial Advisers Regulations. The material contained in this document is intended solely for accredited, expert or institutional investors, as defined under the Securities and Futures Act (Cap. 289 of Singapore). If there are any matters arising from, or in connection with this material, please contact Jefferies Singapore Limited, located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950. In Japan this material is issued and distributed by Jefferies (Japan) Limited to institutional investors only. In Hong Kong, this report is issued and approved by Jefferies Hong Kong Limited and is intended for use only by professional investors as defined in the Hong Kong Securities and Futures Ordinance and its subsidiary legislation. In the Republic of China (Taiwan), this report should not be distributed. The research in relation to this report is conducted outside the PRC. This report does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves. In India this report is made available by Jefferies India Private Limited. In Australia this information is issued solely by Jefferies International Limited and is directed solely at wholesale clients within the meaning of the Corporations Act 2001 of Australia (the "Act") in connection with their consideration of any investment or investment service that is the subject of this document. Any offer or issue that is the subject of this document does not require, and this document is not, a disclosure document or product disclosure statement within the meaning of the Act. Jefferies International Limited is authorised and regulated by the Financial Conduct Authority under the laws of the United Kingdom, which differ from Australian laws. Jefferies International Limited has obtained relief under Australian Securities and Investments Commission Class Order 03/1099, which conditionally exempts it from holding an Australian financial services licence under the Act in respect of the provision of certain financial services to wholesale clients. Recipients of this document in any other jurisdictions should inform themselves about and observe any applicable legal requirements in relation to the receipt of this document.

This report is not an offer or solicitation of an offer to buy or sell any security or derivative instrument, or to make any investment. Any opinion or estimate constitutes the preparer's best judgment as of the date of preparation, and is subject to change without notice. Jefferies assumes no obligation to maintain or update this report based on subsequent information and events. Jefferies, its associates or affiliates, and its respective officers, directors, and employees may have long or short positions in, or may buy or sell any of the securities, derivative instruments or other investments mentioned or described herein, either as agent or as principal for their own account. Upon request Jefferies may provide specialized research products or services to certain customers focusing on the prospects for individual covered stocks as compared to other covered stocks over varying time horizons or under differing market conditions. While the views expressed in these situations may not always be directionally consistent with the long-term views expressed in the analyst's published research, the analyst has a reasonable basis and any inconsistencies can be reasonably explained. This material does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to herein and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments. This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of securities. None of Jefferies, any of its affiliates or its research analysts has any authority whatsoever to make any representations or warranty on behalf of the issuer(s). Jefferies policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis. Any comments or statements made herein are those of the author(s) and may differ from the views of Jefferies.

This report may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Jefferies research reports are disseminated and available primarily electronically, and, in some cases, in printed form. Electronic research is simultaneously available to all clients. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Jefferies. Neither Jefferies nor any officer nor employee of Jefferies accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.

For Important Disclosure information, please visit our website at https://javatar.bluematrix.com/sellside/Disclosures.action or call 1.888.JEFFERIES

© 2013 Jefferies Group LLC

Johnson Leung, Equity Analyst, +852 3743 8055, jleung@jefferies.com