

## Letter from the CEO

The A.P. Møller Group ended 2021 on a historic high note, with revenue of DKK 408bn (USD 65bn), EBITDA of DKK 154bn (USD 25bn), a net result of DKK 119bn (USD 19bn) and consolidated assets of DKK 579bn (USD 88bn). A.P. Møller Holding, the parent company of the Group, remains debt free with a full year cash inflow of DKK 8.8bn (USD 1.4bn) and net asset value of DKK 224bn (USD 34bn), representing an increase of 57% in 2021.

Most of the Group's companies developed favourably during the year. Especially A.P. Møller - Maersk's container related shipping, terminal, and logistics activities experienced unprecedented tailwinds with freight rates reaching all time high levels and strong demand.

A.P. Møller Holding also experienced significant momentum with its long-term strategy of portfolio renewal, with closings of the acquisitions of Faerch and Nissens Cooling Solutions, and announced acquisitions of Paccor and Unilabs. Our total capital commitment amounted to DKK 38bn (USD 6bn) in 2021.

However, the positive developments of 2021 are overshadowed by the recent geopolitical developments. The invasion of Ukraine represents one of the darkest moments in Europe since World War II. Lives and livelihoods are being shattered. Our hearts and minds are with the people of Ukraine, including many friends, colleagues, and customers. We are experiencing a humanitarian crisis with millions of people being displaced. The implications of the conflict will be farreaching in respects we are yet to fully comprehend and 24 February 2022 is to be remembered as the day, when security and energy politics in Europe changed profoundly.

### ACCELERATING OUR GROUP'S PORTFOLIO RENEWAL

In June 2016, we announced a radical change and renewal of our Group: Transforming the listed conglomerate A.P. Møller - Maersk into a focused transport and logistics company, finding structural solutions for the hydro carbon related activities and with an intention to redeploy capital proceeds into new activities through the newly established parent company A.P. Møller Holding. The net asset value of A.P. Møller Holding has grown from DKK 134bn (USD 16bn) to DKK 224bn (USD 34bn) in the last five years with hydrocarbon related exposure dropping from close to 40% to less than 10% of the portfolio value.

Our ownership and investment strategy remains deeply anchored in our historic purpose of 'nyttig virksomhed' (investing in and building businesses having a positive impact on society). We invest across multiple sectors and continents, but our investments are closely linked to a few select long-term themes.

- Global trade
- The energy transition
- Circularity, water, and waste recovery
- Demographic and societal changes

#### THE GLOBAL SUPPLY CHAIN IS BROKEN WITH CUSTOMERS SEEKING NEW SOLUTIONS

The container related activities delivered record profits due to the disruptions to the global supply chain and a strong resurgence in consumer demand. For the last decades, many companies have pursued a highly transactional approach to the procurement of transportation services with inventories kept at a minimum driven by 'just in time' concepts. The pandemic has forced corporations to rethink their approach, as resilience and the ability to rapidly respond to supply chain shocks have become essential to sustain reliable production and distribution of goods.

In this new environment, A.P. Moller - Maersk's integrated end-to-end logistics offering has been embraced by many of its customers. While 90% of A.P. Moller - Maersk's EBIT is still generated from container shipping, and with APM Terminals' continued solid results being a complement to the liner activities, A.P. Moller - Maersk has accelerated the expansion of its logistics segment, seeing 34% year-on-year organic growth of such services. In the last two years, the company has also pursued several acquisitions within customhouse brokerage, fulfilment, intermodal and air freight in order to build a stronger integrated customer offering. At the end of 2021, A.P. Moller - Maersk announced the intention to acquire LF Logistics for USD 3.6bn. The intended acquisition will significantly expand A.P. Moller - Maersk's logistics capabilities in the Asia-Pacific region, adding 223 warehouses, bringing the total number of facilities to 549 globally.

Other companies in our portfolio have also embraced the opportunity to provide better solutions for the global supply chain. Maersk Tankers has radically transformed its business model, from being an integrated asset operator, to becoming a services company offering commercial management services, continuing to grow its pool of partners to one of the biggest tanker fleets under management.

#### OUR GROUP IS ACCELERATING THE ENERGY TRANSITION ON MULTIPLE FRONTS

2021 became an inflection point for many of our portfolio activities in terms of the energy transition.

A.P. Moller Holding continued to develop a strong industrial platform serving the renewable energy industry. KK Wind Solutions acquired PCH Engineering, which, together with the earlier acquisition of Gram & Juhl, has significantly enhanced KK Wind Solutions' digital capabilities. KK Wind Solutions and the recently acquired Nissens Cooling Solutions provide essential services to the leading OEMs in the wind industry. We continue to see opportunities to build a stronger platform by bringing scale advantages to our clients through consolidation and by much closer partnerships, offering a higher degree of insourcing and bespoke services, with a few select clients.

In the last few years, we have also incubated several green energy ventures coming out of our legacy activities, with solutions to some of the global energy challenges. Three new platforms stand out in their commitment and commercial momentum:

Maersk Tankers incubated and spun off ZeroNorth, which makes ocean-based trade greener by offering AI based SaaS solutions reducing emissions for the global merchant fleet (ocean-based trade generates 3% of the world's entire greenhouse gases). We are, in particular, grateful for the constructive partnership with Cargill, which has become a shareholder of the venture, providing great advice and support to the company's journey. Innargi, founded by a number of talented colleagues from the divested Maersk Oil, has secured a 30-year contract to develop Europe's largest geothermal plant of 110 MW for the city of Aarhus. Innargi offers a sustainable alternative to imported biomass and plans to expand across Europe (heating of buildings contributes to 13% of Europe's total GHG). We take note of the significant interest

from other investors to participate in Innargi's fund raising. Finally, A.P. Moller Capital has deployed the capital of its first infrastructure fund and is expected to launch what is to become one of the world's first net zero infrastructure funds, supporting emerging markets with their energy transition in a socially responsible way.

The Group is also seeing a number of initiatives to accelerate the energy transition in transportation. In 2021, A.P. Moller - Maersk announced the order for the world's first vessels with dual fuel engine configuration, capable of running green methanol. The full series of 12 vessels is expected to save around 1.5 million tonnes of GHG. Sourcing adequate amounts of green fuel requires a significant ramp up of production capacity. Global, green methanol production is currently at 30,000 tonnes and 450,000 tonnes will be needed annually by A.P. Moller - Maersk to operate the first vessels. In this respect, the newbuilding order represents a real catalyst for the global methanol industry to create a new fuel market. As this letter is being finalised, several large scale industrial projects to produce green methanol have been announced.

On a final note, Maersk Drilling and Noble announced the intention to merge in November 2021. Subject to antitrust approvals, the combined company will bring benefits to several stakeholders of the two companies, including a stronger balance sheet, the capabilities to support a diversified customer base with energy production and security, significant cost synergies, and a more liquid share.

#### ACCELERATING THE USE OF CIRCULAR PRODUCTS

In 2021, we also accelerated the investments into circular systems of waste. We see great opportunities in changing the use of plastics from being a linear product to becoming a circular product. During the early part of 2021, we closed the acquisition of Faerch, the leading European developer of sustainable packaging for food with 70% of its content fully recycled. We see great potential in Faerch's strong leadership and applied technologies to expand the distribution of circular products to new geographies and product categories. In late 2021, the company signed the acquisition of Paccor, which will expand Faerch's presence in the dairy sector and turn Faerch into Europe's largest producer of rigid packaging solutions for the food industry. Furthermore, it will enable Faerch to transform Paccor and the dairy industry towards sustainable packaging solutions based on recycled PET.

#### CHANGING DEMOGRAPHICS: DIAGNOSTICS TO SUPPORT THE TRANSITION TO VALUE-BASED HEALTHCARE

A.P. Moller Holding's investment strategy is anchored in the next decades' evolving macro themes and our purpose to develop businesses that provide solutions to societal challenges. Over the last decades, healthcare systems have become increasingly stretched for resources. The problem is likely to exacerbate in markets with ageing demographics, holding higher demand for healthcare services. Early, correct and efficient diagnostics services not only save lives and reduce human suffering, but also enable more effective and targeted treatments. As a result, diagnostics is a critical foundation for the important transition from volume-based to value-based healthcare, to reduce the number of medical resources applied and to provide better patient outcomes.

In December 2021, we announced the acquisition of Unilabs, one of the leading diagnostics companies in Europe. Unilabs offers a good fit with our Group's understanding for how to run local operations requiring a high degree of automation and logistics across different geographies. We are deeply impressed with Unilabs' expertise within testing, pathology, and radiology. We also see the opportunity to grow the company's operations to new markets, offering important and immediate solutions to countries having limited access to critical healthcare solutions, such as teleradiology services.

#### WITH GRATITUDE TO OUR COLLEAGUES

The strong performance of our Group is a testimony to the enormous efforts and commitments of our many colleagues in A.P. Moller Holding and across our affiliates. In connection with the recent acquisitions, we have been blessed with new talent joining our Group, bringing valuable experience and insights to our broader ecosystem. In this respect, we are excited to see how many best practices and insights are increasingly shared across the portfolio companies' different functional fora.

There have also been changes to some of the boards. A special thanks to Jim Hagemann Snabe and Karsten Dybvad for their extensive contributions as Chair of A.P. Moller - Maersk and Danske Bank, respectively, over the last few years. I have personally enjoyed the very close collaboration with Jim, who has been an important contributor to our Group's restructuring and transformation in the last few years, and I look forward to continuing our collaboration in his capacity as senior advisor. The Chair of A.P. Moller Holding, Ane M. M. Uggla, also decided to step down from the board of A.P. Moller - Maersk, after more than 30 years as a director. Ane's contributions to A.P. Moller - Maersk have been significant in many ways, not least for providing steadfast guidance on our purpose and values. In this respect, long before CSR and ESG became regular board topics, Ane has always stressed the importance of being a responsible company and a good corporate citizen in a complex world with many challenges.

#### DARK CLOUDS ON THE HORIZON

As I am writing this letter, we are witnessing the invasion of Ukraine unfold.

Our first priority has been the safety of our Group's employees and their families in Ukraine.

Secondly, we do our utmost to support the humanitarian efforts. It is devastating to witness Ukraine's cities being shattered to ashes with millions of Ukrainians now displaced. We are encouraged to see how affiliates across our Group contribute to humanitarian efforts in different ways. A.P. Moller - Maersk, a long-standing member of the UN-led Logistics Emergency Teams, has set up warehousing operations and supply chains to provide food and medical supplies via the World Food Programme, UNHCR, EU, and USAID. Our foundation has also pledged significant financial support to the Red Cross to accelerate relief programmes and help courageous volunteers in Ukraine.

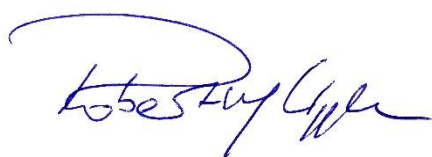
Let me stress that I also feel strongly for our many Russian colleagues and their families, who carry no responsibility for the conflict. Our Russian colleagues have worked passionately for an industry, which depends on peace, trade and open borders, to operate successfully. I have highly appreciated their warm hospitality during trips from Sakhalin to St Petersburg. I know they want to end the war as much as we do. And I know that many of them are left in a difficult and exposed situation.

The direct financial impact of the war is manageable for our affiliates shorter-term. However, a longer-term scenario of a protracted war, widespread cyberattacks, negative consumer confidence and continued high fuel costs, may have a severe negative impact on the global economy and our Group's financial performance. There are also other macro-economic developments which may further hamper the outlook in the coming year. Inflation has already started taking a toll on our industrial activities during the second half of 2021 and further margin pressure is expected in 2022. Finally, it is important to take note of the continued risks of the pandemic, not least the related lock downs in China, which may significantly reduce many factories' ability to supply goods.

While it is comforting to know that we stand much stronger today than when we started our Group's restructuring in 2016, we caution our colleagues to prepare for difficult times. As our founder A.P. Møller once wrote to his son:

'No loss should hit us which can be avoided with constant care.'

Yours faithfully,



Robert M. Uggla  
CEO