

LETTER FROM THE CEO



ROBERT M. UGGLA
CEO

The A. P. Moller Group experienced yet another eventful year in 2023, with a sharp drop in container freight rates, wars in Ukraine and the Middle East, drought curtailing Panama Canal transits, coupled with elevated interest rates and inflation in some of the Group's most important markets. At the end of the year, Houthi attacks on the global merchant fleet in the Bab al-Mandab Strait, in the vicinity of the Red Sea, forced seaborne trade to circumvent the Suez Canal and sail south of the Cape of Good Hope, adding more than 13,000 km to a round trip voyage from Shanghai to Rotterdam.

The Group concluded 2023 with revenue of DKK 389bn (USD 56bn), EBITDA of DKK 72bn (USD 10bn), a net result of DKK 35bn (USD 5bn), and consolidated assets of DKK 740bn (USD 110bn).

During the year, the parent company of the Group, A. P. Moller Holding, pursued investments and add-on acquisitions across its segments 'public markets', 'principal holdings', 'growth equity', and 'scale-ups'. The principal and growth equity portfolio investments remain centred around the investment themes

'global trade', 'the energy transition', 'circularity, water & waste recovery', and 'demographic & societal change'.

At the end of 2023, A. P. Moller Holding was debt free, with a full year cash inflow of DKK 43bn (USD 6bn). The net asset value increased 8% to DKK 214bn (USD 32bn), mainly driven by a strong rebound of Danske Bank and Noble and with the public markets portfolio DKK 46bn (USD 7bn) recording a 16% return for the year.

GEOPOLITICS AT THE CENTRE OF FUTURE TRADE

Several of our Group's activities are closely linked to the development of global supply chains and trade.

For the last few years, global trade has been growing at a slower rate than the world economy – a stark contrast to what has been the prevalent trend since the end of the Cold War. Some of the traditional east-west trade routes are slowly losing their historic prominence. Instead, trade blocs and intra-regional trade play an increasingly important role, influencing how cargo is sourced and moved.

Shifting trade patterns are most apparent in the US, which has increased its share of imports from Southeast Asia and Mexico, while reducing its share of imports from China. Other trading relationships are likely to be reshaped over the coming years as the cumulative effect of geopolitics and industrial policies has begun to impact supply chain decisions. Surveys of European and US businesses indicate an interest in relocating operations, and foreign direct investment flows into China have slowed sharply.

The Southeast Asia nations are among the biggest winners from the structural changes of trade. Cumulative ASEAN trade is forecasted to grow USD 1.2 trillion in the next ten years as the region emerges as a destination for companies seeking to decrease their dependence on China-based manufacturing. India is also expected to benefit from this trend, as it is expanding trade with the US and European counterparts, while at the same time seeing trade growth with other parts of the world, including Russia.

In addition, after a few decades of relative peace and stability in international waters, maritime traffic is now subject to violent attacks. The Black Sea transit has been adversely affected since Russia invaded Ukraine and recent disruptions in the Red Sea are challenging long-held assumptions about safe passage for shipping and international trade.

In 2023, containerised trade normalised after two years of pandemic lockdowns with extensive fiscal stimulus programmes driving an unprecedented boom in consumer demand. The market correction began in the end of 2022 as supply chain bottlenecks gradually eased. In addition, the oversupply of new container ships started to weigh heavily on freight rate sentiment. After the strong container shipping environment in recent years, this is a powerful reminder of the cyclical nature of shipping and how asset utilisation is partly a function of the industry's newbuilding activities. With this in mind, and while container volumes are expected to grow in the coming years, some of A.P. Moller - Maersk's competitors' massive orderbooks are likely to weigh heavily on freight rates for several years.

Geopolitics, and the shifting geometry of trade, present challenges for many of our customers and emphasise the opportunity for our Group to serve customers by providing more reliable and extensive supply chain offerings. Some customers are already relocating their supply chains to reduce risk and add resilience to their operations, requiring enhanced logistics related infrastructure and scaled solutions. Looking beyond its liner and logistics activities, A.P. Moller - Maersk's port division APM Terminals is also enhancing supply chain efficiencies, including the USD 1bn expansion in Rotterdam, advancements in automation at Pier 400 in Los Angeles, and plans for new terminal developments such as the announced joint venture in Hai Phong, Vietnam.

Maersk Tankers, another affiliate of A. P. Moller Holding, experienced strong markets due to disrupted supply chains (impacted by the Russian oil sanctions, the low water levels in the Panama Canal, as well as the attacks by Houthi rebels pushing more ships to sail south of the Cape of Good Hope) increasing the tonne mile requirements for tanker ships. At the same time, and

contrary to container shipping, the strong freight markets were benefiting from limited newbuilding activity of tanker ships. As a result, Maersk Tankers and its related activities demonstrated strong results for 2023 with a positive outlook for 2024, as demand continues to outpace the supply of available ships.

Also A.P. Moller Capital experienced an active year with a new fund and close to USD 2bn in assets under management. A.P. Moller Capital has, over the last years, made 14 investments in critical logistics and energy related infrastructure in emerging markets, employing approximately 18,000 employees through these activities.

A SHIPPING PORTFOLIO EMBRACING THE ENERGY TRANSITION

In 2023, our colleagues in A.P. Moller - Maersk marked a noteworthy achievement in their efforts to reduce emissions in the transport industry by introducing the world's first green fuel-enabled container ship: Laura Maersk. Her name is a historic recognition of our Group's first steam ship delivered in 1886 during the second industrial revolution. Laura Maersk is a first step in turning trade greener. By 2030, A.P. Moller - Maersk will need a million tons of green fuels to deliver on its pledges for low carbon operations, while current global production of green methanol is currently under 100,000 tons. On a positive note, A.P. Moller - Maersk's initiative to embrace methanol as a fuel has triggered a strong interest in producing green methanol. In November, the industry's first fuel contract for the annual production of 500,000 tons of green methanol from 2026 onwards was signed between A.P. Moller - Maersk and Goldwind.

Also Maersk Tankers has embraced new market opportunities. In 2023, Maersk Tankers re-entered the gas segment, offering voyage management services to owners with Very Large Gas Carrier fleets, with close to 30 ships under management by the end of the year. It also announced the order of up to ten Very Large Ammonia Carriers. The latter ships will enable seaborne transport of clean ammonia, making Maersk Tankers a reliable transportation partner of the green hydrogen economy. Finally, in January 2024, Maersk Tankers announced the acquisition of Penfield Marine, adding another 80 vessels to the commercial

management platform as well as the deep industrial expertise of the Penfield Marine team.

Among our Group's scale-ups, ZeroNorth has experienced significant growth since its founding three years ago. The venture has rapidly expanded its customer portfolio and digital products, with the objective to reduce emissions in ocean based trade. Its platform is currently used by more than 4,800 vessels and 210 customers. In October, ZeroNorth acquired AlphaOri, a leader in sensor-based vessel performance solutions. The combination, with closing in February 2024, enables ZeroNorth to offer a more comprehensive platform suite of voyage optimisation, vessel performance, and bunkering solutions to ship operators with a team of 500+ software and data engineers.

In May 2023, A.P. Moller Holding acquired Maersk Supply Service from the listed company A.P. Moller - Maersk. We believe Maersk Supply Service benefits from a more focused ownership structure with a dedicated Board of Directors. Following the acquisition, Maersk Supply Service announced a new strategic direction, with two focus areas: Offshore service vessels targeting traditional offshore related installations and a new division providing offshore wind services. Maersk Supply Service has one wind installation vessel, which has already been secured for a contract in the US, shortly after projected delivery in 2025. Its proprietary vessel design and technology will significantly increase efficiencies in the installation of offshore turbines and support a faster implementation of renewable energy.

The shipping industry's energy transition ultimately depends on stronger regulatory frameworks. At UN's annual COP meeting in November 2023, A.P. Moller - Maersk and other leading players in the industry called for lawmakers to introduce measures to accelerate the decarbonisation of global maritime transport, including a joint declaration of a carbon tax scheme to close the price gap between fossil and green fuels.

A GROWING INDUSTRIAL PORTFOLIO

After A.P. Moller Holding was established, our Group has experienced a growing portfolio of industrial activities, propelled by our principal investment team's diligent efforts to build new platforms with promising long-term tail wind. Several of these portfolio companies experienced strong underlying growth and the easing of supply chain bottlenecks during 2023:

1. KK Wind Solutions. During the year, KK Wind Solutions closed its acquisition of Vestas' converter and controls business as part of a long-term supply partnership with Vestas. When A.P. Moller Holding acquired KK Wind Solutions in 2019, it was a mid-sized company in a fragmented and financially challenged industry. During our ownership, KK Wind Solutions has nearly quadrupled in size and kept expanding its solutions to support the large Original Equipment Manufacturers of the wind industry. The platform will gain further customer relevance with the integration of Nisens Cooling Solutions in 2024.
2. Faerch. In 2023, Faerch has continued to expand its market-leading offering of circular food packaging. The company has grown substantially in the last few years with Faerch posting strong results in 2023, after completing the integration of the Paccor acquisition. In addition, Faerch continued to invest in recycling capacity to grow its access to and sourcing of recyclable PET, to enable circular tray-to-tray packaging lines of products. The company acquired a smaller company in the US as part of its longer-term growth strategy.
3. Unilabs. During 2023, Unilabs recorded continued underlying growth, excluding the temporary impact from Covid-19 testing during the pandemic. However, inflationary pressure in 2022 and 2023 had a negative impact on margins, with management pursuing a restructuring to improve operational performance. The company continues to see long-term growth, driven by higher propensity of testing due to an ageing demographic in Europe and the increased requirements of a more value-based healthcare system to enable more cost effective medical solutions.

NORDIC BANKING REACHES HISTORIC HIGHS

In 2023, the Nordic banking industry benefited from strong local markets and the interest rate environment. After several challenging years, Danske Bank has turned a corner, delivering a robust net income and improved profitability in 2023. The strong balance sheet allows the bank to be a reliable partner to its customers, while it also enables the bank to increase shareholder distributions through dividends and share buybacks.

THANKS TO OUR COLLEAGUES ACROSS THE GLOBE

Geopolitics introduces considerable uncertainty to our Group's outlook. Military conflicts around the world have reached the highest level in decades. In addition, more than 60 countries, including half of the world's population, will choose new governments this year against a backdrop of deepening polarisation, rising numbers of displaced people, digital election interference, rising government debt levels, and populism.

Specifically for our Group, 2023 ended with multiple distressing attacks on cargo ships in the vicinity of the Red Sea, including Maersk vessels. We are alarmed by the escalation of this tragic conflict, which will also hold far-reaching implications for global supply chains in the coming year. In these difficult times, the safety of our seafarers is always at the forefront of our minds.

In closing, let me express my sincere gratitude to our many colleagues across the Group for their relentless efforts and unwavering dedication to provide our customers with reliable and sustainable products and services.

After A.P. Moller Holding was established, our Group has experienced a growing portfolio of industrial activities, propelled by our principal investment team's diligent efforts to build new platforms with promising long-term tail wind.
