Going forward
towards new goals

NTG Nordic Transport Group
2019 annual report

Approved at the Group's Annual General Meeting on 16 April 2020
CVR no. 12546106
Chairman: Christian Th. Kjølbye

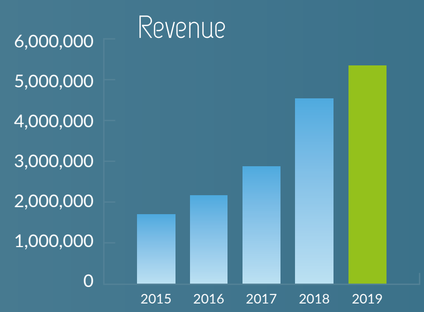
NTG
Nordic Transport Group

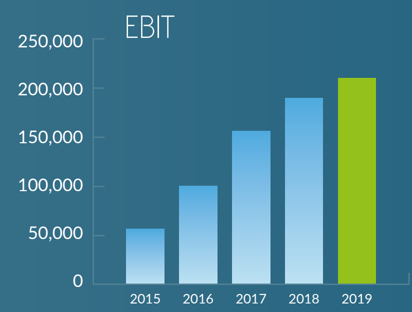
Financial Highlights

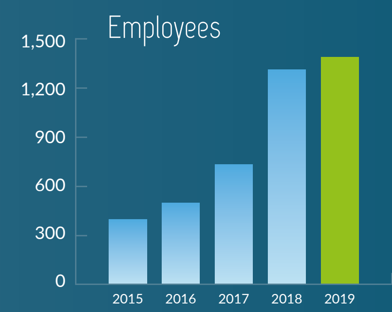
Income statement (DKK ‘000)	2019	2018	2017	2016*	2015*
Net revenue	5,331,989	4,512,137	2,896,181	2,134,499	1,711,856
Gross profit	1,086,464	876,608	545,964	402,497	319,446
Operating profit before amortizations, depreciations and special items (EBITDA)	344,590	196,822	160,255	106,268	60,917
Operating profit before special items (adj. EBIT)	207,965	189,156	157,589	101,327	56,649
Special items, net	-104,216	-17,563	-1,161	0	0
Net financial items	-49,192	-14,772	-7,735	-2,739	3,494
Profit for the year	8,322	111,523	111,460	73,834	44,011

Cash flow statement (DKK ‘000)	2019	2018	2017	2016*	2015*
Operating activities	201,250	117,360	82,779	105,078	68,687
Investing activities	-52,321	-19,613	-36,539	-11,857	-8,486
Free cash flow	148,929	97,747	46,240	93,221	60,201
Financing activities	-126,399	-108,853	-47,721	-26,901	1,898
Cash flow for the year	22,530	-11,106	-1,481	66,319	62,099

* Figures are presented according to Danish GAAP (Årsregnskabsloven). Refer to note 1.0 in the Group’s 2018 Annual Report regarding conversion to IFRS







Balance sheet statement (DKK '000)	2019	2018	2017	2016*	2015*
Investment in property, plant and equipment, excluding IFRS 16	37,283	17,753	17,720	1,229	1,082
Balance sheet total	2,029,581	1,373,312	771,381	558,176	447,700
Net working capital	-99,507	-97,799	-35,104	-91,711	-110,396
Net interest-bearing debt, excluding IFRS 16	-126,867	-89,475	-96,460	-111,217	-100,017
Shareholders' share of equity	240,419	114,009	91,869	38,854	20,405
Non-controlling interests	48,020	93,898	65,696	36,747	29,101
Financial ratios					
Gross margin	20.4%	19.4%	18.9%	18.9%	18.7%
Operating margin	3.9%	4.2%	5.4%	4.7%	3.3%
Conversion ratio	19.1%	21.6%	28.9%	25.2%	17.7%
Return on equity	3.4%	61.0%	95.6%	136.0%	211.5%
Solvency ratio	14.2%	15.1%	20.4%	13.5%	4.6%
Employees					
Average number of employees	1,380	1,349	734	509	409

* Figures are presented according to Danish GAAP (Årsregnskabsloven). Refer to note 1.0 in the Group's 2018 Annual Report regarding conversion to IFRS

** Effective 1 January 2019, the Group implemented the new standard on leases, IFRS 16 which has had a material effect on the financial statements. Refer to note 1.1 for further information. Comparative figures were not restated.

Turnover 2019 DKK
5,3 bill.

EBIT 2019 DKK
208 mill.

Conversion Ratio 2019
19,1%

Nordic Transport Group
Always moving forward

Introduction

NTG Nordic Transport Group is an international freight forwarder and logistics partner. We arrange transportation of goods all over the world by trucks, ships and aircrafts. But at the end of the day, NTG is all about people.

NTG is partly owned by our employees, who are among the most dedicated in the industry. This is reflected in the consideration and care we put into everything we do.

NTG comprises more than 60 partner-driven subsidiaries (PADS) and through carefully selected acquisitions and partnerships, we are continuously expanding and enhancing our services and market position.

NTG is always moving forward.

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Forward-looking statements

This document contains forward looking statements which are subject to risk factors associated with, amongst others, the economic and business circumstances occurring from time to time in the countries and markets in which Nordic Transport Group and its subsidiaries operates. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a wide range of variables, which could cause actual results to differ materially from those currently anticipated.

Group management commentary

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2019 was another exciting year in NTG Nordic Transport Group. Revenue grew 18% to DKK 5.3bn with 8% organic growth. Adjusted EBIT for the year was DKK 208m. The financial results were in line with our guidance for the year.

Our realized revenue of DKK 5,332m is line with our guidance range of DKK 5,000m to 5,500m. Adj. EBIT of 208m is also in line with our guidance range of DKK 200m to 215m.

Our Road & Logistics division had another record year with revenue of DKK 4.1bn (2018: DKK 3.6bn) and adj. EBIT of DKK 181m (2018: DKK 171m), mainly driven by organic growth in the Nordics, acquisitions in the UK and full-year effect of acquisitions made in 2018. Operating margin saw a decrease from 4.7% in 2018 to 4.4% in 2019, primarily driven by underperformance in certain entities in Continental Europe. The issues have to a large extent been addressed, and we expect to see a positive effect during 2020.

Our Air & Ocean division achieved revenue of DKK 1.2bn (2018: DKK 871m) and adj. EBIT of DKK 24m (2018: DKK 15m). This is the first time in NTG's history that our Air & Ocean division achieves revenues of more than DKK 1bn. The increase is driven by a combination of acquisitions and organic growth. Operating margin also saw an increase to 2.0% from 1.7% in 2018. Within air- and seaborne freight, scale and profitability are correlated, so we are pleased to see our position in the segment strengthen.

A milestone

2019 was mainly defined as the year NTG went from a private company to being listed on the Nasdaq OMX Copenhagen stock exchange. The listing was completed as a reverse merger through NeuroSearch A/S. Following the listing, our focus on organic and acquired growth remains a key priority, as exemplified by the acquisition of Ebrex Business Solutions in February 2020.

We are pleased to be a listed company and leverage the opportunities this provides in terms of funding, transaction structures and incentive programs.

We look forward to continuing our journey from an even stronger foundation, and to strengthening our ties to the investor community.

Continued growth

The M&A agenda continued in 2019 with entry into the UK and establishing a smaller presence in Japan – in addition to strengthening our position in existing markets in the Nordics and Continental Europe. The three acquisitions which were completed in the first half of 2019 have been fully integrated, while the fourth and largest acquisition was signed in December 2019 and closed in February, 2020.

Our organic growth was supported by start-ups in Turkey, Romania, Vietnam, Croatia and two new offices in the US, all within the Air & Ocean division.

Evolution of the partnership model

The success of NTG is built on our partnership model, where the management and key employees in the local subsidiaries hold up to 49% ownership in the local entity. This model is the key ingredient to the exceptional journey NTG has been on since 2011.

A cornerstone in our partnership model is the possibility to eventually convert the local partners' ownership in their local entity to shares in NTG Nordic Transport Group A/S. As the subsidiaries mature, the commercial and operational synergies between the entities become more abundant, so converting partners up to group-level ensures continued alignment of interests.

During 2019, prior to the listing, the first of these conversions were done, as the partners of the seven most mature subsidiaries converted their ownership to shares in the parent company. In addition to securing alignment of interests with the partners of these mature companies, it also decreased the minorities' shares of adj. EBIT from 46% in 2018 to 14% in 2019.

While some partnerships evolved, new ones were created as new start-ups, which all have the local management as minority shareholders. In addition, our principle of close alignment was also implemented in the three largest acquisitions as the sellers continue as management, either with a minority position or under a well-defined earn-out.

Expectation for 2020

The world has had a turbulent start to 2020 marked particularly by the spread of COVID-19. In addition, a number of other market factors like the implementation of Brexit, trade wars and sanctions introduce an amount of uncertainty for the year.

For 2020 we expect to realize revenue of DKK 4,500 – 5,300 million and adj. EBIT of 130 – 180 million. Our expectations for the year reflect an impact to our overall business from COVID-19, while factoring in a limited impact from other market variables. Excluding the effects of COVID-19 our expectations for the year would have been in line with our mid-term targets.

Events in 2019

Events in 2019
Events in 2019

2019 was an eventful year with the listing process, four acquisitions, six start-ups, group-wide operational efficiency improvements and the continued integration and turn-around of Gondrand.

Listing on Nasdaq Copenhagen

The introduction of NTG on the Danish stock exchange was the culmination of close to two years of preparation. With the acquisition of a significant stake in NeuroSearch A/S in June 2018, the path was set for entry through a reverse merger, and as such NTG had its first day of trading on 9 October 2019.

The main objective of the transaction was to successfully complete a listing of NTG, with a secondary objective of completing a limited share sale by the existing owners as well as a primary placement. During the offer period the secondary objective was cancelled, while the listing of NTG through the reverse merger with Neurosearch A/S was completed as planned.

Following the listing, the overall strategy of NTG remains the same: pursuing organic and acquired growth. Being a listed company adds a number of new options for structuring and financing transactions, and we continue to deliberately pursue acquisitions which generate value to the company.

Acquisitions

A total of three acquisitions were completed in 2019, with a fourth signed in December 2019 and closed in February 2020. The acquisitions provide entry into new markets and expansion of our position in existing geographical markets.

The first larger acquisition of 2019 was DAP (UK) Ltd, which was completed on 1 January. DAP is a full-service freight forwarder with around 30 employees based in three UK offices. It has a solid position in road transportation and value-added logistics as well as air and ocean freight and provided an attractive first step into the UK.

TThe financial results in DAP (UK) for 2019 was revenues of DKK 107 million and adj. EBIT of DKK 5 million. The results are impacted by the turmoil surrounding Brexit, but are still within expectations. The company is now fully integrated in NTG's operational platform and well-positioned for future growth. The integration of DAP (UK) was completed October 1 when DAP (UK) migrated to the NTG IT platform.

The second larger acquisition in 2019 was Ebrex Business Solutions Ltd, which was signed on December 20, 2019, and completed on February 27, 2020. Ebrex is headquartered in the UK and has its core business in road freight forwarding, supply chain solutions and warehousing, towards the automotive aftermarket industry in Continental Europe. It has 13 locations throughout Europe, and in addition to the UK its main geographical markets are Germany, Poland and Sweden, further expanding NTG's position in Continental Europe and the Nordics.

In 2018 Ebrex realized revenues of DKK 308 million and EBIT of DKK 28 million (UK GAAP). The expected contribution by Ebrex to the Group's 2020 results is reflected in the guidance for the year.

Two smaller acquisitions were also completed in 2019, with the addition of TAK International Ltd. in Japan, and Nellen & Quack in Germany.

Start-ups

Our partnership model continued to prove its worth with the creation of six new start-ups during 2019. All were created within the Air & Ocean division expanding our global network and supporting our growth ambitions within this division.

Romania, Vietnam and Croatia were established during H1 2019 with teams of 3 to 5 people, all with years of experience from other leading players in the freight forwarding industry.

Our Air & Ocean division also expanded its presence in the US with offices in New Jersey, Detroit and Chicago, bringing our total number of offices in the US to four with Atlanta opened in 2018.

Operational efficiencies and digitalization

During 2019 a record-breaking number of 28 companies in 13 countries were transferred to the two groupwide TMS (Transport Management Systems) for Road and Air & Ocean and the ERP for finance (Microsoft Dynamics NAV). The implementations went according to plan and without business interruptions.

Focus is continuously on digitization and automation with implementation of new and more efficient document capture systems for finance and operations, use of robotics in selected areas and significant improvements of customer experience by using online booking systems.

Gondrand

The acquisition of the Gondrand Group closed on April 1, 2018. It was a loss-making company, but with an attractive international footprint which expanded NTG's presence to Continental Europe and China.

The efforts to turn Gondrand profitable have continued in 2019, however, we did not reach break-even for the year.

Many of the former Gondrand entities have now been migrated to NTG's common IT infrastructure, increasing efficiency and transparency across the group. Implementation of the partnership model is well underway, following the necessary legal restructurings. This has unfortunately been a more complicated and time-consuming effort than expected, but we are pleased that most of the legal reorganizations are now in place.

In Q4 2019 two of the former Gondrand entities in Italy and the Czech Republic were divested. Both entities continued to be loss-making, and there was no longer a feasible path under NTG ownership to build the necessary scale to turn them profitable.

Overall, the former Gondrand companies contributed to adj. EBIT with negative DKK 16 million for the full year 2019. The contribution in Q4 2019 was negative DKK 2 million. As the results of the latest restructurings come into effect, we expect the former Gondrand companies to reach break-even at adj. EBIT level in 2020.

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Going for gold 365 days a year

NTG Nordic Transport Group is a proud sponsor for the Danish Olympic Team

DIF

NTG Nordic Transport Group

LOGISTICS COORDINATOR
FOR THE DANISH OLYMPIC TEAM

Entrepreneurial mentality, economies of scale

Entrepreneurial mentality, economies of scale
Entrepreneurial mentality, economies of scale

Freight forwarding is a people's business. We focus on attracting the best people, incentivising them through minority ownership and enabling them to succeed. All the while, the Group provides scale advantages and ensures sound governance.

NTG's is based on the basic principle that we empower people to succeed. All our business is done through our operating subsidiaries who are each specialized in a niche, a trade lane or a specific geography. The subsidiaries are managed by industry experts, who have the operational and commercial freedom to serve and attract customers in the best possible way.

Since the inception of NTG in 2011, all start-ups have been founded with key employees as partners holding up to 49% ownership. That is why we call our subsidiaries PADS – Partner-Driven Subsidiaries. We have seen that being a shareholder in your own company creates a unique dedication and commitment and means that the spirit of entrepreneurship and accountability is in every corner of the company.

Unified customer experiences

All PADS are created with a specific business focus to ensure that they are not in direct competition. In Road & Logistics PADS can operate in the same country but have different service or trade lane focus, while Air & Ocean typically has one PADS per country.

Customers can be served through one PADS or multiple PADS. In this way we can offer our customers a unified approach, while maintaining the commitment from our local teams of experts.

Efficient operational backbone

The Group provides the operational IT backbone of the business. The IT infrastructure is determined at Group level, and all subsidiaries run on the group-wide ERP system and transport management systems, subject to on-going implementation of upgrades and successive on-boarding of acquired companies. All IT systems are standardized and cloud-based and implemented as software-as-a-service, to ensure a high security level and to maintain financial flexibility in strategic IT decisions.

The IT strategy of the Group is to operate the PADS with two standard Transport Management Systems, one for the Road and one for Air & Ocean both integrated with the Microsoft Dynamics Navision ERP system and Microsoft Power Bi as analytics tool.

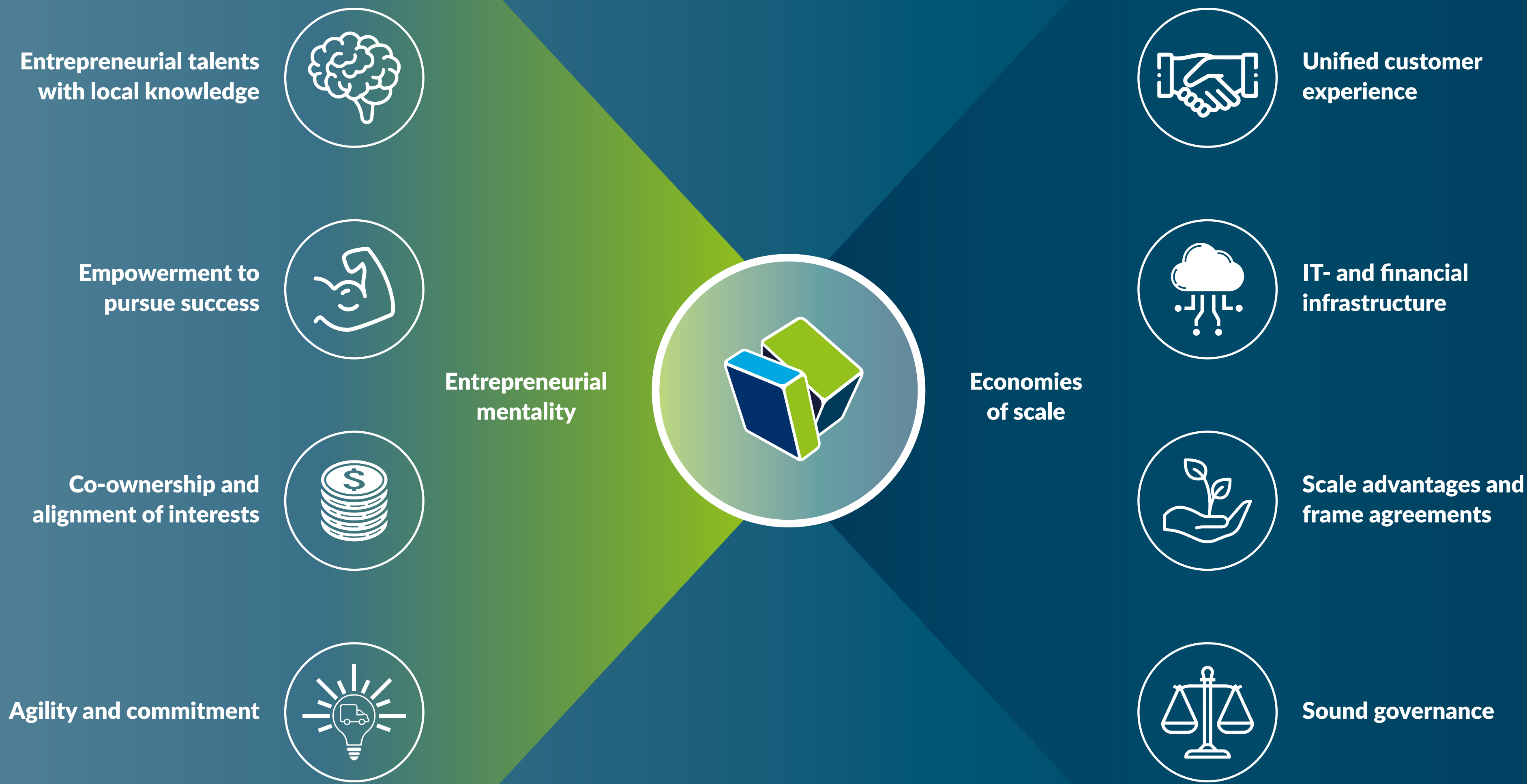
Scale advantages

Within Road & Logistics, the Group coordinates frame agreements across NTG for high-impact categories like trailer leasing, ferry crossings, insurance, bridge crossings and diesel fuel, which increases the competitiveness and profitability of our subsidiaries significantly. Within Air & Ocean the procurement dynamics are different, as the supplier landscape is much more consolidated, and we are in the process of building enough scale to engage in effective supplier negotiations.

Sound governance

Our harmonized IT systems ensure consistent financial standards and transparency throughout the Group. The vast majority of subsidiaries also participate in a group-wide cash pool, and the subsidiaries are only allowed to obtain local debt financing with approval by the Group. All legal governance items related to the partnership model are regulated through standardized shareholders' agreements.

Ethical behavior is important to us, and our Code of Conduct is enforced throughout the organization and applies to all employees and suppliers across the group.


Entrepreneurial talents with local knowledge
Empowerment to pursue success
Co-ownership and alignment of interests
Agility and commitment
Entrepreneurial mentality
Economies of scale
Unified customer experience
IT- and financial infrastructure
Scale advantages and frame agreements
Sound governance

Strategy and financial results

47°0’12”N

14°3

0’27”E

Brenner pass

Brenner pass

Brenner pass

Brenner pass

Three avenues of growth

Three avenues of growth
Three avenues of growth

Creating growth in a fragmented market is well-known territory for NTG. Since our founding in 2011, NTG has been on a high-paced journey with double-digit growth every year, which we expect to continue.

Freight forwarding is characterized by a diverse landscape of competitors, both globally and in NTG's main markets. This gives plenty of opportunities for NTG to continue the growth journey through a combination of approaches. NTG's growth model is characterized by three main avenues; Existing business, Start-ups and Acquisitions.

Growth from existing business

NTG's partnership model secures entrepreneurship and agility in daily operations, facilitating the best possible service to both current and new customers in existing business areas.

By providing incentives and local ownership throughout the organization, focus is kept on what is important; meeting our customers' needs and developing a solid and profitable business in each PADS.

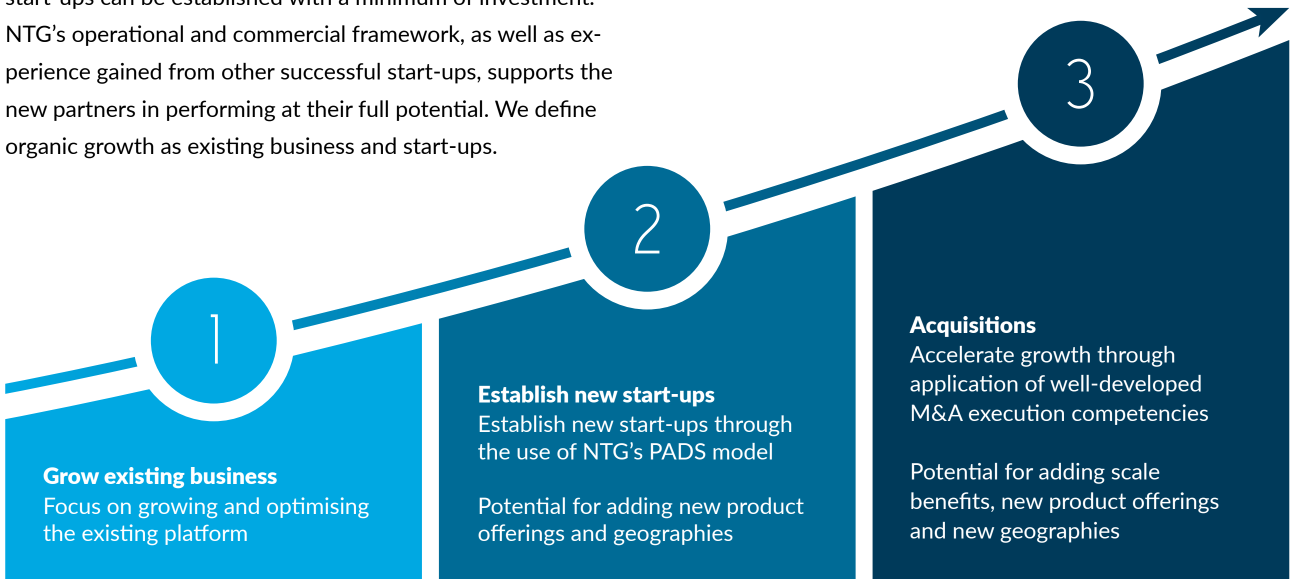
Organic growth from start-ups

NTG can expand into new geographies and service offerings by establishing start-ups (New PADS). This is done by providing talented and ambitious new partners with a shared ownership, incentivizing and empowering them to grow rapidly. The potential partners are typically local experts in their field, who approach NTG with a business plan and the appetite and drive to create a company where they are co-owners.

NTG's asset-light business model supports the expansion, as start-ups can be established with a minimum of investment. NTG's operational and commercial framework, as well as experience gained from other successful start-ups, supports the new partners in performing at their full potential. We define organic growth as existing business and start-ups.

Growth from acquisitions

A fragmented freight forwarding market provides a high number of potential acquisition targets. NTG has a solid track record of acquiring and integrating companies, with more than 20 completed transactions to date. The common approach for all transactions is the same; provide scale and volume to NTG's network at the right price. If possible, the target companies' management and key employees are offered co-ownership in the acquired company, to ensure their commitment to a successful integration and future growth.



The evolution of partnerships

The evolution of partnerships
The evolution of partnerships

PADS go through a well-defined journey from start-up to mature company. With the listing of NTG the first partners have now converted their PADS shares to shares in NTG Nordic Transport Group A/S.

Start-ups

In the start-up phase, the PADS is supported closely by the Group. The focus is typically on-boarding as many customers as possible to validate the business plan and reach break-even. The partners are typically able to prove the business plan and reach break-even within 6-12 months. In the few cases where this is not possible, the PADS will typically be closed down in an orderly manner, unless there are unique circumstances justifying a longer runway.

Growth PADS

PADS who have a proven business and customer base is categorized as "Growth PADS". As the name indicates, these companies are typically in a rapid expansion phase, establishing a firm foothold in their market, capturing market shares and potentially on-boarding new partners. The customer mix is typically evaluated at this stage, focusing less on volume and scale and more on profitability.

Once the PADS approaches maturity and has created a solid business with a leading position in their market, the partners can Ring-the-Bell.

Ring-the-Bell

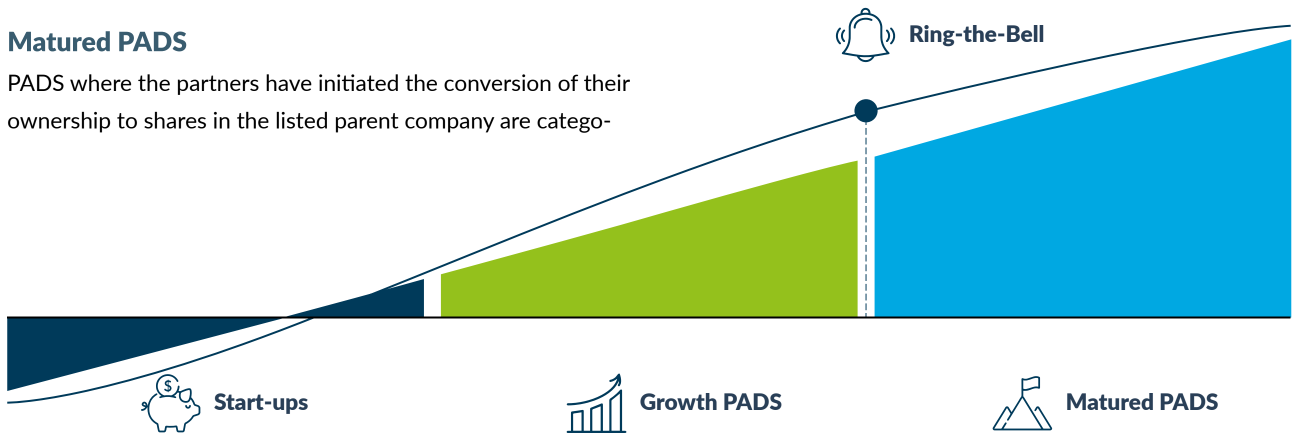
After a minimum of five years of successful operations, partners can apply to convert their shares in the local subsidiary into publicly listed shares in NTG Nordic Transport Group A/S. If the conversion is accepted by the Group, the swap is then done based on EBITA to EBITA (adjusted) over a five-year period. A detailed description of the model can be found on NTG's investor website.

The partners in Polar Finland and Polar Poland have been allowed to start converting their shares under Ring-the-Bell with the first fifth of the shares being converted in 2020.

Matured PADS

PADS where the partners have initiated the conversion of their ownership to shares in the listed parent company are categorized as "Matured PADS". As the conversion takes place, the partners are increasingly incentivized to think and act in the interest of the Group as a whole, and some may take on more Group-related tasks.

As of 31 December 2019, partners of seven PADS have converted their ownership to shares in NTG Nordic Transport Group A/S. All swaps were done prior to the listing of NTG on October 9, 2019 and were done in full. Though the swap was not done using the full Ring-the-Bell mechanism, the partners in the seven PADS remain incentivized to continue to the success of their PADS, as 15% of their shares (currently held in escrow) are contingent on the continued growth of their PADS over a five-year period.



Financial review

Financial review
Financial review

Income statement

Revenue for the year was DKK 5,331 million, an increase of DKK 820 million from 2018. The total growth rate for the year was 18% with organic growth of 8%. Organic growth was mainly driven by Road & Logistics activities in the Nordics, niche services and start-ups in the Air & Ocean division. The primary drivers of acquired growth relates to the acquisition of DAP (UK) in January 2019 and full-year effect of acquisitions made in 2018.

Gross profit for the year increased by DKK 210 million to DKK 1,086 million. Gross margin increased from 19.4% in 2018 to 20.4% in 2019, driven by a relative increase in logistics activities and the implementation of IFRS 16.

Operating profit before special items (adj. EBIT) was DKK 208 million for the year, an increase of DKK 19 million from 2018. Operating margin decreased from 4.2% in 2018 to 3.9% in 2019, influenced by underperformance in certain PADS in continental Europe within the Road & Logistics division. The issues have to a large extent been addressed during the year through new management teams and divestment of loss-making activities.

Special items for the year was DKK 104 million, relating to transaction and integration costs from business combinations (DKK 4 million), costs associated with stock market introduction of the Group (DKK 26 million) and close-down of non-profitable sites (DKK 16 million). In addition, DKK 58 million was recognized as a non-cash excess value expense arising from the reverse acquisition of former Neurosearch A/S on 7 October 2019. The item is an accounting adjustment with no cash effect, described in detail in note 7.3.

Depreciations and financial costs increased relative to 2018, driven by the implementation of IFRS 16, described in a dedicated section of this annual report and in notes 1.1, 4.6 and 5.3.

The effective tax rate for 2019 was 84.7%, mainly driven by non-deductible items on listing costs and above-mentioned excess value expense.

Cash flow statement

Cash flow from operating activities were impacted positively by the accounting effect from increased depreciation expenses from the implementation of IFRS 16 and working capital improvements, offset by timing of tax payment and special items.

Cash flow from investing activities was impacted by the acquisition of a plot of land in the Netherlands as well as the acquisition of DAP (UK).

Cash flow from financing activities was impacted by the accounting effects from implementing IFRS 16, leading to all lease payments being classified as a financing arrangement and reclassifications of other financial liabilities. The reverse acquisition of former Neurosearch A/S resulted in a net cash inflow of DKK 53 million, as this was the cash position in former Neurosearch A/S.

Net cash flow for the year 2019 was DKK 23 million.

Balance sheet

Due to the implementation of IFRS 16, right-of-use assets and lease liabilities were recognized on the balance sheet. Net interest-bearing debt excluding IFRS 16 was negative by DKK 127 million, representing a net cash position for the Group. Lease liabilities arising from IFRS 16 amounts to DKK 575 million, resulting in net interest-bearing debt including IFRS 16 of DKK 448 million.

As of 31 December 2019, NTG's leverage ratio was 1.3, which is below the Group's mid-term target of 2.0 to 3.0 (measured as NIBD including IFRS 16 relative to adj. EBITDA).

The Group's equity was affected by the reverse acquisition of former Neurosearch A/S, described in detail in note 7.3.

Impact from IFRS 16

Impact from IFRS 16
Impact from IFRS 16

On 1 January 2019 NTG adopted the new leasing standard for financial reporting, IFRS 16. NTG's financial statements are materially affected by IFRS 16, even though the underlying business model and cash flows remain unchanged.

This section highlights the changes that IFRS 16 brings about in NTG's financial statements for 2019. Comparative financial figures and ratios were not restated, and growth rates are therefore calculated excluding the effects of IFRS 16. For a description of implementation considerations, reference is made to note 1.1 to the consolidated financial statements.

Cash flows and business model remain unchanged

Even though the consolidated financial statements of NTG were materially affected by the implementation of IFRS 16, the flexible and asset-light business model, based on leasing rather than buying, remains the same. NTG is still committed to the operational flexibility that leasing brings to the business model and does not plan to make severe changes in existing contract structures. Consequently, underlying cash flows from operations and financing are not affected by the adoption of IFRS 16.

Lease liabilities and right-of-use assets recognized

IFRS 16's requires liabilities from existing lease contracts to be recognized directly in the consolidated balance sheet. Previously, liabilities from existing leasing contracts were disclosed in the financial statements, but not recognized in the balance sheet. Recognized lease liabilities are calculated by discounting future cash flows from each lease contract in place using appropriate interest rates (the determination of which is specified in the standard itself). At initial application, IFRS 16 resulted in the recognition of lease liabilities totaling DKK 583 million.

Concurrent to recognizing lease contract liabilities, IFRS 16 requires recognizing right-of-use assets, reflecting the economic benefits NTG obtains by having a contractual right to use the leased assets. Right-of-use assets are initially measured at the same amount as lease liabilities, adjusted up-front lease payments, initial direct costs and offsetting provisions relating to existing contracts. Subsequent to initial measurement, right-of-use assets are treated as property, plant and equipment and is subject to straight-line depreciation.

Income statement effects

Prior to IFRS 16, payments made on existing lease contracts were expensed as either direct costs or other external costs over the term of each leasing contract. After implementation of IFRS 16, however, the income statement shows depreciation expenses relating to the right-of-use assets and interest expenses relating to the lease liabilities. Due to the nature of interest calculation, IFRS 16 leads to a front-loading of expenses at the commencement of a lease contract. As lease contracts are renewed, the front-loading effect will even out on a Group level.

For 2019, IFRS 16 impacted adj. EBIT positively by 12.3 million, whereas financial expenses rose with DKK 31.3 million compared to non-IFRS 16 figures. A negative effect on net profit for the year of DKK 15.2 million is seen compared to non-IFRS 16 figures. This effect is centered on fully owned subsidiaries, and as such most of the impact is borne by NTG Nordic Transport Group A/S' share of net result for the period.

(DKK '000)	Published figures	IFRS 16 effect	Excl. IFRS 16
Gross Profit	1.086.464	69.515	1.016.949
EBITDA	344.590	148.587	196.003
Adj. EBIT	207.965	12.308	195.657
Profit for the year	8.322	-15.221	23.543

Business segment review, Road & Logistics

Business segment review, Road & Logistics
Business segment review, Road & Logistics

Road & Logistics continued the growth track in 2019 with 13% total growth thereof 6% organic growth. Operating margin saw a slight decrease from 4.7% in 2018 to 4.4% in 2019.

NTG is rooted in the Road & Logistics division, and it continues to be the largest of the two business segments with 77% of revenues and 87% of adj. EBIT in 2019.

2019 was characterized by acquisitions in the UK and existing European markets, and a targeted effort to address a few underperforming entities outside the Nordics. In 2020 the focus on acquisitions and increased profitability will continue.

Financial review

Revenue for the year was DKK 4.1 billion, representing a total growth of 13% and organic growth of 6%.

The acquired growth mainly came from the full-year effect of acquisitions made in 2018 and of the UK-based DAP (UK) which was acquired in January 2019. Organic growth was mainly driven by the Nordics and some individual PADS on the continent.

The seven mature PADS, where the partners exchanged their shares in the local PADS to listed shares in the NTG parent company during 2019, collectively continued their top-line growth in line with the total organic growth for the division.

Operating profit (adj. EBIT) for the year was DKK 181 million, an increase of 6% compared to 2018. The growth was mainly driven by PADS in Denmark and Sweden, the acquisition of DAP (UK) and full-year effects from acquisitions in Denmark made in 2018.

The operating margin saw a slight decrease from 4.7% in 2018 to 4.4% in 2019. The development was primarily driven by underperformance in certain fully owned PADS in Continental Europe. Actions to address these performance issues were initiated, but for some entities the expected effect did not materialize, which led to the divestment of activities in Italy and Czech Republic in Q4 2019. The entities were loss-making, with no imminent path to profitability. The activities were mainly acquired as part of the Gondrand acquisition. In Germany one unprofitable warehousing contract was terminated in December and plans are being developed to move profitable customers to other NTG locations. In a smaller loss-making subsidiary in Germany a new management was introduced in Q3, improving results significantly towards end of year.

Accomplishments in 2019

One acquisition was completed in the Road & Logistics division in 2019 and another one was signed in December and closed on February 27, 2020.

DAP (UK) represented NTG's first step into the UK market. DAP is a full-service freight forwarder and has activities within both Air & Ocean and Road & Logistics, with the latter constituting the majority of the business.. Though the extended Brexit process through 2019 has offered challenging conditions, the completion of the Brexit process now presents market participants with increased transparency about future conditions.

On December 20, 2019 NTG signed an agreement to acquire 85% of the shares in Ebrex Business Solutions, and the transaction closed on February 27, 2020.

Ebrex is specialized in road freight forwarding, supply chain solutions and warehousing, with its main geographical markets being the UK, Germany, Poland and Sweden. It has its core business within transportation and storage of spare parts for the automotive industry, with leading automotive companies as the main clients. The automotive aftermarket is historically less exposed to short term market cycles than the automotive industry in general.

Another important development in the Road & Logistics division in 2019, was the share swap by the partners of the seven most mature subsidiaries to listed shares in the parent company NTG Nordic Transport Group A/S. As described earlier in this report, the conversions represent the first completions of a full development cycle for a PADS from a start-up to a mature company.

Expectations for 2020

The successful integration of Ebrex will be a top priority for 2020, including partial or full migration of relevant IT platforms, alignment and implementation of shared purchasing agreements, and co-location of relevant offices. In addition, it will be a priority to cross-fertilize business development opportunities between the individual Ebrex companies and existing NTG PADS.

Continued improvement of the operating performance will also be a focus area for 2020 , in addition to managing the challenges posed by the current global economic conditions.

As in previous years, growth through acquisitions will continue to be a key component of the development plan for the segment. In line with our strategy, the priority will be on profitable companies in the Nordics, UK and continental Europe, with the potential of acquiring loss-making companies in the Nordics.

Business segment review, Air & Ocean

Business segment review, Air & Ocean
Business segment review, Air & Ocean

Air & Ocean achieved total growth of 39% in 2019, of which 16% was organic incl. start-ups. Total revenue for the year was DKK 1.2 billion, which marks the first year where reveue exceeded DKK 1 billion. Operating margin saw an increase to 2.0% from 1.7% in 2018.

In 2016 Air & Ocean was set up as a separate division in NTG and identified as a future growth area. The expansion gained traction with the acquisition of the Gondrand group in 2018, and the journey has continued in 2019 with a total revenue growth rate of 39%, adding new PADS in the UK, Japan, Turkey, Vietnam, Croatia, Romania and the US both through acquisitions and start-ups.

Financial review

Acquired growth for the year was mainly driven by the full year effect of Gondrand and the acquisitions during the year of DAP (UK) in the UK and TAK in Japan.

The main contributors to organic growth were start-ups in the US and Turkey. Organic growth in existing PADS mainly came from specialty services within the Nordics.

The operating profit (adj. EBIT) for the year was DKK 24 million, an increase of 63% from DKK 15 million in 2018. The development is mainly attributed to the acquisition of DAP (UK), improved results in specialty services in the Nordics and positive developments in Germany during the first three quarters.

The operating margin in Q4 2019 was adversely affected by expansion costs, restructuring in China and factors in the German subsidiary, while the full year margin increased from 1.7% in 2018 to 2.0% in 2019.

Accomplishments in 2019

The expansion in the US market gained pace in 2019. NTG opened the first office in the US in Atlanta in the fall of 2018, and during 2019 three more offices were added in New Jersey, Detroit and Chicago.

New start-ups were also added in Turkey, Romania, Vietnam and Croatia.

All new offices are set up in accordance with the partnership model, where each office is established with management and key employees as partners through minority ownership.

Two acquisitions were also completed within the Air & Ocean division in 2019. In January DAP (UK) and TAK International was acquired, expanding NTG's own presence to the UK and Japan. Both companies were managed by the selling shareholders, and in both companies the selling shareholders continue as management with a minority ownership position or an earn-out.

In Q1 2019 the PADS in Air & Ocean were migrated to an upgraded transport management IT platform and Group ERP system, increasing the potential for operational efficiency gains and more seamless cooperation between NTG offices. The new system is procured as software-as-a-service and all implementation costs have been recognized as a cost for 2019.

Expectations for 2020

As in previous years, the overall priority for the Air & Ocean division in 2020 is profitable growth through start-ups, acquisitions and continued expansion of existing PADS. In addition, it will be a priority to successfully navigate the circumstances imposed by global economic conditions.

Operational improvements will also be a focus area through the newly updated transport management system and increasing opportunities for procurement gains. Besides as the company matures, cooperation between the different countries is increasingly becoming a focus area.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Expectations for 2020

Expectations for 2020
Expectations for 2020

The world has had a turbulent start to 2020. NTG's financial expectations for the year assume a return to normal activity levels during the second half of 2020 while factoring in a limited impact from a number of other market variables.

A market of unknowns

As of the publication of this annual report, NTG has identified three main market factors which may impact the Group's financial results for the year 2020. COVID-19, Brexit and trade wars are topics which can impact trade volumes significantly, however it is not possible to quantify the potential impact currently.

The continued spread of COVID-19 poses a significant challenge to the global economy and as such, also for the global transportation industry. NTG has only a partial exposure to intercontinental trade, but to the extent that intra-European road transportation is affected that will have a greater impact on NTG's financial performance. The current outlook reflects an impact to our overall business in the first half of the year and assumes a return to normal economic activity during the second half of 2020.

Brexit continues to be a topic of uncertainty. The completion of the exit process has delivered some clarity on the outcome, but most practical consequences are still unknown. During 2019 NTG derived about 2% of revenue and adj. EBIT from PADS based in the UK. As Ebrex is added to the Group the share will increase but expected to remain well below 10%.

Trade wars and sanctions are expected to continue as a market threat for 2020, potentially impacted by shifting power dynamics in the US political system leading up to the presidential election in November. The current outlook for 2020 assumes no major shifts in the overall level of trade barriers.

Integration of acquired companies

The development in Gondrand in 2019 was disappointing. However, the latest turn-around initiatives and divestments are beginning to show results, and for 2020 it is expected that Gondrand will reach an adj. EBIT around break-even.

A significant part of management focus will be dedicated to the successful integration of Ebrex. Synergies of EUR 1.5 million have been identified and the plans will be executed over a 12-month period, with full-year effect expected from Q2 2021.

Implementation costs are estimated to be in line with one year's cost synergies and will be charged to the income statement under special Items during the integration period.

In line with the overall strategy, NTG is continuously evaluating numerous potential acquisition targets, but the financial expectations do not include any effect from future acquisitions.

Financial expectations

For the financial year 2020 NTG expects to realize revenue between DKK 4,500 – 5,300 million and adj. EBIT of DKK 130 – 180 million. COVID-19 is expected to have a negative effect on the short-term and cause a high degree of uncertainty and unpredictability in the market. Our guidance for the year is based on the assumption that economic activity will normalize during the second half of the year. If this does not happen, there can be a significant downward risk to our guidance.

Until global economic activity is normalized, NTG will take the necessary steps to safeguard the financial strength of the company. Measures may include redundancies, restructuring or winding down local subsidiaries and/or participating in financial support schemes provided by governments in the jurisdictions we operate in. Excluding the effects of COVID-19 our expectations for the year would have been in line with our mid-term targets. Divestment of the activities Italy and Czech Republic will impact revenue negatively by around DKK 95 million. The activities were loss making in 2019.

The partners in NTG Polar Finland and NTG Polar Poland have been allowed to start converting their shares to listed shares in the NTG parent company, with the first fifth of the shares converted in 2020, which will decrease minorities' share of the 2020 result. It is projected that the minorities share of adj. EBIT for the year 2020 will amount to around 11-19%.

Governance, risk and responsibility

Organization and structure

Organization and structure
Organization and structure

The Group is structured in the two divisions Road & Logistics and Air & Ocean, with cross-group functions organized at group-level. The Board of Directors and the Executive Management are jointly responsible for leading the Group's activities.

PADS – Partner-Driven Subsidiaries

The daily business, including commercial strategies, sales, customer contact and production of services, is managed by the Partner-Driven Subsidiaries (PADS). Each PADS is led by a managing director and his/her leadership team. In line with the strategy of NTG Nordic Transport Group, the management and key employees are often minority shareholders in the PADS.

The PADS model is described in further detail in the section "Entrepreneurial mentality, economies of scale".

Executive Management

The Executive Management exercises direct leadership of the PADS' Managing Partners and the Heads of group functions. They are responsible for executing the strategy of NTG, including delivering on the acquisitive and organic growth targets. In addition, they are responsible for the overall operational and financial performance of NTG and managing group-level support functions like IT, Legal and Finance.

The Executive Management consists of three equal executives: A Group CEO for the Road & Logistics division, a Group CEO for the Air & Ocean division and a Group CFO. The Managing Directors of each PADS report directly to the CEO of the respective division.

The three executives are collectively responsible for the business of the company and all report directly to the Board of Directors. The current NTG Executive Management structure has been in place since August 2018.

Board of Directors

During 2019 several changes were made to the Board of Directors.

In March, Eivind Kolding was elected to the Board, and subsequently it constituted itself with him as Chairman. Eivind Kolding has a long career from publicly listed companies, including CFO of A.P. Møller-Maersk, CEO of Maersk Line and CEO of Danske Bank.

Michael Larsen, who has been part of NTG's journey since its inception, also joined the Board during 2019 together with Jesper Præstensgaard, who comes from a long career in the shipping and logistics industry.

As of 20 March 2020, the Board of Directors consists of eight members, of which four are independent. The Chairman is independent and has the casting vote.

The Board of Directors has established three permanent committees for the purpose of assisting the Board of Directors with preparing decisions and submitting recommendations for the entire Board. Each committee is governed by its own charter, which describes, among other things, the composition of the committee, its meeting schedule and its tasks, duties and responsibilities.

Recommendations on Corporate Governance

The full Corporate Governance Statement of NTG Nordic Transport Group A/S can be found on NTG's investor website (investor.ntg.dk).

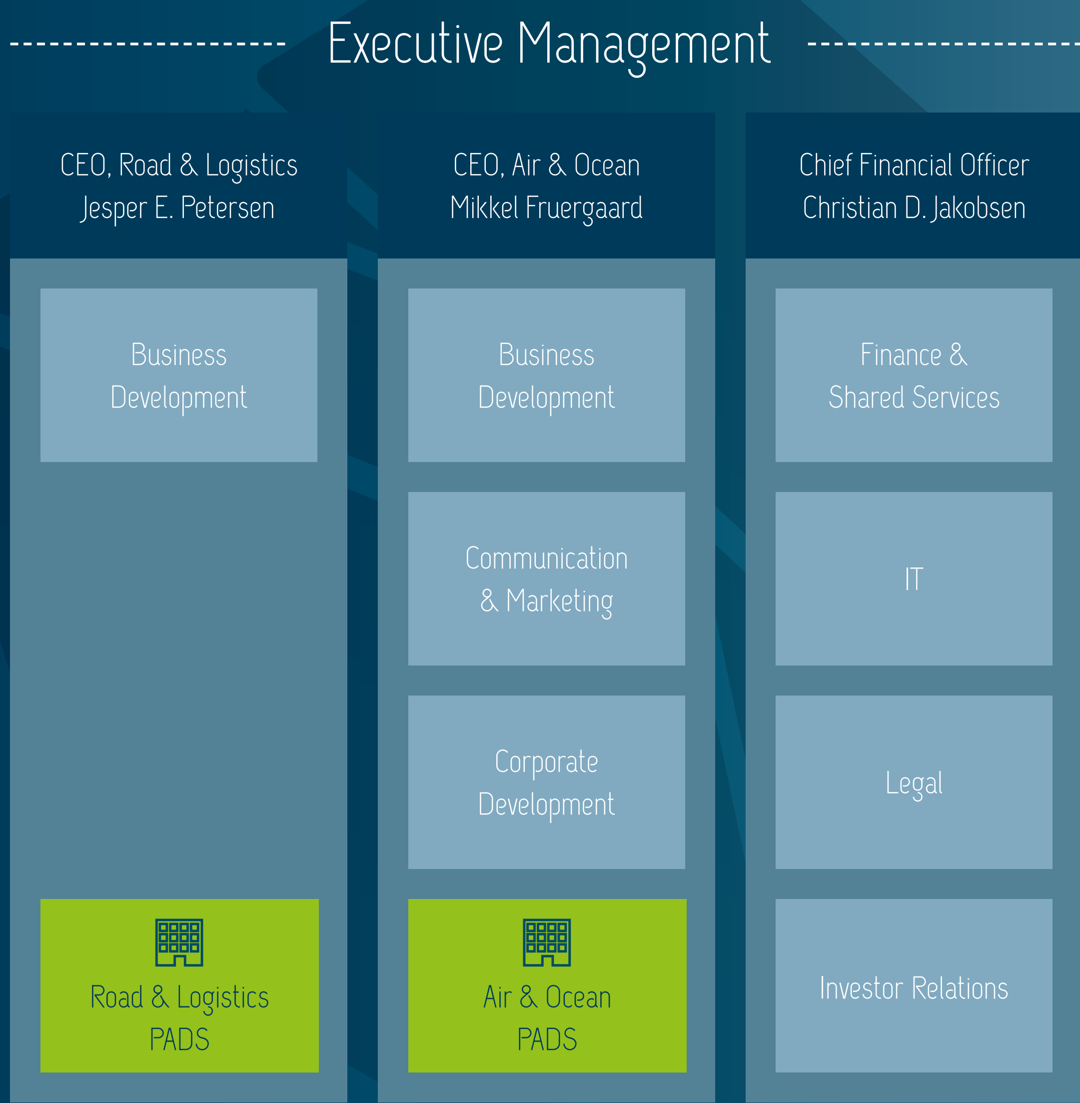
NTG intends to comply with the Recommendations on Corporate Governance in all material respects, except that the Company has opted to deviate in the following two areas:

3.4.2 "The Committee recommends that a majority of the members of a board committee be independent."

There are two members of the nomination committee of which one is considered non-independent. However, the Board of Directors is of the belief that the nomination committee with its present composition hold the best experience to undertake the tasks of the committee.

3.4.8 "The Committee recommends that the remuneration committee do not consult with the same external advisers as the executive board of the company"

The committee assesses on a case-by-case basis which are the most qualified advisors to consult with due consideration always being given to avoid conflicts of interests.



Board of Directors

Board of Directors
Board of Directors

Eivind Kolding

Chairman of the Board

Member since: 2019

Born: 1959

Independent Board Member

Jørgen Hansen

Vice chairman of the Board

Member since: 2011

Born: 1960

Michael Larsen

Board member

Member since: 2019

Born: 1976

Finn Skovbo Pedersen

Board member

Member since: 2018

Born: 1955

Independent Board Member

Peter Grubert

Board member

Member since: 2014

Born: 1963

Stefan Pettersson

Board member

Member since: 2013

Born: 1970

Ulrik Ross

Board member

Member since: 2018

Born: 1971

Independent Board Member

Jesper Præstensgaard

Board member

Member since: 2019

Born: 1964

Independent Board Member

Executive Board

Executive Board
Executive Board

> We are open-minded and make a difference for our customers.

Jesper E. Petersen

Group CEO, Road & Logistics

Jesper E. Petersen joined NTG in 2016 as Group CEO for NTG's Road & Logistics Division.

He has more than 40 years of experience within freight forwarding and has previously held Senior Management positions within other large companies in the industry, including European leadership positions. Through his career he has worked and lived in Italy and Germany for a total of 15 years.

In addition to vast industry experience, Mr. Petersen brings an entrepreneurial mindset having built, lead, and successfully exited a freight forwarding company in Italy.

Mr. Petersen is the President of the Danish Freight Forwarders Association.

> Every challenge is a chance for success.

> “Standardisation and measurement are fundamental to good management.

Mikkel Fruergaard

Group CEO, Air & Ocean

Mikkel Fruergaard joined NTG in 2016 as Group CEO for NTG's Air & Ocean Division.

For the past 20 years he has worked for some of the largest players in the shipping industry, both in Denmark and abroad. Mr. Fruergaard is a graduate from the Maersk International Shipping School and a former First Lieutenant of the Royal Danish Army.

Mr. Fruergaard brings extensive experience from public and private companies and is skilled in M&A, restructuring, customer relations and leading diverse teams across the globe.

Mr. Fruergaard has completed various executive training programs and holds an MBA (hons.) from IMD Business School in Switzerland.

Christian D. Jakobsen

Group CFO

Christian D. Jakobsen joined NTG in 2018 as Group CFO.

He has more than 20 years of experience within finance, accounting, and freight forwarding, and has previously held several senior financial positions within the transport industry both in Denmark and abroad.

Mr. Jakobsen has extensive experience in integrating companies and is skilled in M&A, restructuring and in setting up and optimizing proceses.

He has spent 8 years in Germany in a managing position with another large global freight forwarder, completing a turn-around of the region following an extended period of acquisitive growth.

Mr. Jakobsen has a background as a Big Four auditor, bringing extensive experience from both large private and publicly listed companies.

Risk management

Risk management

Risk management

In NTG, the goal of Risk Management is to reduce operational risks and financial risks to a satisfactory level for stakeholders of the Group and to capitalize on shifting market situations in a timely manner.

Value creation and safe navigation through our growth journey is supported by extensive managerial experience within the freight forwarding industry, combined with a strong back-office focus on compliance and capital structure.

Occurrences with a potential effect on the Group's projected earnings are perceived as risks and opportunities for NTG. Such occurrences arise due to changes in the freight forwarding market or macroeconomic factors affecting participants in this market. Based on the most recent risk evaluation, it is the assessment of Executive Management that the identified risks do not individually or collectively cast doubt on the Group's ability to continue as a going concern.

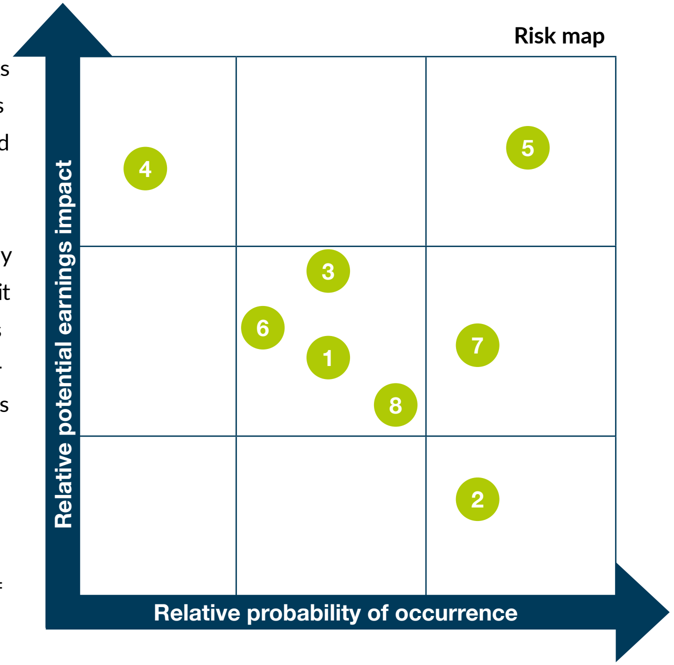
Risk governance

NTG's governance model supports the Group's risk management strategy by implementing short lines of communication and cultivating the ability to adapt to shifting market situations. Adaptability and managerial involvement are crucial in creating value from the risks and opportunities faced by the Group. Risk management systems and the supporting governance structure were further strengthened as part of the preparations for becoming a public company.

The Board of Directors' Audit Committee is the responsible body for securing effective risk management within the Group. The Audit Committee monitors, evaluates and discusses systems and policies with relevant parties on a recurring basis, and provides recommendations to the Board of Directors. Executive Management supports the Audit Committees' work by functioning as the prime driver of risk identification and mitigation on a day-to-day basis.

Identification and mitigation

An extensive risk identification work was performed as part of the Group's preparations for becoming a public company. The effort included participants from within NTG as well as experienced advisors to secure a 360° perspective on the Group's risk profile. For internal purposes, each identified risk is assessed on two components: relative probability of occurrence and relative potential earnings impact. For each risk, Executive Management assesses if the probability and impact based on managerial experience and comprehensive discussions of each risk component.



1 *Disruption*

Changing market conditions, digital development, new business models and shipping lines' vertical integration can potentially disrupt the freight forwarding market. Such trends and their effects are not always foreseeable.

A strict focus on system standardization and maintaining the digital core coupled with operational agility positions NTG to continually adapt its operations.

2 *Input factors*

NTG is exposed to the risk of increase in input-factor prices, especially the price of fuel. Due to the inherent setup of NTG's business model and flexible contract structures, NTG has historically been able to mitigate the effects of price fluctuations without major delays.

NTG relies on suppliers to deliver both transport services and related services. NTG keeps close contact with critical suppliers and ensures an adequate standardization of the delivered services to ensure contingencies in case of failure to deliver.

3 *Compliance*

As independent carriers are used to service NTG's customers, non-compliance with applicable laws and legislation is both and internal and external risk factor. To provide a responsible basis of operations, NTG has implemented codes of conduct covering employees of the Group and suppliers. Short lines of communication make identification of non-compliance more visible and compartmentalization of the Group provides the ability to limit the legal impact of non-compliance.

4 *Security*

Breach of NTG's IT-security or internal controls can cause disruption of NTG's services, non-compliance with applicable laws and legislation and adverse effects on NTG's reputation. Cyber security is a continuous risk area. Monitoring of internal controls and continuous update of systems alleviates the risk and impact of security breaches.

5 *External economic and political environment*

There is a strong correlation between the general economic activity and the freight forwarding market. NTG is – along with other participants in the freight forwarding market – exposed to slowdown in economic activity or financial crisis. This includes negative impact from disruptive forces, such as impact from the ongoing Corona virus, which can have dramatic consequences for economic activity.

Related risk factors include political developments, such as restrictions on free trade or the imposition of trade barriers. A specific risk in that regard is the consequences of Brexit. Such developments may affect the trade volumes, but at the same time open the opportunity for further customs declaration activity.

Global economic and political development is outside of NTG's influence. Maintaining an agile operational set-up and a flexible financial structure are the main steps taken by the Group to mitigate such risks.

6 *Competition and market conditions*

The business sentiment in the freight forwarding market is highly competitive. At one end of the scale, low barriers of entry enable new players to enter the market with relatively low start-up costs. Conversely, increased consolidation in the market has led to larger competitors with the ability of leveraging scale to obtain favorable terms from suppliers.

Mitigation is in part secured by a close monitoring of the competitor landscape, and in part by NTG's position as an active market consolidator with a focus on small- and midmarket targets. A plentitude of new entrants ensures a rich eco-system of potential M&A targets for NTG.

7 *Organic and acquired growth*

Growth is subject to inherent uncertainties on account of shifting market situations, limited information and faulty assumptions. Faced with such risks, experience is key. NTG has since inception been committed to a high growth rate with a matching profitability and has amassed considerable knowledge for navigating the market. NTG's PADS model supports profitable growth by providing incentives to and requiring accountability from operational managers/partners.

8 *Talent identification and retention*

As a "people's business" it is of utmost importance to identify and retain skilled employees. Competition for talented employees is tough, requiring the ability to offer attractive conditions. NTG does so by providing a highly inspiring platform for existing talents and future high performers to hone their abilities. Joining NTG through the PADS model gives each partner a possibility to take part in his/her own success on a sustainable basis, while being backed by a strong network, a secure back-office and the large knowledge pool of existing partners.

Our social responsibility

Our social responsibility
Our social responsibility

The transportation industry faces a number of challenges relating to corporate social responsibility. NTG is committed to finding and implementing solutions in close collaboration with customers and other industry stakeholders.

Global awareness about environmental and social impact is increasing. This is to the great benefit of current and future generations, and NTG is committed to supporting the development and take part in finding and implementing sustainable solutions.

As a freight-forwarder and logistics provider, NTG organizes and handles shipments for customers, while subcontracting the physical transportation of goods to haulers, ocean carriers and airlines. For a further description of NTG's business model please see the section titled "Entrepreneurial mentality, economies of scale".

CSR-related risk analysis

It is assessed that the main risks for NTG are related to the operations of the company. In comparison, NTG's potential risks relating to the environment, social- and employee relationships, human rights and anti-corruption is estimated to be limited. The main business risk for NTG attached to the above-mentioned CSR-related topics are assessed to be reputational damage towards customers, suppliers and investors, and to a lesser extent direct financial costs related to criminal and legal proceedings and potential fines. Risk is seen as a combination between impact and likelihood of any given subject. For a more extensive analysis of the main identified risks facing NTG, please see the section titled "Risk management".

Environmental impact

With the current technologies available, transportation is a significant contributor to global CO_2 emissions. Reducing emissions to a sustainable level is a challenge faced by all participants in the transportation industry from airlines to public transportation authorities to freight forwarders.

As a freight forwarder and logistics provider NTG's direct emissions mainly relate to office buildings and terminals. NTG is continuously working to identify economically viable opportunities to reduce direct emissions through energy saving and conservation throughout the relevant locations. To ensure consistent implementation and follow-up, NTG has implemented ISO 14001 certification related to their environmental management and implementation of environmental management systems. NTG's environmental policies are formalized in the Quality and Environmental Manual.

In addition to direct emissions, NTG is seeking to reduce the indirect emissions generated by the transportation providers who NTG contracts. Trucks, planes and ships are significant contributors to global emissions, and though NTG does not own or operate trucks or vessels, NTG is able to assert influence over these indirect emissions through dedicated partnerships and through the buying power of the Group.

Efforts and results – environmental impact

As of December 31, 2019, 24 PADS and 42 individual sites had achieved ISO 14001 certification, and more PADS are expected to be certified during 2020.

NTG makes inquiries about the Euro Norm scores of subcontractor's vehicle fleets, in order to ensure a continuous improvement among subcontractors throughout Europe. When engaging in activities with new contractors, the company maintains the Euro Norm score as a decision criterion, which has been used in 2019 to select sub-contractors.

During 2019 NTG has managed to increase the usage of low-emissions modes of transportation. This has been done by shifting volumes from road transportation to trains and shortsea.

In close collaboration with key customers NTG is also exploring opportunities for alternative fuels for road transportation such as liquified natural gas.

To create a baseline and methodology for measuring the impact of emissions reductions initiatives and strengthen ESG, NTG will publish a measure of the Group's 2020 CO2 footprint, and targets for reducing the relative emissions impact of the Group going forward. The measurement and the targets will include the impact by the transportation providers contracted by NTG.

Our employees mean everything

The employees of NTG Nordic Transport Group are the reason for success. Their commitment, dedication and talent are the main assets of the company and the continued success of NTG depends on having satisfied employees who can conduct their job in a safe and productive manner.

In cooperation with subcontractors, NTG conducts road safety initiatives that are continuously evaluated and improved. NTG strictly prohibits driving while under influence of alcohol, drugs, pharmaceuticals or while fatigued. Furthermore, compliance is required with the existing regulations regarding driving and rest time for employees who drive heavy vehicles.

Efforts and results: Employees

NTG monitors employee satisfaction yearly, and openly presents and discusses the results with employees in order to discuss improvement areas and identify means of addressing them. All employees are encouraged to act upon dissatisfaction through the surveys, or through direct dialogue with the immediate manager in order to continuously improve the working conditions in the company.

In 2019 NTG reached an employee satisfaction score, which reflects that of the industry.

Human rights policies

The Group acknowledge and support maintenance of internationally declared human rights and base its work on UN's universal declaration on human rights and interpretation as it is the responsibility of the state to protect, and companies' responsibility to respect these rights.

NTG does not discriminate, and prohibits any discrimination based on race, skin color, religion, gender, age, nationality, sexual orientation, disability, political observation, social background or any status protected by the law. NTG condemns all form of forced labor and all exploitative working conditions and does not employ, or cooperate, with entities that employ persons under the legal working age.

Anti-corruption

The Group does not accept corruption in any form and the company is committed to prevent the occurrence of corruption and bribes to any person, whether private, public, direct or indirect. NTG recognizes that facilitation payments are bribes, and as such NTG is committed to work to identify and eliminate them. The Group is committed to comply with relevant legislation concerning anti-corruption and to introduce standards required.

Efforts and results: Human rights and anti-corruption

Throughout 2019 NTG has continued the implementation of its code of conduct, and it is now in place towards subcontractors and employees. The code of conduct reflects its commitment and dedication to the principles of internationally recognized standards and actively promotes values such as, but not limited to, diversity, anti-bribery, road safety and human rights.

NTG is working on improving the procedures for control of any non-compliance by its suppliers and contractors, but the Group is at the same time aware that it is in general difficult to discover any such non-compliance by its suppliers and contractors. Since operations commenced, NTG has terminated collaborations with sub-suppliers due to code of conduct related non-conformity.

Besides the code of conduct, NTG has procedures and policies in place to ensure compliance with laws and regulations for certain areas of its business. Further, NTG is implementing an IT-based sanctions screening compliance system across the Group. Implementation is expected to be finalized during first half of 2020.

In 2019 a whistleblower system was implemented throughout NTG, called "NTG Speak Up". The platform is administered independently by a Big Four audit company, who's forensic team screens and reports all matters reported on the portal. NTG encourages that the reports filed are not anonymous as it helps the subsequent investigation to have the opportunity to ask additional questions and subsequently inform about how the investigations will proceed. However, it is possible to file an anonymous report to the effect that such reports will be and remain anonymous to NTG.

Gender composition

NTG is aware that the transportation industry historically has attracted men to a higher degree than women. This naturally affects the gender composition, and it potentially limits the Group's ability to attract a diverse talent base.

Efforts and results: Gender composition

NTG is committed to ensure that all employees have the best opportunities to create a career in the Group. Our employees are our key to success. Group Management does not discriminate on the basis of gender but strives to employ the best candidate for the job in question. Management is aware that the transport industry is an area that attracts men to a higher degree than women, which obviously affects the gender representation. However, to ensure continued access to a broad range of employees and skills, it is management's objective to try to increase the share of women on both the management team and in the organization generally.

To ensure continued access to a broad range of employees and skills, it is NTG's objective to increase the share of women in leadership positions and the organization in general. The efforts were formalized during 2019 with the adoption of NTG's Diversity Policy by the Board of Directors. It is an element of NTG's HR policy that its female employees should find that they have the same career and executive promotion options as male employees.

As of December 31, 2019, the share of female employees in Nordic Transport Group was below 50 percent, whereas the share of female executives was below 20 percent. To increase the share of women throughout the organization, NTG is committed to supporting and enhancing the qualifications of female talents. This is done through mentorship programs and by offering opportunities to build new professional competencies.

The Board of NTG consists of eight members, of which all are male. The Group has a target of 1/7 representation of the underrepresented gender on the Board of Directors, which is expected to be reached by 2022 at the latest.

During 2019, several changes were made to the board composition, resulting in the appointment of three male members. One of the members was elected based on his close affiliation with a large group of shareholders, while the other two were elected based on their extensive experience from senior positions within listed, transportation-related companies.

In connection with ongoing changes in the Board of Directors, the objective of representation of the underrepresented gender in the Board will continuously be pursued by specifically focusing on identifying and considering female candidates in the process. In addition, the newly acquired status of NTG as a listed company will be used to create awareness around the company and may help NTG appeal to a more diverse talent base.

Financial Statements

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Income Statement

Income Statement
Income Statement

(DKK '000)	Note	2019	2018
Net revenue	2.2	5,331,989	4,512,137
Direct costs	2.3	-4,245,525	-3,635,529
Gross profit		**1,086,464**	**876,608**
Other external expenses	2.4	-195,230	-204,451
Staff costs	2.5	-546,644	-475,335
Operating profit before amortizations, depreciations and special items (adj. EBITDA)		**344,590**	**196,822**
Amortizations and depreciation of intangible and tangible fixed assets	2.6	-136,625	-7,666
Operating profit before special items (adj. EBIT)		**207,965**	**189,156**
Special items, net	2.7	-104,216	-17,563
Financial income	2.8	1,885	1,741
Financial costs	2.8	-51,077	-16,513
Profit before tax		**54,557**	**156,821**
Tax on profit for the year	3.1	-46,235	-45,298
Profit for the year		**8,322**	**111,523**
Attributable to:			
Shareholders in NTG Nordic Transport Group A/S		-11,734	42,407
Non-controlling interests		20,056	69,116
Earnings per share			
Earnings per share (DKK)	6.2	-0.64	2.93

* Effective 1 January 2019 the Group implemented the new standard on leases, IFRS 16 which has had a material effect on the financial statements. Refer to note 1.1 for further information. Comparative figures were not restated.

Statement of Other Comprehensive Income

Statement of Other Comprehensive Income
Statement of Other Comprehensive Income

(DKK '000)	Note	2019	2018
Profit for the year		8,322	111,523
Items that may be reclassified to the income statement:			
Foreign exchange adjustments of subsidiaries		-243	-6,378
Items not reclassified to the income statement:			
Actuarial adjustments on retirement benefit obligations	8.1	-20,242	3,175
Other comprehensive income		**-20,486**	**-3,203**
Total comprehensive income		**-12,163**	**108,320**
Attributable to:			
Shareholders in NTG Nordic Transport Group A/S		-33,387	39,885
Non-controlling interests		21,223	68,435

Cash Flow Statement

(DKK '000)	Note	2019	2018
Operating profit before special items		207,965	189,156
Depreciation and amortizations		136,625	7,666
Change in working capital etc.		40,539	2,334
Change in provisions		-8,793	-6,439
Financial income received		1,885	1,741
Interest paid on leasing contracts		-31,334	0
Other financial expenses paid		-19,743	-16,513
Corporation taxes paid		-79,655	-44,522
Special items		-46,239	-16,063
Cash flow from operating activities		**201,250**	**117,360**
Purchase of intangible assets		-322	-1,035
Purchase of property, plant and equipment		-37,311	-17,897
Disposal of tangible assets		14,441	1,303
Acquisition of business activities	7.1	-31,882	-1,485
Changes in other financial assets		2,753	-499
Cash flow from investing activities		**-52,321**	**-19,613**
Free cash flow		**148,929**	**97,747**

(DKK '000)	Note	2019	2018
Repayment of loans		0	-67,355
Proceeds from loans		0	22,823
Repayment of lease liabilities		-117,253	0
Proceeds and repayments of other financial liabilities		-43,864	-397
Shareholders and non-controlling interests			
Cost attributable to capital increase		-4,913	0
Reverse acquisition of former Neurosearch A/S on 7 October 2019	7.3	53,261	0
Dividends paid to non-controlling interests		-14,827	-51,078
Acquisition of shares from non-controlling interests		-145	0
Disposal of shares to non-controlling interests		1,342	-12,846
Cash flow from financing activities		**-126,399**	**-108,853**
Cash flow for the year		**22,530**	**-11,106**
Cash and cash equivalents at 1 January		157,988	175,907
Cash flow for the year		22,530	-11,106
Currency translation adjustments		-298	-6,813
Cash and cash equivalents at 31 December		**180,220**	**157,988**

* The cash and cash equivalents disclosed in the cash flow statement include DKK 16,455 thousand which are held on restricted deposit accounts at 31 December 2019.

Balance Sheet

Assets

(DKK '000)	Note	2019	2018
Intangible assets	5.1	389,750	331,057
Property, plant and equipment	5.2	75,232	58,544
Right-of-use assets	5.3	518,715	0
Other receivables	4.2	6,153	8,906
Deferred tax assets	3.2	4,988	4,470
Total non-current assets		**994,838**	**402,977**
Trade receivables	4.1	769,766	729,084
Other receivables	4.2	82,503	83,146
Cash and cash equivalents	4.3	180,220	157,988
Corporation tax		2,254	117
Total current assets		**1,034,743**	**970,335**
Total assets		**2,029,581**	**1,373,312**

* Effective 1 January 2019 the Group implemented the new standard on leases, IFRS 16 which has had a material effect on the financial statements. Refer to note 1.1 for further information. Comparative figures were not restated.

Equity and Liabilities

(DKK '000)	Note	2019	2018
Share capital	6.1	448,548	526
Reserves		-208,129	113,483
NTG Nordic Transport Group A/S shareholders' share of equity		**240,419**	**114,009**
Non-controlling interests	7.2	48,020	93,898
Total equity		**288,439**	**207,907**
Deferred tax liabilities	3.2	2,651	2,892
Pensions and similar obligations	8.1	152,869	135,157
Provisions	5.4	2,909	48,697
Financial liabilities	4.5	36,107	18,167
Lease liabilities	4.6	455,410	0
Total non-current liabilities		**649,946**	**204,913**
Provisions	5.4	42,614	65,502
Financial liabilities	4.5	17,246	50,346
Lease liabilities	4.6	119,920	0
Trade payables	4.4	776,264	693,362
Other payables	4.4	127,495	113,168
Corporation tax		7,657	38,114
Total current liabilities		**1,091,196**	**960,492**
Total liabilities		**1,741,142**	**1,165,405**
Total equity and liabilities		**2,029,581**	**1,373,312**

* Effective 1 January 2019 the Group implemented the new standard on leases, IFRS 16 which has had a material effect on the financial statements. Refer to note 1.1 for further information. Comparative figures were not restated.

Statement of Changes in Equity

Statement of Changes in Equity
Statement of Changes in Equity

2019

(DKK '000)	Share capital	Share premium	Translation reserve	Retained earnings	Shareholders' share of equity	Non-controlling interests	Total equity
Equity at 1 January	**526**	**0**	**-6,038**	**119,521**	**114,009**	**93,898**	**207,907**
Profit for the year	**0**	**0**	**0**	**-11,734**	**-11,734**	**20,056**	**8,322**
Net exchange differences recognized in OCI	0	0	-1,411	0	-1,411	1,168	-243
Actuarial gains/(losses)	0	0	0	-20,242	-20,242	0	-20,242
Tax on other comprehensive income	0	0	0	0	0	0	0
Other comprehensive income, net of tax	**0**	**0**	**-1,411**	**-20,242**	**-21,653**	**1,168**	**-20,485**
Total comprehensive income for the year	**0**	**0**	**-1,411**	**-31,976**	**-33,387**	**21,224**	**-12,163**
Transactions with shareholders:							
Share-based payments	0	0	0	309	309	0	309
Dividends distributed	0	0	0	0	0	-14,827	-14,827
Purchase of treasury shares	0	0	0	0	0	0	0
Reverse acquisition of former Neurosearch A/S on 7 October 2019	24,554	0	0	28,707	53,261	0	53,261
Excess value expense related to reverse acquisition on 7 October 2019	0	0	0	57,977	57,977	0	57,977
Adjustment of share capital	-766	0	0	766	0	0	0
Capital increase less direct attributable cost	391,697	0	0	-396,610	-4,913	0	-4,913
Acquisition of shares from non-controlling interests	32,537	172,605	0	-153,924	51,218	-51,672	-454
Disposal of shares to non-controlling interests	0	0	0	1,945	1,945	-603	1,342
Other adjustments	0	-172,605	0	172,605	0	0	0
Total transactions with owners	**448,022**	**0**	**0**	**-288,225**	**159,797**	**-67,102**	**92,695**
Equity at 31 December	**448,548**	**0**	**-7,449**	**-200,680**	**240,419**	**48,020**	**288,439**

Statement of Changes in Equity

Statement of Changes in Equity
Statement of Changes in Equity

2018

(DKK '000)	Share capital	Share premium	Translation reserve	Retained earnings	Shareholders' share of equity	Non-controlling interests	Total equity
Equity at 1 January	**520**	**0**	**-341**	**91,690**	**91,869**	**65,696**	**157,565**
Profit for the year	**0**	**0**	**0**	**42,407**	**42,407**	**69,116**	**111,523**
Net exchange differences recognized in OCI	0	0	-5,697	0	-5,697	-681	-6,378
Actuarial gains/(losses)	0	0	0	3,175	3,175	0	3,175
Tax on other comprehensive income	0	0	0	0	0	0	0
Other comprehensive income, net of tax	**0**	**0**	**-5,697**	**3,175**	**-2,522**	**-681**	**-3,203**
Total comprehensive income for the year	**0**	**0**	**-5,697**	**45,582**	**39,885**	**68,435**	**108,320**
Transactions with shareholders:							
Dividends distributed	0	0	0	0	0	-51,078	-51,078
Purchase of treasury shares	0	0	0	0	0	0	0
Capital increase	0	0	0	0	0	0	0
Net addition of non-controlling interests	6	6,934	0	-24,685	-17,745	10,845	-6,900
Other adjustments	0	-6,934	0	6,934	0	0	0
Total transactions with owners	**6**	**0**	**0**	**-17,751**	**-17,745**	**-40,233**	**-57,978**
Equity at 31 December	**526**	**0**	**-6,038**	**119,521**	**114,009**	**93,898**	**207,907**

Notes to the consolidated financial statements

Table of contents

1. Basis for preparation

1. Basis for preparation
1. Basis for preparation

This section provides an overview of the financial accounting policies and key accounting estimates applied in the preparation of the Group's consolidated financial statements. The accounting policies set out in section 1.1. below have been applied consistently with respect to the financial year and comparative figures from previous year, except for the effects of implementing IFRS 16 at 1 January 2019.

The consolidated financial statements of NTG Nordic Transport Group A/S have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB)

The Annual Report for 2019 was approved by Executive Management and the Board of Directors on 20 March 2020 and will be presented for approval at the subsequent Annual General Meeting on 16 April 2020.

1.1. Accounting policies, estimates and judgments

The Annual Report for the period 1 January - 31 December 2019 comprise the consolidated financial statements of the parent company NTG Nordic Transport Group A/S and subsidiaries controlled by the parent company (the Group).

The annual report has been prepared on a going concern basis and in accordance with the historical cost convention, except where IFRS explicitly requires use of other values.

New and amended standards adopted by the Group

The Group has implemented all new EU-approved standards, interpretations and amendments effective on 1 January 2019. Of these standards, interpretations and amendments, only IFRS 16 had a material impact on the Group's financial statements.

Changes in accounting policies

Effective 1 January 2019, NTG Nordic Transport Group applied the new reporting standard on Leases, IFRS 16. Implementation of the standard has had a material effect on the Group's financial statements, as the distinction between operating and finance leases is removed. Under the provisions of IFRS 16, all leases (including leases previously classified as off-balance sheet in accordance with IAS 17) are recognized in the balance sheet as lease liabilities and with corresponding right-of-use assets. Recognition occurs at the date on which the leased assets are available for use by the Group. The Group transitioned to IFRS 16 in accordance with the modified retrospective approach. Consequently, previous period comparative figures were not adjusted in the financial statements.

The following practical expedients were applied while implementing IFRS 16:

- Previously applied assessments of lease contract classification in accordance with IAS 17 were maintained. Classification of existing leases as either financial or operational leasing arrangements were not reassessed at the implementation date. Contracts which previously were determined as not containing a lease in accordance with IAS 17 were not reassessed.
- Leasing contracts with a remaining term of 12 months or less from the implementation date, 1 January 2019, were exempted from the implementation of IFRS 16.

The Group applies the following practical expedients from IFRS 16 on all existing and new leasing contracts:

- Groups of lease contracts displaying similar characteristics are discounted using a single discount rate per lease contract group
- Service components part of leasing contracts are not included in the calculation of right-of-use assets and corresponding lease liabilities. These costs will be recognized in the income statement as incurred
- No right-of-use asset or lease liability is recognized for leases with terms of 12 months or less and leasing contracts of low value. These costs will be recognized in the income statement as incurred

The Group's 2018 Annual Report showed an operating lease commitment of DKK 823,435 thousand at 31 December 2018. The disclosed operating lease commitment at 31 December 2018 is bridged to the calculated lease liabilities in accordance with IFRS 16 as follows.

(DKK '000)	
Disclosed operating lease commitment 31 December 2018	823,435
Adjustment for service components	-5,340
Short-term and low value leases (recognized as incurred)	-16,558
Financial leases	-8,326
Discount effect 1 January 2019	-210,094
Lease liability recognized 1 January 2019	**583,117**
Current	141,332
Non-current	441,785

A weighted average incremental borrowing rate of 5.4% was applied.

At transition, financial liabilities increased by DKK 583,117 thousand to DKK 651,630 thousand, while property, plant and equipment increased by DKK 540,034 to DKK 598,578.

No restatement of comparison figures was carried out, apart from the inclusion of additional line items in the balance sheet statement representing lease liabilities.

No other new standards or interpretations have had effect on the financial statements of Nordic Transport Group.

Further description of the accounting principles for lease liabilities and right-of-use assets, reference is made to notes 4.6 and 5.3, respectively.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Consolidation principles

The Consolidated financial statements comprise NTG Nordic Transport Group A/S (Parent Company) and its subsidiaries.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 7.1).

Consolidation is performed by summarizing the financial statements of the Parent Company and its subsidiaries. Intercompany transactions, balances and unrealized gains on transactions between Group entities are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests' share of profit/loss for the year and of equity in subsidiaries is included in the Group's profit/loss for the year and of the equity of subsidiaries, respectively, but shown as separate items. Net profit for the year is allocated to non-controlling interests using the ownership interests present on the reporting date.

Associates are all entities over which the Group has significant influence, but not control or joint control. This is generally the case when the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost.

Acquired or sold subsidiaries are recognized in the consolidated income statement for the period in which the Parent controls such entities. Comparative figures are not restated for recently acquired or sold entities.

Foreign currency translation

Functional and presentation currency

Items in the financial statements of each reporting entity of the Group are measured in the currency of the primary economic environment in which the entity operates (the functional currency).

The functional currency of the Parent Company, NTG Nordic Transport Group A/S is DKK.

The financial statements are presented in Danish kroner (DKK), and all amounts have been rounded to the nearest thousand.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized on a net basis in the statement of profit or loss, within financial items.

Group Entities

The results and financial position of all group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. Assets and liabilities for each entity's balance sheet are translated at the closing rate at the date of that balance sheet;
2. Income and expenses for each entity's income statement are translated at average exchange rates; and
3. All resulting exchange differences are recognized directly in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

Statement of cash flow

The cash flow statement shows the Group's cash flows during the year distributed on operating, investing and financing activities, including changes in cash and cash equivalents at the beginning and at the end of the year. The cash flow statement cannot be derived directly from the balance sheet and income statement.

Cash flows from operating activities are calculated using the indirect method and as operating profit before special items (EBIT) for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortization and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt, including servicing of leasing liabilities, as well as payments to and from shareholders.

Cash and cash equivalents consist of cash at bank and in hand less current bank loans due on demand.

Materiality

The financial statements separately present items which are considered individually material. Individually immaterial items are aggregated with other items of similar nature in the statements or in the notes. All required disclosures by IFRS are presented, unless the information is considered immaterial to the economic decision-making of the users of the financial statements.

Accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates rely on Management judgment and will, by definition, seldom equal the related actual results.

Estimates and assumptions are based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The estimates and assumptions deemed most significant to the preparation of the consolidated financial statements are addressed below:

- Acquisition of enterprises (Note 7.1)
- Defined Benefit Plans (Note 8.1)

Refer to each of the specific notes for details on relevant accounting policies and further description of significant estimates and assumptions used.

Risk factors specific to the Group are described in the management report from pages 36-37 and in note 6.4.

2. Profit for the year

2. Profit for the year
2. Profit for the year

This section includes disclosures on components of consolidated profit for the year.

2.1 Segment information

Accounting policies

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss before special items and is measured consistently with operating profit or loss in the consolidated statement of income.

Operating segments

The Group's business operations are carried out by two divisions, forming the basis for the Group's segment reporting. Information on business segments is based on the Group's risk and returns and its internal financial reporting system. The segmentation is a direct match to the Group's management structure, with a responsible CEO for each of the two operating segments. Business segments are regarded as the primary segments. Items related to Head-office functions are not part of the business segments and are as such separated in the segment reporting. All intersegment transactions and settlements are carried out on an arm's length basis.

Air & Ocean

The Air & Ocean division provides international air and ocean freight services, including project transports.

Road & Logistics

The Road & Logistics division provides transport and warehousing solutions with a geographical focus on Europe.

Major customers

The Group has no customers contributing revenue of more than 10% of total revenue and the Group is therefore not reliant on any major customers.

	Road & Logistics		Air & Ocean		Eliminations etc.		Total	
(DKK '000)	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Segment revenue	4,145,376	3,662,781	1,214,575	875,840	-1,376	50,446	5,358,575	4,589,067
Revenue (between segments)	-23,609	-22,145	-2,708	-4,477	-269	-50,308	-26,586	-76,930
Revenue (external)	4,121,767	3,640,636	1,211,867	871,363	-1,645	139	5,331,989	4,512,137
Gross Profit	**781,722**	**650,533**	**306,458**	**225,941**	**-1,716**	**135**	**1,086,464**	**876,608**
Amortization and depreciations	125,988	7,283	8,632	383	2,005	0	136,625	7,666
Operating profit before special items	**181,183**	**170,871**	**24,321**	**14,912**	**2,461**	**3,373**	**207,965**	**189,156**

Total assets and liabilities for each segment are not reported because such amounts are not regularly provided to the CODM

The following table present information regarding the Group's geographical segments on revenue, and non-current assets, both of which are allocated according to the country in which the individual consolidated entity is based.

Net revenue (DKK '000)	2019	2018
Denmark	1,960,153	1,722,038
Sweden	833,526	766,488
Germany	696,485	602,380
Finland	518,139	516,781
Other countries	1,323,686	904,450
Total	**5,331,989**	**4,512,137**

Non-current asset (DKK '000)	2019	2018
Denmark	642,596	322,924
Sweden	68,632	1,377
Germany	42,275	21,732
Finland	40,250	13,669
Other countries	196,097	38,805
Total	**989,850**	**398,507**

Non-current assets less tax assets

2.2 Net revenue

Accounting policies

The Group derives revenue primarily from freight forwarding services related to transport of goods throughout Europe and worldwide by road, ocean and air.

Revenue from contracts with customers is recognized when control of freight forwarding services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Freight forwarding services and other services are generally characterized by short delivery times except for ocean transports that takes longer due to the nature of the service delivered.

Timing of revenue recognition reflects when fulfilment of performance obligations towards customers take place and follows the over-time principle because the customer receives and uses the benefits simultaneously.

When determining the transaction price for the sale of services, the Group takes into account the effect of variable consideration and any other significant factors affecting the transaction price. The Group's ordinary course of business is to agree a price (transaction price) with the customer for performing the specific service (price allocation) before booking a haulier/carrier and delivering the service. No material effect of variable consideration is present, and no material uncertainty is therefore associated with the contract price on an individual transport level. No significant financing component is included in the transaction price, as sales are generally made with credit terms between 14-60 days from the delivery date, in coherence with market practice. Consequently, no adjustments to the transaction prices for the time value of money is carried out.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. Change of circumstances relating to individual transports will ordinarily have a non-material effect on the Group's consolidated revenue.

Accrued revenue and accrued costs of services in progress at 31 December 2019 are presented on the line items trade receivables and trade payables, respectively. Accrued revenue is estimated and recognized when a sales transaction fulfils the criteria for revenue recognition, but no final invoice has yet been issued to the customer at the end of the reporting period. Accrued costs are estimated and recognized when supplier invoices relating to recognized revenue for the reporting period have yet to be received.

2.3 Direct costs

Accounting policies

Direct costs comprise costs incurred to achieve the year's revenue and primarily includes costs for hauliers, shipping companies and airlines.

2.4 Other external expenses

Accounting policies

Other external expenses include expenses related to rent, IT, training and education, travelling and other costs of operations and maintenance.

2.5 Staff costs

Accounting policies

Staff costs include salaries, bonuses, pensions, social security costs, vacation pay and other benefits.

Staff costs are recognized in the financial year in which the associated services are rendered by the employees. Costs related to long-term employee benefits, e.g. defined benefit pension plans, are recognized in the periods in which they are earned.

Please refer to note 8.1 for information on the Group's pension plans, including description of accounting principles.The composition of the remuneration to the members of the Board of Directors and the Executive Management is aimed at contributing to retaining and motivating management members and to ensure the maximization of shareholder value by promoting and supporting achievement of strategic objectives for the Group following general trends in the society. Refence is made to the Group's Remuneration Policy found at investor.ntg.dk. Base salary paid to Key Management personnel in 2019 totals DKK 6,629 thousand (2018: DKK 4,887 thousand). Other types of remuneration are only given to Executive Management, presented in the table below.

(DKK '000)	2019	2018
Wages and salaries	460,146	392,008
Defined contribution pension plans	22,884	25,443
Defined benefit pension plans	4,689	3,826
Other social security costs	48,159	40,859
Other staff costs	10,766	13,199
Total staff costs	**546,644**	**475,335**
Average full time employees	1,380	1,349
Number of full-time employees at year-end	1,372	1,335

For the financial year 2020 the Group will publish a remuneration report in accordance with the new requirements of section 139b of the Danish Companies Act implementing the Shareholders Rights Directive.

Incentive-based compensation

The members of the Executive Management received a one-off grant of warrants in 2019. For further information on the structure of the program, reference is made to the Prospectus of 24 September 2019. The vesting period is three years from the grant date.

Remuneration to the Board of Directors expensed in these consolidated financial statements (in context of Nordic Transport Group) is given below:

(DKK '000)	2019	2018
Eivind Kolding	413	0
Jørgen Hansen	175	50
Stefan Pettersson	50	0
Michael Larsen	50	0
Peter Grubert	138	50
Finn Skovbo Pedersen	125	50
Ulrik Ross	150	50
Jesper Præstensgaard	63	0
Morten Mathiesen	50	100
Karsten Mathiesen	8	50
Board of Directors total	**1,222**	350

Severance scheme

Members of the Executive Management have up to 6 months' notice. The Executive Management was not covered by any severance payment scheme in 2019.

Remuneration to the Executive Management Board expensed in these consolidated financial statements (in context of Nordic Transport Group) is given below:

	2019				2018			
(DKK '000)	Jesper E. Petersen	Mikkel Fruergaard	Christian D. Jakobsen	Total	Jesper E. Petersen	Mikkel Fruergaard	Christian D. Jakobsen	Total
Base salary	1,899	1,724	1,784	5,407	1,900	1,152	1,485	4,537
Cash bonus	500	500	1,450	2,450	1,000	1,000	0	2,000
Share-based payments	118	118	73	309	0	0	0	0
Pensions, defined contribution plans	58	53	59	170	57	34	29	120
Other benefits	190	187	183	560	161	187	3	351
Executive Management Board total	**2,765**	**2,582**	**3,549**	**8,896**	3,118	2,373	1,517	7,008

Remuneration to the Board of Directors expensed in former Neurosearch A/S before the reverse acquisition described in note 7.1 is given below (only persons who were members of Neurosearch A/S' Board of Directors in 2019 are shown):

(DKK '000)	2019	2018	2017
Mikkel Primdal Kæregaard	289	89	0
Jesper Præstensgaard	85	0	0
Morten Mathiesen	66	59	0
Allan Andersen	150	59	156
Board of Directors total	**590**	**207**	**156**

Remuneration to the Executive Management Board expensed in former Neurosearch A/S before the reverse acquisition described in note 7.1 is given below (only persons who were members of Neurosearch A/S' Executive Management Board in 2019 are shown):

(DKK '000)	2019	2018	2017
Allan Andersen:			
Base salary	675	800	650
Executive Management Board total	**675**	**800**	**650**

2.6 Amortization and depreciation for the year

Accounting policies

Amortization and depreciation relate to the following fixed assets in the balance sheet:

- Intangible assets (excluding goodwill),
- Property, plant and equipment, and
- Right-of-use assets capitalized cf. IFRS 16

Amortization and depreciation profiles depend on the underlying assets (see notes 5.1 and 5.2)

(DKK '000)	2019	2018
Amortization of intangible assets	149	401
Depreciation of tangible assets	6,593	7,265
Depreciation of right-of-use assets cf. IFRS 16	129,883	0
Total	**136,625**	**7,666**

2.7 Special Items

Accounting policies

Special items are reported in the income statement and comprise significant income and expenses of an exceptional nature relative to the Group's ordinary operations or costs related to investments in future activities.

The items are stated separately to give a true and fair view of the Group's operating profit.

Special items for the year comprise:

- Transaction and integration costs from business combinations
- Costs associated with stock market introduction of the Group
- Other costs not related to the Group's ordinary course of business

(DKK '000)	2019	2018
Transaction and integration costs from business combinations	3,778	15,206
Stock market introduction	26,280	0
Excess value expense	57,977	0
Close down of non-profitable sites	16,181	2,357
Total	**104,216**	**17,563**

If the above special items costs were split into other income statement item lines, DKK 40.8 million would relate to other external costs, DKK 5.0 million would relate to staff costs and DKK 0.4 million would relate to amortization and depreciations. The remaining cost of DKK 58.0 million cannot be readily allocated to other income statement line items. (Refer to note 7.3 for further information on the impact from the reverse acquisition.)

2.8 Financial income and expenses

Accounting policies

Financial income and expenses comprise interest income and expenses, realized and non-realized capital gains/losses on transactions in foreign currency, amortization of financial assets and liabilities etc.

Financial income

(DKK '000)	2019	2018
Interest income	1,081	1,207
Other financial income	804	534
Total	**1,885**	**1,741**

Financial expenses

(DKK '000)	2019	2018
Interest expense	1,510	2,396
Calculated interest on pensions plan (note 8.1)	2,319	1,812
Exchange differences	9,734	6,224
Other financial expenses	6,180	6,080
Interest on lease liabilities	31,334	0
Total	**51,077**	**16,513**

3. Tax

This section contains relevant disclosures and details regarding tax recognized in the financial statements. The total tax on Group profit for the year amounts to DKK 46,235 thousand.

3.1 Income tax

Accounting policies

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities. Management's judgments in this respect are based on assumptions and estimates, which carry a degree of uncertainty with respect to actual outcomes. Non-taxable items mainly relate to special items, stock market introduction costs and excess value expense recognized in connection with the Group's reverse acquisition of former Neurosearch A/S (see notes 2.7 and 7.3). Other non-taxable items mainly relate to individual Group companies, where tax losses are non-capitalized.

(DKK '000)	2019	2018
Tax on profit for the year:		
Tax on profit for the year	46,235	45,298
Tax on other comprehensive income	0	0
Total tax for the year	**46,235**	**45,298**

(DKK '000)	2019	2018
Tax on profit for the year can be broken down as follows:		
Current tax for the year	48,809	46,402
Adjustment of deferred tax recognized in P&L	-950	-852
Adjustments for current tax of prior periods	-1,624	-252
Tax on profit/loss for the year	**46,235**	**45,298**

(DKK '000)	2019	2018
Parent company's income tax rate	22.0%	22.0%
Tax effects of:		
Higher/lower tax rate in subsidiaries	-3.5%	-1.6%
Non-taxable items on listing costs	10.6%	0.0%
Non-taxable items on excess value expense	23.4%	0.0%
Other non-taxable items	30.3%	9.2%
Adjustments in respect of prior years	-3.0%	-0.2%
Revaluation of deferred tax assets and liabilities	4.9%	-0.5%
Effective tax rate	**84.7%**	**28.9%**

3.2 Deferred tax

Accounting policies

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(DKK '000)	2019	2018
Movement on deferred tax, net		
Deferred tax assets at 1 January	1,578	-186
Deferred tax for the year	950	852
Other adjustments	-191	912
Deferred tax assets at 31 December	**2,337**	**1,578**

The Group has non-recognized tax assets totalling DKK 390 million at year-end 2019 (2018: 19 million), of which the majority relates to tax loss carry forwards. The unrecognized deferred tax assets have no significant time limitations.

Non-recognized tax loss carry forwards include DKK 1,742 million acquired from the transaction with former Neurosearch A/S. There is no assurance that the Group will be able to utilize the acquired tax-loss carry forwards, and no deferred tax asset has therefore been recognized.

4. Financial assets and liabilities

4. Financial assets and liabilities
4. Financial assets and liabilities

This note provides information about the Group's financial instruments, including:

- Overview of all financial instruments held by the Group
- Specific information about each type of financial instrument
- Accounting policies
- Information about determining the fair value of the instruments, including judgments and estimation uncertainty involved.

The Group holds the following financial instruments:

Financial assets (amortized cost) (DKK '000)	**2019**	**2018**
Trade Receivables	769,766	729,084
Other Receivables	88,656	92,052
Cash and Cash equivalents	180,220	157,988

Financial liabilities (amortized cost) (DKK '000)	**2019**	**2018**
Trade and other payables	903,758	806,530
Other financial liabilities	53,352	68,513
Lease liabilities*	575,330	0

*IFRS 16 not appliacable until 2019, therefore no numbers for 2018

The Group's exposure to various risks associated with the financial instruments is discussed in note 6.4. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

4.1 Trade Receivables

Accounting policies

A receivable is the Group's unconditional right to consideration and is accounted for in accordance with IFRS 9. Receivables are initially recognized at fair value adjusted for any transaction costs. Subsequently, receivables are measured at amortized cost, which usually corresponds to the nominal value.

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement on a short-term basis and therefore are classified as current.

Due to the short-term nature of the current receivables, their carrying amounts are considered to be the same as their fair value.

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency and interest risk can be found in note 6.4.

Trade Receivables (DKK '000)	**2019**	**2018**
Trade Receivables	800,558	750,313
Less provision for impairment	-30,792	-21,229
Trade Receivables net	**769,766**	**729,084**

4.2 Other financial assets

Accounting policies

Other financial assets consist of receivables other than trade receivables. These other receivables generally arise from transactions outside the usual operating activities of the Group. The non-current part of other receivables mainly consists of deposits, which are measured at cost less repayments and impairment (amortized cost).

4.3 Cash and cash equivalents

Cash and cash equivalents disclosed in the statement of cash flows include DKK 16,455 thousand which are held on restricted deposit accounts. Deposits are subject to regulatory restrictions and are therefore not available for general use by other entities within the Group.

4.4 Trade and other payables

Accounting policies

Trade payables represents liabilities for services provided to the Group prior to the end of financial year, which are unpaid at the balance sheet date. The amounts are unsecured and are usually paid on a short-term basis. Trade and other payables are presented as current liabilities unless payment is due more than 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method. Carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

4.5 Other financial liabilities

Accounting policies

Other financial liabilities consist of individually immaterial positions related to short-term bank overdrafts and other borrowing arrangements outside of credit institutions. Other financial liabilities are measured at amortized cost, which corresponds to the net realisable value. Other financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Movement on other financial liabilities (DKK '000)	
Opening balance 1 January	68,513
Movement	-15,160
Other financial liabilities 31 December	**53,353**

4.6 Lease liabilities

Accounting policies

Lease liabilities are initially measured at the present value of future leasing payments under the contract, discounted using either the interest rate implicit in the contract, or (if the implicit interest rate is not available) an incremental borrowing rate appropriate for the Group.

Subsequent to recognition, lease liabilities are measured at amortized cost using the effective interest method, adjusted for any remeasurements or contract modifications. Lease payments are allocated between reduction of the liability and interest expenses. Interest expenses are charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

For a description of accounting policies and details related to right-of-use assets including further disclosures in accordance with IFRS 16 refer to note 5.3.Certain lease contracts include extension options with the intention of ensuring operational flexibility. The expected term of each lease contract is reflected in the recognized lease liability.

Movement on lease liability (DKK '000)	
Opening balance 1 January	0
Application effects from IFRS 16	583,117
Lease payments	-148,587
New leases	149,000
Disposal	-40,062
Interest	31,334
Currency translation adjustments	528
Lease liability 31 December	**575,330**

	2019			
(DKK '000)	**Carrying amount**	**0-1 year**	**1-5 years**	**> 5 years**
Trade and other payables	903,758	903,758	0	0
Other financial liabilities	53,353	17,246	36,107	0
Lease liabilities*	575,330	119,920	260,125	195,285
Total	**1,532,441**	**1,040,924**	**296,232**	**195,285**
Interest	214,319	59,531	123,494	31,294
Total, undiscounted	**1,746,760**	**1,100,455**	**419,726**	**226,579**

	2018			
(DKK '000)	Carrying amount	0-1 year	1-5 years	> 5 years
Trade and other payables	806,530	806,530	0	0
Other financial liabilities	68,513	50,346	18,167	0
Lease liabilities*	0	0	0	0
Total	**875,043**	**856,876**	**18,167**	**0**

*IFRS 16 not applicable until 2019.

5. Non-financial assets and liabilities

5. Non-financial assets and liabilities

5. Non-financial assets and liabilities

This note provides information about the Group's non-financial assets and liabilities: Intangible assets, property, plant and equipment and provisions

5.1 Intangible assets

Goodwill

Accounting policies

Goodwill acquired in business combinations is recognized and measured as the difference between the total of the fair value of the consideration transferred and the fair value of the identifiable net assets on the date of acquisition. Goodwill is not amortized. The carrying amount of goodwill is tested for impairment annually. Impairment losses are recognized directly for the year and are not subsequently reversed.

Acquired other rights

Accounting policies

Acquired other similar rights are measured at cost less accumulated amortization and less any accumulated impairment losses or at a lower value in use.

	2019			2018		
(DKK '000)	Acquired Rights	Goodwill	Total	Acquired Rights	Goodwill	Total
Cost at 1 January	1,309	329,981	331,290	2,279	88,490	90,769
Aquisitions through business combinations	0	58,624	58,624	290	240,287	240,577
Additions for the year	322	0	322	180	832	1,012
Disposals for the year	-80	0	-80	-1,240	0	-1,240
Currency translation adjustments	-4	-32	-36	-200	372	172
Cost at 31 December	**1,547**	**388,573**	**390,120**	**1,309**	**329,981**	**331,290**
Amortization at 1 January	233	0	233	0	0	0
Amortization for the year	149	0	149	401	0	401
Disposals during the year	-58	0	-58	0	0	0
Currency translation adjustments	46	0	46	-168	0	-168
Amortization at 31 December	**370**	**0**	**370**	**233**	**0**	**233**
Carrying amount at 31 December	**1,177**	**388,573**	**389,750**	**1,076**	**329,981**	**331,057**

Impairment

Accounting policies

Goodwill is tested for impairment once a year, other intangible assets are tested when there is indication of impairment.

When performing the impairment test, an assessment is made as to the ability of individual cash generating units (CGUs) to generate sufficient positive net cash flow in the future to support the value of the unit in question.

Impairment testing is performed for each cash-generating unit to which consolidated goodwill is allocated, as defined by Management. The cash-generating units thereby follow the Group's divisional structure:

- Road & Logistics, and
- Air & Ocean

Goodwill is written down to its recoverable amount through the income statement, if this is lower than the carrying amount.

The recoverable amount is determined as the present value of the discounted future net cash flow from the cash-generating unit to which the goodwill relates. In calculating the present value, discount rates are applied reflecting the risk-free interest rate with the addition of risks relating to the individual cash-generating units, such as geographical and financial exposure.

The carrying amount of goodwill at the end of the reporting date equals DKK 389 million. For goodwill impairment testing, a number of estimates are made. Estimates are made in connection to the development in revenues, operating profits, future capital expenditures, discount rates and growth expectations in the terminal period. These estimates are based on assessments of the current cash-generating units Road & Logistics and Air & Ocean and are based on historical data and assumptions of future expected market developments, including expected long-term average market growth rates.

The Road & Logistics division primarily operates in the Northern, Eastern and Central European markets. Future net cash flows of the division are affected by market development and growth rates in these regions.

The Air & Ocean division operates internationally, and its future cash flows are therefore exposed to developments in global trade and economy.

Future cash flows in both divisions are also affected by the development of internal factors, such as network synergies and productivity improvements.

The expected future net cash flow is based on budgets and business plans approved by Management for the year 2020 and projections for subsequent years up to and including 2024. From 2024, NTG Nordic Transport Group A/S expects the growth rate to remain in line with the expected long-term average growth rate for the industry.

Goodwill impairment

	2019	
(DKK '000)	**Road & Logistics**	**Air & Ocean**
Carrying amount of goodwill	259,171	129,402
Budget period		
Annual growth	4.0%	6.0%
Operating margin	5.0%	3.0%
Terminal Period		
Growth	2.0%	2.0%
Pretax discount rate	9.5%	10.5%

	2018	
(DKK '000)	**Road & Logistics**	**Air & Ocean**
Carrying amount of goodwill	224,729	105,252
Budget period		
Annual growth	10.0%	11.0%
Operating margin	5.5%	3.5%
Terminal Period		
Growth	2.0%	2.0%
Pretax discount rate	10.0%	11.0%

5.2 Tangible assets and fixed assets investments

Property, plant and equipment

Accounting policies

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment. Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, which are as follows:

- Land is not depreciated
- Warehouses and other productions buildings 20-30 years
- Office buildings 40-50 years
- Other plant and other operating equipment 3-7 years

The basis of depreciation is calculated with due consideration to the residual value and any prior impairment write down. The estimated useful life and residual value of each asset is determined at the date of acquisition and reassessed annually.

Impairment

Assets are tested for impairment, if indications of impairment are present. In case a need for impairment is identified, the asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Any resulting impairment loss is recognized in the income statement when the impairment is identified.

(DKK '000)		2019			2018	
	Land & Buildings	Other Fixtures and fittings, tools and equipment	Total	Land & Buildings	Other Fixtures and fittings, tools and equipment	Total
Cost at 1 January	21,834	51,938	73,772	4,549	18,261	22,810
Aquisitions through business combinations	0	280	280	17,049	16,201	33,250
Addtions for the year	25,867	11,416	37,283	0	17,753	17,753
Disposals at cost	-9,554	-7,859	-17,413	0	-1,128	-1,128
Currency translation adjustments	-155	-870	-1,025	236	851	1,087
Other adjustments	3,706	0	3,706	0	0	0
Cost at 31 December	**41,698**	**54,905**	**96,603**	**21,834**	**51,938**	**73,772**
Depreciation at 1 January	607	14,621	15,228	0	8,206	8,206
Depreciation for the year	658	5,935	6,593	440	6,825	7,265
Disposals during the year	-4	-2,990	-2,994	0	-1,064	-1,064
Currency translation adjustments	-175	-987	-1,162	167	654	821
Other adjustments	3,706	0	3,706	0	0	0
Depreciation at 31 December	**4,792**	**16,579**	**21,371**	**607**	**14,621**	**15,228**
Carrying amount at 31 December	**36,906**	**38,326**	**75,232**	**21,227**	**37,317**	**58,544**

5.3 Right-of-use assets

Contracts are assessed at inception to determine whether the Group is entering into a lease. If a lease is identified, a right-of-use asset and a corresponding lease liability are recognized in the balance sheet at the contract's commencement date. Right-of-use assets are initially measured at cost, equivalent to the relevant recognized lease liability adjusted for any leasing payments made on or before the commencement date, any initial costs associated to the lease and other directly related costs including dismantling and restoration costs.

(DKK '000)	2019
Total lease payments in the year	168,050
Expense relating to short-term leases (included in direct costs and other external expenses)	18,810
Expense relating to leases of low-value assets that are not short-term leases (included in other external expenses)	653

Subsequent to recognition, right-of-use assets are depreciated on a straight-line basis over the shorter of each asset's useful life and the relevant lease term and adjusted for any remeasurements of the lease liability.

Right-of-use assets	Land & Buildings	Other Plant & Equipment	Total
Opening balance 1 January	0	0	0
Impact of IFRS 16 implementation	332,896	207,138	540,034
Additions during the period	32,026	119,177	151,203
Disposals during the period	-21,929	-18,716	-40,645
Depreciations	-45,855	-84,028	-129,883
Currency translation adjustments	-1,555	-439	-1,994
Carrying amount at 31 December	**295,583**	**223,132**	**518,715**

All right-of-use assets are presented in the balance sheet in the line item Right-of-use assets.

5.4 Provisions

Accounting policies

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of Management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are in all material aspects short term and no interest expense due to the passage of time is recognized as an interest expense.

The Group's provisions are divided into two categories. Provisions recognized in connection with business combinations (see note 7.1 for further details) and other provisions. The latter primarily consists of provisions for restructuring, legal claims and similar obligations.

(DKK '000)	Current	Non-current	Total
Other provisions	11,643	0	11,643
Provisions through business combinations	30,971	2,909	33,880
Total	**42,614**	**2,909**	**45,523**

Movement in provisions

Movements during the year are primarily related to the segment Road & Logistics, mainly transfer of provisions related to lease contracts acquired through business combinations. In connection with the implementation of IFRS 16, provisions relating to lease contracts are transferred to offset opening values of right-of-use assets.

(DKK '000)	Provisions through business combinations	Other Provisions	Total
Carrying amount at start of the year	92,917	21,282	114,199
Acquired through business combination	0	0	0
Additional provisions recognized	8	4,040	4,048
Unused amounts reversed	0	-1,073	-1,073
Transferred to right-of-use assets	-42,880	0	-42,880
Transferred to other balance sheet line items	-5,000	-9,428	-14,428
Amounts used during the year	-11,165	-3,178	-14,343
Carrying amount at end of year	**33,880**	**11,643**	**45,523**

6. Capital and financial risks

6. Capital and financial risks
6. Capital and financial risks

The section describes the shareholders' equity composition and capital management, including risks related to the financing structure of the Group.

6.1 Equity

Share capital

Following the transaction on 7 October 2019, NTG Nordic Transport Group A/S (formerly: Neurosearch A/S) became the new ultimate parent company of the Group. Share capital information therefore represents the history of the new ultimate parent company NTG Nordic Transport Group A/S. Please refer to note 7.3 for further information.

The share capital is fully paid up and issued in shares of DKK 20 each. A capital increase was carried out in connection with the transaction on 7 October 2019, to account for the activity of the Group being transferred to a new ultimate parent company.

Treasury shares

Number of shares at 1 January 2019 is adjusted to match the new nominal value of DKK 20 per share.

Translation reserve

Exchange differences arising on translation of foreign controlled entities are recognized in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Dividends

Dividends are recognized as a liability when approved by the shareholders at the Annual General Meeting. Dividends recommended to be paid for the year are stated as a separate line item under equity until approved at the Annual General Meeting.

6.2 Earnings per share

Earnings per share (EPS) is calculated according to IAS 33, as shown below. The number of shares outstanding is determined as the number of shares deemed to be outstanding during 2019, had NTG been the legal acquirer of Neurosearch A/S. Consequently, the actual number of NTG shares outstanding for 2018 and for 2019 up until the share exchange date is adjusted by the exchange ratio between the NTG and Neurosearch shares. As of the exchange date, the actual number of outstanding shares is used. This is done to reflect the updated share capital following the transaction on 7 October 2019. For further information on the transaction, see note 7.3.

The share capital is specified as follows:

(DKK '000)	2015	2016	2017	2018	2019
Share capital 1 January	24,554	24,554	24,554	24,554	24,554
Capital increase	0	0	0	0	423,994
Share capital 31 December	**24,554**	**24,554**	**24,554**	**24,554**	**448,548**

* The share capital presented above presents the history for the Group's new ultimate parent Company NTG Nordic Transport Group A/S (formerly: Neurosearch A/S)

	Number of shares	Nominal value (DKK)	Part of share capital	Market value (DKK 000)
Treasury shares 1 January	13,297	265,940	0.06%	1,194
Purchase of shares*	5,293	105,860	0.02%	475
Treasury shares 31 December	**18,590**	**371,800**	**0.08%**	**1,669**

* In connection with the reverse stock split, NTG Nordic Transport Group A/S acquired 5,293 excess shares from shareholders.

Earnings per share (DK '000)	2019	2018
Profit for the year, shareholders in NTG Nordic Transport Group A/S	**-11,734**	42,407
Total average number of shares	18,288	523
Average number of treasury shares	-4	0
Average number of shares in circulation	**18,284**	14,487
Earnings per share	**-0.64**	2.93

6.3 Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce costs of capital.

Free cash flows are allocated in the priority below:

- Acquisition of new businesses with a strategic match to the Group's existing business
- Investment in promising start-ups within the Group's industry
- Repayment of external debt
- Distributions to the Group's shareholders through payment of dividends

Executive Management and the Board of Directors monitor the share- and capital structure to ensure that the Group's capital resources support the strategic goals. Through a close dialogue with its main lender, the Group has been able to decide on funding of strategic initiatives within a short time frame.

The Group's target leverage ratio (measured as NIBD including IFRS 16 relative to adj. EBITDA) is 2.0 to 3.0 x. This level may be temporarily exceeded immediately after significant acquisitions. The Group's leverage ratio was 1.3 at 31 December 2019.

6.4 Financial risks

The overall financial risk management framework is laid down in the Group's finance policy, investment policy and policies regarding credit risks. The Group's finance functions manage financial risk at centralized level. Thus, the Group's financial management is aimed solely at managing and reducing the financial risks directly associated with the Group's operations and financing.

The disclosures in this note solely concern the most critical financial risks, which are:

- Currency risk
- Interest risk
- Liquidity risk
- Credit risk

Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities due to the international activities of the Group. The Group's revenues are mainly denominated in DKK, EUR, SEK, CHF and PLN. Expenses have a pattern in line with revenue. The expenses are mainly in DKK, EUR, SEK, CHF and PLN. The DKK rate is fixed to the EUR and is therefore not perceived to present a significant currency risk.

Sensitivity analysis of currency exposure based on the net exposure of the Group, the hypothetical impact of exchange rate fluctuations on profit for the year and equity, is as follows:

Sensitivity analysis

(DKK '000)	Change in exchange rate	Impact on profit/loss	Impact on OCI
CHF/DKK	-5%	-1,154	554
SEK/DKK	-5%	-1,609	0
PLN/DKK	-5%	-503	0

Interest risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest risk arises mainly from the revolving credit facility held by Group. The material amount relates to short-term facilities and management expects to repay the credit facility in the short term. Therefore, exposure to interest rate risk is considered immaterial.

The Group regularly monitors its interest rate risk and considers it to be insignificant, therefore an interest rate sensitivity analysis is not deemed necessary.

Liquidity risks

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which mainly include trade payables, other payables and credit facility. The Group ensures adequate liquidity through the management of cash flow forecasts and close monitoring of cash inflows and outflows and through inter-Group treasury accounts. In addition to cash flow from operations, the Group's liquidity position is secured through a credit facility with the Group's primary bank. At year-end, the undrawn amount of this credit facility totalled DKK 100 million (see note 4 for a maturity analysis of the financial liabilities).

Credit risks

The Group's credit risks are partly linked to receivables and cash at bank and in hand. The maximum credit risk linked to financial assets corresponds to the values recognized in the balance sheet. The Group has no significant risk regarding one individual customer or partner and thus, there is no insurance of trade receivables.

During 2019, the Group expensed DKK 14 million on incurred and expected losses on trade receivables, corresponding to 0.3 % of the Group's net revenue.

Due to very low historic realized losses on trade receivables, the Group applies a simplified approach in calculating expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime expected credit losses at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Expected losses on trade receivables, based on weighted loss percentages, are as follows:

Credit risks accounts receivable

(DKK '000)	Gross carrying amount	Expected loss rate	Loss allowance
Not overdue	513,812	0.1%	514
1-30 days	197,336	0.1%	197
31-180 days	58,609	2.0%	1,172
181 - 360 days	9,320	50.0%	4,660
More than 360 days	21,481	100.0%	21,481
Loss allowance	**800,558**		**28,024**

At December 31, 2019 trade receivables were written down by DKK 31 million (2018: DKK 21 million). In addition to the calculated expected losses, DKK 3 million is provided for individual debtors, where settlement of accounts is assessed to be unlikely.

The closing loss allowances for trade receivables as at December 31, 2019 reconcile to the opening allowances as follows:

(DKK '000)	2019	2018
Carrying amount at 1 January	21,229	7,518
Additions through business combinations	101	18,026
Received on impaired receivables during the year	-5,005	-12,800
Allowances for losses during the year	14,467	8,485
Carrying amount at 31 December	**30,792**	**21,229**

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

7. Composition of the Group

7. Composition of the Group
7. Composition of the Group

This section provides information how the composition of the Group affects the financial position and performance for the year.

7.1 Acquisition and disposal of entities

Accounting policies

Enterprises acquired or formed during the year are recognized in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognized in the consolidated financial statements up to the date of disposal. Discontinued operations and assets held for sale are presented separately.

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Estimates and assumptions are an integrated part of assessing fair values etc. in accordance with the acquisition method of accounting, as observable market prices are seldom available for the acquired assets and liabilities. Assessments are carried out using Management's judgment with regards to future cash flows and other input factors to the valuation models used.

Acquisition-related costs are expensed as incurred as special items.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of a cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent considerations are classified either as equity or financial liabilities. Amounts classified as financial liabilities are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If measurement of the identifiable net assets is uncertain at the date of acquisition, initial recognition is done based on provisional amounts. Measurement period adjustments to the provisional amounts may be done for up to 12 months following the date of acquisition.

Acquisitions during the year

D.A.P (UK)

By 1 January 2019 the Group acquired a 100% ownership interest in UK-based freight forwarder D.A.P. (UK). The acquisition increased the Group's presence in a new geographical market and increased activity in both of the Group's business segments.

Consideration transferred

The total consideration consists of a cash payment of DKK 35 million in addition to a contingent consideration. The contingent consideration is determined over a period of 3 years from the acquisition date with vesting each year during the 3-year period. For each vesting year, the contingent consideration is determined using three input factors: 1) the acquisition's financial performance during the vesting year, 2) the Group's financial performance during the vesting year, and 3) the Group's average market capitalization during the vesting year (level 3 inputs cf. the fair value hierarchy). At 31 December 2019, the assessed fair value of the contingent consideration totals DKK 20.3 million recognized in financial liabilities. Upon initial recognition the contingent consideration was estimated to DKK 32 million, as disclosed the Group's interim reports published during 2019. The change is mainly due to a reassessment of the expected relative performance rates described in 1) and 2) above. The reassessment is considered a result of measurement period adjustments in accordance with IFRS 3 and the change therefore affects recognized goodwill.

Adjusted for the fair value of acquired cash and cash equivalents of DKK 7,609 thousand, the net cash flow amounted to DKK 27,689 thousand (outflow).

Earnings impact

During the 12 months after the acquisition date, the acquisition contributed with DKK 105,918 thousand to the Groups revenue and DKK 2,209 thousand to the result after tax.

Transaction costs

Total transaction costs relating to the D.A.P acquisition amount to DKK 703 thousand. Transaction costs are accounted for in the income statement as special items.

The D.A.P-acquisition resulted in recognition of the following fair values of net assets and goodwill:

(DKK '000)	Fair value at date of acquisition
Property, Plant and Equipment	252
Trade Receivables	19,588
Other Receivables	4,720
Cash and cash equivalents	7,609
Total assets	**32,169**
Deferred tax	67
Financial liabilities	3,404
Trade Payables	16,661
Corporation tax	1,441
Other payables	9,429
Total liabilities	**31,002**
Non-controlling interests' share of acquired net assets	0
Acquired net assets	**1,167**
Fair value of total consideration	55,598
Goodwill arising from the acquisition	**54,431**

Fair value of acquired trade receivables and other receivables amounts to DKK 24,308 thousand. Collectability of receivables has been assessed based on Group credit assessment policies. In total DKK 101 thousand has been provided for as doubtful trade receivables.

Goodwill is primarily related to synergy effects from integration with Nordic Transport Group's existing. infrastructure and network. Goodwill is non-deductible for tax purposes.

TAK International Ltd.

By 1 January 2019 the Group acquired all the freight forwarding activities of the Japanese TAK International Ltd. Total goodwill of the business transfer amounted to DKK 1,000 thousand. Goodwill is primarily related to network effects.

Acquisitions in 2018

Gondrand International

On 1 April 2018 the Group acquired a 100% ownership interest in the Swiss-based transport group Gondrand International. Gondrand International has a strong position in the Central European market and activities within both of the Group's business segments.

Consideration transferred

The consideration paid for Gondrand International comprises a cash purchase of 100% of the shares in the company. The total consideration transferred amounted to DKK 51,568 thousand. Adjusted for the fair value of acquired cash and cash equivalents of DKK 82,044 thousand, the net cash flow amounted to DKK 30,476 thousand (inflow).

Note to the financial statement for Gondrand

(DKK '000)	Fair value at date of acquisition
Intangible assets	290
Property, Plant and Equipment	29,706
Financial assets	7,956
Trade Receivables	212,228
Other Receivables	22,051
Cash and cash equivalents	82,044
Total assets	**354,275**
Provisions	118,350
Pensions and similar obligations	137,752
Borrowings	3,338
Trade Payables	230,089
Corporation tax	1,667
Other payables	21,019
Total liabilities	**512,215**
Non-controlling interests' share of acquired net assets	0
Acquired net assets	**-157,940**
Fair value of total consideration	51,568
Goodwill arising from the acquisition	**209,508**

For Further details on the Gondrand acquisition please refer to note 7.1 of the Group's Annual Report 2018.

NS Transcargo A/S and Combino East ApS

On 1 March 2018 the Group acquired a 51% ownership interest in the Danish-based transport company NS Transcargo A/S (name subsequently changed to NTG Nielsen & Sørensen A/S). The company primarily operates walking-floor and silo transports in Northern and Central Europe.

On 1 September 2018 the Group acquired a 56,1% ownership interest in the Danish-based transport company Combino East ApS (name subsequently changed to NTG Frigo East ApS). The company primarily transports frozen and cooled goods in Eastern Europe.

Information about the acquisitions of NS Transcargo A/S and Combino East ApS are disclosed in aggregate.

Consideration transferred

The total consideration transferred amounted to DKK 37,794 thousand. Adjusted for the fair value of cash and cash equivalents acquired of DKK 5,833 thousand, the net cash flow amounted to 31,961 thousand (outflow).

For further details on the NS Transcargo A/S and Combino East ApS acquisitions please refer to note 7.1 of the Group's Annual Report 2018.

Note to the Financial statement for Nielsen og Sørensen and Combino East

(DKK '000)	Fair value at date of acquisition
Property, Plant and Equipment	3,544
Trade Receivables	36,242
Other Receivables	2,548
Cash and cash equivalents	5,833
Total assets	**48,167**
Financial liabilities	30,656
Corporation tax	686
Other payables	3,864
Total liabilities	**35,206**
Non-controlling interests' share of acquired net assets	5,946
Acquired net assets	**7,015**
Fair value of total consideration	37,794
Goodwill arising from the acquisition	**30,779**

Disposals in 2019

Since the acquisition of Gondrand in March 2018, a great focus has been on making the loss-making companies' business profitable and the continuous work is generally paying off. However, in the Czech Republic and Italy, challenges outweighed potential benefits, as the acquired business was simply not sustainable in itself. All the Group's activities in the two countries was therefore sold during the fourth quarter of 2019. The sales have a minimal impact on the Group's consolidated financial results.

7.2 Non-controlling interests

As part of NTG's governance model, shareholders of non-controlling interests in subsidiaries have, upon maturity, a pre-defined mechanism of swapping their subsidiary shares with shares in the parent company (the entity Nordic Transport Group A/S prior to 7 October 2019 and NTG Nordic Transport Group A/S after 7 October 2019). The swaps are subject to an offer from non-controlling subsidiary shareholders and an acceptance from NTG's Executive Management.

During the year, equity swaps with non-controlling interests of the following seven mature subsidiaries were carried out. NTG Nordic Transport Group A/S now owns 100% of subsidiaries:

Company name

NTG Nordic A/S
NTG Continent A/S
NTG East A/S
NTG Frigo A/S
NTG Continent AB
NTG East AB
NTG Solution AB

The mentioned equity swaps were carried out prior to the public offering on 7 October 2019.

At 31 December 2019, no non-controlling interests in any of the Group's subsidiaries are material to the financial statements.

7.3 Reverse Acquisition

On 7 October 2019, all shares in Nordic Transport Group A/S were acquired by the non-operational listed company NTG Nordic Transport Group A/S (formerly: Neurosearch A/S). Thereby Nordic Transport Group A/S indirectly achieved a listing on Nasdaq Copenhagen. The business of Nordic Transport Group continues to be carried out by the new combined entity, with NTG Nordic Transport Group A/S as the new ultimate parent company. Shareholders of Nordic Transport Group A/S prior to the transaction were compensated with newly issued shares in NTG Nordic Transport Group A/S (formerly: Neurosearch A/S). The transaction, including determination of the volume of consideration shares issued, is further described in company announcement no. 28 of 7 October 2019. Reference is made to this announcement and the prospectus of 24 September 2019 (available on investor.ntg.dk) for further details regarding the transaction. The remainder of this section will describe the accounting consequences of the transaction with respect to the provisions and requirements of IFRS.

Due to the nature of the transaction, Nordic Transport Group is identified as the accounting acquirer, whereas NTG Nordic Transport Group A/S (formerly: Neurosearch A/S) is the accounting acquiree. Emphasis was placed on the following three material indicators:

1. former shareholders of Nordic Transport Group A/S retain the largest portion of ownership in the combined entity,

2. after the transaction, Nordic Transport Group's business constitutes the only business activity of the combined entity, and

3. the existing members of Nordic Transport Group's Board of Directors and Executive Board dominate the governing body of the combined entity.

In the consolidated financial statements of Nordic Transport Group (post transaction), the transaction is accounted for as a reverse acquisition. Accounting consequences in the consolidated financial statements of Nordic Transport Group were the following:

- Former shareholders in Neurosearch A/S received – from an accounting perspective – a consideration equal to their share of Nordic Transport Group A/S upon completion of the transaction. The consideration is treated as issuance of own shares with a fair value of DKK 111,238 thousand in exchange for the Neuroseach A/S shares. The transaction is represented in the equity statement item lines "Reverse acquisition of former Neurosearch A/S on 7 October 2019" and "Excess value expense related to reverse acquisition on 7 October 2019".

- Shareholders in NTG Nordic Transport Group A/S (formerly: Neurosearch A/S) immediately prior to the transaction are – from an accounting perspective – treated as new shareholders with respect to the consolidated financial statements of Nordic Transport Group. This results in a capital increase in Nordic Transport Group equal to fair value of the consideration shares received by former shareholders in NTG Nordic Transport Group A/S (formerly: Neurosearch A/S)

- All assets and liabilities in NTG Nordic Transport Group A/S (formerly: Neurosearch A/S) were reassessed to fair value and recognized in Nordic Transport Group's consolidated financial statements at the acquisition date. Fair value of the acquired net assets total DKK 53,261 thousand and mainly consists of cash in banks and accrued expenses, shown in the equity statement item line "Reverse acquisition of former Neurosearch A/S on 7 October 2019".

- Fair value of the deemed consideration for NTG Nordic Transport Group A/S (formerly: Neurosearch A/S) shares is allocated to the identified assets and liabilities of NTG Nordic Transport Group A/S (formerly: Neurosearch A/S). Any part of the consideration that cannot be attributed to acquired assets and liabilities is deemed an excess value

- As NTG Nordic Transport Group A/S (formerly: Neurosearch A/S) is not considered a business in terms of IFRS, the excess value of DKK 57,977 cannot be capitalized as goodwill but is considered a form of share-based payment and consequently recognized as an expense

The transaction is not carried out as part of Nordic Transport Group's ordinary course of business, and the resulting excess value expense is therefore treated as a special item in the consolidated financial statements of Nordic Transport Group. Please refer to note 2.7.

As an integrated part of the transaction on 7 October 2019, the share capital of NTG Nordic Transport Group (formerly: Neurosearch A/S) was increased by DKK 423.994 thousand. Of the total capital increase, shares for a nominal amount of DKK 391,697 were used as consideration shares to the former owners of Nordic Transport Group A/S. Costs associated with execution of the capital increase were DKK 4,913 thousand, recognized directly in the equity statement.

8. Other disclosures

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8. Other disclosures

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements.

8.1 Pension obligations

Accounting policies

The pension obligations of most group entities are covered by independent pension funds or insurance contracts (defined contribution plans) to which group companies pay regular contributions. For a few group companies, pension obligations are not covered or only partly covered by insurance (defined benefit plans).

For defined-benefit plans, the net present value is only calculated for those benefits by employees up until the balance sheet date. The present value of future pension payments is estimated actuarially and shown net of the fair value of any plan assets in the balance sheet as pension obligations.

Differences between estimated pension assets and liabilities and their realized values are termed actuarial gains and losses. Actuarial gains and losses are recognized in the statement of other comprehensive income.

Changes in benefits earned to date are actuarially calculated and expensed immediately when the employees have already earned the right to the changed benefits. Otherwise, they are recognized in the income statement over the period during which the employees earn the right to the benefits.

Net value of pension plans (DKK '000)	**2019**	**2018**
Present value of pension liabilities at 31 December	269,782	243,126
Fair value of plan assets at 31 December	-116,925	-107,969
Net value of pension plans at 31 December	**152,857**	**135,157**

Accounting estimates and judgments

Generally, pension plans within the Group are defined contribution plans, where contributions are recognized in the income statement on an accrual basis. These types of pension plans do not require material estimates.

For defined benefit plans, annual actuarial calculations are made of the net present value of future benefits to be paid under the plan. The net present value is calculated based on assumptions of the future developments of salary, interest, inflation, and mortality rates. Assumptions are assessed at the reporting date and changes in these assumptions may significantly affect the liabilities and pension cost under defined benefit plans.

Below is shown the most important assumptions made when determining the net present value of the defined benefit plans and a sensitivity analysis relating to these assumptions.

Most important assumtions for actuarial calculations

	Germany	**Switzerland**	**Weighted average**
Discount rate	1.10%	0.25%	0.62%
Future salary increase	2.00%	0.50%	1.14%

Under defined benefit plans, the employer is obliged to pay a defined benefit (for example a fixed percentage of an employee's final salary) to the employee after retirement. The Group thereby carries a risk with respect of future developments in interest rates, inflation, mortality and disability.

Sensitivity analysis on reported pension liabilities (DKK '000)	**2019**	**2018**
Discount rate +0.5%	-12,574	-10,767
Discount rate -0.5%	13,922	12,064
Future remuneration +0.5%	725	891
Future remuneration -0.5%	-1,120	-1,117

Pensions liabilities

(DKK '000)	2019	2018
At 1 January	243,126	0
Additions through business combinations	0	246,464
Foreign exchange adjustment	4,701	7,277
Employee contributions to the plan	4,568	5,765
Expensed in the income statement	4,689	3,826
Calculated interest	3,190	2,354
Actuarial loss/(gain) change in demographic assumptions	0	-4,311
Actuarial loss/(gain) change in financial assumptions	20,756	-3,571
Actuarial loss/(gain) experience adjustments	1,106	4,619
Benefits paid through pension assets	-12,354	-19,296
Present value of pension liabilities at 31 December	**269,782**	**243,126**

Fair value of pension plan assets

(DKK '000)	2019	2018
At 1 January	107,969	0
Additions through business combinations	0	108,712
Foreign exchange adjustment	3,660	5,612
Calculated interest	871	542
Return on plan assets in addition to calculated interest	1,620	-87
Contributions to the plan	9,917	8,605
Benefits paid through pension assets	-7,112	-15,415
Fair value of plan assets at 31 December	**116,925**	**107,969**

Defined benefit plans in the Group are only related to Germany and Switzerland. The pension plan in Germany accounts for 76% of the net liability at year-end and is closed for further accrual of benefits by the company's employees. Remaining plan participants in Germany receive benefit based on past service. In Switzerland, the pension plan is a result of the Swiss pensions system's "second pillar", and offers old age pensions, survivors' and invalidity insurance. The plan is a fully insured BVG plan according to Swiss Federal Law on Occupational Benefits, meaning that the full actuarial risk is re-insured with a third-party life-insurance company.

The Group's plans are funded in accordance with applicable local legislation. At 31 December 2019 the Group has covered 43,3% of the pension liability.

Specification of plan assets

(DKK '000)	2019	2018
Insurance contract	116,925	107,912
Cash	0	56
Total	**116,925**	**107,969**

The expected contributions to the Group plans for 2020 are DKK 10,313 thousand and the expected average duration of the obligations is 8 years.

Actuarial adjustments have no tax effect for the financial year 2019.

	2019		
(DKK '000)	Defined contribution plans	Defined benefit plans	Total
Staff cost	22,884	4,689	27,573
Financial expenses	0	2,319	2,319
Total	**22,884**	**7,008**	**29,892**

	2018		
(DKK '000)	Defined contribution plans	Defined benefit plans	Total
Staff cost	25,443	3,826	29,269
Financial expenses	0	1,812	1,812
Total	**25,443**	**5,638**	**31,081**

8.2 Fees to auditors appointed at the Annual general meeting

(DKK '000)	2019	2018
Statutory audit	3,635	2,247
Tax and VAT advisory services	358	380
Other Services	4,113	1,353
Total fees to auditors appointed at the Annual General Meeting	**8,106**	**3,980**

(DKK '000)	2019	2018
Statutory audit	623	419
Tax and VAT advisory services	64	19
Other Services	12	98
Other auditors, total fees	**699**	**536**

8.3 Related party transactions

The Group's related parties include the Group's Board of Directors, Executive Board and close family members of these persons. Related parties also include companies in which this circle of persons has significant interests. The Group has no related parties with control of the Group.

Management remuneration is disclosed in note 2.5.

The Group had the following transactions with related parties during the financial year:

(DKK '000)	2019	2018
Sale of services to related parties	236	2,616
Purchase of other services from related parties	-10,844	-6,499
Rent and leasing obtained from related parties	-17,513	-16,746
Loan payments from related parties	0	32,000
Loan and interest payments to related parties	-790	-130,384

The Group had the following balances towards related parties at 31 December 2019:

(DKK '000)	2019	2018
Receivables towards related parties	245	676
Liabilities towards related parties	-6,734	4,133

8.4 Commitments and contingent liabilities

A contingent liability is a potential liability that may occur depending on the outcome of an uncertain future event. A contingent liability is recognized in the balance sheet if the contingency is probable and the amount of the liability can be reasonably estimated.

The Group had commitment and contingent liabilities at 31 December 2019 of:

Claims

The Group is party to legal proceedings and inquiries from authorities when investigation various issues. The outcome of such is not expected to have a significant effect on profit for the year and assessment of the Group's financial position.

Charges and security

The Group has provided bank guarantees to authorities and suppliers related to customs bond and rental agreements.

As of 31 December 2019, all liabilities related to bank guarantees amounted to DKK 52,704 thousand (2018: DKK 65,729 thousand) whereof DKK 5,804 thousand is already recognized in the balance sheet or described in note 4.3.

Pledges

At 31 December 2019, property, plant and equipment with a carrying value of DKK 4,257 thousand were pledged as security (2018: DKK 4,485 thousand).

8.5 Share-based payment

Accounting policies

Employee services received in exchange for warrants granted correspond to fair value on the grant date. The fair value is determined using the Black & Scholes valuation model measured on the grant date. Valuation assumptions take into account terms and conditions applicable to the warrants and Management's expectations on the input variables. Estimated volatility is based on a peer review, adjusted for NTG specific factors.

Warrant programs are either equity or cash settled and recognized in the income statement as staff cost over the vesting period. On the grant date an estimate is performed over the number of shares expected to vest. This number is subsequently adjusted to match the actual number of warrants earned.

Warrants program in 2019

Valuation assumption for warrants granted in 2019 are presented below:

Valuation assumptions	2019
Share price at grant date	89,0
Volatility	36,6%
Risk-free interest rate	0,0%
Expected dividends	0,0%
Expected duration (years)	4,5

In 2019 members of the Group's Executive Management Board were granted a one-off warrants program in connection with listing of the Group on Nasdaq OMX Copenhagen on 7 October 2019. A total of 146,363 warrants with a market value of DKK 3,937 thousand were granted at this date. The program's purpose is to retain members of the Executive Management Board by providing an incentive to service the Group for a period at least until vesting and to align interests with shareholders.

The program has a three-year vesting period starting 7 October 2019 (ending 7 October 2022) and a subsequent three-year exercise period (ending 7 October 2025). Exercise price of the warrants equal the Group's listing price of DKK 89 per share.

NTG Nordic Transport Group A/S has the right to settle warrants in either cash or shares when exercised.

At 31 December 2019, a total of 146,363 warrants were outstanding, held by the three members of the Group's Executive Management Board. Costs recognized in 2019 total DKK 309 thousand. No warrants were exercised, waived or expired in the financial year. The remaining life of the program was 2.8 years at 31 December 2019.

The Group had no share-based payment programs in 2018.

8.6 Events after the reporting period

Ring-the-Bell options agreed in subsequent period

As part of NTG's governance model, shareholders of non-controlling interests in subsidiaries have, upon maturity, a pre-defined mechanism of swapping their subsidiary shares with shares in the parent company. Swaps are subject to an offer from non-controlling subsidiary shareholders and an acceptance from NTG's Executive Management. Details of the model are further described in section 5.7.3 of the Prospectus dated 24 September 2019, and this report's section "The Evolution of Partnerships"

After the reporting period, it was agreed with shareholders of non-controlling interests in three of the Group's subsidiaries in Finland, Poland and Sweden, respectively, to exercise their rights according to the model. At the balance sheet date, the two companies constituted DKK 18.5 million of the total non-controlling interests presented in the consolidated statement of equity. The companies represent 5% of the Group's Adj. EBIT in 2019.

At the time these financial statements were authorized for issue, Executive Management has chosen to accept the offers given by the non-controlling subsidiary shareholders in question. The exercise consideration is planned to be settled with treasury shares.

Acquisition of EBREX Business Solutions Ltd.

On 28 February 2020, the Group completed the acquisition of 85% of the shares in EBREX Business Solutions Ltd. as communicated in company announcement no. 43 – 19 dated 20 December 2019. The acquisition marks another important step for the Group towards becoming a market leader within freight forwarding services in the Nordics and Europe.

Fair value of the consideration totals EUR 15.6 million, settled through a cash payment of EUR 14.9 million transferred upon completion of the transaction and a loan of EUR 0.7 million for settlement at a later date.

Operating results, assets and liabilities of the acquired company will be consolidated from the acquisition date 28 February 2020. Conversion of the acquisition's financial reporting to the Group's reporting principles is ongoing, and disclosure of past financial results of EBREX Business Solutions Ltd. is therefore not possible.

At the time these financial statements were authorized for issue, the Group had not yet completed accounting for the acquisition of EBREX Business Solutions Ltd. In particular, the fair values of the acquisition's assets and liabilities have yet to be determined. At this time, it is therefore not possible to provide detailed information about the fair values of net assets acquired.

COVID-19

The situation surrounding COVID-19 has caused a high degree of uncertainty in the macroeconomic environment at the beginning of 2020. Although a negative impact on the Group's results in 2020 is to be expected, it is not possible to precisely quantify the effects. The expectations presented for 2020 reflect the best estimate at the time this Annual Report was prepared.

This is a non-adjusting event with relation to the 2019 Financial Statements.

Appointment of new CEO of the Group

As communicated in Company Announcement no. 02-20 on 19 March 2020, Michael Larsen was appointed new CEO of the Group effective 1 May 2020. Members of the existing Executive Management Board will continue as members of the new Executive Management Board.

Michael Larsen has worked in the freight forwarding industry for 24 years and comes from a position as CEO of NTG Nordic A/S, the Group's first and largest subsidiary.

Michael Larsen is presently a member of the Group's Board of Directors and will step down from this position at the Annual General Meeting on 16 April 2020.

Group structure

Group structure
Group structure

Name of entity	Place of Business / Country of incorporation	Ownership % by the ultimate Parent Company
Parent		
NTG Nordic Transport Group A/S	Denmark	N/A
Subsidiaries		
Nordic Transport Group A/S	Denmark	100%
NTG Nordic A/S	Denmark	100%
NTG Continent A/S	Denmark	100%
NTG East A/S	Denmark	100%
NTG Frigo A/S	Denmark	100%
NTG Air & Ocean A/S	Denmark	78%
NTG Projects A/S	Denmark	51%
NTG Terminals I A/S	Denmark	71%
NTG Terminals II A/S	Denmark	80%
NTG Ocean International A/S	Denmark	85%
NTG Courier A/S	Denmark	67%
NTG Domestic A/S	Denmark	63%
NTG Nielsen & Sørensen A/S	Denmark	51%
NTG Frigo East ApS	Denmark	61%
NTG Continent AB	Sweden	100%
NTG East AB	Sweden	100%
NTG Solution AB	Sweden	100%
NTG Domestics AB	Sweden	71%
NTG Logistics AB	Sweden	85%
NTG Road Sweden AB	Sweden	100%
NTG Växjö AB	Sweden	51%
NTG Turkey AB	Sweden	100%
NTG Air & Ocean AB	Sweden	88%
ATEGE GmbH	Germany	100%
NTG Continent GmbH	Germany	100%
NTG FTS GmbH	Germany	57%
NTG Logistics GmbH	Germany	100%
Polar Logistics GmbH	Germany	86%

Name of entity	Place of Business / Country of incorporation	Ownership % by the ultimate Parent Company
NTG Multimodal GmbH	Germany	100%
Nellen & Quack GmbH & Co. KG	Germany	100%
Polar Logistics International Oy	Finland	86%
NTG Polar Road Oy	Finland	78%
Kiinteistö Oy Euro Speed	Finland	78%
NTG Air & Ocean Oy	Finland	92%
KH Fur Oy	Finland	100%
NTG Eood	Bulgaria	100%
NTG Continent Eood	Bulgaria	100%
Polar Logistics Bel OOO	Belarus	86%
NTG Holding AG	Switzerland	100%
Gondrand International AG	Switzerland	100%
NTG Gondrand Customs AG	Switzerland	100%
NTG Gondrand Road AG	Switzerland	100%
NTG Air & Ocean AG	Switzerland	100%
Go-Trans (Shanghai) Ltd.	China	100%
Go-Trans (Shenzen) Ltd.	China	100%
Gondrand a.s.	Czech Republic	100%
NTG Road Czech s.r.o.	Czech Republic	100%
NTG Transport Oü	Estonia	51%
NTG Air & Ocean Oü	Estonia	80%
Go Trans SAS	France	100%
Go-Trans (Hong Kong) Ltd.	Hong Kong	100%
Neptune Logistics (Worldwide) Limited	Hong Kong	100%
Go Speed Limited (Hong-Kong)	Hong Kong	100%
Golden Ocean Line	Hong Kong	100%
NTG Air & Ocean Croatia	Croatia	51%
Gondrand Kft.	Hungary	100%
NTG Transport SRL	Italy	100%
NTG Air & Ocean Japan Inc.	Japan	82%
Polar Eurasia TOO	Kazakhstan	86%

Name of entity	Place of Business / Country of incorporation	Ownership % by the ultimate Parent Company
NTG Lithuania UAB	Lithuania	52%
NTG Logistics LT UAB	Lithuania	26%
NTG Latvia Sia	Latvia	100%
Gondrand Traffic B.V.	Netherlands	100%
NTG Air & Ocean Netherlands B.V.	Netherlands	83%
GT Chemical Logistics B.V.	Netherlands	100%
NTG Road B.V.	Netherlands	75%
NTG Road Norway AS	Norway	100%
NTG Air & Ocean AS	Norway	100%
NTG Polar Road Sp.z.o.o.	Poland	51%
NTG Global Poland sp. z.o.o.	Poland	60%
NTG Air & Ocean SRL	Romania	89%
Polar Logistics Region ZAO	Russia	86%
Polar Logistics Solution OOO	Russia	86%
Polar Logistics OOO	Russia	86%
NTG Services s.r.o	Slovakia	85%
NTG Uluslararasi Lojistik Ltd.	Turkey	100%
NTG Air & Ocean Turkey	Turkey	75%
Polar Logistics Ukraine TOO	Ukraine	86%
NTG Road UK Ltd.	United Kingdom	100%
DAP (UK Holding) Limited	United Kingdom	100%
D.A.P. (UK) Limited	United Kingdom	100%
NTG Air & Ocean USA, Inc.	Unites States	80%
NTG Air & Ocean ATL, LLC	Unites States	78%
NTG Air & Ocean EWR LLC	Unites States	73%
NTG Air & Ocean DTW LLC	Unites States	80%
NTG Air & Ocean ORD LLC	Unites States	80%
NTG Air & Ocean Vietnam Limited	Vietnam	51%
Associates		
ATS Air Transport Service AG	Switzerland	26%

Definition of financial highlights

Financial ratios and key figures are prepared in accordance with recommendations and guidelines issued by the Danish Society of Financial Analysts.

Key figures for financial position

Net working capital = Receivables and other current operating assets less trade payables and other current operating liabilities

Net interest-bearing debt = Interest-bearing debt less cash and cash-equivalents

Financial ratios

$$\text{Gross margin} = \frac{\text{Gross profit x 100}}{\text{Net revenue}}$$

$$\text{Operating margin} = \frac{\text{Operating profit before special items x 100}}{\text{Net revenue}}$$

$$\text{Conversion ratio} = \frac{\text{Operating profit before special items x 100}}{\text{Gross profit}}$$

$$\text{Return on equity} = \frac{\text{Profit for the year x 100}}{\text{Average equity}}$$

$$\text{Solvency ratio} = \frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$$

$$\text{Earnings per share} = \frac{\text{Profit attributable to shareholders in Nordic Transport Group A/S}}{\text{Average number of shares}}$$

Statement of the Board of Directors and the Executive Board

Statement of the Board of Directors and the Executive Board

Statement of the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have considered and adopted the Annual Report of Nordic Transport Group A/S for the financial year 1 January – 31 December 2019.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and the Parent Company Financial Statements have been prepared in accordance with the Danish Financial Statements Act. Management's Review has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Group and the Parent Company and of the results of the Group and Parent Company operations and consolidated cash flows for the financial year 1 January - 31 December 2019.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hvidovre, 20 March 2020

Executive Board

Jesper E. Petersen CEO, Road & Logistics	Mikkel Fruergaard CEO, Air & Ocean	Christian D. Jakobsen Group CFO

Board of Directors

Eivind Kolding Chairman of the board	Jørgen Hansen Vice chairman of the board	Michael Larsen Board member	Finn Skovbo Pedersen Board member
Peter Grubert Board member	Stefan Pettersson Board member	Ulrik Ross Board member	Jesper Præstensgaard Board member

Independent Auditor's Report

Independent Auditor's Report
Independent Auditor's Report

To the shareholders of NTG Nordic Transport Group A/S

Our opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2019 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2019 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2019 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements and Parent Company Financial Statements of NTG Nordic Transport Group A/S for the financial year 1 January to 31 December 2019 comprise income statement and statement of comprehensive income, statement of financial position, statement of equity, statement of cash flows and notes for the Group as well as for the Parent Company. Collectively referred to as the "Financial Statements".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed as auditors on 4 April 2019 in the year of the admission of shares of NTG Nordic Transport Group A/S for listing on Nasdaq Copenhagen.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2019. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition and accrued cost of services

The Group's revenue consists primarily of services, i.e. transportation of goods between destinations, which by nature is rendered over a period of time. The determination of timing of revenue recognition is dependent on the application of the Group's accounting policies and terms in customer contracts.

We focused on this area because the process of accruing for services rendered around the balance sheet date (accrued cost of services) is complex and dependent on Management estimates and relevant controls in certain operational systems.

Reference is made to notes 2.2 and 2.3 to the Consolidated Financial Statements.

How our audit addressed

Our audit procedures included assessing the accounting policies for revenue recognition applied by Management.

We tested relevant internal controls, including IT controls, concerning the timing of revenue recognition and evaluated whether these were designed in line with the Group's accounting policies and were operating effectively.

We selected a sample of revenue transactions during the year and traced these to underlying evidence.
In addition, we used data auditing tools to identify non-standard transactions and examined these.

For revenue, we examined reports concerning services in progress and challenged the estimates made by Management in this regard.
For accrued cost estimates in prior periods, we performed look back procedures to evaluate the precision in the estimates of accrued costs.

Business combinations

The Group has made significant business acquisitions. In 2019, D.A.P. was acquired with accounting effect as at 1 January 2019. The acquisitions consist both cash and contingent considerations. Management prepared a purchase price allocation for the acquisition, resulting in assets and liabilities being separately recognized and valued in the opening balance sheet.
Also, measurement of the considerations is based on significant estimates made by management.

We focused on this area as identification and measurement of assets and liabilities related to the business acquisitions are based on significant estimates made by Management.

Reference is made to note 7.1 to the Consolidated Financial Statements.

How our audit addressed

Our audit procedures included assessing the accounting policies applied by Management.

We also verified the assets and liabilities recognised in the opening balance sheet, including the completeness thereof, by performing audit procedures in relation to the opening balance sheet.

We assessed the method used by management to measure fair value of the consideration and to identify and measure assets and liabilities, and we challenged the assumptions applied, using our knowledge and professional scepticism.

Finally, we assessed the adequacy of disclosures relating to the business acquisitions.

Reversed acquisition

During the year, the former shareholders of Nordic Transport Group A/S acquired control of the former Neurosearch A/S (now NTG Nordic Transport Group A/S). The acquisition was legally concluded by contribution of Nordic Transport Group A/S into the former Neurosearch A/S through the issue of new shares of Neurosearch A/S to the effect that the former shareholders of Nordic Transport Group A/S acquired control of the former Neurosearch A/S. However, for accounting purposes the business combination has been treated as if Nordic Transport Group A/S had taken over Neurosearch A/S; therefore, the net assets of the former Neurosearch A/S have been measured at fair values at the time of acquisition ("reverse acquisition" for accounting purposes).

The consideration that the shareholders of the former Neurosearch A/S would have received if they were to receive shares of Nordic Transport Group A/S as part of the acquisition has been determined by Management. Management has moreover identified and assessed the assets of Neurosearch A/S. The amount by which the determined consideration exceeds the net assets measured at fair values has been recognised as an expense in special items in the income statement.

We focused on the accounting treatment of the acquisition of Neurosearch A/S as this is a complex financial transaction and as the determination of the consideration is subject to accounting estimates.
We refer to note 7.3, Reverse Acquisition.

How our audit addressed

We reviewed Management's assessment of the party to be considered the acquirer for accounting purposes under IFRS 3. During this, we also reviewed Management's assessment of whether the party acquired for accounting purposes (former Neurosearch A/S) is to be considered a "business" for accounting purposes.

We reviewed Management's statement of the market value of the consideration for the former shareholders of Neurosearch A/S, including the time of acquisition determined by Management.

We also reviewed Management's reassessment of assets and liabilities at fair values of the company acquired for accounting purposes.

We considered the accounting treatment of the difference between the calculated consideration and the reassessed assets and liabilities of the company acquired for accounting purposes.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 20 March 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

Flemming Eghoff	Morten Jørgensen
State Authorised	State Authorized
Public Accountant	Public Accountant
mne30221	mne32806

Parent company financial statements

NTG Nordic Transport Group A/S' financial statements

Income Statement

Income Statement
Income Statement

DKK '000	Note	2019	2018
Net revenue		10,318	0
Other operating income		1,321	2,864
Other external expenses		-37,329	-3,760
Gross profit		**-25,690**	**-896**
Staff costs	1	-9,658	-1,539
Operating profit		**-35,348**	**-2,435**
Financial income	2	872	0
Financial costs	2	-1,992	-401
Profit before tax		**-36,468**	**-2,836**
Tax on profit for the year	3	1,385	0
Profit for the year		**-35,083**	**-2,836**

Proposed distribution of result		
Transferred to equity reserves	-35,083	-2,836
Total distribution	**-35,083**	**-2,836**

Balance Sheet

Assets

DKK '000	Note	2019	2018
Investments in Group companies	4	3,157,882	0
Receivables from Group companies		54,730	0
Total non-current assets		**3,212,612**	**0**
Trade receivables		7	0
Receivables from Group companies		122,308	0
Corporation tax, receivable		1,385	0
Other receivables		663	217
Cash and cash equivalents		72,444	71,241
Total current assets		**196,807**	**71,458**
Total assets		**3,409,419**	**71,458**

Equity and Liabilities

DKK '000	Note	2019	2018
Share capital	5	448,548	24,554
Reserves		1,473,192	45,962
Total equity	**6**	**1,921,740**	**70,516**
Payables to Group companies		1,161,094	0
Total non-current liabilities		**1,161,094**	**0**
Financial liabilities	7	835	0
Trade payables		12,748	886
Payables to Group companies		303,353	0
Other payables		9,649	56
Total current liabilities		**326,585**	**942**
Total liabilities		**1,487,679**	**942**
Total equity and liabilities		**3,409,419**	**71,458**

Other notes:
Note 8 - Contingent liabilities, other financial obligations and contingent assets
Note 9 - Related party transactions
Note 10 - Fee to auditors appointed at the general meeting
Note 11 - Events after the balance sheet date

Statement of Changes in Equity

Statement of Changes in Equity
Statement of Changes in Equity

2019

DKK '000	Share capital	Share premium	Retained earnings	Total equity
Equity at 1 January	**24,554**	**0**	**45,962**	**70,516**
Profit for the year	0	0	-35,083	-35,083
Net exchange differences on subsidiaries	423,994	1,462,779	0	1,886,773
Transactions with minority shareholders	0	0	-466	-466
Other adjustments	0	-1,462,779	1,462,779	0
Equity at 31 December	**448,548**	**0**	**1,473,192**	**1,921,740**

2018

DKK '000	Share capital	Share premium	Retained earnings	Total equity
Equity at 1 January	**24,554**	**0**	**48,798**	**73,352**
Profit for the year	0	0	-2,836	-2,836
Equity at 31 December	**24,554**	**0**	**45,962**	**70,516**

Accounting policies

NTG Nordic Transport Group A/S' parent company financial statements are disclosed as separate financial statements as required by the Danish Financial Statements Act. The Annual Report of Nordic Transport Group A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class D . The Company's Financial Statements for 2019 are presented in DKK thousand.

Changes in accounting policies since 2018 Annual Report

With effect from 1 January 2018, the Company's financial statements are no longer prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. As of this date, the Company's financial statements are prepared according to the Danish Financial Statements Act. These changes are carried out following the transaction on 7 October 2019 in which NTG Nordic Transport Group A/S (formerly: Neurosearch A/S) is combined with Nordic Transport Group. Refer to note 7.3 in the Consolidated Financial Statements and the Company's new accounting policies below for further information.

Comparative figures for 2018 were updated to reflect the changes made. The following changes were made with respect to published figures from previous periods:

1. Classification in the income statement was changed with regards to the former financial statement item administration costs (Danish: administrationsomkostninger). This item was split into the following new financial statement items stated below.

   - Other external expenses – includes expenses related to rent, IT, consultants, lawyers, travelling and other costs for operations.

   - Staff costs – includes salaries, bonuses, pensions social security costs, vacation pay and other benefits. Staff costs are recognised in the financial year in which the services are rendered by the employees.

Income statement effects of above-mentioned classification changes are summarized below:

(DKK '000)	2019	2018
Administration costs	46,987	5,299
Which is classified into the following items:		
Other external expenses	-37,329	-3,760
Staff Costs	-9,658	-1,539
Reconciliation total	**0**	**0**

2. Classification in the income statement was changed with regards to the former financial statement item Gain from sale of intangible rights (Danish: Gevinst ved salg af immaterielle rettigheder). This item is presented in the new financial statement item line Other operating income.

3. Language of the interim financial statements were changed from Danish to English in accordance with change in corporate language decided on an extraordinary general meeting on 7 October 2019.

Remaining financial statement items are in all materiality unchanged by the change in accounting policies. The change in accounting policies has no effect on the Company's opening equity on 1 January 2018.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date.

Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Cash flow statement
No separate cash flow statement has been prepared for the parent company in accordance with the exemption clause of section 86(4) of the Danish Financial Statements Act.

Income statement
Revenue
Revenue from the sale of services etc. is recognised in the income statement provided that delivery and transfer of risk have been made to the purchaser by year end and provided that the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Other operating income
Other operating income includes items of secondary nature to the Company's main area of business.

Other external expenses
Other external expenses comprise expenses for distribution, sales, marketing, administration, premises, bad debts as well as leases, etc.

Staff costs
Staff expenses comprise wages and salaries as well as payroll expenses.

Income from investments in subsidiaries
Income from investments in subsidiaries consists of dividends and is recognised as income in the Company's income statement under financial income in the financial year in which the dividends are declared.

Financial income and costs
Financial income and costs comprise interests, realized and unrealized gain from exchange rates as well as other financial income and expenses.

Tax on profit/loss for the year
Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with its Danish subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance sheet
Investments in subsidiaries
Investments in subsidiaries are measured at cost. If there is any indication of impairment, investments are tested for impairment as described in the accounting policies described in the Consolidated Financial Statements. If the cost exceeds the recoverable amount, the investment is written down to the lower value.

Receivables
Receivables are measured in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Equity - dividend
Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Current tax receivables and liabilities
Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the onaccount taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts
Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Notes

Note 1 - Staff costs

(DKK '000)	2019	2018
Wages and salaries	9,316	1,536
Pensions	120	0
Other social security costs and other staff costs	222	3
Total	**9,658**	**1,539**
Average number of full time employees	9	1
Full time employees at 31 December	31	1

Remuneration during the year paid by the Company to Executive Management is specified below. The amount includes remuneration to both Existing Executive Management and New Executive Management as described in the Prospectus dated 24 September 2019.

(DKK '000)	2019	2018
Base salary	1,609	800
Cash bonus	950	0
Pensions	30	0
Other benefits	113	0
Executive Management remuneration total	**2,702**	**800**

Remuneration during the year paid by the Company to the Board of Directors is specified below. The amount includes remuneration to both Existing Board of Directors and New Board of Directors as described in the Prospectus dated 24 September 2019.

(DKK '000)	2019	2018
Fees	1,202	736
Board of Directors remuneration total	**1,202**	**736**

Note 2 - Financial income and costs

(DKK '000)	2019	2018
Interest received from Group companies	839	0
Other financial income	33	0
Total financial income	**872**	**0**
Interest paid to Group companies	911	0
Other financial costs	1,081	401
Total financial costs	**1,992**	**401**
Net financials	**-1,120**	**-401**

Note 3 - Tax

(DKK '000)	2019	2018
Tax for the year can be broken down as follows:		
Current tax for the year	1,385	0
Total	**1,385**	**0**

Note 4 - Investments in subsidiaries

(DKK '000)	2019	2018
Cost at 1 January	0	0
Addition from contribution in kind of Nordic Transport Group A/S and 7 mature PADS on 7 October 2019	1.886.771	0
Addition from transfer of shares in 7 Mature PADS from NTG Nordic Transport Group A/S on 7 October 2019	1.271.111	0
Cost at 31 December	**3,157,882**	**0**
Impairment losses at 1 January	0	0
Impairment losses at 31 December	**0**	**0**
Carrying value at 31 December	**3,157,882**	**0**

Management assesses annually whether there is an indication of impairment of investments in subsidiaries. If indications are present, investments will be tested for impairment using the same principles as applied on the Group's goodwill (described in note 5.1 of the Consolidated Financial Statements), involving various estimates on future cashflows, growth, discount rates, etc. At 31 December 2019 no impairment indicators were identified.

Transactions related to the listing of Nordic Transport Group

On 7 October 2019, all shares in Nordic Transport Group A/S and outstanding partner-held shares in 4 of the 7 matured PADS were acquired by NTG Nordic Transport Group A/S through a contribution in kind and an issuance of new shares in NTG Nordic Transport Group A/S. This transaction is described further in section 2.2 of the Prospectus of 24 September 2019.

Immediately following the contribution described above, Nordic Transport Group A/S transferred all of it's activities and the shares in the 7 matured PADS held by Nordic Transport Group A/S to NTG Nordic Transport Group A/S. Due to the transaction, Nordic Transport Group A/S has an intercompany receivable against NTG Nordic Transport Group A/S, totalling DKK 1,161 million at 31 December 2019. As described in section 2.2.5. of the Prospectus of 24 September 2019, the intention is to distribute the receivable to NTG Nordic Transport Group A/S.

All transactions were carried out using market values on 7 October 2019.

In order to see the balance sheet impact please refer to note 11 below.

Note 5 - Equity

Share capital:

Composition and movements of the company's share capital and treasury share reserve is stated in note 6.1 of the consolidated financial statemens.

Note 6 - Proposed distribution of profit

(DKK '000)	2019	2018
Retained earnings	-35,083	-2,836
Total	**-35,083**	**-2,836**

Note 7 - Financial liabilities

(DKK '000)	2019	2018
Due within 1 year from the balance sheet date	835	0
Total	**835**	**0**

Note 8 - Contingent liabilities, other financial obligations and contingent assets

(DKK '000)	2019	2018
Future lease payments on operating leases:		
Within 1 year	16,849	0
Between 1 and 5 years	67,663	0
After 5 years	162,252	0
Total	**246,764**	**0**

Other contingent liabilities:

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

At 31 December 2019, the Company has issues parent company guarantees to subsidiaries for a total of DKK 81.2 million (2018: DKK 0 million). Guarantees are mainly issues as security for subsidiaries' outstanding balances with certain suppliers.

Other contingent assets:

As described in note 3.2 to the Consolidated Financial Statements, the Company has non-recognized tax loss carry forwards of DKK 1,742 million at year end. At 31 December 2019 the non-recognized deferred tax assets associated with the tax loss carry forwards totalled DKK 383 million (2018: DKK 394 million).

Note 9 - Related party transactions

For transactions with related parties, please refer to note 8.3 in the consolidated financial statements. The Company has no related parties with control of the Company and no related parties with significant influence, apart from Key Management Personnel. All transactions with related parties during the period were carried out at market terms.
All transactions with other Group Companies carried out in the year are reflected in the income statement and notes.

Note 10 - Fee to auditors appointed at the general meeting

(DKK '000)	2019	2018
Fees to the company's appointed auditor, PwC:		
Audit fee for statutory and group audit	108	225
Other assurance and tax advisory services	53	265
Total	**161**	**490**

Note 11 - Events after the balance sheet date

Following Nordic Transport Group A/S' transfer of all it's shares in the 7 mature PADS to NTG Nordic Transport Group A/S, described in section 2.2.5. of the Prospectus of 24 September 2019, Nordic Transport Group A/S has a receivable against NTG Nordic Transport Group A/S totalling DKK 1,170 million.
As described in the Prospectus, the intention is to distribute the receivable from Nordic Transport Group A/S to NTG Nordic Transport Group A/S. The receivable will be distributed as a dividend in kind after the approval of Nordic Transport Group A/S' financial statements.
If the dividend had been distributed before 31 December 2019, it would have had the following effects on the balance sheet of NTG Nordic Transport Group A/S:"

Assets

DKK '000	2019 before dividend distribution	2019 after dividend distribution
Investments in Group companies	3.157.882	1.996.788
Receivables from Group companies, long-term	54.730	54.730
Total non-current assets	**3.212.612**	**2.051.518**
Trade receivables	7	7
Receivables from Group companies	122.308	122.308
Corporation tax, receivable	1.385	1.385
Other receivables, short term	663	663
Cash and cash equivalents	72.444	72.444
Total current assets	**196.807**	**196.807**
Total assets	**3.409.419**	**2.248.325**

Equity and Liabilities

DKK '000	2019 before dividend distribution	2019 after dividend distribution
Share capital	448.548	448.548
Reserves	1.473.192	1.473.192
Total equity	**1.921.740**	**1.921.740**
Payables to Group companies, long-term	1.161.094	0
Total non-current liabilities	**1.161.094**	**0**
Financial liabilities, short-term	835	835
Trade payables	12.748	12.748
Payables to Group companies	303.353	303.353
Other payables	9.649	9.649
Total current liabilities	**326.585**	**326.585**
Total liabilities	**1.487.679**	**326.585**
Total equity and liabilities	**3.409.419**	**2.248.325**