# Annual Report 2019

LEMAN HOLDING A/S


LEMAN HOLDING A/S | Ventrupvej 6 | DK-2670 Greve | Denmark | CBR No. 36 70 05 13 | www.leman.com

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Providing the full product range for all customers and business segments.

# LEMAN HOLDING A/S
# Annual Report 2019
# CBR No. 36 70 05 13

The Annual General Meeting adopted the annual report on 13th May 2020

**Chairman of the General Meeting**

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Thomas Krøyer

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Always adapting to the market situation through innovation and agility.


LEMAN

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# Entity details

## Entity

LEMAN HOLDING A/S
Ventrupvej 6
2670 Greve

Central Business Registration No: 36700513
Registered in: Greve
Financial year: 01.01.2019 - 31.12.2019

## Board of Directors

Philippe Ziegler, Chairman
Charles Duro
Lilian Merete Mogensen
Karen Nielsen
Ole Michael Ringheim

## Executive Board

Thomas Krøyer, Chief Executive Officer

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

# Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of LEMAN HOLDING A/S for the financial year 01.01.2019 - 31.12.2019.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019 of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Greve, 13th May 2020

## Executive Board

Thomas Krøyer
Chief Executive Officer

## Board of Directors

| | | |
|---|---|---|
| Philippe Ziegler<br>Chairman | Charles Duro | Lilian Merete Mogensen |
| Karen Nielsen | Ole Michael Ringheim | |

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Striving for continuous improvements and operational excellence at any time.


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# Independent auditor's reports

## To the shareholders of LEMAN HOLDING A/S

### Opinion

We have audited the consolidated financial statements and the parent financial statements of LEMAN HOLDING A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

### 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management's responsibilities for the consolidated financial statements and the parent financial statements

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

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

# Independent auditor's reports

## Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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, reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Entity’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 in preparing the consolidated financial statements and the parent financial statements, 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 Entity’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 consolidated financial statements and the parent 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 and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

# Independent auditor's reports

- 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.

## Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 13th May 2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No 33 96 35 56

Anders Kreiner
State-Authorised Public Accountant
Identification NO (MNE) mne26765

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Focus on providing a best in class working environment for our employees.

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# Management commentary

## Financial highlights

| | 2019<br>DKK'000 | 2018<br>DKK'000 | 2017<br>DKK'000 | 2016<br>DKK'000 | 2015<br>DKK'000 |
|---|---|---|---|---|---|
| **Key figures** | | | | | |
| Revenue | 2.267.603 | 2.439.102 | 2.162.884 | 1.999.758 | 1.918.751 |
| Gross profit/loss | 403.569 | 403.904 | 379.331 | 388.112 | 360.167 |
| Operating profit/loss | 19.750 | 34.270 | 43.529 | 59.741 | 50.154 |
| Net financials | 3.426 | -2.031 | 1.514 | 4.558 | 2.826 |
| EBT | 22.998 | 32.239 | 45.043 | 64.299 | 52.980 |
| Profit/loss for the year | 15.547 | 22.670 | 36.887 | 47.222 | 36.480 |
| Total assets | 911.835 | 952.634 | 953.104 | 869.793 | 829.122 |
| Investment in intangible assets | 14.245 | 25.431 | 53.939 | 0 | 14.256 |
| Investments in property, plant and equipment | 18.384 | 15.997 | 19.104 | 29.690 | 64.347 |
| Equity | 568.473 | 558.979 | 538.189 | 513.656 | 482.919 |
| Average numbers of employees | 718 | 744 | 661 | 632 | 597 |
| **Ratios** | | | | | |
| Gross margin (%) | 17,8 | 16,6 | 17,5 | 19,4 | 18,8 |
| Return on equity (%) | 2,8 | 4,1 | 7,0 | 9,5 | 7,8 |
| Equity ratio (%) | 62,3 | 58,7 | 56,5 | 59,1 | 58,2 |

*Financial highlights are defined and calculated in accordance with the latest version of "Recommendations & Ratios" issued by the CFA Society Denmark.*

# Management commentary

## Primary activities

The Parent and all its subsidiaries primarily operate within transportation, freight forwarding and logistics.

## Development in activities and finances

The consolidated revenue for the year amounted to DKK 2,268 million against DKK 2,439 million last year and thereby declined by 7%. The decline is caused by changed accounting treatment for duty outlays and discontinued operation of two warehouses and two branch offices in the UK. On a like-for-like basis, consolidated revenue increased by 1%. The gross profit margin increased to 17.8% from 16.6% last year. The profit before tax amounted to DKK 23.0 million against DKK 32.2 million last year, as we commenced amortization of a new global TMS system (DKK 4.8 million) and as non-recurring cost was incurred in connection with restructuring initiatives in accordance with planned consolidation and optimization of activities and competencies. This primarily involved closing a warehouse in Denmark and one in Sweden, as well as closing Braintree and Tilbury branch offices in the UK.

The markets for international cargo transportation in which LEMAN operate showed only very modest growth during 2019 and quite a lot of volatility. LEMAN's revenue growth on a like-for-like basis was in line with the market growth rate

Over the past 5 years, LEMAN has invested more than DKK 250 million in various assets. In 2019, the significant investments in IT and digitization continued, although on a smaller scale than in 2018. Implementation of a modern, global transport management system was commenced, and is expected to be fully implemented globally before the end of 2020.

During the year, LEMAN launched its new strategy, Mission LEMAN 3+, with specific targets for future growth and profitability. The corporate organization was strengthened with the establishment of new global positions to support the realization of the new strategic objectives.

The financial results for the year did not live up to Management's expectations. Challenging market conditions and the non-recurring cost incurred in connection with closing down two warehouses are the main factors behind this. The progress made during the year on the Company's strategic program was, however, very satisfactory.

## Outlook

The Company will continue to execute on the launched series of profitable growth initiatives and investments to strengthen the diversification and the solid foundation across the LEMAN Group.

Management expects that the world economy will enter into a recession in 2020, caused by the outbreak and wide spreading of the coronavirus disease (COVID-19), which has negatively impacted global trade and thereby the markets on which LEMAN operates. The COVID-19 outbreak does, however, not affect LEMAN's financial position or strategic direction.

# Management commentary

## Particular risks

### Financial risks

The Group is only exposed to changes in interest rates to a limited extent, as the Group's equity ratio and financial resources are considered very satisfactory.

### Currency risks

Purchase and sales transactions are carried out in DKK, SEK, NOK, EUR, USD and USD-related currencies. Further, the Company has made investments in SEK, NOK and EUR. Management's policy is generally not to hedge currency risks by way of derivative financial instruments.

The Company's foreign currency exposures relating to sales transactions have as far as possible been hedged by offsetting purchase transactions in DKK, SEK, NOK, EUR, USD and USD-related currencies.

## Group relations

LEMAN operates within transportation, freight forwarding and logistics. With a presence in seven countries, our services cover the entire world through a vast network of trusted agents. Besides the transportation of goods, we offer several value-adding services such as customs clearance, cargo insurance, warehousing, customized distribution solutions, etc.

## Statutory report on corporate social responsibility

A description of our business activities can be found above in the management commentary.

LEMAN wants to meet the laws and regulations of the countries and local communities in which the Company operates. Consequently, the Company has introduced CSR policies in the areas of:

### Human rights

- We must treat all employees with dignity and respect and shall comply with all national human rights legislation in force at any time.
- All agreements on working hours, holidays and wages shall comply with applicable legislation in the country in which the employee is employed. We also aim to minimize hazardous work and ensure that all employees are adequately trained to perform their duties.
- We do not tolerate child labor. That is why nobody at LEMAN or our business partners may employ children under the age of 15.
- None of our employees may discriminate based on age, religion, nationality, race, gender, sexual orientation, disability, pregnancy or political conviction.

# Management commentary

Goals and implementation:
Our goal is always zero incidents involving the violation of human rights, both internally and with our suppliers and business partners. As a tool to avoid incidents, LEMAN suppliers must sign our Code of Conduct in which we expect similar respect for human rights from suppliers as we do from ourselves.

Results, expectations and risks:
In 2019, we did not record any incidents that violate human rights. It is our expectation every year going forward not to have any human rights violations to report.

It is the view of the Company that the most significant risk pertaining to human rights is difficulties upholding satisfactory inspection. While operating in an international marketplace, our upstream activities carry risks. In this case, we are left to rely on the intimation from every supplier in our Supplier Code of Conduct.

## Working conditions

Through relevant procedures and processes, we must create the safest possible working environment for our employees and minimize work-related accidents and diseases. Furthermore, we must protect our employees from chemical, biological and physical danger in their workplace.

Goals and implementation:
Every year, our goal is altogether to avoid accidents in the workplace. The prevention will be upheld by a combination of education of each employee and the implementation of behavioral procedures, ensuring a safe working environment. We must always make sure that all equipment is adequately maintained for it to carry a minimal risk to our employees.

Results, expectations and risks:
In 2019, we encountered 22 workplace accidents. The majority of accidents occurred during warehouse operations and involved only minor injuries. Accidents are always unfortunate, and we strive to eliminate them. The relatively low number, however, is a result of continuous education and constantly increasing safety measures.

It is the view of the Company that the most significant risk pertaining to working conditions is accidents in the warehouses, where cargo is being moved around which can cause injuries to employees.

## Environment and climate

It is our goal to help protect the environment through efficient utilization of energy resources. We aim to take environmental considerations into account in all our decision-making processes. Whenever possible, our offices and facilities operate on 100% green electricity with consumption minimized through LED lights, etc. In Norway, our large facility in Vestby achieved certification by BREEAM for its environmental, social and economic sustainability performance.

# Management commentary

As a forwarding agent, the Company is not directly responsible in general for the impact on the external environment of the transport itself. However, we recognize that the transport industry impacts the environment, and that is why the Company, since 2018, has launched initiatives to reduce the use of electricity and spread the use of green energy. At the same time, both Management and employees are focusing on any impact on the external environment of daily activities, including transport activities in which the Company itself acts as the carrier.

Goals and implementation:
Our overriding goal is to contribute to actively reducing the adverse environmental impact of transport.

Consequently, at LEMAN, we have adopted the following environmental policy in which we pledge to:

- Make demands for cleaner technology means of transport and for choosing the best ways of transportation.
- Ensure proper utilization of resources through better unloading and optimum route planning (fewest kilometers driven).
- Utilize information technology to increase efficiency in the transport flow.
- Collaborate actively with authorities on environmental issues.
- Enter into environmental collaborations with key transport customers and foreign partners based on specific transports and routines.
- Communicate openly with employees and society in general about the environmental impact associated with our work.
- Motivate employees to comply with both internal and external guidelines and regulations for protecting the environment around us.
- Encourage suppliers to ensure that their products and services are environmentally acceptable.

Further initiatives are contemplated based on the UN Global Goals. The Company will be working specifically with the following focus areas: Responsible Consumption and Production (UN Goal 7) and Affordable and Clean Energy (UN Goal 12).

Results, expectations and risks:
Throughout 2019, we continued to prioritize using suppliers who live up to Euronorm 6, thus minimizing the environmental impact of our transports. For airfreight and sea freight, we have on some corridors been able to offer customer carbon-neutral transportation against a surcharge. We expect an expansion of such product offerings in the coming years.

# Management commentary

The most significant risks which could hinder environmental progress are the volatility of our industry, as well as the fact that market terms have a significant impact on the behavior of our subcontractors carrying out the actual transportation. Our ability to impact the carbon footprint of the transportation industry is limited. However, we are aware that every effort makes a real difference.

## Ethics and anti-corruption

We must comply with all international and national legislation and regulations, and we reject all forms of corruption, including extortion and bribery. LEMAN is deeply committed to compliance and has zero-tolerance for illegal or unethical behavior. We go about our business to the highest ethical standards, and we expect the same from our suppliers.

Goals and implementation:
Living up to our ethical standards is vital, and our goals are to make sure each employee and supplier live up to this as well. Our long-term goal is to have 100% of our regular suppliers sign our Supplier Code of Conduct, thus committing to our high ethical standards.

Each new employee at LEMAN is signing our Employee Code of Conduct at the beginning of employment. This procedure is to make sure that LEMAN complies with all applicable laws and regulations, but also, that we behave by our values and ethics by respecting our colleagues, business partners, and the world around us.

Results, expectations and risks:
In 2019, we did not record any cases of corruption or bribery. It is our expectation every year going forward not to have any corruption or bribery issues to report.

For our ethical and moral standards to be met, we are not only obliged to live up to our expectations. Our ethical responsibility goes further, and we require regular suppliers to sign our Supplier Code of Conduct.

We have made the Employee Code of Conduct a mandatory part of our hiring process and have reached 100% completion.

As part of an international, cross-cultural line of business, we have an ever-present risk of having to deal with bribery and other ethical concerns. This situation makes our efforts to educate our staff, as well as having our suppliers commit to responsible and ethical behavior, even more critical.

## Statutory report on the underrepresented gender

At LEMAN, we believe that our staff is the road to success. Our goal is to create an open and inspiring workplace in which staff members can develop their full potential, and in which, through a transparent structure, we work to ensure that there are relatively equal numbers of women and men in the various levels of management.

## Management commentary

LEMAN wants to foster diversity, encourage and develop more female leaders in what is a traditionally male-dominated industry. Significant progress was achieved during 2019, and by the end of 2019, 40% of the members of our board of directors and 28% of the members of the management team were female.

Our equal opportunities policy is put into practice in the Company's employee manual.

The staff at LEMAN must also find that the Company has an open and open-minded culture in which the individual can use his or her skills best possible, regardless of gender.

### Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report. The outbreak and wide spreading of COVID-19 have impacted the daily operation and might affect the Company's suppliers and customers. The Company's financial position and strategic direction have, however, not been affected.

### Treasury shares

LEMAN Holding A/S owns a number of treasury shares, which are specified in note 11 to the parent financial statements.

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Attraction and retention of highly skilled and motivated members of staff.


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# Consolidated income statement for 2019

| | Notes | 2019 DKK'000 | 2018 DKK'000 |
|---|---|---|---|
| Revenue | 2 | 2.267.603 | 2.439.102 |
| Other operating income | | 618 | 858 |
| Cost of sales | | -1.729.574 | -1.898.281 |
| Other external expenses | | -135.079 | -137.775 |
| **Gross profit/loss** | | **403.569** | **403.904** |
| Staff costs | 3 | -352.326 | -341.521 |
| Depreciation, amortisation and impairment losses | 4 | -31.493 | -28.113 |
| **Operating profit/loss** | | **19.750** | **34.270** |
| Other financial income | | 5.402 | 1.735 |
| Other financial expenses | | -1.976 | -3.766 |
| **Profit/loss before tax** | | **23.176** | **32.239** |
| Tax on profit/loss for the year | 5 | -7.629 | -9.569 |
| **Profit/loss for the year** | 6 | **15.547** | **22.670** |

# Consolidated balance sheet at 31.12.2019

| | Notes | 2019 DKK'000 | 2018 DKK'000 |
|---|---|---|---|
| Completed development projects | | 48.869 | 5.416 |
| Goodwill | | 45.115 | 51.442 |
| Development projects in progress | | 1.956 | 37.330 |
| **Intangible assets** | 7 | **95.940** | **94.188** |
| | | | |
| Land and buildings | | 277.945 | 280.270 |
| Plant and machinery | | 16.131 | 20.942 |
| Other fixtures and fittings, tools and equipment | | 28.997 | 23.633 |
| **Property, plant and equipment** | 8 | **323.073** | **324.845** |
| | | | |
| Other investments | | 45.384 | 45.384 |
| Deposits | | 769 | 693 |
| **Fixed asset investments** | 9 | **46.153** | **46.077** |
| | | | |
| **Fixed assets** | | **465.166** | **465.110** |
| | | | |
| Trade receivables | | 319.114 | 364.992 |
| Deferred tax | 10, 12 | 1.630 | 773 |
| Other receivables | | 980 | 2.123 |
| Income tax receivable | | 3.622 | 8.789 |
| Prepayments | 11 | 18.274 | 27.537 |
| **Receivables** | | **343.620** | **404.214** |
| | | | |
| Other investments | | 76 | 84 |
| **Other investments** | | **76** | **84** |
| | | | |
| **Cash** | | **102.973** | **83.226** |
| | | | |
| **Current assets** | | **446.669** | **487.524** |
| | | | |
| **Assets** | | **911.835** | **952.634** |

# Consolidated balance sheet at 31.12.2019

| | Notes | 2019<br>DKK'000 | 2018<br>DKK'000 |
|---|---|---|---|
| Contributed capital | | 30.000 | 30.000 |
| Retained earnings | | 533.473 | 521.479 |
| Proposed dividend | | 5.000 | 7.500 |
| **Equity** | | **568.473** | **558.979** |
| | | | |
| Deferred tax | 10, 12 | 42.654 | 42.606 |
| **Provisions** | | **42.654** | **42.606** |
| | | | |
| Montgage debt | | 18.829 | 20.793 |
| Finance lease liabilities | | 1.355 | 0 |
| **Non-current liabilities other than provisions** | 13 | **20.184** | **20.793** |
| | | | |
| Current portion of long-term liabilities other than provisions | 13 | 1.882 | 1.381 |
| Trade payables | | 212.209 | 262.415 |
| Income tax payable | | 2.024 | 211 |
| Other payables | | 61.323 | 61.634 |
| Defered income | 14 | 3.086 | 4.615 |
| **Current liabilities other than provisions** | | **280.524** | **330.256** |
| | | | |
| **Liabilities other than provisions** | | **300.708** | **351.049** |
| | | | |
| **Equity and liabilities** | | **911.835** | **952.634** |
| | | | |
| Events after the balance sheet date | 1 | | |
| Fees to the auditor appointed by the Annual General Meeting | 16 | | |
| Financial instruments | 17 | | |
| Unregcognised rental and lease commitments | 18 | | |
| Contingent liabilities | 19 | | |
| Assets charged and collateral | 20 | | |
| Transactions with related parties | 21 | | |
| Subsidiaries | 22 | | |

# Consolidated statement of changes in equity for 2019

| | Contributed capital DKK'000 | Retained earnings DKK'000 | Proposed dividend DKK'000 | Total DKK'000 |
|---|---|---|---|---|
| Equity beginning of year | 30.000 | 521.479 | 7.500 | 558.979 |
| Ordinary dividend paid | 0 | 0 | -7.500 | -7.500 |
| Exchange rate adjustments | 0 | 1.447 | 0 | 1.447 |
| Profit/loss for the year | 0 | 10.547 | 5.000 | 15.547 |
| **Equity end of year** | **30.000** | **533.473** | **5.000** | **568.473** |

# Consolidated cash flow statement for 2019

| | Notes | 2019<br>DKK'000 | 2018<br>DKK'000 |
|---|---|---|---|
| Operating profit/loss | | 19.750 | 34.272 |
| Amortisation, depreciation and impairment losses | | 31.493 | 28.111 |
| Other provisions | | 0 | -554 |
| Working capital changes | 15 | -2.041 | -63.536 |
| **Cash flow from ordinary operating activities** | | **49.202** | **-1.707** |
| Financial income received | | 5.402 | 1.733 |
| Financial expenses paid | | -1.976 | -3.766 |
| Income taxes refunded/(paid) | | 6.980 | -4.798 |
| **Cash flows from operating activities** | | **59.608** | **-8.538** |
| Acquisition etc of intangible assets | | -14.245 | -25.431 |
| Acquisition etc of property, plant and equipment | | -18.384 | -15.997 |
| Sale of property, plant and equipment | | 2.203 | 616 |
| **Cash flows from investing activities** | | **-30.426** | **-40.812** |
| Repayments of loans etc | | -1.943 | -1.396 |
| Dividend paid | | -7.500 | 0 |
| **Cash flows from financing activities** | | **-9.443** | **-1.396** |
| **Increase/decrease in cash and cash equivalents** | | **19.739** | **-50.746** |
| Cash and cash equivalents beginning of year | | 83.310 | 134.056 |
| **Cash and cash equivalents end of year** | | **103.049** | **83.310** |
| Cash and cash equivalents at year-end are composed of: | | | |
| Cash | | 102.973 | 83.226 |
| Securities | | 76 | 84 |
| **Cash and cash equivalents end of year** | | **103.049** | **83.310** |

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The preferred quality partner to deliver a competitive advantage to customers.


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# Notes to consolidated financial statements

## 1. Events after the balance sheet date

No events have occurred after the balance sheet date, which would influence the evaluation of this annual report. However, the outbreak and spread of the coronavirus disease (COVID-19) in early 2020 have affected the planning and execution of day-to-day operations, and the Company's suppliers and customers may be affected as well. Nevertheless, the Company's financial position, strategy and development remain unaffected at this point in time.

Aside from this, no material events have occurred after the balance sheet date, which affect the annual report.

| | 2019<br>DKK'000 | 2018<br>DKK'000 |
|---|---|---|
| **2. Revenue** | | |
| Denmark | 1.138.126 | 1.124.630 |
| Other countries | 1.129.477 | 1.314.472 |
| | **2.267.603** | **2.439.102** |

The primary activities of the Group comprise transportation and logistics to and from foreign destinations on behalf of Danish and foreign customers. The revenue split on countries is not based on the actual activity in each country, but on the country in which the customer is invoiced.

| | 2019<br>DKK'000 | 2018<br>DKK'000 |
|---|---|---|
| **3. Staff costs** | | |
| Wages and salaries | 323.961 | 320.801 |
| Pension costs | 20.021 | 19.011 |
| Other social security costs | 6.696 | 8.093 |
| Other staff costs | 8.238 | 7.460 |
| Staff costs classified as assets | -6.590 | -13.844 |
| | **352.326** | **341.521** |
| | | |
| Average number of employees | 718 | 744 |

# Notes to consolidated financial statements

| | 2019<br>DKK'000 | 2018<br>DKK'000 |
|---|---|---|
| **Remuneration of management** | | |
| Executive Board | 6.046 | 6.436 |
| Board of Directors | 453 | 405 |
| | 6.499 | 6.841 |

| | 2019<br>DKK'000 | 2018<br>DKK'000 |
|---|---|---|
| **4. Depreciation, amortisation and impairment losses** | | |
| Amortisation of intangible assets | 12.873 | 8.890 |
| Depreciation of property, plant and equipment | 19.761 | 18.780 |
| Impairment losses on property, plant and equipment | 0 | 21 |
| Profit/loss from sale of intangible assets and property, plant and equipment | -1.141 | 422 |
| | 31.493 | 28.113 |

| | 2019<br>DKK'000 | 2018<br>DKK'000 |
|---|---|---|
| **5. Tax on profit/loss for the year** | | |
| Current tax | 8.465 | 5.193 |
| Change in deferred tax | -809 | 4.332 |
| Adjustment concerning previous year | -27 | 44 |
| | 7.629 | 9.569 |

| | 2019<br>DKK'000 | 2018<br>DKK'000 |
|---|---|---|
| **6. Proposed distribution of profit/loss** | | |
| Provision for distributions | 5.000 | 7.500 |
| Retained earnings | 10.547 | 15.170 |
| | 15.547 | 22.670 |

# Notes to consolidated financial statements

| | Completed development projects DKK´000 | Goodwill DKK´000 | Development projects in progress DKK´000 |
|---|---|---|---|
| 7. Intangible assets | | | |
| Cost beginning of year | 6.735 | 79.867 | 37.330 |
| Exchange rate adjustments | 0 | 756 | 0 |
| Transfers | 37.118 | 0 | -37.118 |
| Additions | 12.501 | 0 | 1.744 |
| **Cost end of year** | **56.354** | **80.623** | **1956** |
| | | | |
| Amortisation and impairment losses beginning of year | -1.319 | -28.425 | 0 |
| Exchange rate adjustments | 0 | -376 | 0 |
| Amortisation for the year | -6.166 | -6.707 | 0 |
| **Amortisation and impairment losses end of year** | **-7.485** | **-35.508** | **0** |
| | | | |
| **Carrying amount end of year** | **48.869** | **45.115** | **1.956** |

**Development projects**

Development projects in progress include the development of other supportive IT-systems. Development projects are expected to be completed within a period of one to three years and comprise both external consultancy fees and internal labour costs.

# Notes to consolidated financial statements

| 8. Property, plant and equipment | Land and buildings DKK'000 | Plant and machinery DKK'000 | Other fixtues and fittings, tools, and equipment DKK'000 |
|---|---|---|---|
| Cost beginning of year | 341.805 | 43.510 | 90.580 |
| Exchange rate adjustments | 665 | 75 | 635 |
| Additions | 4.217 | 605 | 13.562 |
| Disposals | 0 | -5.750 | -2.127 |
| **Cost end of year** | **346.687** | **38.440** | **102.650** |
| Depreciation and impairment losses beginning of the year | -61.535 | -22.568 | -66.947 |
| Exchange rate adjustments | -204 | -39 | -465 |
| Depreciation for the year | -7.003 | -5.304 | -7.454 |
| Reversal regarding disposals | 0 | 5.602 | 1.213 |
| **Depreciation and impairment losses end of the year** | **-68.742** | **-22.309** | **-73.653** |
| **Carrying amount end of year** | **277.945** | **16.131** | **28.997** |
| Recognised assets not owned by entity | - | - | 1.940 |

| 9. Fixed asset investments | Other investments DKK'000 | Deposits DKK'000 |
|---|---|---|
| Cost beginning of year | 33.499 | 693 |
| Exchange rate adjustments | 0 | 76 |
| **Cost end of year** | **33.499** | **769** |
| Revaluations beginning of year | 11.885 | 0 |
| **Revaluations end of year** | **11.885** | **0** |
| **Carrying amount end of year** | **45.384** | **769** |

# Notes to consolidated financial statements

### 10. Deferred tax

As of 31.12.2019, the Group has recognised a tax asset of DKK 1.630 thousand. The tax asset is composed of tax loss carryforwards and unutilised tax deductions consisting of timing differences. Management believes that the tax asset is likely to be offset against future taxable income.

### 11. Prepayments

Prepayments comprise incurred costs such as rent, insurance premiums, subscription fees and freight forwarding costs relating to the next financial year.

### 12. Deferred tax

| | 2019<br>DKK'000 |
|---|---|
| **Changes during the year** | |
| Beginning of year | 41.833 |
| Recognised in the income statement | -809 |
| **End of the year** | **41.024** |

### 13. Liabilities other than provisions

| | Due within 12 months 2019 DKK'000 | Due within 12 months 2018 DKK'000 | Due after more than 12 months 2019 DKK'000 | Outstanding after 5 years DKK'000 |
|---|---|---|---|---|
| Mortgage debts | 1.402 | 1.381 | 18.829 | 13.004 |
| Finance lease liabilities | 480 | 0 | 1.355 | 0 |
| | **1.882** | **1.381** | **20.184** | **13.004** |

### 14. Short-term deferred income

Deferred income relates to revenue cut-off.

# Notes to consolidated financial statements

| | 2019<br>DKK'000 | 2018<br>DKK'000 |
|---|---|---|
| **15. Change in working capital** | | |
| Increase/decrease in receivables | 56.284 | -39.494 |
| Increase/decrease in trade payables etc | -52.046 | -17.780 |
| Other changes | -6.279 | -6.262 |
| | -2.041 | -63.536 |

| | 2019<br>DKK'000 | 2018<br>DKK'000 |
|---|---|---|
| **16. Fees to the auditor appointed by the Annual General Meeting** | | |
| Statutory audit services | 331 | 313 |
| Tax services | 46 | 45 |
| Other services | 376 | 273 |
| | 753 | 631 |

## 17. Financial instruments

In the financial year, the Group entered into forward exchange contracts of DKK 8,466 thousand distributed among the currencies EUR and SEK. The fair value of these contracts amounts to DKK 600 thousand that has been recognised as other payables, and the fair value adjustment has been recognised in the income statement. All forward exchange contracts expire in the financial year 2020.

| | 2019<br>DKK'000 | 2018<br>DKK'000 |
|---|---|---|
| **18. Unrecognized rental and lease commitments** | | |
| Liabilities under rental or lease agreements until maturity in total | 136.383 | 106.999 |

Liabilities under rental or lease agreements until maturity can be divided into liabilities under rental agreements DKK 88,799 thousand (2018: DKK 76,756 thousand) and liabilities under lease agreements DKK 47,584 thousand (2018: DKK 30,243 thousand).

# Notes to consolidated financial statements

| | 2019 DKK'000 | 2018 DKK'000 |
|---|---|---|
| **19. Contingent liabilities** | | |
| Recourse and non-recourse guarantee commitments | 50.475 | 52.443 |
| **Contingent liabilities in total** | **50.475** | **52.543** |

## 20. Assets charged and collateral

The LEMAN Group's bank and mortgage debt is secured by way of a mortgage deed registered on its properties of DKK 34,527 thousand.

## 21. Transactions with related parties

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

| | Registered in | Corporate form | Equity interest % |
|---|---|---|---|
| **22. Subsidiaries** | | | |
| LEMAN A/S | Denmark, Greve | A/S | 100 |
| LEMAN U.S.A. Inc. | USA, Sturtevant | Inc. | 100 |
| LEMAN OY | Finland, Helsinki | OY | 100 |
| LEMAN AS | Norway, Drammen | AS | 100 |
| LEMAN AB | Sweden, Helsingborg | AB | 100 |
| LEMAN International Transport Limited | England, Bradford | Ltd. | 100 |
| Maru International Limited | England, Dewsbury | Ltd. | 100 |
| Maru Logistics Limited | England, Dewsbury | Ltd. | 100 |
| Dalpa International Limited | England, Dewsbury | Ltd. | 100 |
| IntraVAT ApS | Denmark, Greve | ApS | 100 |
| IntraVAT AS | Norway, Oslo | AS | 100 |
| IntraVAT AB | Sweden, Helsingborg | AB | 100 |
| IntraVAT OY | Finland, Helsinki | OY | 100 |
| Worldtrans Aeroship A/S | Denmark, Greve | A/S | 100 |
| F.S.I. A/S | Denmark, Greve | A/S | 100 |

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Focus on taking relevant sustainability measures to reduce Carbon Emission.


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# Parent income statement for 2019

| | Notes | 2019<br>DKK'000 | 2018<br>DKK'000 |
|---|---|---|---|
| Revenue | | 15.835 | 16.998 |
| Other external expenses | | -6.344 | -3.100 |
| **Gross profit/loss** | | **9.491** | **13.898** |
| Depreciation, amortisation and impairment losses | 2 | -4.825 | -4.838 |
| **Operating profit/loss** | | **4.666** | **9.060** |
| Income from investments in group enterprises | | 15.205 | 19.620 |
| Other financial income | 3 | 1.545 | 1.381 |
| Other financial expenses | 4 | -5.908 | -6.780 |
| **Profit/loss before tax** | | **15.508** | **23.281** |
| Tax on profit/loss for the year | 5 | 39 | -611 |
| **Profit/loss for the year** | 6 | **15.547** | **22.670** |

# Parent balance sheet at 31.12.2019

| | Notes | 2019<br>DKK'000 | 2018<br>DKK'000 |
|---|---|---|---|
| Land and buildings | | 227.488 | 229.019 |
| **Property, plant and equipment** | 7 | **227.488** | **229.019** |
| | | | |
| Investments in group enterprises | | 449.599 | 432.947 |
| Other investments | | 45.384 | 45.384 |
| **Fixed asset investments** | 8 | **494.983** | **478.331** |
| | | | |
| **Fixed assets** | | **722.471** | **707.350** |
| | | | |
| Receivables from group enterprises | 9 | 16.022 | 21.168 |
| Income tax receivable | | 1.383 | 2.878 |
| Joint taxation contribution receivable | | 5.569 | 4.655 |
| Prepayments | 10 | 0 | 424 |
| **Receivables** | | **22.974** | **29.125** |
| | | | |
| **Cash** | | **12.253** | **5.334** |
| | | | |
| **Current assets** | | **35.227** | **34.459** |
| | | | |
| **Assets** | | **757.698** | **741.809** |

# Parent balance sheet at 31.12.2019

| | Notes | 2019 DKK'000 | 2018 DKK'000 |
|---|---|---|---|
| Contributed capital | 11 | 30.000 | 30.000 |
| Reserve for net revaluation according to the equity method | | 436.328 | 419.676 |
| Retained earnings | | 97.145 | 101.803 |
| Proposed dividend | | 5.000 | 7.500 |
| **Equity** | | **568.473** | **558.979** |
| | | | |
| Deferred tax | 12 | 28.724 | 28.590 |
| **Provisions** | | **28.724** | **28.590** |
| | | | |
| Montgage debt | | 18.829 | 20.231 |
| **Non-current liabilities other than provisions** | 13 | **18.829** | **20.231** |
| | | | |
| Current portion of long-term liabilities other than provisions | 13 | 1.402 | 1.381 |
| Payables to group enterprises | 14 | 139.753 | 132.578 |
| Other payables | | 517 | 50 |
| **Current liabilities other than provisions** | | **141.672** | **134.009** |
| | | | |
| **Liabilities other than provisions** | | **160.501** | **154.240** |
| | | | |
| **Equity and liabilities** | | **757.698** | **741.809** |
| | | | |
| Events after the balance sheet date | 1 | | |
| Renumeration of management | 15 | | |
| Contingent liabilities | 16 | | |
| Assets charged and collareral | 17 | | |
| Related parties with controlling interest | 18 | | |
| Transactions with related parties | 19 | | |

# Parent statement of changes in equity for 2019

| | Contributed capital DKK'000 | Reserve for net revaluation according to the equity method DKK'000 | Retained earnings DKK'000 | Proposed dividends DKK'000 |
|---|---|---|---|---|
| Equity beginning of year | 30.000 | 419.676 | 101.803 | 7.500 |
| Ordinary dividend paid | 0 | 0 | 0 | -7.500 |
| Exchange rate adjustments | 0 | 1.447 | 0 | 0 |
| Profit/loss for the year | 0 | 15.205 | -4.658 | 5000 |
| **Equity end of year** | **30.000** | **436.328** | **97.145** | **5.000** |

| | Total DKK'000 |
|---|---|
| Equity beginning of year | 558.979 |
| Ordinary dividend paid | -7.500 |
| Exchange rate adjustments | 1.447 |
| Profit/loss for the year | 15.547 |
| **Equity end of year** | **568.473** |

# Notes to parent financial statements

## 1. Events after the balance sheet date

No events have occurred after the balance sheet date, which would influence the evaluation of this annual report. However, the outbreak and spread of the coronavirus disease (COVID-19) in early 2020 have affected the planning and execution of day-to-day operations, and the Company's suppliers and customers may be affected as well. Nevertheless, the Company's financial position, strategy and development remain unaffected at this point in time.

Aside from this, no material events have occurred after the balance sheet date, which affect the annual report.

| | 2019<br>DKK'000 | 2018<br>DKK'000 |
|---|---|---|
| **2. Depreciation, amortisation and impairment losses** | | |
| Depreciation of property, plant and equipment | 4.825 | 4.838 |
| | **4.825** | **4.838** |

| | 2019<br>DKK'000 | 2018<br>DKK'000 |
|---|---|---|
| **3. Other financial income** | | |
| Financial income from group enterprises | 656 | 166 |
| Other interests income | 889 | 1.215 |
| | **1.545** | **1.381** |

Other interest income also consists of exchange gains.

# Notes to parent financial statements

| | 2019<br>DKK'000 | 2018<br>DKK'000 |
|---|---|---|
| **4. Other financial expenses** | | |
| Financial expenses from group enterprises | 5.170 | 5.683 |
| Other interest expenses | 738 | 1.097 |
| | 5.908 | 6.780 |

Other interest expences also consist of exchange losses.

| | 2019<br>DKK'000 | 2018<br>DKK'000 |
|---|---|---|
| **5. Tax on profit/loss for the year** | | |
| Current tax | -68 | 562 |
| Change in deferred tax | 134 | 5 |
| Adjustment concerning previous years | -105 | 44 |
| | -39 | 611 |

| | 2019<br>DKK'000 | 2018<br>DKK'000 |
|---|---|---|
| **6. Proposed distribution of profit/loss** | | |
| Ordinary dividend for the financial year | 5.000 | 7.500 |
| Retained earnings | 10.547 | 15.170 |
| | 15.547 | 22.670 |

# Notes to parent financial statements

| | Land and buildings DKK'000 |
|---|---|
| **7. Property, plant and equipment** | |
| Cost beginning of year | 280.843 |
| Additions | 3.294 |
| **Cost end of year** | **284.137** |
| | |
| Depreciation and impairment losses beginning of year | -51.824 |
| Depreciation for the year | -4.825 |
| **Depreciation and impairment losses end of year** | **-56.649** |
| | |
| **Carrying amount end of year** | **227.488** |

| | Investments in group enterprises DKK'000 | Other investments DKK'000 |
|---|---|---|
| **8. Fixed asset investments** | | |
| Cost beginning of year | 13.271 | 33.499 |
| **Cost end of year** | **13.271** | **33.499** |
| | | |
| Revaluations beginning of year | 419.676 | 11.885 |
| Exchange rate adjustments | 1.447 | 0 |
| Share of profit/loss for the year | 15.205 | 0 |
| **Revaluations end of year** | **436.328** | **11.885** |
| | | |
| **Carrying amount end of year** | **449.599** | **45.384** |

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

## 9. Receivables from group enterprises

No due date has been determined for the receivables from group enterprises. However, they are expected to fall due within one year

# Notes to parent financial statements

## 10. Prepayments

Prepayments comprise incurred costs such as rent, insurance premiums and subscription fees relating to the next financial year.

| | Number | Par value DKK'000 | Nominal Value DKK'000 |
|---|---|---|---|
| **11. Contributed capital** | | | |
| Class A shares | 120 | 250 | 30.000 |
| | **120** | | **30.000** |

| Treasury shares | Number | Nominal value DKK'000 | Recorded par value DKK'000 | Share of contributed capital % |
|---|---|---|---|---|
| Holding of treasury shares: | | | | |
| Class A shares | 12 | 250 | 3.000 | 10,0 |
| | **12** | **250** | **3.000** | **10,0** |

| | 2019 DKK'000 | 2018 DKK'000 |
|---|---|---|
| **12. Deferred tax** | | |
| Property, plant and equipment | 28.802 | 28.673 |
| Liabilities other than provisions | -78 | -83 |
| | **28.724** | **28.590** |

| Changes during the year | |
|---|---|
| Beginning of year | 28.590 |
| Recognised in the income statement | 134 |
| **End of year** | **28.724** |

# Notes to parent financial statements

| | Due within 12 months 2019 DKK'000 | Due within 12 months 2018 DKK'000 | Due after more than 12 months 2018 DKK'000 | Outstan-ding after 5 years DKK'000 |
|---|---|---|---|---|
| **13. Liabilities other than provisions** | | | | |
| Mortgage debts | 1.402 | 1.381 | 18.829 | 13.004 |
| | **1.402** | **1.381** | **18.829** | **13.004** |

## 14. Payables to group enterprises

No due date has been determined for the payables to group enterprises. However, they are expected to fall due within one year.

| | 2019 DKK'000 | 2018 DKK'000 |
|---|---|---|
| **15. Renumeration of management** | | |
| Board of Directors | 453 | 405 |
| | **453** | **405** |

**Other staff information**

The number of employees in LEMAN HOLDING A/S are excluded given that the company do not have any employees other than the Executive Board and the Board of Directors.

# Notes to parent financial statements

| | 2019<br>DKK'000 | 2018<br>DKK'000 |
|---|---|---|
| **16. Contingent liabilities** | | |
| Recourse and non-recourse guarantee commitments | 3.507 | 3.309 |
| **Contingent liabilities in total** | **3.507** | **3.309** |

### Other contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement of the LEMAN Group. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

### 17. Assets charged and collateral

The LEMAN Group's bank and mortgage debt is secured by way of a mortgage deed registered on its properties of DKK 34,527 thousand.

### Collateral provided for group enterprises

LEMAN HOLDING A/S has provided parent company guarantees limited to DKK 35,500 thousand on bank facilities.

### 18. Related parties with controlling interest

- La Capite S.A., 10, Rue Nicolas Adames, L-1114 Luxembourg, owns all shares in LEMAN HOLDING A/S and has the controlling interest.

### 19. Transactions with related parties

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

# Accounting policies

## Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

A few changes have been made to the presentation of the Group's comparative figures. These changes have no effect on the Group's income statement or equity.

## Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

## Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

# Accounting policies

## Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

## Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life, however no more than 20 years.

## Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

# Accounting policies

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

### Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

## Income statement

### Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

### Segment information

The primary activities of the LEMAN Group comprise transportation and logistics to and from foreign destinations on behalf of Danish and foreign customers in Europe and the USA. The transportations are arranged through an extended network of cooperation among agents.

The services rendered by the Company and the Group, respectively, comprise fairly uniform transportation services which do not differ from each other significantly. Consequently, it is not relevant to provide further disclosures on business segments, just as it is not relevant to provide disclosures on geographical markets.

### Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

# Accounting policies

## Cost of sales
Cost of sales comprises freight costs and other costs relating in the financial year measured at cost.

## Other external expenses
Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

## Staff costs
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

## Depreciation, amortisation and impairment losses
Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

## Income from investments in group enterprises
Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

## Other financial income
Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

## Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortization of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

# Accounting policies

### Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Parent, LEMAN HOLDING A/S, is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with refund concerning tax losses).

## Balance sheet

### Goodwill

Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. The amortisation period is usually ten years based on acquired market positions and long-term earnings profile.

Goodwill is written down to the lower of recoverable amount and carrying amount.

### Intellectual property rights etc

Intellectual property rights comprise of development projects in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equaling the costs incurred is taken to equity under reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

# Accounting policies

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 3-10 years.

### Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

| | |
|---|---|
| Buildings | 39-50 years |
| Plant and machinery | 5 years |
| Other fixtures and fittings, tools and equipment | 3-8 years |

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

### Investments in group enterprises

In the parent financial statements, investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits and losses. Please refer to the above section on business combinations for more details about the accounting policies used on acquisition of investments in group enterprises.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straigth-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. The amortisation period used is ten years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

# Accounting policies

### Other investments
Other investments comprise listed securities which are measured at fair value (market price) at the balance sheet date and unlisted investments measured at market value of the investment.

### Receivables
Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

### Income tax payable or receivable
Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

### Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

### Other investments
Other current asset investments comprise listed securities measured at fair value (market price) at the balance sheet date.

### Cash
Cash comprises cash in hand and bank deposits.

### Dividend
Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

### Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

# Accounting policies

## Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

## Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

## Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

## Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

## Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

## Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

# Accounting policies

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less shortterm bank loans.

## Financial highlights

Financial highlights are defined and calculated in accordance with the latest version of "Recommendations & Ratios" issued by the CFA Society Denmark.

| Ratios | Calculation formula | Calculation formula reflect |
|---|---|---|
| Gross margin (%) | Gross profit/loss x 100 / Revenue | The Entity's operating gearing. |
| Return on equity (%) | Profit/loss for the year x 100 / Average equity | The Entity's return on capital invested in the Entity by the owners. |
| Equity ratio (%) | Equity x 100 / Total assets | The financial strength of the Entity. |

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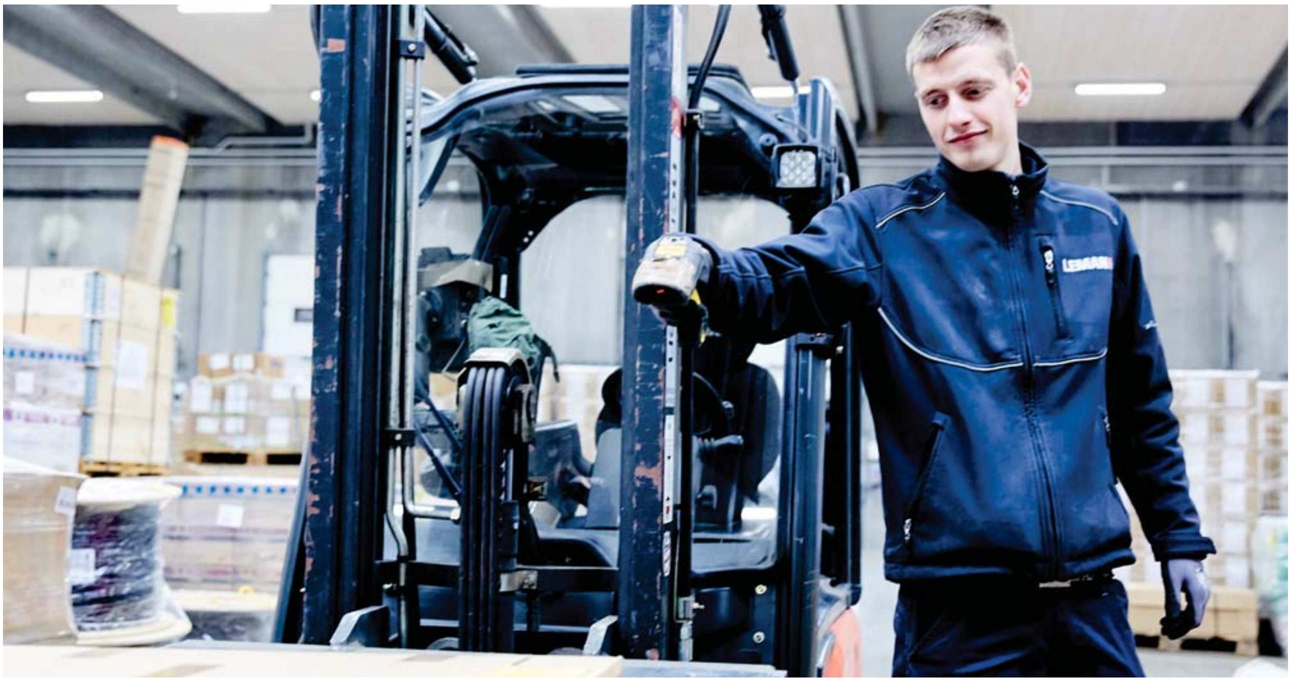

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