# ANNUA REPORT 2020

SGL TransGroup International A/S CVR 37 52 10 43

UNCOMPLICATE YOUR WORLD



# SCAN GLOBAL LOGISTICS



# HOW TO READ THIS REPORT

#### **SGLT HOLDING**

The figures contained in this section are comprised of the combined financial performance of SGL TransGroup International A/S and TransGroup Global Inc., including their respective subsidiaries, constituting the combined group SGLT Holding II LP ("SGLT Holding").

The figures for SGLT Holding are included because they highlight the performance to which attention should be given when understanding the current combined performance and predicting future combined performance supporting the issued senior secured bond through SGL TransGroup International A/S.

Reporting currency for SGLT Holding is USD.

#### **SGL GROUP**

SGL TransGroup International A/S (SGL Group) is owned directly by Scan (UK) Midco Limited, and the ultimate owner is SGLT Holding I LP. SGL Group includes SGL TransGroup International A/S and all its subsidiaries.

SGL TransGroup International A/S (together with TransGroup Global Inc. and their respective subsidiaries) has issued a senior secured floating rate bond loan within a total framework amount of EUR 315 million.

Reporting currency for SGL Group is DKK.

## **AEA AND FINANCIAL** MANAGEMENT **CO-INVESTORS SGLT HOLDING I LP** r - SGLT HOLDING **"SGLT HOLDING"** SGLT HOLDING II LP SCAN (JERSEY) **SGL TRANSGROUP TOPCO LIMITED US CORP** SGL GROUP -**"SGL GROUP** USD 120M TRANSGROUP I/C LOAN

SIMPLIFIED STRUCTURE\*

**GLOBAL INC.** SGL TRANSGROUP **INTERNATIONAL A/S OPERATING ISSUED EUR 250M COMPANIES** SENIOR SECURED **BONDS UNDER A** FRAMEWORK OF UP TO EUR 315M **OPERATING** COMPANIES

\*As of 31 December 2020



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#### Strategy and Approach

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#### SGL TransGroup International A/S

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# **KEY ACHIEVEMENTS FOR SGLT HOLDING**

## **ADJUSTED EBITDA USD 50.4M STRONGEST** YEAR EVER

EBITDA before special items excluding the IFRS 16 impact showed an increase of 17% compared to 2019. The strong performance was derived through the strength of our entrepreneurial business model and the breadth and diversity of our customers and partners, combined with disciplined execution of COVID-19 cost saving initiatives and restructuring activities.

## BONDS **EUR 315M**

SGL TransGroup International A/S (together with TransGroup Global Inc. and their respective subsidiaries) has issued senior secured floating-rate bonds with SGL TransGroup International A/S as the issuer in an aggregate amount of EUR 250M within a total framework amount of EUR 315M.

#### RATING B

During 2020, S&P has affirmed SGLT Holding's 'B' long-term issuer credit Rating.

## **LEVERAGE RATIO 5.1x**

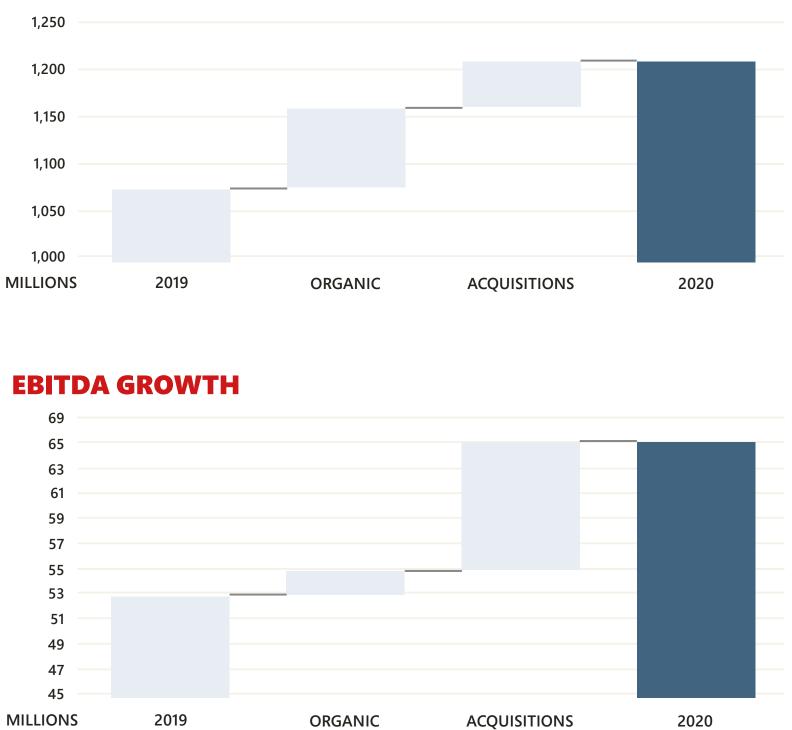
NIBD/EBITDA ratio of 5.1x (excluding IFRS 16); down from 5.4x as of 31 December 2019.



## **OUTLOOK 2021** FOR 2021, WE EXPECT **ADJUSTED EBITDA<sup>1</sup> OF USD 65-70M**

1) Adjusted EBITDA before special items (excluding the impact of IFRS 16), including acquisition of Grupo Contenosa and Werner Logistics. Further refer to note 6.4.

#### **REVENUE GROWTH**



#### **EBITDA GROWTH**



## **ORGANIC GROWTH 8% REVENUE**

The total organic growth amounts to 8% in revenue, despite the disruptions from COVID-19.

## **AQUISITIONS AND GREENFIELD** POLAND CZECH REPUBLIC **PIONEER, AUSTRALIA** CAMBODIA **POST NORD AB** (AIR & OCEAN ACTIVITIES) **UTAH (49% MINORITY INTEREST**)

SGLT Holding continued its acquisition strategy and delivered on its promise of a clear and coherent growth strategy through organic, greenfield and acquisitions efforts.

In 2020, SGLT Holding established strong platforms in Australia and Cambodia through acquisitions and further strengthened the Air & Ocean activities in Sweden. Geographic expansion has been secured through greenfield activities in Poland and the Czech Republic.

#### SGLT HOLDING

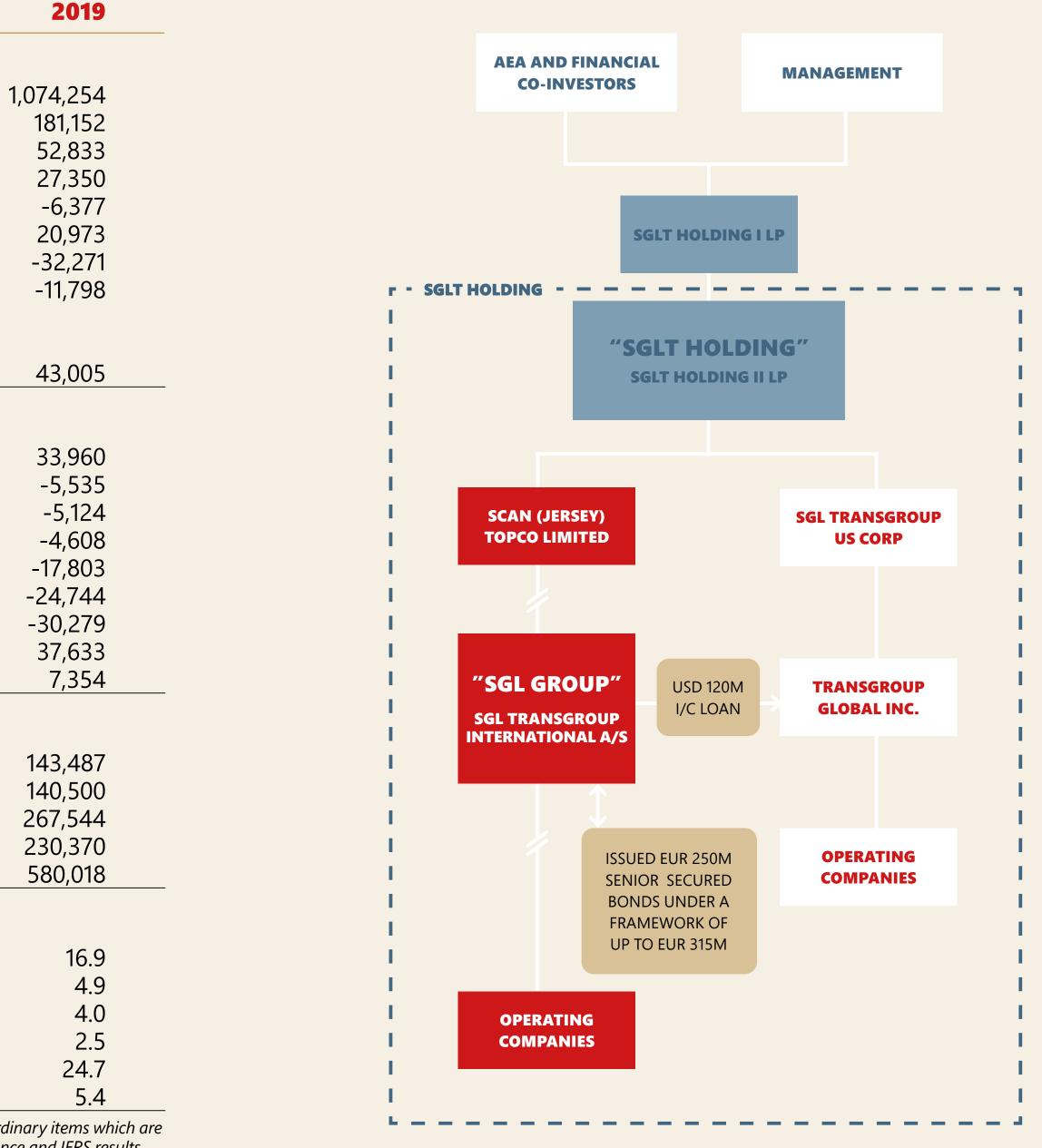


## FINANCIAL HIGHLIGHTS **– SGLT HOLDING**

KEY FIGURES (IN USD THOUSANDS)	2020	
Income statement Revenue Gross profit EBITDA before special items Operating profit (EBIT) before special items Special items Operating profit (EBIT) Net financial expenses Profit/loss for the period	1,210,156 202,726 64,824 28,319 -17,196 11,123 -34,654 -26,545	
Income statement (Business performance) <sup>1)</sup> Adjusted EBITDA <sup>2) 3)</sup>	50,383	
Cash flow Cash flows from operating activities before special items, interest and tax Cash flows from operating activities Investments in intangible assets Investments in property, plant, and equipment Investments in Group entities Cash flows from investing activities Free Cash flow Cash flows from financing activities Cash flows for the period	82,791 -43,483 -5,955 -2,421 -9,790 -20,847 22,636 6,726 29,362	
<b>Financial position</b> Total equity Equity attributable to parent company Net interest bearing debt (NIBD) Net Interest Bearing Debt (NIBD), excl. IFRS 16 Total assets	121,917 117,968 307,130 257,196 677,680	
<b>Financial ratios in %</b> Gross margin <sup>3)</sup> EBITDA margin <sup>3)</sup> Adjusted EBITDA margin (Business performance) <sup>1) 2)</sup> EBIT margin <sup>3) 4)</sup> Equity ratio Net leverage ratio <sup>4)</sup>	16.8 5.4 4.2 2.3 18.0 5.1	

1) Business performance represents the underlying financial performance of SGL Group in the reporting period as results are adjusted for extraordinary items which are not in line with the ordinary course of business and other non-recurring items. Apart from this, there is no difference between business performance and IFRS results. 2) Excluding the impact of IFRS 16 Leases; ref. note 6.4 Financial definitions 3) Before special items 4) Net leverage ratio defined as Net interest-bearing debt (excluding IFRS 16 leases) / Adjusted EBITDA (business performance)

#### SIMPLIFIED STRUCTURE





## FINANCIAL PERFORMANCE **– SGLT HOLDING**

#### REVENUE **ADJUSTED EBITDA\* USD 1,210M USD 50.4M** \*Adjusted EBITDA (Business performance) excluding the impact of IFRS 16 leases

#### **Financial performance SGLT Holding\***

#### **INTRO**

The figures for SGLT Holding are included because they highlight the performance to which attention should be given when understanding the current combined performance and predicting future combined performance supporting the issued senior secured bond through SGL TransGroup International A/S.

The figures contained in this section are comprised of the combined financial performance of SGL Group and TransGroup, including their respective subsidiaries, constituting the combined group SGLT Holding II LP ("SGLT Holding").

Reporting currency for SGLT Holding is USD.

#### **RESULTS FOR THE PERIOD**

The full year of 2020 business performance includes the operating results of SGLT Holding, including newly acquired businesses and activities such as activities in Scan Global logistics Co. Ltd. (Cambodia) (acquired 1 January 2020), Pioneer Logistics (acquired 15 January 2020), PostNord's Swedish Air & Ocean activities (acquired 1 October 2020), and Utah Specialized Transportation, LLC (now owned 100% as TransGroup Express, LLC.; a wholly-owned subsidiary acquired the remaining 49% shares from the minority shareholder in 2020, hence only impacting minority interest). Airlog Group Sweden AB, Airlog Group Fur OY, Airlog Group AS, and Airlog Group Denmark A/S were disposed 1 July 2020, and revenue from disposed entities amounted to USD 5 million for the first half of 2020.

#### REVENUE

The total revenue of 2020 was USD 1,210 million, which is a 13% increase compared to 2019, including the positive impact of FX translation of approximately USD 14 million.

Adjusted EBITDA increased by USD 7 million in 2020 compared to 2019; mainly due to strong performance through increased sales and improved margins in AsiaPacific. The improved performance Revenue was mainly impacted by strong organic performance within the Nordics and the Asia is driven both by organic growth and through Pacific, combined with increased activities through acquisitions made. acquired businesses.

#### **GROSS PROFIT**

The annual gross profit amounted to USD 202.7 million, equivalent to a 12% increase compared to 2019, positively impacted by FX translation of approx. USD 2 million.

Despite a significant increase in airfreight rates and capacity constraints during 2020 in comparison to 2019, we have managed to keep gross margins on par at approx. 17% compared to the strong performance in 2019.

#### **SG&A COSTS**

SG&A costs amounted to USD 138 million in 2020. An increase of 7% compared to 2019. SG&A costs were 11% of the revenue, which is a 1% point lower than 2019. The increase derives from increased staff costs mainly influenced by the acquisitions, and greenfield activities; however, this is offset by small levels of realised operating leverage.

#### **ADJUSTED EBITDA**

#### **DEPRECIATION AND AMORTISATION** Depreciation and amortisation amounted to USD 36.5 million in 2020, compared to USD 25.5 million in 2019. The increase is primarily driven by depreciation and amortisation from acquisitions made, together with increased amortisations on IT costs that have secured the infrastructure necessary for continued long-term growth.

#### **SPECIAL ITEMS**

The 2020 special items amounted to a net cost of USD 17.2 million, which included COVID-19 related net costs of compensation from governments, greenfield activities, M&A activities, restructuring and gain on disposed entities.

#### **CASH FLOWS**

Cash flows from operating activities before special items, interest, and tax were positive USD 83 million in 2020, mainly due to positive development in working capital and improved underlying business performance.

CAPEX amounted to USD 8.4 million for the year 2020, and comprised mainly of investments in software and development of IT projects that have secured the infrastructure necessary for continued long-term growth.

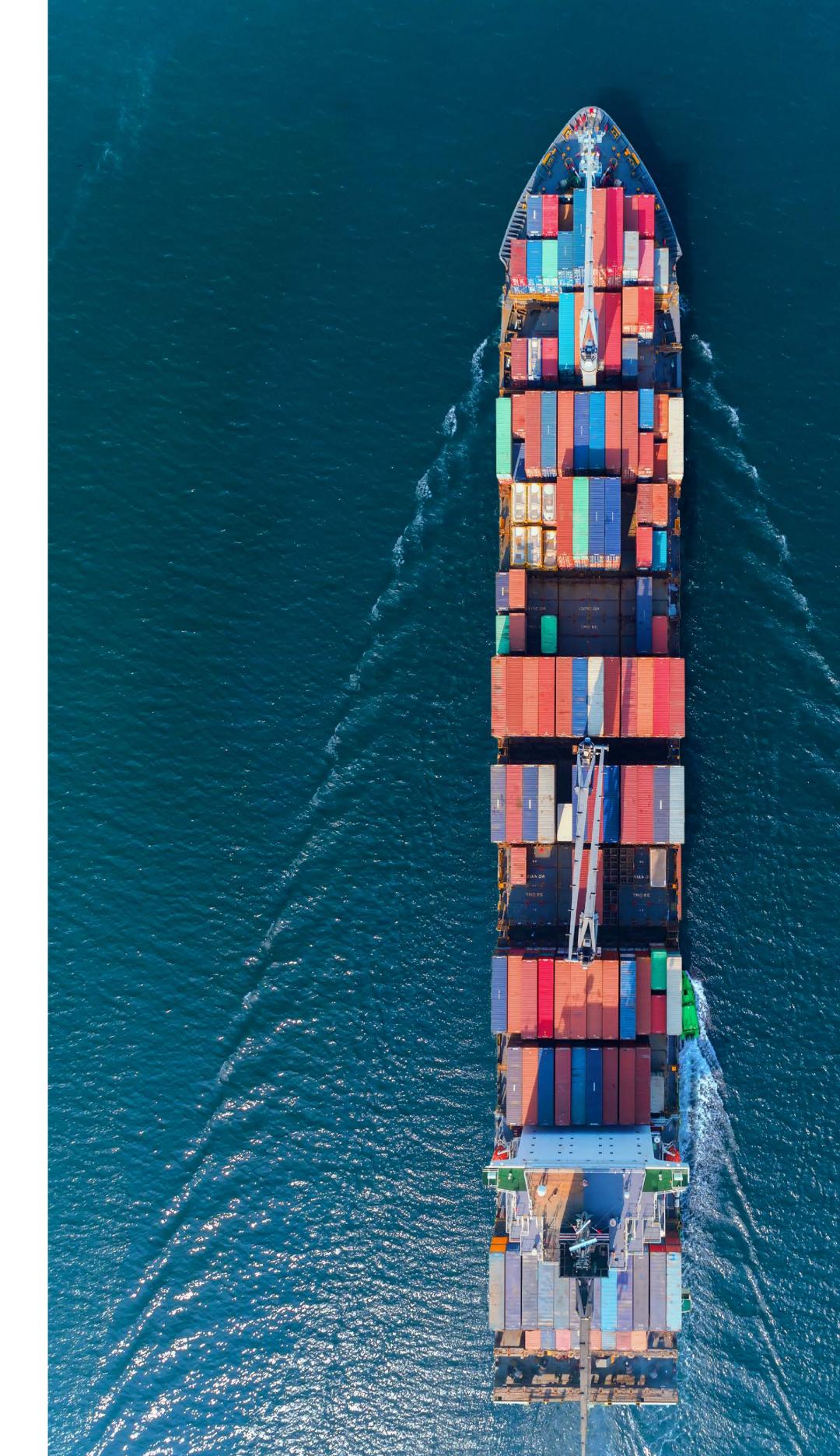
SGLT HOLDING

Cash outflow related to acquisitions amounted to a net USD 14 million incl. earn-out and cash received for the disposed Airlog entities (which amounted to USD 1.6 million).

Cash flow from financing activities was net USD 6.7 million and was driven by proceeds received from subsequent bond issue USD 30.7 million, but offset by redemption of IFRS 16 lease liabilities USD 20.2 million. Dividend paid to non-controlling interests at a value of USD 2 million is included in the financing cash flow. In Q3 2020, the Group issued EUR 27 million bonds within the framework of EUR 315 million and cash received net of transaction costs amounted to USD 30.7 million. As of 31 December 2020 total bonds amounted to EUR 250 million, corresponding to USD 300 million.

#### **CAPITAL STRUCTURE**

The equity attributable to the Parent company was USD 118 million. The total equity ratio was 18.0% as per 31 December 2020 compared to 24.7% by the end of December 2019. The decrease is primarily driven by the subsequent bond issue and negative results due to higher depreciation and amortisations combined with special items and bond interest costs relative to stronger business performance. **NET INTEREST BEARING DEBT (NIBD)** Consolidated net interest-bearing debt amounted to USD 307 million and USD 257 million excluding lease liabilities (31 December 2019: USD 268 million and USD 230 million excluding the lease liabilities). The debt consists primarily of bond debt raised for acquisitions.





#### **LETTER FROM THE CEO AND CFO**

## SGL GROUP – STAYING TRUE TO OUR DNA DELIVERS STRONGEST YEAR EVER

2020 was SGL Group's strongest year ever, with our highest earnings to date, the completion of three acquisitions, and significant progress made in our ESG commitments – all while successfully navigating the unprecedented market conditions caused by the global COVID-19 pandemic.

We entered 2020 in a very good position but with the expectation that the pandemic would have an impact on the macroeconomic environment. This manifested itself in the first quarter, with the pandemic causing significant cargo flow disruptions, freight rate volatility and capacity constraints.

#### **RESILIENT AND ADAPTABLE BUSINESS MODEL**

Our entrepreneurial business model proved highly resilient and adaptable in this challenging environment. From the outset, we maintained close contact with our customers and suppliers. Through our agile approach and using experience gained from our role in natural disasters, we were able to respond quickly to demand for alternative solutions as cargo flow was disrupted.

We also benefitted from our diversified customer base. While our Automotive and Solution business and road activities in Europe were impacted due to a decline in demand from

large OEM (Original Equipment Manufacturer) customers, the remaining segments of our business delivered extraordinary results.

#### **DELIVERING ON OUR GROWTH STRATEGY**

Despite the uncertainty caused by the pandemic, we remained committed to our acquisition strategy and delivered on our promise of a clear and coherent growth strategy. We exercised this through three successful acquisitions, establishing strong platforms in Australia and Cambodia and further strengthening our Air & Ocean activities in Sweden.

In addition, we continued to find new ways to make the world a little less complicated through our organic growth initiatives. This included expanding our market presence with the opening of new offices in Poland and the Czech Republic.

As a result, 2020 was our strongest year ever with an adjusted EBITDA\* of USD 50.4 million, an increase of 17% compared to 2019.

#### SUSTAINABILITY MILESTONE

2020 marked an important milestone in SGL Group's sustainability journey. We introduced a new sustainability strategy and published our first standalone sustainability report which provides detailed information on SGL Group's sustainability performance. We joined the Science Based Targets initiative and became the

first logistics provider in Denmark and one of only ten companies within the sector globally to commit to the 1.5°C ambition (the highest level).

#### **STAYING TRUE TO OUR PROVEN DNA**

Through all the challenges that 2020 presented, we have lived and stayed true to our company virtues and proven that our DNA works. We act respectfully towards our customers, our suppliers and our colleagues; we are customer centric, agile and flexible; we are hands-on and have a go-get-attitude; all of which has proven to work during the pandemic, turning 2020 into a success. In the year ahead, we will continue our efforts to make SGL Group a more meaningful place for our people to work and to attract the best talent to our business.

#### **STRONG START TO 2021**

We have been very pleased with the start of 2021 during which we have successfully placed EUR 150 million of senior secured fixed rate bonds under a framework of EUR 350 million, and the issue of new bonds which have already been used to finance the acquisition of Grupo Contenosa.

We remain focused on growth in earnings and will continue our growth strategy through M&A and greenfield activities, while remaining loyal and true to our DNA. No matter what challenges 2021 presents, we will use our entrepreneurial spirit to create solutions and continue to find ways to make the world a little less complicated.



Allan Melgaard Group CEO, **Executive Management** SGL TransGroup International A/S **Claes Brønsgaard Pedersen** Group CFO, **Executive Management** SGL TransGroup International A/S





## **46 YEARS AND STILL UNCOMPLICATING** THE WORLD OF LOGISTICS

SGL TransGroup International A/S (SGL Group) was established in 2016. The same year, on 2 August, when SGL Group was sold to a fund sponsored by a private equity group, AEA Investors SBF LP, SGL TransGroup International A/S became the Danish parent company of Scan Global Logistic A/S, forming SGL Group. SGL Group is owned directly by Scan (UK) Midco Limited, and the ultimate owner is SGLT Holding I LP. SGL Group includes SGL TransGroup International A/S and all its subsidiary companies.

The core business of SGL Group was established The objective has always been to become an agile back in the years 1975 and 1989. SGL Group carries and customer-oriented organisation primarily the vast experience and knowledge of the freight within Air and Ocean, but also the Road and forwarding business that has enabled SGL Group Solution segments. SGL Group also specialises to have long-time customer relationships as well as in Project Sales, transporting odd-sized goods within the above mode of transports for large attract new customers. organisations and industries. The objective is to target customers with complex demands and lower price sensitivity.

SGL Group started by focusing on a solid Nordic base to serve Nordic and international customers worldwide by gradually establishing subsidiary companies in Asia, and through an extended worldwide network of agents.



SGL Group is an asset-light organisation that uses limited funds on transport equipment and many sub-suppliers instead.

AEA Investors SBF LP, the private equity sponsor, also acquired a US-based freight forwarding group, TransGroup, in 2016, which became a sister company to SGL Group. The two groups (SGL Group and TransGroup) form SGLT Holding.

In 2020, the management announced that SGL Group and TransGroup will become one global brand and organisation and have one global executive leadership team, consisting of Global CEO, Allan Melgaard and Global CFO, Claes Brønsgaard Pedersen.

growth for the third year in a row, twice the market growth Preparing sale of SGL Mahé Euro

Exceeds 10% organic

'16

Allan Melgaard appointed Group CEO of Scan Global Logistics. Acquisition of Airlog Group and CrossEurope

'17

Issued senior secured bond loan of EUR 215 million followed by EUR 8 million within a total framework of EUR 315 million, replacing the existing bonds until the year 2024

Acquisition of IQS Group, BK Spedition, IC Logistics, and SGL Spain. SGL Express Courier and SGL E-Commerce established as an independent company

Issued new bonds EUR 150 million of senior secured fixed rate bonds under a framework of EUR 350 million

Acquisition of Werner Global Logistics (Air & Ocean activities) and Grupo Contenosa. Start-up activities in France. Team-lift out in Denmark

2021

'15

Acquisition of Interexpress Sweden (Road)

SGL Group and Transgroup sold to U.S. private equity firm AEA Investors

Issued senior secured callable bonds of DKK 625 million and USD 100 *million until the year 2022* 

'18

'19

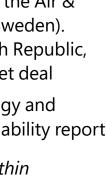
Acquisition of Kestrel Freight in Australia and Macca Logistics in Africa

The SGL fulfillment center network in North America, Asia, and Europe launch plug-and-play fulfillment solution to target the expanding e-commerce market '20

Acquisition of Pioneer (Australia) and the Air & Ocean activities from Post Nord AB (Sweden). Start-up activities in Poland, the Czech Republic, and Cambodia with a subsequent asset deal

Introduced a new sustainability strategy and published our first standalone sustainability report

Subsequent bond issue of EUR 27m within existing framework of EUR 315 million

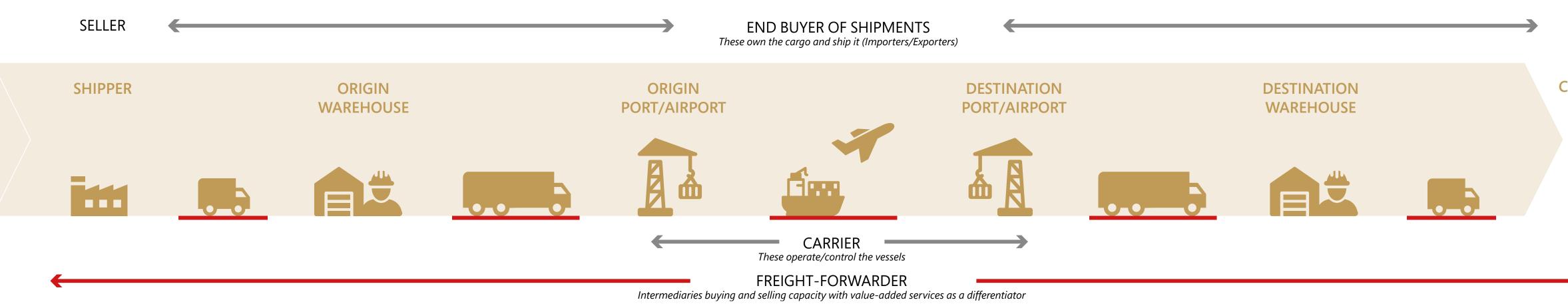


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## BUSINESS MODEL WITH FOCUS ON UNIQUE VERTICALS TO SGL GROUP

Freight forwarding is a service industry specialized in the worldwide movement of goods on behalf of exporters and importers (i.e., shippers). Freight forwarding in its purest form is an asset-light business where forwarders organize transportation for their customers by purchasing capacity from capacity providers (ocean carriers, airlines, trucking companies, etc.). The actual physical transportation is performed by the capacity provider, who also owns the assets used in the transportation, with the freight forwarder taking a fee to organize the shipment.

SGL Group is a global freight forwarder. Its core business is procurement of intercontinental Air and Ocean as well as overland local and regional transportation. The freight forwarding market is affected by underlying demands from shippers and supply-side factors within Ocean, Air, and Road transportation, i.e., availability of capacity. SGL Group's activities focus on international freightforwarding services, primarily by Air and Ocean, supporting IT, Logistics, and Road Freight services. More than 80% of the revenue base originates from large customers contracted via corporate initiatives, mainly in the Nordic region. SGL Group primarily provides services to its customers via SGL Group's network of offices supported by its affiliated company TransGroup, USA, and other partners worldwide.



## THE FREIGHT FORWARDING VALUE CHAIN

SGL Group holds world-leading positions in key verticals like high-end automotive logistics, fashion, and food ingredients and additives.

SGL Group has been the leading provider of complex aid, development, and project ("ADP") solutions to NGOs for over +40 years.

SGL Group's primary focus is to create solutions for complex logistic challenges on an international basis. SGL Group focuses on complex logistic projects requiring tailor-made solutions rather than high-volume, low-margin assignments. Agility, flexibility, geographic presence, sector expertise, and customer-centricity are the SGL Group key success factors. To accommodate and support this strategic focus, SGL Group is prepared – in full or partially – to acquire other companies in relevant markets.

SGL Group leaves an extensive footprint across all continents with over 1,800\* employees in more than 100 offices in EMEA, Americas, China, South East Asia, and the Pacific.

SGL Group serves more than 20,000 customers, of which average tenure among the 20 largest is approximately eight years.



SGL GROUP





BUYER

**BUSINESS MODEL** 

# PRESENT AGROSS ALL SERVICES

## **SERVICES OVERVIEW**



RAIL TRANSPORT





OIL AND GAS TRANSPORTATION & LOGISTICS SERVICES



FULFILLMENT AND DISTRIBUTION



FREIGHT SERVICES





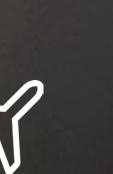
AUTOMOTIVE SPECIAL LOGISTICS











GLOBAL AIR FREIGHT SERVICES







#### **GLOBAL REACH – LOCAL STRONGHOLDS\***

OFFICES

AGENTS

\*SGLT Holding level



# **STRATEGY AND M&A**

SGL Group's commercial strategy is outlined in its comprehensive Vision 2023 plan, formulated initially at the end of 2018. The plan sets out three overarching pillars to drive SGL Group's go-tomarket strategy over the period through 2023.

#### **FOCUS ON ORGANIZATIONAL EXCELLENCE**

SGL Group is a people business and primarily relies on its employees to maintain and develop its market position and customer relationships. In recognizing this, a continued focus on the internal organization is a crucial element of Vision 2023.

The internal focus entails efforts to maintain and strengthen the entrepreneurial culture as an essential part of SGL Group's DNA while ensuring the appropriate discipline regarding cost, contracts, and pricing.

#### **SELECTIVE GEOGRAPHIC EXPANSION**

Initially firmly rooted in the Nordics, SGL Group's geographic footprint has expanded significantly in recent years, as Asia Pacific, Africa, and Northern Europe have become material areas of operation. SGL Group seeks to continue the

#### **FOCUS ON ORGANIZATIONAL** EXCELLENCE

- Maintain and strengthen entrepreneurial organisation and culture
- Continued focus on customer centricity
- Selective organisational adjustments across geographies, modes and verticals to push commercial agenda
- Recruitment of talent in specific growth verticals
- Cross-selling initiatives
- Increased offshoring of repetitive operational tasks to boost frontline customer focus

#### SELECTIVE GEOGRAPHIC EXPANSION (INCL. GREENFIELD)

- Capture growth potential in home markets (the Nordics) through strict customer focus
- Continue openings of African gateways to support ADP business, in particular landlocked countries

#### **M&A AS KEY TOOL IN FULFILLING STRATEGIC GOALS**

- Strong financial rationale and scope for independent players
- Enable rapid geographic expansion and provide scale

selective geographic expansion into regions where Management has identified growth potential.

#### LEADERSHIP

SGL Group is among the leading freight forwarders globally within specific verticals, including Aid & Development and Specialty Automotive. We are among the leading freight forwarders in our home markets. A key component of Vision 2023 is to maintain and solidify SGL Group's position in these verticals and to continue developing differentiated, sectorspecific capabilities, which Management expects will drive superior execution and strengthen SGL Group's competitive advantage. In addition, SGL Group is working actively to create a differentiated presence within several additional, attractive segments such as Industrial Projects and Fashion & Retail. Also, SGL Group seeks to invest further into strategic opportunities within e-commerce and last-mile delivery, a high-margin segment showing strong growth.

SGL GROUP

• Continue to play an active part in market-wide consolidation

• Drive expansion and growth in Europe and APAC through M&A and team lift-outs

• Continue to pursue greenfield opportunities and expand with new offices and services whilst making life and business a little less complicated for our customers

#### **LEADERSHIP**

- Solidify leadership within selected attractive verticals such as ADP and Automotive
- Further expand presence within Fashion & Retail and Telecom & Electronics
- Invest further into strategic opportunities within e-commerce and last-mile delivery
- Develop differentiated capabilities to drive superior execution and customer alignment in areas with attractive market dynamics

• Improve utilisation of central infrastructure in SGL Group, which can accommodate significantly higher volumes

 Deepen know-how, product insight and offering in existing segments and verticals

 Leverage entrepreneurial organization and DNA to attract talent

# **STRATEGY AND M&A**

Management views mergers and acquisitions as an important instrument in delivering SGL Group's strategic agenda across all three pillars of Vision 2023. A clear financial and operational rationale supports this view. From a financial perspective, the global freight forwarding market remains highly fragmented. Hence, SGL Group continues its acquisition strategy by looking at acquisition opportunities with a good strategic fit available at the right price and targeting great acquisition opportunities that will scale up the business, increase profitability, and secure a downwardtrending leverage ratio.

#### M&A track record

Over the period 2017 to date, SGL Group has completed a total of 10 bolt-on acquisitions.

Historically, SGL Group has funded M&A through internally generated cash flow. Over the last couple of years, recent acquisitions have been financed through (i) existing cash, (ii) a subsequent issue under the current outstanding bonds, and (iii) for some, equity contribution from shareholders.

CROSSEUR PE TRANSPORT & LOGISTICS	MACCA LOGISTICS	I.Q.S. INTERNATIONAL QUALITY SERVICE GMBH	<b>BK Spedition</b>	ICGROUP
<ul> <li>ACQUIRED: June 2017</li> <li>REGION: Sweden</li> <li>RATIONALE: strengthen SGL Group's presence in the Road segment in Sweden</li> </ul>	<ul> <li>ACQUIRED: July 2018</li> <li>REGION: Mali/Senegal/Cote d'Ivoire</li> <li>RATIONALE: strengthen presence in regions where SGL Group is a leading provider to governments and NGOs</li> </ul>	<ul> <li>ACQUIRED: January 2019</li> <li>REGION: Germany</li> <li>RATIONALE: strengthen SGL Group's presence in Germany and within speciality automotive logistics</li> </ul>	<ul> <li>ACQUIRED: May 2019</li> <li>REGION: Germany</li> <li>RATIONALE: further strengthen SGL Group's position in the German road freight market</li> </ul>	<ul> <li>ACQUIRED: June 2019</li> <li>REGION: Nordics</li> <li>RATIONALE: acquired logistics activities as supplement to SGL G growing e-commerce and fulfillment offeri through addition of a leading fashion fulfil operator</li> </ul>

#### **OVERVIEW OF BOLT-ON ACQUISITIONS COMPLETED SINCE 2017**

#### Due diligence approach

SGL Group has developed a robust due diligence playbook to minimise financial, legal, operational and cultural risks associated with M&A. A robust due diligence playbook has supported SGL Group in minimising financial, legal, operational, and cultural risks associated with M&A. Once SGL Group and the shareholder(s) of a potential acquisition target have entered an agreement in principle, the company will be subjected to full financial and legal due diligence carried out by reputable external parties. Furthermore, management will nominate a balanced group of internal stakeholders to carry out comprehensive commercial due diligence covering the relevant

market, competitors, and customers. It will, where required, complement this with external commercial due diligence. The target stakeholders are invited to SGL Group's offices to meet with their prospective colleagues and engage in a variety of workshops to ensure alignment of goals, vision, and culture. Finally, a granular business case including scenario analysis (base, downside, upside) is prepared and presented to the Board, alongside findings from the due diligence process, for approval. The Board will assess all cases with a particular focus on the extent to which they align with – and contribute to – the strategic objectives set out in Vision 2023.

#### **SGL Spain**

#### ACQUIRED: November 2019 • **REGION: Spain**

 RATIONALE: strengthen presence in Spain, where SGL Group is a provider to the garment industry

lment

#### **SGL Cambodia**

ACQUIRED: January 2020

 REGION: Cambodia RATIONALE: strengthen presence in Cambodia; previously the Combodian company acted as agent

for SGL Group

• ACQUIRED: January 2020

• **REGION:** Australia

• RATIONALE: strengthen presence in Australia to serve the Australian and Pacific customers better, and gain access to a full-fledged international solution including added expertise, technology, network, and e-commerce platform

Pioneer International Logistics<sup>...</sup>

- ACQUIRED: January 2021
- REGION: North America
- RATIONALE: Acquired Air and Ocean activities from Werner Enterprises to grow our network and presence in Mexico, China and North America



#### ACQUIRED: April 2021

current offerings.

**N** GRUPO CONTENOSA

• REGION: Spain • RATIONALE: Become a significant player in the Spanish third-party logistics market which will enable us to grow our network and presence in Spain and Mexico. Gain access to new niche markets and increase our presence in



## **GLOBAL PANDEMIC AN OPPORTUNITY** FOR THE AGILE FREIGHT FORWARDER

#### **SGL GROUP KNOWS HOW TO OPERATE IN DIFFICULT ENVIRONMENTS**

In a year with unprecedented market conditions, freight rate volatility, and capacity constraints, SGL Group's business model proved highly resilient and adaptable to a challenging environment.

Due to passenger flight restrictions between the US and Europe, ongoing cargo flow disruptions worldwide increased demand for alternative solutions.

SGL Group's entrepreneurial business model, diversified customer and partner base, and disciplined execution of COVID-19 mitigation initiatives can explain the strong performance.

#### **COVID-19 ACTIONS AND REFLECTIONS**

- SGL Group made use of its experience from our role in humanitarian disasters and adapted swiftly to a new normal while keeping communication clear and relevant
- Contingency plan and task force implemented following an identified need for a decentralised approach
- Newsletters continuously published, containing advisory, updates on transport possibilities, and the actual situation around the world
- Staying in close contact with stakeholders; customer and supplier focus on cash and risk

**KEY OPPORTUNITIES CAPTURED DURING GLOBAL PANDEMIC** 

> Global #1 in humanitarian logistics services to the UN

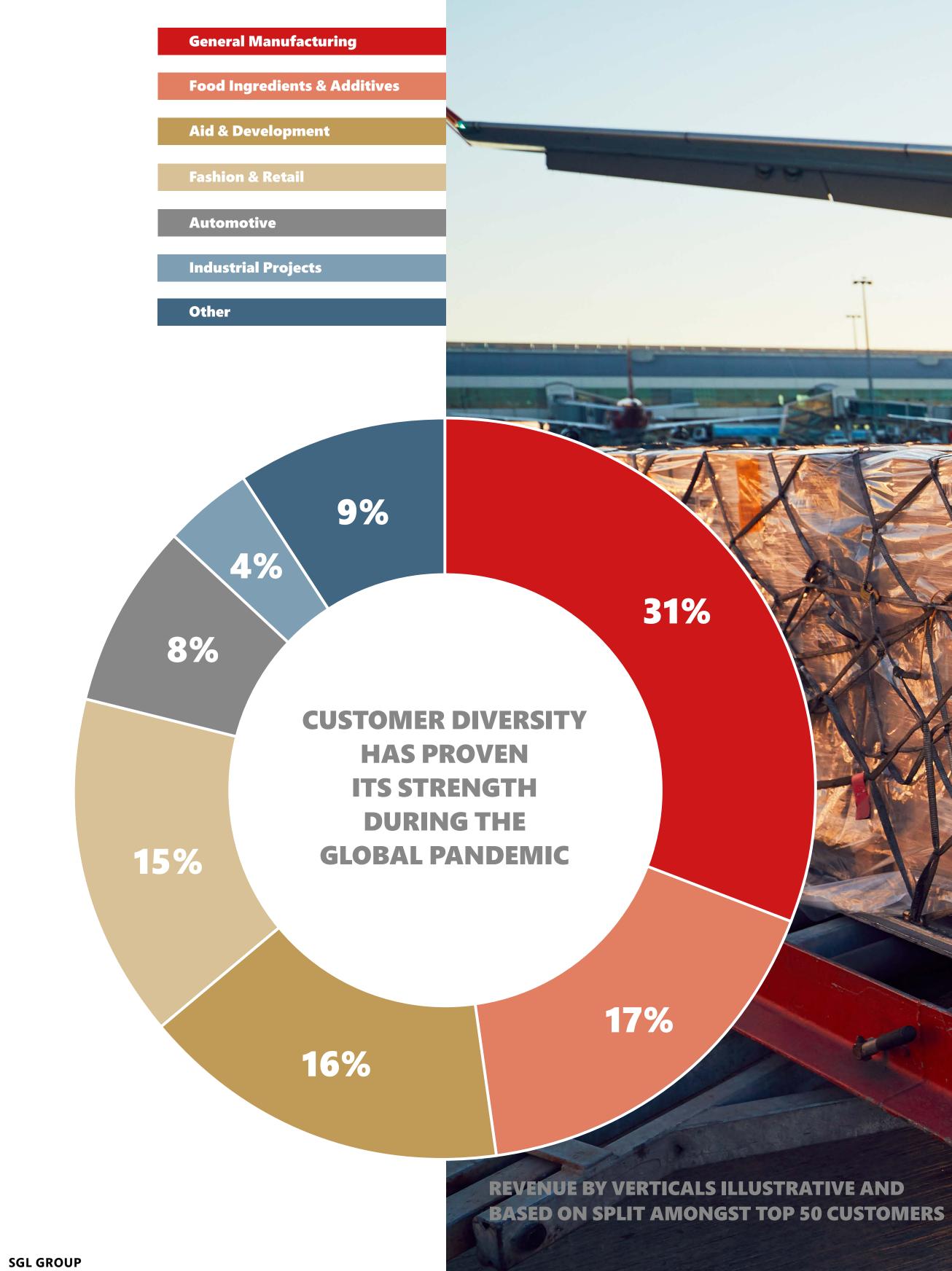
Leading role in providing relief in all major humanitarian disasters during the past 46 years

> Experienced team focused on the pharmaceutical industry

Complete range of services including last-mile deliveries and urgent response

Selected COVAX forwarder for certain NGOs

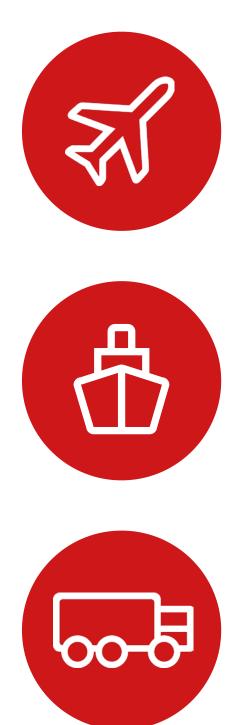






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## **A YEAR OF HISTORIC TURBULENCE BUT ALSO OPPORTUNITY**





#### AIR

- COVID-19 and the subsequent society lockdowns resulted in a historic overnight decrease in air freight cargo capacity
- Capacity decrease is a direct result of the worldwide cancellation of the majority of passenger flights. Approx. 40-50% of all air cargo volumes in recent years have been carried by regular passenger flights
- Unprecedented market volatility in March to May with substantial rate increases as customers scrambled to secure capacity for regular goods coupled with a steep rise in PPE\* shipments
- Roll out of global vaccination plan expected to significantly impact the air freight cargo industry in 2021 as it will have priority ahead of all other shipments and as such drive rates higher again

#### OCEAN

- freight services
- situation
- compared with 2019

• COVID-19 triggered ocean carriers to withdraw massive capacity from the market on the back of an expectation of a steep decline in volumes

• Global container equipment shortage erupted on the back of reduced freight capacity and low pace handling of containers at destinations in combination with sustained demand for ocean

• Each week, rate levels soared on all major trade lanes as carriers looked to monetise the demand

• Vessel reliability reached an all-time low during 2020, dropping to ~45% of all vessels arriving on time, which represents a decrease of ~30%

#### ROAD

- The global impact of COVID-19 and the subsequent lockdowns have caused a drop in road freight volumes globally.
- Despite small spikes in freight volumes, overall tendencies point towards a general stop in new product development for OEMs\*\*.

#### **SOLUTION**

- Overall, 2020 was a record high year in terms of change in consumer buying behaviors. Facing more changes in the last 12 months than the previous five years – seen from a global consumer spend perspective – it has put a lot of pressure on the fulfillment & distribution activities due to new ways of operating and supporting customers.
- Generally, B2C sales have grown significantly while the B2B sales have dropped by up to 80% in certain markets. Once traditional retail opens again, a catch-up effect of B2B sales is expected as brands and retailers will need to get rid of their stock as quickly as possible.



A volatile market environment plays to the strength of freight forwarders that apply an agile and customer centric approach; entrepreneurial solutions favored over low-cost transactional solutions and products

SGL Group adopted a hyper-care approach to all significant customers conducting weekly follow-up meetings and continuous external customer communication regarding market development including offering alternative solutions via air, rail and road freight.

SGL GROUP'S RESPONSE **TO A MARKET IMPACTED BY A PANDEMIC** 

**Suppliers initiated a progressive** approach, focusing on securing all available capacity; opting to pay premiums when needed to protect service delivery to existing customers, thus limiting the risk of customers engaging with competitors

**Prioritising the core business whilst** seeking geographic expansion opportunities and using M&A as a platform for further growth

**During 2020, our focus on** investing in niche transport modes, particularly rail freight, paid off and saw volume increase surpassing 300%

SGL Group reacted proactively to the pandemic and secured an increase in its working capital line, which however has been unused and the waiver was as such unutilised, in addition to establishing an advisory council









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# **OUTLOOK 2021 - SGL GROUP**

#### **EBITDA BEFORE SPECIAL ITEMS\* (DKKM)** К 270М ТО **DKK 300M**

\*Excluding impact of IFRS 16 Leases, including the acquisition of Grupo Contenosa

#### **OUTLOOK 2021**

SGL Group had a record year in 2020 with the strongest performance ever, despite 2020 being a year of historic turbulence due to the global pandemic.

The global GDP growth is projected to be 5-6% in 2021, with global output rising above the prepandemic level by mid-2021. Despite the improved global outlook, output and incomes in many countries will remain below the level expected prior to the pandemic at the end of 2022). We expect the transport markets to follow the global economy development.

For 2021, we expect to continue utilising the strength of our entrepreneurial business model and the breadth and diversity of our customers and partners, and therefore, we expect to outperform market growth in 2021 in combination with continuing our acquisition strategy.

The estimated EBITDA before special items (excluding the impact of IFRS 16) is expected to be in the range of DKK 270 million to DKK 300 million; including acquisition of Grupo Contenosa.

#### **LONG-TERM FINANCIAL TARGETS**

Beyond 2021, SGL Group sees a wealth of further opportunities. SGL Group will continue the acquisition strategy and continue to target acquisition opportunities with a good strategic fit,

which will scale-up the business, increase profitability, and secure a down-trending leverage ratio all helping us to stay committed to our goal of making the world a little less complicated.

\*Excluding impact of IFRS 16 Leases

SGL Group stays focused on delivering superior logistics solutions to demanding customers driven by our strong belief in our employees' ability to constantly design the required solution. SGL Group continues to enhance the IT system support for operations, sales, management and financial support and SGL Group's long-term ambitions remain the same as in previous years:

- Outperform market growth
- 2. Improve all relevant KPIs with focus on: a. Operating margin
  - b. Conversion rate (Gross profit to EBITDA)
  - c. Cash generation

SGL Group's long-term goal remains unchanged where SGL Group entities expect to generate an average EBITDA margin before special items and IFRS 16 of approx. 5% over an economic cycle.

The targets are based on the assumptions of stable global economic development and assumes exchange rates being unchanged from current levels.

1) OECD Economic Outlook, Interim Report March 2021



EBITDA MARGIN BEFORE SPECIAL ITEMS\* (%) **3.5% TO 4.5%** 

#### **FORWARD-LOOKING STATEMENTS**

This annual report includes forward-looking statements on various matters.

Such statements are uncertain and involve various risks, because many factors, some of which are beyond our control, may result in actual developments differing considerably from the expectations set out in the Annual Report 2020.

Such factors include, but are not limited to, general economic and business conditions, exchange rate and interest rate fluctuations, the demand for our services, competition in the transport sector, operational challenges and uncertainty in connection with our acquisition strategy.

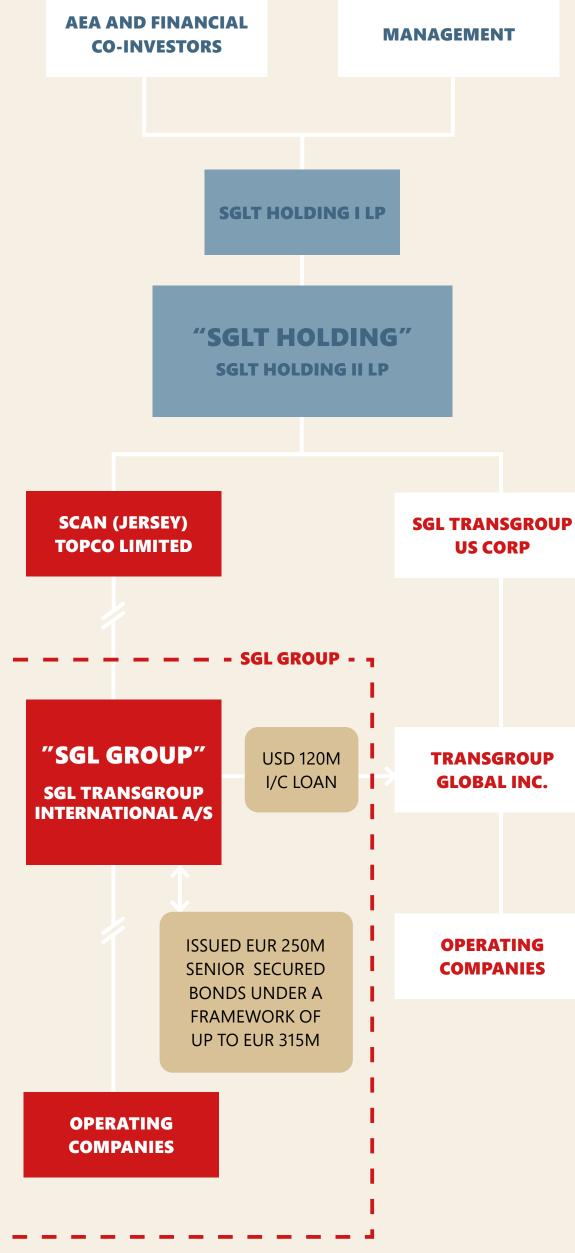


# FINANCIAL HIGHLIGHTS - SGL GROUP

FIVE-YEAR OVERVIEW FOR SGL GROUP	2020	2019	2018
Key figures (in DKK´000):			
Income statement Revenue Gross profit Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) and special items EBITDA before special items and IFRS 16 Operating profit (EBIT) before special items Special items, net Operating profit (EBIT) Financial items, net Profit/loss before tax	5,350,831 954,882 317,732 236,574 138,422 -76,545 61,877 -145,267 -83,390	4,143,904 773,036 202,112 133,559 85,704 -39,966 45,738 -122,101 -76,363	3,520,600 591,836 88,639 88,639 47,537 -34,955 12,582 -59,601 -47,019
Profit/loss for the year	-103,431	-85,428	-55,386
<b>Cash flow</b> Cash flows from operating activities Cash flows from investing activities Free cash flow Cash flows from financing activities Cash flow for the year	188,455 -121,652 66,804 33,315 100,119	-112,797 -134,434 -247,231 187,699 -59,532	19,252 -39,343 -20,091 129,92 109,829
Financial position			
Total equity Equity attributable to parent company Net interest-bearing debt (NIBD) Total assets	465,923 459,849 1,223,021 3,513,673	574,753 568,093 1,056,374 3,216,093	656,646 651,111 607,219 2,702,767
<b>Financial ratios in %</b> Gross margin EBITDA margin before special items EBITDA margin before special items and IFRS 16 EBIT margin before special items EBIT margin Return on assets before special items Equity ratio Return on equity (ROE)	17.8 5.9 4.4 2.6 1.2 1.0 13.3 -20.0	18.7 4.9 3.2 2.1 1.1 0.7 17.9 -14.2	16.8 2.5 2.5 1.4 0.4 0.5 24.3 -8.8
Number of average full-time employees	1,285	1,175	952

For a definition of financial ratios please see note 6.4 Accounting policies. The above figures for 2016 comprise income and cash flow statement for the period 2 August -31 December 2016 regarding the SGL Holding Group activities, which were acquired with effect from 2 August 2016. Comparison figures for the year 2016 and 2017 have not been restated according to IFRS 9 and 15. IFRS 16 leases was adopted 1 January 2019. No figures prior to 1 January 2019, throughout the report, have been restated. SIMPLIFIED STRUCTURE

2017	2016
	(5MONTHS)
3,391,185	1,250,824
505,887	193,998
30,035	36,321
30,035	36,321
-8,229	20,986
-16,906	-11,018
-25,135	9,968
-50,677	-29,225
-75,812	-19,257
-65,275	-20,625
-73,306	-3,688
-193,256	-1,177,958
-266,562	-1,181,646
136,603	1,347,150
-129,959	165,504
608,836	627,234
608,524	626,238
685,126	472,969
2,576,813	2,426,872
14.1	15.5
0.9	2.9
0.9	2.9
-0.2	1.7
-0.7	0.8
-0.1	0.4
23.6	25.8
-10.7	-3.3
866	733





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# FINANCIAL PERFORMANCE – SGL GROUP

## **DKK 5,351M** \*Before special items and IFRS 16 leases

REVENUE

## EBITDA\* **DKK 237M**

#### **RESULT FOR THE YEAR**

The financial year 2020 includes the operating results of newly acquired business Scan Global Logistics Co. Ltd. (Cambodia) (acquired 1 January 2020), Pioneer International Logistics (acquired 15 January 2020) and PostNord's Swedish Air & Ocean activities (acquired 1 October 2020). The Airlog Group Sweden AB, Airlog Group Fur OY, Airlog Group AS and Airlog Group Denmark A/S were disposed of 1 July 2020. Revenue from disposed entities amount to DKK 35 million for the first half of 2020.

The full-year 2020 revenue amounted to DKK 5,351 million generating EBITDA before special items of DKK 318 million. EBITDA before special items excluding the IFRS 16 lease adjustment amounted to DKK 237 million; an increase of DKK 103 million equivalent to a 77% increase compared to 2019.

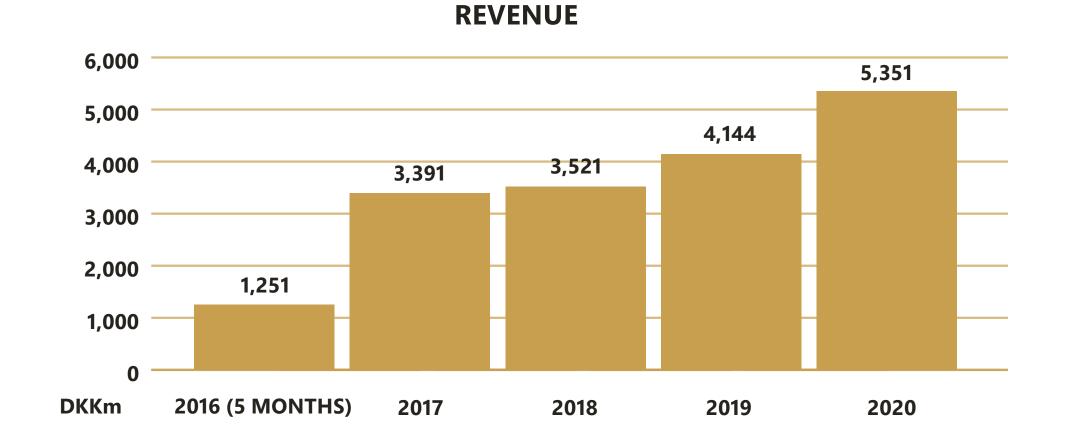
#### REVENUE

Revenue increased by DKK 1,207 million compared to 2019, corresponding to a 29% increase.

The increase was driven by organic growth combined with businesses acquired (BK Spedition GmbH, IC Group activities and Scan Global Logistics Spain S.L acquired during 2019 as well as Pioneer International Logistics Pty Ltd., Scan Global Logistics Co. Ltd. (Cambodia) and the PostNord activities acquired in 2020. The organic growth in

revenue was driven by strong performance within the Air segment, mainly in the Nordics and Asia Pacific.

in 2019, corresponding to a gross margin of 17.1%, **GROSS PROFIT** which is 1% point lower than the level than in The gross profit increased by DKK 182 million to DKK 955 million for the year compared to 2019. 2019. The gross margin was affected by capacity However, it was also negatively impacted by an restraints and consequently increasing rates. FX translation of DKK -10 million. The acquired company in Australia, Pioneer International **SG&A COSTS** Logistics contributed by DKK 67 million and a SG&A costs amounted to DKK 637 million, a 12% strong development in AsiaPacific contributed increase compared to 2019. The increase mainly comes from greenfield activities and acquisitions positively as well. A strong development within Air, Ocean, and E-Commerce had a positive impact made in 2019 and 2020. SG&A costs comprise 12% on gross profit as well, though offset by lower of revenue in 2020, which is 2 percentage points Road and Automotive activities, both still highly lower than in 2019. impacted by COVID-19.



The gross profit margin was 17.8% in 2020, equal to a 0.8 percentage point decrease compared to 2019. If excluding IFRS 16, the gross profit amounts to DKK 917 million compared to DKK 749 million

#### EBITDA before special items amounted to DKK 318

**EBITDA BEFORE SPECIAL ITEMS** 

million in 2020, which is a significant improvement compared to last year. The EBITDA margin before special items ended at 5.9%, compared to 4.9% in 2019. The increase in EBITDA was mainly due to strong activity levels within the Air and Ocean segments combined with the ability to keep the SG&A costs under control. The improved performance is driven both by organic growth and through acquisitions made.

The full-year 2020 EBITDA before special items and excluding IFRS 16 amounted to DKK 237 million, equivalent to a margin of 4.4%.

**DEPRECIATION AND AMORTISATION** Depreciation and amortisation amounted to DKK 179 million in 2020, compared to DKK 116 million in 2019. Depreciation and amortisation from acquisitions in 2019 mainly explain the increase, together with increased amortisation on IT costs that have secured the infrastructure necessary for continued long-term growth.

#### **SPECIAL ITEMS**

In 2020, special items amounted to DKK 77 million, which included COVID-19 related costs, restructuring, greenfield activities and M&A activities as well as gain from disposed entities of DKK 3.1 million. COVID-19 related costs are net of compensation and grants received from governments.

#### **FINANCIAL ITEMS**

Net financial expenses amounted to DKK 145 million in 2020 compared to DKK 122 million in 2019. Net financial expenses mainly comprised of interest expenses on the bond debt, including capitalised loan costs recognized in the income statement as well as an impact of IFRS 16 interest expenses (IFRS 16: 2020: DKK 17 million and 2019: DKK 12 million) offset by the interest income from the intercompany loan to Transgroup Global Inc. (the parent company of Transgroup).

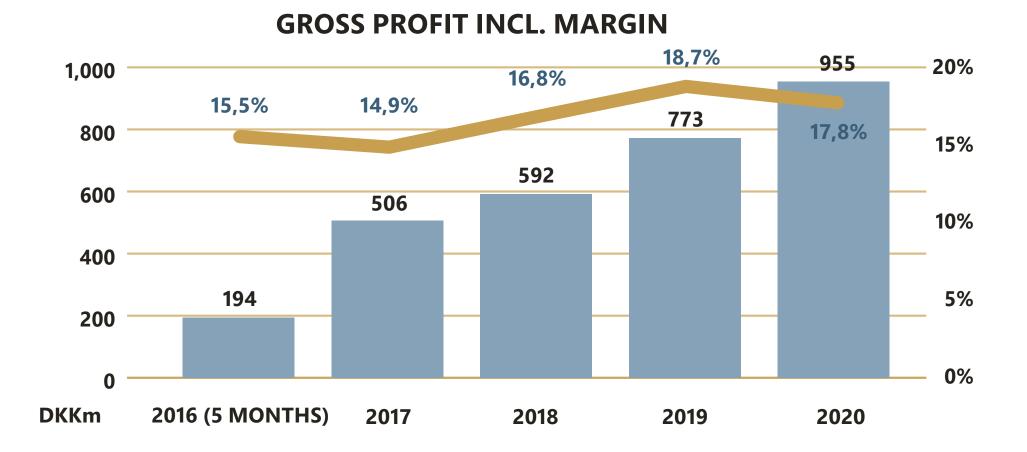
#### **CASH FLOWS**

The accumulated cash flow 2020 from operating activities before special items, interests, and tax was positive DKK 350 million, mainly driven by

increased operating profit before special items and net working capital. CAPEX in 2020 amounted to DKK 46 million and comprised primarily of investments in software and development of IT projects that have secured the infrastructure necessary for continued long-term growth. The cash outflow from acquisitions, excluding transactions costs amounted to DKK 57 million in 2020 including earn-outs.

Payments received for disposed of Airlog Group entities amounted to DKK 11 million.

Cash flow from financing activities was positive net DKK 33 million and driven by proceeds received from a subsequent bond issue of DKK 196 million,



but offset by redemption of IFRS 16 lease liabilities of DKK 95 million. In 2020 the Group issued EUR 27 million bonds within the framework of EUR 315 million and cash received net of transaction costs amounted to DKK 196 million. As of 31 December 2020, total bonds amounted to EUR 250 million, corresponding to DKK 1,833 million.

#### **CAPITAL STRUCTURE**

The total equity was DKK 466 million with an equity ratio of 13.3% as of 31 December 2020, which is 4.6 percentage point lower than at December 2019.

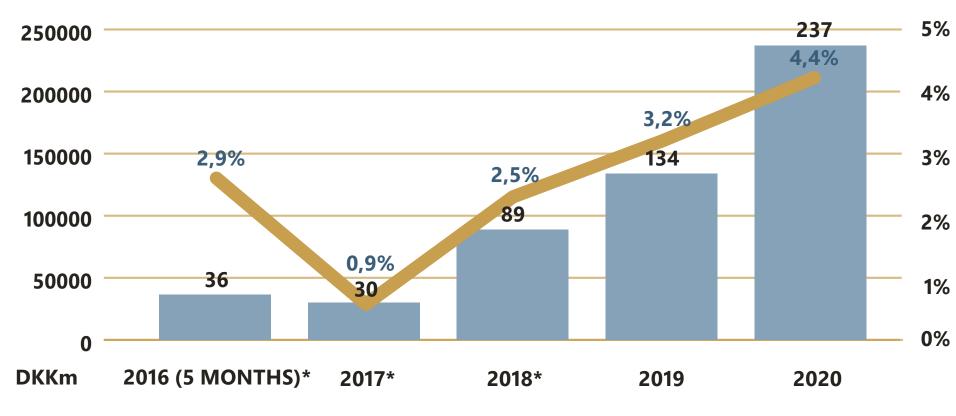
Higher bond debt as part of the subsequent bond issue and negative results due to bond interests

relative to more robust performance primarily impact of IFRS 16 was 14.3%.

## **AND LIQUIDITY RESERVE**

drove the decrease. The equity ratio excluding the **NET INTEREST-BEARING DEBT (NIBD)** Consolidated net interest-bearing debt amounted to DKK 1,223 million, excluding IFRS 16 DKK 979 million as of 31 December 2020. In 2020 the company increased its credit facility by DKK 70 million and the total liquidity reserve was DKK 435 million by the end of December 2020; however, due to the strong performance, the increased credit facility has been unused throughout 2020.

See note 5 for further information.



#### **EBITDA INCL. MARGIN**



<sup>\*</sup> Before special items and IFRS 16

# FINANCIAL PERFORMANCE – AIR SEGMENT

## REVENUE\* **DKK 2,556M**

GROSS MARGIN

#### **KEY COMMENTS**

- Air segment revenue increased 49% to DKK 2,556 millions in 2020. Despite capacity restraints and consequently increasing rates caused by COVID-19, SGL Group managed to keep gross profit margins at 18%. PPE shipments positively impacted the increased activity levels and were primarily driven by the Nordics and the Asia Pacific.
- Global full-service offering through collaboration with all major airlines
- Leading position in the Nordic countries
- Offering complex air freight solutions
- SGL Group can provide an aircraft to suit every customer's requirements
- The acquisition of Pioneer and Scan Global Logistics Cambodia in 2020 primarily affected the Air freight segment in Asia Pacific
- Geographic expansion has further been secured through greenfield activities in Poland and the Czech Republic
- Annual air freight volumes of approx. 94,000 tonnes, primarily between Northern Europe and Asia and North America and Asia.

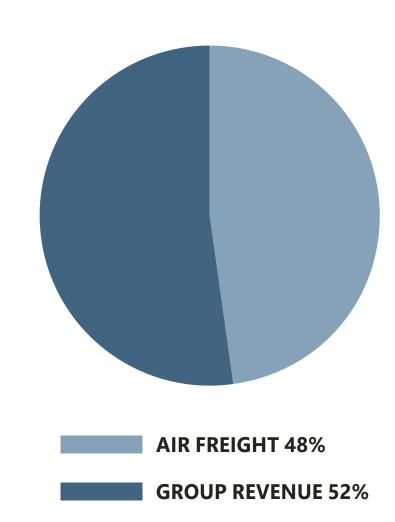
#### **KEY MARKET OUTLOOK**

After a very volatile 2020, it seems a "new normal" occurs; freight volumes and capacity are rising. The market is expected to recover gradually, driven by increased freighter capacity. Though rate levels are comparably high to previous years and volatility is expected for a while, the industry anticipates the market to stabilise over time.

#### RATES

Rates will develop stable during 2021; only the distribution of COVID-19 vaccines can impact rate levels in a significant manner. Overall, rate levels

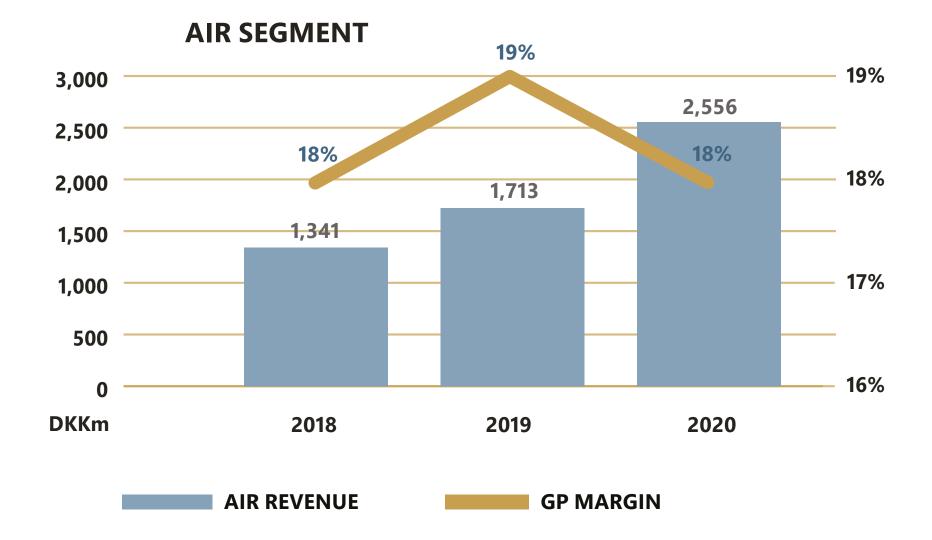
#### SHARE OF REVENUE



excl. Asia, are still some 150 % higher compared to the same period last year, and a return to pre-pandemic levels is not expected any time soon.

#### CAPACITY

Due to the reduction in passenger flights, 2020 saw a natural and upward trend in freighter volumes vs. belly-hold capacity. The lift of global restrictions expected throughout 2021 will add additional belly-hold capacity to the supply chain and keep pressure off airfreight cargo deliveries. Therefore, expectations are that though the international distribution of COVID-19 vaccines is picking up speed, it will not affect the airfreight cargo industry as significantly as previously expected. The question is if the market will continue to prefer freighter services over belly-hold to reduce passenger flight development dependency. It is still too early to predict; however, the freight/ belly-hold ratio continues in favor of the market playing it safe.



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# **AIR SEGMENT SERVICES**

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AIR CHARTER



GLOBAL AIR FREIGHT SERVICES

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AUTOMOTIVE SPECIAL LOGISTICS

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INDUSTRIAL PROJECTS

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CUSTOMS CLEARANCE



# FINANCIAL PERFORMANCE – OCEAN SEGMENT

#### **REVENUE\* DKK 1,947M**

**GROSS MARGIN** 16%

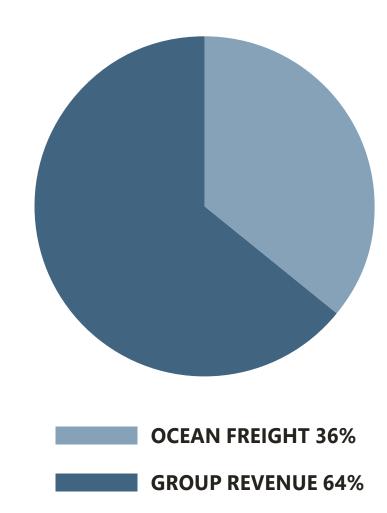
#### **KEY COMMENTS**

- Competitive full container load ("FCL") and less than container load ("LCL") offerings focusing on complex requirements with clear value add
- Annual Ocean freight volumes of more than 153,000 TEU, the majority of which comprised of flows between Asia and Northern Europe and North America and Asia
- Revenue has grown at an 8% CAGR between 2017 and 2020, while gross margin remains stable at 16%-17% over the last 2 years. The increase in revenue is especially due to organic growth in Denmark and Asian countries
- Ocean segment revenue increased 19% to DKK 1,947 millions in 2020. Despite capacity restraints and consequently increasing rates caused by COVID-19, SGL Group managed to keep gross profit margins at 16%.

#### **KEY MARKET OUTLOOK**

The ocean freight market made headlines in 2020, suffering from challenging Q3 and Q4 setbacks that still affect shippers and customers on more or less all trades. Now, the overall situation seems slightly improving as short-term rates return to more sustainable levels. However, a time of volatility and significant landside infrastructural challenges will further pose a challenge. Overall schedule reliability remains historically low due to port congestion and blank sailings, but the beginning of a turn back to normal is within sight.

#### **SHARE OF REVENUE**



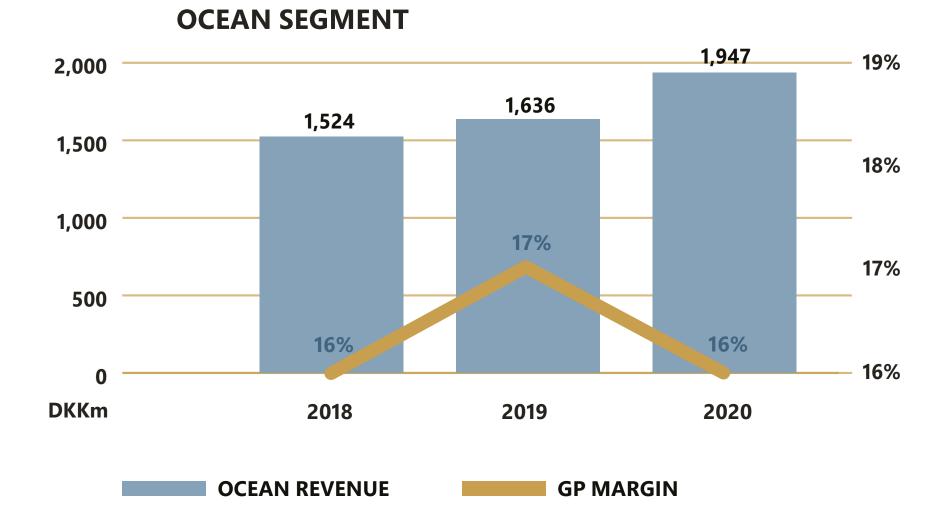
#### RATES

After significant and sustained increases, the Shanghai Containerized Freight Index short-term rate levels topped in 2020 and remain at this level in 2021. The increase in capacity and demand will drive a rate correction, though not a dramatic drop. The full-year 2021 contract season is well underway, and indications are that long-term rates are locked-in at significantly lower levels than current spot rates. Especially larger customers do so to achieve some form of stability ahead of a very unpredictable year, despite contract rates being significantly higher compared to previous years.

#### **CAPACITY AND EQUIPMENT**

Overall, the container equipment situation remains critical. Two factors contribute to explaining the lack of capacity seen end of 2020; massive port congestion, especially in the US, and a continued and surprising surge in demand. It remains unclear how the general GDP development will affect 2021 volumes.

All major ocean carriers, except for Maersk, have placed orders after a long period of empty order books for commercial vessels. The hope is that the supply chaos seen in 2020 will not happen in 2021.



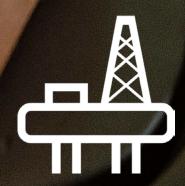
## **OCEAN SEGMENT SERVICES**



OCEAN CHARTER



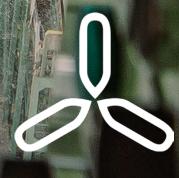
GLOBAL OCEAN FREIGHT SERVICES



SCAN GL

OIL & GAS TRANSPORTATION AND LOGISTICS SERVICES





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INDUSTRIAL PROJECTS



AUTOMOTIVE SPECIAL LOGISTICS



# FINANCIAL PERFORMANCE – ROAD SEGMENT

## **REVENUE\* DKK 654M**

**GROSS MARGIN** 23%

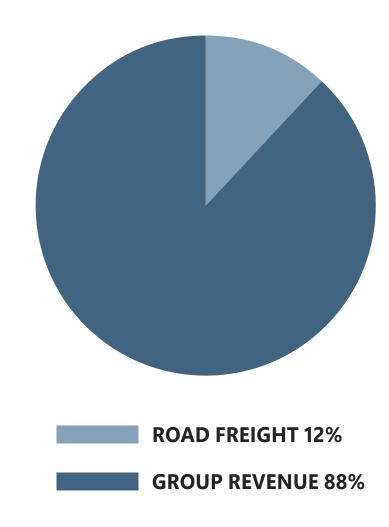
#### **KEY COMMENTS**

- Primarily surface transports in Europe
- Minimal asset ownership, which ensures high flexibility, limited investments, and utilisation risk
- Hubs are operated along the main transportation routes in the Nordics
- The acquisitions of Crosseurope AB (2017) and BK Spedition GmBH (2019) have had an impact on the relatively high revenue growth at a CAGR 9% between 2017 and 2020, with a gross margin in the level of 17% -18% (excl. IFRS 16 impact) and 17%-23% (incl. IFRS 16 impact)

#### **KEY MARKET OUTLOOK**

The global impact of COVID-19 and the subsequent lockdowns have caused a drop in road freight volumes globally. Despite small spikes in freight volumes, overall tendencies point towards a general stop in new product development for OEMs and a complete halt in the automotive industry. Road freight volumes in Europe remain lower than pre-pandemic levels and will probably continue to do so throughout first half of 2021. The amassment of goods will likely cause a catch-up effect once the restrictions within and between countries are lifted as an effect of the postponement of projects and goods that would otherwise have utilised road transportation.

#### SHARE OF REVENUE

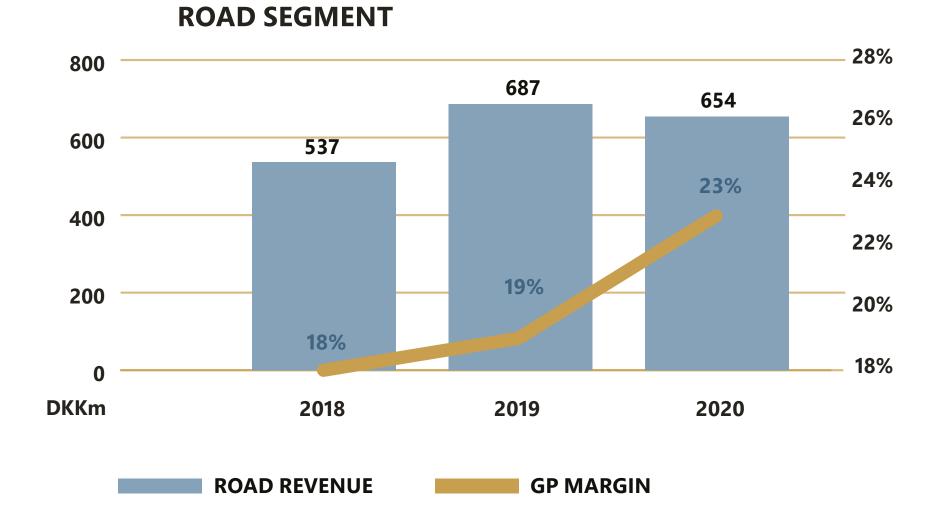


#### RATES

Currently, market-rate levels remain on pre-pandemic levels. However, various factors such as capacity constraints will affect the cost side in the coming months, and for many, such increases will have to be carried by the customer. A major factor likely to affect the Danish market is the early adoption of the cabotage part of the EU Mobility package in Denmark. Foreign drivers will be required to document a Danish paid salary when driving between two domestic points in Denmark. Such regulation will affect foreign haulage companies and incur an extra cost.

#### CAPACITY

Domestically, the new cabotage rules will be 100% enforced from 1 April 2021, which will affect the domestic capacity as several subcontractors have chosen to stop their operations in Denmark. Effects will be higher costs and less flexibility as cargo will have to be moved onto Danish trucks. As previously mentioned, the accumulation of goods in Europe is expected to affect the capacity demand, driving prices up. It is uncertain when rate levels will re-stabilise and at what level.



## **ROAD SEGMENT SERVICES**



RAIL TRANSPORT



ROAD TRANSPORT & DELIVERY SERVICES

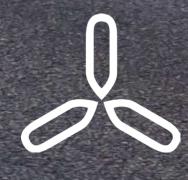


AUTOMOTIVE SPECIAL LOGISTICS

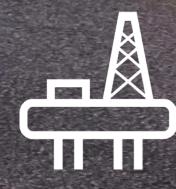
SGL GROUP



AID & DEVELOPMENT



INDUSTRIAL PROJECTS



OIL & GAS TRANSPORTATION AND LOGISTICS SERVICES



# **FINANCIAL PERFORMANCE – SOLUTION SEGMENT**

## REVENUE **DKK 194M**

**GROSS MARGIN** 22%

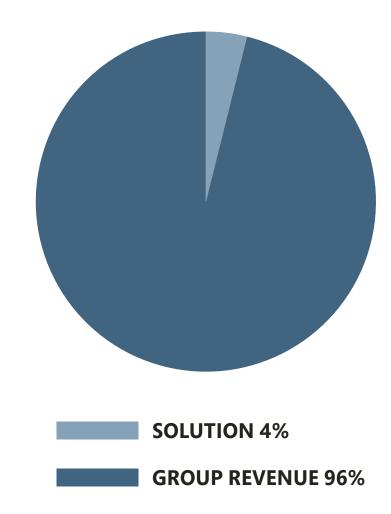
#### **KEY COMMENTS**

- E-Commerce, contract logistics, and warehousing incl. value-added services
- Warehouse capacity mainly in Denmark and Asia
- The acquisition of IC logistics in June 2019 had a positive impact on revenue growth and gross margin. Revenue has grown at a CAGR of 15% between 2017 and 2020.
- Revenue increased by almost 23% compared to 2019, while gross margin decreased by 9% returning to a more normalised level.

#### **KEY MARKET OUTLOOK**

Overall, 2020 was a record high year in terms of traditional retail opens again, a catch-up effect of B2B sales is expected of B2B sales is expected as change in consumer buying behaviors. Facing brands and retailers will need to get rid of their more changes in the last 12 months than the previous five years – seen from a global consumer stock as quickly as possible. spend perspective; this has put much pressure on the fulfillment & distribution activities due to new Looking into 2021, retailers and brands are finding ways of supporting both the online and offline ways of operating and supporting customers. The pandemic has forced the retail industry to sales channels, which is changing the formats of quickly find new and alternative ways of reaching needed fulfillment and distribution solutions. their consumers due to the extensive store closures, which have happened for several months **FULFILMENT CAPACITY** during the calendar year of 2020. Generally, B2C An increased need for more fulfillment operations sales have grown significantly while B2B sales have to support B2B and B2C sales is expected. We

#### **SHARE OF REVENUE**



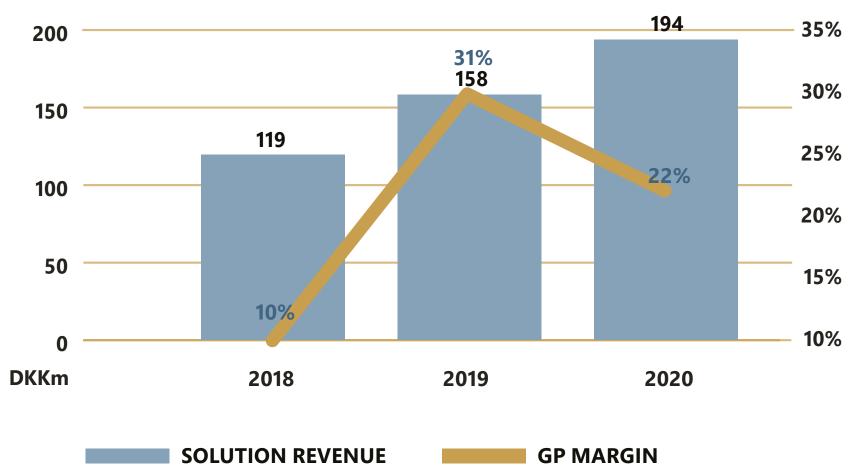


dropped by up to 80% in certain markets. Once

expect that outsourcing warehouse operations to 3PLs will be a high priority for many key players to support the growth in online sales. Therefore, the demand for fulfillment operations at multiple locations across the globe will see an increase.

#### DISTRIBUTION

Due to the increase in the variety of online consumer types, we can expect to see a need for new and different types of last-mile and distributions solutions. Flexibility to choose is key for many.



#### **SOLUTION SEGMENT**

# SOLUTION SEGMENT SERVICES



DISTRIBUTION & FULFILLMENT

GLOBAL WAREHOUSING & STORAGE SERVICES

PARCEL & EXPRESS

SGL GROUP



CUSTOMS CLEARANCE



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## **SUSTAINABILITY STRATEGY AND APPROACH**

2020 marked an important milestone in SGL Group's sustainability journey. We introduced a new sustainability strategy and published our first standalone sustainability report which provides detailed information on SGL Group's sustainability performance.

During the year, we applied procedures across all of our workplaces to mitigate the risk of COVID-19 infection. Our people worked tirelessly to keep critical supply chains open for our customers and in early 2020 we supported the urgent global distribution of personal protective equipment (PPE) as the pandemic took hold. Later in the year we began working on the planning for distribution of COVID-19 vaccines for COVAX, the programme established with the support of the World Health Organization (WHO) to provide billions of vaccine doses to 92 lower-income countries.

We also joined the Science Based Targets initiative, committed to an ambitious climate target and reinforced our commitment to the UN Global Compact's Sustainable Development Goals (SDGs) by focussing on SDG 13 Climate Action and SDG 17 Partnerships for the Goals, where we believe we can have the most impact.

For our statutory report on social responsibility, gender distribution, cf. FSA §99a, §99b, we refer to our sustainability report, which can be found via the following link: https://www.scangl.com/investor/

## **UN GLOBAL** COMPACT

Reinforced our commitment to the UN Global Compact by focussing on SDG 13 Climate Action & SDG 17 Partnerships for the Goals

## PEOPLE

Increased the MQ score (the extent to which our employees find it meaningful to work in SGL Group) by 3% to 77.



## **1.5°C COMMITMENT**

Joined the Science Based Targets initiative and committed to an ambition aligned with limiting global warming to 1.5°C and reaching net-zero emissions by 2050. In doing so, became the first logistics provider in Denmark and one of only ten companies within the sector globally to commit to the 1.5°C ambition (the highest level).

## **CO2e PLATFORM**

Developed a digital CO2e platform to provide customers with an overview of the end-toend emissions of the services they purchase, based on different modes of transport.

## CO, OFFSETTING

Developed a carbon offsets solution for our customers that enables them to compensate for the emissions they cannot avoid.

# **ESG HIGHLIGHTS**

#### COVAX

Worked on the planning for distribution of COVID-19 vaccines to 92 lowerincome countries under the WHO-backed COVAX programme.

## **GRI & SASB ADOPTION**

Adopted the guidelines set by the Global Reporting Initiative (GRI) and the Sustainable Accounting Standards Board (SASB) for sustainability reporting.



#### **SUSTAINABILITY AS A GROWING OPPORTUNITY**

Across our value chain and in the communities that we operate in, our stakeholders are giving greater weight to sustainability issues in their decisions. The COVID-19 pandemic has accelerated this. The massive disruption it has caused has raised awareness of the materiality of environmental, social and governance (ESG) risks and the links between companies and their stakeholders.

Rather than being pushed off the agenda by the pandemic as was initially feared, climate change action by regulators has accelerated in 2020, particularly in the EU. Major investment groups have clearly articulated that they see climate risk as investment risk and that they expect companies to transform their business models to be compatible with the goals set out in the Paris Agreement. Our customers are increasingly seeking low or net-zero emissions solutions from SGL Group to help decarbonise their supply chains and our employees want SGL Group to act on climate issues.

The pandemic has also put a focus on social issues (the "S" in ESG) and driven need for SGL Group's expertise in temperature-controlled cargo and

cold chain storage to deliver vaccines across the world. Separately, the humanitarian consequences of climate change are a growing concern for the UN agencies and NGOs that we partner with to deliver aid and relief. Need for aid and relief operations is expected to grow to address the increase in weather-related disasters and the displacement of people by climate change that is projected to occur over the course of this century.

At SGL Group, we exist to make the world a little less complicated. While there are no simple solutions, we believe we have a growing opportunity to address these particular environmental and societal issues by applying our human approach, know-how and entrepreneurship. As a result, we treat sustainability as a strategic growth enabler for SGL Group.

#### **STRONGER APPROACH WITH MATERIALITY AT ITS CORE**

During 2020, we strengthened the approach and governance of sustainability at SGL Group. This included establishing a Sustainability Board to steer SGL Group's sustainability agenda, employing a new Global Head of ESG and Quality and anchoring the responsibility of ESG implementation with the Group CFO.





The concept of double materiality, which is comprised of impact materiality and financial materiality, was chosen as the core principle in SGL Group's sustainability strategy and to determine the topics that we subsequently report on. We conducted a materiality assessment in line with the Global Reporting Initiative (GRI) recommendations and as described in the European Commission's non-binding guidelines for the Non-Financial Reporting Directive. The assessment identified eight material ESG topics for SGL Group which are listed below with links to the relevant SDGs:

- Climate change (SDG 13 & SDG 17)
- Aid & relief (SDG 17)
- Employee engagement, development and diversity
- Health & Safety
- Anti-trust
- Customer privacy
- Compliance
- Economic performance

#### **SUSTAINABILITY AS AN ENABLER OF GROWTH**

Our new sustainability strategy addresses the eight material ESG topics by leveraging our ability to remove complexity, our strong global partnerships and the energy of our people. As an enabler of growth, our sustainability strategy is supported by four ESG priorities outlined on the following page.

## **OVERVIEW OF OUR NEW SUSTAINABILITY STRATEGY**

## **SUSTAINABILITY AS AN ENABLER OF GROWTH**

## ENVIRONMENT **13** CLIMATE **17** PARTNERSHIPS FOR THE GOALS

#### **CLIMATE CHANGE AND FOOTPRINT**

- Decarbonise our logistic solutions through partnerships and take responsibility for our footprint
- Net zero by 2050 across scope 1, 2 & 3, and commitment to the 1.5°C Science Based Target

#### **SUPPORTING AID AND RELIEF**

## **RESPONSIBLE BUSINESS**

#### **INTEGRITY ACROSS OUR VALUE CHAIN**

- Conduct business with integrity and comply with all laws across our value chain
  - Run a responsible business in line with our four virtues

## SOCIETY

• Increase our Aid & Relief support and enhance our capabilities & vaccine solutions

17 PARTNERSHIPS FOR THE GOALS

• Global #1 in humanitarian logistics services

## PEOPLE

#### **OUR GREATEST SOURCE OF VALUE**

- Become the most meaningful company within the logistics industry and increase diversity
- Minimise safety hazards and injuries



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## **CLIMATE CHANGE AND FOOTPRINT** (SDG 13 & SDG 17)

At SGL Group, we see it as our shared responsibility to limit global warming by accelerating our own ESG performance. As a freight forwarder, SGL Group is part of the transport and logistics sector which accounts for a significant share of global greenhouse gas (GHG) emissions that contribute to climate change. But the sector is also a key enabler of world trade that is essential to global economic growth and improving living standards, particularly in developing countries. Therefore, decarbonising the sector is an essential step in decoupling economic growth from emissions growth and putting the world on a more sustainable path.

We are commercially exposed to the transition risks and physical risks from the impact of climate change. The sector as a whole faces the risk of increased costs from carbon taxes and inclusion in emissions trading schemes. However, with our asset-light business model, we are not subject to the technology and investment risks that the asset-intensive carriers face. Therefore, we

This priority seeks to capture the opportunity have the opportunity to take a more agile and for SGL Group in providing low and net-zero coordinating role at the centre of the supply chain, emissions solutions to its customers that enable working together with our customers, suppliers, and other partners to develop low or net-zero them to decarbonise their supply chains and gain emissions transport and logistics solutions and competitive advantage in the climate transition help to create demand for them. within their own sectors. SGL Group is partnering with customers and suppliers and other value chain stakeholders to develop these solutions. At the same time, we are mitigating our ESG risks by taking responsibility for our environmental footprint, reducing emissions from our own operations and improving our use of resources.

SGL Group's response to these risks and opportunities is to anchor our climate ambition and approach in science. We have joined the Science Based Targets initiative and have committed to a target of reducing our GHG emissions in line with what is necessary to meet the goals of the Paris Agreement. In doing so, SGL Group has chosen the more ambitious target which is consistent with limiting global warming to 1.5°C above pre-industrial levels and reaching science-based net-zero emissions by 2050. To date, SGL Group is the first logistics provider in Denmark and one of only ten companies within the transport and logistics sector globally to have committed to the 1.5°C target.

1) https://sciencebasedtargets.org/companies-taking-action?sector=Air%20Freight%20Transportation%20and%20Logistics#table







In 2020, we developed a digital CO<sub>2</sub>e platform that will be introduced in 2021 to provide our customers with an overview of the end-to-end emissions of the services they purchase, based on different modes of transport.

We are also making carbon offsets available to our customers that will enable them to compensate for the emissions they cannot avoid by supporting projects that reduce emissions elsewhere.

#### SOCIETY

## **SUPPORTING AID & RELIEF** (SDG 17)

SGL Group's fundamental promise to uncomplicate the world owes much to the core capabilities in handling complex logistics that we have developed through over 45 years of working in partnership with UN agencies and NGOs to support their aid and relief efforts globally.

The same set of capabilities and partnerships underpins our expertise in temperature-controlled cargo and cold chain storage, which includes 15 years of delivering vaccines for the UN. In late 2020, we began working on the planning and preparation of vaccine distribution around the world for the COVAX programme, which ramps up from March 2021 onwards. COVAX is co-led by CEPI, Gavi and WHO, alongside its delivery partner UNICEF.

With the humanitarian consequences of climate change expected to expand the need for aid and relief operations, and with the secure delivery of vaccines being essential to ending the global pandemic, our ambition is to continue to enhance our capabilities in order to support the agencies, governments and other stakeholders that we partner with, in line with our commitment to SDG 17. Our target is to be the global #1 in humanitarian logistics services.





## OUR GREATEST SOURCE OF VALUE

As an asset-light freight forwarder, our people are SGL Group's greatest source of energy and value. With more than 1,850\* employees in over 110\* offices worldwide, the diversity of our workforce and their close relationships with customers, suppliers and other organisations around the world are fundamental to our strength and success. Our goal is to attract, retain, and develop the best people.

This priority aims to position SGL Group as the most meaningful company within the logistics industry in order to attract, retain and develop the best people in meaningful work and opportunities. It also aims to ensure the wellbeing of all employees and protect them from any safety hazards or severe injuries in the workplace.

In 2020, we continued to invest heavily in building a strong cultural backbone across our organisation by anchoring our cultural DNA, our purpose and our ambition to build a meaningful workplace. To monitor our progress and apply this ambition to the way we work, we conducted our annual global employee survey – the Meaningfulness Survey (MQ) – for the second time.

We have a strong focus on the inclusion of female employees in a traditionally male-dominated transport and logistics sector. SGL Group is a relatively diverse organisation from a gender perspective with a ratio of 54/46 male to female employees across our global organisation in 2020. We also met our goal of increasing the number of women in managerial positions by achieving a ratio of 38% female managers in 2020, against a target of 35%.

With few assets to operate, SGL Group is less exposed to safety issues than its peers within the transport and logistics sector. Nonetheless, we take seriously our responsibility to protect the health and safety of our employees, subcontractors and customers, as well as the public.

In 2020, the COVID-19 pandemic put the importance of employee health and safety into even greater focus. During this time, SGL Group maintained business continuity while ensuring the well-being of its employees.

We implemented measures across all of our locations in line with the requirements of local authorities to mitigate the transmission of COVID-19. These measures included introducing new hygiene protocols, providing personal protective equipment, implementing travel bans and worksite restrictions, and providing work-fromhome opportunities for employees. As a result, all of SGL Group's offices and warehouses remained in operation during the COVID-19 lockdowns.

\* At SGLT Holding level



### **INTEGRITY ACROSS OUR VALUE CHAIN**

We conduct our business with integrity and comply with all laws applicable to our business in all the regions and countries in which SGL Group operates. The transport and logistics sector is vulnerable to corrupt business practices, particularly in high-risk countries. As a global organisation within the sector, we rely on a common understanding of how we expect business to be conducted. Our approach is grounded in SGL Group's virtues, Code of Conduct and Supplier Code of Conduct. Combined with specific policies on anti-corruption, data protection and insider regulations, they help our people and suppliers to make the right decisions. Through this approach, we aim to ensure business is conducted in an honest, ethical and socially responsible manner across our value chain.

Following the significant step forward in SGL Group's sustainability approach and the new strategy introduced this year, 2021 will be a year of action and execution. In line with our commitment to the Science Based Targets initiative, over the next 12-24 months we expect to set short to medium-term targets to reduce GHG emissions in our own operations (scope 1 & 2) and across our value chain (scope 3). We will also adopt the recommendations of the Task Force on Climaterelated Financial Disclosures (TCFD) and we expect to make strong progress on our sustainability strategy.

In 2020, we updated the Personal Data Protection Group Policy which constitutes the main framework for implementation and maintenance of GDPR compliance in SGL Group. In addition to the updated policy, SGL Group introduced a global GDPR manual and global e-learning training for employees to support compliance with GDPR. During the year we continued to monitor supplier compliance through surveys but suspended supplier audits due to COVID-19 operating restrictions. These will restart in 2021.





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### **CORPORATE GOVERNANCE AND OWNERSHIP**

SGL Group is owned directly by Scan (UK) Midco Limited, and the ultimate owner is SGLT Holding I LP.

#### **BOARD OF DIRECTORS**

The Board of Directors consists of the following members:

- Henrik von Sydow, chairman
- Allan Dyrgaard Melgaard
- Claes Brønsgaard Pedersen
- Thomas Thellufsen Nørgaard
- Jørgen Agerbro Jessen

The main responsibilities of the Board of Directors are outlined below:

#### **PROVIDE DIRECTION FOR THE ORGANISATION**

The Board has a strategic function in providing the vision, mission and goals of the organisation. These are determined in cooperation with the Executive Management of SGL Group.

### **DEVELOP A GOVERNANCE AND APPROVAL SYSTEM**

The governance and approval system includes the interaction between the Board and Management and clearly outlines the authorities given to the CEO. Periodically, the Board of Directors interacts with the Executive Management at board meetings, which typically take place 4 times per year. In between board meetings, the Board of Directors is updated through e-mails and phone conferences as required.

#### **MONITORING AND CONTROLLING**

The Board of Directors has a monitoring and controlling function and receives a monthly report outlining the financial results and current state of affairs of SGL Group.

#### **AUDIT COMMITTEE**

An audit committee has been established and comprises of 6 members; Matthew Bates (Chairman), Henrik von Sydow, Tom Gartland, Alan Wilkinson, John Cozzi and Rachel Kumar.

The Audit committee primarily assists the Board of Directors in various areas, including the following main tasks:

- monitor internal accounting and financial control systems, IT-systems and the integrity of the company's financial reports.
- monitor compliance with legislation, standards and regulations world-wide.
- monitor auditor independence, including the provision of non-audit services and reporting, and to facilitate the auditor selection process.

The Audit Committee also carries out ongoing assessments of the company's financial and business risks as well as potential cases.

#### **GOVERNANCE**

### **CORPORATE GOVERNANCE AND OWNERSHIP**

Other board positions of the members of the Board of Directors are:







#### **HENRIK VON SYDOW**

SGL Road ApS Scan Global Logistics A/S, Chairman Scan Global Logistics Holding ApS, Chairman SGL Express A/S, Chairman My Dentist AB Burt AB New to World Sweden AB

#### **CLAES BRØNSGAARD PEDERSEN**

SGL Road ApS Scan Global Logistics A/S, CFO Scan Global Logistics Holding ApS SGL TransGroup International A/S, CFO SGL Express A/S SGL Fullfillment & Distribution A/S HSK Pro ApS, Chairman JAFC Holding ApS

SGL Express A/S Director Forening Guldægget ApS



#### **JØRGEN AGERBRO JESSEN**

Scan Global Logistics A/S Scan Global Logistics Holding ApS Airlog Group Denmark A/S SGL Fullfillment & Distribution A/S Ejendomsselskabet Langenbach ApS,

CPC ApS, Managing director MMG ApS, Director Danske Luftfragtspeditørers

Danske Speditører Flair Invest ApS, Director Saack Invest ApS, Director PS Invest ApS, Director C. Jessen Invest ApS, Director

#### **ALLAN DYRGAARD MELGAARD**

SGL Road ApS, Chairman Scan Global Logistics A/S, CEO Scan Global Logistics Holding ApS, CEO SGL TransGroup International A/S, CEO SGL Express A/S SGL Fullfillment & Distribution A/S, Chairman Airlog Group Denmark A/S, Chairman LMT ApS, Managing director MMG ApS, Director WB Invest ApS Ejendomsselskabet Langenbach ApS, Chairman

### **THOMAS THELLUFSEN NØRGAARD**

SGL Road ApS, Managing director Scan Global Logistics A/S Scan Global Logistics Holding ApS SGL Express A/S Airlog Group Denmark A/S Thell Con ApS, Director Ejendomsselskabet Langenbach ApS



#### **GOVERNANCE**

### **RISK MANAGEMENT**

#### **COMMERCIAL RISKS**

The fluctuations in freight rates caused by a change in supply/demand on key trade lanes such as Asia to Europe could represent the most significant short-term operating risk, as carrier cost is the largest single cost item for SGL Group. As a result, contracts with carriers constantly need to be balanced against customer contracts. The industry is characterised by short-term agreements, eliminating a large part of the risk. Furthermore, longer-term contracts normally offer the possibility to agree back-to-back with the carriers, further balancing the risk.

Other major risks are clerical errors such as wrongful release of cargo, against instructions from customers, accepting liability outside of normal scope or standard trading conditions.

#### **GLOBAL ECONOMIC CONDITIONS**

A lengthy economic downturn, a decline in the gross domestic product growth-rate and world import and export levels, as well as other geopolitical events, could adversely affect the global transportation industry and trigger a decrease in demand for SGL Group's services. During 2020, SGL Group has proven that being an agile freight forwarder has turned a Global Pandemic into many opportunities, resulting in strong financial performance.

#### **RISKS RELATED TO IT INFRASTRUCTURE**

SGL Group depends on information technology to manage critical business processes, including administrative and financial functions. SGL Group uses IT systems for internal purposes – and externally in relation to its customers and suppliers. Extensive downtime of network servers, attacks by IT viruses or other disruptions or failure of information technology systems are possible and could have a negative effect on SGL Group's operations.

#### **RISKS RELATING TO SGL GROUP'S OPERATIONS IN EMERGING MARKETS**

SGL Group's Aid, Development and Project (ADP) departments have operations and customers worldwide, including a number of emerging markets. These markets are subject to greater political, economic and social uncertainties, and the risk of loss resulting from changes in law, economic or social upheaval and other factors may be substantial. Among the more significant risks of operating and investing in emerging markets, are those arising from the introduction of trade restrictions, enforcement of foreign exchange restrictions and changes in tax laws and enforcement mechanisms. SGL Group constantly monitors and follows all and any development in order to mitigate any possible risks.

SGL Group has taken out liability insurance to meet any loss resulting from damage on customers' goods, errors and omissions.

#### **INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO FINANCIAL REPORTING**

The Board of Directors and the Executive Board have the overall responsibility for risk management and internal controls in relation to financial reporting. In addition, the Board of Directors has established an Audit Committee with four members to support the oversight function regarding risk management, financial reporting and compliance.

The organisational structure and the internal guidelines form the control environment together with laws and other rules applicable to SGL Group.

Management regularly assesses SGL Group's organisational structure and staffing as well as establishes and approves overall policies, procedures and controls in relation to financial reporting.

In relation to the financial reporting, Management has a special focus on procedures and internal controls within the following areas and accounting items, which ensures that the reporting is made on a reassuring basis:

- Revenue recognition of service contracts and projects
- Assessment of work in progress
- Trade receivables management of credit

- Assessment of recognition of business combinations/purchase price allocation
- Assessment of impairment of intangible assets

SGL Group has established a formal group reporting process, including monthly reporting, with budget control, assessment of performance and fulfillment of agreed targets etc.

### **INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO BUSINESS RISKS**

Management assesses business risks in connection with the annual review and approval of the strategic plan.

In connection with the risk assessment, Management, if needed, also considers the policies approved by the Board of Directors regarding finance, hedging and insurance policies for SGL Group.

SGL Group's risk management, including internal controls in relation to financial reporting, is designed to minimize the risk of errors and lack of information effectively.

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### **INCOME STATEMENT**

NOTES	<b>DKK'000</b>	2020	2019
1.1, 1.2	Revenue	5,350,831	4,143,904
1.1, 1.3	Cost of operation	-4,395,949	-3,370,868
	Gross profit	954,882	773,036
	Other external expenses	-133,289	-109,888
1.4	Staff costs	-503,861	-461,036
	Earnings before Interest, Tax, Depreciation,	,	
	Amortisation (EBITDA) and special items	317,732	202,112
2.1, 2.2, 2.3	Amortisation and depreciation	-179,310	-116,408
	Operating profit (EBIT) before special	138,422	85,704
	items		
1.5	Special items, net	-76,545	-39,966
	Operating profit (EBIT)	61,877	45,738
3.2	Financial income	68,447	74,716
3.2	Financial expenses	-213,714	-196,817
	Profit/loss before tax	-83,390	-76,363
		20.041	0.005
4.1	Income tax for the year	-20,041	-9,065
	Profit/loss for the year	-103,431	-85,428
	<b>-</b>		
	Total income for the year attributable to	100 010	
	Owners of the Parent Company	-102,812	-86,458
	Non-controlling interests	-619	1,030
	Total	-103,431	-85,428

### **STATEMENT OF OTHER COMPREHENSIVE INCOME**

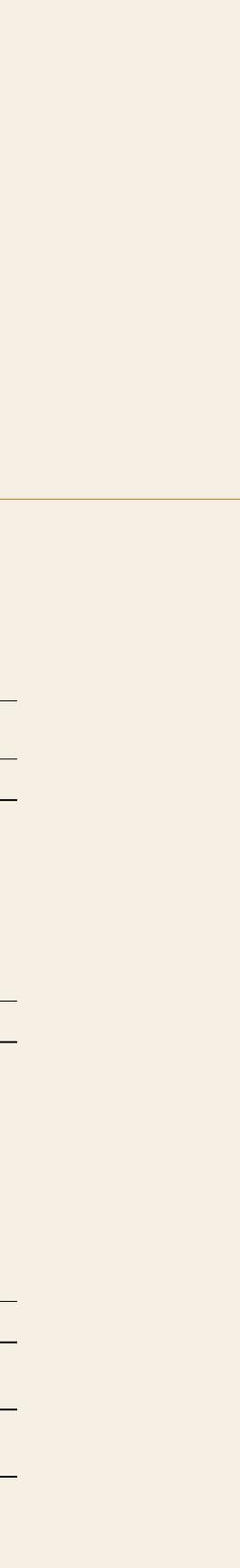
DKK'000	2020	2019
Profit/loss for the year	-103,431	-85,428
Items that will be reclassified to income statement when certain conditions are met:		
Exchange rate adjustment	-4,778	757
Reclassified to income statement	-621	0
Other comprehensive income, net of tax	-5,399	757
Total comprehensive income for the period	-108,830	-84,671
Total comprehensive income for the year attributable to		
Owners of the Parent Company	-108,244	-85,663
Non-controlling interests	-586	992
Total	-108,830	-84,671



### **BALANCE SHEET**

NOTES	<b>DKK'000</b>	2020	2019
	ASSETS		
2.1, 2.4 2.2 2.3	Intangible assets Property, plant and equipment Right of use assets	1,451,477 31,516 230,514	1,381,014 50,940 164,576
3.3, 3.5 4.2	Receivables from related parties Other receivables Deferred tax asset	726,912 14,977 10,551	801,108 10,409 8,431
	Financial assets	752,440	819,948
	Total non-current assets	2,465,947	2,416,478
2.5 3.4	Trade receivables Income tax receivables Other receivables Prepayments Cash and cash equivalents	803,657 4,166 29,398 23,703 186,802	639,971 2,566 20,158 14,931 121,989
	Total current assets	1,047,726	799,615
	Total assets	3,513,673	3,216,093

NOTES	<b>DKK'000</b>	2020	2019
	EQUITY AND LIABILITIES		
3.1	Share capital Share premium Currency translation reserve Retained earnings <b>Equity attributable to the Parent Company</b> Non-controlling interests	501 2,778 -30,573 487,143 <b>459,849</b> 6,074	501 2,778 -25,141 589,955 <b>568,093</b> 6,660
	Total equity	465,923	574,753
3.3, 3.6 2.3, 3.6 3.6 4.2	Bond debt Lease Liabilities Earn-out provision Deferred tax liability Other payables	1,832,962 169,399 3,629 59,189 21,165	1,641,555 96,635 6,109 59,038 6,621
	Total non-current liabilities	2,086,344	1,809,958
3.4, 3.6 2.3, 3.6 3.6 2.6	Bank debt Lease Liabilities Earn-out provision Trade payables Payables to related parties Deferred income Corporation tax	341 75,004 11,606 668,574 32,167 56,117 24,170	35,647 76,092 3,634 458,572 105,355 42,066 27,150
	Other payables	93,427	82,866
	Total current liabilities	961,406	831,382
	Total liabilities	3,047,750	2,641,340
	Total equity and liabilities	3,513,673	3,216,093



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### **STATEMENT OF CASH FLOWS**

NOTES	DKK'000	2020	2019
	Operating profit (EBIT) before special items	138,422	85,704
2.1, 2.2, 2.3	3 Depreciation and amortisation	179,310	116,408
	Exchange rate adjustments	-16,954	1,680
2.6	Change in working capital	49,487	-105,672
	Cash flows from operating activities before		
	special items, interest and tax	350,265	98,120
	Special items paid	-76,846	-19,545
	Special items received	6,359	0
	Interest received	64,828	5,838
	Interest paid	-125,458	-187,441
	Tax paid	-30,692	-9,769
	Cash flows from operating activities	188,456	-112,797
2.1	Purchase of software and other intangible assets	-34,135	-34,208
2.2	Purchase of property, plant and equipment	-12,024	-21,817
	Sale of property, plant and equipment	0	25,329
5.3	Investments in group entities and activities		,
	excluding transaction costs	-56,622	-97,425
1.4	Special items, transactions cost acquistions	-2,088	-1,166
	Disposals of Group entities	10,559	0
	Earn-out paid	-27,342	-5,147
	Cash flows from investing activities	-121,652	-134,434
	Free cash flow	66,804	-247,231



NOTES	DKK'000	2020	2019
	Capital increase	0	2,778
3.5	Loan to Transgroup Global Inc.	0	-94,287
	Payable to Transgroup Global Inc.	0	-11,268
	Payments to group entities	-62,349	6,347
	Redemption of lease liabilities, Right of use assets	-95,284	-68,554
3.3	Proceeds from issuing of bonds	195,527	1,666,066
	Redemption of bond loan	0	-1,305,320
	Redemption of other acquisition debt	-4,579	-8,063
	Cash flows from financing activities	33,315	187,699
	Change in cash and cash equivalents	100,119	-59,532
	Cash and cash equivalents at 1 January	86,342	145,874
	Change in cash and cash equivalents	100,119	-59,532
3.4	Cash and cash equivalents at 31 December	186,461	86,342

# **STATEMENT OF CHANGES IN EQUITY**

<b>DKK'000</b>	SHARE CAPITAL	SHARE PREMIUM	CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO PARENT COMPANY	NON-CONTROLLING INTERESTS	GROUP TOTAL EQUITY
Equity at 1 January 2020	501	2,778	-25,141	589,955	568,093	6,660	574,753
Profit/loss for the year	0	0	0	-102,812	-102,812	-619	-103,431
Currency exchange adjustment Reclassified to income statement	0 0	0 0	-4,811 -621	0 0	-4,811 -621	33 0	-4,778 -621
Other comprehensive income, net of tax	0	0	-5,432	0	-5,432	33	-5,399
Total comprehensive income for the year	0	0	-5,432	-102,812	-108,244	-586	-108,830
Equity at 31 December 2020	501	2,778	-30,573	487,143	459,849	6,074	465,923
Equity at 1 January 2019	501	830,764	-25,936	-154,218	651,111	5,535	656,646
Profit/loss for the year	0	0	0	-86,458	-86,458	1,030	-85,428
Currency exchange adjustment	0	0	795	0	795	-38	757
Other comprehensive income, net of tax	0	0	795	0	795	-38	757
Total comprehensive income for the year	0	0	795	-86,458	-85,663	992	-84,671
Transfer Purchase of non-controlling interests Capital increase by cash payment	0 0 0	-830,764 0 2,778	0 0 0	830,764 -133 0	0 -133 2,778	0 133 0	0 0 2,778
Total transactions with owners	0	-827,986	0	830,631	2,645	133	2,778
Equity at 31 December 2019	501	2,778	-25,141	589,955	568,093	6,660	574,753

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1.2	Revenue	48	4.2	Deferred tax
1.3	Cost of operation	50		
1.4	Staff Costs	51	5.	Other disclosures
1.5	Special items	52	5.1	Audit fees
	•		5.2	Related party transactions
2.	<b>Operating assets and liabilities</b>			Business combinations
2.1	Intangible assets	53	5.4	Contingent liabilities and
2.2	Property, plant and equipment	54		security for debt
2.3	Right of use assets	55	5.5	Company overview
2.4	Impairment	57	5.6	Subsequent events
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# **NOTE 1.1 SEGMENT INFORMATION**

#### **DKK'000 REVENUE AND GROSS PROFIT**

		AIR	OCEAN	ROAD	SOLUTION	TOTAL
2020	Revenue (services)	3,800,335	2,261,210	692,202	193,719	6,947,466
	Intercompany revenue	-1,244,760	-313,960	-37,915	0	-1,596,635
	Net revenue (services)	2,555,575	1,947,250	654,287	193,719	5,350,831
	Cost of operation	-2,107,886	-1,630,817	-505,988	-151,258	-4,395,949
	Gross profit	447,689	316,433	148,299	42,461	954,882

Sales, distribution and administration cost, not allocated to segments	- 637,150	
Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA)		
and special items		
Depreciation and amortisation	- 179,310	
Operating profit (EBIT) before special items		
Special items, net	-76,545	
Operating profit (EBIT)		
Operating profit (EBIT)	61	

Gross profit	321,595	272,444	129,861	49,136	773,036
Cost of operation	-1,391,778	-1,363,272	-506,681	-109,137	-3,370,868
Net revenue (services)	1,713,373	1,635,716	636,542	158,273	4,143,904
Intercompany revenue	-411,671	-216,001	-50,246	-2,211	-680,129
Revenue (services)	2,125,044	1,851,717	686,788	160,484	4,824,033
			COC 700	100 40 4	10

Effective 1 July 2020, the Group disposed of Airlog Group Sweden AB, Airlog Group Fur OY, Airlog Group AS and Airlog Group Denmark A/S. No significant value of Intangible assets related to the disposed of entities were recorded at the time of disposal.

It is not possible to allocate assets (excluding goodwill, customer relations, trademarks, and other intangible assets) and liabilities to the four segments identified, as these assets and liabilities serve all segments.

2019

#### **GOODWILL, CUSTOMER RELATIONS, TRADEMARKS DKK'000 AND OTHER INTANGIBLE ASSETS**

		AIR	OCEAN	ROAD	<b>SOLUTION</b>	TOTAL
2222						
2020	Balance at 1 January	637,271	633,750	53,430	4,076	1,328,527
	Exchange rate	1,716	-1,854	1,064	-21	905
	adjustments					
	Additions from acquisitions	8,074	84,698	5,023	0	97,795
	Additions 2020	1,219	1,219	0	0	2,438
	Amortisation during	-29,470	-24,193	-3,095	-105	-56,863
	the year	•	,	,		,
	Balance at 31 December	618,810	693,620	56,422	3,950	1,372,802
2019	Balance at 1 January	528,978	644,781	48,941	4,181	1,226,881
	Exchange rate	1,543	-237	-456	0	850
	Additions 2019	125,402	6,096	7,687	0	139,185
	Amortisation during the yea	-	-16,890	-2,742	-105	-38,389
	Balance at 31 December	637,271	633,750	53,430	4,076	1,328,527

#### **ACCOUNTING POLICIES**

Net revenue from freight forwarding services is recognised following the overtime recognition principle. Most freight forwarding services and related services are characterised by short delivery time, except for Ocean services, which usually take longer due to the nature of the transport service.

The project business of SGL Group is included in the Air and Ocean segments as the projects include Air and Ocean transport in one service, e.g. delivery of first aid. Therefore, the delivery time for project sales is longer.

Segments are monitored at the gross profit level. The four segments are all using the Group's capacity, including headquarter costs.

It is not possible to allocate costs below gross profit to the four segments identified, as these costs serve all segments.

For purchases and sales between group entities, the same pricing principles are applied to transactions with external partners (the arm's length principle).

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### **NOTE 1.1 SEGMENT INFORMATION** CONT.

#### **GOODWILL, CUSTOMER RELATIONS, TRADEMARKS AND OTHER INTANGIBLE ASSETS, CONT.**

<b>DKK'000</b>	<b>GEOGRAPHICAL</b> INFORMATION	DENMARK	OTHER NORDICS	GREATER CHINA	OTHER COUNTRIES	TOTAL
2020	Net revenue (services)	2,691,617	889,840	750,408	1,018,966	5,350,831
	Non-current assets less tax assets	2,308,075	18,969	12,804	115,548	2,455,396
2019	Net revenue (services)	2,036,058	943,543	372,359	791,944	4,143,904
	Non-current assets less tax assets	2,371,318	4,135	4,493	28,100	2,408,046

No single customer accounts for more than 10 percent of consolidated revenues.

The core business of SGL Group is within the Air and Ocean segments, whereas the Road and Solution business units are relatively small in a Group context and are primarily within a limited geographic area (Europe). The project business of SGL Group is also within the Air and Ocean segments. Consequently, goodwill, customer relations, trademarks and other intangible assets are primarily allocated to the Air and Ocean segments.

Goodwill, customer relations and trademarks were tested for impairment with no indication of impairment as of 31 December 2020. Subsequently, there has been no indication of impairment. For more information refer to note 2.4.

#### **ACCOUNTING POLICIES**

### 6

### **Segment information**

The segment information is based on the internal applicable management reporting to the Management of SGL Group, as they are deemed to be the Chief Operating Decision Maker of SGL Group.

### **Business segments**

The operations are organised into four reportable segments (Air, Ocean, Road and Solution) that form the segment reporting.

### Measurement of earnings by segment

The business segment is measured by gross profit. Segment performance is measured consistently with the profit or loss in the consolidated income statement.

### **Geografical segments**

SGL Group has operations in more than 30 countries worldwide. The operations are divided into the four geographical locations below:

- Denmark
- Other Nordics comprise of Sweden, Norway and Finland.
- Greater China comprises of China, Hong Kong and Taiwan
- Other countries comprise: Japan, Vietnam, Thailand, Malaysia, Singapore, Indonesia, the Philippines, Australia, Mali, Senegal, Ivory Coast, Germany, Austria, the Netherlands, Belgium, Spain, Poland, Czech Republic, Cambodia, Myanmar, USA, Dubai, Chile and Peru.

The revenue information is based on the locations of the seller.

### **NOTE 1.2 REVENUE**

#### **ACCOUNTING POLICIES**

Revenue comprises freight forwarding services, contract logistics and other related services delivered in the financial year.

Revenue from services delivered is recognised in accordance with the over-time recognition principle following the satisfaction of various milestones as the performance obligation is fulfilled towards the customer. The main services comprise Air, Ocean, Road and Solutions services as described in the following.

#### Air services

Air services comprise air freight logistics, facilitating transportation of goods across the globe. Air services are characterised by short delivery times as most air transports are completed within a few days.

#### Ocean services

Ocean services comprise ocean freight logistics facilitating transportation of goods across the globe. Ocean services are reported within the Air & Ocean reporting segment. Ocean services are characterised by longer delivery times averaging one month depending on destination.

#### Road services

Road services comprise road freight logistics facilitating transportation of goods by road networks mainly within Europe, the US and Africa. Road services are reported within the Road reporting segment. Road services are characterised by short delivery times as most road transports are completed within a few days.

#### Solution services

Rent income from the Solution activity mainly comprises warehousing. Solution services are reported within the Solution reporting segment. Solution services are characterised by very short delivery times, happening almost instantaneously as agreed actions under the customer contract are carried out.

Revenue is measured at fair value net of VAT, all types of discounts/rebates granted, as well as net of other indirect taxes charged on behalf of third parties.

### **NOTE 1.3 COST OF OPERATION**

<b>DKK'000</b>	2020	2019
Cost related to provision of freight services Staff costs Other operation costs	-4.291.775 -66.539 -37.635	-3.267.005 -58.747 -45.116
Total cost of operation	-4.395.949	-3.370.868



**ACCOUNTING POLICIES** 

Cost of operations comprises costs incurred to generate the net turnover for the year. The cost of operations includes the settlement of shipping companies, airlines and haulage contractors, etc., also including wages and salaries relating to own staff used to fulfil the contracts with customers.

### NOTE 1.4 STAFF COSTS

DKK'000 STAFF COSTS	2020	2019
Wages and salaries	516,512	460,539
Pensions	36,101	33,677
Other social security costs	34,070	32,477
Total gross staff costs	586,683	526,693
Transferred to cost of operation	-66,539	-58,747
Transferred to special items	-16,283	-6,910
Total staff costs	503,861	461,036
Remuneration to key personnel:		
Wages	7,878	7,242
Pension	665	612
Other social security costs	5	5
Key management personnel (short-term employee benefits)	8,548	7,859

The key personnel of SGL Group comprise 2 persons; being Group CEO and Group CFO.

	Number	Number
Average number of full-time employees	1,285	1,175

#### **ACCOUNTING POLICIES**

#### Staff costs

Staff costs comprise costs such as salaries, wages, pensions and social security costs except staff costs recognised under costs of operation and special items. Staff costs are recognised in the year in which SGL Group's employees have performed the related work.

The item is net of refunds made by public authorities.

# NOTE 1.5 SPECIAL ITEMS, NET

DKK'000	2020	2019
COVID-19 activities*** COVID-19, compensation received from government M&A activities* and Green field activities** Gain on disposed entities, Airlog companies Restructuring cost (Redundancy cost for personel and closing of offices, etc.)	-46,956 3,132 -14,284 3,138 -13,848	0 0 -7,100 0 -27,907
Other cost Total special items, net	-7,727 - <b>76,545</b>	-4,959 <b>-39,966</b>

\*Acquisition activities mainly related to Pioneer International Logistics (now: SGL Australia Pty. Ltd.) and Scan Global Logistics Co. Ltd. (Cambodia).

\*\*Start-up activities related to Poland, Austria, Belgium, Czech Republic, the Netherlands, and additional offices in Denmark and Spain.

\*\*\*Activities caused by COVID-19, mainly related to cost for sending staff home on compensation scheme, expected credit losses and restructuring costs.

If not recognised as part of the ordinary business activities the special items would have been expensed under other external costs and staff costs.



#### **ACCOUNTING POLICIES**

Special items are recognised in connection with presenting the consolidated income statement for the year to separate items thereby its nature is not related to SGL Group's main business activity, and a separation of these items improve the under-standing of the performance for the year.

## **NOTE 2.1 INTANGIBLE ASSETS**

<b>(K'000</b>	GOODWILL	CUSTOMER RELATIONS	TRADE- MARKS	OTHER INTANGIBLES	SOFTWARE	TOTAL
20 Cost at 1 January 2020	1,005,568	365,748	59,918	5,153	66,622	1,503,009
Exchange rate adjustment	-309	1,886	114	-8	6	1,689
Transfer	0	0	0	0	14,659	14,659
Additions	0	0	0	1,978	32,157	34,135
Additions from acquisitions	53,819	43,734	242	0	4	97,799
Cost at 31 December 2020	1,059,078	411,368	60,274	7,123	113,448	1,651,291
Amortisation at 1 January 2020	0	88,908	18,737	215	14,135	121,995
Transfer	0	0	0	0	-8	-8
Currency exchange adjustment	0	625	154	-1	51	829
Amortisation	0	43,023	8,188	5,192	20,595	76,998
Amortisation	0	132,556	27,079	5,406	34,773	199,814
at 31 December 2020						
Carrying amount at 31 December 2020	1,059,078	278,812	33,195	1,717	78,675	1,451,477
19 Cost at 1 January 2019	951,425	290,825	54,131	0	34,145	1,330,526
Exchange rate adjustment	1,261	-387	-52	-1	1,075	1,896
Additions	, 0	0	0	3,000	31,208	34,208
Additions from acquisitions	52,882	75,310	5,839	2,154	194	136,379
Cost at 31 December 2019	1,005,568	365,748	59,918	5,153	66,622	1,503,009
Amortisation at 1 January 2019	0	56,746	12,754	0	10,747	80,247
Exchange rate adjustment	0	-26	-3	0	-35	-64
Amortisation	0	32,188	5,986	215	3,423	41,812
Amortisation at 31 December 2019	0	88,908	18,737	215	14,135	121,995
Carrying amount at 31 December 2019	1,005,568	276,840	41,181	4,938	52,487	1,381,014

Goodwill, customer relations and trademarks were tested for impairment at 31 December 2020. The basis for the calculation is budget 2021 and strategy 2021-2023. The 3 year plan is covering each focus area bringing loss making units into profitable businesses, plan for the organic growth and the project business. Furthermore, new and potential contract wins have been factored into the plan affecting several business segments and companies within SGL Group.

#### **ACCOUNTING POLICIES**

#### Goodwill

Goodwill arising from business combinations is recognised and is stated as the difference between the consideration paid and the fair value of the identified net assets. Goodwill is not amortised but tested for impairment if there is evidence of impairment, or at least once a year.

#### **Customer relations**

Customer relations arising from business combinations are recognized at fair value at acquisition. When evidence of impairment is identified, customer relations are tested for impairment.

Customer relations arising from acquisitions are amortised over 5-12 years.

#### Trademarks and other intangible assets

Trademarks and other intangible assets arising from business combinations is recognised at fair value at acquisition.

When evidence of impairment is identified, trademarks and other intangible assets are tested for impairment.

Trademarks and other intangible assets arising from the acquisition are amortised over 3-10 years.

#### Software

Software includes acquired intangible rights.

Software acquired separately or developed for internal use is measured at the lower of cost less any accumulated amortisation and impairment losses and the recoverable amount.

Costs related to development of software is calculated as, external costs, staff costs, amortisation and depreciation directly attributable to the development of the software. After commissioning, software is amortised on a straight-line basis over the expected useful life.

The amortisation period is 3 years.

Software acquired has an expected useful life time of 3 years and is amortised over the full economic life.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

#### Impairment

Please refer to section 2.4 for further details.

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# NOTE 2.2 PROPERTY, PLANT AND EQUIPMENT

<b>DKK'000</b>		LAND AND BUILDINGS	PLANT AND MACHINERY	FIXTURES, TOOLS, FITTINGS AND EQUIPMENT	TOTAL	<b>ACCOUNTING POLICIES</b>	
					_/ _ / _		
2020	Cost at 1 January 2020	6,475	20,859	44,584	71,918	Items of property, plant and	The expected useful lives of the
	Exchange rate adjustment	-135	247	-635	-523	equipment are measured at cost	assets are as follows:
	Additions	1,091	2,988	7,944	12,023	less accumulated depreciation	<ul> <li>Leasehold improvements &amp;</li> </ul>
	Additions from acquisitions	56	800	491	1,347	and impairment losses. Cost	other tools and equipment
	Disposals	-1,758	-1,920	-26,813	-30,491	includes the acquisition price	3 to 10 years
	Cost at 31 December 2020	5,729	22,974	25,571	54,274	and costs directly related to the acquisition until the time at	- Plant and machinery 3 to 5
	Depreciation at 1 January 2020	4,360	4,801	11,817	20,978	which the asset is ready for use.	years
	Exchange rate adjustments	-87	167	-244	-166	When significant parts of plant	
	Depreciation	1,075	6,783	9,532	17,390	and equipment are required	An item of property, plant and
	Depreciation and impairment	-1,651	-1,761	-12,034	-15,446	to be replaced at intervals, SGL	equipment, and any significant part initially recognised is de-
	<u>of disposals</u>		·			Group depreciates them sep-	recognised upon disposal, or
	Depreciation at 31 December 2020	3,697	9,990	9,071	22,758	arately based on their specific useful lives. Likewise, when a	when no future economic bene- fits are expected from its use or
		2.022	12.004	16 500	24 546	major inspection is performed, its cost is recognised in the car-	disposal. Any gain or loss arising
	Carrying amount at 31 December 2020	2,032	12,984	16,500	31,516	rying amount of the plant and	on derecognition of the asset,
						equipment as a replacement	calculated as the difference
2019	Cost at 1 January 2019	5,649	7,264	23,788	36,701	if the recognition criteria are	between the net disposal pro-
	Exchange rate adjustment	80	-73	186	193	satisfied. All other repair and	ceeds and the carrying amount of the asset, is included in the
	Additions	546	3,412	17,859	21,817	maintenance costs are recog-	income statement when the
	Additions from acquisitions	25,318	11,844	4,283	41,445	nised in the income statement as	asset is derecognised.
	Disposals	-25,118	-1,588	-1,532	-28,238	incurred.	
	Cost at 31 December 2019	6,475	20,859	44,584	71,918	Depreciation	Accounting estimates
	Depreciation at 1 January 2010	$\mathcal{O} \mathcal{O} \mathcal{E} \mathcal{A}$	2 2 2 2	7 072	12 500	Depreciation is provided on	The residual values, useful lives
	Depreciation at 1 January 2019 Exchange rate adjustments	2,254	2,283 150	7,972 399	12,509 629	a straight-line basis over the	and methods of depreciation of
	Exchange rate adjustments Depreciation	80 2,026	3,956		10,960	expected useful life of each indi-	property, plant and equipment
	Depreciation and impairment	2,020	-1,588	-1,532	-3,120	vidual asset. The depreciation	are reviewed at each financial
	of disposals	U	-1,500	-1,332	-3,120	basis is the cost.	year-end and adjusted prospec- tively, if appropriate.
	Depreciation at 31 December 2019	4,360	4,801	11,817	20,978		
	Carrying amount at 31 December 2019	2,115	16,058	32,767	50,940		

## **NOTE 2.3 RIGHT OF USE ASSETS**

#### DKK'000 LEASES

	<b>RIGHT OF USE ASSETS</b>	LAND AND BUILDINGS	OTHER ASSETS	TOTAL	
2020	Balance 1 January 2020 Echange rate adjustment Additions Additions from acquisitions Re-measurement of lease liability Depreciations for the year Balance at 31 December 2020	129,027 973 39,519 4,499 73,561 -65,122 <b>182,457</b>	35,549 -223 32,626 0 -95 -19,800 <b>48,057</b>	164,576 750 72,145 4,499 73,466 -84,922 <b>230,514</b>	
	Balance at 51 December 2020	102,457	40,057	230,314	
	<b>The lease liabilities fall due as specified below</b> Within 1 year Between 1 to 3 years Between 3 to 5 years After 5 years				
	Total undiscounted lease obligation 31 December 2020	ו		278,038	
	Lease obligation recognised in the 31 December 2020	balance sheet		244,403	
	Hereof short-term Hereof long-term			75,004 169,399	



#### **AMOUNTS RECOGNISED IN THE INCOME STATEMENT**

2020

Interest costs relating to lease liabilities	16,993
Short-term lease costs (falling due within 1 year)	6,682
Low-value lease costs	246

#### **CASH FLOWS AND FUTURE CASHFLOWS**

During 2020 SGL Group has paid DKK 95,284 thousands relating to lease liabilities. Hereof interest payments amount to DKK 16,993 thousands and redemption of lease liabilities amount to DKK 78,291 thousands.

#### Future cash flows

Lease obligation regarding leasing agreements entered into		
with effect from 1 January 2021 or later		
Future lease payments for low-value contracts	253	
Future lease payments for short-term contracts	1,252	

### **NOTE 2.3 RIGHT OF USE ASSETS** CONT.

#### **ACCOUNTING POLICIES**

Whether a contract contains a lease is assessed at contract inception. For identified leases, a right-ofuse asset and corresponding lease liability are recognised on the lease commencement date.

Upon initial recognition, the right-of-use asset is measured at a cost corresponding to the lease liability recognised, adjusted for any lease prepayments or directly related costs, including dismantling and restoration costs. The lease liability is measured at the present value of lease payments of the leasing period discounted using the interest rate implicit in the lease contract. In cases where the implicit interest rate cannot be determined, an appropriate incremental borrowing rate is used. In determining the lease period, extension options are only included if it is reasonably certain they will be utilised.

At subsequent measurement, the right-of-use asset is measured less accumulated depreciation and impairment losses and adjusted for any remeasurements of lease liability.

Depreciation is carried out following the straightline method over the lease term or the useful life of the right-of-use asset, whichever is shortest. The lease liability is measured at amortised cost using the effective interest method and adjusted for any remeasurements or modifications made to the contract.

Extension options are only included in the lease term if extension of the lease is reasonably certain. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Right-of-use assets and lease liabilities are not recognized for low value lease assets or leases with a lease term of 12 months or less. These are recognized as an expense on a straight-line basis over the term of the lease. Any service elements separable from the lease contract are also accounted for following the same principle.

Right-of-use assets classified as land and buildings mainly relate to leases of offices and warehouses, whereas assets recognized as other assets mainly relate to leases of trailers, trucks, company cars and forklifts.

Land and building leases normally have a lease term of up to ten years whereas leases of other assets normally have a lease term up to 5 years.



## **NOTE 2.4 IMPAIRMENT**

Goodwill, customer relations, trademarks and other intangible assets were tested for impairment at 31 December 2020.

The basis for the calculation is budget 2021 and strategy 2022-2023.

The 3 year plan covers each focus area bringing loss making units into profitable businesses, plan for the organic growth and the project business. Furthermore, new and potential contract wins have been factored into the plan affecting several business segments and companies within the Group.

A discounted cash flow model (DCF) has been used to determine the recoverable amount per business segment on a value in use basis.

Please see note 1.1 for the allocation of goodwill to each business segment.

The test did not result in any impairment of the carrying amount of goodwill allocated to each business segment. In that connection, a sensitivity analysis was performed to assess whether changes in the cash flow would have lead to any impairment losses being recognised. The analysis showed that probable changes in the future cash flow would not indicate a need for an impairment of goodwill.

In 2020, Management estimated that likely changes to the basic assumptions will not result in the carrying amount of goodwill exceeding the recoverable amount.

The most significant assumptions for this are:

- In the calculation, a WACC of 9.3% after tax (11.3% before tax) has been applied.
- The basis for the calculation is budget 2021 and strategy 2022-2023.
- A subsequent terminal period is applied.
- An expectation has been applied in which SGL Group is expected to grow with the expected annual market growth of 2%.

The impairment test was performed on input not adjusted for IFRS 16, hence right of use assets were not included in the carrying amount and WACC was not adjusted for IFRS 16. Adjusted for IFRS 16 a WACC of 7.0% (7.7% before tax) should have been applied. Our analysis showed that adjusted for IFRS 16 will not significantly attact the headroom in the impairment test.

For impairment purpose, other cost below segment result (Gross Profit) are allocated to the reportable segment based on their relative share of the profit contribution in SGL Group.

### NOTE 2.4 IMPAIRMENT CONT.

DKKM		GROUP	AIR	OCEAN	ROAD	SOLUTION
Carrying amou customer relation and other intan	ons, trademarks	1,373	619	694	56	4
<u>Plan period</u>	Average annual Gross Profit growth rate	15%	15%	15%	15%	15%
Terminal period	d Growth rate	2%	2%	2%	2%	2%
i	Pre tax discount rate	11.3%	11.3%	11.3%	11.3%	11.3%
Sensitivity analy	/sis					
Growth in plan	period, allowed decline	33%	25%	38%	6%	88%
Discount rate, a	allowed increase > 100%	51%	35%	59%	10%	>100%

Reasonable possible changes in the key assumption on which Managment has based its determination of the Air and Ocean segments recoverable amount would cause the Air and Ocean segments carrying amounts for intangible assets to exceed the segments' recoverable amounts. The Air and Ocean segments recoverable amounts exceed its carrying amount with DKK 308 million and DKK 562 million respectivly.

#### **ACCOUNTING POLICIES**

### Impairment testing of non-current assets

#### Goodwill

The carrying amount of goodwill is tested for impairment at least once a year together with the other non-current assets of SGL Group. The tests are conducted for each cash-generating unit (CGU) to which the goodwill is allocated. As goodwill is allocated to SGL Group's activity, it follows the structure of the segment information in note 1.1.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.

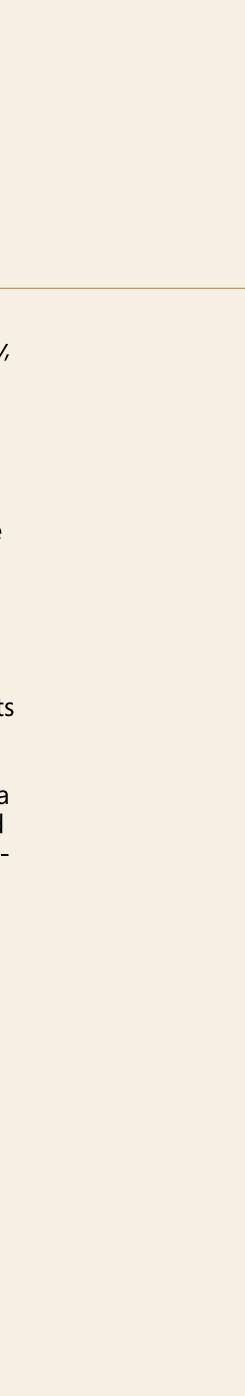
In assessing the recoverable amount, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset including geographical location and financial risks.

### Other non-current intangible assets, property, plant and equipment

The carrying amount of other non-current assets is tested for impairment when an indication of impairment is identified. Impairment is determined by assessing the recoverable amount of each CGU. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.

The recoverable amount is the higher of the fair value of the assets less the expected costs of sale and the value in use.

Where an impairment loss is recognised on a group of assets, a loss must first be allocated to goodwill and then to the other assets proportionally.



## **NOTE 2.5 TRADE RECEIVABLES**

DKK'000	2020	2019
Trade receivables before impairment at 31 December	822,453	651,983
Provision for bad debts	-18,796	-12,012
Trade receivables at 31 December	803,657	639,971
Trade receivables not due	676,071	496,158
Overdue trade receivables not written down	127,586	143,813
Overdue trade receivables rest written devus		
Overdue trade receivables not written down		
<i>break down as follows:</i> Overdue 1-30 days	72,669	102,445
Overdue 31-60 days	16,512	1,630
Overdue 61-90 days	13,280	15,666
Overdue for more than 90 days	25,125	24,072
Overdue trade receivables not written down	127,586	· · · · · · · · · · · · · · · · · · ·
	127,300	143,813
Impairment losses for the year relating to doubtful trade		
receivables break down as follows:		
Impairment at 1 January	12,012	12,553
Currency exchange adjustment	55	0
Reversal of impairments	-1,371	-2,221
Impairment losses recognized for receivables	11,943	1,566
Impairment for the year	-3,843	114
Impairment at 31 December	18,796	12,012



#### **ACCOUNTING POLICIES**

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Trade receivables are generally due for settlement within 30-90 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional. Trade receivables are recognised as services delivered are invoiced to the customer and are not adjusted for any financing components as credit terms are short, and the financing component therefore insignificant. SGL Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Where services delivered have yet to be invoiced, and invoices on services received from haulers have still to be received, contract assets and accrued cost of services are recognised at the reporting date.

Revenue allocated to remaining performance obligations is not disclosed following the practical expedient of IFRS 15.

SGL Group applies the IFRS 9 simplified approach to measuring expected credit losses which use a 12-months expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due.

# NOTE 2.6 CHANGE IN NET WORKING CAPITAL

DKK'000	2020	2019
Changes in receivables Changes in trade payables, etc. Additions from business acquisitions Non-cash transactions	-186,265 249,158 5,472 -18,878	-102,612 21,063 -1,500 -22,623
Total change in working capital	49,487	-105,672

Non-cash transactions comprise provisions in the year, adjustments for staff-related accruals and exchange rate adjustments.

## NOTE 3.1 SHARE CAPITAL

<b>DKK'000</b>	2020	2019
The Parent Company's share capital of DKK 501 thousands comprises:	501	E 01
5,007 shares of DKK 100 each on formation	501	501
Total share capital at 31 December	501	501

# NOTE 3.2 FINANCIAL ITEMS

DKK'000 FINANCIAL INCOME	2020	2019
Financial income from related parties	62,078	45,596
Redemption of bond debt	0	25,415
Other financial income	3,895	1,243
Exchange rate gains from FX contracts	0	108
Exchange rate gains	2,474	2,354
Total financial income	68,447	74,716

DKK'000 FINANCIAL EXPENSES	2020	2019
Interest expenses	7,887	9,705
Lease interest expenses Bond interest expenses Redemetion of band debt	16,993 119,458	12,400 102,668
Redemption of bond debt Amortisation of capitalised loan costs	5,557	47,342 13,538
Exchange rate losses Total financial expenses	63,819 <b>213,714</b>	11,164 <b>196,817</b>

#### **ACCOUNTING POLICIES**

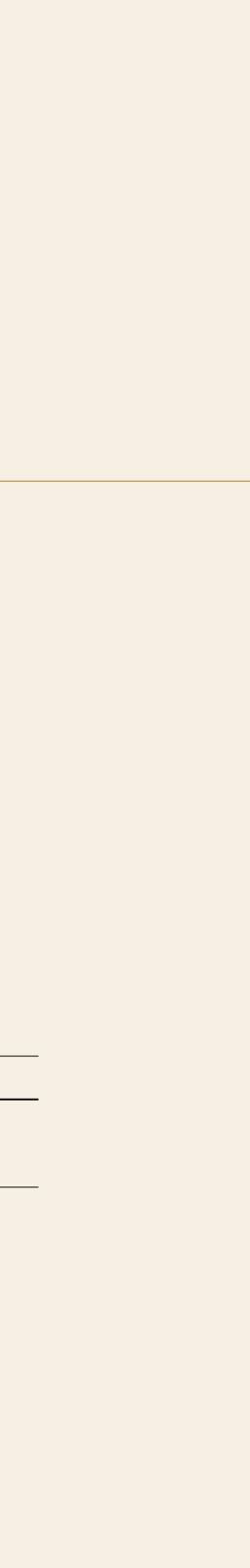
Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period.

The items comprise interest income and expenses, dividends declared from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

# **NOTE 3.3 FINANCIAL INSTRUMENTS**

DKK'000 FINANCIAL ASSETS BY CATEGORY	2020	<b>2019</b>
The carrying amount of financial assets, trade payables and payables to credit institutions correspond to the estimated fair value.		
The fair values of the issued bonds were EUR 245 million, totalling 1,823 DKK (2019: 1,682 million), based on quoted bond rates at 31 December 2020 of 98,00 at Börse Frankfurt at 31 December 2020.		
Financial instruments by category, carrying amount		
Financial assets (measured at amortised cost)		
Trade receivables Other receivables Receivables from related parties Cash	803,657 44,374 726,912 186,802	639,971 30,567 801,108 121,989
Financial assets measured at amortised cost	1,761,745	1,593,635
<b>Financial assets</b> Currency derivatives	3,534	0

DKK'000 FINANCIAL LIABILITIES BY CATEGORY	2020	2019
Financial instruments by category, carrying amount		
Financial liabilities (measured at amortised cost)		
Issued bonds	1,832,962	1,641,555
Lease liabilities	244,403	172,727
Credit institutions	341	35,647
Earn-out provision	15,235	9,743
Trade payables	668,574	458,572
Financial liabilities measured at amortised cost	2,761,515	2,318,244
Financial liabilities		
Currency derivatives	0	85



## NOTE 3.4 CASH AND CASH EQUIVALENTS

DKK'000 CASH AND LIQUIDITY	2020	2019
Cash	186,802	121,989
Credit institutions	-341	-35,647
Net cash	186,461	86,342
Credit facilities	248,239	180,518
Liquidity reserve	<b>434,700</b>	<b>266,860</b>

**ACCOUNTING POLICIES** 

Cash and cash equivalents comprise cash on hand and cash deemed readily available, and bank overdrafts.

# **NOTE 3.5 LOAN TO RELATED PARTY**

DKK'000 RECEIVABLE FROM TRANSGROUP GLOBAL INC.	2020	2019
Principal, USD 120,000K, interest rate 8.40%	726,912	801,108
Total receivable from Transgroup Global Inc.	726,912	801,108
	Cash flow*	Cash flow*
Receivable falling due between 1 and 5 years	903,987	1,064,673
Total receivable from Transgroup Global Inc.	965,048	1,131,966
Total current receivable from Transgroup Global Inc.	61,061	67,293

\* Total cash flows including interest.

In December 2019, a borrowing of USD 120 million was entered with SGL TransGroup International A/S. The net proceeds were used to refinance the old borrowing, pay transaction costs and finance general corporate purposes. The borrowing will mature in November 2024.

If no repayments occur before December 2024, the cash flow will evolve as stated in the above note.

Please see note 5.4 for a description of pledges.



## **NOTE 3.6 FINANCIAL LIABILITIES**

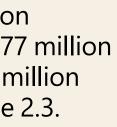
#### **DKK'000** FINANCIAL LIABILITIES AND FINANCING ACTIVITIES

	2019				Non-cash chang	e	
		Impact of IFRS 16 imple- mentation	Cash flow	Business combina- tions	Foreign exchange movement	Fair value change	2020
Bond debt	1,641,555	0	195,527	0	-9,677	5,557	1,832,962
Lease liabilities	172,727	0	-95,284	4,499	-143	162,603*	244,402
Financial debt in business combinations	9,743	0	-27,342	35,646	-337	-2,475	15,235
Payables to related parties	105,355	0	-62,349	0	-12,820	1,981	32,167
Total liabilities from financing activities	1,929,380	0	10,552	40,145	-22,977	167,666	2,124,766
Bank debt	35,647	0	-35,306	0	0	0	341
Total other financial liabilities	35,647	0	-35,306	0	0	0	341
Financial liabilities at 31 December	1,965,027	0	-24,754	40,145	-22,977	167,666	2.125.107

	2018	Impact of IFRS 16 imple- mentation	Cash flow	Business combina- tions	Foreign exchange movement	Fair value change	2019
Bond debt	1,264,236	0	360,746	0	16,573	0	1,641,555
Lease liabilities	0	139,306	-68,554	24,527	426	77,022	172,727
Financial debt in business combinations	7,352	0	-5,147	7,482	56	0	9,743
Payables to related parties	114,097	0	-11,268	0	2,526	0	105,355
Total liabilities from financing activities	1,385,685	139,306	275,777	32,009	19,581	77,022	1,929,380
Bank debt	79,342	0	-43,695	0	0	0	35,647
Total other financial liabilities	79,342	0	-43,695	0	0	0	35,647
Financial liabilities at 31 December	1,465,027	139,306	232,082	32,009	19,581	77,022	1,965,027

\*) Hereof DKK 73 million remeasurement, DKK 77 million additions and DKK 16 million interests. Refer to Note 2.3.

### Non-cash change



### **NOTE 3.6 FINANCIAL LIABILITIES** CONT.

#### **DKK'000 BOND DEBT** 2019

<b>Bond debt</b> Issued bonds, EUR 250 million, interest rate 6.75% Capitalised loan costs	1,859,825 -26,863	1,665,743 -24,188	Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred.
Total bond debt	1,832,962	1,641,555	Interest-bearing debt is subsequently measured
			at amortised cost, using the effective interest rate method.
	Cash flow*	Cash flow*	Derreving costs including conital lasses are
Bond debt falling due between 1 and 5 years	2,223,586	2,106,124	Borrowing costs, including capital losses, are recognized as financing costs in the income
Total financial liabilities	2,349,424	2,218,562	statement over the term of the loan.
Current portion of financial liabilities	125,838	112,438	Other lightlitics are pressured at pat realizable
* Total cash flows including interest.			Other liabilities are measured at net realisable value.

The fair value of the issued bonds was DKK 1,823 million, based on quoted bond rates of 98 at Nasdaq, Stockholm at 31 December 2020.

#### Issue new bonds

25 September 2020, the Group successfully carried out a subsequent issue of bonds in an amount of EUR 27 million under the framework of its outstanding bond loan (ISIN: SE0013101219). Following the subsequent issue, the total amount outstanding under the Group's bond loan is EUR 250 million.

Please see note 5.4 for a description of pledges.

Certain terms and conditions apply for the issued bonds regarding negative pledge, redemption, change of control and incurrence test. Interest is paid quarterly and the bond debt's maturity is in 2024.

The bond loan and subsequent bond are listed on Nasdaq Stockholm and on Börse Frankfurt.



#### **ACCOUNTING POLICIES** 2020

# **NOTE 3.7 FINANCIAL RISKS**

#### **Capital structure and liquidity risk**

On a regular basis, the Executive Board assesses whether SGL Group has an adequate capital structure, just as the Board of Directors regularly evaluates whether SGL Group's capital structure is in line with the best interests of the SGL Group and its stakeholders.

It is the Management's assessment that the current capital structure is sufficient to support SGL Group's strategy plans.

Cash facilities and undrawn bank credit facilities are disclosed in note 3.4.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The most significant interest rate risk relates to the bond debt.

A 1 percent increase in variable interest rates would result in higher interest expenses of DKK 10.4 million annually.

#### **Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily trade receivables, and from its financing activities, including deposits with banks and financial institutions (to the extent the balance is in surplus of the Group), loan to Transgroup Global Inc., foreign exchange transactions and other financial instruments.

The Group has established procedures for handling credit risk and actively monitors and limits risks and losses on receivables. Historically, losses on receivables are at a low level. We refer to note 2.4 regarding credit quality and impairment losses on trade receivables.

### NOTE 3.7 FINANCIAL RISKS CONT.

#### DKKM

#### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates, primarily from USD. SGL Group's exposure to the risk of changes in foreign exchange rates relates primarily to SGL Group's operating activities (when revenue or expense is denominated in a foreign currency) and SGL Group's net investments in foreign subsidiaries. The main currencies for invoicing and cost are USD, EUR, DKK and SEK.

SGL Group manages its foreign currency risk on an ongoing basis.

No hedge accounting is recognized. All changes in financial instruments are recognised as financial income or financial expenses in the income statement.

SGL Group's foreign currency risk mainly relates to USD, EUR, SEK and RMB and the exposure towards these currencies is described below.

#### MAIN CURRENCY EXPOSURES

USD USD EUR EUR SEK SEK RMB RMB

-		
	1	u

#### 2020

CHANGE IN EXCHANGE RATE	IMPACT ON PROFIT/ LOSS	IMPACT ON OTHER COMPREHENSIVE INCOME	IMPACT ON PROFIT/ LOSS	IMPACT ON COMPREI
10%	73	0	79	
-10%	-73	0	-79	
1%	-17	0	-15	
-1%	17	0	15	
10%	2	0	0	
-10%	-2	0	0	
10%	-1	0	1	
-10%	1	0	-1	



# **NOTE 4.1 INCOME TAX**

DKK'000	2020	2019
Tay for the supervise discovery events desc follower		
Tax for the year is disaggregated as follows: Tax on profit for the year	-20,041	-9,065
Total tax for the year	-20,041	-9,065
Reconcilliation of tax rate (%) Danish corporation tax rate (22%) Difference between tax rate for subsidiaries	18,346 -4,096	16,800 -167
outside Denmark and Danish tax rate Unrecognized tax assets	-4,090 -16,584 -17,472	-4,440 949
Write down of tax assets from prior years Non-taxable income and non-deductible expenses (net) Tax regarding prior years	-1,441 -2,761	-20,917 74
Tax on dividends from subsidiaries Other	0 3,967	-37 -1,327
Total tax for the year	-20,041	-9,065

#### **ACCOUNTING POLICIES**

#### Tax

Tax for the year consists of current tax and changes in deferred tax for the year, including adjustments to previous years. The tax for the year is recognised in the income statement unless the tax relates directly to items included in other comprehensive income or equity.

Current income tax receivable and payable is measured at the amount expected to be recovered from or paid to the taxation authorities.

#### Income taxes payable

Current tax payable and receivable is recognised in the balance sheet at the estimated tax charge in respect of the taxable income for the year, adjusted for tax on prior years' taxable income and tax paid on account.

# NOTE 4.2 DEFERRED TAX

DKK'000 DEFERRED TAX ASSETS AND LIABILITIES	2020	2019
Deferred tax 1 January Additions from acquisitions Deferred tax for the year Exchange rate adjustments	-50,607 -11,800 14,042 -273	-42,050 -21,037 13,217 -737
Deferred tax at 31 December	-48,638	-50,607
Specification of deferred tax in the balance sheet: Deferred tax asset Offsets	27,304 -16,753	27,763 -19,332
Recognised tax assets	10,551	8,431
Deferred tax liabilities Offsets	-75,942 16,753	-78,370 19,332
Recognised deferred tax liability	-59,189	-59,038

#### **ACCOUNTING POLICIES**

#### **Deferred tax**

Deferred tax is measured using the balance sheet liability method on temporary differences between the carrying amount and the tax base of assets and liabilities at the reporting date.

However, deferred tax is not recognised on temporary differences relating to goodwill, which is not deductible for tax purposes and on other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income.

Deferred tax is measured according to the taxation rules and taxation rates in the respective countries applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities within the same jurisdiction.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax is adjusted for elimination of unrealised intercompany gains and losses.

### **NOTE 4.2 DEFERRED TAX** CONT.

	EFERRED TAX ASSETS/LIABILITIES RISE FROM THE FOLLOWING	<b>INTANGIBLES*</b>	<b>OTHER**</b>	TAX LOSSCARRY- FORWARDS	TOTAL
2020 De	eferred tax at 1 January	-74,642	5,623	18,412	-50,607
Ac	change rate adjustments dditions from acquisitions ecognised in the income statement	-200 -11,800 27,453	118 0 -1,503	-191 0 -11,908	-273 -11,800 14,042
De	eferred tax at 31 December	-59,189	4,238	6,318	-48,638

\* Intangibles temporary differences comprise customer relations and trademarks. \*\* Other temporary differences, comprise other intangible assets + property, plant and equipment.

	Deferred tax at 31 December	-74,642	5,623	18,412	-50,607
	Recognised in the income statement	8,431	914	3,872	13,217
	Additions from acquisitions	-21,037	0	0	-21,037
	Exchange rate adjustments	-884	11	136	-737
)	Deferred tax at 1 January	-61,152	4,698	14,404	-42,050

\* Intangibles temporary differences, comprise customer relations and trademarks. \*\* Other temporary differences, comprise other intangible assets + property, plant and equipment.

Deferred tax assets not recognized in the balance sheet (tax loss carry-forwards)

Unrecognised at 1 January Additions

Unrecognised tax assets at 31 December

2020	2019
16,250 29,377	11,810 4,440
45,627	16,250

### **CONSOLIDATED FINANCIAL STATEMENTS**

### **NOTE 5.1 AUDIT FEES**

DKK'000	2020	201
Fee to the auditors appointed at the annual general meeting		
Fee for statutory audit Fee for tax and VAT services	3,196 246	3,12 10
Fee for other services	769	26
Total fees to auditors appointed at the general meeting	4,181	3,49

### 19

### **NOTE 5.2 RELATED PARTY TRANSACTIONS**

Information about related parties with a controlling interest and significant influence:

### **Related party**

### **Owners of SGL TransGroup International A/S:**

Scan (UK) Midco Limited (controlling interest of 100%)

### *Ultimate owner with controlling interest:*

SGLT Holding I LP (controlling interest of 100% of the financial rights)

### **Owners of SGLT Holding I LP:**

AEA Investors Small Business Fund III LP (controlling interest on voting rights)

No consolidated financial statements are prepared by either the parent company Scan (UK) Midco Limited nor by the ultimate parent company.

### **Related party transactions**

Depreciations and interests on rented building in IQS Holding GmbH from Ejendomsselskabet Langenbech ApS

Advisory fee to New to World Sweden AB

In 2020 no members of the Board of Directors received any remuneration as part of their role of being a member of the Board of Directors. Salaries to Board of Directors as part of their employment within the Group. Salaries to Executive Management, refer to note 1.4

### Loans from/to related parties

Liability to TransGroup Global Inc.

Liability to AEA Investors Small Business Fund III LP

Loan to Transgroup Global Inc.

### Lons to/from related parties, net

Management fee to AEA Investors SBF LP, New York (part of AEA Group)

The fee to AEA covers fee for Management services for the SGL Group.

2020
Domicile
United Kingdom
Cayman Island
Cayman Islands
DKK'000
1,722
1,478
15,770
,
-20,388
-11,779
-11,779

# NOTE 5.2 RELATED PARTY TRANSACTIONS CONT.

Information about related parties with a controlling interest and significant influence:

### **Related party**

**Owners of SGL TransGroup International A/S:** Scan (UK) Midco Limited (controlling interest of 100%)

### *Ultimate owner with controlling interest:*

SGLT Holding I LP (controlling interest of 100% of the financial rights)

### **Owners of SGLT Holding I LP:**

AEA Investors Small Business Fund III LP (controlling interest on voting rights)

No consolidated financial statements are prepared by either the parent company Scan (UK) Midco Limited nor by the ultimate parent company.

### **Related party transactions**

Sale of building from IQS Holding GmbH to Ejendomsselskabet Langenbach ApS

**Loans from/to related parties** Liability to TransGroup Global Inc.

Loan to Transgroup Global Inc.

### Lons to/from related parties, net

Management fee to AEA Investors SBF LP, New York (part of AEA Group)

The fee to AEA covers fee for Management services for the SGL Group.

<b>2019</b>	
	The fee to AEA Investors SBF LP covers the fee for management services to SGL Group.
<b>Domicile</b> United Kingdom	In 2019 no members of the Board of Directors or the Executive Board had any direct or indirect transactions with SGL Group other than the above mentioned.
Cayman Islands	For purchases and sales between group entities, the same pricing principles are applied as to transactions with external partners.
Cayman Islands	Please see note 3.2 regarding intercompany interest income.
DKK'000	
25,329	

5,720
695,753
801,108
-105,355

# **NOTE 5.3 BUSINESS COMBINATIONS**

DKK'000 INVESTMENTS IN GROUP ENTITIES	<b>PIONEER*</b>	OTHERS**	GROUP 2020	<b>GROUP</b> 2019	DKK'000 INVESTMENTS IN GROUP ENTITIES, CONT.	<b>PIONEER*</b>	OTHERS**	<b>GROUP</b> 2020
Fair value at date of acquisition:					Acquired net assets before identification of intangible assets and goodwill	10,696	19	10,715
ASSETS					Goodwill, Customer relations,	78,722	19,073	97,795
Software	4	0	4	194	Trademarks and Other intangible assets			
Property, plant and equipment	546	19	565	41,445	Deferred tax	-7,471	-4,329	-11,800
Right of use assets	4,499	0	4,499	24,527	Fair value of total consideration	81,947	14,763	96,710
Trade receivables	23,205	0	23,205	24,830		-	-	-
Other receivables	871	0	871	3,324	Due acquisition debt	-11,575	0	-11,575
Prepayments	86	0	86	1,156	Earn-out provision	-24,071	0	-24,071
Cash	4,442	0	4,442	45,174	Cash consideration	46,301	14,763	61,064
Total assets	33.653	19	33,672	140,650	Adjustment for cash taken over	-4,442	0	-4,442
LIABILITIES					Cash consideration for the acquisitions	41,859	14,763	56,622
Lease liabilities	4,499	0	4,499	24,527				
Finance liabilities	4,805	0	4,805	8,094	Transaction costs for acquisitions	1,774	314	2,088
Trade payables	9,506	0	9,506	32,624	Investments in group entities (cash outflow)	43,633	15,077	58,710
Deferred tax	0	0	0	989				
Corporation tax	0	0	0	1,971	*Pioneer International Logistics; now SGL Australia Pt	v. Ltd.		
Other payables	4,147	0	4,147	23,527		,		
Total liabilities	22,957	0	22,957	91,732				rd AB.



### **NOTE 5.3 BUSINESS COMBINATIONS** CONT.

### Acquisition of activities in Scan Global Logistics Co. Ltd. (Cambodia)

Effective 1 January 2020, SGL Group acquired activities in the Cambodian based freight forwarder Scan Global Logistics Co., Ltd. (Cambodia). Previously the Cambodian company has acted as agent for SGL Group.

Under the terms of the agreement, the activities were acquired for a total cash consideration of USD 818 thousand; paid at closing in January 2020. The goodwill arising from the acquisition is attributable to synergies expected from combining the operations of SGL Group and the acquired company.

Transaction costs amounted to DKK 314 thousand, which have been expensed and recognised as special Under the terms of the agreement, the company items.

The revenue and gross profit are allocated to the Air, Ocean and Road Segments.

Revenue from Scan Global Logistics Co. Ltd. (Cambodia), acquired 1 Janaury 2020, contributed by DKK 13 million to SGL Group revenue, and the profit amounted to DKK 1.3 million in the financial year 2020.

### Acquisition of shares in **Pioneer International Logistics**

paid in 2020 and none is expected to be paid in On 15 January 2020, SGL Group acquired, through its wholly-owned subsidiary Scan Global Logistics PTY (a 2021. The goodwill arising from the acquisitions is attributable to synergies expected from combining subsidiary of Scan Global Logistics A/S), 100% percent of the share capital of Pioneer International Logistics the operations of SGL Group and the acquired (now SGL Australia Pty. Ltd.), an Australian freight companies. The acquisition of Pioneer International Logistics is financed through a subsequent bond forwarding company. issue.

Transaction costs amounted to DKK 1.8 million, which With the acquisition, SGL Group will be able to serve the Australian and Pacific customers even better, have been expensed and recognised as special items. and the existing customers of Pioneer International Logistics gain access to a full-fledged international The revenue and gross profit are mainly allocated solution including added expertise, technology, to the Ocean segment and a minor part to the Air network, and e-commerce platform. segment.

Revenue from Pioneer International Logistics, acquired 15 January 2020, contributed by DKK was acquired for a total cash consideration of AUD 233 million to SGL Group revenue, and the profit 12.5 million; paid at closing in January 2020. In addition, an earnout depending on future income amounted to DKK 39 million in the financial year has been agreed upon. AUD 5.2 million has been 2020.

### Acquisition of activities from **PostNord AB**

Effective 1 October 2020, through its wholly-owned subsidiary Scan Global Logistics AB, SGL Group has acquired PostNord's Swedish Air & Ocean activities.

The ambition is to offer an even better customer experience in the Nordics, gaining more market share, and growing the Swedish segment of the business. The acquisition includes the employees who will bring valuable competencies and insights on the Swedish market and enable a more extensive network and presence in Sweden.

The acquisition price for the activities is approximately DKK 9 million, and the fair value of the net identifiable assets are mainly related to customer relations.

The acquisition is financed through cash and cash equivalents.

### **NOTE 5.4 CONTINGENT LIABILITIES AND SECURITY FOR DEBT**

DKK'000 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS	2020	2019
Warranties for payments, issued by bank	37,578	36,064
Warranties for payments, issued by group entities	10,425	3,087
Warranties for payments	48,003	39,151

### **Claims and legal disputes:**

In the current financial year, there have only been few claims against the company due to various transports worldwide.

These claims are considered insignificant and are expected to be covered economically by the company's global liability insurance program.

The company has a few cases, which are not covered by the company's global liability insurance program.

Based on the precautionary principle, Management has made a provision to cover these risks.



### NOTE 5.4 CONTINGENT LIABILITIES AND SECURITY FOR DEBT, CONT.

DKK'000 SECURITY FOR LOANS	2020	2019
As security for debt to credit institutions, for undrav and payment warranties, SGL Group has pledged as	_	
Chattel mortgages	11,500	11,500
Company charge	213 300	213 300

Total security	224,800	224,800
Company charge	213,300	213,300
	· · · · · · · ·	· · · · · · ·

The above-mentioned securities relate to assets in the company Scan Global Logistics A/S. Carrying amount of total assets in Scan Global Logistics A/S is as of 31 December 2020 DKK 1,532 million (2019: DKK 1,013 million) of which DKK 7 million (2019: DKK 9 million) relates to fixed assets.

As of 31 December 2020 the total credit facility, including guarantees with the credit institution amounts to DKK 305 million (2019: DKK 211 million) regarding Scan Global Logistics A/S.

### As security for bond debt, the Parent Company has pledged assets as collateraL

Bond debt at par	1,859,825	1,665,743

On 31 December the following assets are pledged as collateral:

The maximum pledged amount is DKK 224.8 million, of which the intercompany loan to Transgroup Global Inc. and the following shares in SGL TransGroup International A/S, Scan Global Logistics Holding ApS, SGL Express A/S, Scan Global Logistics AB, SGL Road AB, SGL Express Holding AB, SGL Express AB, Scan Global Logistics (Shanghai) Co. Ltd., Scan Global Logistics Ltd. and SGL Australia Pty. Ltd are pledged as collateral. **ACCOUNTING POLICIES** 

Contingent liabilities comprise of a possible obligation that arises from past events. The obligation will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Or by a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

### **NOTE 5.5 COMPANY OVERVIEW**

### **COMPANY NAI**

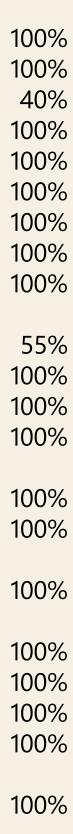
COMPANY NAME	COUNTRY CAPITAL	CURRENCY INTEREST	NOMINAL	OWNERSHIP	COMPANY NAME	COUNTRY CAPITAL	CURRENCY INTEREST	NOMINAL	01
SGL TransGroup International A/S (SGL Group)									
Scan Global Logistics Holding ApS*	Denmark	DKK	3,530,839	100%	Scan Global Logistics Pty. Ltd.*	Australia	AUD	13	
Scan Global Logistics A/S	Denmark	DKK	1,901,650	100%	SGL Australia Pty. Ltd.******	Australia	AUD	32,374	
SGL Express A/S	Denmark	DKK	500,100	100%	Scan Global Logistics (Phil) Inc.	Philippines	PHP	4,000,000	
SGL Road ApS	Denmark	DKK	500,400	100%	SGL Manila (Shared Service Center) Inc	. Philippines	PHP	11,000,000	
SGL Norrköping AB**	Sweden	SEK	100,000	100%	Scan Global Logistics Chile S.A.	Chile	CLP	179,872,000	
Scan Global Logistics GmbH	Germany	EUR	25,000	100%	Scan Global Logistics Peru S.A.C.	Peru	PEN	1,000	
SGL Fullfillment & Distribution A/S*	**** Denmark	DKK	500,200	100%	Scan Global Logistics (Vietnam) Ltd.	Vietnam	USD	100,000	
Scan Global Logistics AB	Sweden	SEK	100,000	100%	Scan Global Logistics Ltd.	Indonesia	IDR	6,250,000	
SGL Road AB******	Sweden	SEK	100,000	100%	Scan Global Logistics	Singapore	SGD	100,000	
Crosseurope GmbH	Germany	EUR	25,000	100%	Pte Ltd. (Singapore)				
Scan Global Logistics GmbH***	Austria	EUR	35,000	100%	Scan Global Logistics SA	Mali	XOF	1,000,000	
Scan Global Logistics N.V.	Belgium	EUR	61,500	100%	Scan Global Logistics Sarl	Senegal	XOF	1,000,000	
Scan Global Logistics B.V.	Netherlands	EUR	18,000	100%	Scan Global Logistics Sarl	Ivory Coast	XOF	1,000,000	
Scan Global Logistics Spain S.L	Spain	EUR	60,000	100%	Scan Global Logistics Co. Ltd.	Cambodia	KHR	400,000,000	
SGL Express Holding AB****	Sweden	SEK	2,000,000	100%	(Cambodia)				
SGL Express AB	Sweden	SEK	1,000,000	100%	IQS Holding GmbH*	Germany	EUR	58,400	
Scan Global Logistics AS	Norway	NOK	180,000	100%	IQS International	Germany	EUR	26,100	
Scan Global Logistics (Finland) Oy	Finland	EUR	2,523	100%	Quality Service GmbH	-			
Scan Global Logistics sp. z o. o.	Poland	PLN	225,000	100%	IQS Business Travel GmbH	Germany	EUR	25,000	
Scan Global Logistics s.r.o.	Czech Rebublic	CZK	10,000	100%	Scan Global Logistics				
Scan Global Logistics K.K.	Japan	JPY	15,000,000	100%	Deutschland GmbH*****	Germany	EUR	25,000	
Scan Global Logistics (Shanghai) Co	. Ltd. China	USD	1,650,000	100%	Aircargo Consulting GmbH	Germany	EUR	25,000	
Scan Global Logistics (Wuxi) Ltd.	China	CNY	5,000,000	100%	IQS Logistic Consulting Corp.	USĂ	USD	100	
Scan Global Logistics Ltd.	Hong Kong	HKD	500	100%	Global Automotive Testing	Germany	EUR	25,000	
Scan Global Logistics	China	CNY	3,000,000	100%	Support GmbH				
(Shanghai) Limited					Global Aviation Management	Dubai	AED	1,000,000	
Scan Global Logistics Ltd. (Branch	n) Taiwan			100%	Services FZE				
Scan Global Logistics Ltd.	Thailand	THB	15,000,000	100%					
Scan Global Logistics Ltd.	Malaysia	MYR	2,000,000	100%	* Holding companies.				
Connect Air (Malaysia) Ltd.	Malaysia	MYR	2	100%	** SGL Road AB changed name to SGL Noi *** PNAR Holding TTwo GmbH changed no	, 5 5		20	
Scan Global Logistics Co. Ltd.	Myanmar	USD	10,000	100%	*** PNAR Holding T.Two GmbH changed no **** Airlog Group Holding AB has changed n		•		
	-				***** ENGINOX GmbH changed name to Sca	•	0 0		
					****** SGL E-Commerce A/S changed name to	0			
						and the CCL Another line	Dt. 111 1		



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Pioneer Logistics Pty. Ltd. has changed name to SGL Australia Pty. Ltd. during 2020 Crosseurope AB changed name to SGL Road AB





# **NOTE 5.6 SUBSEQUENT EVENTS**

### **Issuance of new senior secured fixed rate bonds**

In March 2021, SGL Group has successfully placed EUR 150 million of senior secured fixed rate bonds under a framework of EUR 350 million (the "New Bonds"). The New Bonds have a tenor of approximately 4 years and carry a fixed rate coupon of 7.75 per cent per annum. The New Bonds will be used to finance acquisitions, for general corporate purposes, and repaying some of the debt under our existing bonds.

### Acquisitions in 2021

### Acquisitions of activities from Werner Global Logistics (Shanghai) Co. Ltd.

On 27 January 2021, through its wholly-owned subsidiary Scan Global Logistics (Shanghai) Co. Ltd., SGL Group has entered into an agreement for the acquisition of Air and Ocean activities from Werner Global Logistics (Shanghai) Co. Ltd. a Chinese based freight forwarding company. With the acquisition, SGL Group will be able to serve the customers even better, and grow its presence in China.

The acquisition is part of SGLT Holding's acquisition of the activities in Werner Global Logistics U.S. LLC, Werner Global Logistics (Shanghai) Co. Ltd., and Werner Global Logistics Mexico S. De R.L. De C.V. Refer to page 10 for further information.

The acquisition price for the three business activities was USD 850 thousand and an additional earnout of maximum USD 1,650 million. Cash and cash equivalents financed the acquisitions.

Closing was 26 February 2021, from which date the activities are consolidated in the Group's financial Statements. Closing was 27 April 2021, from which date the activities are considered in the Group's financial statements.

The opening balance is not finalised yet.

ed Co. Ltd., or the Verner e based sition, rs even uisition S. LLC, and C.V.

### Acquisitions of Grupo Contenosa

In April 2021, SGL Group has, through its whollyowned subsidiary, Scan Global Logistics A/S, signed the acquisition of Grupo Contenosa, a Spanish family-owned freight forwarding company. With the acquisition, SGL Group will become a significant player in the Spanish third-party logistics market. It will enable SGL Group to grom its network and presence in Spain and Mexico even more to its customers' benefit. SGL Group will gain access to new profitable niche markets and increase its presence in current SGL Group offerings. Most importantly, it will bring additional human capital to a core SGL Groupcountry.

With seven offices in Spain and Mexico, Group Contenosa generates a yearly revenue above EUR 50 million.

The acquisition of Group Contenosa is financed through the issue of new secured fixed-rate bond.

The opening balance is not finalised yet.

### **NOTE 6.1 GENERAL ACCOUNTING POLICIES**

### **Basis of preparation**

The 2020 Annual Report of SGL Group has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and additional disclosure requirements applicable to enterprises in accounting class D under the Danish Financial Statements Act. The Annual Report of SGL Group comprises the consolidated financial statements of SGL TransGroup International A/S and its subsidiaries.

### **Basis of measurement**

The financial statements have been prepared on a historical cost basis unless otherwise specifically indicated, such as derivative financial instruments and acquisition opening balances, which are measured at fair value.

### **Reporting currency**

The financial statements are presented in Danish kroner (DKK) and all values are rounded to the nearest thousand, except when otherwise indicated.

### Consolidation

The consolidated financial statements comprise the parent, SGL TransGroup International A/S, and entities controlled by the parent. Control is presumed to exist when SGL 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.

The existence and effect of potential voting rights Measurement period adjustments to the provisional that are currently exercisable or convertible are amounts may be done for up to 12 months following considered when assessing whether control exists. the date of acquisition. The effects of cross-period adjustments are recognised in equity at the beginning of the financial year, and comparative The consolidated financial statements are prepared on the basis of the financial statements of the figures are restated. consolidated entities by adding together like items.

Allowance is made for the tax effect of revaluations of assets and liabilities. Any residual difference between Intra-group income, expenses, gains, losses, investments, dividends and balances are eliminated. the purchase price and SGL Group's share of the fair value of the identifiable assets and liabilities is recognised as goodwill.

Investments in consolidated entities are set off by the Parent Company's proportionate share of the consolidated entity's fair value of assets and liabilities at the time of acquisition.

Recently acquired or sold subsidiaries are recognised 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.

The acquisition method of accounting is applied to the acquisition of subsidiaries. The purchase price is made up of the net present value of the consideration agreed. Conditional payments are recognized at the amount expected to be paid. Directly attributable acquisition expenses are expensed in the income statement. Identifiable assets and liabilities in the acquired entities are recognised at the fair value at the time of acquisition. If a measurement of the identifiable net assets is uncertain at the date of acquisition, initial recognition is done based on provisional amounts.

If the purchase price is less than the fair value of the acquired subsidiary's assets, the residual difference (negative goodwill) is recognized directly in the income statement.

For each acquisition, SGL Group determines whether any non-controlling interest in the acquired business is accounted at fair value (so-called full goodwill) or to the proportional share of the acquired business's net assets.

Entities over which SGL Group exercises significant influence are considered associates. Significant influence is presumed to exist when SGL Group directly or indirectly holds between 20 percent and 50 percent of the voting rights or otherwise has or actually exercises significant influence. Associates are recognised in the consolidated financial statements using the equity method.

### **Non-controlling interests**

Accounting items attributable to group entities are recognised in full in the consolidated financial statements. Non-controlling interests' share of Group entities' profit or loss for the year and equity is recognised as separate items in the income statement and the statement of changes in equity.

If an investment in group entities is considered to be a transaction with non-controlling interests the difference between the consideration and the net assets taken over is recognised under equity. If a divestment in group entities is considered a transaction with non-controlling interests the difference between the sales price and the net assets divested is recognized under equity.

### **Functional currency**

SGL Group's consolidated financial statements are presented in Danish kroner (DKK), which is also the Parent Company's functional currency. For each entity, SGL Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. SGL Group uses the direct method of consolidation and on disposal of a foreign operation; the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

### Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rate at the date of the transaction.

Receivables, payables and other monetary items denominated in foreign currencies are translated into the functional currency at the exchange rate at the balance sheet date.

Realised and unrealised exchange gains and losses are recognised in the income statement as financial income and expenses.

### Foreign group entities

As regards integral foreign group entities, the items in their financial statements are translated using the following principles:

- Balance sheet items are translated at the closing rate.
- Items in the income statement are translated at the rate at the date of the transaction.
- Any exchange differences resulting from the translation of the opening equity at the closing rate and the exchange adjustment of the items in the income statement from the rate at the date of the transaction to the closing rate are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

• Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

### Materiality in financial reporting

When preparing the financial statements, the Management considers how to best present the financial statements and its commentary to ensure that the content is relevant and focus is kept on what is material to the user. This is pursued by aggregating immaterial items in the financial statements and only including relevant descriptions in the Management commentary and only including descriptions on risks, mitigation thereof etc. that may have or had a material impact on the achievement of SGL Group's results and targets. The notes to the financial statements are prepared with a focus on ensuring that the content is relevant and that the presentation is clear. All judgments are made with due consideration of legislation, International Financial Reporting Standards (IFRS) and of the financial statements as a whole is presented fair and true.

### **Other external expenses**

Other external expenses comprise the year's expenses relating to the entity's core activities, including expenses relating to sales, advertising, administration, premises, bad debt provisions,

payments under low value leased assets and leases with a lease term of 12 months or less, etc.

### **Prepayments**

Prepayments recognised under Assets comprise prepaid expenses regarding subsequent financial reporting years.

### **Provisions**

Provisions are recognized when SGL Group has a present obligation (legal or constructive) as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When SGL Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.

Provisions comprise expected expenses relating to guarantee commitments, losses on work in progress, restructurings, etc.

### **Deferred income**

Deferred income comprises open files, which will not be recognised as revenue until the subsequent financial year once the recognition criteria are satisfied.

### **Cash flow statement**

The cash flow statement shows the entity's net cash flows, broken down by operating, investing and financing activities, the year's changes in cash and cash equivalents and the entity's cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are presented using the indirect method and are made up as the operating profit, adjusted for non-cash operating items, changes in working capital, paid and received interests and paid income taxes.

Cash flows from investing activities comprise payments in connection with purchase and sale of fixed assets, securities that are part of investment activities and payments in connection with purchase and sale of businesses and activities.

Cash flows from financing activities comprise dividends paid to shareholders, capital increases and reductions, borrowings and repayments of interestbearing debt.

Cash and cash equivalents comprise cash and shortterm securities in respect of which the risk of changes in value is insignificant.

### **NOTE 6.2 KEY ACCOUNTING ESTIMATES AND JUDGEMENTS**

### **Significant accounting estimates**

The preparation of SGL Group's consolidated financial statements requires Management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The accounting estimates and judgments deemed by Management to be material for the preparation and understanding of the consolidated financial statements are listed below:

### **Revenue, significant accounting estimates**

Revenue from service is recognised with reference to the stage of completion determined as the time elapsed at the reporting date and the total expected time to render the service contract. Consequently, recognition of revenue contains judgments, estimates and assumptions made by Management based on information available at the reporting date. Although Management believes the assumptions made to measure revenue and work-in-progress, possible unforeseeable changes in these assumptions may result in changes to revenue and work-inprogress in subsequent periods.

### **Deferred tax assets, significant** accounting estimates

Deferred tax assets are recognised for unused losses to the extent that it is probable that taxa profit will be available against which the losses can be utilized.

The recognition is due subject to the facts that the Significant Management judgment is required to tax losses can be utilised against future earnings determine the amount of deferred tax assets that can within a period of 3-5 years. The uncertainty about be recognised, based upon the likely timing and the recognition and measurement of the deferred tax level of future taxable profits together with future tax asset, therefore depends on whether the future planning strategies. earnings can be realised.

The carrying amount of deferred tax assets is Deferred tax assets relating to the Danish part of reviewed at each reporting date and reduced to the the Group have been recognised to the extent extent that it is no longer probable that sufficient management expects to utilise these within a period taxable profit will be available to allow all or part of of 5 years. the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

### **Deferred tax assets, recognition and** measurement uncertainties

	<b>DKK´000</b>	2020	2019
l tax kable	Deferred tax assets at 31 December	10,551	8,431

The majority of deferred tax assets related to tax losses for foreign entities have not been recognised, refer to note 4.2.

### **Business combinations**

Upon acquisition of companies, the acquired company's identifiable assets, liabilities and contingent liabilities must be recognised using the acquisition method at fair value. The most important assets are usually goodwill, customer relations, trademarks, other intangible assets, and receivables.

For a large part of the assets and liabilities taken over, there are no effective markets that can be used to determine the fair value. This applies in particular to acquired intangible assets. The typical methods used are based on the present value of future cash flows, based, for example, on royalties or other expected net cash flows related to the asset, or the cost price method, based, for example, on the replacement cost. Management, therefore, makes estimates in connection with the determination of the fair value of the acquired assets, liabilities and contingent liabilities. Depending on the type of asset/liability, the calculation of the fair value may be subject to uncertainty and may be subject to subsequent adjustment.

The fair values of the identifiable assets, liabilities and contingent liabilities are stated in note 5.3, Business combinations, which also reflects the methods for calculating the fair value of acquisitions made in 2019 and 2020.

### Goodwill, significant accounting estimates

In connection with the impairment tests Management estimates, e.g., revenue development, gross profit, operating margin, WACC and growth rate in the terminal period. The estimates are made per business segment and are determined based on historical experience and assumptions about the future development within each segment, including the expected long-term average market growth rates.

Significant factors relevant for the future net cash flow for the segments:

### Air

The Air segment operates globally, which means that the global economic and world trade have an impact of the future cash flow. Gross profit per consignment, including utilisation, cost management initiatives and development in internal productivity, will also affect the cash flow.

### Ocean

The Ocean segment operates globally which means that the global economic and world trade have an impact of the future cash flow. Gross profit per consignment, including utilisation, cost management initiatives and development in internal productivity will also affect the cash flow.

### Road

The Road segment mainly operates in Europe, which means that the future cash flow is mainly affected by the growth rates in European countries. Gross profit per consignment, including utilisation, cost management initiatives and development in internal productivity, will also affect the cash flow.

### Solution

The solution segment mainly operates in Denmark, which means that the future cash flow is mainly affected by the growth rates in this country. The development in lease cost and other costs related to services provided, including utilisation of warehouse facilities, cost management initiatives and development in internal productivity will also affect the cash flow.

### Leases

In accounting for lease contracts, various judgments are applied in determining right-of-use assets and lease liabilities. Judgments include assessment of lease periods, utilisation of extension options and applicable discount rates.

### **NOTE 6.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

### New accounting regulation adopted in 2020

SGL Group has implemented the latest International Financial Reporting Standards (IFRS) and amendments effective as of 1 January 2020 as adopted by the European Union.

All amendments to the International Financial Reporting Statements (IFRS) effective for the financial year 2020 have been implemented a basis for preparing the consolidated financial statements and notes to the statements.

None of the implementations has had any material impact on the statements or notes presented.

### New accounting regulations not yet adopted

IASB has issued new or amended accounting standards, which become effective after 31 December 2020. The following amendments are relevant for SGL Group, but none of these are expected to have a significant impact on the financial statements:

- Amendments to IAS 1, Classification of Liabilities as Current or Non-Current, including deferral of effective date (issued 23 January 2020/15 July 2020, effective date 1 January 2022/1 January 2023).
- Amendment to IAS 37, Onerous Contracts Cost of Fulfilling a Contract (issued 14 May 2020, effective date 1 January 2022)
- Annual Improvements to IFRS Standards 2018-2020, IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued 14 May 2020, effective date 1 January 2022)
- Covid-19-Related Rent Concessions Amendment to IFRS 16 (issued 28 May 2020, effective date 1 January 2023)

### **NOTE 6.4 FINANCIAL DEFINITIONS**

**Financial ratios** Financial ratios are calculated in accordance to the following definitions:

Gross margin: Gross profit / Revenue \* 100

**EBITDA** margin\*: EBITDA before special items / Revenue \* 100

EBIT margin\*: Operating profit (EBIT) before special items / Revenue \* 100

**EBIT** margin: Operating profit (EBIT) / Revenue \* 100

**Return on assets\*:** Operating profit (EBIT) before special items / Average total assets \* 100

Equity ratio: Equity at year end / Total assets \* 100 Return on equity:

Profit/Loss for the year attributable to owners of the parent / Average equity excluding non-controlling interests \* 100

Net interest-bearing debt: Interest-bearing debt less of interest-bearing assets.

**EBITDA excluding IFRS 16 Leases:** EBITDA presented before applying the accounting of IFRS 16 Leases.

\*before special items



STATEMENTS

### MANAGEMENT STATEMENT

The Board of Directors and the Executive Board have today discussed and approved the annual report of SGL TransGroup International A/S (SGL Group) for the financial year 1 January - 31 December 2020.

The annual report has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and additional requirements in 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 SGL Group's and the Parent Company's financial position at 31 December 2020 and of the results and cash flows of SGL Group's and the parent Company's operations for the financial year 1 January - 31 December 2020.

Further, in our opinion, Management's review includes a fair review of the development in SGL Group's and the Parent Company's operations and financial conditions, the results for the year, cash flow and financial position, as well as a description of the significant risks and uncertainty factors that the Parent Company and SGL Group face.

We recommend the adoption of the annual report at the annual general meeting.



Kastrup, 28 April 2021

**Executive Board:** 

Allan Dyrgaard Melgaard

**Claes Brønsgaard Pedersen** 

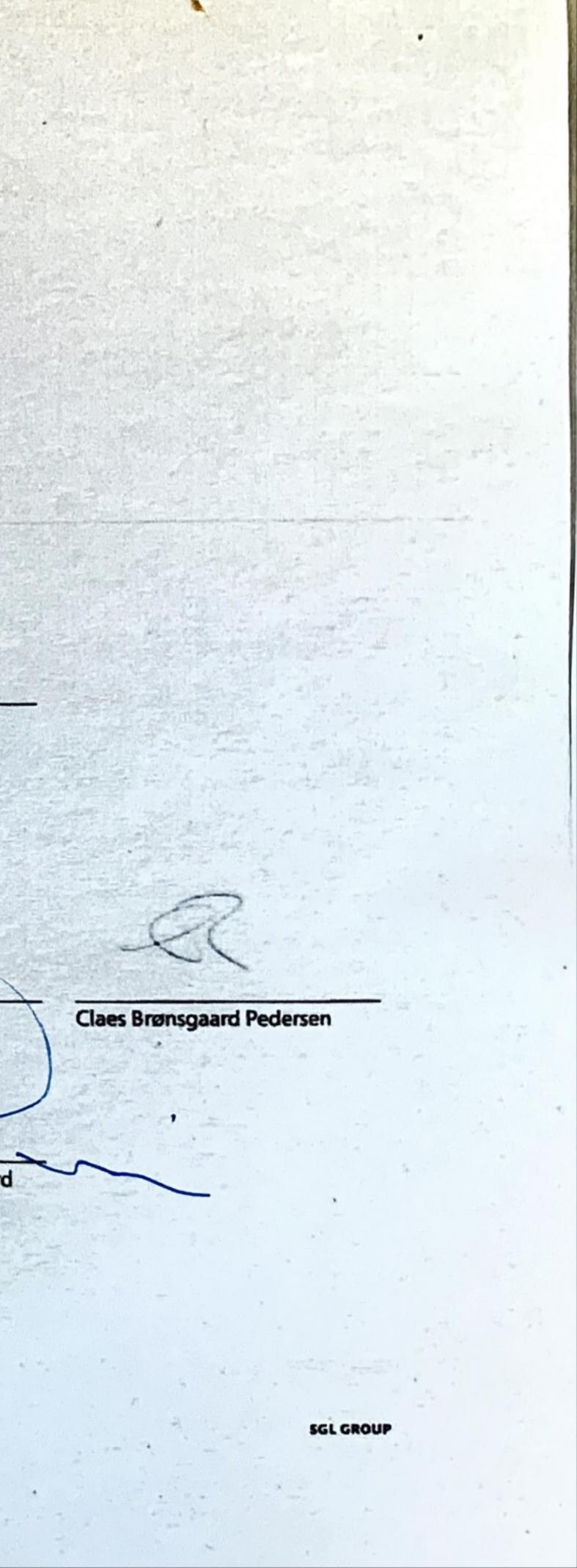
**Board of Directors:** 

Henrik von Sydow Chairman

Jørgen Agerbro lessen

Allan Dyrgaard Melgaard

Thomas Thellufsen Nørgaard



# **INDEPENDENT AUDITOR'S REPORT**

### **TO THE SHAREHOLDERS OF SGL TRANSGROUP INTERNATIONAL A/S**

### Opinion

We have audited the consolidated financial statements and the parent company financial statements of SGL TransGroup International A/S for the financial year 1 January – 31 December 2020 pp. 41-86 and pp. 93-99, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 of the Group and the Parent Company at 31 December 2020 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2020.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 company financial statements" (hereinafter collectively referred to as "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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Accordingly, our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures To the best of our knowledge, we have not provided performed to address the matters below, provide any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014. the basis for our audit opinion on the financial statements.

### **Appointment of auditor**

SGL TransGroup International A/S has issued bonds, **Revenue recognition** which were listed on NASDAQ Stockholm Stock The Group generates revenue from three principal Exchange in June 2017. We were initially appointed freight forwarding services being Air, Ocean and Road in addition to the Solutions services. Revenue as auditor of SGL TransGroup International A/S on 6

June 2018 for the financial year 2018. We have been reappointed annually by resolution of the general meeting for a total consecutive period of 3 years up until the financial year 2020.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year 2020. These matters were addressed during our audit of the financial statements and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

from freight forwarding services is recognized over time, which is measured as time elapsed of total expected time to render the service to the customer or another service provider. Given the significance of revenue and significant management judgments in respect of estimating revenue from services delivered over time, we considered this of most significance in our audit. Accordingly, we considered revenue recognition to be a key audit matter.

As part of our audit, we have evaluated the design and tested the operating effectiveness of selected internal controls in this area. We further, for a sample containing large ongoing services and a sample of other ongoing services at year-end, evaluated the estimates made by management regarding revenue from services delivered over time and assumptions applied in the assessment of claims. We evaluated on a sample basis changes in estimated total time to render the service to the customer to supporting underlying documentation and discussed these with shipping agents and Management. For those balances subject to claims, we made inquiries to external legal counsel. We also assessed whether policies and processes for making these estimates have been applied consistently to all services of a similar nature.

The accounting principles and disclosures about revenue recognition are included in note 1.2, note 6.1 and note 6.2 to the consolidated financial statements.

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### **INDEPENDENT AUDITOR'S REPORT** CONT.

### Impairment of goodwill and other intangible assets

The carrying amounts of goodwill and other intangible assets related to prior years' business combinations comprise a significant part of the consolidated balance sheet. The cash-generating units in which goodwill and other intangible assets are included are impairment tested by Management on an annual basis. The impairment tests are based on Management's estimates of among others future profitability, long-term growth and discount rate. Due to the inherent uncertainty involved in determining the net present value of future cash flows, including the uncertainty relating to estimating the impact from Covid-19, we considered these impairment tests to be a key audit matter.

In response to the identified risks, we obtained an understanding of the impairment assessment process. Our work included test and comparison of inputs with supporting documentation including evaluation of key assumptions used in determining the net present value including projected future income and earnings and testing the allocation of the goodwill and other intangible assets. Further, we evaluated the sensitivity analysis on the key assumptions applied. Our audit procedures primarily focused on cash generating units where likely changes in key assumptions could result in impairment. We further evaluated the adequacy of disclosures provided by Management in the financial statements compared to applicable accounting standards.

The accounting principles and disclosures about goodwill and other intangible assets are included in note 2,1, note 2.4 and note 6.2 to the consolidated financial statements.

### **Statement on the Management's review** Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the 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'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 additional requirements of 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 in preparing the financial statements 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 as to 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and 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.

### **STATEMENTS**

- 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 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 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 and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

### Independent auditor's report

• 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.

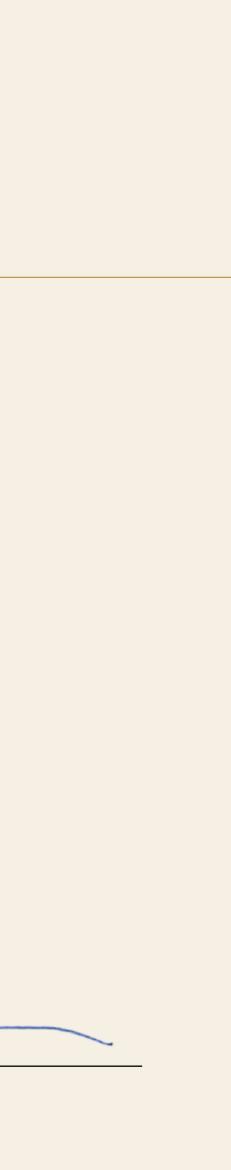
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or

Søren Skov Larsen State Authorized **Public Accountant** mne26797

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, 28 April 2021 EY Godkendt Revisionspartnerselskab CVR no. 30 70 02 28

Henrik Pedersen State Authorized **Public Accountant** mne35456





# PARENT COMPANY FINANCIAL STATEMENTS

DKK'000 NOTES	INCOME STATEMENT	2020	2019
	Revenue	0	0
	Cost of operation	0	0
	Gross profit	0	0
1	Other external expenses	-2,499	-1,385
2	Staff costs	0	0
	Earnings before Interest, Tax, Depreciation, Amortization (EBITDA) and special items	-2,499	-1,385
note	Depreciation of property, plant and equipment and right of use assets	0	0
	Earnings before Interest, Tax, Amortization (EBITA) and special items	-2,499	-1,385
6	Amortization of other intangible assets	-5,437	0
	Operating profit (EBIT) before special items	-7,936	-1,385
	Special items, net	-70	0
	Operating profit (EBIT)	-8,006	-1,385
8	Income from investments in		
	group entities	-550	-5,448
3	Financial income	93,050	93,394
4	Financial expenses	-172,808	-171,550
	Profit/loss before tax	-88,314	-84,989
5	Income tax for the year	488	1,276
	Profit/loss for the year	-87,826	-83,713

#### **STATEMENT OF OTHER COMPREHENSIVE II DKK'000**

Profit/loss	for the year	

Items that will be reclassified to income statement when certain conditions are met:

Exchange rate adjustment

Other comprehensive income, net of tax Total comprehensive income for the period

NCOME	2020	2019
	-87,826	-83,713
	-5,432	795
	-5,432	795
	-93,258	-82,918

DKK'000 NOTES	BALANCE SHEET	2020	2019
	ASSETS		
6	Other intangible assets	0	3,000
	Intangible assets	0	3,000
7 8 9 5	Investments in Group entities Receivable from Group entities Receivable from Transgroup Global Inc. Deferred tax assets	1,037,880 600,425 726,912 1,196	1,043,862 439,953 801,108 3,617
	Financial assets	2,366,413	2,288,540
	Total non-current assets	2,366,413	2,291,540
14	Other receivables Cash and cash equivalents	61 567	0 63,094
	Total current assets	628	63,094
	Total assets	2,367,041	2,354,634
	EQUITY AND LIABILITIES		
10	Share capital Share premium Currency translation reserve Retained earnings	501 833,542 -30,573 -310,204	501 833,542 -25,141 -222,378
	Total equity	493,266	586,524
11	Bond debt	1,832,962	1,641,555
	Total non-current liabilities	1,832,962	1,641,555
18	Corporation tax Payables to Transgroup Global Inc. Other payables	109 20,388 20,316	0 105,355 21,200
	Total current liabilities	40,813	126,555
	Total liabilities	1,873,775	1,768,110
	Total equity and liabilities	2,367,041	2,354,634

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# PARENT COMPANY FINANCIAL STATEMENTS

DKK'000 NOTES	CASH FLOW STATEMENT	2020	2019
	Operating profit (EBIT) before special items	-2,499	-1,385
	Non-cash transactions	2, 199 0	-424
	Exchange rate adjustments	4,670	795
12	Change in working capital	-945	20,507
	Cash flows from operating activities before special items and interests	1,226	19,493
_			
3	Interest received	61,171	510
4	Interest paid	-117,590	-162,174
	Special items paid	-70	0
	Cash flows from operating activities	-55,263	-142,171
	Purchase of property, plant and equipment	-2,437	-3,000
7	Capital increase in subsidiaries	0	-2,778
	Repayments to/from group entities	-138,004	-39,015
	Cash flows from investing activities	-140,441	-44,793
		-	
	Free cash flow	-195,704	-186,964
		0	0.770
0	Capital increase	0	2,778
9	Loan to Transgroup Global Inc.	0	-94,286
13	Payable to TransGroup Global Inc. Proceeds from issuing of bonds	-62,349 195,527	-11,268 1,666,066
15	Redemption of bond loan	0	-1,305,320
11	Redemption of other acquisition debt	0	-8,063
	Cash flows from financing activities	133,178	249,907
	Change in cash and cash equivalents	-62,526	62,943
	Cash and cash equivalents		
	Cash and cash equivalents at 1 January	63,094	151
	Change in cash and cash equivalents	-62,526	62,943
14	Cash and cash equivalents at 31 December	567	63,094

STATEMENT OF CHANGES IN EQUITY DKK'000	SHARE CAPITAL	SHARE PREMIUM	CURRENCY TRANSLATION RESERVE	RESERVE EQUITY METHOD	RETAINED EARNINGS	TOTAL EQUITY
Equity at 1 January 2020	501	833,542	-25,141	0	-222,378	586,524
Profit/loss for the year	0	0	0	-550	-87,276	-87,826
Currency exchange adjustment	0	0	-5,432	0	0	-5,432
Other comprehensive income, net of tax	0	0	-5,432	0	0	-5,432
Total comprehensive income for the year	0	0	-5,432	-550	-87,276	-93,258
Transfer to retained earnings	0	0	0	550	-550	0
Equity at 31 December 2020	501	833,542	-30,573	0	-310,204	493,266
Equity at 1 January 2019	501	830,764	-25,936	0	-138,532	666,797
Profit/loss for the year	0	0	0	-5,448	-78,265	-83,713
Currency exchange adjustment	0	0	795	0	0	795
Other comprehensive income, net of tax	0	0	795	0	0	795
Total comprehensive income for the year	0	0	795	-5,448	-78,265	-82,918
Sale of shares	0	0	0	-133	0	-133
Capital increase by cash payment	0	2,778	0	0	0	2,778
Total transactions with owners	0	2,778	0	-133	0	2,645
Transfer to retained earnings	0	0	0	5,581	-5,581	0
Equity at 31 December 2019	501	833,542	-25,141	0	-222,378	586,524

# **PARENT COMPANY FINANCIAL STATEMENTS**

NOTE 1	DKK'000 FEE TO THE AUDITORS	2020	2019	<b>NO</b> 1 3
	Fee to the auditors appointed at the a	nnual genera	l meeting:	
	EY			
	Fee for the statutory audit	163	303	
	Fee for other services	9	63	
	Total fees to auditors appointed at the general meeting	172	366	
2	STAFF COSTS	2020	2019	4
	Total staff costs	0	0	

Members of the Executive Board and the Board of Directors in SGL TransGroup International A/S did not receive any remuneration in 2020.

Please refer to note 5.2 for SGL Group for Management fee to related parties.

> Number Number

5

Average number of full-time employees 0 0

DKK'000 FINANCIAL INCOME	2020	
Financial income from Group entities	92,812	
Redemption of bond debt	0	
Other financial income	238	
Exchange gains	0	
Total financial income	93,050	
FINANCIAL EXPENSES	2020	
Interest expenses	119,589	
Capitalised loan costs	5,557	
Redemption of bond debt	0	
Exchange losses	47,662	
Total financial expenses	172,808	
Tax on loss for the year is calculated		
as follows: Current tax on loss for the year		
(tax refund)	-2,909	
Change in deferred tax for the year	2,421	
Adjustment to tax in prior year	0	
Total tax on loss for the year (tax refund)	-488	
Reconcilliation of tax rate (%)		
Danish corporation tax rate (22%)	-19,429	
Non-taxable income from investments in group entities	121	
Unrecognised tax asset	13,232	
Write-down of tax asset prior year	5,838	
Non-deductible expenses	749	
Other	-999	
Total tax on loss for the year (tax refund)	-488	

Deferred tax for the financial year 2019 and 2020 relates to tax loss carry forward.

2019	NOTE 6	DKK'000 INTANGIBLE ASSETS INT	OTHER ANGIBLES	TOTAL
67,503 25,415	2020	Cost at 1 January 2020 Additions	3,000 2,437	3,000 2,437
476		Cost at 31 December 2020	5,437	5,437
0 93,394		Amortization at 1 January 2020 Amortization	0 5,437	0 5,437
		Amortization at 31 December 2020	5,437	5,437
2019		Carrying amount at 31 December 2020	0	0
117,423 13,538	2019	Cost at 1 January 2019 Additions	0 3,000	0 3,000
33,804		Cost at 31 December 2019	3,000	3,000
6,785 <b>171,550</b>		Amortization at 1 January 2019	0	0
		Amortization at 31 December 2019	0	0
2019		Carrying amount at 31 December 2019	3,000	3,000

NOTE 7	DKK'000 INVESTMENTS IN GROUP ENTITIES	2020	2019
	Cost at 1 January	1,140,098	1,137,453
	Additions	0	2,778
	Sale of share	0	-133
	Cost at 31 December	1,140,098	1,140,098
	Changes at 1 January	-96,236	-91,583
	Currency exchange adjustment	-5,432	795
	Share of result in subsidiaries after tax	-550	-5,448
	Changes at 31 December	-102,218	-96,236
	Carrying amount at 31 December	1,037,880	1,043,862

#### **INCOME FROM INVESTMENTS ACCOUNTED** FOR USING THE EQUITY METHOD RECOGNISED IN THE INCOME STATEMENT

Total Income from investments in Group entities	-550	-5,448
Total la como from la contra conto		
intangibles	5,720	5,720
Tax on amortisation of group		
Amortisation of group intangibles	-26,000	-26,000
after tax	19,730	14,832
Share of profit in subsidiaries		

2020	2019
320,916	224,815
46,463	0
233,046	218,138
600,425	442,953
Cash flow*	Cash flow*
614,251	494,814
es 639,564	528,690
	320,916 46,463 233,046 <b>600,425</b> Cash flow* 614,251

NOTE

8

Please see note 14 for a description of pledges.

-1,276

-2,261

-1,276

-18,698

1,199

14,131 2,092

0 0

973 12

NOTE

10

#### NOTE 9

#### RECEIVABLE FROM TRANSGROUP GLOBAL INC.

**DKK'000** 

Transgroup Global Inc.	61,061	67,293
Total current receivable from		
Transgroup Global Inc.	965,048	1,131,966
Total receivable from		
0 and 5 years	965,048	1,131,966
Receivable falling due between		
	Cash flow*	Cash flow*
Transgroup Global Inc.	726,912	801,108
Total receivable from		
interest rate 8.40%	726,912	801,108
Principal, USD 120,000 thousand,		

2020

2019

DKK'000 SHARE CAPITAL	2020	2019	<b>NOTE</b> 11	DKK'000 FINANCIAL LIABILITIES AND FINANCIAL RISKS	2020	2019
The Parent Company's share capital of DKK 501 thousand				Issued bonds, EUR 250 million, interest rate 6.75% Capitalised Ioan costs	1,859,825 -26,863	1,665,743 -24,188
comprises:				Total bond debt	1,832,962	1,641,555
5,007 shares of DKK 100 each on formation	501	501			Cash flow*	Cash flow*
Total share capital at				Bond debt falling due between 1 and 5 years	2,223,886	2,106,124
31 December 2019	501	501		Total financial liabilities	2,349,424	2,218,562
				Current portion of financial liabilities	125,538	112,438

\* Total cash flows including interest.

In December 2019, a borrowing of USD 120 million was entered with SGL TransGroup International A/S. The net proceeds were used to refinance the old borrowing, pay transaction costs, and finance general corporate purposes. The borrowing will mature in November 2024.

If no repayments occur before December 2024, the cash flow will evolve as stated in the above note.

Please see note 15 for a description of pledges.

\* Total cash flows including interest.

The fair value of the issued bonds was DKK 1,823 million, based on quoted bond rates of 98 at Nasdaq, Stockholm at 31 December 2020.

#### Issue new bonds

25 September 2020, the Group successfully carried out a subsequent issue of bonds in an amount of EUR 27 million under the framework of its outstanding bond loan (ISIN: SE0013101219). Following the subsequent issue, the total amount outstanding under the Group's bond loan is EUR 250 million.

Please see note 5.4 for a description of pledges.

Certain terms and conditions apply for the issued bonds regarding negative pledge, redemption, change of control and incurrence test. Interest is paid quarterly and the bond debt's maturity is in 2024.

The bond loan and subsequent bond are listed on Nasdaq Stockholm and on Börse Frankfurt.

#### NOTE DKKM 11 FINANCIAL LIABILITIES AND FINANCIAL RISKS (CONTINUED)

SGL Group's foreign currency risk mainly relates to USD, EUR, SEK and RMB and the exposure towards these currencies is described below.

			2020	2(	019		Total change in worki	ng capital				-945	20,507
Main currency exposures	Change in exchange	Impact on Profit/Loss	Impact on Other Com- prehensive Income	Impact on Profit/Loss	Impact on Other Com- prehensive Income	13	FINANCIAL LIABILIT	IES AND FIN	ANCING ACT		on-cash chan	ge	
USD USD EUR	10% -10% 1%	69 -69 -19	0 0 0	79 -79 -15	0 0 0			2019	Cash flow	Business combinations movement	Foreign exchange	Fair value change	2020
EUR	-1%	19	0	15	0		(DKK'000)						
SEK	10%	0	0	0	0		Bond debt	1,641,555	195,527	0	-9,677	5,557	1,832,962
SEK	-10%	0	0	0	0		Payables to	105,355	-62,349	0	-12,780	-9,838	20,388
RMB RMB	10% -10%	0	0	1	0 0		Group entities						
<b>NIVID</b>	- 10 %	0	0	-1	0		Total liabilities from financing activities	1,746,910	-133,178	0	-22,457	-4,281	1,853,350

NOTE

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DKK' CASH

14

Cash Liquic

DKK'000 CHANGE IN WORKING CAPITAL	2020	2019	
Changes in receivables	-61	605	
Changes in trade payables, etc.	-884	19,902	
Total change in working capital	-945	20,507	

			N	on-cash chan	ge		
	2018	Cash flow	Business combinations movement	Foreign exchange	Fair value change	2019	
(DKK'000)							
Bond debt	1,264,236	360,746	0	16,573	0	1,641,555	
Payables to	114,097	-11,268	0	2,526	0	105,335	
Group entities							
Total liabilities from financing activities	1,378,333	346,478	0	19,099	0	1,746,910	

('000 SH AND LIQUIDITY	2020	2019
1	567	63,094
idity reserve	567	63,094

NOTE 15	DKK'000 SECURITY FOR LOANS	202
	As security for bond debt, the Parent G assets as collateral.	Company
	Bond debt at par	1,859,82
	At 31 December 2020, the following ass collateral: The maximum pledged amo whereof the intercompany loan to Tra the following shares in SGL Transgroup Global Logistics Holding ApS, SGL Exp Logistics AB, SGL Express Holding AB, Global Logistics (Shanghai) Co. Ltd., So and SGL Australia Pty. Ltd. are pledged	ount is D nsgroup p Interna ress A/S, SGL Expi can Glob
	Please see note 5.4 for SGL Group for	a descrip

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ption of securities in SGL Group.

#### **CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS**

#### Joint taxation

SGL TransGroup International A/S, company reg. no 37 52 10 43 being the administration company, is subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

The jointly taxed enterprises' total, known net liability to the Danish tax authorities appears from the annual accounts of the administration company.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.

#### 20

2019

ny has pledged

B25 <u>1,665,743</u>

pledged as DKK 224.8 million p Global Inc. and ational A/S, Scan S, Scan Global oress AB, Scan bal Logistics Ltd. ateral.



NOTE	DKK'000			N
17	FINANCIAL INSTRUMENTS BY CATEGORY	2020	2019	18
	The carrying amount of financial assets, trade payables and payables to credit institutions correspond to the estimated fair value.			
	The fair values of the issued bonds were EUR 245 million, totalling 1,823 DKK (2019: 1,682 million), based on quoted bond rates at 31 December 2020 of 98,00 at Börse Frankfurt at 31 December 2020.			
	Financial instruments by category, carrying amount			
	Financial assets (measured at amortised cost):			
	Other receivables	61	0	
	Receivables from group entities	1,327,337	1,241,061	
	Cash	567	63,094	
	Financial assets measured at amortised cost	1,327,965	1,304,155	-
	Financial liabilities (measured at amortised cost):			
	Payables to group entities	20,388	105,355	
	Issued bonds measured at amortized cost	1,832,962	1,641,555	_
	Financial liabilities measured at amortized cost	1,853,350	1,746,910	

### DKK'000 RELATED PARTIES

Information about related parties with and significant influence:

Related party

**Owners of SGL TransGroup Internatio** Scan (UK) Midco Limited (controlling int

Ultimate owner with controlling interest of SGLT Holding I LP (controlling interest or

#### **Owners of SGLT Holding I LP:**

AEA Investors Small Business Fund III LP

Payables to Transgroup Global Inc.
Advisory fee to New to World Sweden A
Loan to Scan Global Logistics A/S, descri
Loan to Scan Global Logistics Holding A
Loan to Scan Global Logistics Pty. Ltd.
Loan to Transgroup Global Inc., describe

No members of the Board of Directors or the Executive Board had in 2020 any direct or indirect transactions with SGL Group other than the benefits described in note 5.2 for SGL Group, "Related Parties".

For purchases and sales between Group entities, the same pricing principles are applied as to transactions with external partners. Please see note 3 regarding intercompany interest income.

	2020
ith a controlling interest	
	Domicile
onal A/S:	
nterest)	United Kingdom
rest:	
of 100% of the financial rights)	Cayman Islands
P (controlling interest on voting rights)	Cayman Islands
	-20,388
AB	1,478
ribed in note 8	320,916
ApS, described in note 8	233,046
	46,463
ed in note 9	726,912
S	1,308,427

DKK'000	
RELATED P	ARTIES
-	n about related parties with a controlling interest ant influence:
Related part	у
Owners of S	GGL TransGroup International A/S:
Scan (UK) M	idco Limited (controlling interest)
Ultimate ov	vner with controlling interest:
SGLT Holdin	g I LP (controlling interest of 100% of the financial rights)
Owners of S	GLT Holding I LP:
AEA Investo	rs Small Business Fund III LP (controlling interest on voting rights)
Payables to <sup>-</sup>	Transgroup Global Inc.
Loan to Scar	n Global Logistics A/S, described in note 8
Loan to Scar	n Global Logistics Holding ApS, described in note 8
Loan to Tran	sgroup Global Inc., described in note 9
Total receiv	ables from Group entities

NOTE

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No members of the Board of Directors or the Executive Board had in 2019 any direct or indirect transactions with SGL Group other than the benefits described in note 5.2 for SGL Group, "Related Parties".

For purchases and sales between Group entities, the same pricing principles are applied as to transactions with external partners.

Please see note 3 regarding intercompany interest income.

Domicile United Kingdom Cayman Islands Cayman Islands -105,355 221,815 218,138 801,108 **1,135,706** 

2019

NOTE

20

NOTE

### 19

GENERAL ACCOUNTING POLICIES

The accounting policies applied by the Parent Company are consistent with those of the Group.

Further comments are:

#### Income statement

*Income from investments in group entities* The item comprises the Parent Company's proportionate share of such entities' profit after tax.

Further, it comprises amortization (less tax) of intangible assets identified on acquisition of the group entity.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity.

#### **Balance sheet**

Investments in group entities

Investments in subsidiaries are measured, using the equity method, at the Parent Company's proportionate share of such entities' equity plus goodwill, customer relations and trademarks on consolidation and intra-group losses and less intra-group gains and negative goodwill, if any.

On acquisition of subsidiaries, the difference between the cost of acquisition and net asset value of the entity acquired is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value and allowing for the recognition of any restructuring provisions relating to the entity acquired. Any remaining positive differences connected with the acquisition of subsidiaries are included in the item "Investments in group entities".

#### Negative investments:

Investments in entities whose net asset value is negative are measured at DKK 0, with the effect that the entity's proportionate share of a deficit on equity, if any, is set off against receivables from the investment in so far as the deficit is irrecoverable.

Amounts in excess thereof are recognized under "Provisions" in so far as the parent has a legal or constructive obligation to cover the deficit.

Newly acquired and sold investments are recognized in the financial statements from the time of acquisition or until the time of sale, respectively.

The acquisition method of accounting is applied to corporate takeovers as described under "Consolidation" in the accounting policies for the Group

#### **Recognition and measurement uncertainties**

The Parent Company SGL TransGroup International A/S uses the equity method for valuation of investments in group entities.

Therefore, the same recognition and measurement uncertainties apply to the Parent Company as those for the Group.

Please see note 5.5 for the Group for further information.

Please see note 6.3 for the Group where new accounting regulation not yet adopted is described.

**NEW ACCOUNTING REGULATION NOT YET ADOPTED** 



# UNCOMPLICATE YOUR WORLD