# ANNUAL REPORT 2020

SGL TransGroup International A/S

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.

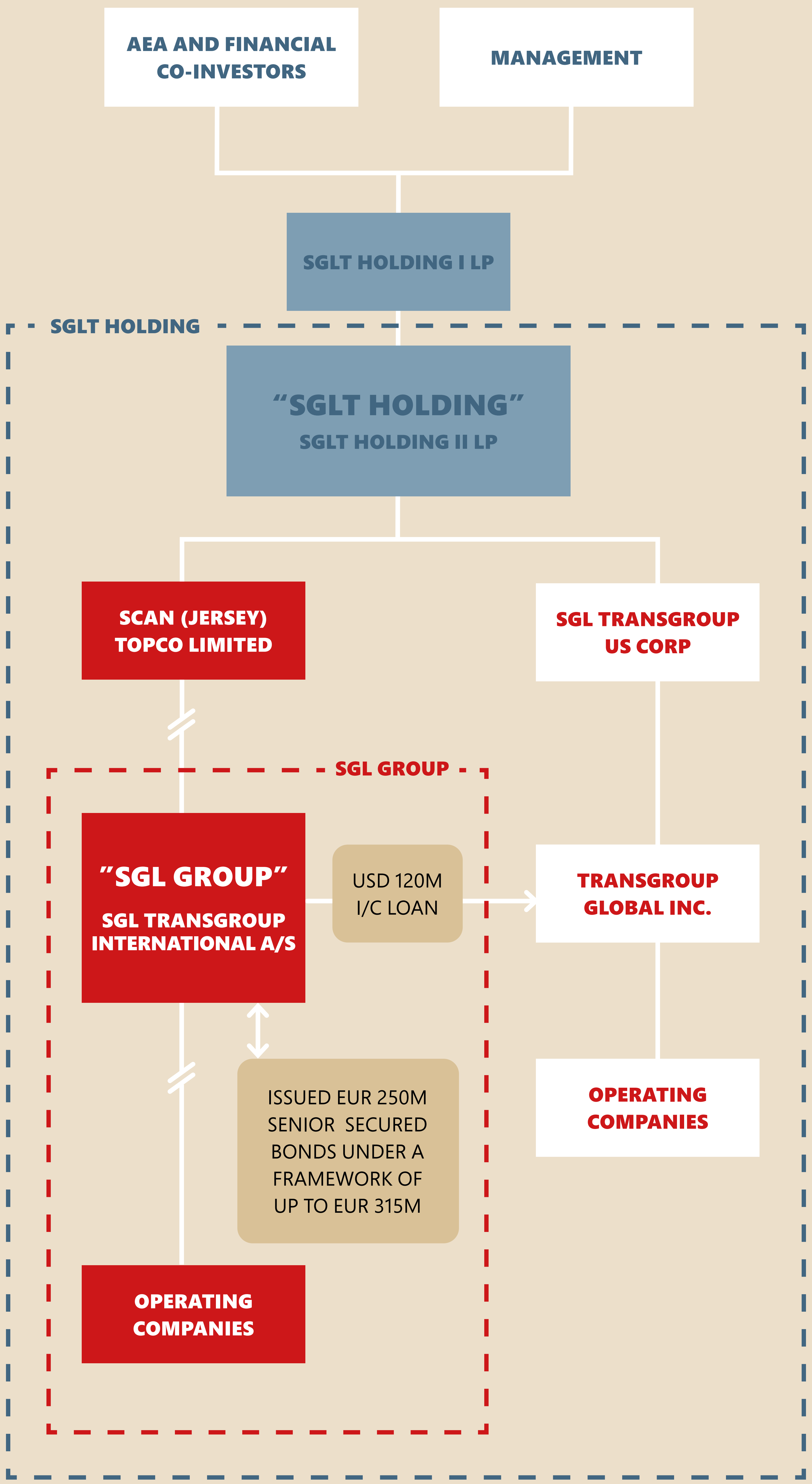
Reporting currency for SGLT Holding is USD.

**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.

SIMPLIFIED STRUCTURE*




*As of 31 December 2020*

# CONTENT




**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

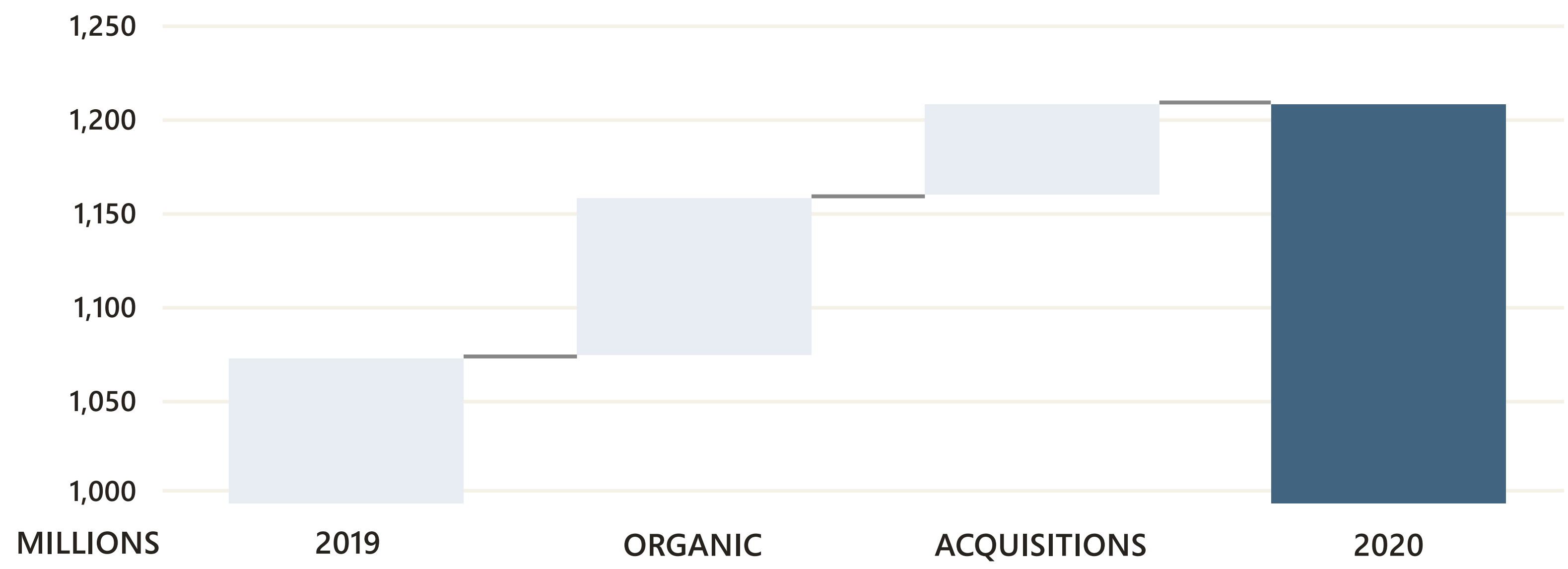
NIBD/EBITDA ratio of 5.1x (excluding IFRS 16); down from 5.4x as of 31 December 2019.

### OUTLOOK 2021

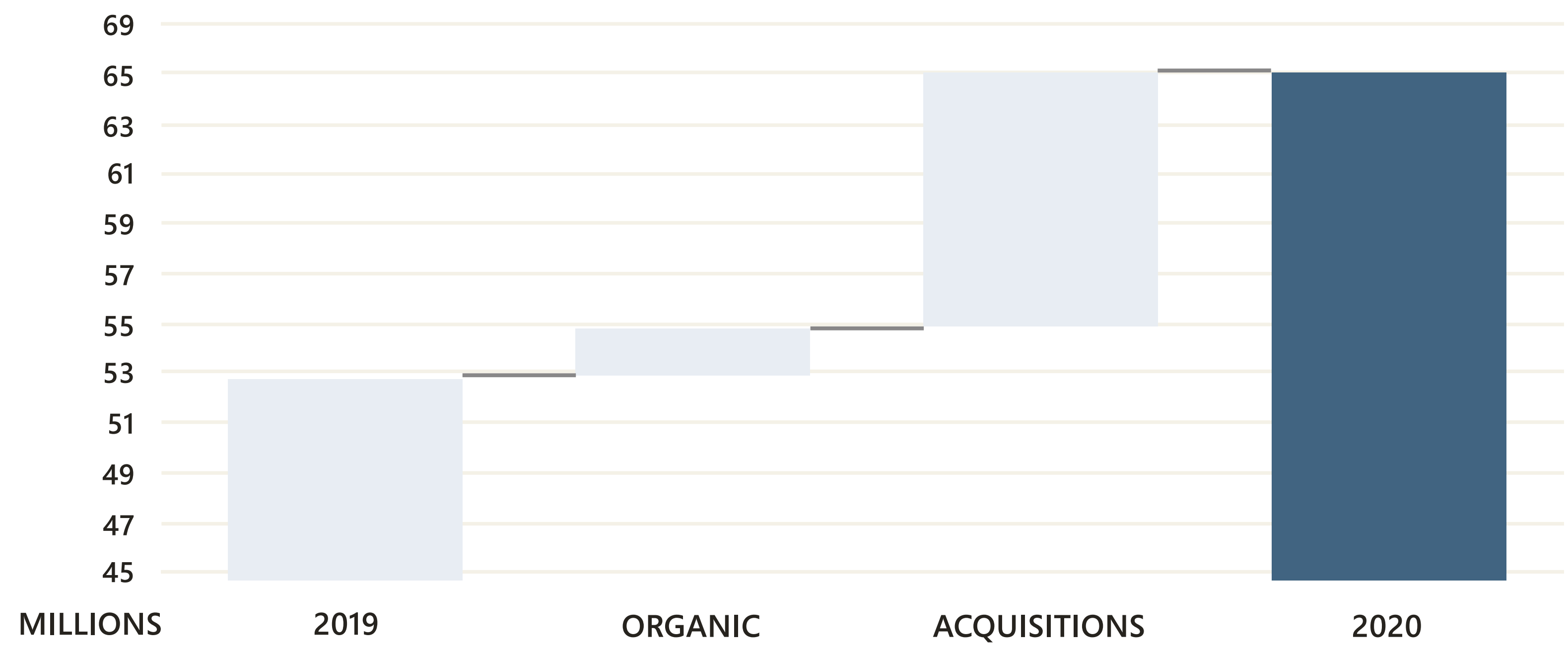
## FOR 2021, WE EXPECT ADJUSTED EBITDA[1] OF USD 65-70M

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.

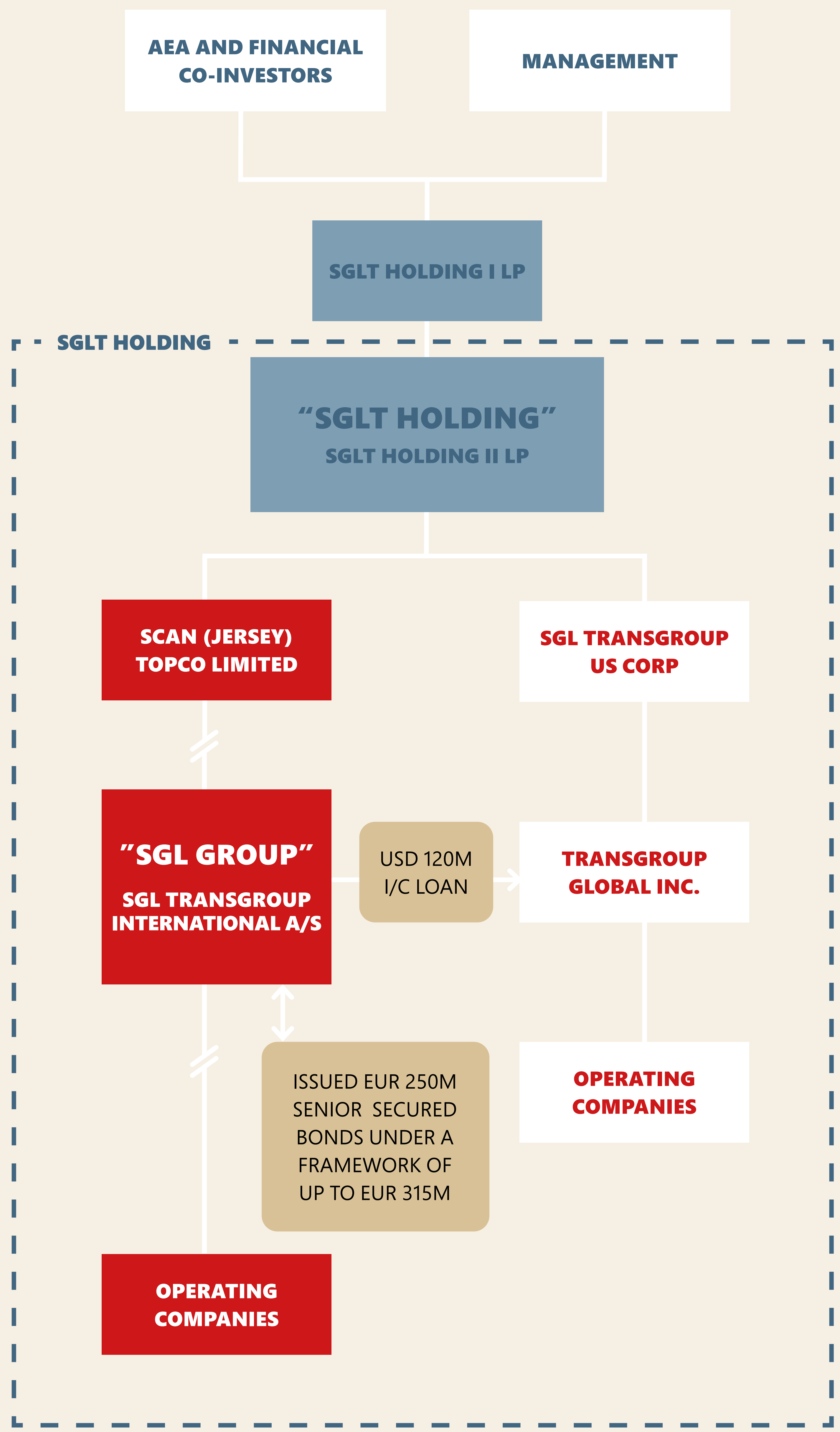
In 2020, SGLT Holding established strong platforms in Australia and Cambodia through acquisitions and further strengthened the Air & Ocean activities in Sweden. Geographic expansion has been secured through greenfield activities in Poland and the Czech Republic.

# FINANCIAL HIGHLIGHTS – SGLT HOLDING

| KEY FIGURES (IN USD THOUSANDS) | 2020 | 2019 |
|---|---|---|
| **Income statement** | | |
| Revenue | 1,210,156 | 1,074,254 |
| Gross profit | 202,726 | 181,152 |
| EBITDA before special items | 64,824 | 52,833 |
| Operating profit (EBIT) before special items | 28,319 | 27,350 |
| Special items | -17,196 | -6,377 |
| Operating profit (EBIT) | 11,123 | 20,973 |
| Net financial expenses | -34,654 | -32,271 |
| Profit/loss for the period | -26,545 | -11,798 |
| **Income statement (Business performance)[1]** | | |
| Adjusted EBITDA[2) 3)] | 50,383 | 43,005 |
| **Cash flow** | | |
| Cash flows from operating activities before special items, interest and tax | 82,791 | 33,960 |
| Cash flows from operating activities | -43,483 | -5,535 |
| Investments in intangible assets | -5,955 | -5,124 |
| Investments in property, plant, and equipment | -2,421 | -4,608 |
| Investments in Group entities | -9,790 | -17,803 |
| Cash flows from investing activities | -20,847 | -24,744 |
| Free Cash flow | 22,636 | -30,279 |
| Cash flows from financing activities | 6,726 | 37,633 |
| Cash flow for the period | 29,362 | 7,354 |
| **Financial position** | | |
| Total equity | 121,917 | 143,487 |
| Equity attributable to parent company | 117,968 | 140,500 |
| Net interest bearing debt (NIBD) | 307,130 | 267,544 |
| Net Interest Bearing Debt (NIBD), excl. IFRS 16 | 257,196 | 230,370 |
| Total assets | 677,680 | 580,018 |
| **Financial ratios in %** | | |
| Gross margin[3)] | 16.8 | 16.9 |
| EBITDA margin[3)] | 5.4 | 4.9 |
| Adjusted EBITDA margin (Business performance)[1) 2)] | 4.2 | 4.0 |
| EBIT margin[3) 4)] | 2.3 | 2.5 |
| Equity ratio | 18.0 | 24.7 |
| Net leverage ratio[4)] | 5.1 | 5.4 |

*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
**USD 1,210M**

ADJUSTED EBITDA*
**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.

Revenue was mainly impacted by strong organic performance within the Nordics and the Asia Pacific, combined with increased activities through 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

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 is driven both by organic growth and through acquisitions made.

### 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.

*Accounting Policies identical to SGL Group*

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).

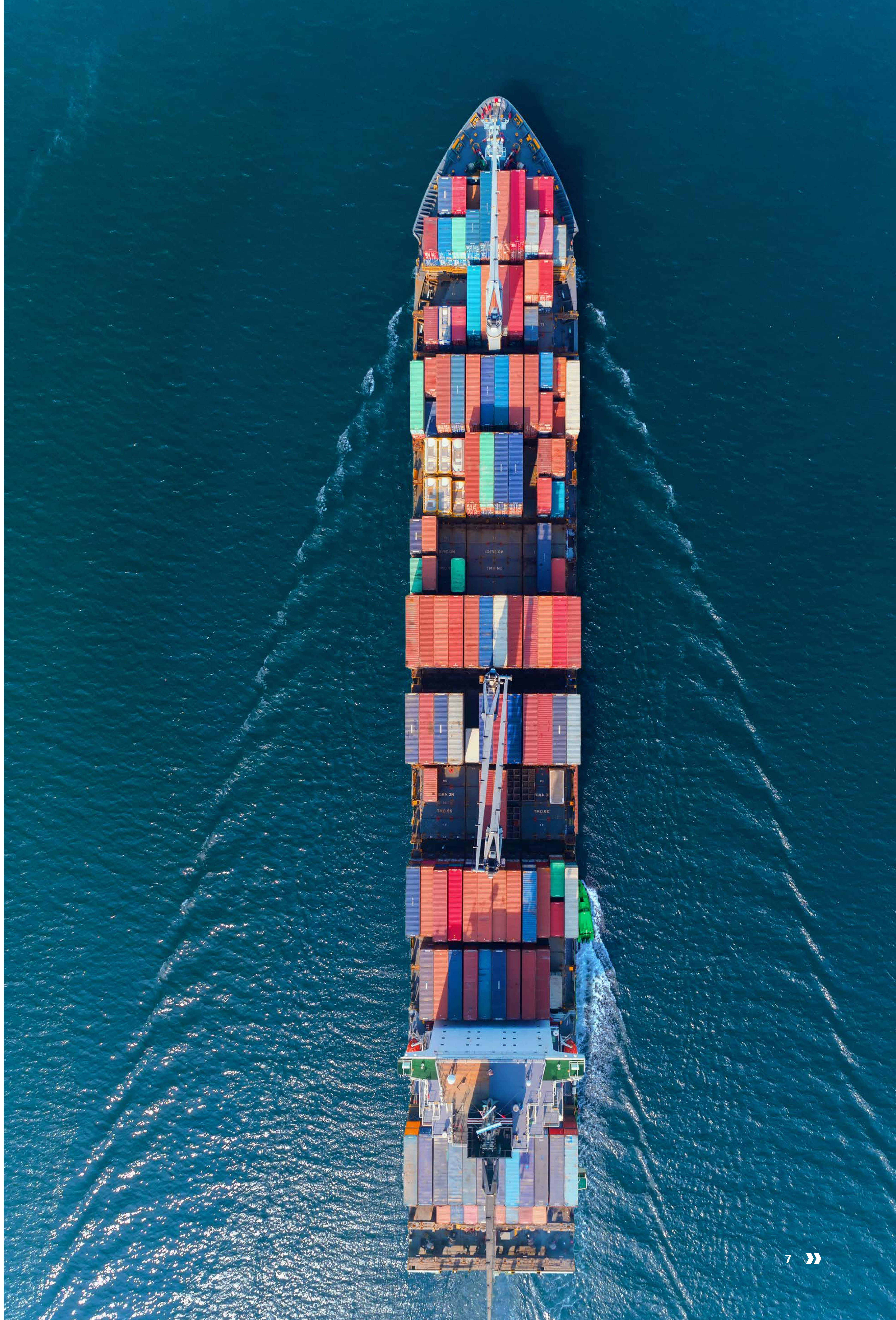
Cash flow from financing activities was net USD 6.7 million and was driven by proceeds received from subsequent bond issue USD 30.7 million, but offset by redemption of IFRS 16 lease liabilities USD 20.2 million. Dividend paid to non-controlling interests at a value of USD 2 million is included in the 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.



# 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

*SGLT Holding level

# 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 back in the years 1975 and 1989. SGL Group carries the vast experience and knowledge of the freight forwarding business that has enabled SGL Group to have long-time customer relationships as well as attract new customers.

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.

The objective has always been to become an agile and customer-oriented organisation primarily within Air and Ocean, but also the Road and Solution segments. SGL Group also specialises in Project Sales, transporting odd-sized goods within the above mode of transports for large organisations and industries. The objective is to target customers with complex demands and lower price sensitivity.

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.

**1975**
Mahé Freight founded

**'89**
ScanAm Transport founded

**'04**
Jørgen Jessen & Allan Melgaard joint CEOs and private investors in Mahé Freight. Co-owners of Mahé with Lehman Nordic

**'06**
Preparation for sale and merger

**'07**
*Exceeds DKK 1 billion in yearly revenue. Present > 13 countries, incl. Scandinavia, Hong Kong and the US*

Sold to Odin Equity, Mahé merges with ScanAm. Founding of Scan Global Logistics

**'08**
Acquisition of Danish PR Shipping

**'09**
Enter into a strategic alliance partnership with Transgroup Worldwide Logistics

**'10**
Henrik von Sydow appointed Chairman of the board

**'11**
Henrik von Sydow appointed CEO of Scan Global Logistics

**'12**
Acquisition of Interexpress Sweden (Road)

**'15**
*Exceeds 10% organic growth for the third year in a row, twice the market growth*

Preparing sale of SGL Mahé Euro

**'16**
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*

**'17**
Allan Melgaard appointed Group CEO of Scan Global Logistics. Acquisition of Airlog Group and CrossEurope

**'18**
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*

**'19**
*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

**'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*

**2021**
*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

# 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 freight-forwarding 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.

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.

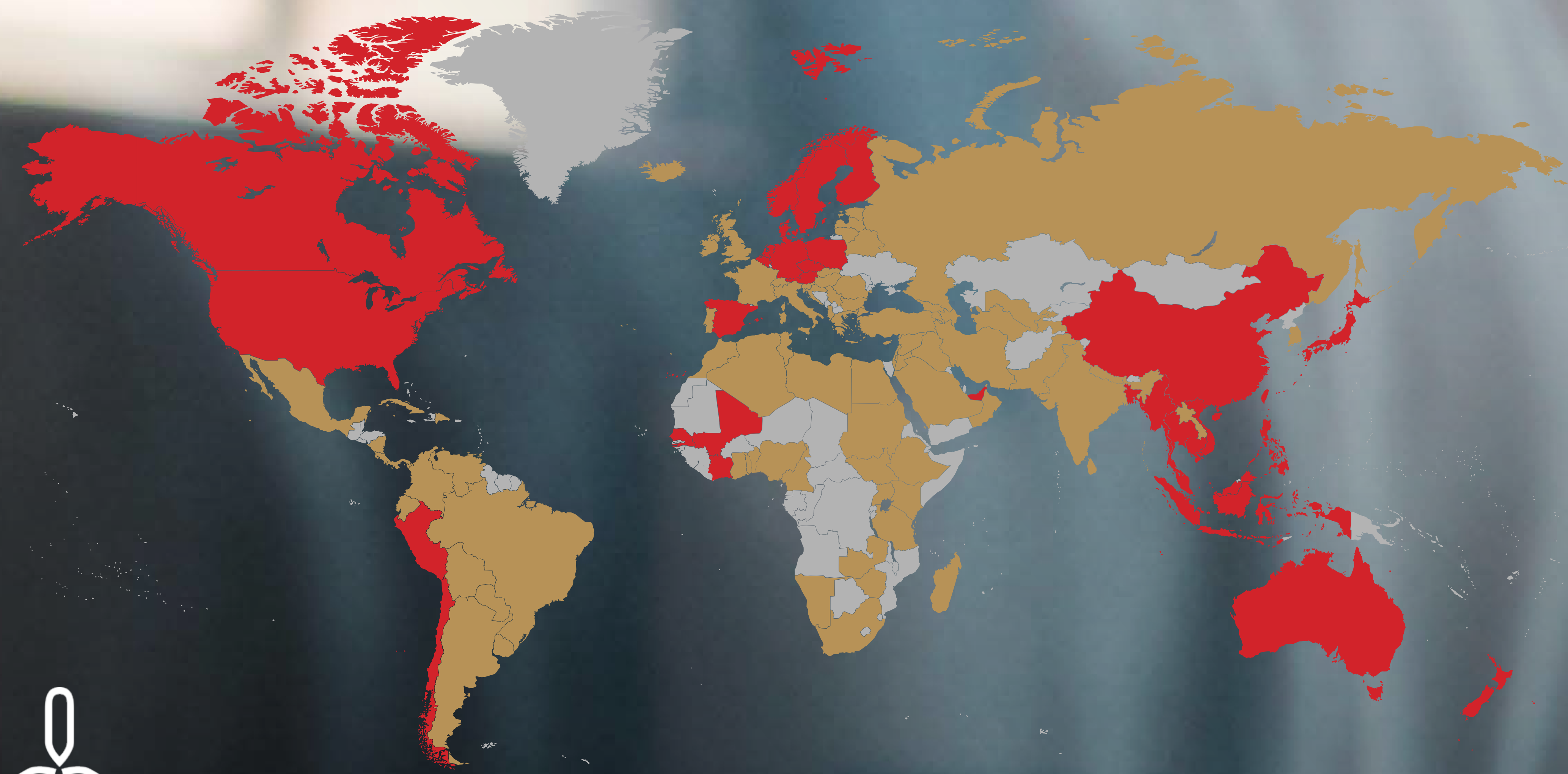
SGL Group serves more than 20,000 customers, of which average tenure among the 20 largest is approximately eight years.

### THE FREIGHT FORWARDING VALUE CHAIN

# PRESENT ACROSS ALL SERVICES

## SERVICES OVERVIEW

- RAIL TRANSPORT
- PARCEL AND EXPRESS
- FULFILLMENT AND DISTRIBUTION
- AID & DEVELOPMENT
- OCEAN CHARTER
- ROAD TRANSPORT & DELIVERY SERVICES
- PHARMA HEALTHCARE
- GLOBAL WAREHOUSING & STORAGE SERVICES
- OIL AND GAS TRANSPORTATION & LOGISTICS SERVICES
- GLOBAL OCEAN FREIGHT SERVICES
- AUTOMOTIVE SPECIAL LOGISTICS
- CUSTOMS CLEARANCE
- GLOBAL AIR FREIGHT SERVICES
- AIR CHARTER
- INDUSTRIAL PROJECTS



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-to-market 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 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, sector-specific 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.

### 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)

- Continue to play an active part in market-wide consolidation
- Capture growth potential in home markets (the Nordics) through strict customer focus
- Drive expansion and growth in Europe and APAC through M&A and team lift-outs
- Continue openings of African gateways to support ADP business, in particular landlocked countries
- 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

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

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

*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.

**CROSSEUROPE TRANSPORT & LOGISTICS**

- ACQUIRED: June 2017
- REGION: Sweden
- RATIONALE: strengthen SGL Group's presence in the Road segment in Sweden

**MACCA LOGISTICS**

- ACQUIRED: July 2018
- REGION: Mali/Senegal/Cote d'Ivoire
- RATIONALE: strengthen presence in regions where SGL Group is a leading provider to governments and NGOs

**IQS INTERNATIONAL QUALITY SERVICE GMBH**

- ACQUIRED: January 2019
- REGION: Germany
- RATIONALE: strengthen SGL Group's presence in Germany and within speciality automotive logistics

**BK Spedition**

- ACQUIRED: May 2019
- REGION: Germany
- RATIONALE: further strengthen SGL Group's position in the German road freight market

**IC GROUP**

- ACQUIRED: June 2019
- REGION: Nordics
- RATIONALE: acquired logistics activities as a supplement to SGL Group's growing e-commerce and fulfillment offering through addition of a leading fashion fulfillment operator

**SGL Spain**

- ACQUIRED: November 2019
- REGION: Spain
- RATIONALE: strengthen presence in Spain, where SGL Group is a provider to the garment industry

**SGL Cambodia**

- ACQUIRED: January 2020
- REGION: Cambodia
- RATIONALE: strengthen presence in Cambodia; previously the Combodian company acted as agent for SGL Group

**Pioneer International Logistics**

- 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

**WERNER ENTERPRISES**

- 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

**GRUPO CONTENOSA**

- ACQUIRED: April 2021
- 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 current offerings.

## OVERVIEW OF BOLT-ON ACQUISITIONS COMPLETED SINCE 2017

# 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

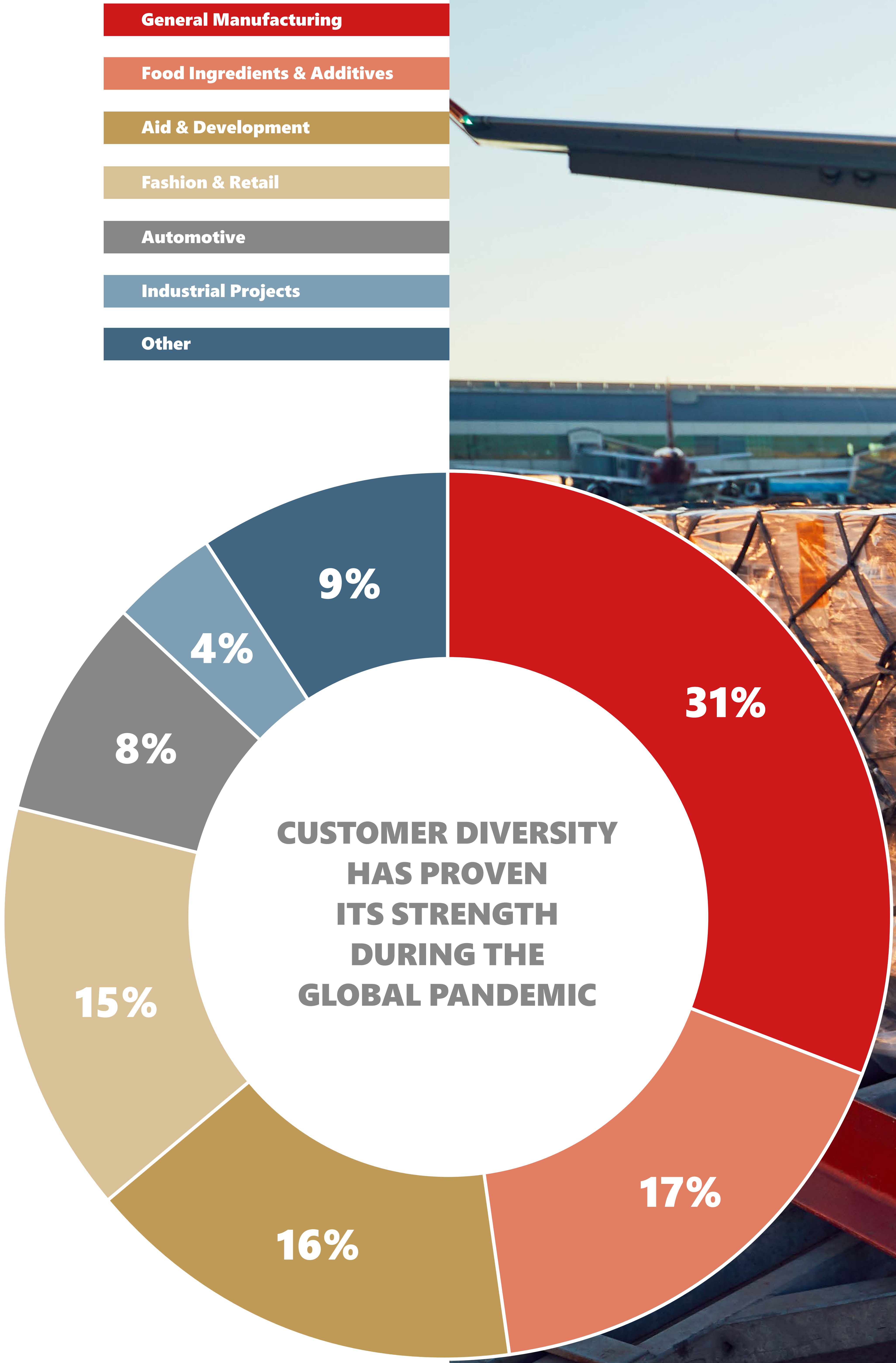
**Leading role in providing relief in all major humanitarian disasters during the past 46 years**

**Experienced team focused on the pharmaceutical industry**

**Global #1 in humanitarian logistics services to the UN**

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

**Selected COVAX forwarder for certain NGOs**




## CUSTOMER DIVERSITY HAS PROVEN ITS STRENGTH DURING THE GLOBAL PANDEMIC

REVENUE BY VERTICALS ILLUSTRATIVE AND BASED ON SPLIT AMONGST TOP 50 CUSTOMERS

# 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

- 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 freight services
- Each week, rate levels soared on all major trade lanes as carriers looked to monetise the demand situation
- Vessel reliability reached an all-time low during 2020, dropping to ~45% of all vessels arriving on time, which represents a decrease of ~30% compared with 2019

## 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.

** Personal Protection Equipment*
*** Original Equipment Manufacturers*

## SGL GROUP´S RESPONSE TO A MARKET IMPACTED BY A PANDEMIC

**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.**

**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**

# OUTLOOK 2021 - SGL GROUP

**EBITDA BEFORE SPECIAL ITEMS* (DKKM)**

## DKK 270M TO DKK 300M

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

**EBITDA MARGIN BEFORE SPECIAL ITEMS* (%)**

## 3.5% TO 4.5%

**Excluding impact of IFRS 16 Leases*

### 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 pre-pandemic 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.

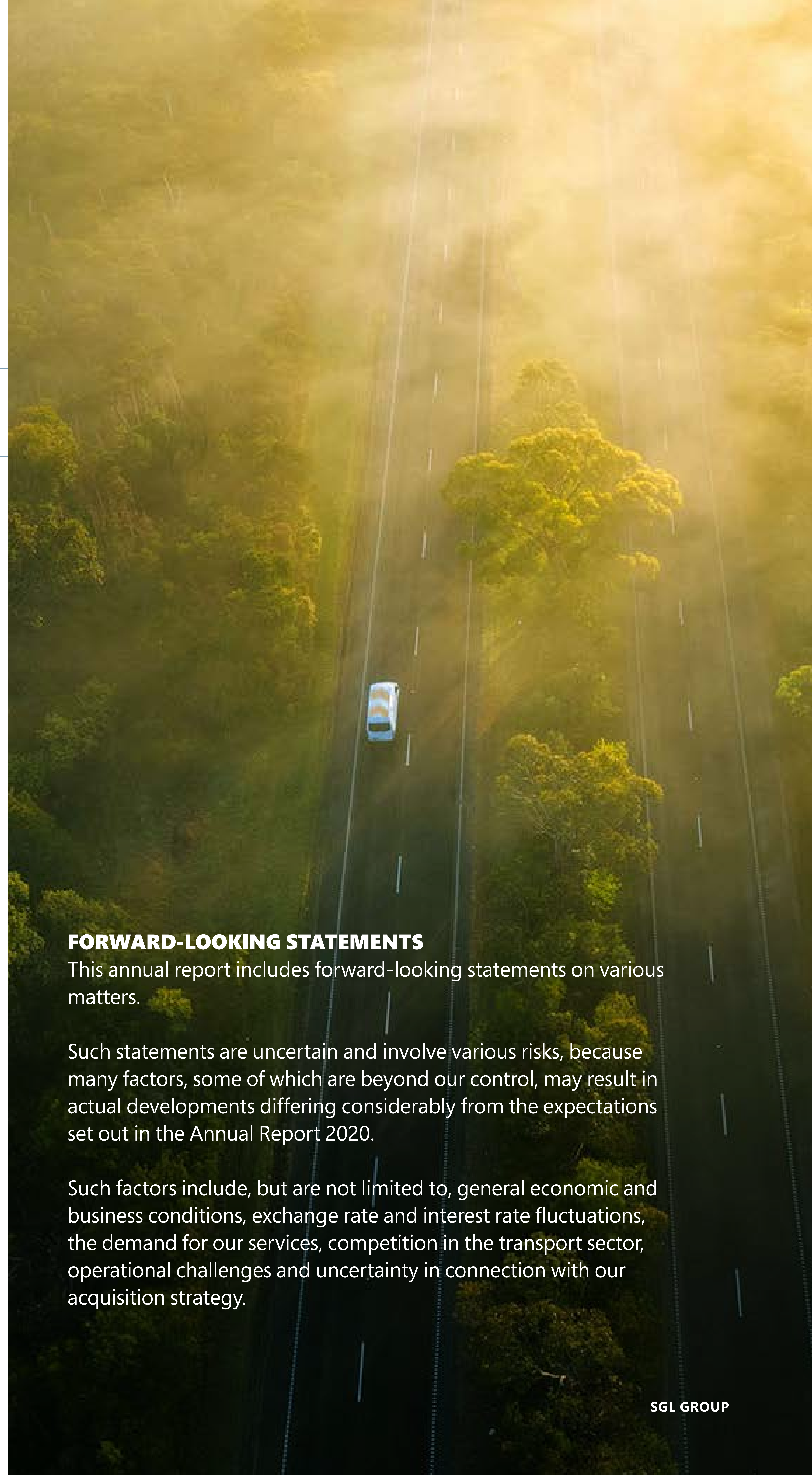
SGL Group stays focused on delivering superior logistics solutions to demanding customers driven by our strong belief in our employees' ability to constantly design the required solution. SGL Group continues to enhance the IT system support for operations, sales, management and financial support and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

1. 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*



### 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.

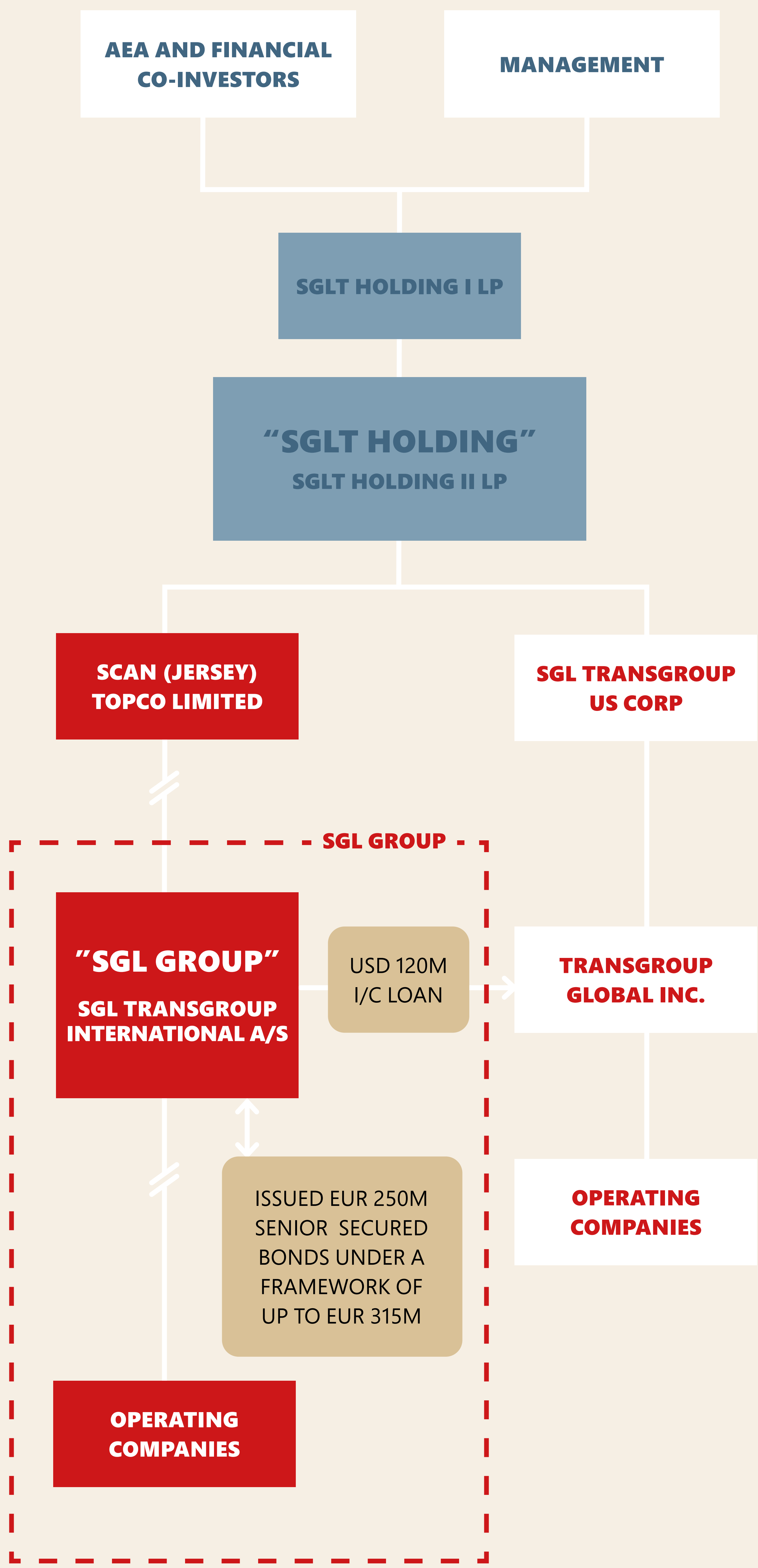
Such factors include, but are not limited to, general economic and business conditions, exchange rate and interest rate fluctuations, the demand for our services, competition in the transport sector, operational challenges and uncertainty in connection with our acquisition strategy.

# FINANCIAL HIGHLIGHTS - SGL GROUP

| FIVE-YEAR OVERVIEW FOR SGL GROUP | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| ***Key figures (in DKK´000):*** | | | | | (5MONTHS) |
| Income statement | | | | | |
| Revenue | 5,350,831 | 4,143,904 | 3,520,600 | 3,391,185 | 1,250,824 |
| Gross profit | 954,882 | 773,036 | 591,836 | 505,887 | 193,998 |
| Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) and special items | 317,732 | 202,112 | 88,639 | 30,035 | 36,321 |
| EBITDA before special items and IFRS 16 | 236,574 | 133,559 | 88,639 | 30,035 | 36,321 |
| Operating profit (EBIT) before special items | 138,422 | 85,704 | 47,537 | -8,229 | 20,986 |
| Special items, net | -76,545 | -39,966 | -34,955 | -16,906 | -11,018 |
| Operating profit (EBIT) | 61,877 | 45,738 | 12,582 | -25,135 | 9,968 |
| Financial items, net | -145,267 | -122,101 | -59,601 | -50,677 | -29,225 |
| Profit/loss before tax | -83,390 | -76,363 | -47,019 | -75,812 | -19,257 |
| Profit/loss for the year | -103,431 | -85,428 | -55,386 | -65,275 | -20,625 |
| **Cash flow** | | | | | |
| Cash flows from operating activities | 188,455 | -112,797 | 19,252 | -73,306 | -3,688 |
| Cash flows from investing activities | -121,652 | -134,434 | -39,343 | -193,256 | -1,177,958 |
| Free cash flow | 66,804 | -247,231 | -20,091 | -266,562 | -1,181,646 |
| Cash flows from financing activities | 33,315 | 187,699 | 129,92 | 136,603 | 1,347,150 |
| Cash flow for the year | 100,119 | -59,532 | 109,829 | -129,959 | 165,504 |
| **Financial position** | | | | | |
| Total equity | 465,923 | 574,753 | 656,646 | 608,836 | 627,234 |
| Equity attributable to parent company | 459,849 | 568,093 | 651,111 | 608,524 | 626,238 |
| Net interest-bearing debt (NIBD) | 1,223,021 | 1,056,374 | 607,219 | 685,126 | 472,969 |
| Total assets | 3,513,673 | 3,216,093 | 2,702,767 | 2,576,813 | 2,426,872 |
| **Financial ratios in %** | | | | | |
| Gross margin | 17.8 | 18.7 | 16.8 | 14.1 | 15.5 |
| EBITDA margin before special items | 5.9 | 4.9 | 2.5 | 0.9 | 2.9 |
| EBITDA margin before special items and IFRS 16 | 4.4 | 3.2 | 2.5 | 0.9 | 2.9 |
| EBIT margin before special items | 2.6 | 2.1 | 1.4 | -0.2 | 1.7 |
| EBIT margin | 1.2 | 1.1 | 0.4 | -0.7 | 0.8 |
| Return on assets before special items | 1.0 | 0.7 | 0.5 | -0.1 | 0.4 |
| Equity ratio | 13.3 | 17.9 | 24.3 | 23.6 | 25.8 |
| Return on equity (ROE) | -20.0 | -14.2 | -8.8 | -10.7 | -3.3 |
| Number of average full-time employees | 1,285 | 1,175 | 952 | 866 | 733 |

*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



# FINANCIAL PERFORMANCE – SGL GROUP

**REVENUE**
**DKK 5,351M**

**EBITDA***
**DKK 237M**

**Before special items and IFRS 16 leases*

## 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.

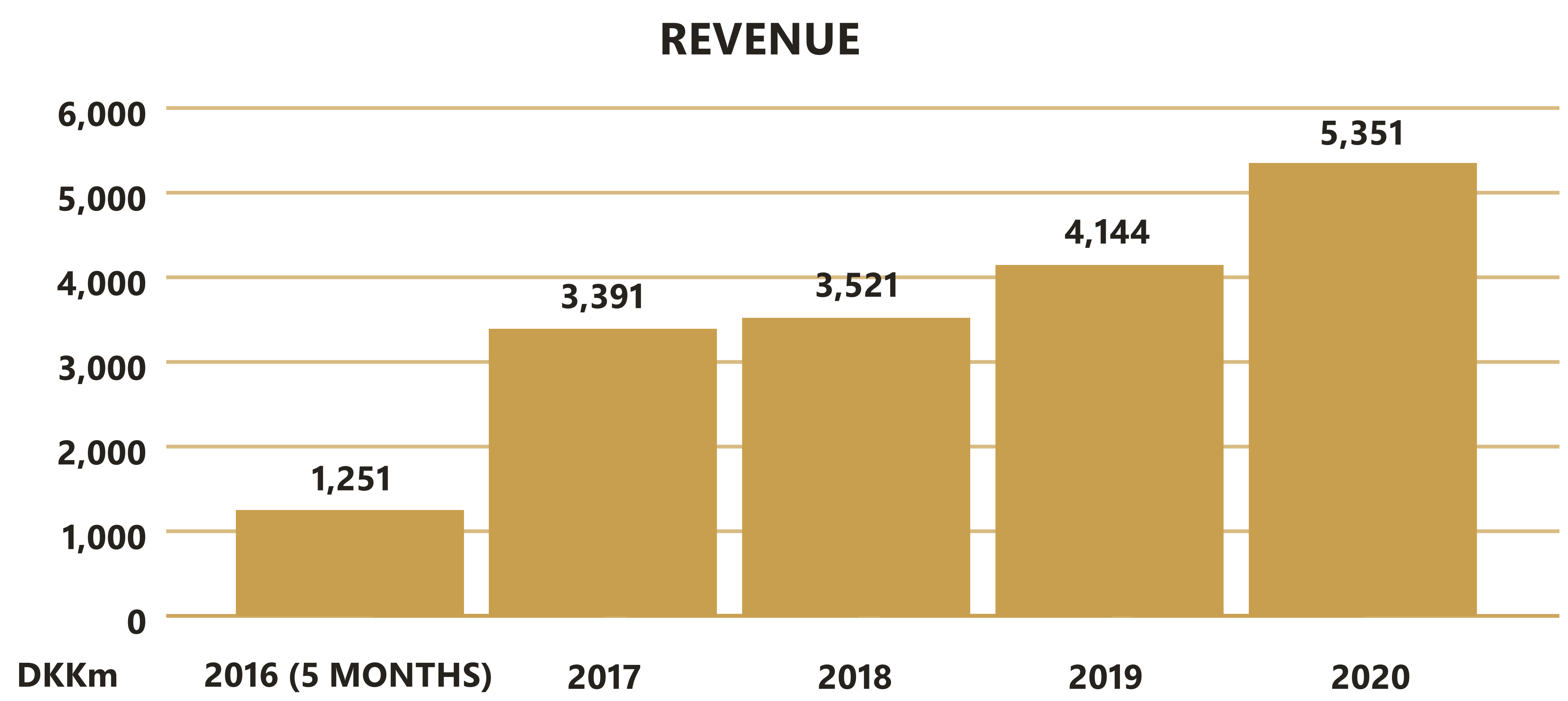
### GROSS PROFIT

The gross profit increased by DKK 182 million to DKK 955 million for the year compared to 2019. However, it was also negatively impacted by an FX translation of DKK -10 million. The acquired company in Australia, Pioneer International Logistics contributed by DKK 67 million and a strong development in AsiaPacific contributed positively as well. A strong development within Air, Ocean, and E-Commerce had a positive impact on gross profit as well, though offset by lower Road and Automotive activities, both still highly 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 in 2019, corresponding to a gross margin of 17.1%, which is 1% point lower than the level than in 2019. The gross margin was affected by capacity restraints and consequently increasing rates.

### SG&A COSTS

SG&A costs amounted to DKK 637 million, a 12% increase compared to 2019. The increase mainly comes from greenfield activities and acquisitions made in 2019 and 2020. SG&A costs comprise 12% of revenue in 2020, which is 2 percentage points lower than in 2019.




### EBITDA BEFORE SPECIAL ITEMS

EBITDA before special items amounted to DKK 318 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

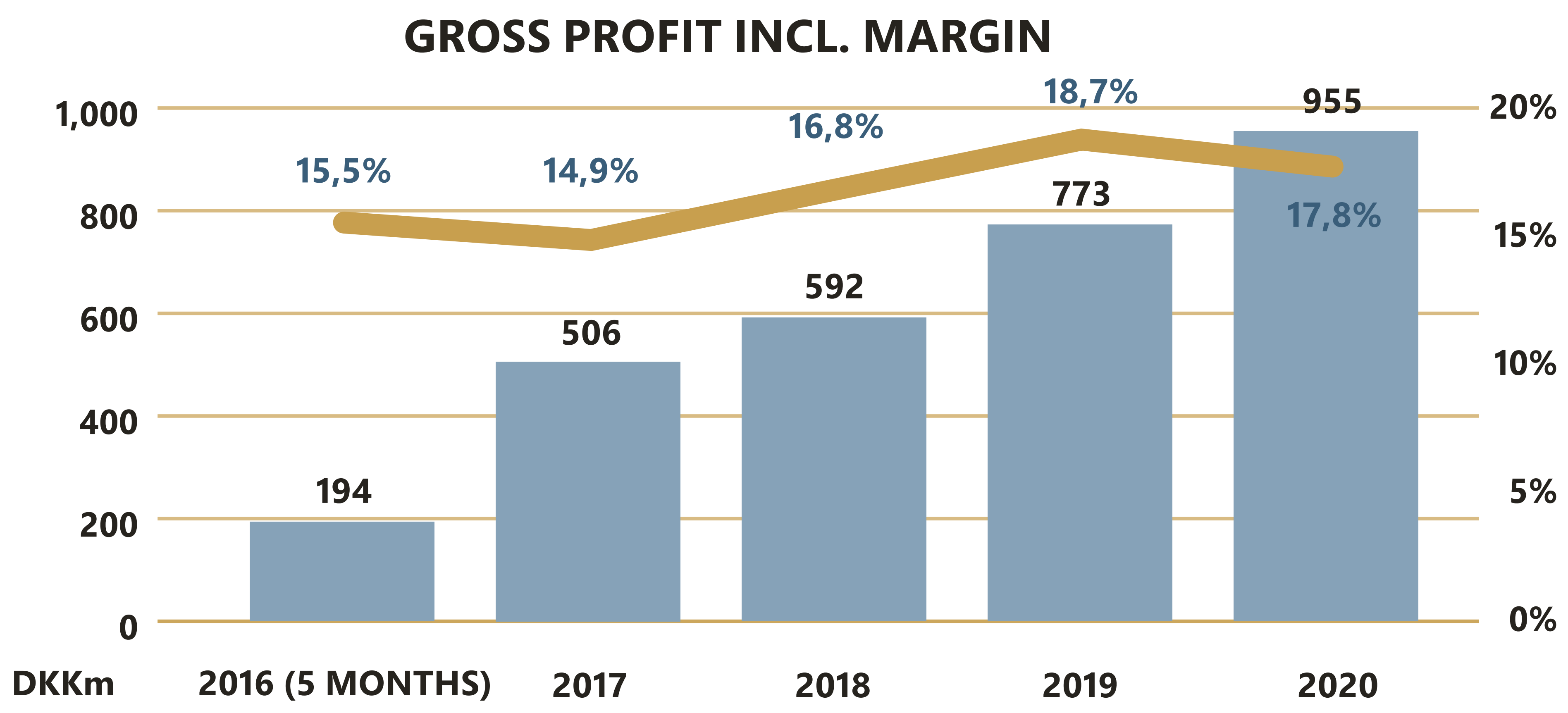
The total equity was DKK 466 million with an equity ratio of 13.3% as of 31 December 2020, which is 4.6 percentage point lower than at December 2019.

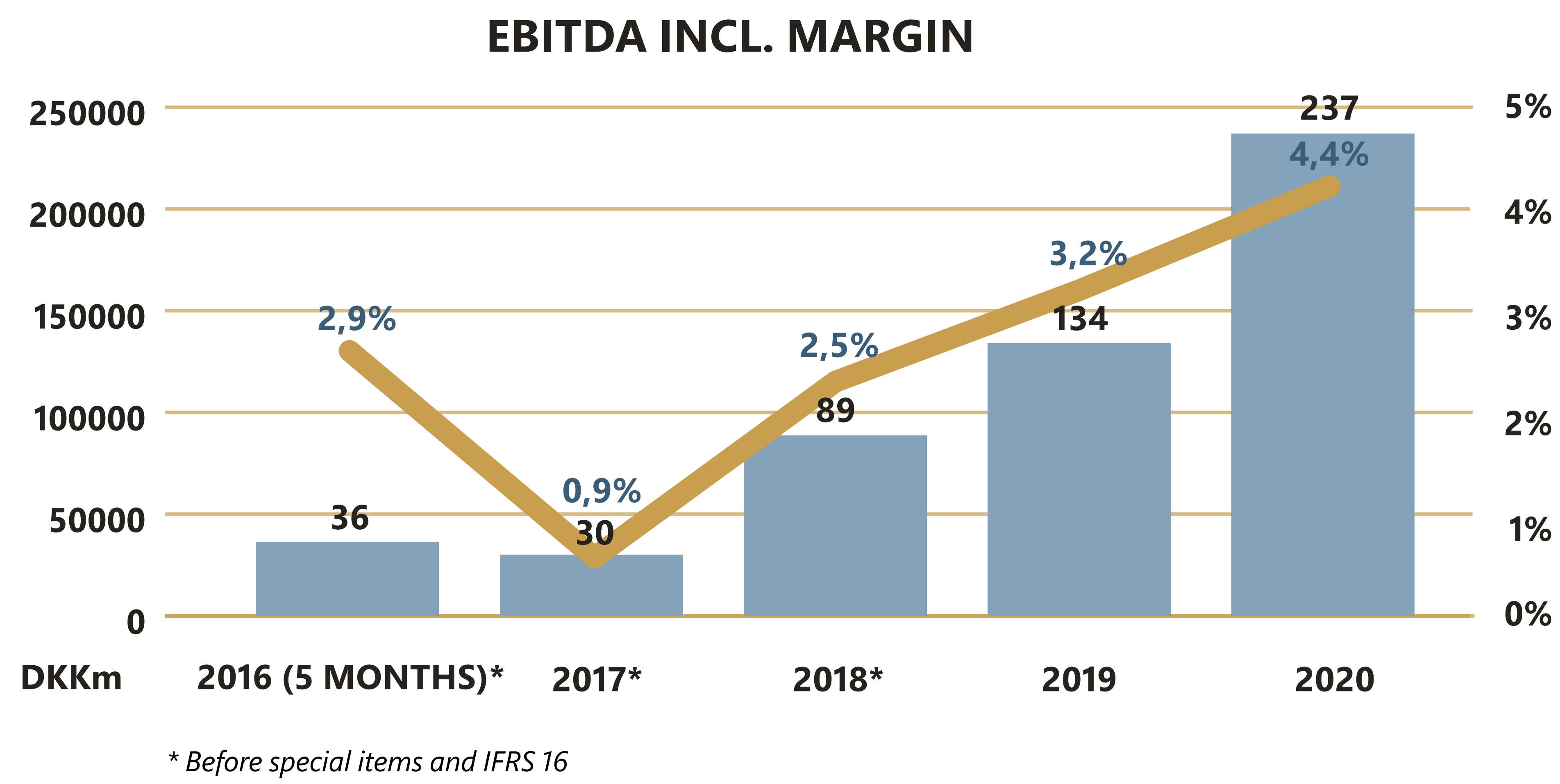
Higher bond debt as part of the subsequent bond issue and negative results due to bond interests relative to more robust performance primarily drove the decrease. The equity ratio excluding the impact of IFRS 16 was 14.3%.

## NET INTEREST-BEARING DEBT (NIBD) AND LIQUIDITY RESERVE

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.



# FINANCIAL PERFORMANCE – AIR SEGMENT

REVENUE*
**DKK 2,556M**

GROSS MARGIN
**18%**

## 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.

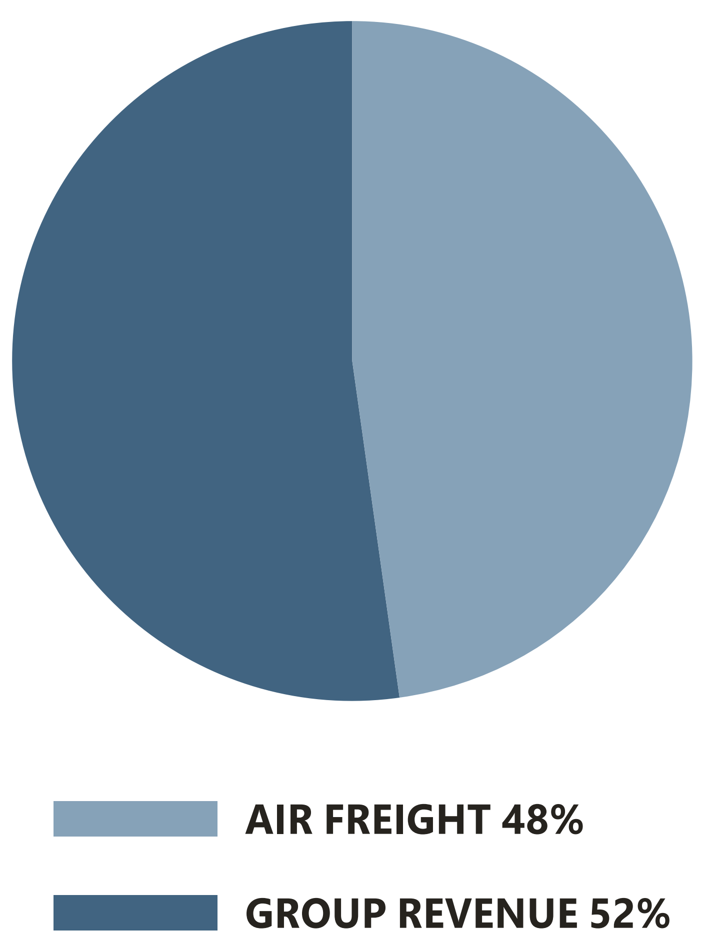
### RATES

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

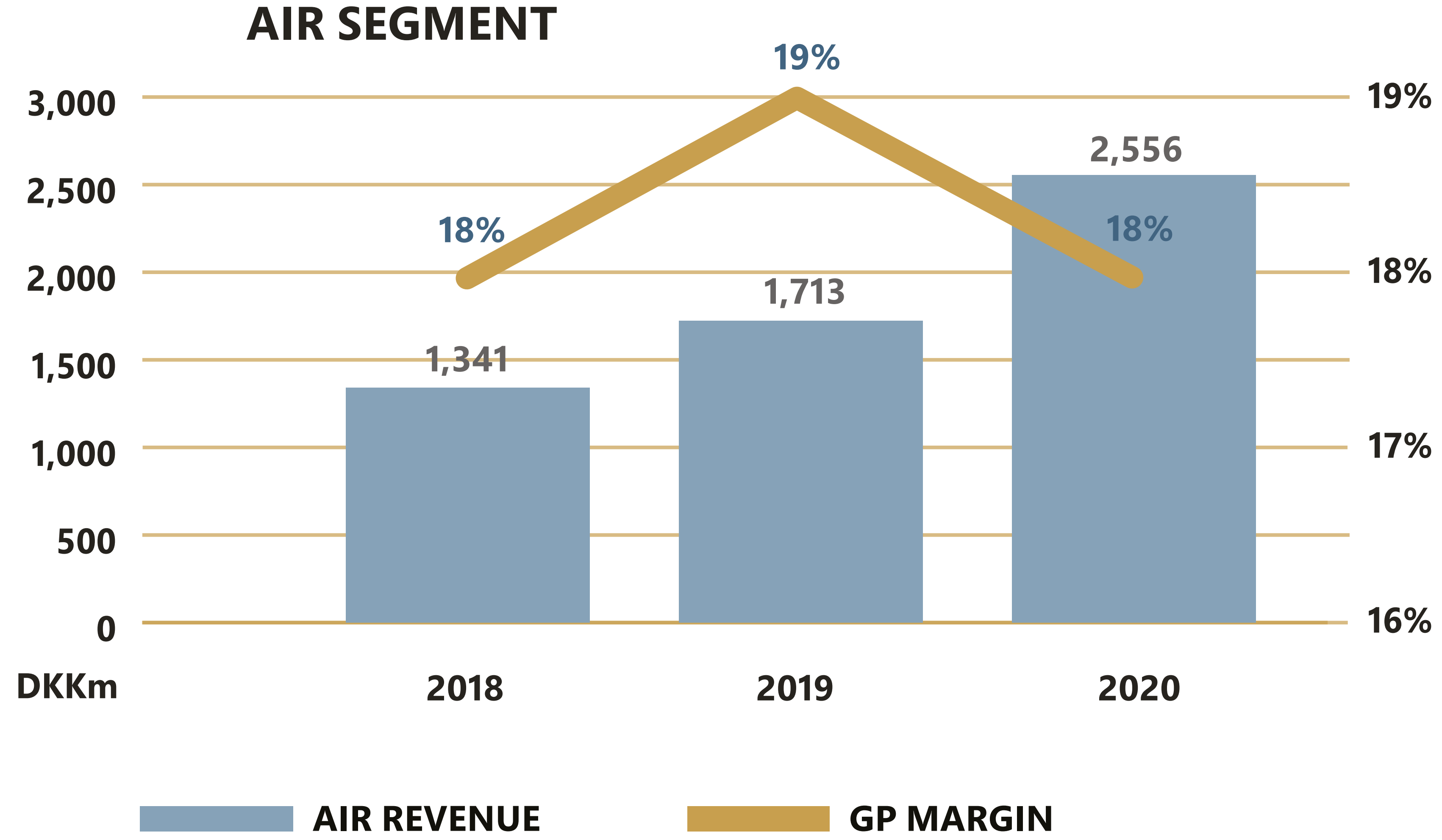
### CAPACITY

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.

**SHARE OF REVENUE**




**AIR SEGMENT**




# AIR SEGMENT SERVICES

- AIR CHARTER
- GLOBAL AIR FREIGHT SERVICES
- AID & DEVELOPMENT
- AUTOMOTIVE SPECIAL LOGISTICS
- INDUSTRIAL PROJECTS
- PHARMA HEALTHCARE
- 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.

## RATES

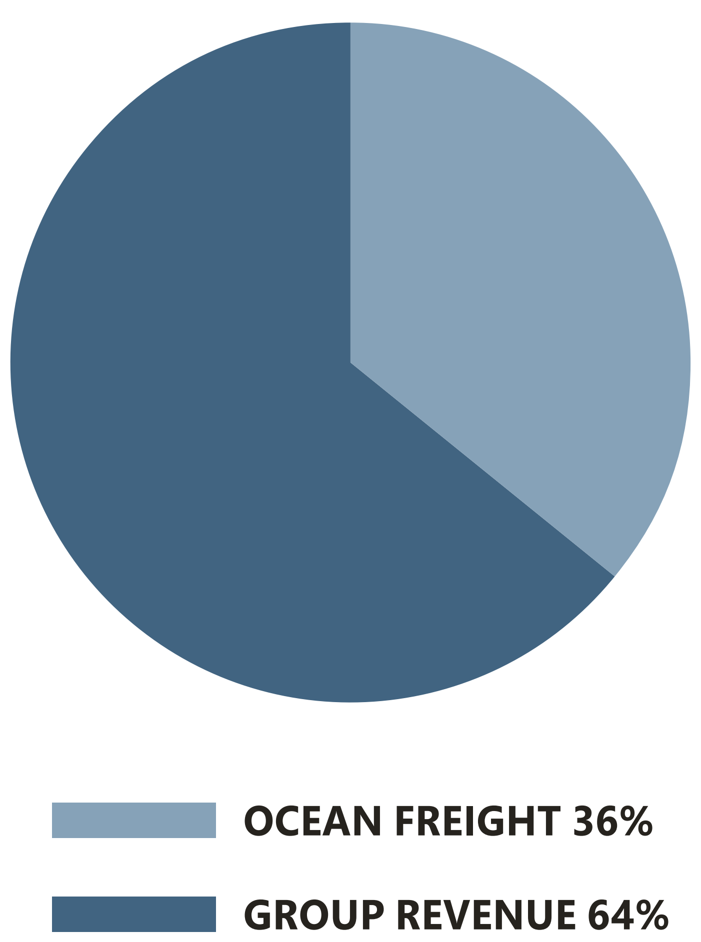
After significant and sustained increases, the Shanghai Containerized Freight Index short-term rate levels topped in 2020 and remain at this level in 2021. The increase in capacity and demand will drive a rate correction, though not a dramatic drop. The full-year 2021 contract season is well underway, 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

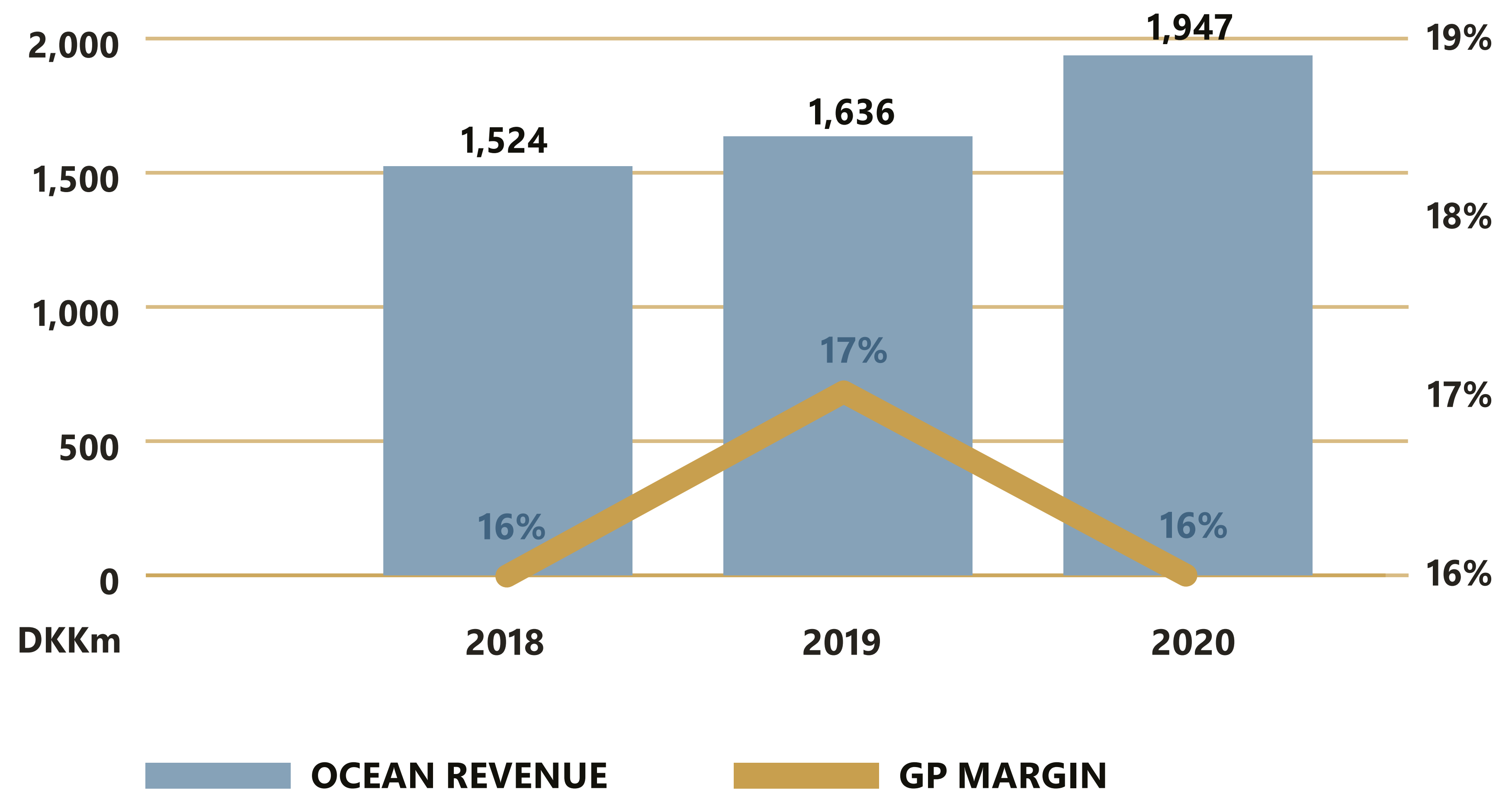
Overall, the container equipment situation remains critical. Two factors contribute to explaining the lack of capacity seen end of 2020; massive port congestion, especially in the US, and a continued and surprising surge in demand. It remains unclear how the general GDP development will affect 2021 volumes.

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.

### SHARE OF REVENUE




### OCEAN SEGMENT



# OCEAN SEGMENT SERVICES

OCEAN CHARTER

GLOBAL OCEAN FREIGHT SERVICES

OIL & GAS TRANSPORTATION AND LOGISTICS SERVICES

AID & DEVELOPMENT

INDUSTRIAL PROJECTS

AUTOMOTIVE SPECIAL LOGISTICS

CUSTOMS CLEARANCE

# 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.

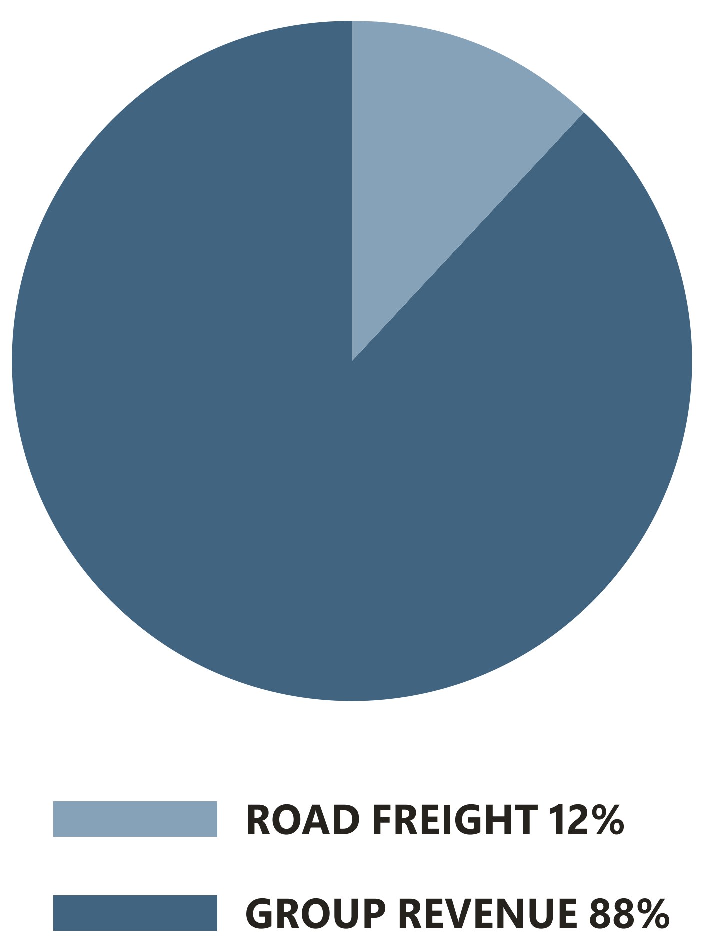
## RATES

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.

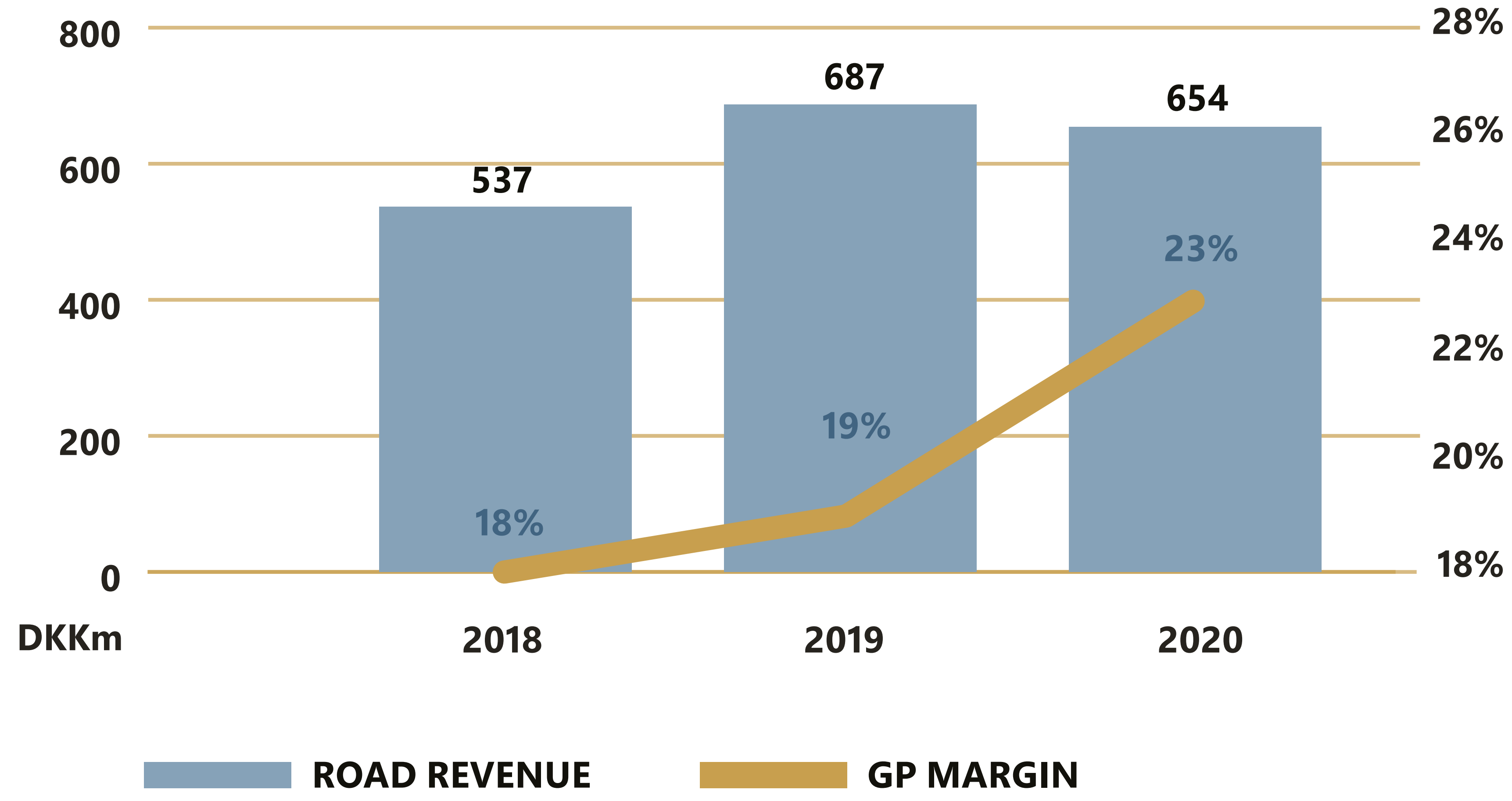
## CAPACITY

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.

### SHARE OF REVENUE




### ROAD SEGMENT



# ROAD SEGMENT SERVICES

- RAIL TRANSPORT
- ROAD TRANSPORT & DELIVERY SERVICES
- AUTOMOTIVE SPECIAL LOGISTICS
- AID & DEVELOPMENT
- INDUSTRIAL PROJECTS
- OIL & GAS TRANSPORTATION AND LOGISTICS SERVICES
- CUSTOMS CLEARANCE

# 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 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; this has put much pressure on the fulfillment & distribution activities due to new ways of operating and supporting customers. The pandemic has forced the retail industry to quickly find new and alternative ways of reaching their consumers due to the extensive store closures, which have happened for several months during the calendar year of 2020. Generally, B2C sales have grown significantly while 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 of B2B sales is expected as brands and retailers will need to get rid of their stock as quickly as possible.

Looking into 2021, retailers and brands are finding ways of supporting both the online and offline sales channels, which is changing the formats of needed fulfillment and distribution solutions.

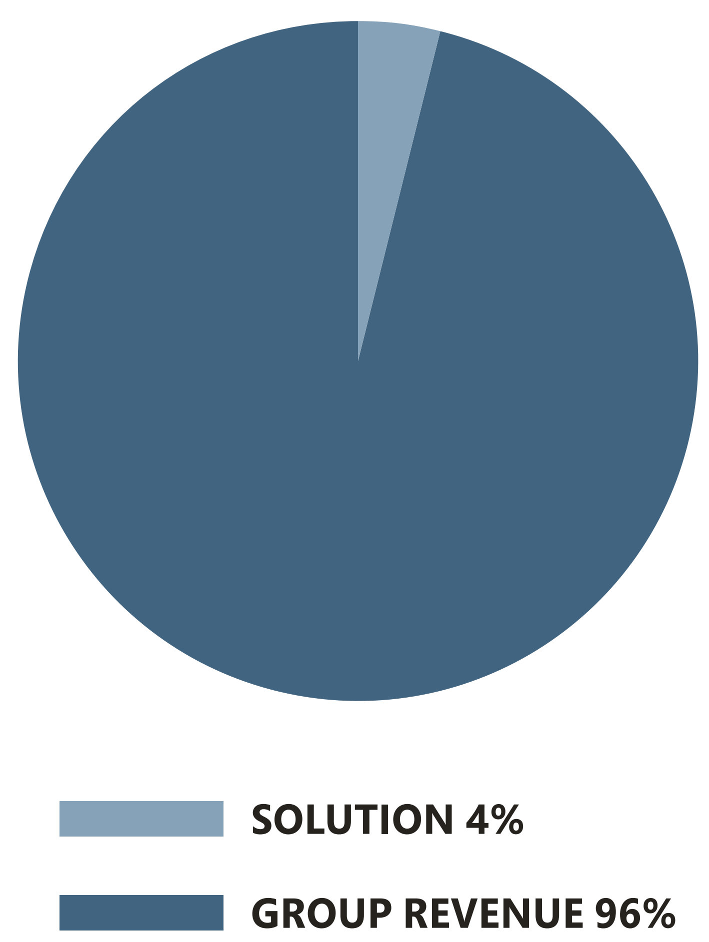
### FULFILMENT CAPACITY

An increased need for more fulfillment operations to support B2B and B2C sales is expected. We 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.

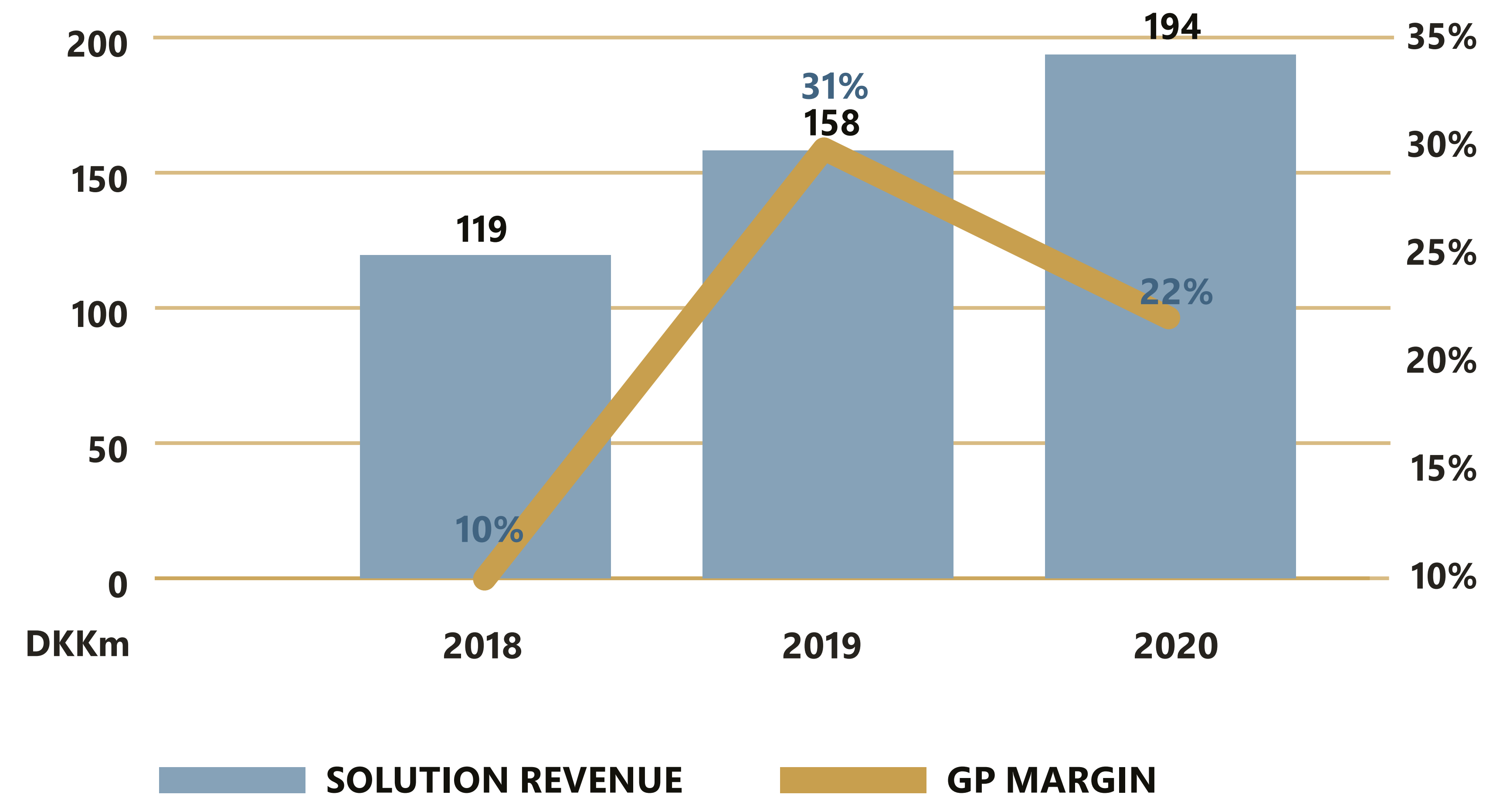
### DISTRIBUTION

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.

### SHARE OF REVENUE




### SOLUTION SEGMENT




# SOLUTION SEGMENT SERVICES

- DISTRIBUTION & FULFILLMENT
- GLOBAL WAREHOUSING & STORAGE SERVICES
- PARCEL & EXPRESS
- CUSTOMS CLEARANCE

# 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/

## ESG HIGHLIGHTS

### 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).

### $CO_2e$ PLATFORM

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

### UN GLOBAL COMPACT

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

### $CO_2$ OFFSETTING

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

### GRI & SASB ADOPTION

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

### PEOPLE

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

### COVAX

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

## 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

SUSTAINABLE DEVELOPMENT GOALS

## SUSTAINABILITY AS AN ENABLER OF GROWTH

### ENVIRONMENT

13 CLIMATE ACTION
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

### SOCIETY

17 PARTNERSHIPS FOR THE GOALS

**SUPPORTING AID AND RELIEF**

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

### 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

# 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 have the opportunity to take a more agile and coordinating role at the centre of the supply chain, working together with our customers, suppliers, and other partners to develop low or net-zero emissions transport and logistics solutions and help to create demand for them.

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.

This priority seeks to capture the opportunity for SGL Group in providing low and net-zero emissions solutions to its customers that enable them to decarbonise their supply chains and gain competitive advantage in the climate transition 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.

In 2020, we developed a digital $CO_2e$ 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.

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

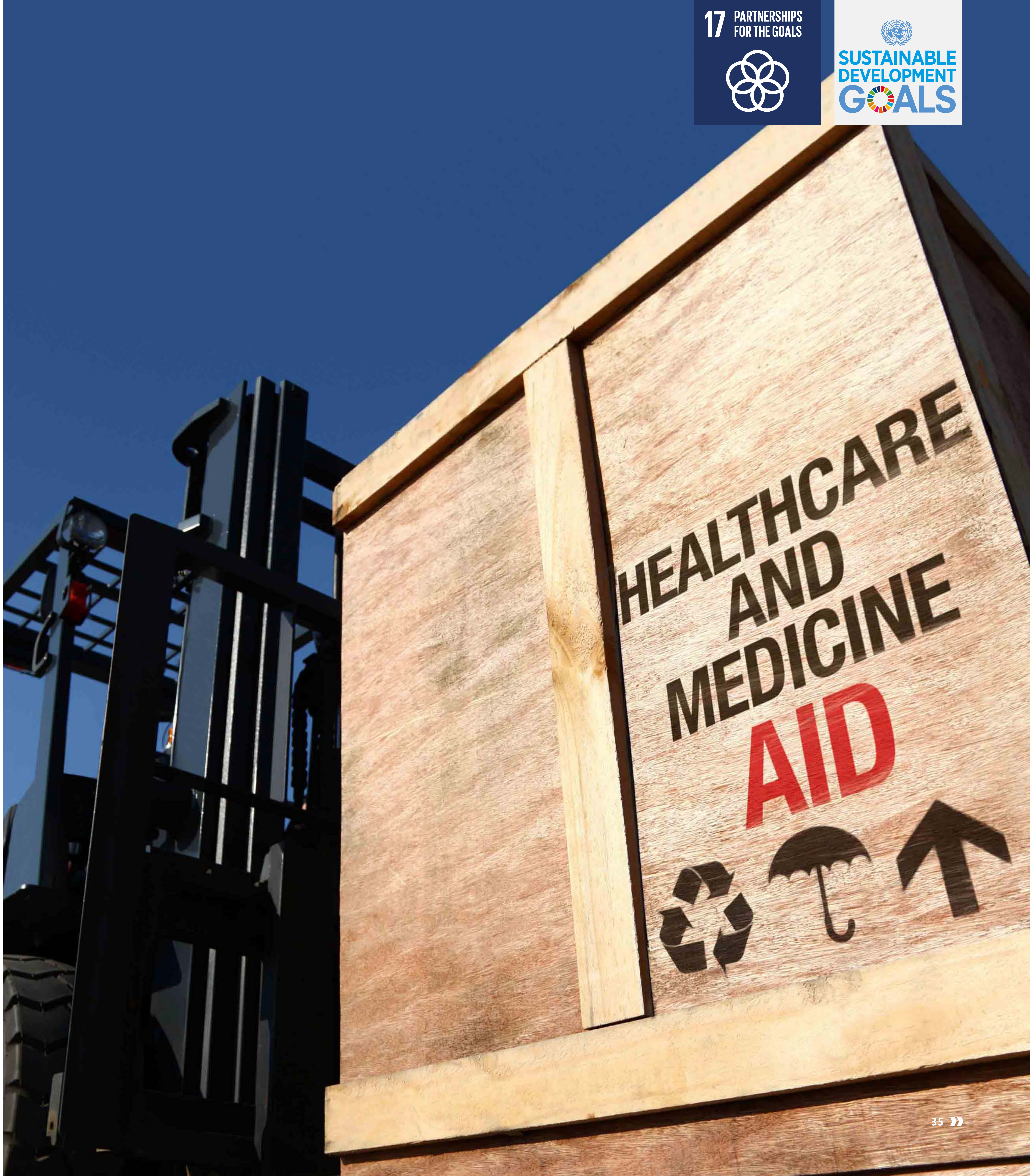
**SOCIETY**

# 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 well-being 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-from-home 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.

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.

2021

# A YEAR OF ACTION AND EXECUTION

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 Climate-related Financial Disclosures (TCFD) and we expect to make strong progress on our sustainability strategy.

# 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.

# 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

### JØRGEN AGERBRO JESSEN

Scan Global Logistics A/S
Scan Global Logistics Holding ApS
SGL Express A/S
Airlog Group Denmark A/S
SGL Fullfillment & Distribution A/S
Ejendomsselskabet Langenbach ApS, Director
CPC ApS, Managing director
MMG ApS, Director
Danske Luftfragtspeditørers Forening
Danske Speditører
Guldægget ApS
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

# 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.

# CONSOLIDATED FINANCIAL STATEMENTS

# INCOME STATEMENT

| NOTES | DKK'000 | 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 items** | **138,422** | **85,704** |
| 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** |
| 4.1 | Income tax for the year | -20,041 | -9,065 |
| | **Profit/loss for the year** | **-103,431** | **-85,428** |
| | **Total income for the year attributable to** | | |
| | 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 | DKK'000 | 2020 | 2019 |
|---|---|---|---|
| | **ASSETS** | | |
| 2.1, 2.4 | Intangible assets | 1,451,477 | 1,381,014 |
| 2.2 | Property, plant and equipment | 31,516 | 50,940 |
| 2.3 | Right of use assets | 230,514 | 164,576 |
| 3.3, 3.5 | Receivables from related parties | 726,912 | 801,108 |
| | Other receivables | 14,977 | 10,409 |
| 4.2 | Deferred tax asset | 10,551 | 8,431 |
| | **Financial assets** | **752,440** | **819,948** |
| | **Total non-current assets** | **2,465,947** | **2,416,478** |
| 2.5 | Trade receivables | 803,657 | 639,971 |
| | Income tax receivables | 4,166 | 2,566 |
| | Other receivables | 29,398 | 20,158 |
| | Prepayments | 23,703 | 14,931 |
| 3.4 | Cash and cash equivalents | 186,802 | 121,989 |
| | **Total current assets** | **1,047,726** | **799,615** |
| | **Total assets** | **3,513,673** | **3,216,093** |

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

# 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 | 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

| DKK'000 | 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 | 0 | 0 | -4,811 | 0 | -4,811 | 33 | -4,778 |
| Reclassified to income statement | 0 | 0 | -621 | 0 | -621 | 0 | -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 | 0 | -830,764 | 0 | 830,764 | 0 | 0 | 0 |
| Purchase of non-controlling interests | 0 | 0 | 0 | -133 | -133 | 133 | 0 |
| Capital increase by cash payment | 0 | 2,778 | 0 | 0 | 2,778 | 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** |

# OVERVIEW OF NOTES

# 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** | | | | | **317,732** |
| | Depreciation and amortisation | | | | | - 179,310 |
| | **Operating profit (EBIT) before special items** | | | | | **138,422** |
| | Special items, net | | | | | -76,545 |
| | **Operating profit (EBIT)** | | | | | **61,877** |
| 2019 | Revenue (services) | 2,125,044 | 1,851,717 | 686,788 | 160,484 | 4,824,033 |
| | Intercompany revenue | -411,671 | -216,001 | -50,246 | -2,211 | -680,129 |
| | Net revenue (services) | 1,713,373 | 1,635,716 | 636,542 | 158,273 | 4,143,904 |
| | Cost of operation | -1,391,778 | -1,363,272 | -506,681 | -109,137 | -3,370,868 |
| | **Gross profit** | **321,595** | **272,444** | **129,861** | **49,136** | **773,036** |

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.

| DKK'000 | GOODWILL, CUSTOMER RELATIONS, TRADEMARKS AND OTHER INTANGIBLE ASSETS | AIR | OCEAN | ROAD | SOLUTION | TOTAL |
|---|---|---|---|---|---|---|
| 2020 | Balance at 1 January | 637,271 | 633,750 | 53,430 | 4,076 | 1,328,527 |
| | Exchange rate adjustments | 1,716 | -1,854 | 1,064 | -21 | 905 |
| | Additions from acquisitions | 8,074 | 84,698 | 5,023 | 0 | 97,795 |
| | Additions 2020 | 1,219 | 1,219 | 0 | 0 | 2,438 |
| | Amortisation during the year | -29,470 | -24,193 | -3,095 | -105 | -56,863 |
| | **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 year | -18,652 | -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 over-time 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).

# NOTE 1.1 SEGMENT INFORMATION CONT.

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

| DKK'000 | GEOGRAPHICAL 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

**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

| DKK'000 | 2020 | 2019 |
|---|---|---|
| Cost related to provision of freight services | -4.291.775 | -3.267.005 |
| Staff costs | -66.539 | -58.747 |
| Other operation costs | -37.635 | -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<br>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*** | -46,956 | 0 |
| COVID-19, compensation received from government | 3,132 | 0 |
| M&A activities* and Green field activities** | -14,284 | -7,100 |
| Gain on disposed entities, Airlog companies | 3,138 | 0 |
| Restructuring cost (Redundancy cost for personel and closing of offices, etc.) | -13,848 | -27,907 |
| Other cost | -7,727 | -4,959 |
| **Total special items, net** | **-76,545** | **-39,966** |

*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 understanding of the performance for the year.

# NOTE 2.1 INTANGIBLE ASSETS

| DKK'000 | | GOODWILL | CUSTOMER RELATIONS | TRADE-MARKS | OTHER INTANGIBLES | SOFTWARE | TOTAL |
|---|---|---|---|---|---|---|---|
| 2020 | 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 at 31 December 2020** | **0** | **132,556** | **27,079** | **5,406** | **34,773** | **199,814** |
| | **Carrying amount at 31 December 2020** | **1,059,078** | **278,812** | **33,195** | **1,717** | **78,675** | **1,451,477** |
| 2019 | 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.

# NOTE 2.2 PROPERTY, PLANT AND EQUIPMENT

| DKK'000 | | LAND AND BUILDINGS | PLANT AND MACHINERY | FIXTURES, TOOLS, FITTINGS AND EQUIPMENT | TOTAL |
|---|---|---|---|---|---|
| 2020 | Cost at 1 January 2020 | 6,475 | 20,859 | 44,584 | 71,918 |
| | Exchange rate adjustment | -135 | 247 | -635 | -523 |
| | Additions | 1,091 | 2,988 | 7,944 | 12,023 |
| | Additions from acquisitions | 56 | 800 | 491 | 1,347 |
| | Disposals | -1,758 | -1,920 | -26,813 | -30,491 |
| | **Cost at 31 December 2020** | **5,729** | **22,974** | **25,571** | **54,274** |
| | Depreciation at 1 January 2020 | 4,360 | 4,801 | 11,817 | 20,978 |
| | Exchange rate adjustments | -87 | 167 | -244 | -166 |
| | Depreciation | 1,075 | 6,783 | 9,532 | 17,390 |
| | Depreciation and impairment of disposals | -1,651 | -1,761 | -12,034 | -15,446 |
| | **Depreciation at 31 December 2020** | **3,697** | **9,990** | **9,071** | **22,758** |
| | **Carrying amount at 31 December 2020** | **2,032** | **12,984** | **16,500** | **31,516** |
| 2019 | Cost at 1 January 2019 | 5,649 | 7,264 | 23,788 | 36,701 |
| | Exchange rate adjustment | 80 | -73 | 186 | 193 |
| | Additions | 546 | 3,412 | 17,859 | 21,817 |
| | Additions from acquisitions | 25,318 | 11,844 | 4,283 | 41,445 |
| | Disposals | -25,118 | -1,588 | -1,532 | -28,238 |
| | **Cost at 31 December 2019** | **6,475** | **20,859** | **44,584** | **71,918** |
| | Depreciation at 1 January 2019 | 2,254 | 2,283 | 7,972 | 12,509 |
| | Exchange rate adjustments | 80 | 150 | 399 | 629 |
| | Depreciation | 2,026 | 3,956 | 4,978 | 10,960 |
| | Depreciation and impairment of disposals | 0 | -1,588 | -1,532 | -3,120 |
| | **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** |

## ACCOUNTING POLICIES

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

When significant parts of plant and equipment are required to be replaced at intervals, SGL Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

**Depreciation**

Depreciation is provided on a straight-line basis over the expected useful life of each individual asset. The depreciation basis is the cost.

The expected useful lives of the assets are as follows:

- Leasehold improvements & other tools and equipment 3 to 10 years
- Plant and machinery 3 to 5 years

An item of property, plant and equipment, and any significant part initially recognised is derecognised upon disposal, or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the income statement when the asset is derecognised.

**Accounting estimates**

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

# NOTE 2.3 RIGHT OF USE ASSETS

**DKK'000** **LEASES**

| | RIGHT OF USE ASSETS | LAND AND BUILDINGS | OTHER ASSETS | TOTAL |
|---|---|---|---|---|
| 2020 | Balance 1 January 2020 | 129,027 | 35,549 | 164,576 |
| | Echange rate adjustment | 973 | -223 | 750 |
| | Additions | 39,519 | 32,626 | 72,145 |
| | Additions from acquisitions | 4,499 | 0 | 4,499 |
| | Re-measurement of lease liability | 73,561 | -95 | 73,466 |
| | Depreciations for the year | -65,122 | -19,800 | -84,922 |
| | **Balance at 31 December 2020** | **182,457** | **48,057** | **230,514** |

| LEASE LIABILITIES | 2020 |
|---|---|
| **The lease liabilities fall due as specified below** | |
| Within 1 year | 85,212 |
| Between 1 to 3 years | 169,287 |
| Between 3 to 5 years | 18,673 |
| After 5 years | 4,866 |
| **Total undiscounted lease obligation 31 December 2020** | **278,038** |
| **Lease obligation recognised in the balance sheet 31 December 2020** | **244,403** |
| Hereof short-term | 75,004 |
| Hereof long-term | 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 | 20,425 |
| 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-of-use 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 straight-line 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 amount of goodwill, customer relations, trademarks and other intangible assets | | 1,373 | 619 | 694 | 56 | 4 |
| Plan period | Average annual Gross Profit growth rate | 15% | 15% | 15% | 15% | 15% |
| Terminal period | Growth rate | 2% | 2% | 2% | 2% | 2% |
| | Pre tax discount rate | 11.3% | 11.3% | 11.3% | 11.3% | 11.3% |
| Sensitivity analysis | | | | | | |
| Growth in plan period, allowed decline | | 33% | 25% | 38% | 6% | 88% |
| Discount rate, 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 not written down break down as follows:* | | |
| 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** | **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 | -186,265 | -102,612 |
| Changes in trade payables, etc. | 249,158 | 21,063 |
| Additions from business acquisitions | 5,472 | -1,500 |
| Non-cash transactions | -18,878 | -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

| DKK'000 | 2020 | 2019 |
|---|---|---|
| **The Parent Company's share capital of DKK 501 thousands comprises:** | | |
| 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<br>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<br>FINANCIAL EXPENSES | 2020 | 2019 |
|---|---|---|
| Interest expenses | 7,887 | 9,705 |
| Lease interest expenses | 16,993 | 12,400 |
| Bond interest expenses | 119,458 | 102,668 |
| Redemption of bond debt | 0 | 47,342 |
| Amortisation of capitalised loan costs | 5,557 | 13,538 |
| Exchange rate losses | 63,819 | 11,164 |
| **Total financial expenses** | **213,714** | **196,817** |

## 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

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*

| DKK'000<br>FINANCIAL ASSETS BY CATEGORY | 2020 | 2019 |
|---|---|---|
| **Financial assets (measured at amortised cost)** | | |
| Trade receivables | 803,657 | 639,971 |
| Other receivables | 44,374 | 30,567 |
| Receivables from related parties | 726,912 | 801,108 |
| Cash | 186,802 | 121,989 |
| **Financial assets measured at amortised cost** | **1,761,745** | **1,593,635** |
| **Financial assets** | | |
| Currency derivatives | 3,534 | 0 |

*Financial instruments by category, carrying amount*

| DKK'000<br>FINANCIAL LIABILITIES BY CATEGORY | 2020 | 2019 |
|---|---|---|
| **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<br>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** | **434,700** | **266,860** |

## 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<br>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

| | | | | Non-cash change | | | |
|---|---|---|---|---|---|---|---|
| | 2019 | 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** |

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

| | | | | Non-cash change | | | |
|---|---|---|---|---|---|---|---|
| | 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** |

# NOTE 3.6 FINANCIAL LIABILITIES CONT.

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

| | | 2020 |
|---|---|---|
| **Bond debt** | | |
| Issued bonds, EUR 250 million, interest rate 6.75% | 1,859,825 | 1,665,743 |
| Capitalised loan costs | -26,863 | -24,188 |
| **Total bond debt** | **1,832,962** | **1,641,555** |
| | Cash flow* | Cash flow* |
| Bond debt falling due between 1 and 5 years | 2,223,586 | 2,106,124 |
| **Total financial liabilities** | 2,349,424 | **2,218,562** |
| **Current portion of financial liabilities** | **125,838** | **112,438** |

** 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.

## ACCOUNTING POLICIES

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred.
Interest-bearing debt is subsequently measured at amortised cost, using the effective interest rate method.

Borrowing costs, including capital losses, are recognized as financing costs in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

# 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.

**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.

| DKKM | | 2020 | | 2019 | |
|---|---|---|---|---|---|
| MAIN CURRENCY EXPOSURES | CHANGE IN EXCHANGE RATE | IMPACT ON PROFIT/ LOSS | IMPACT ON OTHER COMPREHENSIVE INCOME | IMPACT ON PROFIT/ LOSS | IMPACT ON OTHER COMPREHENSIVE INCOME |
| USD | 10% | 73 | 0 | 79 | 0 |
| USD | -10% | -73 | 0 | -79 | 0 |
| EUR | 1% | -17 | 0 | -15 | 0 |
| EUR | -1% | 17 | 0 | 15 | 0 |
| SEK | 10% | 2 | 0 | 0 | 0 |
| SEK | -10% | -2 | 0 | 0 | 0 |
| RMB | 10% | -1 | 0 | 1 | 0 |
| RMB | -10% | 1 | 0 | -1 | 0 |

# NOTE 4.1 INCOME TAX

| DKK'000 | 2020 | 2019 |
|---|---|---|
| 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%) | 18,346 | 16,800 |
| Difference between tax rate for subsidiaries outside Denmark and Danish tax rate | -4,096 | -167 |
| Unrecognized tax assets | -16,584 | -4,440 |
| Write down of tax assets from prior years | -17,472 | 949 |
| Non-taxable income and non-deductible expenses (net) | -1,441 | -20,917 |
| Tax regarding prior years | -2,761 | 74 |
| Tax on dividends from subsidiaries | 0 | -37 |
| Other | 3,967 | -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<br>DEFERRED TAX ASSETS AND LIABILITIES | 2020 | 2019 |
|---|---|---|
| Deferred tax 1 January | -50,607 | -42,050 |
| Additions from acquisitions | -11,800 | -21,037 |
| Deferred tax for the year | 14,042 | 13,217 |
| Exchange rate adjustments | -273 | -737 |
| **Deferred tax at 31 December** | **-48,638** | **-50,607** |
| Specification of deferred tax in the balance sheet: | | |
| Deferred tax asset | 27,304 | 27,763 |
| Offsets | -16,753 | -19,332 |
| **Recognised tax assets** | **10,551** | **8,431** |
| Deferred tax liabilities | -75,942 | -78,370 |
| Offsets | 16,753 | 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.

| DKK´000 | DEFERRED TAX ASSETS/LIABILITIES ARISE FROM THE FOLLOWING | INTANGIBLES* | OTHER** | TAX LOSSCARRY-FORWARDS | TOTAL |
|---|---|---|---|---|---|
| 2020 | Deferred tax at 1 January | -74,642 | 5,623 | 18,412 | -50,607 |
| | Exchange rate adjustments | -200 | 118 | -191 | -273 |
| | Additions from acquisitions | -11,800 | 0 | 0 | -11,800 |
| | Recognised in the income statement | 27,453 | -1,503 | -11,908 | 14,042 |
| | **Deferred 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.*

| | | | | | |
|---|---|---|---|---|---|
| 2019 | Deferred tax at 1 January | -61,152 | 4,698 | 14,404 | -42,050 |
| | Exchange rate adjustments | -884 | 11 | 136 | -737 |
| | Additions from acquisitions | -21,037 | 0 | 0 | -21,037 |
| | Recognised in the income statement | 8,431 | 914 | 3,872 | 13,217 |
| | **Deferred tax at 31 December** | **-74,642** | **5,623** | **18,412** | **-50,607** |

** 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) | **2020** | **2019** |
|---|---|---|
| Unrecognised at 1 January | 16,250 | 11,810 |
| Additions | 29,377 | 4,440 |
| **Unrecognised tax assets at 31 December** | **45,627** | **16,250** |

# NOTE 5.1 AUDIT FEES

| DKK'000 | 2020 | 2019 |
|---|---|---|
| ***Fee to the auditors appointed at the annual general meeting*** | | |
| Fee for statutory audit | 3,196 | 3,128 |
| Fee for tax and VAT services | 246 | 104 |
| Fee for other services | 769 | 260 |
| **Total fees to auditors appointed at the general meeting** | **4,181** | **3,492** |

# NOTE 5.2 RELATED PARTY TRANSACTIONS

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

| Related party | Domicile 2020 |
|---|---|
| ***Owners of SGL TransGroup International A/S:*** | |
| Scan (UK) Midco Limited (controlling interest of 100%) | United Kingdom |
| ***Ultimate owner with controlling interest:*** | |
| SGLT Holding I LP (controlling interest of 100% of the financial rights) | Cayman Island |
| ***Owners of SGLT Holding I LP:*** | |
| AEA Investors Small Business Fund III LP (controlling interest on voting rights) | Cayman Islands |
| No consolidated financial statements are prepared by either the parent company Scan (UK) Midco Limited nor by the ultimate parent company. | |

| Related party transactions | DKK'000 |
|---|---|
| Depreciations and interests on rented building in IQS Holding GmbH from Ejendomsselskabet Langenbech ApS | 1,722 |
| Advisory fee to New to World Sweden AB | 1,478 |
| 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 | 15,770 |
| **Loans from/to related parties** | |
| Liability to TransGroup Global Inc. | -20,388 |
| Liability to AEA Investors Small Business Fund III LP | -11,779 |
| Loan to Transgroup Global Inc. | 726,912 |
| **Lons to/from related parties, net** | **694,745** |
| Management fee to AEA Investors SBF LP, New York (part of AEA Group) | 5,927 |

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

The fee to AEA Investors SBF LP covers the fee for Management services to SGL TransGroup.

For purchases and sales between Group companies, the same pricing principles are applied as to transactions with external partners. Please see note 1 regarding intercompany revenue and note 5 and 6 for financial income and expenses.

# NOTE 5.2 RELATED PARTY TRANSACTIONS CONT.

**2019**

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

| Related party | Domicile |
|---|---|
| ***Owners of SGL TransGroup International A/S:*** | |
| Scan (UK) Midco Limited (controlling interest of 100%) | United Kingdom |
| ***Ultimate owner with controlling interest:*** | |
| SGLT Holding I LP (controlling interest of 100% of the financial rights) | Cayman Islands |
| ***Owners of SGLT Holding I LP:*** | |
| AEA Investors Small Business Fund III LP (controlling interest on voting rights) | Cayman Islands |

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

| Related party transactions | DKK'000 |
|---|---|
| Sale of building from IQS Holding GmbH to Ejendomsselskabet Langenbach ApS | 25,329 |
| **Loans from/to related parties** | |
| Liability to TransGroup Global Inc. | -105,355 |
| Loan to Transgroup Global Inc. | 801,108 |
| **Lons to/from related parties, net** | **695,753** |
| Management fee to AEA Investors SBF LP, New York (part of AEA Group) | 5,720 |

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

The fee to AEA Investors SBF LP covers the fee for management services to SGL Group.

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.

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

Please see note 3.2 regarding intercompany interest income.

# NOTE 5.3 BUSINESS COMBINATIONS

| DKK'000 INVESTMENTS IN GROUP ENTITIES | PIONEER* | OTHERS** | GROUP 2020 | GROUP 2019 |
|---|---|---|---|---|
| **Fair value at date of acquisition:** | | | | |
| **ASSETS** | | | | |
| Software | 4 | 0 | 4 | 194 |
| Property, plant and equipment | 546 | 19 | 565 | 41,445 |
| Right of use assets | 4,499 | 0 | 4,499 | 24,527 |
| Trade receivables | 23,205 | 0 | 23,205 | 24,830 |
| Other receivables | 871 | 0 | 871 | 3,324 |
| Prepayments | 86 | 0 | 86 | 1,156 |
| Cash | 4,442 | 0 | 4,442 | 45,174 |
| **Total assets** | **33.653** | **19** | **33,672** | **140,650** |
| **LIABILITIES** | | | | |
| Lease liabilities | 4,499 | 0 | 4,499 | 24,527 |
| Finance liabilities | 4,805 | 0 | 4,805 | 8,094 |
| Trade payables | 9,506 | 0 | 9,506 | 32,624 |
| Deferred tax | 0 | 0 | 0 | 989 |
| Corporation tax | 0 | 0 | 0 | 1,971 |
| Other payables | 4,147 | 0 | 4,147 | 23,527 |
| **Total liabilities** | **22,957** | **0** | **22,957** | **91,732** |

| DKK'000 INVESTMENTS IN GROUP ENTITIES, CONT. | PIONEER* | OTHERS** | GROUP 2020 | GROUP 2019 |
|---|---|---|---|---|
| **Acquired net assets before identification of intangible assets and goodwill** | **10,696** | **19** | **10,715** | **48,918** |
| Goodwill, Customer relations, Trademarks and Other intangible assets | 78,722 | 19,073 | 97,795 | 136,185 |
| Deferred tax | -7,471 | -4,329 | -11,800 | -21,037 |
| **Fair value of total consideration** | **81,947** | **14,763** | **96,710** | **164,066** |
| Due acquisition debt | -11,575 | 0 | -11,575 | 10,461 |
| Earn-out provision | -24,071 | 0 | -24,071 | 11,006 |
| **Cash consideration** | **46,301** | **14,763** | **61,064** | **142,599** |
| Adjustment for cash taken over | -4,442 | 0 | -4,442 | -45,174 |
| **Cash consideration for the acquisitions** | **41,859** | **14,763** | **56,622** | **97,425** |
| Transaction costs for acquisitions | 1,774 | 314 | 2,088 | 7,100 |
| **Investments in group entities (cash outflow)** | **43,633** | **15,077** | **58,710** | **104,525** |

**Pioneer International Logistics; now SGL Australia Pty. Ltd.*

*** Acquisition of Scan Global Logistics Co. Ltd. (Cambodia) and activities from PostNord 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 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**

On 15 January 2020, SGL Group acquired, through its wholly-owned subsidiary Scan Global Logistics PTY (a subsidiary of Scan Global Logistics A/S), 100% percent of the share capital of Pioneer International Logistics (now SGL Australia Pty. Ltd.), an Australian freight forwarding company.

With the acquisition, SGL Group will be able to serve the Australian and Pacific customers even better, and the existing customers of Pioneer International Logistics gain access to a full-fledged international solution including added expertise, technology, network, and e-commerce platform.

Under the terms of the agreement, the company was acquired for a total cash consideration of AUD 12.5 million; paid at closing in January 2020. In addition, an earnout depending on future income has been agreed upon. AUD 5.2 million has been paid in 2020 and none is expected to be paid in 2021. The goodwill arising from the acquisitions is attributable to synergies expected from combining the operations of SGL Group and the acquired companies. The acquisition of Pioneer International Logistics is financed through a subsequent bond issue.
Transaction costs amounted to DKK 1.8 million, which have been expensed and recognised as special items.

The revenue and gross profit are mainly allocated to the Ocean segment and a minor part to the Air segment.

Revenue from Pioneer International Logistics, acquired 15 January 2020, contributed by DKK 233 million to SGL Group revenue, and the profit amounted to DKK 39 million in the financial year 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<br>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<br>SECURITY FOR LOANS | 2020 | 2019 |
|---|---|---|
| ***As security for debt to credit institutions, for undrawn credit facilities and payment warranties, SGL Group has pledged assets as collateral*** | | |
| Chattel mortgages | 11,500 | 11,500 |
| Company charge | 213,300 | 213,300 |
| **Total security** | **224,800** | **224,800** |

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***

| | 2020 | 2019 |
|---|---|---|
| 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 NAME | COUNTRY CAPITAL | CURRENCY INTEREST | NOMINAL | OWNERSHIP |
|---|---|---|---|---|
| SGL TransGroup International A/S (SGL Group) | | | | |
| Scan Global Logistics Holding ApS* | Denmark | DKK | 3,530,839 | 100% |
| Scan Global Logistics A/S | Denmark | DKK | 1,901,650 | 100% |
| SGL Express A/S | Denmark | DKK | 500,100 | 100% |
| SGL Road ApS | Denmark | DKK | 500,400 | 100% |
| SGL Norrköping AB** | Sweden | SEK | 100,000 | 100% |
| Scan Global Logistics GmbH | Germany | EUR | 25,000 | 100% |
| SGL Fullfillment & Distribution A/S****** | Denmark | DKK | 500,200 | 100% |
| Scan Global Logistics AB | Sweden | SEK | 100,000 | 100% |
| SGL Road AB******** | Sweden | SEK | 100,000 | 100% |
| Crosseurope GmbH | Germany | EUR | 25,000 | 100% |
| Scan Global Logistics GmbH*** | Austria | EUR | 35,000 | 100% |
| Scan Global Logistics N.V. | Belgium | EUR | 61,500 | 100% |
| Scan Global Logistics B.V. | Netherlands | EUR | 18,000 | 100% |
| Scan Global Logistics Spain S.L | Spain | EUR | 60,000 | 100% |
| SGL Express Holding AB**** | Sweden | SEK | 2,000,000 | 100% |
| SGL Express AB | Sweden | SEK | 1,000,000 | 100% |
| Scan Global Logistics AS | Norway | NOK | 180,000 | 100% |
| Scan Global Logistics (Finland) Oy | Finland | EUR | 2,523 | 100% |
| Scan Global Logistics sp. z o. o. | Poland | PLN | 225,000 | 100% |
| Scan Global Logistics s.r.o. | Czech Rebublic | CZK | 10,000 | 100% |
| Scan Global Logistics K.K. | Japan | JPY | 15,000,000 | 100% |
| Scan Global Logistics (Shanghai) Co. Ltd. | China | USD | 1,650,000 | 100% |
| Scan Global Logistics (Wuxi) Ltd. | China | CNY | 5,000,000 | 100% |
| Scan Global Logistics Ltd. | Hong Kong | HKD | 500 | 100% |
| Scan Global Logistics (Shanghai) Limited | China | CNY | 3,000,000 | 100% |
| Scan Global Logistics Ltd. (Branch) | Taiwan | | | 100% |
| Scan Global Logistics Ltd. | Thailand | THB | 15,000,000 | 100% |
| Scan Global Logistics Ltd. | Malaysia | MYR | 2,000,000 | 100% |
| Connect Air (Malaysia) Ltd. | Malaysia | MYR | 2 | 100% |
| Scan Global Logistics Co. Ltd. | Myanmar | USD | 10,000 | 100% |

| COMPANY NAME | COUNTRY CAPITAL | CURRENCY INTEREST | NOMINAL | OWNERSHIP |
|---|---|---|---|---|
| Scan Global Logistics Pty. Ltd.* | Australia | AUD | 13 | 100% |
| SGL Australia Pty. Ltd.******* | Australia | AUD | 32,374 | 100% |
| Scan Global Logistics (Phil) Inc. | Philippines | PHP | 4,000,000 | 40% |
| SGL Manila (Shared Service Center) Inc. | Philippines | PHP | 11,000,000 | 100% |
| Scan Global Logistics Chile S.A. | Chile | CLP | 179,872,000 | 100% |
| Scan Global Logistics Peru S.A.C. | Peru | PEN | 1,000 | 100% |
| Scan Global Logistics (Vietnam) Ltd. | Vietnam | USD | 100,000 | 100% |
| Scan Global Logistics Ltd. | Indonesia | IDR | 6,250,000 | 100% |
| Scan Global Logistics Pte Ltd. (Singapore) | Singapore | SGD | 100,000 | 100% |
| Scan Global Logistics SA | Mali | XOF | 1,000,000 | 55% |
| Scan Global Logistics Sarl | Senegal | XOF | 1,000,000 | 100% |
| Scan Global Logistics Sarl | Ivory Coast | XOF | 1,000,000 | 100% |
| Scan Global Logistics Co. Ltd. (Cambodia) | Cambodia | KHR | 400,000,000 | 100% |
| IQS Holding GmbH* | Germany | EUR | 58,400 | 100% |
| IQS International Quality Service GmbH | Germany | EUR | 26,100 | 100% |
| IQS Business Travel GmbH | Germany | EUR | 25,000 | 100% |
| Scan Global Logistics Deutschland GmbH***** | Germany | EUR | 25,000 | 100% |
| Aircargo Consulting GmbH | Germany | EUR | 25,000 | 100% |
| IQS Logistic Consulting Corp. | USA | USD | 100 | 100% |
| Global Automotive Testing Support GmbH | Germany | EUR | 25,000 | 100% |
| Global Aviation Management Services FZE | Dubai | AED | 1,000,000 | 100% |

*Holding companies.

** *SGL Road AB changed name to SGL Norrköping AB during 2020*

*** *PNAR Holding T.Two GmbH changed name to Scan Global Logistics GmbH 13/2 2020*

**** *Airlog Group Holding AB has changed name to SGL Express Holding AB during 2020*

***** *ENGINOX GmbH changed name to Scan Global Logistics Deutschland GMBH 13/08 2020*

****** *SGL E-Commerce A/S changed name to SGL Fullfillment & Distribution A/S 1 July 2020*

******* *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 earn-out 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.

The opening balance is not finalised yet.

**Acquisitions of Grupo Contenosa**

In April 2021, SGL Group has, through its wholly-owned 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 Group-country.

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.

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.

# 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 that are currently exercisable or convertible are considered when assessing whether control exists.

The consolidated financial statements are prepared on the basis of the financial statements of the consolidated entities by adding together like items.

Intra-group income, expenses, gains, losses, investments, dividends and balances are eliminated.

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.

Measurement period adjustments to the provisional amounts may be done for up to 12 months following the date of acquisition. The effects of cross-period adjustments are recognised in equity at the beginning of the financial year, and comparative figures are restated.

Allowance is made for the tax effect of revaluations of assets and liabilities. Any residual difference between the purchase price and SGL Group's share of the fair value of the identifiable assets and liabilities is recognised as goodwill.

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 interest-bearing debt.

Cash and cash equivalents comprise cash and short-term 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-in-progress in subsequent periods.

**Deferred tax assets, significant accounting estimates**
Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized.

Significant Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of 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**

| DKK´000 | 2020 | 2019 |
|---|---|---|
| Deferred tax assets at 31 December | 10,551 | 8,431 |

The recognition is due subject to the facts that the tax losses can be utilised against future earnings within a period of 3-5 years. The uncertainty about recognition and measurement of the deferred tax asset, therefore depends on whether the future earnings can be realised.

Deferred tax assets relating to the Danish part of the Group have been recognised to the extent management expects to utilise these within a period of 5 years.

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*

# 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

Allan Dyrgaard Melgaard

Claes Brønsgaard Pedersen

Jørgen Agerbro Jessen

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.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

**Appointment of auditor**
SGL TransGroup International A/S has issued bonds, which were listed on NASDAQ Stockholm Stock Exchange in June 2017. We were initially appointed 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.

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 performed to address the matters below, provide the basis for our audit opinion on the financial statements.

**Revenue recognition**
The Group generates revenue from three principal freight forwarding services being Air, Ocean and Road in addition to the Solutions services. Revenue 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.

# 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.

- 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 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

Søren Skov Larsen
State Authorized
Public Accountant
mne26797

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 INCOME DKK'000 | 2020 | 2019 |
|---|---|---|
| **Profit/loss for the year** | **-87,826** | **-83,713** |
| *Items that will be reclassified to income statement when certain conditions are met:* | | |
| Exchange rate adjustment | -5,432 | 795 |
| **Other comprehensive income, net of tax** | **-5,432** | **795** |
| **Total comprehensive income for the period** | **-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 | Investments in Group entities | 1,037,880 | 1,043,862 |
| 8 | Receivable from Group entities | 600,425 | 439,953 |
| 9 | Receivable from Transgroup Global Inc. | 726,912 | 801,108 |
| 5 | Deferred tax assets | 1,196 | 3,617 |
| | **Financial assets** | **2,366,413** | **2,288,540** |
| | **Total non-current assets** | **2,366,413** | **2,291,540** |
| | Other receivables | 61 | 0 |
| 14 | Cash and cash equivalents | 567 | 63,094 |
| | **Total current assets** | **628** | **63,094** |
| | **Total assets** | **2,367,041** | **2,354,634** |
| | **EQUITY AND LIABILITIES** | | |
| 10 | Share capital | 501 | 501 |
| | Share premium | 833,542 | 833,542 |
| | Currency translation reserve | -30,573 | -25,141 |
| | Retained earnings | -310,204 | -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** |
| | Corporation tax | 109 | 0 |
| 18 | Payables to Transgroup Global Inc. | 20,388 | 105,355 |
| | Other payables | 20,316 | 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** |

# 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 | 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** |
| | Capital increase | 0 | 2,778 |
| 9 | Loan to Transgroup Global Inc. | 0 | -94,286 |
| | Payable to TransGroup Global Inc. | -62,349 | -11,268 |
| 13 | Proceeds from issuing of bonds | 195,527 | 1,666,066 |
| | 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 |
|---|---|---|
| **Fee to the auditors appointed at the annual general 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 |
|---|---|---|
| **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 |
|---|---|---|
| Average number of full-time employees | 0 | 0 |

NOTE 3

| DKK'000 FINANCIAL INCOME | 2020 | 2019 |
|---|---|---|
| Financial income from Group entities | 92,812 | 67,503 |
| Redemption of bond debt | 0 | 25,415 |
| Other financial income | 238 | 476 |
| Exchange gains | 0 | 0 |
| **Total financial income** | **93,050** | **93,394** |

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| FINANCIAL EXPENSES | 2020 | 2019 |
|---|---|---|
| Interest expenses | 119,589 | 117,423 |
| Capitalised loan costs | 5,557 | 13,538 |
| Redemption of bond debt | 0 | 33,804 |
| Exchange losses | 47,662 | 6,785 |
| **Total financial expenses** | **172,808** | **171,550** |

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| TAX FOR THE YEAR | 2020 | 2019 |
|---|---|---|
| *Tax on loss for the year is calculated as follows:* | | |
| Current tax on loss for the year (tax refund) | -2,909 | -2,261 |
| Change in deferred tax for the year | 2,421 | 973 |
| Adjustment to tax in prior year | 0 | 12 |
| **Total tax on loss for the year (tax refund)** | **-488** | **-1,276** |
| *Reconcilliation of tax rate (%)* | | |
| Danish corporation tax rate (22%) | -19,429 | -18,698 |
| Non-taxable income from investments in group entities | 121 | 1,199 |
| Unrecognised tax asset | 13,232 | 0 |
| Write-down of tax asset prior year | 5,838 | 0 |
| Non-deductible expenses | 749 | 14,131 |
| Other | -999 | 2,092 |
| **Total tax on loss for the year (tax refund)** | **-488** | **-1,276** |

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

NOTE 6

| | DKK'000 INTANGIBLE ASSETS | OTHER INTANGIBLES | TOTAL |
|---|---|---|---|
| 2020 | Cost at 1 January 2020 | 3,000 | 3,000 |
| | Additions | 2,437 | 2,437 |
| | **Cost at 31 December 2020** | **5,437** | **5,437** |
| | Amortization at 1 January 2020 | 0 | 0 |
| | Amortization | 5,437 | 5,437 |
| | **Amortization at 31 December 2020** | **5,437** | **5,437** |
| | **Carrying amount at 31 December 2020** | **0** | **0** |
| 2019 | Cost at 1 January 2019 | 0 | 0 |
| | Additions | 3,000 | 3,000 |
| | **Cost at 31 December 2019** | **3,000** | **3,000** |
| | Amortization at 1 January 2019 | 0 | 0 |
| | **Amortization at 31 December 2019** | **0** | **0** |
| | **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**

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

NOTE 8

| DKK'000 RECEIVABLE FROM GROUP ENTITIES | 2020 | 2019 |
|---|---|---|
| Receivable from Scan Global Logistics A/S, interest rate 6.75% p.a. (Stage 1) | 320,916 | 224,815 |
| Receivable from Scan Global Logistics Pty. Ltd., interest rate 7.92% p.a. (Stage 1) | 46,463 | 0 |
| Receivable from Scan Global Logistics Holding ApS, interest rate 6.83% p.a. (Stage 1) | 233,046 | 218,138 |
| **Total receivable from group entities** | **600,425** | **442,953** |
| | Cash flow* | Cash flow* |
| Receivable falling due between 1 and 5 years | 614,251 | 494,814 |
| **Total receivables from Group entities** | **639,564** | **528,690** |
| **Total current receivable** | **25,314** | **33,876** |

** Total cash flows including interest.*

Please see note 14 for a description of pledges.

# PARENT COMPANY FINANCIAL STATEMENTS

NOTE 9

DKK'000
## RECEIVABLE FROM TRANSGROUP GLOBAL INC.

| | 2020 | 2019 |
|---|---|---|
| Principal, USD 120,000 thousand, 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 0 and 5 years | 965,048 | 1,131,966 |
| **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 15 for a description of pledges.

NOTE 10

DKK'000
## SHARE CAPITAL

| | 2020 | 2019 |
|---|---|---|
| ***The Parent Company's share capital of DKK 501 thousand comprises:*** | | |
| 5,007 shares of DKK 100 each on formation | 501 | 501 |
| **Total share capital at 31 December 2019** | **501** | **501** |

NOTE 11

DKK'000
## FINANCIAL LIABILITIES AND FINANCIAL RISKS

| | 2020 | 2019 |
|---|---|---|
| Issued bonds, EUR 250 million, interest rate 6.75% | 1,859,825 | 1,665,743 |
| Capitalised loan costs | -26,863 | -24,188 |
| **Total bond debt** | **1,832,962** | **1,641,555** |
| | Cash flow* | Cash flow* |
| Bond debt falling due between 1 and 5 years | 2,223,886 | 2,106,124 |
| **Total financial liabilities** | **2,349,424** | **2,218,562** |
| **Current portion of financial liabilities** | **125,538** | **112,438** |

** 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.

# PARENT COMPANY FINANCIAL STATEMENTS

NOTE 11

## DKKM
## 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 | | 2019 | |
|---|---|---|---|---|---|
| **Main currency exposures** | **Change in exchange** | **Impact on Profit/Loss** | **Impact on Other Comprehensive Income** | **Impact on Profit/Loss** | **Impact on Other Comprehensive Income** |
| USD | 10% | 69 | 0 | 79 | 0 |
| USD | -10% | -69 | 0 | -79 | 0 |
| EUR | 1% | -19 | 0 | -15 | 0 |
| EUR | -1% | 19 | 0 | 15 | 0 |
| SEK | 10% | 0 | 0 | 0 | 0 |
| SEK | -10% | 0 | 0 | 0 | 0 |
| RMB | 10% | 0 | 0 | 1 | 0 |
| RMB | -10% | 0 | 0 | -1 | 0 |

NOTE 12

## 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** |

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## FINANCIAL LIABILITIES AND FINANCING ACTIVITIES

| | | | Non-cash change | | | |
|---|---|---|---|---|---|---|
| (DKK'000) | **2019** | **Cash flow** | **Business combinations movement** | **Foreign exchange** | **Fair value change** | **2020** |
| Bond debt | 1,641,555 | 195,527 | 0 | -9,677 | 5,557 | 1,832,962 |
| Payables to Group entities | 105,355 | -62,349 | 0 | -12,780 | -9,838 | 20,388 |
| **Total liabilities from financing activities** | **1,746,910** | **-133,178** | **0** | **-22,457** | **-4,281** | **1,853,350** |

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

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## DKK'000
## CASH AND LIQUIDITY

| | 2020 | 2019 |
|---|---|---|
| Cash | 567 | 63,094 |
| **Liquidity reserve** | **567** | **63,094** |

NOTE 15

## DKK'000
## SECURITY FOR LOANS

As security for bond debt, the Parent Company has pledged assets as collateral.

| | 2020 | 2019 |
|---|---|---|
| Bond debt at par | 1,859,825 | 1,665,743 |

*At 31 December 2020, the following assets are pledged as collateral:* The maximum pledged amount is DKK 224.8 million whereof 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 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.

Please see note 5.4 for SGL Group for a description of securities in SGL Group.

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## 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.

# PARENT COMPANY FINANCIAL STATEMENTS

NOTE 17 — DKK'000

## FINANCIAL INSTRUMENTS BY CATEGORY

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*

| DKK'000 | 2020 | 2019 |
|---|---|---|
| **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** |

NOTE 18 — DKK'000

## RELATED PARTIES — 2020

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

| Related party | Domicile |
|---|---|
| ***Owners of SGL TransGroup International A/S:*** | |
| Scan (UK) Midco Limited (controlling interest) | United Kingdom |
| ***Ultimate owner with controlling interest:*** | |
| SGLT Holding I LP (controlling interest of 100% of the financial rights) | Cayman Islands |
| ***Owners of SGLT Holding I LP:*** | |
| AEA Investors Small Business Fund III LP (controlling interest on voting rights) | Cayman Islands |

| | 2020 |
|---|---|
| Payables to Transgroup Global Inc. | -20,388 |
| Advisory fee to New to World Sweden AB | 1,478 |
| Loan to Scan Global Logistics A/S, described in note 8 | 320,916 |
| Loan to Scan Global Logistics Holding ApS, described in note 8 | 233,046 |
| Loan to Scan Global Logistics Pty. Ltd. | 46,463 |
| Loan to Transgroup Global Inc., described in note 9 | 726,912 |
| **Total receivables from Group entities** | **1,308,427** |

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.

NOTE 18 — DKK'000

## RELATED PARTIES — 2019

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

| Related party | Domicile |
|---|---|
| ***Owners of SGL TransGroup International A/S:*** | |
| Scan (UK) Midco Limited (controlling interest) | United Kingdom |
| ***Ultimate owner with controlling interest:*** | |
| SGLT Holding I LP (controlling interest of 100% of the financial rights) | Cayman Islands |
| ***Owners of SGLT Holding I LP:*** | |
| AEA Investors Small Business Fund III LP (controlling interest on voting rights) | Cayman Islands |

| | 2019 |
|---|---|
| Payables to Transgroup Global Inc. | -105,355 |
| Loan to Scan Global Logistics A/S, described in note 8 | 221,815 |
| Loan to Scan Global Logistics Holding ApS, described in note 8 | 218,138 |
| Loan to Transgroup Global Inc., described in note 9 | 801,108 |
| **Total receivables from Group entities** | **1,135,706** |

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.

# PARENT COMPANY FINANCIAL STATEMENTS

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.

NOTE

## 20 NEW ACCOUNTING REGULATION NOT YET ADOPTED

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

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