INTERIM FINANCIAL RESULTS FULL YEAR 2021, Q4 2021

SGLT HOLDING II LP

28 February 2022

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GROUP STRUCTURE – SGLT HOLDING

Revenue

USD 2,274M

Adjusted EBITDA*

USD 112M

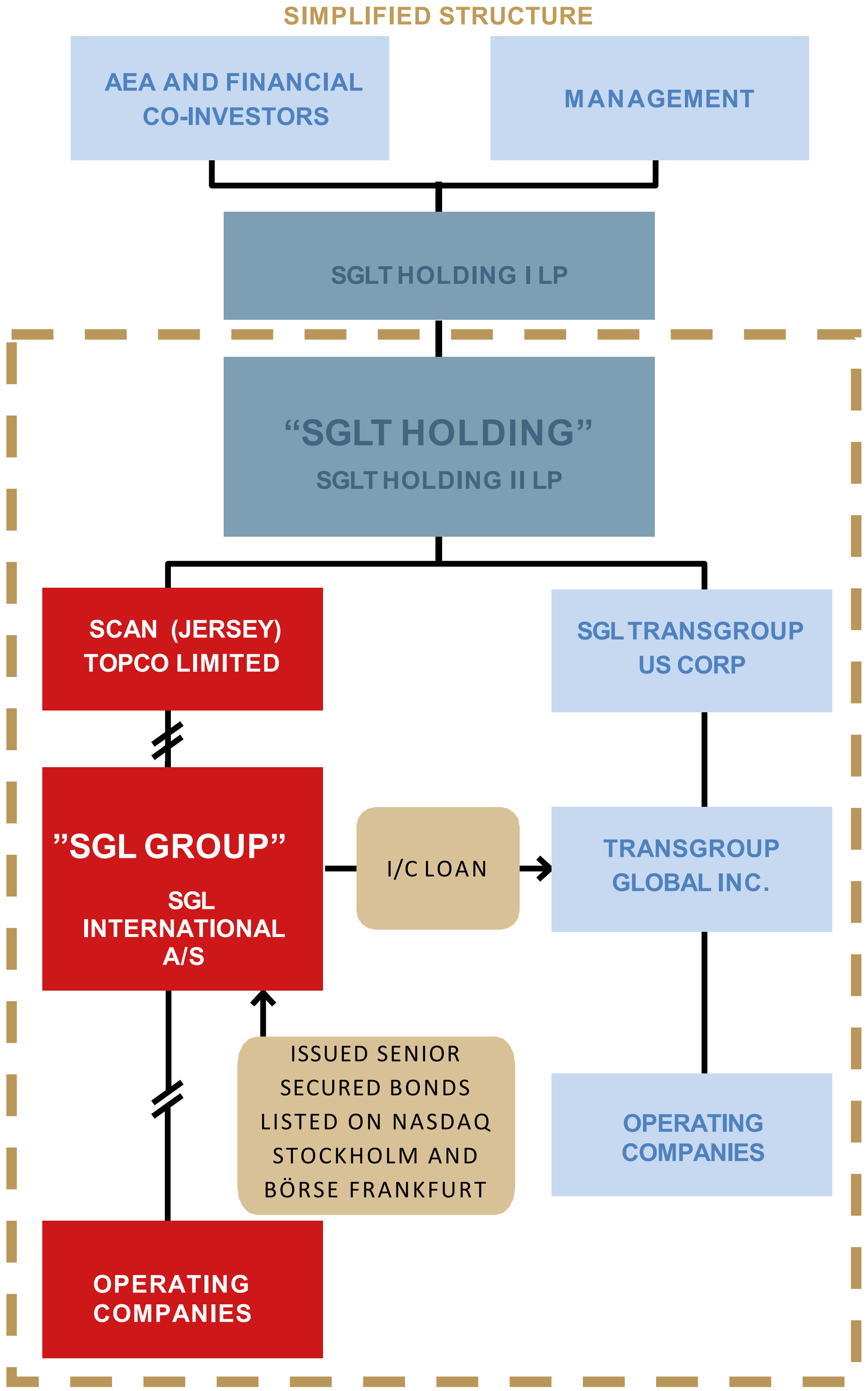
**Adjusted EBITDA (Business performance) excluding the impact of IFRS 16 leases*

Proforma Adjusted EBITDA**

USD 129M

***Including full year impact of acquisitions made in 2021*

- In Q4 2021, SGLT Holding delivered its **best quarterly financial results** to date with an adjusted EBITDA totalling **USD 49m for Q4 2021,** and **USD 112m for full year 2021**. On a fully pro forma basis, adjusted EBITDA amounted to USD 129m in the full year 2021 period.
- The figures in this presentation comprise the combined financial performance of SGL International A/S and TransGroup Global Inc., including their respective subsidiaries, constituting the combined group SGLT Holding II LP ("SGLT Holding").
- SGL International A/S has issued one senior secured floating rate bond, within a framework amount of up to EUR 315 million and one senior secured fixed rate bond within a framework up to EUR 350 million and one subordinated unsecured bond of EUR 40 million.
  - As of 31 December 2021, the total amount outstanding under the EUR 315 million floating bond framework is EUR 250 million.
  - In March 2021, new fixed rate bonds of EUR 150m were secured under a framework of EUR 350m. The Bonds were settled on 8 April 2021 and have been used to finance acquisitions, for general corporate purposes, and repay some of the bonds under the EUR 315m framework. On 28 September 2021 SGL International A/S issued subsequent bonds of EUR 75m under the EUR 350m framework. Total amount outstanding amount under the EUR 350m framework was EUR 225m as of 31 December 2021. Further, in February 2022, subsequent bond issue of EUR 75m has successfully been placed under the EUR 350m framework. Following the Subsequent Bond Issue, the outstanding amount under the EUR 350m framework is EUR 300m as of 28 February 2021.
  - On 6 September 2021 new subordinated unsecured bonds of EUR 40m were settled. The proceeds have been used to finance general corporate purposes and repayment of drawn amounts under the Group's working capital facilities.
- The figures for SGLT Holding are presented to understand the current combined performance and help predict future combined performance supporting the issued senior secured bond through SGL International A/S.
- Reporting currency for SGLT Holding is USD.



INTERIM FINANCIAL HIGHLIGHTS FULL YEAR 2021

- The year of 2021 has been a year with strong organic growth of approx. 25% on major trade lanes and markets. Further, 2021 has been a year challenged by market disruption and very high activity, putting pressure on global freight capacity, pushing freight rates upwards in many regions. In turn, lower cash flows from increased Net Working Capital. Due to the constrained market situation, each shipment consumes more time for our staff, which is why SGLT Holding has effectively adjusted our operating model to match operational capacity for the increased activity levels.
- **Revenue amounted to USD 2,274m** for the full year 2021, an **increase of 88%** compared to the full year 2020. Revenue increases throughout the year were primarily driven by a mix of a strong increase in activity and an exponential increase in freight rates globally due to capacity constraints. Illustrating this, the Shanghai Containerised index has risen continuously throughout the full year 2021. The increase in activity levels was experienced across all regions, especially Air and Ocean activities in the Nordics, Asia Pacific and North America have been impacted. An increase in revenue is also impacted by M&A. On a fully pro forma basis year, 2021 revenue amounted to USD 2,456m.
- **Gross profit amounted to USD 333m** for full year 2021, equivalent to a gross margin of 14.6%; an increase of 64% compared with full year 2020. The increase in gross profit is mainly driven by strong organic growth, combined with the significant increase in revenue which has been converted to a strong increase in gross profit; however, due to the high rates, we have seen a slight decrease in gross margin of 2.2% point compared to the same period last year. The decline in gross margin mainly relates to Air & Sea, where higher freight rates cause higher pass-through revenue and thus a lower gross margin. On a fully pro forma basis year, 2021 gross profit amounted to USD 363m.
- **Adjusted EBITDA** amounted to **USD 112m** for full year 2021; an **increase of 124%** compared to the same period last year. The improved performance was driven both by organic growth and acquisitions. On a fully pro forma basis year, 2021 adjusted EBITDA amounted to USD 129m.
- **Net Working Capital;** Change in NWC was negative with **USD 229m** for full year 2021. During 2021, and especially in Q2, Q3 and Q4, receivables from our customers were impacted by the record-high freight rates and strong organic growth leading to an increase in revenue and thereby increase in trade receivables and NWC. Especially the carrier and port infrastructure challenges in China and US impacts the invoicing process due to delays in seaports and airports. The main NWC impact is primarily seen in Ocean, as this segment achieved a significant growth rate, and this segment generally has a higher NWC than the other segments. Our general payment terms are unchanged, but within the industry we have seen a change in level of upfront payments to carriers, driving an increased spread between payments to carriers and receipts from customers. We see no increase in overdue trade receivables.
- **Growth strategy;** SGLT Holding **remained committed to its organic initiatives and acquisition strategy**. In 2021 acquisitions include the Air & Ocean activities of Grupo Contenosa (Spain), Expedited Solutions, LLC, Werner Logistics (US), Precision Worldwide Logistics, Inc (US), ATL LLC (US) and lastly Horizon International Group (UK-based) and Orbis Global Logistics (New Zealand) which were acquired end Q3 2021.

USDm	Q4 2021	Q4 2020	FY 2021	FY 2020
Income statement				
Revenue	844	343	2,274	1,210
Gross profit	120	54	333	203
EBITDA before special items	54	13	129	65
EBITDA before special items excluding IFRS 16[1]	52	10	108	47
Operating profit (EBIT) before special items	39	4	86	28
Special items, net	-9	-6	-12	-17
Financial items, net	-25	-11	-37	-35
Profit/Loss before tax	15	-14	37	-24
Profit/Loss for the period	0	-10	22	-27
Income statement (Business Performance)[2]				
Adjusted EBITDA[3]	49	11	112	50
Cash Flow				
Cash flows from operating activities before special items, interest and tax	-57	27	-100	83
Cash flows from operating activities	-73	14	-144	43
Cash flows from investing activities	-4	-4	-84	-21
Free cash flow	-77	10	-228	23
Cash flows from financing activities	-3	-5	249	7
Cash flow for the period	-80	5	21	30
Financial position			**31.12.2021**	**31.12.2020**
Total Equity			169	122
Equity attributable to parent company			162	118
Net interest-bearing debt (NIBD)			500	307
Net interest-bearing debt (NIBD) excl. IFRS 16[1]			445	257
Net interest-bearing debt (NIBD) excl. IFRS 16 and PIK note			401	257
Total assets			1,127	677
Financial ratios in %				
Gross margin	14.2	15.7	14.6	16.8
EBITDA margin before special items	6.4	3.8	5.7	5.4
Adjusted EBITDA margin	5.8	3.2	4.8	4.2
EBIT margin before special items	4.6	1.2	3.8	2.3
Equity ratio			15.0	18.0

[1]EBITDA presented before applying the accounting of IFRS 16 Leases; where costs related to leased assets have been recognised in the PL impacting the result negatively.
[2]Business performance represents the underlying financial performance of SGLT Holding in the reporting period as results are adjusted for special 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.
[3]Excluding the impact of IFRS 16 Leases and before special items; ref. Annual Report 2020 Note 6.4 Financial definitions.

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KEY MARKET OUTLOOK

Air

November and December in 2021 marked the traditional peak season for Airfreight e.g. Asia to Europe and US. As expected, this resulted in a tightening of capacity leading to a significant freight rate increase coming on top of historic high rate levels. Overall, Airfreight remains more stable than Ocean Freight, however, 2022 looks to play out similarly to 2021 and a return to pre-COVID19 scenario deemed unlikely.

- The freighter market in 2021 continues to be high demand as belly-hold capacity is at a reduced level. It was expected that Q1 would mark a significant increase in passenger flights in tune with COVID-19 easing up, however, the spread of the Omicron variant has put these plans on hold across most countries globally. The outlook for additional capacity is slim, as all operational freighter crafts are in rotation and with the before mentioned increase in passenger flights not coming as expected belly-hold capacity remains at a reduced level.
- Consequently, while rates have decreased following end year peak the overall trend for rates on major trade lanes to and from Asia is that freight rates will continue to be at high levels. Two things drive this: One, from an overall cost perspective Ocean freight has increased tremendously the past year, narrowing the multiplier gap to airfreight significantly and overall increase in ocean freight rates always benefits airfreight as it becomes more competitive. Secondly, and on top of the first, increasing oil prices add pressure on fuel surcharge levels. Since early 2021, the jet fuel price index has increased by approx. 30%. Consequently, these trends will pressure rates upwards and extend transit times as part of the continuing capacity constraints. Adversely, the major Transatlantic trade route is thought to be somewhat more stable although rates are at a historical high. Ease of rates can only be expected to occur with the alleviation of US travel restrictions.
- There is a strong concern on ground handling congestion issues with many providers unable to find the needed labour. This is consequently generating significant congestion problems which are critical considering that airfreight is time-sensitive also relative to other transport modes. Such congestion could, ultimately, lead to restrictions on either traffic rights for additional flights, or delays and service disruptions on the ground. Although this image represents the current situation on connections to and from Asia, similar disruptions can be expected in other markets as well with Europe and US already seeing the first signs of this also.
- Consumer demand especially driven by E-commerce business continued creating tail-wind for the Airfreight industry and this development is expected to continue mid and long term also.
- Overall, we expect a strong 2022 airfreight market in favour of the supply side which will contribute to rate levels remaining high. The 2022 summer period is widely expected to mark an increase in belly-hold capacity due to resuming passenger flights, however not to an extent that will fundamentally change the overall supply and demand situation.

Ocean

The current ocean freight market remains red hot with capacity constraints sustaining record high freight rate levels across all major trades. Most major ports around the world are heavily impacted by congestion with this causing further ripple effects on the landside delaying container deliveries to customers around the world, with this as a natural consequence of historic low vessel schedule reliability figures.

- Rate levels remain high from a historic level and while minor spot rate moderations are apparent, there is no indication that rate levels will drop significantly short or mid-term. The beginning of 2022 also marked the traditional contract season for long term contracts with many shippers prioritizing long term stability from a capacity perspective. This in turn meant that carriers seized the opportunity to lock in customer contracts for both 2 and 3 years at 5 digit levels recognizing the unique market opportunity at hand.
- As a natural consequence of this container carriers continue to post record result after record result equating to the total profit made over the last 10-15 years. The positive consequence of this being a significantly increased appetite for ordering new vessels, albeit this only expected to have a major impact in 2023 and onwards.
- The pre-Lunar New Year period as usual marked the ocean freight peak season in Asia, however, December and January overall mirrored the situation seen throughout 2021 with shippers having grown accustomed to dealing with extreme volatility.
- The US remains a specific concern and the general consensus is that we have transitioned from a covid-impact situation to a situation that has unearthed structural flaws within both port and trucking operations. For this reason rate levels to the US continue to be locked in at very high levels.
- The container equipment situation has stabilized and is currently not the main cause of the systemic challenges we are seeing. Container carriers continue to invest in new container equipment and the effect of this is already showing.
- Overall we expect an ocean freight market that will remain volatile throughout 2022 with only a black swan event being able to impact the current demand & supply situation. There are no data points indicating a fundamentally changed market situation and even if demand will decrease, carriers have shown that the instrument of blank sailings and thus short term reduction of capacity is an instrument that will be applied in order to sustain rate levels.
- From a general logistics and supply chain perspective the market volatility is fuelling an increase in focus on supply chain management as a strategic differentiator, and less so a transactional approach. Logistics and Transportation has moved into the board rooms and this overall supports additional business opportunities and ultimately higher margins for transportation and logistics providers.

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