

# ANNUAL REPORT



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DANSKE FRAGTMÆND



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# PREFACE





## 2021 – ANOTHER CORONA YEAR

At the beginning of 2021, the first vaccines had just been administered and many of us hoped that our lives would be back to normal within a couple of months.

That is unfortunately not how things turned out, and 2021 would become yet another year where we would need to follow changing restrictions that would also have an effect on our cargo composition. Each time the government tightened the restrictions, the proportion of shipments we delivered to private recipients would increase. And this decreased accordingly when the restrictions were loosened. For a company that primarily sees itself as a B2B operator, these fluctuations created challenges both for the terminals and the hauliers as private deliveries are typically much smaller and more often result in dialogue with the recipient.

The recession in the international economy created bottlenecks in several places, and labour shortages in particular became a severe problem for many sectors. In the transport sector, new rules were applied that resulted in a large number of foreign hauliers opting out of Denmark. This reinforced the challenges faced by our industry.

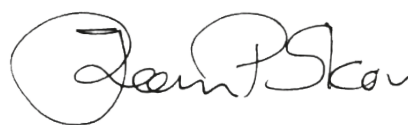
Despite all this, 2021 was a financially successful year and the annual result was the best in Fragtmænd Holdings' history. While for many years, we have experienced financial difficulty with our warehouse operations, in 2021 we were finally able to crack the code. Profits in 2021 were particularly satisfactory, which also contributed to the good annual result.

The financial result in 2021 also provides a reason to believe that the financial challenges of previous years may have been overcome.

As we have primarily been focused on making the company profitable and reducing debt in the period following 2017, we are now in a situation where we have a healthy financial situation and can begin looking forward. That is why in 2021 we commenced a strategic initiative that will bring Danske Fragtmænd to the next level. The aforementioned challenges surrounding shipments to private recipients is one of the issues that Danske Fragtmænd will have to solve in the near future. But a sustainable transition of heavy transport is also an essential element that we must articulate and prioritise.

It was precisely this sustainable transition that we took small steps towards in 2021, where we released the first electric lorries in Copenhagen, Odense, and Aarhus. In continuation of this initiative, we have decided that in the future we will publish a climate account so that we and the world can follow our efforts in this from year to year.

Thus, in 2022 several initiatives will be launched that will strengthen Danske Fragtmænd's profile and ambition to contribute to society's sustainable development.



**Jørn P. Skov**  
CEO

# MANAGEMENT REPORT





## WE SEE NEW SHIPMENT PATTERNS

Danske Fragtmænd's transport turnover increased by 3% in 2021, which we attribute to corresponding with the market's development.

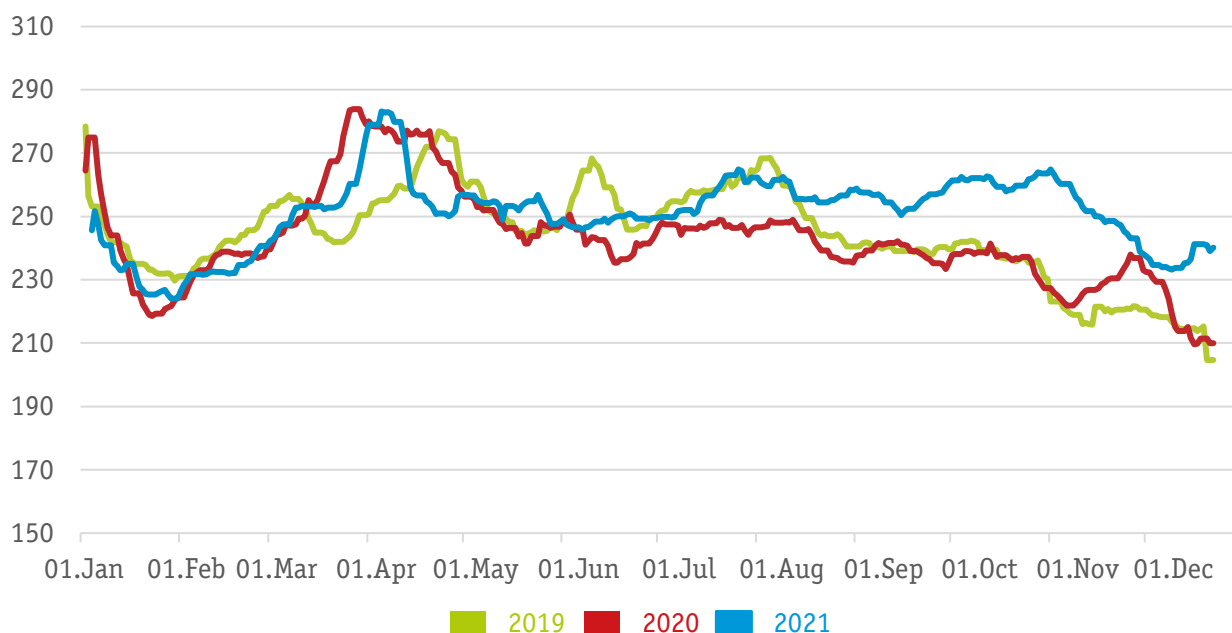
There was a shift, however, in customer shipping patterns over the year that resulted in the average shipment becoming slightly heavier than in previous years.

There appears to be a correlation between the problems with the international supply chains and the customer's shipping patterns, as the average weight begins to increase as a result of the container ship

Ever Given blocking the Suez Canal at the end of Q1 2021, thus creating unrest in the supply chains.

At Danske Fragtmænd, we see a tendency towards more companies seeking greater independence from the international supply chains and are therefore establishing warehouses more locally. This means that there is a movement away from "just in time." When the focus is not on just in time, but on having stock for several days, the average shipment increases while at the same time the number of shipments decreases. This corresponds to Danske Fragtmænd's experience in 2021.

### KG/FB – 14 DAY RUNNING AVERAGE



The problems in the international supply chains have continued into 2022, and the shift towards heavier shipments has further strengthened at the start of the year.

It is still too early to assess if this is a lasting trend, but it is supported by the fact that all of our

warehouses are filled to the limits. 2022 is therefore shaping up to be a year where the developments from the second half of 2021 continue. The activity based on number of shipments will decrease, while nevertheless more kilograms will be shipped than in 2021.

## NEW STRATEGY UNDERWAY

“What, where are we going?” was a popular expression back in the 1990s after a little animated troll used it on television.

We have begun asking ourselves the same question at Danske Fragtmænd.

For several years, we have worked with making special concepts (crane, night, direct and warehouse) profitable. This process has gradually borne fruit for all concepts with the exception of direct. However, we believe that we are at a place where we can begin to look further forward and out into the world instead of being as internally oriented as we have been before.

That is why in 2021, we started a strategic process that will lift Danske Fragtmænd to the next level by 2025.

A strategic process can have three goals: It can focus on the company's growth, at making it more profitable or a combination of the two. Danske Fragtmænd will work toward a combination. We will therefore work with efficiency measures where freight flows are optimised, standardisation of processes and digitalisation of the company, all of which must be implemented in parallel with the business' growth in revenue.

During the corona crisis, we have witnessed a development in the transport market where the general cargo segment is stable, but where there is high growth in parcels for private persons as well as an apparent demand for more customised solutions. In addition, there is an increasing interest in society for a sustainable transition of all sectors and thus also for heavy traffic. At present, this is primarily due to the country's municipalities working with coordinated distribution of goods, while the private sector is holding back in wait.

The strategy process will therefore have to solve the aforementioned development trend while we generate profitable growth.





## DIGITALISATION WILL LIFT OPERATIONS TO NEW HEIGHTS

**2021 has been especially marked by digitalisation, where one of our largest focus points has been digitalisation of select processes in operations. Operations is at Danske Fragtmænd's core, and we strive to be the best at what we do. It is important for our ability to compete in the transport market that we always think about developing to stay ahead of the competition. In this respect, we have launched a number of IT initiatives aimed at helping operations.**

With the day-to-day concept that we practice at Danske Fragtmænd, it is important that our operations function optimally around the clock. Our delivery quality is a testament that they do so. With the implementation of new IT initiatives over the past year, we ensure opportunities for improvement in operations and create the potential to reach new heights.

"Our operations setup has always been very practical, whereby we have perfected our workflow over many years. Digitalisation can help us become even better. Among other things, we have worked towards developing new tools that can help our terminal employees and make their daily routines simpler. In the long term, the initiatives also make it possible for us to handle increasing freight volumes without needing to move even faster," shares Peter Kasten, project manager in business development.

One of the new tools is "Parcel Scan," which has required changes in the workflows at the terminals but in return pays off in the end. Simply put, "Parcel Scan" involves scanning all parcels in a shipment rather than the entire shipment as we have done in the past. This provides us with a greater degree of detail of the goods we handle and an overview of where each parcel is during the transport process. In addition, "Parcel Scan" means that in the future, it will be easier for us to find lost goods and thereby deliver these to the recipient more quickly.

"Should an accident occur, "Parcel Scan" also helps our customer service to find which terminal the goods have last passed through more easily. We will thus be able to find the lost goods more quickly once "Parcel Scan" is fully implemented, which will of course be important for the customer experience," explains customer manager Ib Nielsen.

Even if "Parcel Scan" adds an extra step to our terminal employees' goods handling workflow, the figures indicate that productivity is only slightly affected by this. Instead, we see that this relieves workflows elsewhere, such as in our customer service, to the benefit of both Danske Fragtmænd and our customers. In 2022, we will continue to work with digitalisation of operations, and we have big expectations of what results we can create based on this.









## MAY WE PRESENT... OUR FIRST CLIMATE ACCOUNT

**Along with the 2021 Financial Statement, a climate account is included for the first time as well as a number of goals for Danske Fragtmænd's future climate efforts.**

In 2019, we took the first step towards a greener company when among other things we replaced the fluorescent lighting tubes at our terminals with LED. Since then, a number of other efforts have been taken such as a new green company car policy, replacing lorries with acid batteries with ones that have lithium batteries, and not to mention the purchase of four new electric lorries. Until now, we have been unable to measure the impact these many efforts have on the green bottom line, but with the new climate account this is now possible.

While we cannot present the major CO<sub>2</sub> savings in the 2021 climate account, work with the account is a major step towards a greener transport company. The climate account will provide us with precise information on how much CO<sub>2</sub> we emit as well as with an opportunity to set some long- and short-term goals. Additionally, we can provide information about the green initiatives that we have undertaken over the course of the year, and not least share the experiences that we have had along the way.

It is also important to keep in mind that the outside world and our customers expect that we, as Denmark's largest national carrier, work actively to-

wards a green transition and have control over the climate impact that we have on the planet.

Head of Sustainability Torsten R. Hermansen shares: "We experience that our customers have a strong focus on what approach Danske Fragtmænd has in the fight against climate change. There's a clear expectation that as their carrier, we work purposefully towards Denmark's road transport transition. It is becoming an increasingly important competitive parameter, or even a condition, for customers to enter cooperation agreements with us regarding the shipment of their goods."

Pressure from customers, the political green agenda and especially our own desire to contribute to the green transition have to a significant extent created the need to be able to present a professional and believable climate account.

"We are very proud of the climate account that we have developed. The environmental savings for 2021 are not flashy, but the commitment is high, and the goals are ambitious. And we believe that the transport branch's transition is like a hockey stick where it goes slowly in the start, but the more technology matures the faster it will go," says Torsten R. Hermansen in conclusion.

Danske Fragtmænd's climate account can be found on our website [www.fragt.eu](http://www.fragt.eu).

## RECRUITMENT PICKED UP SPEED IN 2021, AND THE FIGHT FOR GOOD EMPLOYEES HAS BEGUN

Despite corona's unexpected continuation into 2021, the year was still different than 2020. We witnessed nearly a doubling in the number of recruitments compared to the previous year. This occurred both as replacements for employees who had sought other paths, but also as new employments that would strengthen a growing and well-functioning business.

In Danske Fragtmænd, we often boast that our employees rarely want to trade their workplace for another. The figures also support our assumptions, as our employee turnover typically lies below the industry average. 2021 has been an unusual year, however, where more individuals seeking new pastures and where more recruitments have occurred than usual. The causes to this may be many, but there can be no doubt that as a workplace, we will compete more with other companies in attaining qualified labour in the future.

In the employer organisations, the unions and at Christiansborg they are actively discussing this right now. Because what solutions can solve the growing shortage of labour in the business world? The transport industry is no exception, where the focus is on the lorry's cab in particular. Working as a lorry driver is not perceived as attractive by young people – the long working hours and the tough physical work environment are not seen as desirable. In Danske Fragtmænd it differs greatly how hard we are affected by the shortage of drivers in the country. We recognise, however, that many of our drivers are older and that we do not have enough young drivers to take over once the older ones enter retirement.

To make the driver's job more attractive, some hauliers have chosen to introduce four-day weeks, while others have set their sights towards bringing the long-term unemployed into the industry. Creativity is therefore not lacking with our freighters, and the ability to think outside the box will likely be the way forward in getting the labour we need in the future.

Even though the focus right now is largely on the future lack of drivers, we also see a tendency where it is more difficult to employ the heavier administrative functions in Danske Fragtmænd. If we are to maintain our competitiveness as a company in the future, digitalisation in particular will be an important part. This requires competent IT and project workers, and unfortunately these do not grow on trees. That is why we are especially focused on creating enough conditions and possibilities within our company to make it interesting to be a part of the Danske Fragtmænd group. For example, home office is possible, massage perks, special staff benefits and educational opportunities, which together will make Danske Fragtmænd more attractive as a company.

As part of a larger strategy begun at the end of 2021, management decided on six must-win-battles. The first is that "we will be the branch's best workplace." An ambitious goal, but not impossible. Towards 2025 this goal, together with the other five must-win-battles, will be the direction that all departments in Danske Fragtmænd will aim for.







# CUSTOMER CASE



## STRONG PARTNERSHIP WITH DANSKE FRAGTMÆND SUPPORTS HARALD NYBORG'S GROWTH JOURNEY

**With 44 stores distributed throughout Denmark's larger cities, Harald Nyborg's yellow logo is well-known. The stores, where you find everything from tools to garden furniture, have been busy the last year. As carrier, Danske Fragtmænd has been tasked with ensuring the goods are quickly and safely delivered to the stores.**

Corona and the many home deliveries in Denmark over the last couple of years have undoubtedly placed extra pressure on companies that have building materials and garden equipment in their selection. Harald Nyborg is no exception and has therefore required partners that can quickly adapt to the conditions and demand of the market. Logistics manager Karsten Wirnfeldt explains:

"During the pandemic, we really needed a carrier that could respond with agility. We were in a situation where we alternated between closing and opening our stores. And from one moment to the next our revenue increased dramatically. The rising

demand led to the need to produce on Saturdays at Harald Nyborg's warehouses with corresponding shipment to the stores before Sunday morning. Danske Fragtmænd has been able to adapt to this within a very short time, something I believe very few carriers of this size would have been able to do. Harald Nyborg is the only customer to have Saturday handling at Danske Fragtmænd's terminals. This creates competitiveness and helps bind Danske Fragtmænd and Harald Nyborg even stronger together."

For many customers, Danske Fragtmænd is an important sparring partner in their daily operations and development. This also applies to Harald Nyborg, where the close and positive collaboration is of great significance to the journey the company faces in the future.

"Danske Fragtmænd knows our future plans, which we usually keep close due to competition concerns. But if they, as carriers, are to carry out the tasks

we require of them in the future, they should also know where we are going.

We see Danske Fragtmænd as a trustworthy and strategic partner, one that contributes to Harald Nyborg's positive development," shares Karsten Wirnfeldt.

While the collaboration usually runs smoothly, sometimes challenges arise that must be solved. For example, communication between Danske Fragtmænd and Harald Nyborg regarding irregularities in operations have previously been a small issue. For logistics manager Karsten Wirnfeldt, good communication is essential for a successful partnership, and things look very different today.

"Danske Fragtmænd has become much better at communicating than what we experienced a few years back. The managers are proactive and are good at advising us of irregularities. This provides us with the possibility to adapt, such as not keeping warehouse staff waiting for several hours for goods out in the stores. We appreciate that," says Karsten Wirnfeldt.

Time will tell what the future holds for Harald Nyborg and Danske Fragtmænd, but Karsten Wirnfeldt has no doubt that the future's carriers will need to do more than deliver from point A to B if they want to play with the big players.

"If you want to work with the big retailer companies, such as Harald Nyborg or Salling Group, the carrier needs to be able to set up and facilitate a fast-paced project team. Just as we have done here as we move large volumes of goods from the terminal in Odense to some of the other terminals. It's no longer enough to just deliver from A to B," shares Karsten Wirnfeldt in conclusion.

Harald Nyborg has been a customer with Danske Fragtmænd since 2001 and in addition to transport to the company's many stores also has a buffer warehouse at Danske Fragtmænd's terminal in Odense. Harald Nyborg is currently negotiating to extend the agreement with Danske Fragtmænd.

## FACT BOX

Harald Nyborg is a nation-wide retail chain with 44 stores and is also one Denmark's largest web shop companies. The company's purchases are primarily made directly from manufacturers across the world, and it handles them in its own warehouses in Odense. This structure makes them one of Denmark's largest actors in the purchase of sea freight, pallet goods, parcels, and warehouse hotels.

Harald Nyborg has approx. 1,800 employees and an annual turnover of DKK 2.5 bill. Its headquarters in Odense is staffed with approx. 80 administrative workers. The 100 per cent family-owned parent company Harald Nyborg A/S includes the subsidiaries jem & fix and Daells Bolighus.

- 300,000 pallets annually to its own stores.
- 60,000 shipments annually over 20 kg to private recipients.
- 300,000 parcels annually under 20 kg to private consumers.
- Imports 4,000 shipping containers annually from abroad.
- Empties 6,000 lorries annually at four warehouses in Odense.
- Uses Danske Fragtmænd's warehouse in Odense as a buffer warehouse.



# FINANCIAL STATEMENT

For some years, Danske Fragtmænd has undergone a process in which the task has been to optimise both the general cargo business as well as the other concepts.

The concepts developed positively once again in 2021 and contribute with a total profit of just over DKK 52 million before tax. Warehouse activity in particular has continued to develop well and today

is at a satisfactory level in terms of profits.

The annual result of DKK 73 million is the best in Fragtmænd Holding's history and has provided the possibility to strengthen the company's equity. It has also resulted in a practical liquidity generation that has enabled a significant reduction in the company's debt.

## ACCOUNTS OVERVIEW (5-YEAR GROUP FIGURES) \*

Group figures for Fragtmænd Holding A/S (mil. DKK.)	2017	2018	2019	2020	2021
<b>Income statement</b>					
Net sales	2.691,1	2.908,4	2.838,6	2.904,2	3.100,0
Operating profit	13,4	75,5	61,9	50,6	101,7
Result before tax	3,8	47,4	40,1	31,4	90,3
<b>Annual result</b>	<b>0,6</b>	<b>36,7</b>	<b>30,4</b>	<b>23,0</b>	<b>73,3</b>
<b>Balance sheet</b>					
Total assets	1.483,4	1.491,3	1.390,6	1.367,4	1.334,6
Equity	305,9	356,8	395,1	430,3	507,5
<b>Cash flow statement</b>					
<i>Net cash flow from:</i>					
Operations	42,7	35,3	79,0	148,1	134,6
Investments	-193,3	-6,0	4,2	-12,5	-4,5
Financing	119,2	-21,2	-40,4	-4,5	-88,9
<b>Annual cash flow</b>	<b>-31,4</b>	<b>8,1</b>	<b>42,8</b>	<b>140,1</b>	<b>219,1</b>

## KEY FIGURES

	2017	2018	2019	2020	2021
Shipments (1.000 pcs.)	8.083	8.554	8.294	9.039	9.142
Weight (tons)	2.008	2.175	2.009	2.186	2.322

\*The company accounts can be obtained from the Danish Business Authority after the company's general assembly on April 23, 2022.

# BOARD OF DIRECTORS



**SØREN PEDERSEN**

Chairman  
SJ Fragt A/S



**ERIK JENSEN**

Deputy Chairman  
J. M. Jensen A/S



**BJARNE K. JENSEN**

Flemming Krogh A/S



**CLAUS R. JENSEN**

Sæby Godstransport



**JENS-OLE LARSEN**

HLS Fragt A/S



**JESPER L. THRIEGA**

Ommersyssel  
Godstransport A/S



**FLEMMING W.  
JENSEN**

Sax-Trans A/S



**SVEN BUHRKALL**

SB Consulting

