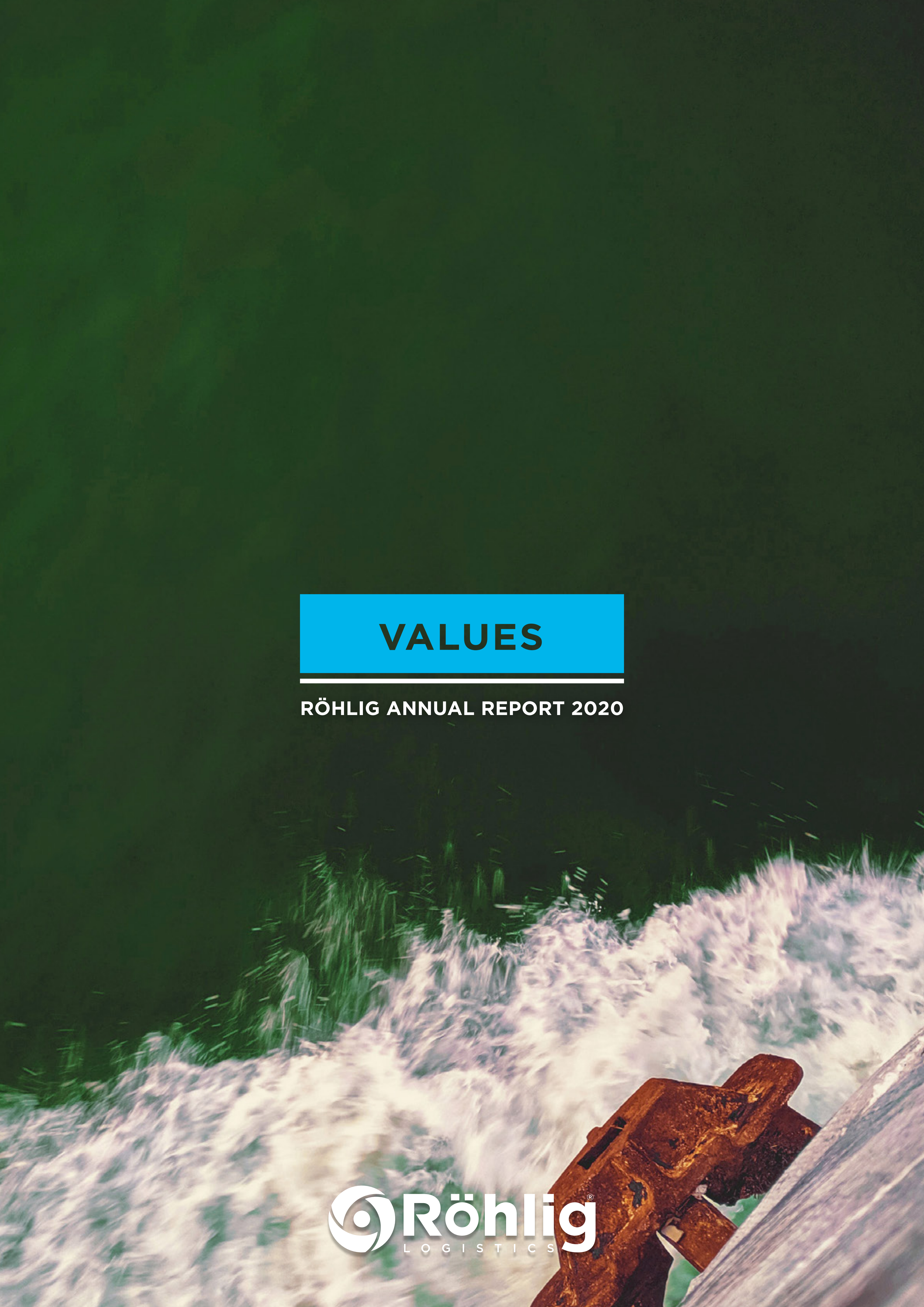


VALUES

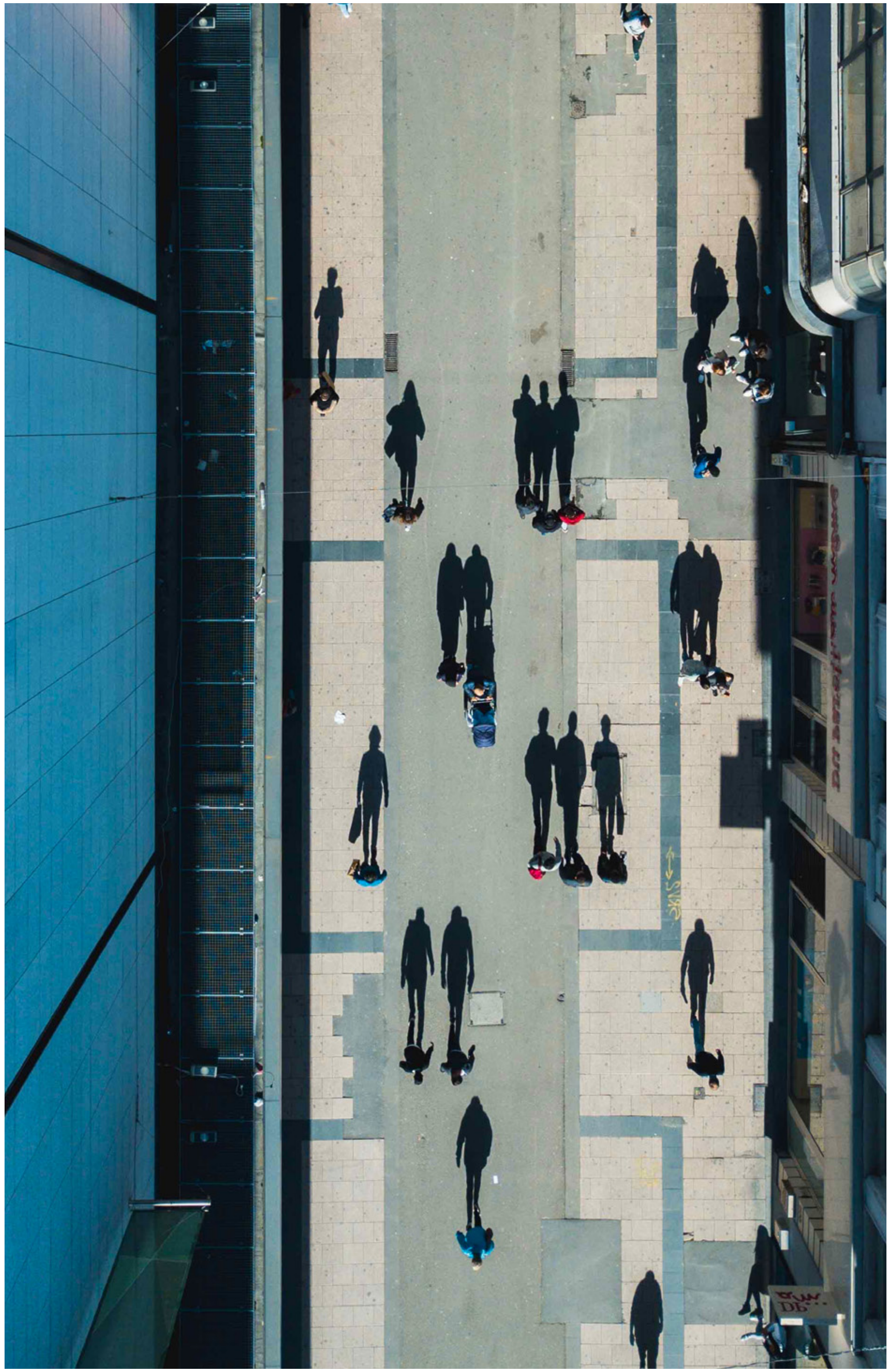
RÖHLIG ANNUAL REPORT 2020

VALUE
/ˈvæljuː/
Noun, masculine [the]

Inherent quality of a thing that makes it desirable to a certain extent. (...)

Definition according to Oxford Languages

CONTENTS



RÖHLIG LOGISTICS

We are an owner-operated, independent logistics company with nearly 2,200 employees worldwide. In the areas of air freight, sea freight, and contract logistics, we develop tailor-made solutions for our customers. We have a global network with offices in more than 30 countries on all continents and combine the professionalism of a large company with the values of a family business.

KEY PERFORMANCE FIGURES

IN EUR M	2020	2019
GROSS SALES	902.6	874.0
NET SALES	650.0	607.8
GROSS PROFIT	140.4	140.7
EBIT	11.8	5.2
TOTAL ASSETS	177.0	144.5

Dear Customers, Business Partners and Employees,

The 2020 financial year is hard to squeeze into a report format. Too much has radically changed – in people's day-to-day lives around the world, in the global economy and in logistics at any rate. We at Röhlig Logistics have also grown with this exceptional year, in a way that can only be imperfectly expressed in business figures.

Let's take a look back: We started to analyse the risks of the impending pandemic during the first local coronavirus outbreaks in China. And our programme Act for Performance began back in January in response to the crisis. A task force developed measures to protect our employees around the world and ensured that we were kept up to date on the current situation in international logistics hubs.

We realised individual solutions for our customers, especially during this critical phase, in which numerous transport trade lanes came to a halt. I am proud of our employees' outstanding performance in this difficult time – and grateful for the special dedication they have shown under difficult circumstances. Their work has not only maintained industrial supply chains but also helped urgently needed pandemic items and medical equipment get to their destination on time.

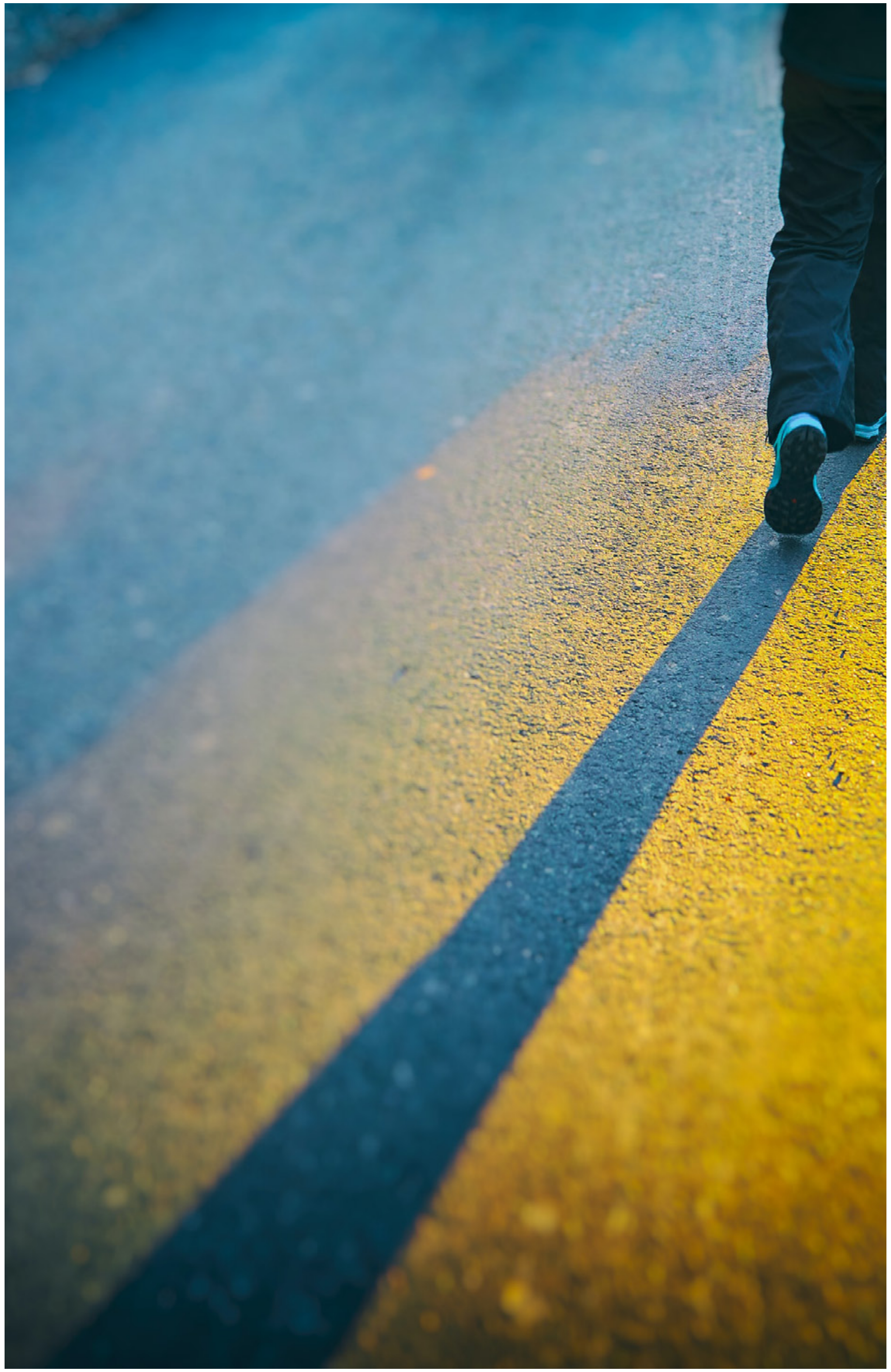
I am also pleased that we recognised the many challenges of the coronavirus crisis as an opportunity for change: we swiftly developed new logistics products, accelerated internal decision-making processes and intensified communication in the business. We thus grew even more strongly together as a team despite the forced distance. We will keep many of these innovations. And a newly established committee – the Innovation & Investment Panel – ensures that we will put our employees' good ideas into practice even more quickly in future.

Despite the global challenges, 2020 thus brought us a step forward in many respects. This change can be seen and read in our revised corporate values. "Truly reliable, forward thinking, eager for more" – these traits position us well for the future. We are also making ourselves future-fit with a new regional management structure and our Blue Star strategy programme, which we are resuming this year at full speed. The refinancing of our business, which was successfully concluded in 2020, gives us the necessary scope for strategic development.

Despite my delight about the changes, I am old-fashioned in one respect: meeting colleagues, customers and business partners face to face remains vital for me.

We are still having to restrict ourselves to digital communication. But I am already very much looking forward to the time when I can have face-to-face conversations with you again.

Philip W. Herwig
Managing Partner



THIS IS WHAT WE STAND FOR —

OUR CORPORATE VALUES

With the revision of the Röhlig corporate values, Management, together with employees, began a project close to its heart at the end of 2019. The outbreak of the coronavirus pandemic, however, forced us to interrupt this, as urgent day-to-day business took priority. Despite the difficulty of assessing the outlook, we decided as soon as possible to continue the project in 2020, because especially in uncertain times, shared values help and strengthen.

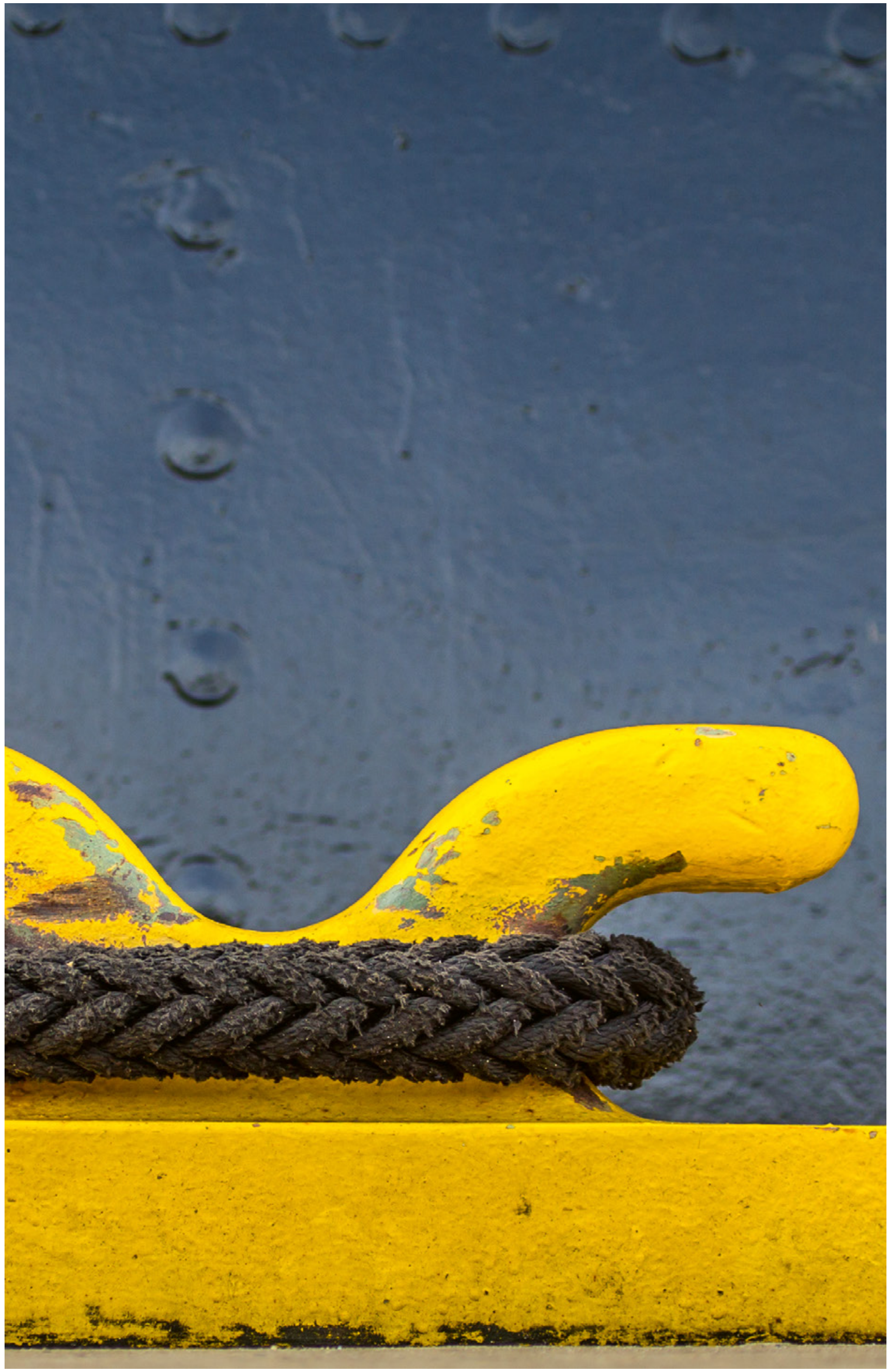
Our corporate values **“truly reliable, forward thinking, eager for more”** are not new but have been put in a nutshell for the first time. They are at once our inspiration and responsibility. We have also revised our visual communication and now clearly show what we stand for at Röhlig: we make binding statements and leave no doubt about our word or our quality.

Philip W. Herwig, Managing Partner: “A highlight was that everyone at Röhlig had a shared goal in mind and therefore pulled together, and we were thus able to end the 2020 financial year very satisfactorily.”

Dr Robert Gutsche, Chief Financial Officer: “I joined Röhlig in March 2020. I actually wanted to travel a lot to meet everyone in person. But as this year went virtual, my colleagues welcomed me with open arms ‘by screen’. I truly feel part of the Röhlig family.”

Ulrike Baum, Chief Human Resources Officer: “Even at the time of the pandemic, we are ‘truly reliable and forward thinking’: our task force, which was put together at the start of 2020, implemented targeted measures together with our subsidiaries to protect our employees and offer our customers individual solutions for the new challenges.”

Hylton Gray, Chief Executive Officer Air Freight, Sea Freight, Contract Logistics & Sales: “I was inspired by the entrepreneurial spirit with which our teams supported our customers, even during the pandemic, sometimes making even the impossible possible with innovations and fast solutions.”



TRULY RELIABLE

We are the sixth generation of a family business and speak about our more than 2,200 employees around the world as the “Röhlig family”. What makes us special is that with our mid-sized organisational structure, we are small enough to be close to the customer and large enough to deal with global logistical challenges. One of our corporate values is therefore “truly reliable”. This emphasises the fact that we are there for our customers, employees and partners in good times and in bad. We keep our promises and are reliable.

In the times before Covid-19, it was clear how we lived up to this value in day-to-day office life and in face-to-face meetings: through interaction in a spirit of trust and partnership. But the pandemic has turned our entire economic, social and private lives upside down and largely digitalised communication. Although we had already successfully advanced the digital transformation in our business and for our customers before the pandemic – meaning that we were able to switch seamlessly to this mode – communicating with employees, who we moved to working from home practically overnight with the help of our Röhlig IT department, represented a challenge. This has ensured full operational capability since the start of the pandemic.

But that was not enough for us, because “truly reliable” means that we are there for each other. And so we looked for a solution for how to remain in contact with all our employees during the pandemic. The start was our annual global conference for managers, which took place digitally for the first time this year. After three very successful virtual days, we decided to inform all our employees about current events in the business digitally.

In the five live sessions, Management informed staff around the world about the latest developments in the business and gave insights into the strategy for the coming years. Afterwards, the participants made lively use of the option to ask their individual questions in the chat, and answers were given live.

This employee event was the start of further digital events, which decisively strengthened our sense of togetherness in the pandemic.

Digital live session with the Röhlig Global Executive Board

#trulyreliable

FORWARD THINKING

The global spread of the coronavirus heavily influenced our corporate planning for 2020. We quickly adjusted to the new situation – very much in line with our corporate value of "forward thinking".

To overcome the business impact of the Covid-19 pandemic, we developed the Act for Performance (A4P) programme. A4P is primarily aimed at maintaining ongoing operations and ensuring our business's liquidity.

As part of A4P, we founded a coronavirus task force, which has been in close contact with our subsidiaries from the start. In addition to the focus on relevant products in times of scarce cargo space, the task force developed the digital coronavirus report: a global situation report which supplies our customers with daily information on processes, measures and transport solutions. We were able to offer this tool very quickly thanks to bringing together know-how from our global network and with the help of our digital specialists from the Röhlig IT department. Particularly in the uncertain initial months, when no one yet really knew what impact the pandemic would actually have, our coronavirus report proved to be a reliable and widely used source. And in the second year of the pandemic, we are also seeing that every time the situation changes, the number of times the report is accessed rises. The coronavirus report is available on the Röhlig website.

But A4P is more than a crisis programme we are using to steer through the adverse pandemic period. With A4P, we are preparing our business for the future too. To remain relevant as a logistics service provider on the global market, it is vital that we are agile in our thinking and actions so that we deliver the best solution and remain innovative – or in other words, "forward thinking".

The success of A4P can be seen in the 2020 result

#forwardthinking

EAGER FOR MORE

The capacity bottlenecks caused by the Covid-19 pandemic in some cases present our global network of branches and partners and our customers with the greatest challenges. We have seized this completely changed situation as an opportunity to explore new avenues and thus support our customers, because we are "eager for more". What we at Röhlig mean by this can best be explained by a few examples from our day-to-day operations:

Cargo instead of passengers: an Airbus A380 flies supplies for coronavirus test kits

An unusual "Röhlig charter" flew from Shanghai to Hamburg twice. On board were urgent supplies for manufacturing Covid-19 rapid tests in Germany. What was special about this charter flight was the aircraft: it was not an ordinary cargo freighter but the popular passenger aircraft the Airbus A380, which had been converted into the world's largest relief freighter.

Since the outbreak of the pandemic, we have been supporting our customers with quick solutions for transporting medical supplies. For instance, our deliveries include:

- 50 million disposable masks
- 40 million SARS-CoV-2 antigen rapid test kits
- 35 million FFP2 masks
- 1 million microporous coveralls
- 200 tonnes of disinfectant
- 300 tonnes of medicines

Tailor-made: from China to Europe in 13 days

In the middle of the high season, the Röhlig Rail Team was faced with the challenge of transporting electronic parts from South Korea to Poland via China. To enable a short transit time, the team organised an express block train via the broad gauge tracks to Sławków in Poland, as a result of which it was not necessary to reload the wagon at the border. The cargo therefore arrived from China within just 13 days, reducing the total transit time by almost a week.

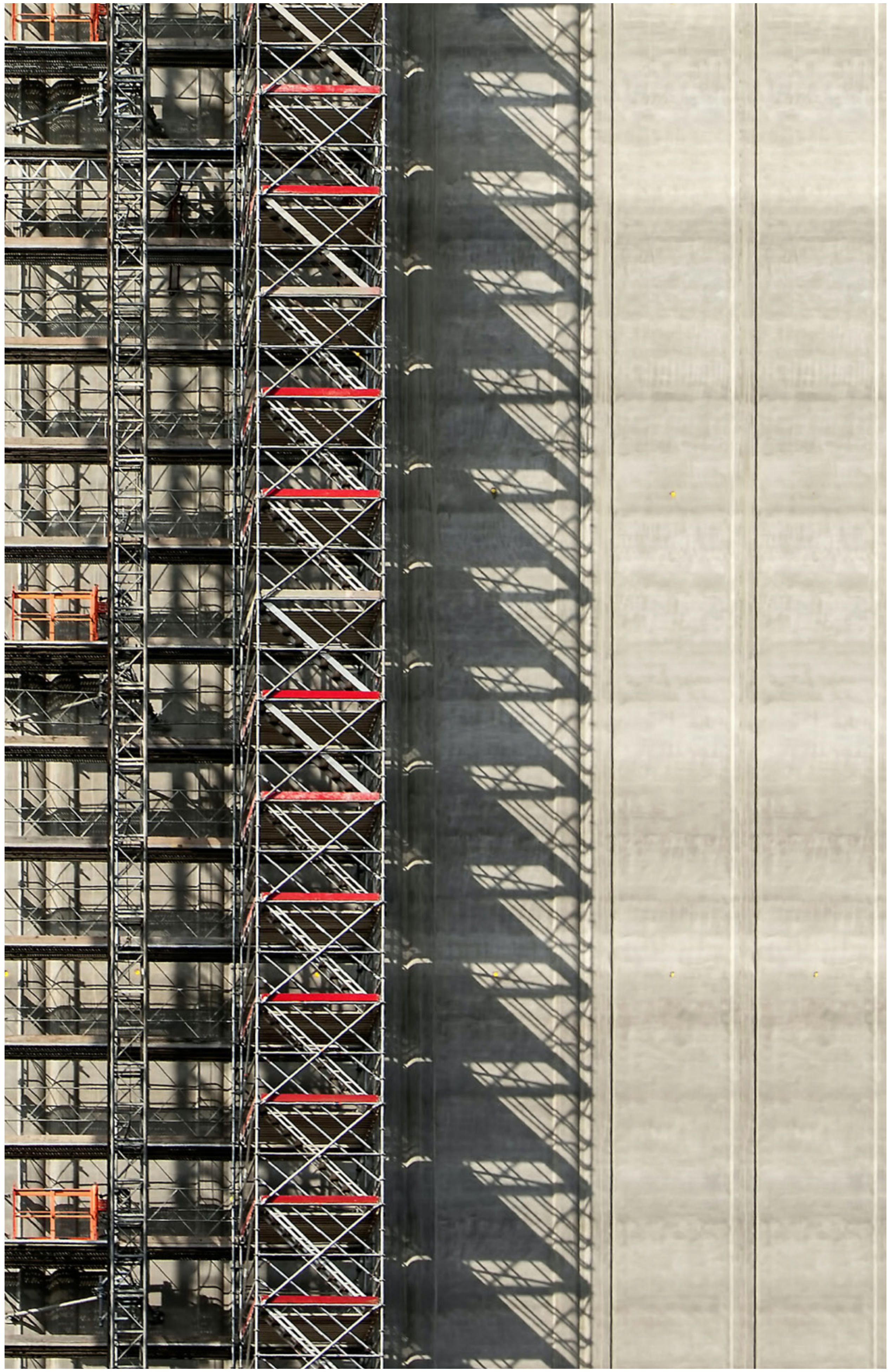
LCL EXPRESS: the fast alternative to air freight

Due to the reduced air freight capacity, we have been offering an LCL Express option for certain trade lanes since spring 2020. With fixed weekly sailings, our ocean express service takes your cargo to any place in the USA. This service is designed to give our customers maximum flexibility, allowing last-minute decisions and changes owing to the current situation.

For example, our teams in Germany and the USA were able to swiftly bring a major German customer's airbag shipment, which had been delivered to the USA by air before the coronavirus, over the Atlantic to its destination. The container ship from Bremerhaven landed in New York after just eight days. The unloading took place locally within just two days, and we had already organised the onward transportation on trucks, meaning that delivery to the plant in Texas took place less than two weeks after departure of the ship and thus in half the usual sea freight transport time.

Air charter – transporting supplies by A380

#eagerformore



BUSINESS DEVELOPMENT IN 2020

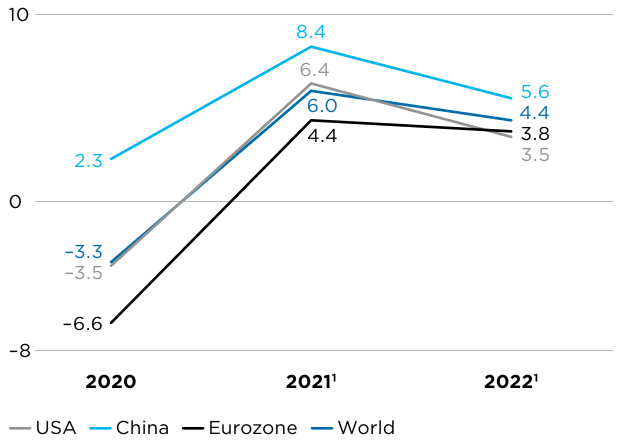
OVERALL DEVELOPMENT

Market environment: the coronavirus shapes 2020

2020 was dominated by the coronavirus pandemic. Following its initial major impact in China as early as February 2020, the whole world had to face the effects of the coronavirus pandemic in the second quarter of 2020. Factory closures and disrupted supply chains impacted global trade, while at the same time the need for medical equipment and personal protective equipment, especially masks, increased considerably. The impact of the US government's trade policy on other countries' economies therefore tended to fade into the background. Despite the global economy's recovery in the third and, particularly, the fourth quarter, the presidential election in the United States in autumn 2020 drew a high level of global attention. The election was associated with hopes for a reduction in barriers to global trade and greater respect of multilateral agreements.

The WTO and the IMF's forecasts in the second quarter of 2020 for the development of global trade in the full year of 2020 still anticipated a decrease in the high double-digit range. These gloomy forecasts were qualified during the year, partly because the Chinese economy recovered more quickly than expected. The IMF's table on the development of gross domestic product in the most important markets illustrates this.

Change in real gross domestic product compared with the previous year (%)



[1] Forecast
Source: IMF, April 2021

According to information from the German Federal Statistical Office, real gross domestic product (GDP) in Germany decreased by 5.0 per cent in 2020 (previous year: growth of 0.6 per cent)[1]. The drop was thus smaller than in 2009, the year of the financial crisis (−5.7 per cent).

Our core business – sea and air freight – was affected by the negative development of global trade. A falling sea freight volume led to an artificial shortage of shipping space because the container shipping companies cancelled planned ship departures without replacement. This led to the desired stabilisation of sea freight rates but at the same time caused a shortage in the supply of empty containers. The cancelled departures meant that the empty equipment was no longer available where it was needed.

[1] www.destatis.de/EN/Home, press release no. 020 of 14.01.2021.

According to our information, the volume in the sea freight area already recovered strongly in the fourth quarter of 2020, which led to a dramatic rise in sea freight rates. Compared to the same quarter of 2019, we saw growth of 3 to 5 per cent in the fourth quarter of 2020. This was after three quarters with decreases in volume from 3 to 15 per cent compared with the same quarter of the previous year.

The air freight business was hit even worse. The sharp decrease in the number of consignments in our air freight business is primarily due to a significant shortage of air freight capacity, as around 50 per cent of the global air freight volume was handled via passenger aircraft before the coronavirus pandemic started. As a result of the coronavirus pandemic, this capacity was largely no longer available. The airlines are currently still working on either re-designating passenger aircraft as freight aircraft, which is only feasible to a limited extent in practice, or making more freight-only aircraft available. This was reflected directly in air freight rates from the start of the coronavirus pandemic, meaning that the decrease in volume has been more than compensated for by higher prices. A significant easing of the situation is not foreseeable to date. For example, Lufthansa expects that passenger traffic won't return to the pre-pandemic level again until 2025.

We were able to maintain many of our cargo commitments through agreements with our core carriers. Short-term chartering of freight and passenger aircraft meant we were additionally able to transport medical supplies and urgently needed automotive components for our customers. These measures led to our air freight division's gross profit rising 3 per cent above the previous year's level despite the decrease in order numbers.

Decrease in sea freight – increase in air freight and contract logistics

In particular as a result of a strong fourth quarter in 2020, the coronavirus pandemic only had a limited impact on our figures. Nevertheless, structurally significant shifts have occurred within the divisions. For example, while there was a sharp decrease in order volume overall of 11.5 per cent, there was a significant increase in freight prices and thus a 6.9 per cent increase in net sales. Overall, gross profit in sea freight fell by EUR 1.6 million while order volume remained the same. By contrast, gross profit in air freight increased by EUR 0.5 million while there was a significant decrease in order volume by 28.8 per cent. We were additionally able to achieve satisfactory growth in contract logistics. Compared with 2019, gross profit increased by EUR 0.6 million here to EUR 12.2 million.

Employees: cost discipline proved its worth in 2020 during the pandemic

We had already begun reducing personnel expenses in the second half of 2019. These measures were reinforced in 2020 on account of the lower order levels as a result of the coronavirus and the associated focus on cost savings. We mainly used natural staff turnover here by not filling vacant jobs. In total, we reduced the headcount in the consolidated companies by 120 and in the Röhlig Group by 160 in 2020. These reductions were particularly noticeable at our global head office and in IT (−32), but also in the USA (−35), Australia/New Zealand (−31), France (−11) and India (−13). In addition, we had eleven employees fewer compared to the 2019 reporting date as a result of the sale of our subsidiary in Paraguay.

By contrast, we had noteworthy increases in headcount in the operating companies in Germany (+13) and in China (+17). In China, we are now represented at 15 locations, as the business there developed very positively in the second half of the year in particular.

Overall, we used all the opportunities for reducing personal expenses that presented themselves in order to avoid further staff cuts. For example, in April and May we made use of reduced working hours or comparable instruments and ran down remaining holiday days. In addition, we agreed voluntary pay cuts, which we have paid back as far as possible on the basis of the positive performance in the second half of the year.

These measures had a significant impact on personal expenses in 2020, which fell by around 8 per cent compared to 2019.

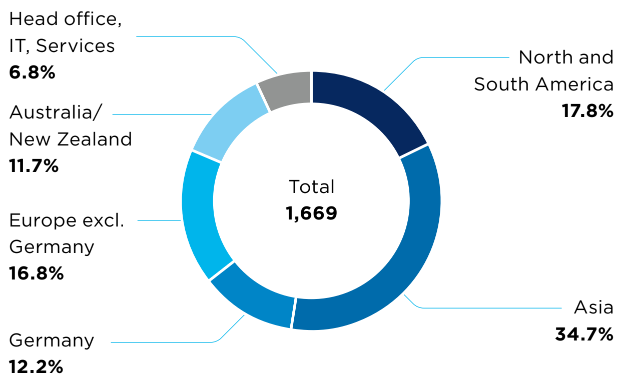
Employee motivation in the time of Covid-19

Right at the start of the pandemic, we set up a coronavirus task force that discusses all topics relating to the impact of the coronavirus pandemic each week and has introduced appropriate measures. Within a few days, we were able to enable all employees to work from home and thus offer them protection against infection at the office.

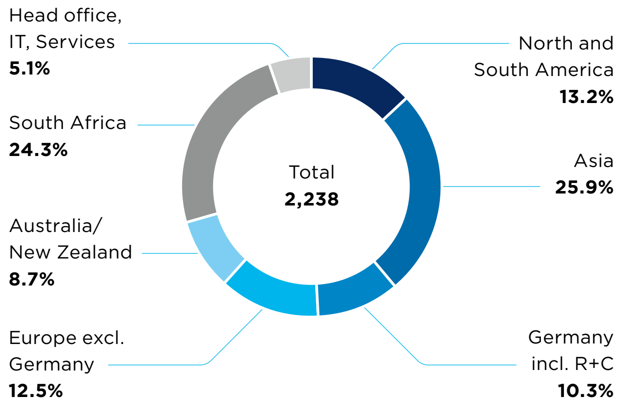
We have conducted several surveys on the wellbeing of our employees with regard to the new situation and implemented technical requirements to be able to respond appropriately. Overall, the employees assessed the opportunity to work at home very positively. Despite physical distance, we enabled more personal communication through the use of video conferences worldwide. In the second half of the year, we also conducted a digital global conference with all the managing directors and directors and organised two digital events for all employees worldwide, which included senior management answering employee questions.

We also switched our manager development programme Blue Step to an online format and expanded the e-learning options to offer our employees the opportunity to continue their personal development even during these times.

Distribution of employees by region in 2020 (consolidated companies)



Distribution of employees by region in 2020 (group)



FINANCIAL PERFORMANCE AND FINANCIAL POSITION

SIGNIFICANTLY IMPROVED FINANCIAL PERFORMANCE COMPARED TO 2019, PARTICULARLY DUE TO AIR FREIGHT BUSINESS

At EUR 903 million, consolidated sales were around 3 per cent higher than the previous year's level of EUR 874 million. A significantly higher cost of purchased services and a considerable increase in work in process meant that at EUR 140 million, gross profit remained largely stable compared with the previous year.

Consolidated income statement (key data)

in kEUR

	2020	2019
Gross sales	**902,590**	**874,043**
Excise duties, import turnover taxes	−252,572	−266,259
Net sales	**650,018**	**607,784**
Changes in inventories	8,035	614
Purchased services	−517,606	−467,692
Gross profit	**140,447**	**140,706**
Other own work capitalised	530	560
Personnel expenses	−87,160	−94,669
Depreciation and amortisation	−2,580	−2,482
Other operating expenses/income	−41,315	−40,954
Income from participations	1,921	2,065
EBIT	**11,843**	**5,226**
Net financial income/expense	−1,165	−1,533
Net income from ordinary business operations	**10,678**	**3,693**
Taxes	−2,846	−2,318
Net profit after taxes	**7,832**	**1,375**
Cost for partial profit transfer	−1,200	−1,200
Consolidated net profit	**6,632**	**175**

The growth in gross sales mainly comes from Asia and Germany. In Asia, gross sales grew from EUR 120.3 million to EUR 141.6 million (+17.7 per cent), and in Germany gross sales grew from EUR 151.4 million to EUR 171.0 million (+12.9 per cent). The other regions (Europe excluding Germany – EUR 208.0 million, Australia/New Zealand – EUR 176.3 million, South America – EUR 40.4 million) were largely stable in terms of sales, whereas sales decreased from EUR 173.2 million to EUR 165.2 million in North America (−4.6 per cent).

With stable gross profit overall of EUR 140.4 million (previous year: EUR 140.7 million), a differentiated picture emerges across the regions. Whereas gross profit grew by 20.4 per cent in Germany and 2.5 per cent in Asia, it fell by 10.0 per cent in North and South America, 4.4 per cent in Australia/New Zealand and 3.1 per cent in Europe excluding Germany.

The ratio of personnel expenses to gross profit improved from 67.3 per cent in 2019 to 62.1 per cent in 2020. This is due to the adjustment of the workforce to the changed market situation, which had already begun in 2019. In addition, we made use of global programmes in 2020 to avoid job cuts due to the coronavirus pandemic. We were largely able to repay voluntary pay cuts from the second quarter of 2020 to the employees in the fourth quarter of 2020. It was also possible to adapt the bonus payments and provisions to the target bonus originally planned for 2020.

Although order volume in 2020 fell by around 12 per cent, we were able to keep the headcount roughly stable. This means that we can also handle the increase in order volume expected for 2021.

At 29.4 per cent, the ratio of operating expenses/income to gross profit remained largely stable compared to 2019's ratio of 29.1 per cent. However, it must also be taken into account that other operating expenses/income in 2019 still includes a currency loss of EUR 0.3 million, whereas in 2020, the item includes a currency loss of EUR 2.5 million. This is largely due to a USD translation effect from loans to our US subsidiary. Disregarding this effect, the ratio of other operating expenses/income to gross profit in 2020 improved by 28.9 per cent compared to 2019 to 27.6 per cent.

At EUR 1.9 million, the income from participations also remained largely stable compared to 2019 (EUR 2.1 million). For example, Röhlig-Grindrod was able to repeat the result of 2019 despite the significant impact of the coronavirus pandemic in South Africa. Its result of EUR 0.5 million meant R+C Seetransport GmbH & Co. KG (hereinafter R+C Seetransport) was almost at the level of the previous year's result of EUR 0.7 million, calculated on a 100 per cent basis in each case.

The improvement in net financial expense from –EUR 1.5 million in 2019 to –EUR 1.2 million in 2020 is primarily due to the continuation of optimised working capital management. For example, we reduced the use of our credit lines in 2020 (compared to the previous year). When refinancing in August 2020, we were able to retain the previous interest rate conditions. Overall, we were able to reduce interest expenses in this way.

Despite the difficult conditions as a result of the coronavirus pandemic, we were able to increase EBIT from EUR 5.2 million to EUR 11.8 million due

to further intensified cost work at all levels. We were also able to increase consolidated net profit from EUR 0.2 million to EUR 6.6 million.

Financial position: major expansion of total assets

The consolidated companies' total assets increased by 23 per cent year on year to EUR 177.1 million. On the asset side, the key driver of the increase in total assets was current assets. For example, despite the further professionalised working capital management, the increased freight rates meant work in process increased by EUR 7.9 million (around 49 per cent) and receivables increased by EUR 18.7 million (around 19 per cent). Cash in hand also increased significantly, rising by EUR 7.8 million (around 107 per cent) due to the refinancing concluded in autumn 2020.

On the equity and liabilities side, we increased consolidated reserves significantly by EUR 6.6 million (around 38 per cent) to EUR 23.8 million. Conversely, at EUR 10.1 million, the negative currency effects of capital consolidation increased significantly by around 45 per cent, meaning that equity only increased to EUR 24.2 million. 40 per cent of this is due to the depreciation of the South African rand and the resulting valuation of the participation in Röhlig-Grindrod in South Africa (EUR 1.3 million). The remaining amount is split between a number of other currencies, which depreciated against the euro during 2020.

In liabilities, the forwarding provisions increased by around 39 per cent to EUR 34.8 million. This was due to increased freight rates. In addition, liabilities to banks significantly increased by around 115 per cent to EUR 30.2 million. Like the increased bank balances on the asset side, this is due to the refinancing carried out in autumn 2020.

Balance sheet table (abridged)

in kEUR

ASSETS	31.12.2020	31.12.2019	LIABILITIES & EQUITY	31.12.2020	31.12.2019
Non-current assets			**Equity**	**24,201**	**20,652**
Intangible assets	3,337	3,376	**Silent partnership**	**10,000**	**10,000**
Property, plant and equipment	6,474	7,659	**Liabilities**		
Financial assets	8,901	9,354	Provisions	46,815	36,826
	18,712	**20,389**	Liabilities to banks	30,180	14,031
Current assets			Other liabilities	65,881	63,039
Inventories	24,210	16,286			
Receivables and other assets	117,236	98,849			
Cash in hand and at banks	14,983	7,231			
	155,429	**122,366**		**142,876**	**113,896**
Accrued income	**1,936**	**1,794**	**Deferred income**	**0**	**1**
Total assets	**177,077**	**144,549**	**Total equity and liabilities**	**177,077**	**144,549**

The syndicated loan agreement from 2017 was equipped with a new unsecured volume of EUR 60.5 million in August 2020, extended by two years to the end of August 2022 and provided with amended covenant agreements. The agreement includes two extension options, each by one year. As of the reporting date, EUR 27.5 million of it had been used. The syndicated loan agreement was repaid in the amount of EUR 2 million in 2020.

The equity ratio calculated under the syndicated loan agreement taking account of the silent partnership fell slightly by 1.0 percentage points to 19.5 per cent. This is due particularly to the significant increase in total assets and the significant currency effects.

The liquidity situation has deteriorated slightly compared to the previous year. For example, net debt was EUR 15.3 million as of 31 December 2020 (compared to EUR 8.4 million as of 31 December 2019). It was possible to comply with all the covenants for the third and fourth quarters agreed in the new syndicated loan agreement of August 2020.

To help us finance and secure the development of our company, we also continue to be supported by our long-standing financing partner NORD Holding, Hanover.

As part of our liquidity management, we regularly monitor the key figures of days sales outstanding (DSO) and days payables outstanding (DPO). These figures help us to optimise our working capital management on an ongoing basis. In particular, we use this data to develop individual action plans for our large subsidiaries in Germany, the USA, the UK, France, Australia and New Zealand.

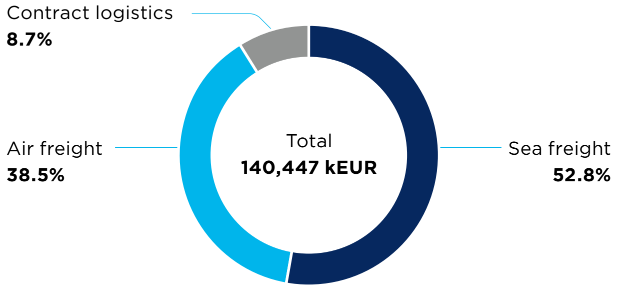
The financial obligations of EUR 57 million in the consolidated companies result largely from the long-term leasing of storage space (>5 years).

DEVELOPMENTS IN THE DIVISIONS AND REGIONS

AIR FREIGHT AND CONTRACT LOGISTICS ARE PERFORMING WELL, SEA FREIGHT DECREASING SLIGHTLY

2020 was dominated by the global coronavirus pandemic, which spread from China starting in February 2020. Thus, in the first and second quarters of 2020, there was a sharp fall in volumes. Rising volumes only compensated for these again beginning in the third quarter and then especially in the fourth quarter of 2020. Gross profit thus increased by EUR 0.5 million (+0.9 per cent) in air freight and by EUR 0.8 million in contract logistics (+7.5 per cent). By contrast, gross profit in sea freight fell by EUR 1.6 million (–2.1 per cent).

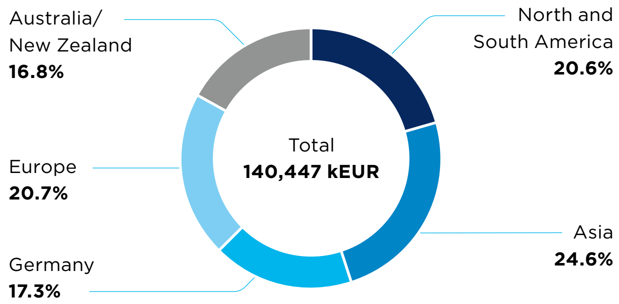
Gross profit by division (consolidated companies)



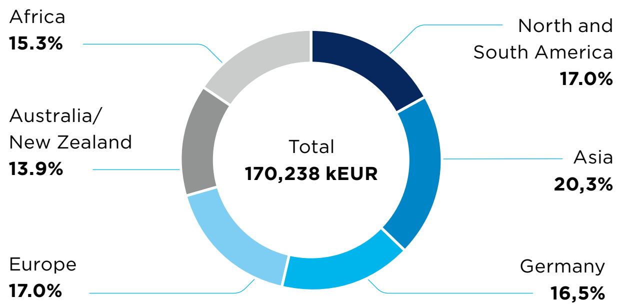
From a regional perspective, development in 2020 was very mixed. For example, gross profit increased by EUR 4.1 million (20.4 per cent) in Germany and by EUR 0.8 million in Asia (2.5 per cent). By contrast, gross profit fell by EUR 3.2 million (–10.0 per cent) in North and South America, by EUR 1.1 million in Australia/New Zealand (–4.4 per cent) and by EUR 0.9 million (–3.1 per cent) in Europe excluding Germany.

Whereas gross profit fell minimally by 0.2 per cent at consolidated-companies level, at group level – i.e. taking account of the companies Röhlig-Grindrod and R+C Seetransport – there was a more significant fall in gross profit, which fell by 3.3 per cent. This is largely due to the depreciation of the South African rand and the resulting 17.9 per cent drop in gross profit in South Africa. In local currency, gross profit in South Africa only fell by 4.0 per cent.

Gross profit by region (consolidated companies)



Gross profit by region (group)



Divisions

Sea freight

in kEUR

	2020	2019	Change in %
Gross profit	74,169	75,751	-2.1

The sea freight market was heavily influenced by the coronavirus pandemic in 2020. Shipping companies reduced their capacity in the first quarter of 2020, as volumes fell and China imposed a lockdown due to the pandemic. Towards the end of the second quarter, the booking volume rose because customer demand increased. Demand continued to rise sharply from the fourth quarter and remained at this level until the end of the year.

Carriers restored capacity, but this was not sufficient to satisfy the increased demand. This led to a significant rise in short-term spot freight rates by up to 400 per cent, depending on the shipping area. The rise in demand led to a shortage of empty containers, particularly in Asia. This in turn, in combination with demand and the reduced workforce due to the pandemic, led to considerable overloading of ports and terminals. Carriers' punctuality fell to a historic low (under 50 per cent). This resulted in an increased stress level in customers' supply chains.

Although we performed better than the market average[2], the volatile and restricted market meant that our result was 2 per cent below the 2019 TEU volume. The most important improvements included even closer cooperation with our customers, which led to a better understanding of supply chain requirements. As a result, we were able to secure ourselves the necessary transport capacity.

In addition, we used our strong carrier partnerships to obtain additional freight space and satisfy the growing demand in the second half of the year. This led to higher volumes with existing customers and strategic growth in new business.

For 2021, we anticipate continuing demand for freight space that will persist at least until the end of the first of the year. New capacity is only being added to a limited extent. Our strong focus on freight space management will thus be decisive, because the shipping companies will try to keep supply short and achieve high rates.

Our customer focus will shift from a cost-effective model towards service focusing on quality with dedicated freight space agreements. In 2021, our allocation management system will make an important contribution to supply chain security for our customers.

Air freight

in kEUR

	2020	2019	Change in %
Gross profit	54,075	53,598	0.9

Global air freight in 2020 was heavily impacted by the restrictions of the coronavirus pandemic and the lockdowns imposed to various extents in most countries. Because the majority of aircraft remained on the ground, capacity reduced drastically depending on the market. However, demand continued to improve over the course of the year. In combination with the limited volume, this led to a significant increase in air freight rates. This particularly affected the automotive and medical sectors and also all products relating to personal protection in the coronavirus pandemic. The freight rates in December 2020 were 75 per cent higher than in 2019. Rates are expected to remain high until mid-2021 due to the level of demand compared with capacity and the high season for rapid tests, masks and vaccines.

The extended lockdowns and control measures threatened the recovery. At the same time, consumer demand, and thus production operations, increased more sharply than expected. There was thus increased freight volume during the rest of the year. We were able to offer our customers customised charter solutions and achieve a record volume of charter tonnage in 2020. By contrast, our air freight orders decreased 25 per cent in number year on year due to the pandemic effect.

Contract Logistics

in kEUR

	2020	2019	Change in %
Gross profit	12,203	11,357	7.5

Due to bottlenecks in supply chains as a result of the coronavirus pandemic, there was an increase in the demand for consolidation of freight and rapid delivery, which we were able to meet. In 2020, we also expanded our contract logistics presence through additional warehouses in Malaysia and South Africa and also with two additional warehouses in China. The increased capacity utilisation worldwide improved gross profit in contract logistics by EUR 0.8 million and the planned result was achieved.

[2] https://unctad.org/system/files/official-document/rmt2020_en.pdf

Regions

Germany

in kEUR

	2020	2019	Change in %
Gross profit	24,366	20,242	20.4

The German organisation increased gross profit with an improvement of 20 per cent compared with the previous year. This growth led to an encouraging EBIT in difficult business in the coronavirus pandemic. The growth in business is due to the increased margins, particularly as a result of air freight chartering for the automotive sector and medical products in connection with Covid-19. In 2020, we invested in the expansion of our sales team and acquired new customers. Both sea freight and air freight were severely impacted by limited capacity.

In contract logistics, we achieved a record volume at our 30,000 m^2 site in Nettetal in Germany and successfully implemented an Amazon fulfilment programme for a global customer.

Europe

in kEUR

	2020	2019	Change in %
Gross profit	29,036	29,976	-3.1

In France, gross profit only decreased by 1 per cent, and strict cost management significantly improved the net result compared with 2019. In Italy, gross profit was kept at the 2019 level. This was managed despite a slump of 30 per cent in air freight volume. Cost savings in fact slightly improved the net result here. This is also true of Spain. There are concrete plans for a turnaround for Spain for 2021.

In 2020, Northern Europe (the UK, Benelux and Denmark) generated higher results than expected in view of the global Covid-19 crisis. The number of shipments decreased. All divisions were able to stabilise gross profit – with the support of our global sales team – by organising air freight charter flights for protective equipment and medical products. All the countries in Northern Europe reported a profit. Although here, too, all the employees worked from home, we were able to provide our customers with a high level of service. The Röhlig Northern Europe team's great dedication gave us a strong start in 2021 with additional development opportunities for the rest of the year.

North and South America

in kEUR

	2020	2019	Change in %
Gross profit	28,892	32,101	−10.0

Reduced volumes from Asia and the impact of the first wave of Covid-19 led to a decrease in gross profit in the USA in the first quarter. The trend for the rest of the year was positive. Volume and gross profit increased continuously until the end of the year. The fourth quarter in particular was concluded very successfully. The trans-Pacific trade lane's market was shaped by overloading of ports and capacity bottlenecks on ships and in containers. This is a challenge because of the high exports from our main trading region, China. Overall, there was a significant improvement in our EBITDA compared to 2019, meaning that a result close to break-even was achieved in 2020.

In Latin America, we completed the contribution of all shares in our company in Paraguay to our South American partner Onboard Logistics in 2020 and acquired 15 per cent of the shares in the Onboard company in Peru in return. Peru ended 2020 with a profit and is presented using the cost method.

Overall, gross profits performed very well in Latin America. All companies achieved a profit and further increased their profit compared with 2019. In Argentina, a major sea freight import business for a brewery contributed to this. In Bolivia, we were able to achieve strong growth and strengthen our position in the local market through a number of air freight import transactions from China in connection with Covid-19. In Chile, the 40 per cent increase in the volume of the seed export business had a very positive impact compared with 2019. Mexico increased its gross profit by 18 per cent in local currency. This increase was mainly achieved through new customers in the automotive sector in close cooperation with the German Röhlig organisation. Finally, we were also able to achieve a profit in Uruguay, where a major air freight charter had a positive impact.

Asia

in kEUR

	2020	2019	Change in %
Gross profit	34,539	33,690	2.5

The Asia business developed very encouragingly despite Covid-19's significant adverse impact on the situation. In China, we opened new offices at the Wuxi and Nanjing sites in the province of Jiangsu. China and Taiwan also quickly recovered from the cuts as a result of the pandemic. By contrast, the upturn in Korea and Hong Kong is progressing more slowly.

The successful opening of our own warehouse in Kuala Lumpur in Malaysia and the good utilisation of our warehouse capacity in Singapore are especially noteworthy. In Malaysia, gross profit increased by 100 per cent compared to 2019 and the customer base was significantly expanded. In Indonesia and Thailand, we expect an improvement in the result for 2021. In Vietnam, we benefited from air freight shipments due to Covid-19. The result there has developed very positively. Despite a 10 per cent decrease in gross profit due to the pandemic, stringent cost management meant India was able to maintain profit at the level of 2019. For 2021, we expect positive development for this region, including as a result of the conclusion of the Regional Comprehensive Economic Partnership (RCEP).

Australia/New Zealand

in kEUR

	2020	2019	Change in %
Gross profit	23,614	24,698	−4.4

The development in the Australia/New Zealand region was positive and the results of restructuring sea freight and the strong sales offensive bore fruit in 2020. Australia achieved a 96 per cent increase in EBITDA. The pandemic and volume fluctuations led to challenges during the year, which our experienced team met.

In New Zealand, the volumes in our warehouse in Auckland were lower than expected. This had a negative impact on the result.

Africa

in kEUR

	2020	2019	Change in %
Gross profit	26,001	31,687	−17.9

The Africa region, which is served by Röhlig-Grindrod in South Africa, Mozambique and Namibia, was hit hard by the Covid-19 pandemic in 2020. We hold 42.5 per cent of the company. It is therefore recognised in the consolidated financial statements using the equity method.

South Africa, as a gateway in southern Africa, was in full lockdown for a prolonged period in the first and second quarters. The authorities only allowed important goods to be transported from the ports. This had a negative impact on volumes, as these restrictions meant the freight was held in the depots for prolonged periods of time.

In contract logistics, the utilisation of the 30,000 m² warehouse in Johannesburg improved from an average of 65 per cent to more than 95 per cent in 2020. A new warehouse was also opened in Cape Town, which doubled our space in this region.

Under the extremely challenging conditions as a result of the pandemic, Röhlig-Grindrod generated a very encouraging EBITDA at the level of the previous year in local currency. This was, however, 13.2 per cent lower than the previous year's figure in euros due to exchange rate movements.

OUTLOOK

CORONAVIRUS PANDEMIC HAVING FURTHER STRONG IMPACT ON THE GLOBAL ECONOMY

The outlook for 2021 is currently still strongly influenced by the development of the coronavirus pandemic. Following an estimated global economic slump of −3.5 per cent in 2020, in its latest statements, the IMF anticipates global economic growth of 5.5 per cent in 2021.

After a massive slump in available freight tonne kilometres by 23.3 per cent in 2020, the International Air Transport Association (IATA) currently expects air freight volume in 2021 to return back to the pre-pandemic level. For example, global air freight volume in January 2021 was 1.1 per cent higher than in the reference month of January 2019.

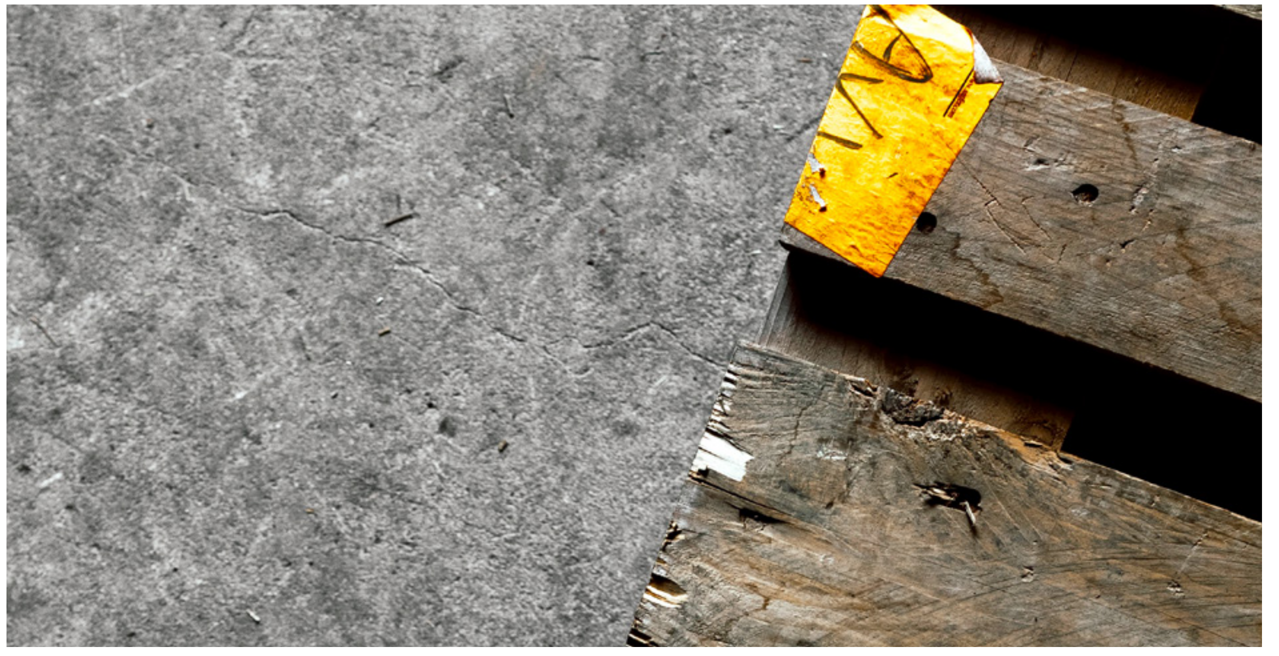
In global sea freight, following a slump in the second quarter of 2020 due to the coronavirus, a significant recovery began starting in the third quarter of 2020. For example, 2.7 million TEU was still unused in May 2020 according to Alphaliner. This reduced to 0.4 million TEU in October 2020. In the fourth quarter, freight rates increased significantly, in some cases manyfold, as a result of high demand. For example, the freight rate from Shanghai to Rotterdam for a 40-foot container quadrupled from around USD 2,000 to around USD 8,000. At the same time, the availability of containers decreased drastically and on-time delivery worsened by 33.5 percentage points from January 2020 to January 2021[3]. This trend continued in the first quarter of 2021. A reversal of the trend in the remainder of 2021 is only discernible to a limited extent.

[3] sea-intelligence.com

At the same time, in many countries around the world, a third or fourth wave of the coronavirus pandemic has begun, or is at least threatening to begin, which, in the absence of sufficient vaccination capacity, will be difficult to break in most of the world's countries. The consequence of this is continuations or renewed impositions of lockdowns. With sufficient vaccination capacity built up towards the middle of the year, a permanent abatement of the coronavirus pandemic can only be expected in the second half of the year.

In light of this, it is still not easy to give a reliable forecast for 2021 and subsequent years. In view of the economic data and a global increase in demand for freight volume, both in sea freight and in air freight, in the event of very high freight rates, we are working on the basis of moderate growth in gross profit to EUR 143 million and stable consolidated net profit of EUR 5.2 million in the budget for 2021. We expect this trend to continue in 2022 with gross profit of EUR 151 million and consolidated net profit of EUR 7.5 million. According to the plans approved, it will be possible to comply with the covenants agreed in the syndicated loan agreement at all times in the budget period and there is sufficient liquidity available to finance the business.

We expect that in addition to sea and air freight, contract logistics will also make a positive contribution to our consolidated net profit for the first time in 2021. For example, we already expanded our warehouse capacity in China at the Ningbo, Shanghai and Shenzhen sites by 56,000 m² and in Malaysia at the Kuala Lumpur site by 4,500 m² in 2020.



This forecast is supported by business development in the first quarter of 2021, which was very encouraging in the development of both gross profit and consolidated net profit. The growth comes from all regions, but particularly from Asia, Germany and North America.

Blue Star strategy programme for profitable growth

We very successfully reduced costs with our Act for Performance programme in 2020, a year shaped by the coronavirus pandemic. At the same time, governance was clearly focused on a regional structure with ten regions in 2020 (Germany, Northern Europe, Southern Europe, South Africa, India, Southeast Asia, North Asia, Australia/New Zealand, North America and Latin America). The people responsible for regions, products and sales are working together in a newly established Board of Directors, which supports the Global Executive Board as a sparring partner and can also be assigned the development of individual projects.

Following the conclusion of the Act for Performance programme at the end of 2020, the Global Executive Board reactivated the implementation of the Blue Star strategy programme at the start of 2021. This strategy, which is communicated throughout the whole business, is implemented through five programmes:

1. Customer service and product excellence
2. Talent, people and organisational excellence
3. Digital, data and technology excellence
4. Growth, sales and marketing excellence
5. Profitability and financial excellence

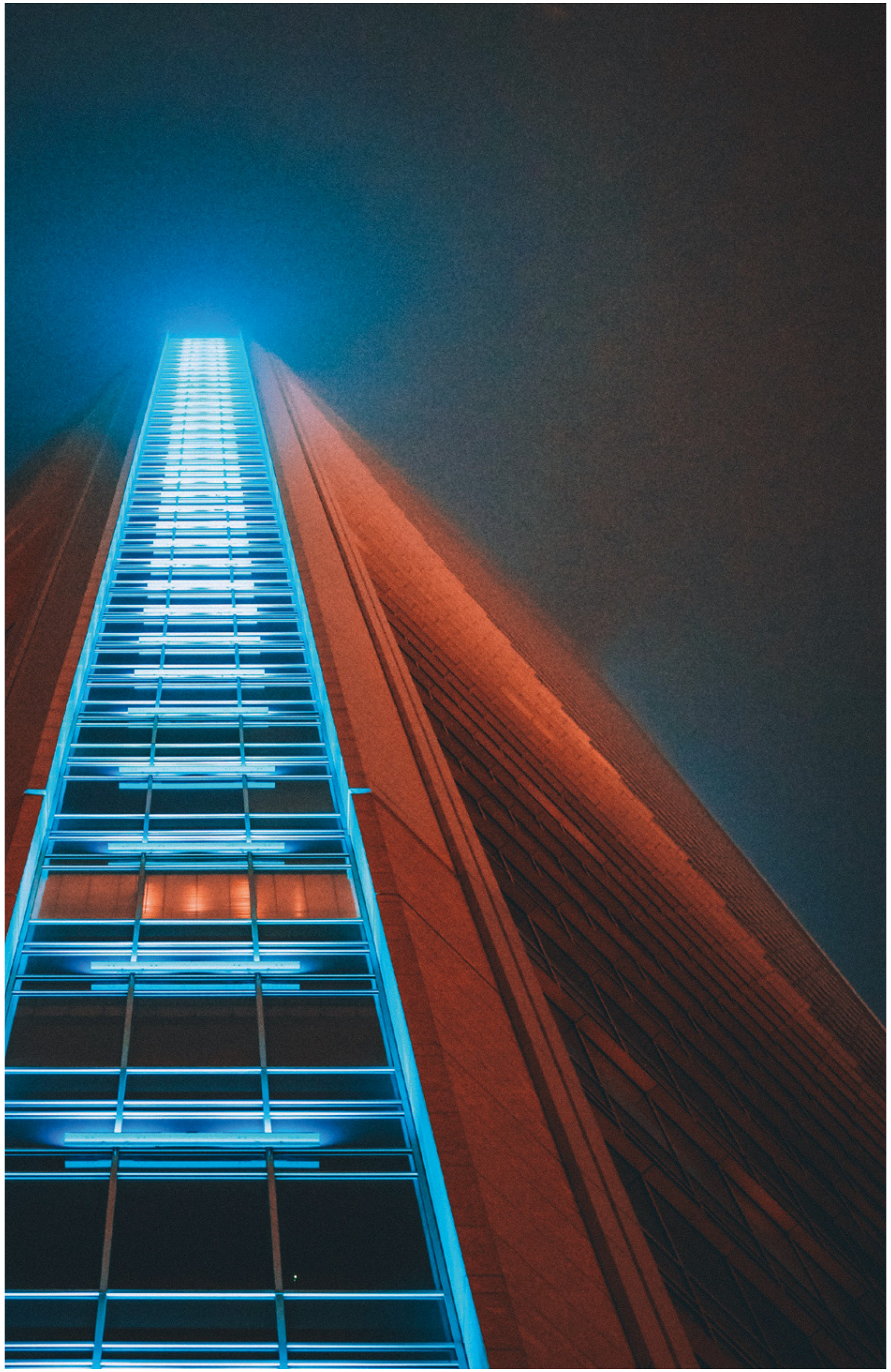
Each of these programmes includes individual projects, which members of the Global Executive Board are responsible for and which are, in some cases, also worked on by the Board of Directors. All the projects are geared to increasing our profitability in the core business. It's the prerequisite for us being able to increase our size and market share and develop new products and services.

Due to the high freight rates and the associated strong expansion of our working capital, the Global Executive Board continues to focus on managing liquidity. For example, the Global Executive Board receives regular reports about the group's liquidity situation, which all units of the Röhlig Group provide on a weekly basis for the next three months and on a monthly basis for the following nine months, and which are consolidated by the central treasury.

In addition to the work on our profitability and liquidity, we also explore further strategic approaches. Whenever suitable opportunities present themselves, we will also continue to consider entering new markets or increase our shareholdings. This is because in order to be a leader in a competitive environment shaped by consolidation, as an independent owner-operated company, we also need to remain relevant in terms of size.

Moreover, the further expansion of our digital footprint is an important component of our strategy. We set ourselves the goal of continuously improving our digital offerings and making them available to as many customers as possible in various markets.

Bremen, 8 April 2021
Global Executive Board



GLOBAL EXECUTIVE BOARD

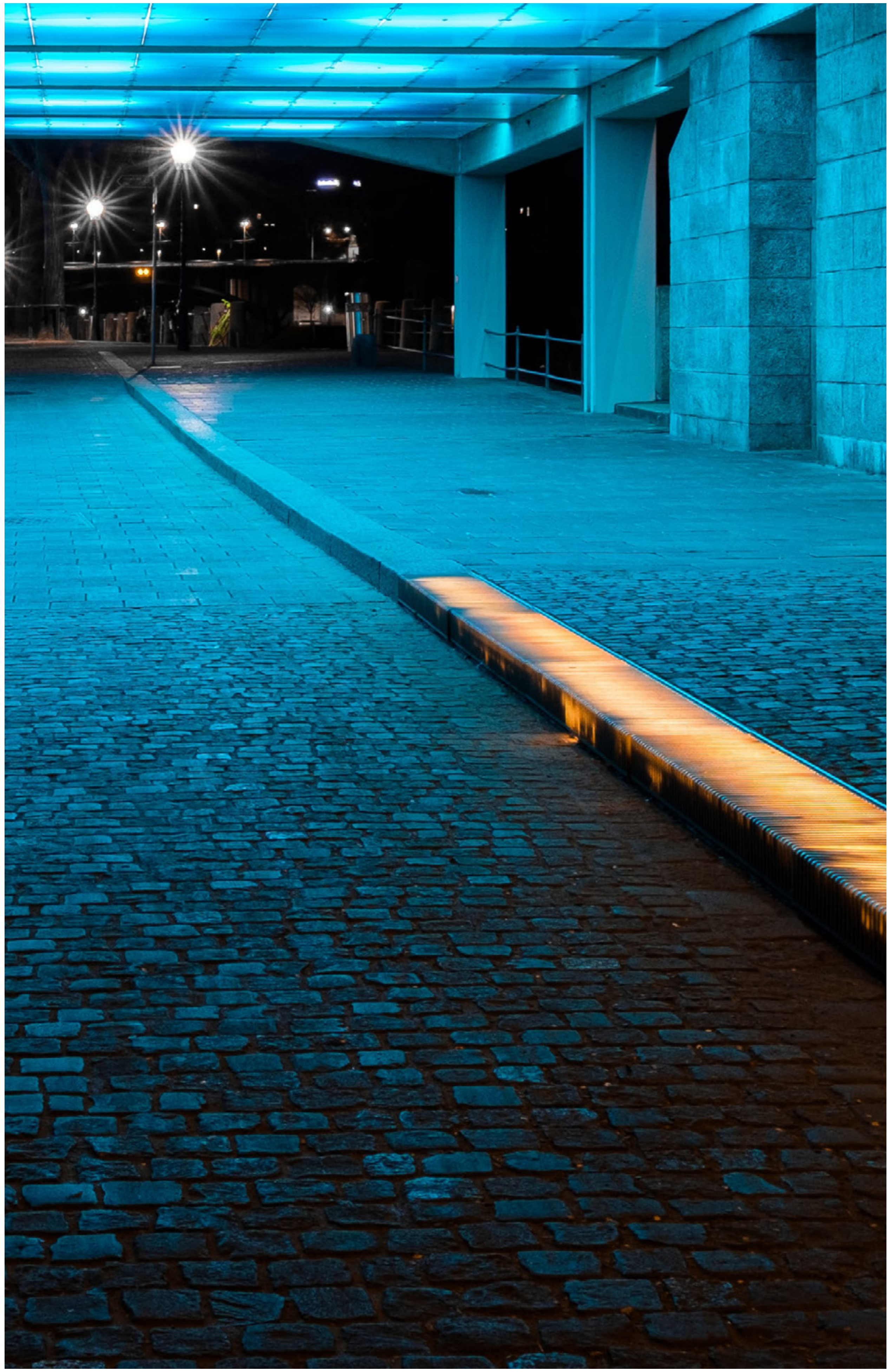
The four-member Executive Board of Röhlig is supported by a global management level that reports directly to the responsible board member. This is how Röhlig manages the constantly growing number of countries within its global network.




From left to right:
Philip W. Herwig, Managing Partner
Hylton Gray, Chief Executive Officer Air Freight, Sea Freight, Contract Logistics & Sales
Ulrike Baum, Chief Human Resources Officer
Dr Robert Gutsche, Chief Financial Officer

NEW REGIONAL STRUCTURE

To advance the development of our Vision 2030, we established a new regional structure on 1 November 2020. The Röhlig network is now divided into ten regions: the USA, Latin America, Northern Europe, Germany, Southern Europe, Southeast Asia, North Asia, India, Australia/New Zealand and South Africa. This is a continuation of our strategy to create regional centres so as to improve development and cooperation with each other.



ADVISORY BOARD

The Advisory Board is there to advise the Executive Board with broad expertise and extensive industry experience.

From left to right: **Thomas W. Herwig, Verena Pausder, Jan Brorhilker**

From left to right: **Dr Thomas Noth, Maximilian Frey, Dr Andreas M. Odefey**

"Röhlig developed a plan right at the start of the pandemic and made use of the opportunities that arose in the crisis. The safety and protection of our employees took top priority here. With new routes, sea freight express services and chartered aircraft, solutions were developed for customers in order to maintain supply chains despite massive disruptions. The Advisory Board would like to thank the Management and all employees for their exceptional dedication. We would also like to thank all customers and business partners for their trust."

Thomas W. Herwig
Chairman of the Advisory Board

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Note
The annual report is available in German and English. The German version is authoritative.
You can find further information about the company on our website at www.rohlig.com