SANTA FE GROUP
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AGM REPORT

CHAIRMAN OF THE BOARD OF DIRECTORS HENNING KRUSE PETERSEN

Highlights for 2016

For Santa Fe, 2016 was a year of both ups and downs, with progress as well as challenges.

We met with challenges in our three key markets – Australia, the UK and Germany – and they impacted our financial performance somewhat, though management handled the problems with efficiency and worked as hard as possible. Despite their efforts, our top line was down and earnings did not improve as much as we had hoped for. Consequently, 2016 was not a satisfactory year from a financial perspective.

On the other hand, 2016 was a satisfactory year from a strategic perspective. Fixed costs were trimmed, a lot was cleared up and we took great strides in creating the technological platform and the services that will drive our future growth. Santa Fe was shaped up considerably, both operationally and financially, and today the company is stronger and more efficient than it was a year ago. We are now in a position where we are able to start more actively pursuing growth and market shares to achieve global leadership in our industry in the longer term.

These improvements carry more weight than the challenges, and 2016 was therefore an acceptable year, all in all.

The transformation of Santa Fe

What we are currently going through is a transformation – a radical change – of Santa Fe. The company's capacity and costs were previously scaled for the high season of international relocations, but this high season unfortunately only lasts 3-4 months. For the rest of the year, our resources and capacity were not fully utilised, and this problem was aggravated by the dilemma that the prices of standard relocations are under pressure, while the costs of salary-heavy relocations continue to rise.

We handle this growing gap through a balanced approach of improving the efficiency and competitiveness of Moving Services without compromising on service and quality. At the same time, we are expanding our capabilities to enable us to continually offer a wider range of services and solutions that are in year-round demand – and not just through a high season of 3-4 months. This relates to our Relocation Services, which is a higher-margin area than moving services.

With our Fix the Core programme, we took a long, hard look at our organisation last year and made major changes: A number of countries were restructured, one in twelve jobs in the organisation were cut, management levels removed, processes and systems were enhanced, the business model adjusted, and we made great strides in our battle to cut our too-high fixed costs.

The cost savings will be used to strengthen our margins and to finance new recruitment and development in Relocation Services.

We delivered on most of the initiatives planned for 2016, and new tasks were scheduled during the year. We tackled the problems, although we would like to have done more. Let me give you a few examples of what we have achieved:

We have begun **migrating back office functions** to countries where wages are lower and it is generally less expensive to operate a business. We have transferred just over 25 jobs from London to a new service centre in Manilla in the Philippines, and more functions will be migrated from Europe to Manilla in 2017-18 to further reduce our fixed costs.

In Australia, we have made a major effort to get the business back on track: Over the past two years, nine offices have been closed down, costs have been trimmed and Santa Fe has started sharing facilities and staff with a competitor so that Santa Fe can cover the entire continent without maintaining dedicated staff in every state. The changes have been carried out as planned, but have proved to be insufficient: The Australian business is still not profitable. To address this, we are focusing more on the top line, introducing dedicated sales forces for private and business customers and further optimising operations. This task is in the hands of a new management headed by Patrick White, the experienced CEO of Santa Fe Asia, who has also assumed responsibility for Australia.

In Europe, 13 countries have been replaced by five regions. Reducing 13 organisations to five, both at the management level and in corporate functions, has produced significant cost savings, simpler and faster chains of command and improved efficiency and control. We have also restructured the business in Germany, Benelux, France and the UK. The European adjustments are almost complete. Naturally, we will continue to improve operations, where possible, but our focus now is on growth.

In Asia, we also focused sharply on costs, without going so far as to restructure the Asian business, which is far more profitable than Europe and Australia.

Across the entire business, **systems and procedures have been strengthened**. A tangible result of this is that far fewer funds are tied up in working capital, which helps to strengthen Santa Fe's liquidity and reduce debt. In the past two years, our liquidity has doubled and our net interest bearing debt has been eliminated. Following these dramatic improvements, we are now seeing banks approaching us with business proposals. Last year, we signed a new, extended banking agreement providing a loan facility of up to EUR 35m.

Another important event in the transformation of Santa Fe was the **divestment of the Records Management** activities in ten countries. The divestment at just over EUR 27m will generate a profit of EUR 16m in 2016-17. That is an attractive price for this activity, which falls outside our strategic focus area, and the proceeds will go towards generating growth in the core Mobility Services activities.

We still have Records Management activities in China and Portugal, but these will also be divested. Once this is done, Santa Fe will be almost 100% focused on Mobility, completely in line with our strategy. I say "almost", because Santa Fe still has investments in three minor joint ventures in Asia which fall outside our strategic focus. We will exit these investments as soon as we are able to get a fair price for them.

Before Christmas, we implemented the first phase of a **new technology platform**, on budget and very nearly on time. At EUR 11.5m, this is Santa Fe's single largest investment. We also commissioned a new system to standardise and automate the pricing of Santa Fe's hundreds of services. This system promotes holistic thinking across countries and regions.

The **Global Leadership Team** was also strengthened with the addition of four new professionals:

- As Chief Operating Officer, Kevin Paterson is responsible for operations, systems and optimisation.
- As CEO for Europe, Niel Botham is responsible for our largest sales region.
- As CEO for Americas, David Byers is in charge of building up that region.
- As Chief Commercial Officer, Gregoire Pinton will drive the development of services and offerings.

With these four new members, our Management is just about in place: The Board of Directors is confident that we have set a strong team with a solid track record and international experience from managerial positions in our own and related industries. At the next management levels, we have also brought in new forces and we have conducted an in-depth analysis of all staff resources in order to target the development of our staff.

Financial highlights

The full effects of our many good initiatives to improve efficiency and cut costs will not be seen until 2017 and 2018. The initiatives did start to take effect in 2016, however, helping us in a year that proved much more difficult than expected due to problems in our three main markets.

In Australia, the market was a lot softer than we had expected, although late in the year the private market showed signs of some recovery – the first good news in four years in Australia. On the whole, however, sales were disappointing and the top line was down 17% in DKK.

In the UK, companies held back on relocating staff leading up to the Brexit referendum, and after the unexpected leave outcome, companies kept sitting on their hands as they awaited news on when and how the country will leave the EU. Overall, revenue was down 27%, and a negative effect was also seen in the activities of UK-based companies in other countries.

In Germany, we had to clear up after the former management, whose conduct was unacceptable. This process demanded the new management's time, efforts and focus. As a result, sales were down 9%.

As these three markets represent almost 40% of Santa Fe's total sales, they impacted the performance of the Group: Revenue was down 7% in local currencies to just under EUR 339m. However, as earnings grew in almost all other markets, driven by cost cuts and efficiency improvements, the operating profit (EBITDA) before special items improved marginally from EUR

10.2m to EUR 10.6m. EBITDA after special items almost doubled to EUR 18.2m. Special items consisted of the first instalment of the profit from the Records Management divestment, less restructuring costs.

Due to the poor performance in the Australian business, whose revenue has been almost halved over four years, we took an EUR 15m impairment loss on goodwill and trademarks in Australia. This impairment write-down was a non-recurring event with no cash flow effect, which will reduce our future ordinary amortisation in Australia. Nevertheless, the impairment loss meant that Santa Fe realised a disappointing loss for the year of EUR 10.5m.

From phase 1 to phase 2 of our strategy
We *have to* do better in future. We have almost completed phase 1 of Santa Fe's strategy, which focused on streamlining, trimming costs, becoming more efficient and strengthening technology. Now we come to phase 2 of the strategy, in which we will reap the benefits of the work we have done to create a better, stronger company. Now, CEO Martin Thaysen will present the central initiatives in phase 2.

CEO MARTIN THAYSEN

2016 was definitely a challenging year, but it was also a year in which we managed to clear up a lot and lay a strong foundation for future growth. We still have a work to do before the last details are in place, but once we have completed the activities that the Chairman just mentioned, we expect to cut fixed costs by an additional EUR 6-8 million in 2017-18. At the same time, we will gradually shift our focus to growth, customers and innovation. I am now going to present some of the central strategic initiatives that we are working on:

Build-up in Americas
One of our principal priorities is to gain a much stronger foothold in the US. We have already started, and have created a foundation of 30 employees in the US and a service centre in Brazil. We have also won several important contracts with American companies – mainly outside the USA – and we have hired a strong new CEO to drive growth and ensure that we win business in the companies' domestic market, as well.

The US Relocation Market requires some special services, particularly within *Home Sales*, and we assess that it would take too long to build these capabilities ourselves. We have therefore for some time been scanning the market for acquisition and partnership opportunities that could provide us with these services and capabilities. A dialogue is ongoing, and we hope to see it bear fruit in the not too distant future, to place Santa Fe in a much stronger position in the world's indisputably largest mobility market and to obtain more business with the many multinational groups based in the USA.

Acquisition in China
The next initiative on the list can already be ticked off. We have long had a wish to increase our ownership interest in Sino Santa Fe in China from 50% to 100%, and last week we succeeded. We now have full control of this business in our sixth largest market. The acquisition will also improve Santa Fe's cash flows, as we no longer have to pay dividends to a co-owner. The acquisition also

means that, as the sole owner, we will be able to divest the Chinese Records Management activities.

When I focus on China and the USA, that is not to say that we are looking at these two markets alone. Santa Fe has activities in 47 countries, and we continually assess if we are present wherever our customers need us and wherever growth opportunities arise. So our geographical expansion will continue in other countries, as well, but our main focus at present is to secure a major bridgehead in the USA and gain full control in China.

New technology platform
The new technology platform – which has gone live in 47 countries – is a focal point of the 2020 strategy. It is an *end-to-end* solution for business customers, assignees, partners and our own people in customer service and operations. We have completed phase 1 and are in the process of adding on extra functionality to create the most advanced and user-friendly platform in the industry: A good customer experience, streamlined internal processes and collection of valuable data to support us in developing new services for our customers.

Immigration Services
For the foreseeable future, Moving Services will be Santa Fe's principal activity, but it is in Relocation Services that we see the greatest and most profitable growth potential. We have pinpointed two growth engines. One of these is Immigration Services, and it is gaining speed. We have 180 in-house specialists who last year processed 36,000 visa, work and residence permit applications. Last year, we furthermore won a contract to supply Business Travel visa services in 25 countries to a US-based multinational company. The contract is being phased in and promises to be our largest global immigration contract to date.

Our investment in specialist resources continues in order to enable us to systematically market Immigration Services and provide even better advisory services to companies about ever more complex conditions: All over the world, authorities are tightening the rules and are zealously cross-checking immigration data against work permits and tax receipts to find out if assignees and their families are correctly registered and paying their taxes as required. Non-compliance with the rules may trigger large fines, even if the matter dates back several years.

We want to scale Immigration Services to triple revenue from 2015 to 2020. This is an ambitious target that also requires a stronger focus on business travellers. Historically, Santa Fe has mainly serviced assignees moving to another country to live and work, but business travellers are a very interesting segment because there are so many of them and because they face many of the same challenges as assignees: often, business travellers unknowingly get the wrong visa or violate local tax rules, and their employers – the companies – are also unaware of these risks.

To address this, last December we launched Business Travel Tracker – an online platform that employees and companies can use to check immigration, tax rules, social security services, etc. *before* the employee embarks on a business trip. If the check reveals that the employee may encounter problems, Santa Fe helps solve these before they arise. We also advise companies on their travel policies. The Business Travel Tracker service also enables companies to track their employees.

With Business Travel Tracker, we are deploying technology to provide better, more accessible services – and this is an approach we will continue to pursue. Accordingly, our new head of Business Development joins us from IBM.

Relocation & Assignment Management Services
The other growth engine is Relocation & Assignment Management Services (RAMS) – solutions where we manage every aspect of the relocation: We calculate the costs of the relocation. We advise the employee about conditions and about what awaits him and his family in the new country. We handle the family's move. We handle visa and immigration. We find a new home, and once the family has settled in the new country, we manage their expenses and ensure that the employee's salary is paid out. In short, we take care of all practicalities so that the employee can concentrate on his job, which increases the odds of a successful relocation, all other things being equal.

We are well under way: last year we managed expenses in excess of EUR 105 million for assignees, and in both 2016 and 2017 we have won more new contracts to be phased in. We may have been a bit too optimistic about the speed of the development, however. Contracts are long in the making, as customers have to build trust in Santa Fe before they outsource critical HR processes, salary payment and expense management to us. It also takes time to set up the necessary infrastructure.

In 2016, we established three control towers to manage all RAMS customers and we invested in the employment of new specialists. We now have to start selling and marketing our services more systematically. As we continue to attract new customers, we expect the business to grow in size and provide even better services, so that we can significantly grow RAMS revenue towards 2020.

The transformation of Santa Fe
The first phase of the transformation of Santa Fe was tough. With Brexit, Trump and Australia, we faced challenging market conditions. Also, the internal streamlining of Santa Fe took longer than expected. As a result, we are 3-6 months behind schedule with phase 1 of the 2020 strategy, but we will soon enter phase 2, and the strategy itself is unchanged: Although the markets have proven more difficult and volatile, our assumptions and projections have not changed since we launched the strategy in September 2015. The market is fundamentally the same today.

As the Chairman mentioned earlier, we recently appointed a new Chief Commercial Officer, which in itself signals a shift away from optimisation and cost cutting towards a new phase of focusing more on growth, innovation, new and better services and technology upgrades. We have also added more sales resources in order to bring in new customers, increase sales to existing customers and market selected services to business travellers. In 2016, we generally attracted many new customers, and we enjoy a high retention rate for our 1,500 customers.

Santa Fe will grow organically, but acquisitions will also be on the agenda from now on. Several of our competitors are technologically behind or are too small to meet the large multinationals' demand for global coverage, and we foresee a consolidation of the industry towards either very large players or smaller niche players. Santa Fe is firmly committed to taking part in this consolidation. We want to acquire competitors that can strengthen our business, and acquisitions are necessary if we are to fulfil our ambitions of becoming the global Mobility leader in 2020.

HENNING KRUSE PETERSEN

Composition and remuneration of the Board of Directors
Thank you, Martin. I will now add a few routine comments about the remuneration and composition of the Board of Directors: The Board of Directors' remuneration for 2016 was unchanged with DKK 450,000 to the Chairman; DKK 300,000 to the Deputy Chairman and DKK 200,000 to each of the two other members. The Board of Directors proposes that this fee remain unchanged for 2017. As I have said before, the remuneration should stay the same until we merit an increase, i.e. when we have progressed even further in the restoration of Santa Fe.

At the two most recent general meetings, we appointed new members of the Board in a controlled generational handover, whereby half of the board members have been replaced. Today, we do not propose any new appointments, but the Board wishes to continue the generational handover next year, when we will endeavour to find a female candidate. We are lacking in this area, and we need to address that.

Dividends and capital structure
During the last couple of years, we have suspended dividend payments in order to re-invest all earnings in the development and improvement of Santa Fe. And we succeeded in doing so. Santa Fe's operational platform has been improved considerably, the company is more focused, net interest bearing debt has been reduced - in fact, it has been eliminated. Consequently, Santa Fe is now in a position where it is realistic to begin focusing more on investing in growth, development and acquisitions.

As Martin mentioned, we see many acquisition opportunities, and we also need to invest in technology and services. We are convinced that acquisitions are a means that can help speed up Santa Fe's growth into a large, strong and profitable company. We must not pass up these attractive investment opportunities, as they can enhance shareholder value creation. Acquisitions require capital, however, and we therefore ask our shareholders to remain patient and show understanding when we continue the suspension of dividends and share buy-backs for the time being. We need the financial resources to realise our strategy and – among other things via acquisitions - lift Santa Fe to a new level. As long as the suspension of dividends remains, the owners' value increases will be in the form of share price increases.

Outlook for 2017
Our expectation for 2017 is progress, adjusted for the divestment of the Records Management activities. Santa Fe's continuing operations are expected to produce revenue growth of 4-5%, driven by new customers, new services, increased sales to existing customers and a gradual improvement of conditions in the UK and Australian. However, the consolidated revenue is

expected to be in line with last year's, because we are no longer generating revenue from the divested Records Management activities.

Operating profit before special items is expected to be around EUR 10m – more or less on a par with 2016. The divested Records Management activities generated a profit of approx. EUR 3m, and without this contribution, the earnings growth of the continuing operations thus equals approx. 40%. Special items are expected to amount to EUR 2m, consisting of the second instalment of the profit from the divestment of the Records Management activities, less restructuring costs.

The final results will depend on factors such as the peak season for international relocations, exchange rates, acquisitions and the potential divestment of Records Management in China.

Financial targets 2020
Looking ahead to 2020, we expect to be able to generate average annual organic growth of 6-8% in local currencies. The growth will be driven by Relocation Services – and in particular by Immigration Services and Relocation & Assignment Management Services, as Martin mentioned earlier. We expect Relocation Services to account for 25-30% of the Group's revenue in 2020.

With the higher margins in Moving Services and the growth in Relocation Services, we expect to lift the EBITDA margin to 7% and increase return on invested capital to about 15% in 2020.

Closing remarks
We have a very exiting year ahead of us with a number of important strategic initiatives to advance Santa Fe to the next stage of its transformation. If we are successful in these – as we expect we will be – 2017 and 2018 will be prosperous years in which we will once again be able to generate attractive and sustainable returns for our shareholders.

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