AEA SGLT Holding II LP

(Formation date 2 August 2016)

Interim Financial Report

Fourth quarter 2017

Contents

Financial highlights for the Group

	Q4 2017	Q4 2016	YTD 2017	YTD 2016
Key figures (in USD thousands):				
Income statement				
Revenue	220,443	185,440	814,196	257,608
Gross profit	**31,213**	**27,086**	**119,734**	**39,721**
Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) and special items	**5,697**	**5,926**	**20,339**	**8,822**
Earnings before Interest, Tax, Amortisation (EBITA) and special items	**5,285**	**5,434**	**18,922**	**8,092**
Operating profit (EBIT) before special items	**2,837**	**2,797**	**9,680**	**5,455**
Special items	-2,805	-11,149	-3,354	-12,233
Operating profit (EBIT)	**32**	**-8,352**	**6,326**	**-6,778**
Net financial expenses	-3,267	-3,643	-15,084	-6,342
Profit/loss before tax	**-3,235**	**-11,995**	**-8,758**	**-13,120**
Profit/loss for the period	**-573**	**-7,908**	**-6,238**	**-9,316**
Cash flow				
Cash flows from operating activities before special items, interest and tax			**15,720**	**5,923**
Cash flows from operating activities			**-2,439**	**-704**
Investments in software			-955	-823
Investments in property, plant and equipment			-1,481	-138
Investments in Group entities			-25,809	-196,545
Cash flows from investing activities			**-28,246**	**-197,506**
Free Cash flow			**-30,685**	**-198,210**
Cash flows from financing activities			**7,634**	**225,204**
Cash flow for the period			**-23,051**	**26,994**
Financial position				
Total equity			155,997	144,590
Equity attributable to parent company			156,058	144,224
Net interest bearing debt (NIBD)			198,356	161,891
Total assets			505,894	431,953
Financial ratios in %				
Gross margin*	14.2	14.6	14.7	15.4
EBITDA margin*	2.6	3.2	2.5	3.4
EBIT margin*	1.3	1.5	1.2	2.1
EBIT margin	0.0	-4.5	0.8	-2.6
Equity ratio			30.8	33.5

*before special items

Company details

Name	:	**AEA SGLT Holding II LP**
Place of business and registered office	:	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, South Church Street, George Tower, KY 1-1104, Cayman Islands.
Financial year	:	1 January - 31 December
Website	:	www.scangl.com
E-mail	:	headoffice@scangl.com
Telephone	:	(+45) 32 48 00 00
Contact person	:	Claes Brønsgaard Pedersen, Group CFO
Telephone		(+45) 32 48 00 00
Directors of AEA SGLT GP II ltd., its general partner	:	Tom Gartland, Chairman John Cozzi Alan Wilkinson Todd Welsch
Parent company of AEA SGLT Holding II LP	:	AEA SGLT Holding I LP, Cayman Islands
Ultimate owner	:	AEA SGLT Holding I LP, Cayman Islands
Bankers	:	Jyske Bank A/S JP Morgan Chase & Co.
Group Auditors	:	Ernst & Young, Godkendt Revisionspartnerselskab
Address, Postal code, Town	:	Osvald Helmuths Vej 4, P O Box 250, 2000 Frederiksberg, Denmark
CVR/VAT no.	:	30 70 02 28

Legal entities in the AEA SGLT Holding II LP Group

Company name		Country/state	Currency	Nominal capital	Economic ownership interest
AEA SGLT Holding II LP*		Cayman Islands	USD	0	100%
TGI US Topco Corp.*	Please see page 4 for details	Delaware	USD	1	100%
Scan (Jersey) Topco Limited*		Jersey	GBP	1	100%
Scan (UK) Midco Limited*		United Kingdom	GBP	1	100%
Scan Bidco A/S		Denmark	DKK	500,500	100%
Anpartsselskabet af 1. november 2006*		Denmark	DKK	6,355,600	100%
Nidovni HH ApS*		Denmark	DKK	18,598,000	100%
TTGR Holding ApS*		Denmark	DKK	500,000	100%
Scan Global Logistics Holding ApS*		Denmark	DKK	3,530,837	100%
Scan Global Logistics A/S		Denmark	DKK	1,902,647	100%
SGL Road ApS		Denmark	DKK	500,000	100%
SGL Road AB		Sweden	SEK	100,000	80%
ScanAm Global Logistics AB		Sweden	SEK	100,000	100%
Crosseurope AB		Sweden	SEK	100,000	100%
Airlog Group Denmark A/S		Denmark	DKK	500,000	100%
Airlog Group Holding AB*		Sweden	SEK	2,000,000	100%
Airlog Group Sweden AB		Sweden	SEK	2,000,000	100%
Pro Logistics i Helsingborg AB		Sweden	SEK	100,000	100%
AirLog Air Logistics AB		Sweden	SEK	100,000	100%
Airlog Group Express AB		Sweden	SEK	1,000,000	100%
Connect Logistics ApS		Denmark	DKK	50,000	100%
Airlog Group Fur OY		Finland	EUR	2,500	100%
Airlog Group AS		Norway	NOK	30,000	100%
Scan Global Logistics AS		Norway	NOK	150,000	100%
Scan Global Logistics (Finland) Oy		Finland	EUR	2,523	100%
Scan Global Logistics K.K.		Japan	JPY	15,000,000	100%
Scan Global Logistics Ltd.		China	USD	1,650,000	100%
Scan Global Logistics Ltd.		Hong Kong	HKD	500,000	100%
Connect Air (HK) Ltd.		Hong Kong	HKD	300,000	100%
Scan Global Logistics Ltd. (Branch)		Taiwan			100%
Scan Global Logistics Ltd.		Thailand	THB	5,000,000	100%
Scan Global Logistics Ltd.		Malaysia	MYR	2	100%
Connect Air (Malaysia) Ltd.		Malaysia	MYR	2	100%
Scan Global Logistics Pty. Ltd.		Australia	AUD	13	100%
Scan Global Logistics (Phil) Inc.		Philippines	PHP	4,000,000	40%
Scan Global Logistics Chile S.A.		Chile	CLP	179,872,000	100%
Scan Global Logistics (Vietnam) Ltd.		Vietnam	USD	100,000	100%
Scan Global Logistics Ltd.		Indonesia	IDR	252,015,000	100%
Scan Global Logistics Pte Ltd. (Singapore)		Singapore	SGD	100,000	100%

Legal entities in the AEA SGLT Holding II LP Group Company name	Country/state	Currency	Nominal capital	Economic ownership interest
TGI US Topco Corp.*	Delaware	USD	1	100%
TransGroup Global Inc.	Delaware	USD	1	100%
TransLAX, LLC	USA	USD		50%
ICO SFO, LLC	USA	USD		50%
Transfair North America International Freight Services, LLC	Washington	USD		100%
ORD ICO, LLC	Illinois	USD		100%
TRANS BOS	Massachusetts	USD		100%
TRANS ICO, LLC	Washington	USD		50%
Trans MCO	Florida	USD		51%
Transgroup DFW	Texas	USD		100%
Transgroup Express, LLC	Washington	USD		100%
Transdomestic LAX, LLC	California	USD		100%
TRANS CLT, LLC	North Carolina	USD		100%
TRANS IAH, LLC	Texas	USD		100%
Translogic Technologies, LLC	Washington	USD		100%
TRANS-MIA, LLC	Florida	USD		61%
TRANS ATL, LLC	Georgia	USD		51%
Cargo Connections NC, LLC	North Carolina	USD		51%
CNA TRANS, LLC	Nevada	USD		50%
Utah Specialized Transportation, LLC	Utah	USD		51%

*Holding companies.

Management's commentary

AEA SGLT Holding I LP

AEA SGLT Holding I LP was founded on 2 August 2016 in connection with the joint acquisition of the SGL Holding Group and TransGroup.

The change of ownership of Scan Global Logistics was as of 2 August 2016 and consequently the accumulated 2016 comparison figures only include the results of 5 months, August to December 2016. Transgroup was acquired in Q4 2016 and consequently the accumulated 2016 comparison figures only include the results of 3 months.

AEA SGLT Holding I LP is owned by AEA Investors Small Business Fund III LP, co-investors and the management of TransGroup and SGL Group.

In Q4 2017 Tom Gartland was appointed the Chairman of the Board of AEA SGLT GP I Ltd., the general partner of AEA SGLT Holding I LP.

AEA SGLT Holding II LP is a holding company with no assets except the shares in Scan (Jersey) Topco Limited (Scan Global Logistics Group) and TGI US Topco Corp. (TransGroup). It is controlled by AEA SGLT GP II Ltd., its general partner.

Investments in Group entities

Total cash investment in Group entities in H1 2017 was USD 25 million.

The cash payment was financed through a capital increase of USD 11 million in March 2017 and the issue of bonds USD 17 million in December 2016 in Scan Bidco A/S, the parent company of the SGL Holding Group.

Profit for the period

The figures comprise the performance from Scan Bidco Group and from TransGroup.

The combined group provides worldwide services within freight forwarding and logistics services. The home market of TransGroup is the USA, whereas the Scan Bidco Group has its origins in the Nordics and its own network in the Asia Pacific region.

Overall TransGroup experienced 7.5% growth in revenues 2017 versus 2016 while Q4 2017 revenues showed a small increase to Q4 2016 and an increase in profits.

The Scan Global Logistics A/S Group had positive revenue growth throughout Q4 2017 driven by an increase in volumes within all main products (Air, Ocean and Road). The Aid, Development and Projects (ADP) division has experienced increased revenues compared to Q3 as well as a strengthened pipeline and no customer attrition, however at lower margins than in previous periods. Q4 has been a transition period with renewals of contracts with some larger customers.

The fourth quarter result of AEA SGLT Holding II LP was USD 220.4 million in revenue. The EBITDA before special items was USD 5.7 million.

The total Q4 Gross Profit was USD 31.2 million and the Gross Margin equalled 14.2%.

The weakening of the USD/DKK exchange rate during 2017 had a significant negative impact on the Gross Profit, estimated at a minimum of USD 2.5 million.

Management's commentary

The total SG&A costs of USD 25.5 million in Q4 mainly comprised of salary related costs, travel and rent and is equal to an increase of USD 0.8 million versus Q3 2017.

Amortisation of intangibles identified at acquisition was USD 2.4 million in Q4.

Net financial expenses amounted to USD 3.3 million in Q4 was mainly comprised of interest on the bond debt.

The plan for year 2018 assumes continued positive development of revenues, gradually improving Gross Margins from re-negotiated contracts and full impact on the SG&A costs from the organisational changes made in SGL by the end of 2017 and further synergy according to plan from the acquisitions of Airlog and Crosseurope.

Cash Flows

The acquisitions in H1 of the Airlog Group and Crosseurope generated cash out flow from investing activities of USD 25 million.

This was financed through a capital increase of USD 11 million and cash proceeds from issuing of bonds in Q4 2016.

Other investments in 2017 comprised mainly of software and IT equipment of USD 2.4 million.

Furthermore Scan Global Logistics A/S acquired a non-controlling interest part in a subsidiary company in H1 value USD 1.7 million.

The working capital increased by USD 6.1 million since December 2016, primarily due to the accounts receivable in Denmark and in the ADP Division.

Capital structure

The equity attributable to the Parent company was USD 156 million with an equity ratio of 30.7% as per 31 December 2017.

The equity was mainly affected by a capital increase of USD 11 million all made by a cash contribution.

By year end 2017 the total liquidity reserve was equal to USD 30.8 million and hence well in line with the covenant.

Net interest bearing debt (NIBD)

Consolidated net interest bearing debt amounted to USD 198 million. The debt is mainly due to the acquisition of TransGroup, SGL Holding Group, the Airlog Group and Crosseurope.

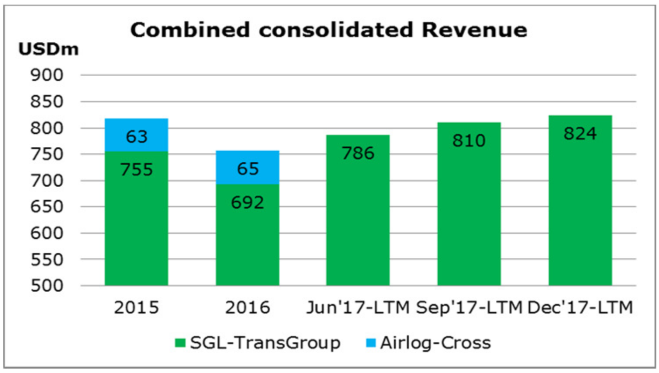
Management's commentary

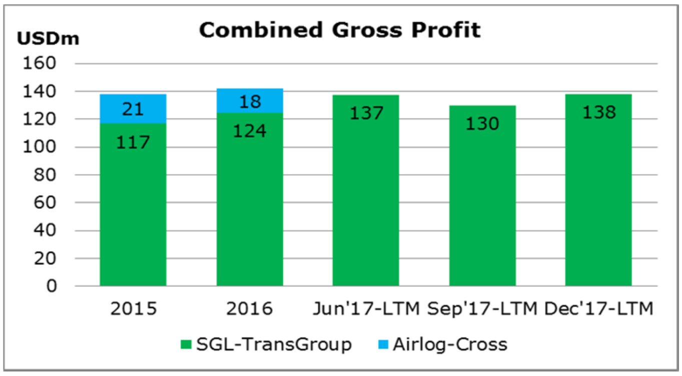
Business development

Proforma figures

On a pro forma basis, if the acquisitions had been effective as from 1 January 2015, we would have seen the following development in the total operating group (excl. the holding companies). That includes the recent acquisition of the Airlog Group and Crosseurope.

The LTM's since June 2017 are only shown as a total as Airlog and Crosseurope are integrated with the other activities within the SGL Group.





Note: The combined revenue is now adjusted to show the net consolidated revenue.

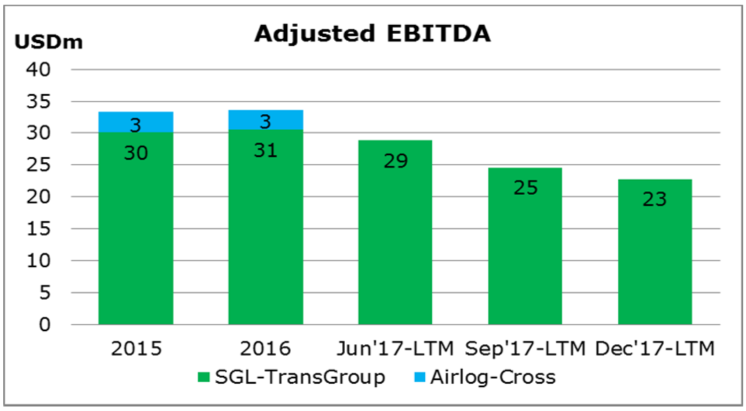
The combined group had a positive development in revenues throughout the year 2017. SGL did have pressure on Gross Margins throughout 2017 where especially Q4 was a transition period in SGL with renewals of contracts with larger customers. Furthermore the weakening of the USD/DKK exchange rate had a significant negative impact (USD 2.5m). TGL experienced a pressure on margins throughout 2017 materializing in a slight decrease YoY.

Please see page 5 for comments to the Q4 2017.

Management's commentary

Business development (Cont'd)

Proforma figures



The development in the EBITDA shows the impact of the negative development in the Gross Margin. Furthermore the EBITDA Q4 December 2016 was postively impacted by excluding extraordinary non-recurring SG&A costs whereas Q4 2017 SG&A costs reflects normal business including Airlog and Cross activities.

On a proforma basis incl. Airlog and Crosseurope the NIBD/EBITDA as per LTM Dec'17 was 8.6.

Integration

As part of our strategy, we have started several work streams in a global integration. These workstreams are focused on Finance, IT and Marketing.

Targets short term are to create one global finance organization to secure finance and business partnering for the business. Long term systems, toolboxes and process optimizations are priorities.

The IT roadmap is defined and agreed. System and tools will be amended to meet customers needs and will be integrated into the organization successively.

Global Marketing will start merging brands, ie. logos, websites and external material. The exercise will be founded in insights from customers, market and employees.

(USDt) Notes	Consolidated income statement for the period 1 January to 31 December	Group Q4 2017	Group Q4 2016	Group YTD 2017	Group YTD 2016
	Revenue	220,443	185,440	814,196	257,608
	Cost of operation	-189,230	-158,354	-694,462	-217,887
	Gross profit	**31,213**	**27,086**	**119,734**	**39,721**
	Other external expenses	-4,494	-5,928	-21,946	-8,042
	Staff costs	-21,022	-15,232	-77,449	-22,857
	Earnings before Interest, Tax, Depreciation, Amortisation and special items	**5,697**	**5,926**	**20,339**	**8,822**
	Depreciation of tangible assets	-412	-492	-1,417	-730
	Earnings before Interest, Tax, Amortisation and special items	**5,285**	**5,434**	**18,922**	**8,092**
	Amortisation of intangibles	-2,448	-2,637	-9,242	-2,637
	Operating profit before special items	**2,837**	**2,797**	**9,680**	**5,455**
	Special items	-2,805	-11,149	-3,354	-12,233
	Operating profit (EBIT)	**32**	**-8,352**	**6,326**	**-6,778**
	Financial income	469	-28	554	66
	Financial expenses	-3,736	-3,615	-15,638	-6,408
	Loss before tax	**-3,235**	**-11,995**	**-8,758**	**-13,120**
	Tax on profit for the period	2,662	4,087	2,520	3,804
	Loss for the period	**-573**	**-7,908**	**-6,238**	**-9,316**
	Total income for the year attributable to				
	Owners of the parent	-855	-9,598	-7,946	-9,598
	Non-controlling interests	282	302	1,708	282
	Total	**-573**	**-7,908**	**-6,238**	**-9,316**

(USDt)	Consolidated statement of comprehensive income	Group Q4 2017	Group Q4 2016	Group YTD 2017	Group YTD 2016
	Profit for the period	-573	-7,908	-6,238	-9,316
	Items that will be reclassified to income statement when certain conditions are met:				
	Exchange rate adjustment	-809	-4,669	9,970	-4,669
	Other comprehensive income, net of tax	-809	-4,669	9,970	-4,669
	Total comprehensive income for the period	-1,382	-12,577	3,732	-13,985
	Total comprehensive income for the year attributable to				
	Owners of the parent	30,931	26,784	118,026	39,439
	Non-controlling interests	282	302	1,708	282
	Total	**31,213**	**27,086**	**119,734**	**39,721**

(USDt) Notes	Consolidated balance sheet	Group 31 Dec 2017	Group 31 Dec 2016
	ASSETS		
	Goodwill	223,903	191,737
	Customer relations	74,937	70,785
	Trademarks	19,403	19,242
	Other acquired intangible assets	914	1,046
	Software	5,580	5,709
	Intangible assets	**324,737**	**288,519**
	Property, plant and equipment	**2,654**	**1,798**
	Other receivables	1,573	1,298
	Deferred tax asset	7,787	452
	Financial assets	**9,360**	**1,750**
	Total non-current assets	**336,751**	**292,067**
	Trade receivables	149,268	106,540
	Income taxes receivable	293	302
	Receivables from Group entities	414	0
	Other receivables	3,789	3,105
	Prepayments	1,981	1,680
	Cash and cash equivalents	13,398	28,259
1	**Total current assets**	**169,143**	**139,886**
	Total assets	**505,894**	**431,953**

(USDt) Notes	Consolidated balance sheet	Group 31 Dec 2017	Group 31 Dec 2016
	EQUITY AND LIABILITIES		
	Partnership interest	169,804	158,491
	Currency translation reserve	5,316	-4,669
	Retained earnings	-19,062	-9,598
	Equity attributable to parent company	**156,058**	**144,224**
	Non-controlling interests	-61	366
	Total Equity	**155,997**	**144,590**
2	Bond debt	196,053	183,346
	Earn-out provision	456	0
	Deferred rent	406	478
	Deferred tax liability	10,515	11,125
	Total non-current liabilities	**207,430**	**194,949**
1	Bank debt	11,073	1,532
	Earn-out provision	948	0
	Trade payables	105,382	66,572
	Deferred income	5,819	7,423
	Corporation tax	2,333	1,295
	Other payables	16,912	15,592
	Total current liabilities	**142,467**	**92,414**
	Total liabilities	**349,897**	**287,363**
	Total equity and liabilities	**505,894**	**431,953**

(USDt) Note	Consolidated statement of changes in equity	Partner-ship interest	Currency translation reserve	Retained earnings	Equity attributable to parent company	Non-controlling interests	Group Total equity
	Equity at 1 January 2017 - Published	**158,491**	**-4,669**	**-12,479**	**141,343**	**161**	**141,504**
4	Change to opening	**0**	**0**	**2,881**	**2,881**	**205**	**3,086**
	Equity at 1 January 2017 - Audited	**158,491**	**-4,669**	**-9,598**	**144,224**	**366**	**144,590**
	Profit for the period	**0**	**0**	**-7,946**	**-7,946**	**1,708**	**-6,238**
	Currency exchange adjustment	0	9,985	0	**9,985**	-15	**9,970**
	Other comprehensive income, net of tax	**0**	**9,985**	**0**	**9,985**	**-15**	**9,970**
	Total comprehensive income for the period	**0**	**9,985**	**-7,946**	**2,039**	**1,693**	**3,732**
	Purchase of non-controlling interests	0	0	-1,518	**-1,518**	-218	**-1,736**
	Dividend distributed	0	0	0	**0**	-1,902	**-1,902**
	Capital increase by cash payment	11,313	0	0	**11,313**	0	**11,313**
	Total transactions with owners	**11,313**	**0**	**-1,518**	**9,795**	**-2,120**	**7,675**
	Equity at 31 December 2017	**169,804**	**5,316**	**-19,062**	**156,058**	**-61**	**155,997**

(USDt)	Consolidated statement of changes in equity	Partner-ship interest	Currency translation reserve	Retained earnings	Equity attributable to parent	Non-controlling interests	Group Total equity
	Equity at 2 August 2016	**0**	**0**	**0**	**0**	**0**	**0**
	Profit for the period	**0**	**0**	**-9,598**	**-9,598**	**282**	**-9,316**
	Currency exchange adjustment	0	-4,669	0	**-4,669**	0	**-4,669**
	Other comprehensive income, net of tax	**0**	**-4,669**	**0**	**-4,669**	**0**	**-4,669**
	Total comprehensive income for the period	**0**	**-4,669**	**-9,598**	**-14,267**	**282**	**-13,985**
	Addition due to acquisition	0	0	0	**0**	91	**91**
	Dividend distributed	0	0	0	**0**	-7	**-7**
	Capital increase by cash payment	94,134	0	0	**94,134**	0	**94,134**
	Capital increase by contribution in kind	64,357	0	0	**64,357**	0	**64,357**
	Total transactions with owners	**158,491**	**0**	**0**	**158,491**	**84**	**158,575**
	Equity at 31 December 2016	**158,491**	**-4,669**	**-9,598**	**144,224**	**366**	**144,590**

(USDt) Notes	Consolidated cash flow statement	Group YTD 2017	Group YTD 2016
	Operating profit (EBIT) before special items	9,680	5,455
	Depreciation, amortisation and impairment	10,659	3,367
	Exchange rate adjustments	1,533	-862
	Change in working capital	-6,152	-2,037
	Cash flows from operating activities before special items, interest & tax	**15,720**	**5,923**
	Special items	-3,037	0
	Interest paid	-14,994	-6,076
	Tax paid	-128	-551
	Cash flows from operating activities	**-2,439**	**-704**
	Purchase of software	-955	-823
	Purchase of property, plant and equipment	-1,481	-138
	Special items, transactions cost acquitions	-317	-12,233
3	Investments in Group entities	-25,492	-184,312
	Cash flows from investing activities	**-28,246**	**-197,506**
	Free cash flow	**-30,685**	**-198,210**
	Dividend paid to non-controlling interests	-1,902	-7
	Capital increase	11,313	94,134
	Purchase of non-controlling interest	-1,706	0
	Repayment of loan from AEA	-71	71
	Proceeds from issuing of bonds	0	192,514
	Loan costs from issuing of bonds	0	-5,737
	Redemption of bond loan	0	-53,924
	Redemption of other acquisition debt	0	-1,847
	Cash flows from financing activities	**7,634**	**225,204**
	Change in cash and cash equivalents	**-23,051**	**26,994**
	Cash and cash equivalents		
	Cash and cash equivalents at the beginning of the period	26,727	0
	Exchange rate adjustment of cash and cash equivalents	-1,656	-267
	Change in cash and cash equivalents	-23,051	26,994
1	**Net Cash and cash equivalents at 31 December**	**2,020**	**26,727**

Note	(USD thousand)	Group
1	**Cash and Liquidity**	31.12.2017

Cash and cash equivalents	13,398
Bank debt	-11,073
Net cash	**2,325**
Credit facilities	28,425
Liquidity reserve	**30,750**

The AEA SGLT Holding II LP Group holds net positive bank liquidity of 2,325 thousand. Total financial reserves (net bank liquidity and credit facilities) aggregates to USD 30,750 thousand.

2	**Bond debt**	31.12.2017

Issued bonds, DKK tranche DKK 625 million, interest rate 6.80%	100,681
Issued bonds, USD trance USD 100 million, interest rate 7.70%	100,000
	200,681
Capitalised loan costs	-4,628
Total bond debt	**196,053**

	Cash flow*	Carrying amount
Bond debt falling due between 1 and 5 years (2022)	251,594	200,681
Bond debt falling due after more than 5 years	0	0
Total non-current financial liabilities	**251,594**	**200,681**
Total current financial liabilities	**14,546**	**0**

* Total cash flows including interest.

In 2016, Scan Bidco A/S issued senior secured callable bonds of DKK 625 million with an interest rate of 6.80% and USD 100 million with an interest rate of 7.70%. Borrowing costs of USD 5.7 million were paid in 2016 and amortised until 2022.

Interest is paid quarterly and the bond debt has to be repaid in June 2022.

The proceeds were used for the acquisition of the Airlog Group, SGL Group and TransGroup and repayment of SGL Holding ApS' bond debt.

For the issued bond certain terms and conditions apply regarding negative pledge, redemption, change of control and incurrance test.

The company Bond was listed on the Nasdaq Stock Exchange in Stockholm in June 2017.

Note	(USD thousand)	Airlog Holding AB	Crosseurop AB	YTD 2017 Total
3	**Investments in Group entities**			
	Provisional fair value at date of acquisition:			
	ASSETS			
	Property, plant and equipment	39	15	54
	Trade receivables	8,449	1,524	9,973
	Income taxes receivable	133	25	158
	Other receivables	378	167	545
	Prepayments	316	401	717
	Cash and cash equivalents	1,200	1,327	2,527
	Total assets	**10,515**	**3,458**	**13,973**
	LIABILITIES			
	Trade payables	4,864	687	5,550
	Corporation tax	1,126	20	1,146
	Other payables	3,026	2,737	5,763
	Total liabilities	**9,016**	**3,444**	**12,460**
	Non-controlling interests' share of acquired net assets	0	0	0
	Acquired net assets	**1,499**	**14**	**1,513**
	Goodwill	19,347	3,821	23,168
	Customer relations	3,343	2,415	5,758
	Trademarks	485	154	639
	Deferred tax on customer relations and trademarks	-842	-565	-1,407
	Fair value of total consideration	**23,831**	**5,839**	**29,671**
	Earn-out provision	1,662	296	1,957
	Cash consideration	**22,170**	**5,543**	**27,713**
	Adjustment for cash and cash equivalents taken over	-1,200	-1,327	-2,527
	Cash consideration for the acquisition of Airlog Group and Crosseurope	**20,970**	**4,217**	**25,187**
	Transaction costs for acquisitions 2017	21	284	305
	Investments in Group entities	**20,991**	**4,501**	**25,492**

Note (USD thousand)

3 Investments in Group entities

Acquisition of Airlog Group

Scan Global Logistics A/S on 6 of March 2017 acquired 100% of the shares in Sweden based freight forwarder Airlog Group AB.

The acquisition was made in order to strengthen Scan Global Logistic Group position especially in the air segment.

Airlog is a full-service freight forwarder with offices in Sweden and Denmark focusing on small to mid-sized customers. Airlog had established a solid position in air and ocean freight in Denmark and Sweden by leveraging its extensive network of global partners.

In 2016, Airlog generated sales of DKK 360 million (SEK 451 million) and a profit after tax of DKK 3 million (SEK 4 million).

After the acquisition the Swedish and Danish Airlog traditional freight forwarding activity has been fully integrated in the Scan Global Logistic freight forwarding activity. Therefore, it is not possible to disclose financial information regarding the specific Airlog activity after the acquisition, including information regarding the Airlog performance recognized in the Scan Global Logistic consolidation after acquisition.

Under the terms of the agreement, the Airlog Group was acquired for a total cash consideration of SEK 200 million. In addition, an earn-out with a maximum of SEK 15 million has been agreed. At the date of the transaction it is expected that the earn-out will be paid 100%. Total consideration amounts to DKK 168 million (USD 21 million).

Transaction cost amounts to DKK 4,4 million, which has been expensed and recognized as special items amounting to DKK 4,2 million in 2016 and DKK 0,2 million in 2017.

The earn out will be paid based on certain conditions regarding target for gross profit for the acquired Airlog agent business. Final calculation and payment of the earn out will be paid after end of the financial year 2017 and 2018 respectively.

Based on events in 4 quarter 2017 a subsequent measurement of the earn out has been made. This measurement has resulted in a reduced contingent liability and recognition of a special item (income) amounting to DKK 4,9 million.

Acquired net assets before identification of intangible assets including goodwill amounts to DKK 10 million. The Airlog carrying amount on the date of acquisition did not deviate materially from the fair market value.

Intangible assets of trademark and customer relations has been identified. A royalty cash flow model has been used for calculation a fair market value of trademark. A customer attrition model has been used for calculation of the fair market value of customer relations. The purchase price allocation has been finalized in 4 quarter 2017.

After recognition of identified assets and liabilities at fair value, goodwill has been recognized at an amount of DKK 136,7 million. Goodwill represents the values of the expected significant cost synergies and other synergies from combining the two businesses including value of the Airlog Group employees and related knowhow. Goodwill is non-deductible for tax purposes.

Note (USD thousand)

3 **Investments in Group entities**

Acquisition of Crosseurope Aktiebolag

Scan Global Logistics A/S 29 on June 2017 acquired 100% of the shares in the Sweden based freight forwarder Crosseurope AB.

The acquisition was made in order to strengthen Scan Global Logistic Group's position especially in the road segment.

Crosseurope AB is a freight forwarder based in Trelleborg, Sweden focusing on small to mid-size customers. Crosseurope has since 1993 established a solid position in the road freight business in Sweden.

In 2016, Crosseurope generated sales of DKK 77 million (SEK 98 million) and a profit after tax of DKK 5.6 million (SEK 7 million).

Under the terms of the agreement, Crosseurope was acquired for a total cash consideration of SEK 47.5 million. In addition, an earn-out agreement with a maximum of SEK 2.5 million has been agreed. At the date of acquisition, it is expected that the earn out will be paid 100%. Total amounts hereafter amount to DKK 38 million (USD 4.2 million).

Payment of the earn out is based on conditions that certain Crosseurope AB customers will generate a certain level of revenue in 2017.

Transaction cost amounts to DKK 1,9 million, which has been expensed and recognized as special items in 2017.

Revenue and result for Crosseurope AB for 2017, has on a proforma basis been calculated to an amount of respectively DKK 83 million and DKK 7.5 million. Crosseurope revenue and results have been consolidated into the Scan Bidco Group consolidation with DKK 83 million and DKK 7.5 million.

Acquired net assets before identification of intangible assets including goodwill amounts to DKK 0.1 million. The Crosseurope carrying amount at the date of acquisition did not deviate materially from the fair market value.

Intangible assets of trademark and customer relations have been identified. A royalty cash flow model has been used for calculation a fair market value of trademark. A customer relation attrition model has been used for calculation of the fair market value of customer relations.

The purchase price allocation has been finalized in 4. quarter 2017.

After recognition of identified assets and liabilities at fair value, goodwill has been recognized at an amount of DKK 24.9 million. Goodwill represents the values of the expected cost synergies and other synergies from combining the two businesses including takeover of the Crosseurope employees and related knowhow. Goodwill is non-deductible for tax purposes.

Note 4 Consolidated income statement - Changes to 2016 figures

(USD thousand)	Unaudited Dec 2016	Audited Dec 2016	Change
Revenue	261,968	257,608	-4,360
Cost of operation	-222,682	-217,887	4,795
Gross profit	**39,286**	**39,721**	**435**
Other external expenses	-8,163	-8,042	121
Staff costs	-22,849	-22,857	-8
Earnings before Interest, Tax, Depreciation, Amortisation and special items	**8,274**	**8,822**	**548**
Depreciation of tangible assets	-273	-730	-457
Earnings before Interest, Tax, Amortisation and special items	**8,001**	**8,092**	**91**
Amortisation of intangibles	-3,576	-2,637	939
Operating profit before special items	**4,425**	**5,455**	**1,030**
Special items	-12,233	-12,233	0
Operating profit (EBIT)	**-7,808**	**-6,778**	**1,030**
Financial income	119	66	-53
Financial expenses	-6,458	-6,408	50
Loss before tax	**-14,147**	**-13,120**	**1,027**
Tax on profit for the period	2,124	3,804	1,680
Loss for the period	**-12,023**	**-9,316**	**2,707**
Total income for the year attributable to			
Owners of the parent	-12,479	-9,598	2,881
Non-controlling interests	456	282	-174
Total	**-12,023**	**-9,316**	**2,707**

Above table with the changes from published interim financial report Q4 2016 figures to audited 2016 figures.
The net positive effect on result on equity due to the change and update to audited figures amount to USD 2.7 million. Comparision figures are updated accordingly.

Note
4 Accounting policies

Basis of preparation
The Interim Financial Report, which has not been audited or reviewed by the Company auditor, has been prepared in accordance with the relevant IFRS standards and interpretations for recognition and measurement and on the basis set out below and has been prepared according to requirements according to Bond Terms, which includes requirement of a management commentary.

Basis of measurement
The financial statements have been prepared on a historical cost basis unless otherwise specifically indicated, such as derivative financial instruments.

Reporting currency
The financial statements are presented in US dollar and all values are rounded to the nearest thousand, except when otherwise indicated.

Significant accounting estimates
The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Note
4 **Accounting policies (Continued)**

Consolidation

The consolidated financial statements comprise the parent, AEA SGLT Holding II LP, and entities controlled by the parent and AEA SGLT Holding II GP. Control is presumed to exist when the parent owns, directly or indirectly, more than half of the voting rights of an entity. Control may also exist by virtue of an agreement or articles of association or when the parent otherwise has a controlling interest in the subsidiary or actually exercises controlling influence over it.
The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether control exists.

The consolidated financial statements are prepared on the basis of the financial statements of the consolidated entities by adding together like items.
Intra-group income, expenses, gains, losses, investments, dividends and balances are eliminated.
Investments in consolidated entities are set off by the parent's proportionate share of the consolidated entity's fair value of assets and liabilities at the time of acquisition.

Recently acquired or sold subsidiaries are recognised in the consolidated income statement for the period in which the parent controls such entities. Comparative figures are not restated for recently acquired or sold entities.
The purchase method of accounting is applied to the acquisition of subsidiaries.
The purchase price is made up at the net present value of the consideration agreed.
Conditional payments are recognised at the amount expected to be paid.
Directly attributable aquisition expenses are expensed in the income statement.
Identifiable assets and liabilities in the acquired entities are recognised at the fair value at the time of acquisition.
Allowance is made for the tax effect of revaluations of assets and liabilities.
Any residual difference between the purchase price and the Group’s share of the fair value of the identifiable assets and liabilities is recognised as goodwill.
If the purchase price is less than the fair value of the acquired subsidiary's assets, the residual difference (negative goodwill) is recognised directly in the income statement.
For each acquisition, the Group determines whether any non-controlling interest in the acquired business is accounted at fair value (so-called full goodwill) or to the proportional share of the acquired business's net assets.
Entities over which the Group exercises significant influence are considered associates. Significant influence is presumed to exist when the Group directly or indirectly holds between 20% and 50% of the voting rights or otherwise has or actually exercises significant influence. Associates are recognised in the consolidated financial statements at their net asset value.

Note

4 Accounting policies (Continued)

Non-controlling interests

Accounting items attributable to Group entities are recognised in full in the consolidated financial statements. Non-controlling interests' share of Group entities' profit or loss for the year and equity is recognised as separate items in the income statement and the statement of change in equity.

If an investment in Group entities is considered to be a transaction with non-controlling interests the difference between the consideration and the net assets taken over is recognised under equity.

If a divestment in Group entities is considered to be a transaction with non-controlling interests the difference between the sales price and the net assets divested is recognised under equity.

Functional currency

The Group’s consolidated financial statements are presented in US dollars, which is also the parent company’s functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation; the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rate at the date of the transaction.
Receivables, payables and other monetary items denominated in foreign currencies are translated into the functional currency at the exchange rate at the balance sheet date.
Realised and unrealised exchange gains and losses are recognised in the income statement as financial income and expenses.

Foreign Group entities

As regards integral foreign Group entities, the items in their financial statements are translated using the following principles:

- Balance sheet items are translated at the closing rate.
- Items in the income statement are translated at the rate at the date of the transaction.
- Any exchange differences resulting from the translation of the opening equity at the closing rate and the exchange adjustment of the items in the income statement from the rate at the date of the transaction to the closing rate are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

- Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Note
4 **Accounting policies (Continued)**

Materiality in financial reporting

When preparing the financial statements, Management consider how to best present the financial statements and its commentary to ensure that the content is relevant and focus is kept on what is material to the user. This is pursued by aggregating immaterial items in the financial statements and only including relevant descriptions in the Management commentary and only including descriptions on risks, mitigating thereof etc. that may have or had material impact on the achievement of the Groups result and targets. The notes to the financial statements are prepared with focus on ensuring that the content is relevant and that the presentation is clear. All judgements are made with due consideration of legislation, international accounting standards and guidelines and of the financial statements as a whole is presented fair and truly.

Income statement

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.
Revenue from services, comprising air, sea and road freight forwarding is recognised by reference to the stage of completion, which is measured as time elapsed of total expected time to render the service for each contract.
Rent income from the Solutions activity (Warehousing) is recognised on a straight-line basis over the rent period.
Revenue is measured at fair value net of VAT, all types of discounts/rebates granted, as well as net of other indirect taxes charged on behalf of third parties.

Costs of operations

Costs of operations comprise costs incurred to generate the net turnover for the year. The costs of operations include settlement of shipping companies, airlines and haulage contractors, etc. Also including wages and salaries relating to own staff used to fulfil the contracts with customers.

Cost related to operating leases is recognised on a straight line basis over the term of the lease.
Based on assessments of the individual lease arrangement a judgement is made to whether the lease is an operating or financial lease.

Other external expenses

Other external expenses comprise the year's expenses relating to the entity's core activities, including expenses relating to sale, advertising, administration, premises, bad debt provisions, payments under operating leases, etc.

Note
4 Accounting policies (Continued)

Staff costs
Staff costs comprise costs such as salaries, wages, social, pensions and social security costs except staff costs recognised under costs of operation and special items. Staff costs are recognised in the year in which the Group's employees have performed the related work.
The item is net of refunds made by public authorities.

Special items
Net special items is recognised in connection with presenting the consolidated income statement for the year to separate items there by its nature are not related to the Groups ordinary business activity and a separation of these costs improves the understanding of the performance for the year.

Financial income and expenses
Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period.
The items comprise interest income and expenses, also from Group entities and associates, dividends declared from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

Tax
Tax for the year consists of current tax and changes in deferred tax for the year, including adjustments to previous years. The tax for the year is recognised in the income statement, unless the tax relates directly to items included in other comprehensive income or equity.
Current income tax receivable and payable is measured at the amount expected to be recovered from or paid to the taxation authorities.

Note

5 **Accounting policies** (Continued)

Balance sheet

Goodwill

Goodwill arising from business combinations is recognised and is stated as the difference between the consideration paid and the fair value of the identified net assets. Goodwill is not amortised but tested for impairment if indication of impairment or at least once a year.

Customer relations

Customer relations arising from business combinaitons is recognised at fair value at acquisition.
When an indication of impairment is identified customer relations is tested for impairment.
Customer relations arising from the acquisition of TransGroup is amortised over 13 years.
Customer relations arising from the acquisition of SGL Group is amortised over 12 years.

Trademarks

Trademarks arising from business combinations is recognised at fair value at acquisition.
Trademarks arising from acquisition is amortised over 10-21 years.

Software

Software includes acquired intangible rights.
Software acquired separately or developed for internal use is measured at the lower of cost less any accumulated amortisation and impairment losses and the recoverable amount.
Costs related to development of software is calculated as, external costs, staff costs, amortisation and depreciation directly or indirectly attributable to the development of the software. After commissioning, software is amortised on a straight-line basis over the expected useful life.
The amortisation period is 3-6.5 years.

Software acquired has an expected useful life time of 3 years and is amortised over the full economic life.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Property, plant and equipment

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

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

Depreciation

Depreciation is provided on a straight-line basis over the expected useful life of each individual asset. The depreciation basis is the cost.
The expected useful lives of the assets are as follows:

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

Note

5 **Accounting policies** (Continued)

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

Accounting estimates

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

Impairment testing of non-current assets

Goodwill

The carrying amount of goodwill is tested for impairment at least once a year together with the other non-current assets of the Group.

The tests are conducted for each cash generating unit "CGU" to which the goodwill is allocated to. Goodwill is allocated to the Groups activity thus it follows the structure of the segment information.
Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.
In assessing the recoverable amount, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset including geographical location and financial risks.

Other non-current intangible assets, property, plant and equipment

The carrying amount of other non-current assets is tested for impairment at least once a year in connection with the impairment test of goodwill or when an indication of impairment is identified. Impairment is determined by assessing the recoverable amount of each CGU. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.
The recoverable amount is the higher of the fair value of the assets less the expected costs of sale and the value in use.
Value in use is the net present value of estimated future cash flows from the asset or the CGU of which the asset form parts.
Where an impairment loss is recognised on a group of assets, a loss must first be allocated to goodwill and then to the other assets proportionally.

Receivables

Receivables are measured at amortised cost.
Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired.
Provisions are made to the lower of the net realisable value and the carrying amount.

Prepayments

Prepayments recognised under ‘Assets' comprise prepaid expenses regarding subsequent financial reporting years.

Note
5 Accounting policies (Continued)

Cash and cash equivalents
Cash comprises cash balances and bank balances.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.
Provisions comprise expected expenses relating to guarantee commitments, losses on work in progress, restructurings, etc.

Corporation tax
Income taxes payable:
Current tax payable and receivable is recognised in the balance sheet as the estimated tax charge in respect of the taxable income for the year, adjusted for tax on prior years' taxable income and tax paid on account.

Deferred tax:
Deferred tax is measured using the balance sheet liability method on temporary differences between the carrying amount and the tax base of assets and liabilities at the reporting date.

However, deferred tax is not recognised on temporary differences relating to goodwill, which is not deductible for tax purposes and on other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income.

Deferred tax is measured according to the taxation rules and taxation rates in the respective countries applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities within the same jurisdiction.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax is adjusted for elimination of unrealised intercompany gains and losses.

Note
5 Accounting policies (Continued)

Liabilities
Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred.
Interest-bearing debt is subsequently measured at amortised cost, using the effective interest rate method. Borrowing costs, including capital losses, are recognised as financing costs in the income statement over the term of the loan.
Other liabilities are measured at net realisable value.

Deferred income
Deferred income comprises open files, which will not be recognised as revenue until the subsequent financial year once the recognition criteria are satisfied.

Contingent liabilities
Contingent liabilities comprise of a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Cash flow statement
The cash flow statement shows the entity's net cash flows, broken down by operating, investing and financing activities, the year's changes in cash and cash equivalents and the entity's cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are presented using the indirect method and are made up as the operating profit, adjusted for non-cash operating items, changes in working capital, paid net financials and paid income taxes.

Cash flows from investing activities comprise payments in connection with purchase and sale of fixed assets, securities which are part of investment activities and payments in connection with purchase and sale of businesses and activities.

Cash flows from financing activities comprise dividends paid to shareholders, capital increases and reductions, borrowings and repayments of interest-bearing debt.

Cash and cash equivalents comprise cash and short-term securities in respect of which the risk of changes in value is insignificant.

Note
5 Accounting policies (Continued)

Financial ratios

Definition of financial ratios:

Gross margin:
Gross profit / Revenue * 100

EBITDA margin (before special items):
EBITDA before special items / Revenue * 100

EBIT margin (before special items):
Operating profit before special items / Revenue * 100

EBIT margin:
Operating profit / Revenue * 100

Equity ratio:
Equity at year end / Total assets * 100

Net interest bearing debt
Interest bearing debt less of interest bearing assets.