

# **SGL TransGroup International A/S**

## **INTERIM FINANCIAL REPORT** **Half-year 2020,** **including second quarter 2020**

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## How to read this interim report

### SGLT Holding

The figures contained in this section are comprised of the combined financial performance of SGL TransGroup International A/S and TransGroup Global Inc., including their respective subsidiaries, constituting the combined group SGLT Holding II LP (“SGLT Holding”).

The figures for SGLT Holding are included because they highlight the performance to which attention should be given when understanding the current combined performance and predicting future combined performance supporting the issued senior secured bond through SGL TransGroup International A/S.

Reporting currency for SGLT Holding is USD.

### SGLT Holding - Financial highlights - H1 2020

Revenue	Adjusted EBITDA**
<b>USD 556 million</b>	<b>USD 22.9 million</b>

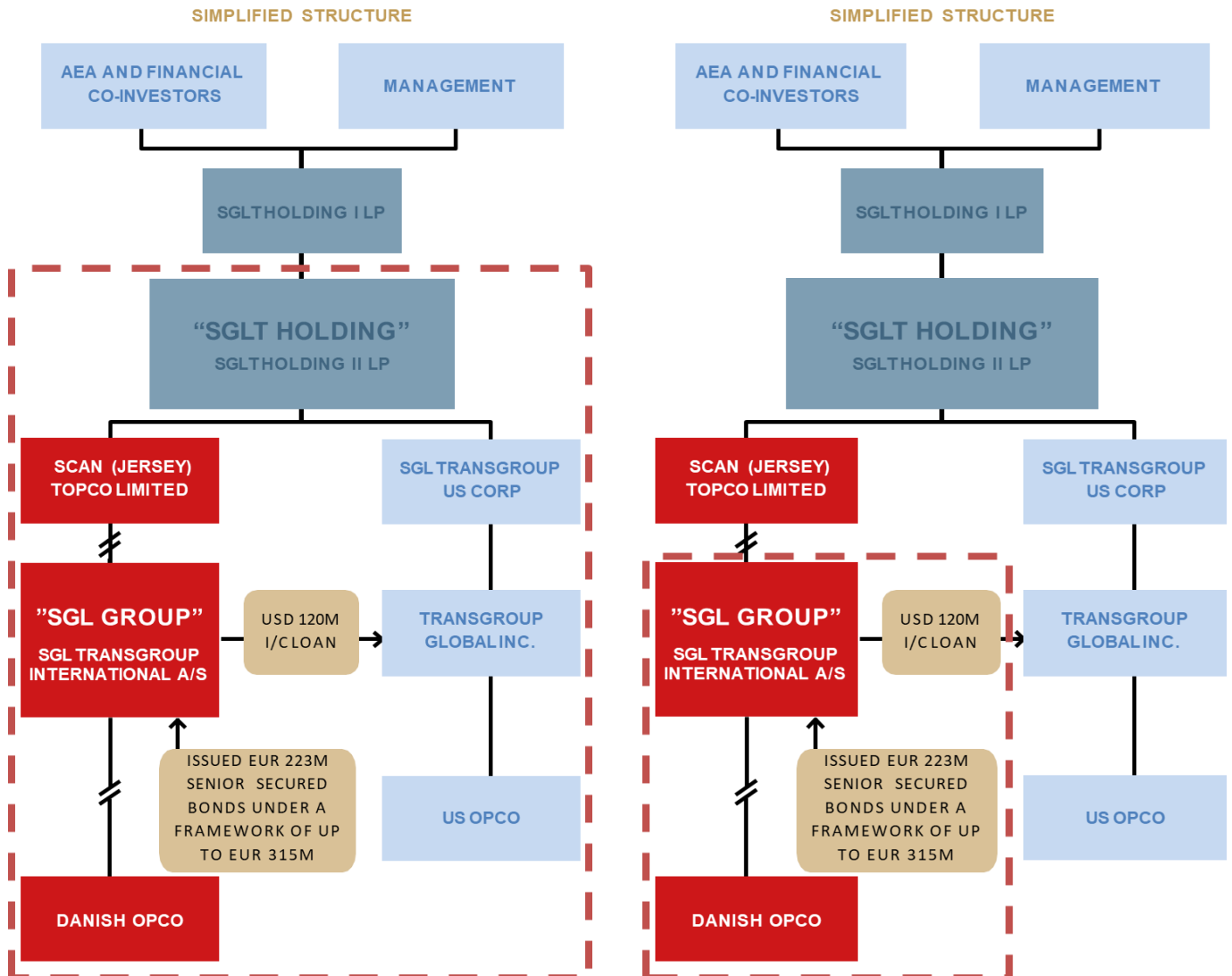
\*\* Refer to definition and calculation on page 9

### SGL Group

SGL TransGroup International A/S (SGL Group) is owned directly by Scan (UK) Midco Limited, and the ultimate owner is SGLT Holding I LP. SGL Group includes SGL TransGroup International A/S and all its subsidiaries.

SGL TransGroup International A/S (together with TransGroup Global Inc. and their respective subsidiaries) has issued senior secured floating-rate bonds with SGL TransGroup International A/S as the issuer in an aggregate amount of EUR 223m within a total framework amount of EUR 315m.

Reporting currency for SGL Group is DKK.



**SGLT Holding II LP (SGLT Holding)**

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**Financial highlights**
**Q2 2020**
**Q2 2019**
**H1 2020**
**H1 2019**
**Key figures (in USD thousands):**
**Income statement**

Revenue	291,502	262,538	555,868	516,183
Gross profit	49,878	43,610	94,343	83,528
EBITDA before special items	19,737	11,637	30,088	22,122
EBITDA before special items excluding IFRS 16	15,232	8,540	21,682	15,540
Operating profit (EBIT) before special items	9,149	5,851	12,295	10,724
Special items, net	-3,407	-433	-5,432	-564
Operating profit (EBIT)	5,742	5,418	6,863	10,160
Financial items, net	-5,998	-5,999	-9,909	-9,832
Profit/loss before tax	-256	-581	-3,046	328
Profit/loss for the period	-906	-677	-3,400	-771

**Income statement (Business performance)<sup>1</sup>**

Adjusted EBITDA <sup>1,2</sup>	15,843	10,016	22,928	17,845
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**Cash flow**

Cash flows from operating activities before special items, interest & tax			30,044	8,674
Cash flows from operating activities			15,699	-2,042
Cash flows from investing activities			-11,254	-15,531
Free cash flow			4,445	-17,573
Cash flows from financing activities			-10,856	-8,354
Cash flow for the period			-6,411	-25,927

**Financial position**

Total equity			137,872	155,301
Equity attributable to parent company			134,870	153,550
Net interest bearing debt (NIBD)			279,122	243,698
Net interest bearing debt (NIBD) excluding lease liabilities (IFRS 16)			237,021	209,694
Total assets			597,365	553,714

**Financial ratios in %**

Gross margin	17.1	16.6	17.0	16.2
EBITDA margin before special items	6.8	4.4	5.4	4.3
Adjusted EBITDA margin	5.4	3.8	4.1	3.5
EBIT margin before special items	3.1	2.2	2.2	2.1
Equity ratio			23.1	28.0

<sup>1)</sup>Business performance represents the underlying financial performance of the Group in the reporting period as results are adjusted for extraordinary items which are not in line with the ordinary course of business and other non-recurring items. Apart from this, there is no difference between business performance and IFRS results. Refer to Note 1.

<sup>2)</sup>Excluding the impact of IFRS 16 Leases

## Financial performance

### Business model

The combined Group's activities focus on international freight-forwarding services and US domestic services primarily by Air, Ocean, and Road, with supporting IT, logistics and road freight services. Most of the revenue base originates from large customers contracted via corporate initiatives. Each Group primarily provides services to its customers via their own network of offices supported by a close partnership with each other and with other key agents worldwide.

### SGLT Holding financial review

The first half of 2020 business performance includes the operating results of SGLT Holding, including newly acquired businesses and activities such as activities in Scan Global logistics Co. Ltd. (Cambodia) (acquired 1 January 2020), Pioneer Logistics (acquired 15 January 2020), and Utah Specialised Transportation, LLC (now owned 100% as TransGroup Global Inc. acquired the remaining 49% shares from the minority shareholder in 2020, hence only impacting minority interest).

Total revenue in the first half 2020 was USD 555.9 million, which is an increase of 8% compared to first half of 2019 despite a negative impact by USD 9 million due to FX translation.

The acquisitions made in first half of 2020 and second half of 2019 have contributed by USD 35 million. The organic growth was 3% after the negative impact from FX translation.

The gross profit amounted to USD 94.3 million, equivalent to an increase of 13% compared to first half of 2019, however negatively impacted by FX translation of USD 2 million.

SG&A costs amounted USD 64 million in the first half of 2020 and increased by 5% compared to first half of 2019. SG&A costs were 12% of the revenue which is slightly lower than in the first half of 2019. The increase is derived from increased staff costs mainly influenced by the acquisitions, and green field activities, however offset by positive impact from salary compensations from governments due to COVID-19.

Adjusted EBITDA increased by USD 5 million in the first half of 2020 compared to first half of 2019; mainly due to strong performance through increased sales and improved margins in Asia. The improved performance is driven both by organic growth and through acquisitions made.

Depreciation and amortisation amounted to USD 18 million in the first half of 2020, compared to USD 11 million in the first half of 2019. The increase is primarily explained by increased tangible assets and right of use assets from acquisitions, but amortisation of intangible assets from acquisitions has an impact as well.

In first half of 2020 special items amounted to net cost of USD 5 million, which included COVID-19 related costs net off compensation from governments, green field activities, M&A activities, and gain on disposed entities.

Net financial expenses amounted to USD 9.9 million in Q2 and were mainly comprised of interest on the bond debt and interests on lease liabilities.

**Financial performance (continued)***Cash Flows*

Cash outflows from operating activities before special items, interest & tax in the first half of 2020 were positive USD 30 million mainly due to positive development in working capital of USD 5 million and improved underlying business performance.

CAPEX for the first half of 2020 amounts to USD 3.1 million and comprised mainly investments in software and development of IT projects securing the infrastructure necessary for continued long-term growth.

Cash outflow from acquisitions amounted to USD 8 million.

Cash flow from financing activities included dividend paid to non-controlling interests at a value of USD 1 million. Redemption of the leasing debt amounted to USD 9 million.

*Capital structure*

The equity attributable to the Parent company was USD 135 million. The total equity ratio was 23% as per 30 June 2020 compared to 28% by the end of June 2019. The credit facilities raised by USD 11 million in Q2 2020 (DKK 70 million).

*Net interest bearing debt (NIBD)*

Consolidated net interest bearing debt amounted to USD 279 million and USD 238 million excluding lease liabilities (2019: USD 244 million and USD 210 million excluding the lease liabilities). The main part of the debt consists of bond debt raised for acquisitions.

**Subsequent events**

1 July 2020 Airlog Group Sweden AB, Airlog Group Fur OY, Airlog Group AS and Airlog Group Denmark A/S were sold for a price of USD 1.2m (DKK 8 million) and the fair value of net assets as of 30 June 2020.

The divestment of the Airlog companies is part of the Group's plan to concentrate on the core competences of its business.

USD'000	Consolidated income statement			
	Q2 2020	Q2 2019	H1 2020	H1 2019
Revenue	291,502	262,538	555,868	516,183
Cost of operation	-241,624	-218,928	-461,525	-432,655
<b>Gross profit</b>	<b>49,878</b>	<b>43,610</b>	<b>94,343</b>	<b>83,528</b>
Other external expenses	-6,223	-6,541	-12,814	-12,034
Staff costs	-23,918	-25,432	-51,441	-49,372
<b>Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) and special items</b>	<b>19,737</b>	<b>11,637</b>	<b>30,088</b>	<b>22,122</b>
Depreciation of tangible assets	-6,279	-3,420	-10,618	-6,640
Amortisation of intangibles	-4,309	-2,366	-7,175	-4,758
<b>Operating profit (EBIT) before special items</b>	<b>9,149</b>	<b>5,851</b>	<b>12,295</b>	<b>10,724</b>
Special items, net	-3,407	-433	-5,432	-564
<b>Operating profit (EBIT)</b>	<b>5,742</b>	<b>5,418</b>	<b>6,863</b>	<b>10,160</b>
Financial income	454	876	2,318	551
Financial expenses	-6,452	-6,875	-12,227	-10,383
<b>Profit before tax</b>	<b>-256</b>	<b>-581</b>	<b>-3,046</b>	<b>328</b>
Tax on profit for the period	-650	-96	-354	-1,099
<b>Profit for the period</b>	<b>-906</b>	<b>-677</b>	<b>-3,400</b>	<b>-771</b>
<b>Total income for the year attributable to</b>				
Owners of the parent	-2,043	-1,450	-3,986	-1,877
Non-controlling interests	137	773	586	1,106
<b>Total</b>	<b>-906</b>	<b>-677</b>	<b>-3,400</b>	<b>-771</b>

USD'000	Consolidated statement of other comprehensive comprehensive income			
	Q2 2020	Q2 2019	H1 2020	H1 2019
<b>Profit for the period</b>	<b>-906</b>	<b>-677</b>	<b>-3,400</b>	<b>-771</b>
<i>Items that will be reclassified to income statement when certain conditions are met:</i>				
Exchange rate adjustment	2,165	381	-1,560	-2,356
<b>Other comprehensive income, net of tax</b>	<b>2,165</b>	<b>381</b>	<b>-1,560</b>	<b>-2,356</b>
<b>Total comprehensive income for the period</b>	<b>1,259</b>	<b>-296</b>	<b>-4,960</b>	<b>-3,127</b>
<b>Total comprehensive income for the year attributable to</b>				
Owners of the parent	1,247	-1,082	-5,551	-4,246
Non-controlling interests	12	786	591	1,119
<b>Total</b>	<b>1,259</b>	<b>-296</b>	<b>-4,960</b>	<b>-3,127</b>

USD'000		30 June	30 June	31 December
Notes	Consolidated balance sheet	2020	2019	2019
	<b>ASSETS</b>			
	Goodwill	240,341	230,716	230,597
	Customer relations	69,976	74,043	71,395
	Trademarks	15,780	17,679	16,819
	Other acquired intangible assets	1,275	1,028	994
	Software	12,174	7,661	10,563
	<b>Intangible assets</b>	<b>339,546</b>	<b>331,127</b>	<b>330,368</b>
	Right of use assets	39,662	33,347	35,470
	Property, plant and equipment	7,975	7,945	10,298
	<b>Tangible fixed assets</b>	<b>47,637</b>	<b>41,292</b>	<b>45,768</b>
	Other receivables	2,332	1,964	1,912
	Deferred tax asset	220	524	1,263
	<b>Financial assets</b>	<b>2,552</b>	<b>2,488</b>	<b>3,175</b>
	<b>Total non-current assets</b>	<b>389,735</b>	<b>374,907</b>	<b>379,311</b>
	Trade receivables	157,989	151,662	159,910
	Income taxes receivable	1,490	533	476
	Receivables from related parties	1,104	701	916
	Other receivables	2,787	4,341	4,223
	Prepayments	7,899	5,814	2,853
2	Cash and cash equivalents	33,046	15,756	32,329
		<b>204,315</b>	<b>178,807</b>	<b>200,707</b>
	Assets classified as held for sale*	3,315	0	0
	<b>Total current assets</b>	<b>207,630</b>	<b>178,807</b>	<b>200,707</b>
	<b>Total assets</b>	<b>597,365</b>	<b>553,714</b>	<b>580,018</b>

\*Airlog Group Denmark A/S, Airlog Group Sweden AB, Airlog Group AS and Airlog Group Fur OY were classified as assets held for sale as of 30 June 2020, and the businesses are presented separately on an aggregated level in the balance sheet.



USD'000		30 June	30 June	31 December
Notes	Consolidated balance sheet	2020	2019	2019
	<b>EQUITY AND LIABILITIES</b>			
	Partnership interest	186,174	186,174	186,174
	Currency translation reserve	-3,976	-1,559	-2,411
	Retained earnings	-47,328	-31,065	-43,263
	<b>Equity attributable to parent company</b>	<b>134,870</b>	<b>153,550</b>	<b>140,500</b>
	Non-controlling interests	3,002	1,751	2,987
	<b>Total Equity</b>	<b>137,872</b>	<b>155,301</b>	<b>143,487</b>
3	Bond debt	243,604	192,302	242,939
	Lease liabilities	28,430	21,350	22,168
	Earn-out provision	917	1,249	915
	Deferred tax liability	10,387	11,593	10,387
	Other liabilities	995	0	0
	<b>Total non-current liabilities</b>	<b>284,333</b>	<b>226,494</b>	<b>276,409</b>
2	Bank debt	20,352	30,154	13,183
	Lease liabilities	13,671	12,654	15,006
	Earn-out provision	3,526	305	544
	Trade payables	92,475	99,957	99,107
	Deferred income	11,079	2,903	6,301
	Corporation tax	2,197	4,001	4,067
	Other payables	30,089	21,945	21,914
		<b>173,389</b>	<b>171,919</b>	<b>160,122</b>
	Liabilities directly associated with assets classified as held for sale*	1,771	0	0
	<b>Total current liabilities</b>	<b>175,160</b>	<b>171,919</b>	<b>160,122</b>
	<b>Total liabilities</b>	<b>459,493</b>	<b>398,413</b>	<b>436,531</b>
	<b>Total equity and liabilities</b>	<b>597,365</b>	<b>553,714</b>	<b>580,018</b>

\*Airlog Group Denmark A/S, Airlog Group Sweden AB, Airlog Group AS and Airlog Group Fur OY were classified as assets held for sale as of 30 June 2020, and the businesses are presented separately on an aggregated level in the balance sheet.

USD'000			
Notes	Consolidated cash flow statement	H1 2020	H1 2019
	Operating profit (EBIT) before special items	12,295	10,724
	Depreciation, amortisation	17,793	11,398
	Non-cash transactions	-4,256	0
	Exchange rate adjustments	-552	-493
	Change in working capital	4,764	-12,955
	<b>Cash flows from operating activities before special items, interest &amp; tax</b>	<b>30,044</b>	<b>8,674</b>
	Special items, paid	-3,190	-390
	Special items received	580	0
	Interest received	787	551
	Interest paid	-9,498	-9,164
	Tax paid	-3,024	-1,713
	<b>Cash flows from operating activities</b>	<b>15,699</b>	<b>-2,042</b>
	Purchase of software	-2,020	-1,678
	Purchase of property, plant and equipment	-1,106	-1,572
	Sale of property, plant and equipment	2	3,817
	Earn out paid	-582	-553
	Special items, transactions cost acquisitions	0	-174
	Investments in Group entities	-7,548	-15,371
	<b>Cash flows from investing activities</b>	<b>-11,254</b>	<b>-15,531</b>
	<b>Free cash flow</b>	<b>4,445</b>	<b>-17,573</b>
	Dividend paid to non-controlling interests	-945	-1,161
	Capital increase	0	422
	Long-term loan	-46	-114
	Repayment of loan from AEA	0	-112
	Redemption of lease liabilities	-9,177	-6,176
	Redemption of other acquisition debt	-688	-1,213
	<b>Cash flows from financing activities</b>	<b>-10,856</b>	<b>-8,354</b>
	<b>Change in cash and cash equivalents</b>	<b>-6,411</b>	<b>-25,927</b>
	<b>Cash and cash equivalents</b>		
	Cash and cash equivalents at the beginning of the period	19,146	11,438
	Exchange rate adjustment of cash and cash equivalents	-41	91
	Change in cash and cash equivalents	-6,411	-25,927
2	<b>Net Cash and cash equivalents at 30 June</b>	<b>12,694</b>	<b>-14,398</b>

USD'000	<b>Consolidated statement of changes in equity</b>					
Note	Partner- ship interest	Currency translation reserve	Retained earnings	Equity attributable to parent company	Non- controlling interests	Total equity
<b>Equity at 1 January 2020</b>	<b>186,174</b>	<b>-2,411</b>	<b>-43,263</b>	<b>140,500</b>	<b>2,987</b>	<b>143,487</b>
<b>Profit for the period</b>	<b>0</b>	<b>0</b>	<b>-3,986</b>	<b>-3,986</b>	<b>586</b>	<b>-3,400</b>
Currency exchange adjustment	0	-1,565	0	-1,565	5	-1,560
<b>Other comprehensive income, net of tax</b>	<b>0</b>	<b>-1,565</b>	<b>0</b>	<b>-1,565</b>	<b>5</b>	<b>-1,560</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>-1,565</b>	<b>-3,986</b>	<b>-5,551</b>	<b>591</b>	<b>-4,960</b>
Purchase of non-controlling interests	0	0	-79	-79	369	290
Dividend distributed	0	0	0	0	-945	-945
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>-79</b>	<b>-79</b>	<b>-576</b>	<b>-655</b>
<b>Equity at 30 June 2020</b>	<b>186,174</b>	<b>-3,976</b>	<b>-47,328</b>	<b>134,870</b>	<b>3,002</b>	<b>137,872</b>

USD'000	<b>Consolidated statement of changes in equity</b>					
Note	Partner- ship interest	Currency translation reserve	Retained earnings	Equity attributable to parent company	Non- controlling interests	Total equity
<b>Equity at 1 January 2019</b>	<b>185,752</b>	<b>810</b>	<b>-29,188</b>	<b>157,374</b>	<b>1,743</b>	<b>159,117</b>
<b>Profit for the period</b>	<b>0</b>	<b>0</b>	<b>-1,877</b>	<b>-1,877</b>	<b>1,106</b>	<b>-771</b>
Currency exchange adjustment	0	-2,369	0	-2,369	13	-2,356
<b>Other comprehensive income, net of tax</b>	<b>0</b>	<b>-2,369</b>	<b>0</b>	<b>-2,369</b>	<b>13</b>	<b>-2,356</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>-2,369</b>	<b>-1,877</b>	<b>-4,246</b>	<b>1,119</b>	<b>-3,127</b>
Purchase of non-controlling interests	0	0	0	0	50	50
Dividend distributed	0	0	0	0	-1,161	-1,161
Capital increase by cash payment	422	0	0	422	0	422
<b>Total transactions with owners</b>	<b>422</b>	<b>0</b>	<b>0</b>	<b>422</b>	<b>-1,111</b>	<b>-689</b>
<b>Equity at 30 June 2019</b>	<b>186,174</b>	<b>-1,559</b>	<b>-31,065</b>	<b>153,550</b>	<b>1,751</b>	<b>155,301</b>

Note	USD'000	Q2	Q2	H1	H1
1	Alternative performance measures	2020	2019	2020	2019
	<i>Adjusted EBITDA is specified below</i>				
	EBITDA before special items	19,737	11,637	30,088	22,122
	IFRS 16 impact	-4,505	-3,097	-8,406	-6,582
	Other adjustments*	611	1,476	1,246	2,305
	<b>Adjusted EBITDA (Business performance)</b>	<b>15,843</b>	<b>10,016</b>	<b>22,928</b>	<b>17,845</b>

\* Adjustments for extraordinary items which are not in line with the ordinary course of business and other non-recurring items, such as Holding companies related costs and fees for Group services.

Note	(USD'000)	30 June	30 June
2	Cash and Liquidity	2020	2019
	Cash and cash equivalents	33,046	15,756
	Bank debt	-20,352	-30,154
	<b>Net cash</b>	<b>12,694</b>	<b>-14,398</b>
	Credit facilities	62,362	34,701
	<b>Liquidity reserve</b>	<b>75,056</b>	<b>20,303</b>

Note	(USD'000)	30 June	30 June
3	Bond debt	2020	2019
	Issued bonds, DKK tranche DKK 625 million, interest rate 6.80%	0	95,296
	Issued bonds, USD tranche USD 100 million, interest rate 7.70%	0	100,000
	Issued bonds, EUR 223 million, interest rate 6.75%	249,715	0
		<b>249,715</b>	<b>195,296</b>
	Capitalised loan costs	-6,111	-2,994
	<b>Total bond debt</b>	<b>243,604</b>	<b>192,302</b>
		<b>Carrying amount</b>	<b>Carrying amount</b>
		<b>Cash flow*</b>	
	Bond debt falling due between 1 and 5 years	324,068	249,715
	<b>Total non-current financial liabilities</b>	<b>324,068</b>	<b>195,296</b>
	<b>Total current financial liabilities*</b>	<b>16,856</b>	<b>14,771</b>

\* Total cash flows including interest.

**Financial highlights**

Q2 2020    Q2 2019    H1 2020    H1 2019

**Key figures (in DKK thousands):**
**Income statement**

Revenue	1,409,138	1,025,820	2,510,997	1,985,212
Gross profit	261,948	186,249	452,710	355,959
EBITDA before special items	119,874	42,615	154,700	82,616
EBITDA before special items excluding IFRS 16	99,939	27,586	111,689	52,711
Operating profit (EBIT) before special items	63,905	16,933	63,904	32,737
Special items, net	-12,067	-2,755	-24,769	-3,369
Operating profit (EBIT)	51,838	14,178	39,135	29,368
Financial items, net	-15,270	-23,632	-26,704	-33,238
Profit/loss before tax	36,568	-9,454	12,431	-3,870
Profit/loss for the period	32,683	-13,569	10,426	-9,731

**Cash flow**

Cash flows from operating activities before special items, interest & tax			133,712	3,117
Cash flows from operating activities			72,726	-34,291
Cash flows from investing activities			-71,254	-87,623
Free cash flow			1,471	-121,914
Cash flows from financing activities			-47,589	-44,290
Cash flow for the period			-46,118	-166,204

**Financial position**

Total equity			580,877	643,967
Equity attributable to parent company			574,769	637,793
Net interest bearing debt (NIBD)			1,135,860	923,965
Net interest bearing debt (NIBD) excluding lease liabilities (IFRS 16)			926,177	766,314
Total assets			3,444,674	2,967,733

**Financial ratios in %**

Gross margin	18.6	18.2	18.0	17.9
EBITDA margin before special items	8.5	4.2	6.2	4.2
EBITDA margin before special items excluding IFRS 16	7.1	2.7	4.4	2.7
EBIT margin before special items	4.5	1.7	2.5	1.6
EBIT margin	3.7	0.7	1.6	1.5
Equity ratio			16.9	21.7

**Other**

Number of full time employees at period end	1,296	1,108	1,296	1,108
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## Financial performance

### Business model

SGL Group's activities focus on international freight-forwarding services, primarily by Air and Ocean, with supporting IT, Logistics and Road freight services. More than 80% of revenue originates from large customers contracted via corporate initiatives, primarily in the Nordic region. The SGL Group primarily provides services to its customers via the SGL Group's network of offices supported by its affiliated company TransGroup and other partners worldwide.

### Business review

#### *Result for the period*

The interim financial report for the second quarter of 2020 includes the operating results of newly acquired business Scan Global Logistics Co. Ltd. (Cambodia) (acquired 1 January 2020) and Pioneer International Logistics (acquired 15 January 2020).

In the first half of 2020 revenue amounted to DKK 2,511 million generating EBITDA before special items of DKK 154.7 million. EBITDA before special items excluding the IFRS 16 lease adjustment showed an increase of DKK 59 million, a 12% increase compared to 2019.

Despite COVID-19, the total 2020 organic growth was 30% in revenue in comparison to 2019. Air, Ocean and Road segments were all strong drivers of the organic growth, mainly driven by the Asian and Nordic region.

#### *Revenue*

The consolidated revenue in the first half of 2020 increased by DKK 526 million compared to first half of 2019 corresponding to an increase of 26%. The increase was driven by organic growth combined with businesses acquired (BK Spedition GmbH, IC Group activities and Scan Global Logistics Spain S.L and Pioneer International Logistics Pty Ltd.); business acquired contributed in total DKK 237 million in revenue in the first half of 2020.

The revenue was DKK 1,409 million for Q2 2020, compared to DKK 1,026 million in Q2 2019, equivalent to an increase of 37%.

#### *Gross profit*

Compared to first half 2019 gross profit increased by 97 million to DKK 453 million in the first half of 2020, corresponding to a gross margin of 18% which is at the same level as first half of 2019. However, excluding IFRS 16 gross profit amounts to DKK 437 million compared to DKK 346 million in 2019, corresponding to a gross margin of 17%. The new acquired company in Australia, Pioneer International Logistics contributed by DKK 37 million and a strong development in Asia contributed positively as well. A strong development within E-Commerce had a positive impact on gross profit as well, though offset by lower Road and Automotive activities, both still highly impacted by COVID-19.

#### *SG&A cost*

SG&A costs increased 9 % compared to first half of 2019. The increase is derived from increased staff costs mainly influenced by the acquisitions made in 2019 and 2020, and green field activities.

SG&A costs comprise 12% of revenue in the first half of 2020, which is 2 percentage points lower than first half of 2019.

#### *EBITDA before special items*

EBITDA before special items amounted to DKK 155 million in the first half of 2020, which is a significant improvement compared to last year. The EBITDA margin before special items was 6.2%. The increase in EBITDA was mainly due to strong performance through increased sales and improved margins in the region of Asia. The improved performance is driven both by organic growth and through acquisitions made.

For the first six months of 2020 EBITDA before special items and excluding IFRS 16 amounted to DKK 112 million, equivalent to a margin 4.4%.

## Financial performance (continued)

### *Depreciation and amortisation*

Depreciation and amortisation amounted to DKK 91 million in the first half of 2020, compared to DKK 50 million in the first half of 2019. This increase is primarily explained by IFRS 16 depreciations relating to acquired businesses and increased amortisation of intangible assets.

### *Special items*

In first half of 2020 special items amounted to DKK 25 million, which included COVID-19 related costs, green field activities and M&A activities as well as gain from entities to be disposed. COVID-19 related costs are net off compensation received from governments related to the Road and Solution segments.

### *Financial items*

Net financial expenses amounted to DKK 27 million in the first half of 2020 compared to DKK 33 million in the first half of 2019. Net financial expenses mainly comprised of interest expenses on the bond debt, including capitalised loan costs recognised in the income statement as well as an impact of IFRS 16 interest expenses (IFRS 16: 2020: DKK 7 million and 2019: DKK 2.6 million) offset by the interest income from the intercompany loan to Transgroup Global Inc. (the parent company of Transgroup). Please refer to note 4 for further information.

### *Cash Flows*

For first six months of 2020 the accumulated cash flow from operating activities before special items, interests and tax was positive DKK 134 million, mainly driven by increased operating profit before special items. The Group has continued improving working capital over the second quarter of 2020.

CAPEX for first half of 2020 amounted to DKK 18 million and comprised mainly investments in software and development of IT projects securing the infrastructure necessary for continued long-term growth.

The cash out-flow from acquisitions excluding transactions costs amounted to DKK 49 million for H1 2020.

### *Capital structure*

The total equity was DKK 574 million with an equity ratio of 16.7% as at 30 June 2020. The equity ratio excluding the impact of IFRS 16 was 18.1% and decreased by 4.7 percentage points compared to 30 June 2019.

### *Net interest bearing debt (NIBD) and liquidity reserve*

Consolidated net interest bearing debt amounted to DKK 1,136 million and excluding IFRS 16 DKK 926 million as at 30 June 2020. In Q2 2020 the company raised its credit facility by DKK 70 million and the total liquidity reserve was DKK 289 million by end of June 2020. See note 5 for further information.

## Financial performance (continued)

### **Acquisitions in 2020**

SGL Group continues its acquisition strategy to look at acquisition opportunities with a good strategic fit and available at the right price, and target great acquisition opportunity which will scale-up the business, increase profitability, and secure a downtrending leverage ratio.

Effective 1 January 2020, the Group acquired activities in the Cambodian based freight forwarder Scan Global Logistics Co., Ltd. (Cambodia). Previously the Cambodian company has acted as an agent for SGL Group. In first half of 2020 the acquired activities generated revenue of DKK 6 million and EBIT of DKK 1 million.

On the 15 January 2020 SGL Group acquired 100% of the shares in the Australian freight-forwarding company Pioneer. The acquisition has been partly financed by the proceeds from the subsequent bond issue and partly by a reinvestment of existing shareholders of Pioneer. Exceeding prior expectations the company generated revenue of DKK 134 million and EBIT of DKK 30 million.

## Significant risks

We see an increased credit risk due to the COVID-19 business impact on certain industries. We are monitoring trade receivables and overdue balances, but no material credit losses so far.

The significant risks remain the same as mentioned in the SGL TransGroup International A/S Annual report for 2019, which can be found <https://www.scangl.com/media/2250/sgl-transgroup-international-annual-report-2019-published-29042020.pdf>.

## Outlook

During the second quarter of 2020 SGL Group has delivered a strong performance and solid financial position above previous expectations with a great momentum driven both organically and externally, and certainly proven that we remain committed to finding new ways to make the world a little less complicated, even through a COVID-19 pandemic.

Based on the increased activity levels and visibility for the remainder of the year, SGL Group updates the guidance on EBITDA before special items (excluding the impact of IFRS 16) and maintain the guidance on EBITDA margin before special items (excluding the impact of IFRS 16).

The estimate EBITDA before special items (excluding the impact of IFRS 16) is expected to be above DKK 200 million. Full-year outlook for 2020 previously announced in the Annual report 2019 was in the range of DKK 100 million to DKK 140 million.

SGL Group is still expecting to achieve an EBITDA margin before special items (excluding the impact of IFRS 16) within the range of 3.0% to 4.0%.

As the global economy remains uncertain due to the COVID-19 virus and its continuing impact to volumes and freight rates, our assumptions behind the guidance are naturally subject to a high degree of uncertainty.



DKK'000					
Notes	Consolidated income statement	Q2 2020	Q2 2019	H1 2020	H1 2019
1	Revenue	1,409,138	1,025,820	2,510,997	1,985,212
1	Cost of operation	-1,147,190	-839,571	-2,058,287	-1,629,253
	<b>Gross profit</b>	<b>261,948</b>	<b>186,249</b>	<b>452,710</b>	<b>355,959</b>
	Other external expenses	-24,030	-31,324	-54,117	-54,053
	Staff costs	-118,044	-112,311	-243,893	-219,290
	<b>Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) and special items</b>	<b>119,874</b>	<b>42,614</b>	<b>154,700</b>	<b>82,616</b>
	Depreciations	-34,427	-17,298	-57,192	-33,151
	Amortisations	-21,542	-8,384	-33,604	-16,728
	<b>Operating profit (EBIT) before special items</b>	<b>63,905</b>	<b>16,932</b>	<b>63,904</b>	<b>32,737</b>
3	Special items, net	-12,067	-2,755	-24,769	-3,369
	<b>Operating profit (EBIT)</b>	<b>51,838</b>	<b>14,177</b>	<b>39,135</b>	<b>29,368</b>
4	Financial interest, net	-15,270	-23,632	-26,704	-33,238
	<b>Result before tax</b>	<b>36,568</b>	<b>-9,455</b>	<b>12,431</b>	<b>-3,870</b>
	Tax on result for the period	-3,885	-4,115	-2,005	-5,861
	<b>Result for the period</b>	<b>32,683</b>	<b>-13,570</b>	<b>10,426</b>	<b>-9,731</b>
	<b>Total income for the year attributable to</b>				
	Owners of the parent	33,150	-13,492	11,007	-10,239
	Non-controlling interests	-467	-77	-581	508
	<b>Total</b>	<b>32,683</b>	<b>-13,569</b>	<b>10,426</b>	<b>-9,731</b>

DKK'000					
	Consolidated statement of other comprehensive income	Q2 2020	Q2 2019	H1 2020	H1 2019
	<b>Result for the period</b>	<b>32,683</b>	<b>-13,569</b>	<b>10,426</b>	<b>-9,731</b>
	<i>Items that will be reclassified to income statement when certain conditions are met:</i>				
	Exchange rate adjustment	233	-6,127	-4,302	-5,726
	<b>Other comprehensive income, net of tax</b>	<b>233</b>	<b>-6,127</b>	<b>-4,302</b>	<b>-5,726</b>
	<b>Total comprehensive income for the period</b>	<b>32,916</b>	<b>-19,696</b>	<b>6,124</b>	<b>-15,457</b>
	<b>Total comprehensive income for the period attributable to</b>				
	Owners of the parent	33,479	-19,786	6,676	-16,096
	Non-controlling interests	-563	90	-552	639
	<b>Total</b>	<b>32,916</b>	<b>-19,696</b>	<b>6,124</b>	<b>-15,457</b>

DKK'000		30 June	30 June	31 December
Notes	Consolidated balance sheet	2020	2019	2019
<b>ASSETS</b>				
2	Goodwill	1,062,699	1,005,589	1,005,568
2	Customer relations	276,619	265,834	276,840
2	Trademarks	36,139	44,133	41,181
2	Other intangible assets	3,993	2,045	4,939
	Software	68,345	33,215	52,487
	<b>Intangible assets</b>	<b>1,447,795</b>	<b>1,350,816</b>	<b>1,381,015</b>
	Right of use assets	197,473	154,875	164,575
	Property, plant and equipment	34,210	39,354	50,940
	<b>Tangible fixed assets</b>	<b>231,683</b>	<b>194,229</b>	<b>215,515</b>
6	Receivable from related party	798,636	641,777	801,108
	Other receivables	13,694	11,520	10,409
	Deferred tax asset	2,269	3,378	8,431
	<b>Financial assets</b>	<b>814,599</b>	<b>656,675</b>	<b>819,948</b>
	<b>Total non-current assets</b>	<b>2,494,077</b>	<b>2,201,720</b>	<b>2,416,478</b>
	Trade receivables	741,930	568,264	639,971
	Receivables from related parties	0	6,154	0
	Income taxes receivable	9,307	3,494	2,566
	Other receivables	24,281	23,565	20,158
	Prepayments	31,611	36,493	14,931
5	Cash and cash equivalents	122,209	128,043	121,989
		<b>929,338</b>	<b>766,013</b>	<b>799,615</b>
	Assets held for sale*	21,259	0	0
	<b>Total current assets</b>	<b>950,597</b>	<b>766,013</b>	<b>799,615</b>
	<b>Total assets</b>	<b>3,444,674</b>	<b>2,967,733</b>	<b>3,216,093</b>

\*Airlog Group Denmark A/S, Airlog Group Sweden AB, Airlog Group AS and Airlog Group Fur OY were classified as assets held for sale as of 30 June 2020, and the businesses are presented separately on an aggregated level in the balance sheet. Please refer to note 10 for further details.

DKK'000		30 June	30 June	31 December
Notes	Consolidated balance sheet	2020	2019	2019
<b>EQUITY AND LIABILITIES</b>				
	Share capital	501	501	501
	Share premium	2,778	833,542	2,778
	Currency translation reserve	-29,472	-31,793	-25,141
	Retained earnings	600,962	-164,457	589,955
	<b>Equity attributable to parent company</b>	<b>574,769</b>	<b>637,793</b>	<b>568,093</b>
	Non-controlling interests	6,108	6,174	6,660
	<b>Total equity</b>	<b>580,877</b>	<b>643,967</b>	<b>574,753</b>
7	Bond debt	1,638,922	1,269,961	1,641,555
	Lease Liabilities	135,351	88,224	96,635
	Earn-out provision	6,105	8,193	6,109
	Deferred tax liability	59,452	58,334	59,038
	Other payables	6,621	0	6,621
	<b>Total non-current liabilities</b>	<b>1,846,451</b>	<b>1,424,712</b>	<b>1,809,958</b>
5	Bank debt	81,984	148,373	35,647
	Lease liabilities	74,332	69,427	76,092
	Earn-out provision	23,468	1,998	3,634
	Trade payables	498,867	434,600	458,572
	Payables to related parties	103,108	106,910	105,355
	Deferred income	49,388	19,257	42,066
	Corporation tax	14,620	22,959	27,150
	Other payables	159,793	95,530	82,866
		1,005,560	899,054	831,382
	Liabilities directly associated with assets classified as held for sale*	11,786	0	0
	<b>Total current liabilities</b>	<b>1,017,346</b>	<b>899,054</b>	<b>831,382</b>
	<b>Total liabilities</b>	<b>2,863,797</b>	<b>2,323,766</b>	<b>2,641,340</b>
	<b>Total equity and liabilities</b>	<b>3,444,674</b>	<b>2,967,733</b>	<b>3,216,093</b>

\*Airlog Group Denmark A/S, Airlog Group Sweden AB, Airlog Group AS and Airlog Group Fur OY were classified as assets held for sale as of 30 June 2020, and the businesses are presented separately on an aggregated level in the balance sheet. Please refer to note 10 for further details.

DKK'000			
Notes	Consolidated cash flow statement 1 January - 30 June	H1 2020	H1 2019
	Operating profit (EBIT) before special items	63,904	32,737
	Depreciation and amortisation	90,796	49,879
	Non-cash transactions	-12,995	0
	Exchange rate adjustments	-4,836	-6,237
	Change in working capital	-3,156	-73,262
	<b>Cash flows from operating activities before special items, interest and tax</b>	<b>133,712</b>	<b>3,117</b>
	Special items paid	-16,666	-2,463
	Special items received	3,861	0
	Interest received	30,139	25,008
	Interest paid	-58,838	-54,206
	Tax paid	-19,482	-5,747
	<b>Cash flows from operating activities</b>	<b>72,726</b>	<b>-34,291</b>
	Purchase of software	-12,331	-11,008
	Purchase of property, plant and equipment	-5,640	-6,787
	Sale of property, plant and equipment	0	25,368
8	Investments in group entities and activities	-49,408	-91,521
	Earn-out paid	-3,876	-3,675
	<b>Cash flows from investing activities</b>	<b>-71,254</b>	<b>-87,623</b>
	<b>Free cash flow</b>	<b>1,471</b>	<b>-121,914</b>
	Capital increase	0	2,778
	Loan from Transgroup Global Inc.	0	-3,833
	Loan to Transgroup Global Inc.	0	-4,532
	Purchase of non-controlling interest	0	-734
	Redemption of lease liabilities	-43,010	-29,906
	Redemption of other acquisition debt	-4,579	-8,063
	<b>Cash flows from financing activities</b>	<b>-47,589</b>	<b>-44,290</b>
	<b>Change in cash and cash equivalents</b>	<b>-46,118</b>	<b>-166,204</b>
	<b>Cash and cash equivalents</b>		
	Cash and cash equivalents at the beginning of the period	86,343	145,874
	Change in cash and cash equivalents	-46,118	-166,204
5	<b>Net cash and cash equivalents at 30 June</b>	<b>40,225</b>	<b>-20,330</b>

DKK'000	Consolidated statement of changes in equity				Equity attributable to parent company	Non-controlling interests	Total equity
	Share capital	Share premium	Currency translation reserve	Retained earnings			
<b>Equity at 1 January 2020</b>	501	2,778	-25,141	589,955	568,093	6,660	574,753
<b>Result for the period</b>	0	0	0	11,007	11,007	-581	10,426
Currency exchange adjustment	0	0	-4,331	0	-4,331	29	-4,302
<b>Other comprehensive income, net of tax</b>	0	0	-4,331	0	-4,331	29	-4,302
<b>Total comprehensive income for the period</b>	0	0	-4,331	11,007	6,676	-552	6,124
<b>Equity at 30 June 2020</b>	501	2,778	-29,472	600,962	574,769	6,108	580,877

DKK'000	Consolidated statement of changes in equity				Equity attributable to parent company	Non-controlling interests	Total equity
	Share capital	Share premium	Currency translation reserve	Retained earnings			
<b>Equity at 1 January 2019</b>	501	830,764	-25,936	-154,218	651,111	5,535	656,646
<b>Result for the period</b>	0	0	0	-10,239	-10,239	508	-9,731
Currency exchange adjustment	0	0	-5,857	0	-5,857	131	-5,726
<b>Other comprehensive income, net of tax</b>	0	0	-5,857	0	-5,857	131	-5,726
<b>Total comprehensive income for the period</b>	0	0	-5,857	-10,239	-16,096	639	-15,457
Capital increase by cash payment	0	2,778	0	0	2,778	0	2,778
<b>Total transactions with owners</b>	0	2,778	0	0	2,778	0	2,778
<b>Equity at 30 June 2019</b>	501	833,542	-31,793	-164,457	637,793	6,174	643,967

Note DKK'000

**1 Segment information**

	Air		Ocean		Road		Solution		Total	
	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019
Revenue (services)	1,799,531	985,759	981,804	880,670	340,468	342,736	79,761	53,175	3,201,564	2,262,340
Intercompany revenue	-578,531	-132,216	-93,182	-116,996	-18,854	-26,819	0	-1,097	-690,567	-277,128
Net revenue (services)	1,221,000	853,543	888,622	763,674	321,614	315,917	79,761	52,078	2,510,997	1,985,212
Cost of operation	-1,012,410	-700,311	-745,905	-633,257	-256,674	-249,915	-43,298	-45,770	-2,058,287	-1,629,253
<b>Gross profit</b>	<b>208,590</b>	<b>153,232</b>	<b>142,717</b>	<b>130,417</b>	<b>64,940</b>	<b>66,002</b>	<b>36,463</b>	<b>6,308</b>	<b>452,710</b>	<b>355,959</b>
Sales, distribution and administration costs, not allocated to segments									-298,010	-273,343
<b>Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) and special items</b>									<b>154,700</b>	<b>82,616</b>
Depreciation and amortisation									-90,796	-49,879
<b>Operating profit (EBIT) before special items</b>									<b>63,904</b>	<b>32,737</b>
Special items, net									-24,769	-3,369
<b>Operating profit (EBIT)</b>									<b>39,135</b>	<b>29,368</b>

Segments are monitored at gross profit level. The four segments are all using SGL Group's capacity, including headquarter costs.

It is not possible to allocate costs below gross profit to the four segments identified, as these costs serve all segments.

For purchases and sales between group entities, the same pricing principles are applied as to transactions with external partners (the arm's length principle).

Note DKK'000

**2 Goodwill, customer relations, trademarks and other intangible assets**

30 June 2020

	Air	Ocean	Road	Solution	Total
Balance at 31 December 2019	637,271	633,750	53,430	4,076	1,328,527
Exchange rate adjustment	-1,224	-1,473	-343	0	-3,040
Additions from acquisitions	1,198	79,042	3,918	0	84,158
Additions	550	550	0	0	1,100
Amortisation during the year	-17,308	-12,342	-1,592	-53	-31,295
<b>Balance at 30 June 2020</b>	<b>620,487</b>	<b>699,527</b>	<b>55,413</b>	<b>4,023</b>	<b>1,379,450</b>

It is not possible to allocate assets (excluding goodwill, customer relations, trademarks, and other intangible assets) and liabilities to the four segments identified, as these assets and liabilities serve all segments.

The core business of SGL Group is within the Air and Ocean segments, whereas the Road and Solution business units are relatively small in a Group context and are primarily within a limited geographical area (Denmark and Sweden). The project business of SGL Group is also within the Air and Ocean segments. Consequently, goodwill, customer relations, trademarks and other intangible assets are primarily allocated to the Air and Ocean segments.

Goodwill, customer relations and trademarks were tested for impairment with no indication of impairment as at 31 December 2019. There has subsequently been no indication of impairment.

Note	DKK'000		H1 2020	H1 2019
<b>3</b>	<b>Special items</b>			
	M&A activities*		-2,764	-906
	Green field activities**		-3,388	0
	COVID-19 activities***		-21,152	0
	Other cost		-5,095	-2,463
	Gain on disposed entities		7,630	0
	<b>Total special items, costs</b>		<b>-24,769</b>	<b>-3,369</b>

\*Acquisition activities mainly related to Pioneer and Cambodia

\*\*Start-up activities related to Barcelona, Poland, Austria, Belgium, Czech Republic and Denmark

\*\*\*Activities caused by COVID-19, mainly related to cost for sending staff home on compensations scheme, net off compensation received from governments, and idle assets.

Note	DKK'000		H1 2020	H1 2019
<b>4</b>	<b>Financial items</b>			
	<b>Financial income</b>			
	Interest income from Transgroup Global Inc.		33,915	24,930
	Exchange rate gain		15,801	3,578
	<b>Total financial income</b>		<b>49,716</b>	<b>28,508</b>
	<b>Financial expenses</b>			
	Bond interest expenses		-55,935	-46,571
	Interest expenses		-2,468	-5,319
	Lease interest expenses		-7,199	-5,316
	Amortisation of capitalised loan costs		-2,085	-1,815
	Other financial expenses		-1,654	-2,725
	Exchange rate loss		-7,079	0
	<b>Total financial expenses</b>		<b>-76,420</b>	<b>-61,746</b>
	<b>Financial items, net</b>		<b>-26,704</b>	<b>-33,238</b>

Note	DKK'000	30 June 2020	30 June 2019
<b>5</b>	<b>Cash &amp; Liquidity</b>		
	Cash	122,209	128,043
	Credit institutions	-81,984	-148,373
	<b>Net cash</b>	<b>40,225</b>	<b>-20,330</b>
	Credit facilities	248,658	178,593
	<b>Liquidity reserve</b>	<b>288,883</b>	<b>158,263</b>

Note	DKK'000	30 June 2020	30 June 2019
<b>6</b>	<b>Receivable from Transgroup Global Inc.</b>		
	Principal, USD 98,019k, interest rate 7.70%	0	642,858
	Principal, USD 120,000k, interest rate 8.40%	798,636	0
	Expected loss, IFRS 9	0	-1,081
	<b>Total receivable from Transgroup Global Inc.</b>	<b>798,636</b>	<b>641,777</b>
		<b>Carrying amount</b>	<b>Carrying amount</b>
	<b>Cash flow*</b>		
	Receivable falling due between 1 and 5 years	1,094,557	641,777
	<b>Total receivable from Transgroup Global Inc.</b>	<b>1,094,557</b>	<b>641,777</b>
	<b>Current portion of the receivable</b>	<b>67,085</b>	<b>0</b>

\* Total cash flows including interest.

Note	DKK'000	30 June 2020	30 June 2019
<b>7</b>	<b>Bond debt</b>		
	Issued bonds, DKK tranche 1, interest rate 6.80%	0	625,000
	Issued bonds, USD tranche 2 USD 100 million, interest rate 7.70%	0	655,850
	Issued bonds, EUR 223 million, interest rate 6.75%	1,661,930	0
		<b>1,661,930</b>	<b>1,280,850</b>
	Capitalised loan costs	-23,008	-10,889
	<b>Total bond debt</b>	<b>1,638,922</b>	<b>1,269,961</b>
		<b>Carrying amount</b>	<b>Carrying amount</b>
	<b>Cash flow*</b>		
	Bond debt falling due between 1 and 5 years	2,156,769	1,280,850
	<b>Total financial liabilities</b>	<b>2,156,769</b>	<b>1,280,850</b>
	<b>Current portion of financial liabilities</b>	<b>112,180</b>	<b>0</b>

\* Total cash flows including interest.

The fair values of the issued bonds were DKK 1,562 million, based on quoted bond rates of 94 at Nasdaq, Stockholm at 30 June 2020.



Note	DKK'000	30 June 2020*	30 June 2019
<b>8</b>	<b>Business combinations</b>		
	<b>Provisional fair value at date of acquisition:</b>		
	<b>ASSETS</b>		
	Software	4	194
	Right of use assets	4,499	24,347
	Property, plant and equipment	565	35,953
	Non-current receivables	0	2,487
	Trade receivables	23,205	21,979
	Other receivables	871	2,196
	Prepayments	86	702
	Cash and cash equivalents	4,442	44,522
	<b>Total assets</b>	<b>33,672</b>	<b>132,380</b>
	<b>LIABILITIES</b>		
	Lease liabilities	4,499	24,347
	Finance liabilities	4,804	8,064
	Trade payables	9,506	31,864
	Corporation tax	0	1,371
	Other payables	4,147	16,497
	<b>Total liabilities</b>	<b>22,956</b>	<b>82,143</b>
	<b>Acquired net assets</b>	<b>10,716</b>	<b>50,237</b>
	Goodwill, customer relations, trademarks and other intangible assets	84,163	112,158
	Deferred tax	-7,471	-16,252
	<b>Fair value of total consideration</b>	<b>87,408</b>	<b>146,143</b>
	Due acquisition debt	-11,575	0
	Earn-out provision	-24,071	-11,006
	<b>Cash consideration</b>	<b>51,762</b>	<b>135,137</b>
	Adjustment for cash and cash equivalents taken over	-4,442	-44,522
	<b>Cash consideration for the acquisitions</b>	<b>47,320</b>	<b>90,615</b>
	Transaction costs for acquisitions included in special items	2,088	6,540
	<b>Investments in Group entities (cash outflow)</b>	<b>49,408</b>	<b>97,155</b>

\*Acquisition of Scan Global Logistics Co. Ltd. (Cambodia) and Pioneer International Logistics

#### Acquisition of activities in Scan Global Logistics Co. Ltd. (Cambodia)

Effective 1 January 2020, SGL Group acquired activities in the Cambodian based freight forwarder Scan Global Logistics Co., Ltd. (Cambodia). Previously the Cambodian company has acted as agent for SGL Group.

Under the terms of the agreement, the activities were acquired for a total cash consideration of USD 818 thousand; paid at closing in January 2020. The goodwill arising from the acquisition is attributable to synergies expected from combining the operations of SGL Group and the acquired company.

Transaction costs amounted to DKK 314 thousand, which have been expensed and recognised as special items.

The revenue and gross profit are allocated to the Air, Ocean and Road Segments.

The fair value of the acquired identifiable net assets is provisional pending final valuation of those assets.

Revenue from Scan Global Logistics Co. Ltd. (Cambodia), acquired 1 January 2020, contributed by DKK 6 million to SGL Group revenue, and the profit amounted to DKK 1 million in the first half of 2020.

## Note

## 8 Business combinations

**Acquisition of shares in Pioneer International Logistics**

On 15 January 2020 SGL Group acquired, through its wholly owned subsidiary Scan Global Logistics PTY (a subsidiary of Scan Global Logistics A/S), 100% percent of the share capital of Pioneer International Logistics, an Australian freight forwarding company. With the acquisition SGL Group will be able to serve the Australian and Pacific customers even better, and the existing customers of Pioneer International Logistics gain access to a full-fledged international solution including added expertise, technology, network, and e-commerce platform.

Under the terms of the agreement, the company was acquired for a total cash consideration of AUD 12.5 million; paid at closing in January 2020. The goodwill arising from the acquisitions is attributable to synergies expected from combining the operations of SGL Group and the acquired companies. The acquisition of Pioneer International Logistics is financed through subsequent bond issue.

Transaction costs amounted to DKK 1.8 million, which have been expensed and recognised as special items.

The revenue and gross profit are mainly allocated to the Ocean segment and a minor part to the Air segment.

The fair value of the acquired identifiable net assets is provisional pending final valuation of those assets.

Revenue from Pioneer International Logistics, acquired 15 January 2020, contributed by DKK 134 million to SGL Group revenue, and the profit amounted to DKK 30 million in the first half of 2020.

## Note

## 9 Events after the balance sheet date

1 July 2020 Airlog Group Sweden AB, Airlog Group Fur OY, Airlog Group AS and Airlog Group Denmark A/S were sold for a price of DKK 8 million and the fair value of net assets as of 30 June 2020.

The divestment of the Airlog companies is part of the SGL Group's plan to concentrate on the core competences of its business.

The entities are included in the Air and Ocean segments.

## Note

## 10 Accounting policies

**General**

The interim financial report, comprising the consolidated financial statement, has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union and Swedish disclosure requirements for interim reports of listed companies.

**New accounting regulation adopted in 2020**

SGL Group has implemented the latest International Financial Reporting Standards (IFRS) and amendments effective as of 1 January 2020 as adopted by the European Union, which include the following:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3, Business Combinations
- Amendments to IAS 1 and IAS 8, Definition of Material
- Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

None of the new standards have had any significant impact on the consolidated financial statements.

**New accounting regulations not yet adopted**

The IASB has issued a number of new standards and amendments not yet in effect and therefore not relevant for the preparation of the interim consolidated financial statements. SGL Group expects to implement these standards when they take effect.

The following amendment is relevant for SGL Group, but is currently not expected to have a significant impact on the financial statements when implemented:

- Amendments to IAS 1, Classification of Liabilities as Current or Non-Current (issued 23 January 2020, effective date 1 January 2022).

**Material accounting estimates**

In connection with the preparation of the interim report, Management makes material accounting estimates, assessments and assumptions which form the basis of the presentation, recognition and measurement of SGL Group's assets and liabilities for accounting purposes. There are no significant changes in the material estimates or assessments presented in SGL TransGroup International A/S' Annual report for 2019.

## Management's statement

The Board of Directors and Executive Management have today considered and approved the interim financial report of SGL TransGroup International A/S (page 10 to 24) for the period 1 January to 30 June 2020.

The interim financial report has been prepared in accordance with IAS 34 interim financial reporting as adopted by the European Union and Swedish disclosure requirements for interim financial reports of listed companies. The interim financial report has not been reviewed or audited by the company auditor.

In our opinion the interim financial report gives a true and fair view of the Group's assets and liabilities and financial position at 30 June 2020 and operations and cash flow for the period 1 January - 30 June 2020.

Further, in our opinion we find that the management commentary contains a true and fair statement of the development in the Group's activities and financial situation, the result for the period and financial position and that the Management's commentary describes the significant risks and uncertainties faced by the Group.

Kastrup, 20 August 2020

### Executive Management:

Claes Brønsgaard Pedersen

### Board of Directors:

Henrik von Sydow  
*Chairman*

Allan Dyrgaard Melgaard

Claes Brønsgaard Pedersen

Thomas Thellufsen Nørgaard

Jørgen Agerbro Jessen