

SGL TransGroup International A/S

Kirstinehøj 7, 2770 Kastrup

CVR no. 37 52 10 43

Interim Financial Report Third quarter 2019

Financial highlights	1
Company details	2
Legal entities	3
Management's commentary	4
Consolidated financial statements	
Consolidated income statement	7
Consolidated statement of comprehensive income	7
Consolidated balance sheet	8
Consolidated cash flow statement	10
Consolidated statement of changes in equity	11
Notes to the consolidated financial statements	
1 Segment information	12
2 Goodwill, customer relations, trademarks and other intangible assets	12
3 Special items	13
4 Financial income	13
5 Financial expenses	13
6 Cash & Liquidity	13
7 Receivable from Transgroup Global Inc.	14
8 Bond debt	14
9 Investments in Group entities	15
10 Events after the balance sheet date	17
11 Accounting policies	17
Management's statement	20

**Financial highlights for SGL TransGroup
International Group**
Q3 2019
Q3 2018¹⁾
YTD 2019
YTD 2018¹⁾
Key figures (in DKK thousands):
Income statement

Revenue	1,126,228	858,932	3,111,440	2,574,658
Gross profit	197,896	148,927	553,855	433,353
Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) and special items	58,272	22,758	140,888	60,634
Earnings Before Interest, Tax, Amortisation (EBITA) and special items	36,311	19,911	85,776	52,504
Operating profit (EBIT) before special items	27,786	10,982	60,523	30,575
Special items	-7,910	-5,792	-11,279	-7,549
Operating profit (EBIT)	19,875	5,190	49,244	23,026
Net financial expenses	-18,216	-12,577	-51,453	-41,177
Profit/loss before tax	1,660	-7,387	-2,209	-18,151
Profit/loss for the period	-2,751	-8,402	-12,482	-21,680

Cash flow

Cash flows from operating activities before special items, interest & tax			-17,724	39,127
Cash flows from operating activities			-80,005	-12,163
Cash flows from investing activities			-103,566	-22,974
Free Cash flow			-183,572	-35,137
Cash flows from financing activities			-53,569	-1,991
Cash flow for the period			-237,141	-37,128

Financial position

Total equity			638,929	582,247
Equity attributable to parent company			632,366	577,074
Net interest bearing debt (NIBD)			1,013,762	726,889
Total assets			3,022,644	2,614,535

Financial ratios in %

Gross margin	17.6	17.3	17.8	16.8
EBITDA margin before special items	5.2	2.6	4.5	2.4
EBIT margin before special items	2.5	1.3	1.9	1.2
Equity ratio			21.1	22.3

Other

Number of full time employees at period end	1,129	993	1,129	993
---	-------	-----	-------	-----

¹⁾ The 2018 comparison figures are not adjusted to the new accounting standard IFRS 16 Leases

Company details

Name	:	SGL TransGroup International A/S (former Scan Bidco A/S)
Address, Postal code, Town	:	Kirstinehøj 7, 2770 Kastrup, Denmark
CVR No.	:	37 52 10 43
Registered office	:	Tårnby (Copenhagen)
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
Board of Directors	:	Henrik von Sydow, Chairman Allan Dyrgaard Melgaard Claes Brønsgaard Pedersen Thomas Thellufsen Nørgaard Jørgen Agerbo Jessen
Executive Board	:	Claes Brønsgaard Pedersen
Parent company of SGL TransGroup International A/S	:	Scan (UK) Midco Limited
Ultimate owner	:	SGLT Holding I LP
Bankers	:	Jyske Bank A/S
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 SGL TransGroup International Group

Company name	Country	Currency	Nominal capital	Ownership interest
SGL TransGroup International A/S				
Scan Global Logistics Holding ApS*	Denmark	DKK	3,530,839	100%
Scan Global Logistics A/S	Denmark	DKK	1,901,650	100%
SGL Express A/S	Denmark	DKK	500,000	100%
SGL Road ApS	Denmark	DKK	500,200	100%
SGL Road AB	Sweden	SEK	100,000	100%
Scan Global Logistics GmbH	Germany	EUR	25,000	100%
SGL E-Commerce A/S	Denmark	DKK	500,000	100%
Airlog Group Denmark A/S	Denmark	DKK	500,000	100%
Scan Global Logistics AB	Sweden	SEK	100,000	100%
Crosseurope AB	Sweden	SEK	100,000	100%
Crosseurope GmbH	Germany	EUR	25,000	100%
Airlog Group Holding AB*	Sweden	SEK	2,000,000	100%
Airlog Group Sweden AB	Sweden	SEK	2,000,000	100%
SGL Express AB	Sweden	SEK	1,000,000	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 (Shanghai) Co. Ltd.	China	USD	1,650,000	100%
Scan Global Logistics (Wuxi) Ltd.	China	CNY	3,000,000	100%
Scan Global Logistics Ltd.	Hong Kong	HKD	500,000	100%
Scan Global Logistics (Shanghai) Limited	China	CNY	3,000,000	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 Peru S.A.C.	Peru	PEN	1,000	100%
Scan Global Logistics (Vietnam) Ltd.	Vietnam	USD	100,000	75%
Scan Global Logistics Ltd.	Indonesia	IDR	252,015,000	100%
Scan Global Logistics Pte Ltd. (Singapore)	Singapore	SGD	100,000	100%
Scan Global Logistics SA	Mali	XOF	10,000,000	55%
Macca Logistics Sarl	Senegal	XOF	1,000,000	100%
Macca Logistics Sarl	Ivory Coast	XOF	1,000,000	100%
IQS Holding GmbH*	Germany	EUR	58,400	100%
IQS International Quality Service GmbH	Germany	EUR	26,100	100%
IQS Business Travel GmbH	Germany	EUR	25,000	100%
ENGINOX GmbH	Germany	EUR	25,000	100%
Aircargo Consulting GmbH	Germany	EUR	25,000	100%
IQS Logistic Consulting Corp.	USA	USD	100	100%
Global Automotive Testing Support GmbH	Germany	EUR	25,000	100%
Global Aviation Management Services FZE	Dubai	AED	1,000,000	100%

*Holding companies.

Management's commentary

SGL TransGroup International Group's business model

SGL TransGroup International Group's (the group) activities focus on international freight-forwarding services, primarily by air and sea, 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 group primarily provides services to its customers via the Scan Global Logistics Group network of offices supported by its close partner and affiliated company Transgroup Global Logistics and other key agents worldwide.

SGL TransGroup International Group's business review

The group has implemented the IFRS 16 accounting standard (leases) effective 1 January 2019, which had a material impact on the financial statements and key ratios, as most contracts on leased equipment and locations previously classified as operating leases have now been capitalised. 2018 comparative figures have not been restated.

Profit for the period

The first nine months of 2019 consolidated financial statements include the operating results of the Scan Global Logistics A/S Group, including the results of Kestrel and Macca Logistics Sarl, both of which were acquired in Q3 2018 as well as IQS Group (acquired 2 January 2019) and BK Spedition GmbH (acquired 2 May 2019).

A rapidly growing and profitable Parcel and Express Division is adding to growth this year. Combined with the newly acquired unit IC Logistics from IC Company (acquired 30 June 2019), this will establish a strong platform for E-commerce fulfilment services within the Group.

In the first three quarters of 2019 revenue amounted to DKK 3,111 million generating EBITDA before special items of DKK 141 million. EBITDA excluding the IFRS 16 adjustment showed an increase of DKK 31 million (a 52 percent improvement compared to 2018). Refer to further details below.

Revenue

The consolidated Q3 2019 revenue was DKK 1,126 million compared to DKK 859 million in Q3 2018, equivalent to an increase of 31.1 percent. The increase in revenue was mainly driven by organic growth of approximately 18%, compared to the Q3 2018 results in combination with businesses acquired after Q3 2018 (IQS, BK Spedition and IC Group activities) in total contributed DKK 112 million in revenue in the third quarter of 2019.

Air, Sea and Road segments were all strong drivers of the organic growth, mainly driven by the Nordic, Hong Kong, China and South East Asia region; however, partly offset by the Solution segment due to restructuring activities within the Danish Solutions business.

Gross profit

In the third quarter of 2019, the gross profit amounted to DKK 198 million, corresponding to a gross margin of 17.6 percent which is a 0.3 percentage points increase compared to the third quarter of 2018 (hereof 0.2 percentage points was a result of the change per IFRS 16). This increase was primarily driven by the Sea and Road activities in the Nordic region as well as by Road activities derived from acquired businesses relative to 2018. Furthermore, a strong development within several departments at ADP has added to the profitability.

Management's commentary

SG&A cost

SG&A costs amounted to DKK 140 million in the third quarter of 2019, equivalent to an increase of 11 percent compared to third quarter of 2018. The increase is mainly influenced by the acquisitions of IQS, BK Spedition and activities from IC Group; however, positively impacted by IFRS 16 as the majority of lease contracts are now recognised as Right-of-use assets on the balance sheet and depreciated subsequently.

SG&A costs comprise 12.4 percent of revenue in the third quarter of 2019 compared to 14.7 in the third quarter of 2018. However, excluding IFRS 16 the SG&A costs comprise 14.1 percent of revenue.

EBITDA before special items

EBITDA before special items amounted to DKK 58 million in the third quarter of 2019, equivalent to an EBITDA margin of 5.2 percent; an increase of 2.6 percentage point primarily driven by the recent acquisitions as well as accounting for IFRS 16 amounting to DKK 19 million.

Depreciation and amortisation

Depreciation and amortisation amounted to DKK 30 million in the third quarter of 2019, compared to DKK 12 million in the third quarter of 2018. This increase is primarily explained by IFRS 16 depreciations but amortisation of intangible assets from acquisitions has a minor impact as well.

Special items

In the first nine months of 2019 special items amounted to 11 million. The costs mainly included restructuring costs (redundancy cost for personnel and closing of offices) and acquisition costs.

Financial items

Net financial expenses amounted to DKK 18 million in the third quarter of 2019 compared to DKK 13 million in third quarter 2018. Net financial expenses mainly comprised of interest expenses on the bond debt as well as an impact of IFRS 16 interest expenses (DKK 9 million) offset by the interest income from the intercompany loan to Transgroup Global Inc. (the parent company of Transgroup). Please refer to note 4 and 5 for further information.

Cash Flows

For the first nine months of 2019 the accumulated cash flow from operating activities before special items, interests and tax was negative DKK 11 million, driven by negative working capital movement but partly offset by improved EBITDA. The negative working capital movement is a result of a combined increase in receivables (higher activities), creditor payments including special project payments as well as the impact of the acquisitions.

Excluding acquisitions, the investments and release of earn-out payments during the first nine months of 2019 of DKK 37 million comprised mainly of software and IT equipment.

The cash out-flow from acquisitions including the transactions costs amounted to DKK 91 million. The property acquired as a part of the IQS transaction has then been sold with a net positive cash impact of DKK 25 million.

Management's commentary

Capital structure

The total equity was DKK 639 million with an equity ratio of 21.1 percent as at 30 September 2019. The equity ratio excluding the impact of IFRS 16 was 22.6 percent and increased by 0.3 percentage points compared to 30 September 2018.

Total equity includes a capital increase of DKK 104 million made in December 2018 prior to the acquisition of IQS Group in January 2019.

Net interest bearing debt (NIBD)

Consolidated net interest bearing debt amounted to DKK 1.014 billion as at 30 September. Hereof DKK 172 million has been added in lease liabilities according to IFRS 16. The debt is mainly due to the acquisitions of SGL Group, Airlog Group and Crosseurope. The net interest bearing debt increased DKK 406 million during the first nine months of 2019, partly due to the financing of the acquisitions made and partly due to working capital increase. The total liquidity reserve was DKK 87 million by end of September 2019. See note 6 for further information.

Acquisitions in 2019

Effective as at 2 January 2019 the group acquired 100% ownership of the leading special solution provider for high-end automotive logistics – German based, International Quality Service Group (IQS Group). The acquisition was financed partly by a capital increase of DKK 104 million and partly by the present capital resources.

Effective as at 2 May 2019 the group acquired the German road transport company BK Spedition GmbH. The acquisition of BK Spedition was financed by available cash. Refer to note 9 for further information.

SGL TransGroup International Group has launched SGL E-commerce, which offers a global fulfillment solution allowing SGL customers to integrate with top online marketplaces and web shops worldwide through a cloud-based platform. These activities are managed through a new subsidiary company, SGL E-Commerce A/S, which has acquired one of Scandinavian leading fashion fulfillment operations, the Denmark based, IC Logistics (part of IC Group A/S). Final close was 30 June 2019.

The revenue included in the consolidated income statement since 2 January 2019 contributed by acquired businesses was DKK 284 million, and the acquired businesses also contributed a profit after tax of DKK 13 million over the same period. Refer to note 9 for further information.

SGL Group continues its acquisition strategy to look at acquisition opportunities with a good strategic fit and available at the right price. Specifically, SGL Group has identified a great acquisition opportunity which will scale-up the business, increase profitability, and secure a downtrending leverage ratio. This acquisition opportunity may materialise during fourth quarter of 2019; however, a deal will only be announced when appropriate.

Events after the balance sheet date

SGL TransGroup International A/S has issued bonds, ISIN NO0010768062 and NO0010768070, in an aggregate amount of approximately USD 191 million and with final redemption date on 27 June 2022.

The bonds, ISIN NO0010768062 and NO0010768070 has been delisted 25 November 2019, refer to note 10 for further details.

4 November 2019 SGL TransGroup International A/S issued new EUR 215 million senior secured callable floating rate bonds due 4 November 2024.

Outlook 2019

The SGL TransGroup International Group maintains its full-year outlook for 2019 previously announced in the Annual report 2018.

(DKKt)		Q3 2019	Q3 2018	YTD 2019	YTD 2018
Notes	Consolidated income statement				
1	Revenue	1,126,228	858,932	3,111,440	2,574,658
1	Cost of operation	-928,332	-710,005	-2,557,585	-2,141,305
	Gross profit	197,896	148,927	553,855	433,353
	Other external expenses	-22,420	-31,324	-76,473	-90,965
	Staff costs	-117,204	-94,845	-336,494	-281,754
	Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) and special items	58,272	22,758	140,888	60,634
	Depreciation of software and tangible assets	-21,961	-2,847	-55,112	-8,130
	Earnings before Interest, Tax, Amortisation and special items	36,311	19,911	85,776	52,504
	Amortisation of customer relations, trademarks and other intangible assets	-8,525	-8,929	-25,253	-21,929
	Operating profit before (EBIT) special items	27,786	10,982	60,523	30,575
3	Special items, net	-7,910	-5,792	-11,279	-7,549
	Operating profit (EBIT)	19,875	5,190	49,244	23,026
4	Financial income	40,055	16,893	68,563	62,048
5	Financial expenses	-58,270	-29,470	-120,016	-103,225
	Loss before tax	1,660	-7,387	-2,209	-18,151
	Tax on profit for the period	-4,411	-1,015	-10,273	-3,529
	Loss for the period	-2,751	-8,402	-12,482	-21,680
	Total income for the year attributable to				
	Owners of the parent	2,792	-7,528	-13,305	-21,638
	Non-controlling interests	184	-874	823	-42
	Total	-2,751	-8,402	-12,482	-21,680

(DKKt)		Q3 2019	Q3 2018	YTD 2019	YTD 2018
	Consolidated statement of comprehensive income				
	Loss for the period	-2,751	-8,402	-12,482	-21,680
	<i>Items that will be reclassified to income statement when certain conditions are met:</i>				
	Exchange rate adjustment	-2,287	-9,711	-8,013	-9,830
	Other comprehensive income, net of tax	-2,287	-9,711	-8,013	-9,830
	Total comprehensive income for the period	-5,038	-18,113	-20,495	-31,510
	Total comprehensive income for the period attributable to				
	Owners of the parent	-5,294	-17,253	-21,390	-31,450
	Non-controlling interests	256	-860	895	-60
	Total	-5,038	-18,113	-20,495	-31,510

(DKKt)					
Notes	Consolidated balance sheet		30.09.2019	30.09.2018	31.12.2018
ASSETS					
2	Goodwill		1,005,975	948,428	951,425
2	Customer relations		258,584	240,630	234,079
2	Trademarks		42,602	42,705	41,377
2	Other intangible assets		1,992	0	0
	Software		39,805	12,895	23,398
	Intangible assets		1,348,958	1,244,658	1,250,279
	Right of use assets		165,312	0	0
	Property, plant and equipment		42,605	23,282	24,192
	Tangible fixed assets		207,917	23,282	24,192
7	Receivable from Transgroup Global Inc.		672,077	629,875	637,944
	Other receivables		11,267	8,013	7,936
	Deferred tax asset		3,726	2,613	4,757
	Financial assets		687,070	640,501	650,637
	Total non-current assets		2,243,945	1,908,441	1,925,108
	Trade receivables		645,610	591,486	505,662
	Receivables from group entities		7,555	6,379	5,420
	Income taxes receivable		3,386	2,736	3,073
	Other receivables		31,978	15,593	24,320
	Prepayments		37,026	18,763	13,968
6	Cash and cash equivalents		53,143	71,137	225,216
	Total current assets		778,699	706,094	777,659
	Total assets		3,022,644	2,614,535	2,702,767

(DKKt)				
Notes	Consolidated balance sheet	30.09.2019	30.09.2018	31.12.2018
EQUITY AND LIABILITIES				
	Share capital	501	500	501
	Share premium	833,542	726,434	830,764
	Currency translation reserve	-34,021	-29,597	-25,936
	Retained earnings	-167,656	-120,263	-154,218
	Equity attributable to parent company	632,366	577,074	651,111
	Non-controlling interests	6,563	5,173	5,535
	Total Equity	638,929	582,247	656,646
8	Bond debt	1,300,679	1,255,519	1,264,236
	Lease Liabilities	99,819	0	0
	Earn-out provision	6,108	0	1,678
	Deferred tax liability	57,553	50,153	46,807
	Total non-current liabilities	1,464,159	1,305,672	1,312,721
6	Bank overdraft	144,410	72,220	79,342
	Lease liabilities	72,323	0	0
	Earn-out provision	5,106	5,149	5,674
	Trade payables	439,881	420,841	425,569
	Payables to group entities	111,770	86,551	114,097
	Deferred income	13,975	7,350	6,136
	Corporation tax	23,752	11,295	17,707
	Other payables	108,338	123,210	84,875
	Total current liabilities	919,556	726,616	733,400
	Total liabilities	2,383,715	2,032,288	2,046,121
	Total equity and liabilities	3,022,644	2,614,535	2,702,767

(DKKt) Consolidated cash flow statement 1 January - 30			
Notes	September	YTD 2019	YTD 2018
	Operating profit (EBIT) before special items	60,523	30,575
	Depreciation, amortisation and impairment	80,365	30,059
	Effect of changes in accounting policies	0	1,081
	Other non-cash transactions	-7,015	0
	Exchange rate adjustments	33	-2,902
	Change in working capital	-151,630	-19,686
	Cash flows from operating activities before special items, interest & tax	-17,724	39,127
	Special items	-6,412	-6,193
	Interest received	30,392	38,913
	Interest paid	-74,489	-77,142
	Tax paid	-11,772	-6,868
	Cash flows from operating activities	-80,005	-12,163
	Purchase of software	-18,928	-4,155
	Purchase of property, plant and equipment	-14,812	-8,633
	Sale of property, plant and equipment	25,368	0
9	Investments in group entities and activities	-90,613	-5,266
	Special items, transactions cost acquisitions	-906	-1,356
	Earn-out paid	-3,675	0
	Release of earn-out	0	-3,564
	Cash flows from investing activities	-103,566	-22,974
	Free cash flow	-183,572	-35,137
	Capital increase	2,778	0
	Payments to/from group entities	657	0
	Purchase of non-controlling interest	0	-1,991
	Redemption of lease liabilities	-48,941	0
	Redemption of other acquisition debt	-8,063	0
	Cash flows from financing activities	-53,569	-1,991
	Change in cash and cash equivalents	-237,141	-37,128
	Cash and cash equivalents		
	Cash and cash equivalents at the beginning of the period	145,874	36,045
	Change in cash and cash equivalents	-237,141	-37,128
6	Net cash and cash equivalents at 30 September	-91,267	-1,083

(DKKt)	Consolidated statement of changes in equity						
	Share capital	Share premium	Currency translation reserve	Retained earnings	Equity attributable to parent company	Non-controlling interests	Total equity
Equity at 1 January 2019	501	830,764	-25,936	-154,218	651,111	5,535	656,646
Profit for the period	0	0	0	-13,305	-13,305	823	-12,482
Currency exchange adjustment	0	0	-8,085	0	-8,085	72	-8,013
Other comprehensive income, net of tax	0	0	-8,085	0	-8,085	72	-8,013
Total comprehensive income for the period	0	0	-8,085	-13,305	-21,390	895	-20,495
Sale of shares to non-controlling interests	0	0	0	-133	-133	133	0
Capital increase by cash payment	0	2,778	0	0	2,778	0	2,778
Total transactions with owners	0	2,778	0	-133	2,645	133	2,778
Equity at 30 September 2019	501	833,542	-34,021	-167,656	632,366	6,563	638,929

(DKKt)	Consolidated statement of changes in equity						
	Share capital	Share premium	Currency translation reserve	Retained earnings	Equity attributable to parent company	Non-controlling interests	Total equity
Equity at 1 January 2018	500	726,434	-19,785	-97,544	609,605	312	609,917
Effect of changes in accounting policies, IFRS 9	0	0	0	-1,081	-1,081	0	-1,081
Adjusted equity at 1 January 2018	500	726,434	-19,785	-98,625	608,524	312	608,836
Profit for the period	0	0	0	-21,638	-21,638	-42	-21,680
Currency exchange adjustment	0	0	-9,812	0	-9,812	-18	-9,830
Other comprehensive income, net of tax	0	0	-9,812	0	-9,812	-18	-9,830
Total comprehensive income for the period	0	0	-9,812	-21,638	-31,450	-60	-31,510
Purchase of non-controlling interests	0	0	0	0	0	4,921	4,921
Total transactions with owners	0	0	0	0	0	4,921	4,921
Equity at 30 September 2018	500	726,434	-29,597	-120,263	577,074	5,173	582,247

Note (DKKt)

1 Segment information

YTD 2019

	Air		Sea		Road		Solution		Total	
	YTD 2019	YTD 2018	YTD 2019	YTD 2018	YTD 2019	YTD 2018	YTD 2019	YTD 2018	YTD 2019	YTD 2018
Revenue (services)	1,521,320	1,164,897	1,423,966	1,299,686	524,206	420,202	110,096	131,573	3,579,588	3,016,358
Intercompany revenue	-275,475	-231,055	-156,057	-175,305	-35,184	-33,767	-1,432	-1,573	-468,148	-441,700
Net revenue (services)	1,245,845	933,842	1,267,909	1,124,381	489,022	386,435	108,664	130,000	3,111,440	2,574,658
Cost of operation	-1,007,138	-768,165	-1,069,185	-943,217	-397,799	-318,712	-83,463	-111,211	-2,557,585	-2,141,305
Gross profit	238,707	165,677	198,724	181,164	91,223	67,723	25,201	18,789	553,855	433,353

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

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 (DKKt)

2 Goodwill, customer relations, trademarks and other intangible assets

30.09.2019

	Air	Sea	Road	Solution	Total
Balance at 31 December 2018	528,978	644,781	48,941	4,181	1,226,881
Exchange rate adjustment	-4,419	-1,006	-1,347	0	-6,772
Additions 2019	107,051	0	7,246	0	114,297
Amortisation during the year	-11,927	-12,092	-1,155	-79	-25,253
Balance at 30 September 2019	619,683	631,683	53,685	4,102	1,309,153

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

The core business of the Group is within the Air and Sea segments, whereas the Road and Solutions business units are relatively small in a group context and are primarily within a limited geographical area (Denmark & Sweden). The project business of the Group is also within the Air and Sea segments. Consequently, goodwill, customer relations and trademarks are primarily allocated to the Air and Sea segments.

Goodwill, customer relations and trademarks were tested for impairment at 31 December 2018, refer to the annual report for 2018 page 27-28.

Note	(DKKt)		YTD 2019	YTD 2018
3	Special items, costs			
	Restructuring cost		-4,439	-6,193
	Transaction costs in connection with acquisitions		-6,840	-1,356
	Total special items, costs		-11,279	-7,549

Note	(DKKt)		YTD 2019	YTD 2018
4	Financial income			
	Interest income from Transgroup Global Inc.		37,879	35,676
	Other financial income		30,684	26,372
	Total financial income		68,563	62,048

Note	(DKKt)		YTD 2019	YTD 2018
5	Financial expenses			
	Interest expenses		-88,618	-77,895
	Capitalised loan costs		-2,722	-2,723
	Other financial expenses		-28,676	-22,607
	Total financial expenses		-120,016	-103,225

Note	(DKKt)		30.09.2019		
6	Cash & Liquidity				
			Net Cash (+ = deposit)	Credit facilities	Liquidity reserve
	SGL TransGroup International Group		-91,267	178,723	87,456

SGL TransGroup International Group holds net bank liquidity of DKK -91,267 thousands. Total financial reserves (net bank liquidity and credit facilities) aggregates to DKK 87,456 thousands.

		30.09.2018			
			Net Cash (+ = deposit)	Credit facilities	Liquidity reserve
	SGL TransGroup International Group		-1,083	148,400	147,317

The Group holds net bank liquidity of DKK -1,083 thousands. Total financial reserves (net bank liquidity and credit facilities) aggregates to DKK 147,317 thousands.

Note (DKKt)		30.09.2019	30.09.2018
7	Receivable from Transgroup Global Inc.		
	Principal, USD 98,019 thousand, interest rate 7.70%	672,077	631,370
	Expected loss, IFRS 9	0	-1,081
	Total receivable from Transgroup Global Inc.	672,077	630,289
		Carrying amount	Carrying amount
		Cash flow*	
	Receivable falling due between 1 and 5 years	815,827	672,077
	Total receivable from Transgroup Global Inc.	815,827	672,077
	Current portion of the receivable	51,750	0

* Total cash flows including interest.

In connection with TransGroup Global Inc.'s (formerly TGI US Bidco) acquisition of TransGroup effective from 1 October 2016, TransGroup Global Inc. has borrowed USD 98 million from SGL TransGroup International A/S.

Interest of 7.70% is paid quarterly and repayments are voluntary but the receivable has to be repaid in June 2022 at the latest.

If no repayments occur before June 2022 the cash flow will evolve as stated in the above note.

Refer to note 10 events after the balance sheet.

8	Bond debt	30.09.2019	30.09.2018
	Issued bonds, DKK tranche 1, interest rate 6.80%	625,000	625,000
	Issued bonds, USD tranche 2 USD 100 million, interest rate 7.70%	685,660	644,130
		1,310,660	1,269,130
	Capitalized loan costs	-9,981	-13,611
	Total bond debt	1,300,679	1,255,519
		Carrying amount	Carrying amount
		Cash flow*	
	Bond debt falling due between 1 and 5 years	1,575,371	1,310,660
	Total financial liabilities	1,575,371	1,269,130
	Current portion of financial liabilities	95,296	0

* Total cash flows including interest.

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

Certain terms and conditions apply for the issued bonds regarding negative pledge, redemption, change of control and incurrence test.

The company's Bonds were listed on the Nasdaq Stock Exchange in Stockholm in June 2017.

The fair values of the issued bonds were DKK 645 million for the DKK tranche and USD 103 million for the USD tranche, corresponding to DKK 672 million, totalling DKK 1,317 million, based on quoted bond rates of 103.25 and 102.5 at Nasdaq, Stockholm at 30 September 2019.

After the reporting date it has been decided that the Bonds will be redeemed in advance. The redemption date will be 25 November 2019, please refer to note 10 for further details.

Note (DKKt)

9 Investments in group entities

Others IQS Group 30.09.2019

Provisional fair value at date of acquisition:
ASSETS

Right of use assets	21,224	3,123	24,347
Software	90	104	194
Property, plant and equipment	6,645	29,303	35,948
Non-current receivables	2,487	0	2,487
Trade receivables	0	21,975	21,975
Other receivables	600	1,596	2,196
Prepayments	0	702	702
Cash and cash equivalents	0	44,514	44,514
Total assets	31,046	101,317	132,364

LIABILITIES

Lease liabilities	21,224	3,123	24,347
Finance liabilities	0	8,063	8,063
Trade payables	0	30,165	30,165
Deferred tax	0	989	989
Corporation tax	0	1,768	1,768
Other payables	4,600	14,343	18,943
Total liabilities	25,824	58,451	84,275

Acquired net assets

Goodwill, customer relations, trademarks and other intangible assets	5,222	42,866	48,088
Deferred tax	7,246	107,051	114,297
	0	-16,252	-16,252

Fair value of total consideration **12,468** **133,665** **146,133**

Earn-out provision 4,487 6,519 11,006

Cash consideration **7,981** **127,146** **135,127**

Adjustment for cash and cash equivalents taken over 0 -44,514 -44,514

Cash consideration for the acquisitions **7,981** **82,632** **90,613**

Transaction costs for acquisitions 906 5,934 6,840

Investments in Group entities **8,887** **88,566** **97,453**

9 Investments in group entities

Purchase of shares in the IQS Group

On 2 January 2019 the Group acquired, through its wholly owned subsidiary Scan Global Logistics A/S, 100% ownership of the leading special solution provider for high-end automotive logistics – German based, International Quality Service Group (IQS Group).

The acquisition provides the Group with an extended service platform within the automotive industry, now taking a leading role in Germany as well as internationally.

IQS Group currently operates 5 offices in Germany, 1 in the US and 1 in Dubai. The company was founded in 1998 and has built a strong reputation for themselves ever since.

Under the terms of the agreement, the IQS Group was acquired for a total cash consideration of EUR 17,027 thousand. In addition, earn-out payments of 10% of future EBITDA provided a minimum EBITDA of EUR 1.5 million were agreed upon for the years 2019, 2020 and 2021. The provision of the earn-out has been determined at the end of Q1 based on the prognosis of the 3 year period after the effective date. The main assets acquired relate to tangible assets, customer relations, trademarks and other intangible assets.

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

Purchase of activities from BK-International Speditions GmbH

On 2 May 2019 the Group, through its wholly owned subsidiary Scan Global Logistics GmbH, acquired activities from the German based logistic company BK-International Speditions GmbH. The acquisition strengthens the Group's positioning in the Road business market.

Under the terms of the agreement, the activities were acquired for a total cash consideration of EUR 600 thousand, EUR 500 thousand paid at closing and EUR 100 thousand falling due in October 2019. In addition, earn-out payments of maximum EUR 400 thousands depending on future revenue in 2019 and 2020. The provision of the earn-out has been determined at the end of Q2 based on the prognosis of the 2 year period after the effective date. The goodwill arising from the acquisitions is attributable to synergies expected from combining the operations of the Group and the acquired companies.

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

Purchase of logistic activities from IC Group A/S

Effective as at 30 June 2019 the Group acquired, through its wholly owned subsidiary SGL E-Commerce A/S, the logistic activity in IC Group A/S, one of the leading Scandinavian fashion fulfillment operations. The main assets acquired relates to machines used in a 16,000 Sqm fashion warehouse in Brøndby, Denmark and SGL E-Commerce A/S also takes over the responsibilities of the 47 highly skilled people, who are working in this specialised warehouse function.

The Group sees this acquisition as a natural strategic step forward in the ongoing growth and development of the Group's focus in the e-commerce and fashion industry.

Under the terms of the agreement, the IC logistic activity was acquired for a total cash consideration of DKK 3,500 thousand. In addition, an amount of DKK 1,500 thousand shall be payable at 30 June 2021 if certain criteria is met.

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

Note

10 Events after the balance sheet date

Redemption of bond debt in advance

22 October 2019 SGL TransGroup International A/S announced that the Bonds will be redeemed in advance. The redemption date will be 25 November 2019.

The redemption amount for each Tranche 1 Bond shall be 103.85 percent and for each Tranche 2 Bond shall be 103.40 percent of the outstanding nominal amount, plus accrued but unpaid Interest.

The Company's obligation to redeem the Bonds on the redemption date is conditional upon the Company, prior to the redemption date, fulfilling the conditions precedent for disbursement of the net proceeds from the up to EUR 315,000,000 senior secured floating rate bonds 2019/2024 (ISIN: SE0013101219), which are intended to be applied towards, inter alia, financing the redemption of the Bonds.

The Bonds will be de-listed from the corporate bond list of Nasdaq Stockholm in connection with the redemption date and the last day of trade will be the date falling on or about 20 November 2019.

In connection with the redemption of bond debt it is expected that the loan to TransGroup Global Inc. will be restructured.

The early redemptions of bond debt and loan to TransGroup are non-adjusting events why note 7 and 8 have not been adjusted as at 30 September 2019.

24 October 2019 SGL TransGroup International A/S listed EUR 215,000,000 senior secured floating rate bonds 2019/2024 (ISIN: SE0013101219) on the Börse Frankfurt. The bond debt has to be repaid in November 2024.

Note

11 Accounting policies

Basis of preparation

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.

Except as stated below, accounting policies applied in preparing the Interim Financial Report are consistent with those applied in preparing the 2018 Annual Report. The 2018 Annual Report provides a full description of Group accounting policies.

Changes in accounting policies

The Group has implemented the latest International Financial Reporting Standards (IFRS) and amendments effective as of 1 January 2019 as adopted by the European Union.

Of the standards and amendments implemented only IFRS 16 Leases has had material impact on the Group's Financial Statements.

IFRS 16 Leases

The group applied the standard from its mandatory adoption date of 1 January 2019. IFRS 16 has been implemented using the simple modified retrospective approach with the cumulative effect of applying the standard recognised in the opening balances of assets and liabilities.

10 Accounting policies (continued)

IFRS 16 Leases (continued)

Lease liabilities and right-of-use assets are measured at the net present value of future lease payments discounted using an applicable incremental borrowing rate at the date of initial application.

The average incremental borrowing rate applied at 1 January 2019 was 7.72%.

The right-of use assets mainly relates to buildings, cars, trucks and other assets used for freight forwarding services.

The right of use assets are depreciated along the following schedule:

Buildings	2-10 years
Cars	3-4 years
Other	2-6 years

Major accounting policy choices made in implementing the standard includes:

- To apply a portfolio approach in determining an alternative borrowing rate for assets of a similar nature;
- Only to apply IFRS 16 to contracts previously identified as containing a lease;
- Not to recognise right-of-use assets and lease liabilities for leases with a lease term of 12 months or less;
- Not to recognise right-of-use assets and lease liabilities for low-value lease assets;
- Not to include non-lease components – e.g. service elements – as part of the right-of-use assets and lease liabilities recognised (these are accounted for separately);
- Not to recognise right-of-use assets and lease liabilities for long-term lease contracts where the lease term ends within 12 months from 1 January 2019.

Impact on the financial statements as of 1 January 2019

On implementation of IFRS 16, the Group has recognised a lease liability and a corresponding right-of-use asset (operating leases as of 31 December 2018) of DKK 139 million. Impact on equity is DKK 0 thousand. Comparative figures are not restated.

Differences between the operating lease commitments at 31 December 2018 disclosed in the 2018 Annual Report and lease liabilities recognised in the opening balance at 1 January 2019 in accordance with IFRS 16 specify as follows:

Operating lease obligation as at 31 December 2018 (IAS 17)	118,849
Discounted alternative borrowing rate	-837
Service elements included in leasing agreements	-1,293
Discounted lease payments covered by extension options that the Group is reasonably certain to exercise	34,335
<i>Accounting policy choices made in implementing the</i>	
Short-term leases	-10,808
Low-value leases	-940
Lease liability as at 1 January 2019 (IFRS 16)	139,306

10 Accounting policies (continued)

Material accounting estimates

In connection with the preparation of the interim report, the management makes material accounting estimates, assessments and assumptions which form the basis of the presentation, recognition and measurement of the group's assets and liabilities for accounting purposes. Except for judgements in determining the lease term as described below, there are no significant changes in the material estimates or assessments presented in the annual report for 2018.

Significant judgement in determining the lease term of contracts with renewal options (IFRS 16)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional periods. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

New accounting regulation

The IASB has issued a number of new standards and amendments not yet in effect or endorsed by the EU and therefore not relevant for the preparation of the 2019 Interim Financial Statements.

None of these are currently expected to carry any significant impact on the Group's Financial Statements when implemented.

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 for the period 1 January to 30 September 2019.

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 September 2019 and operations and cash flow for the period 1 January - 30 September 2019.

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, 29 November 2019

Executive Management:

Claes Brønsgaard Pedersen

Board of Directors:

Henrik von Sydow
Chairman

Allan Dyrgaard Melgaard

Claes Brønsgaard Pedersen

Thomas Thellufsen Nørgaard

Jørgen Agerbo Jessen