

SGL TransGroup International A/S

INTERIM FINANCIAL REPORT

**First 9 months of 2020,
including third quarter of 2020**

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How to read this interim financial 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 - First 9 months of 2020

Revenue	Adjusted EBITDA**
USD 867 million	USD 39.1 million

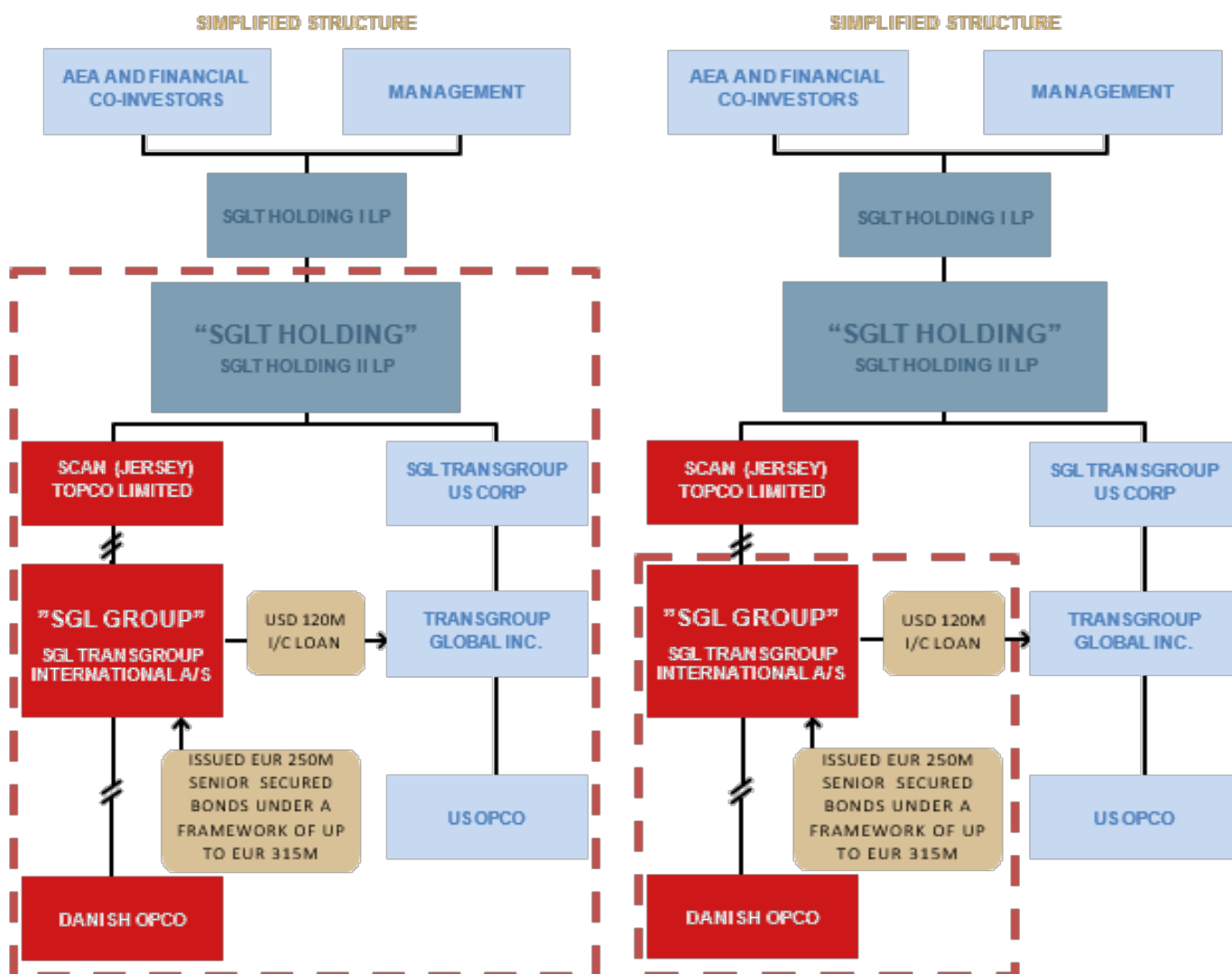
** Refer to definition and calculation on page 10

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.

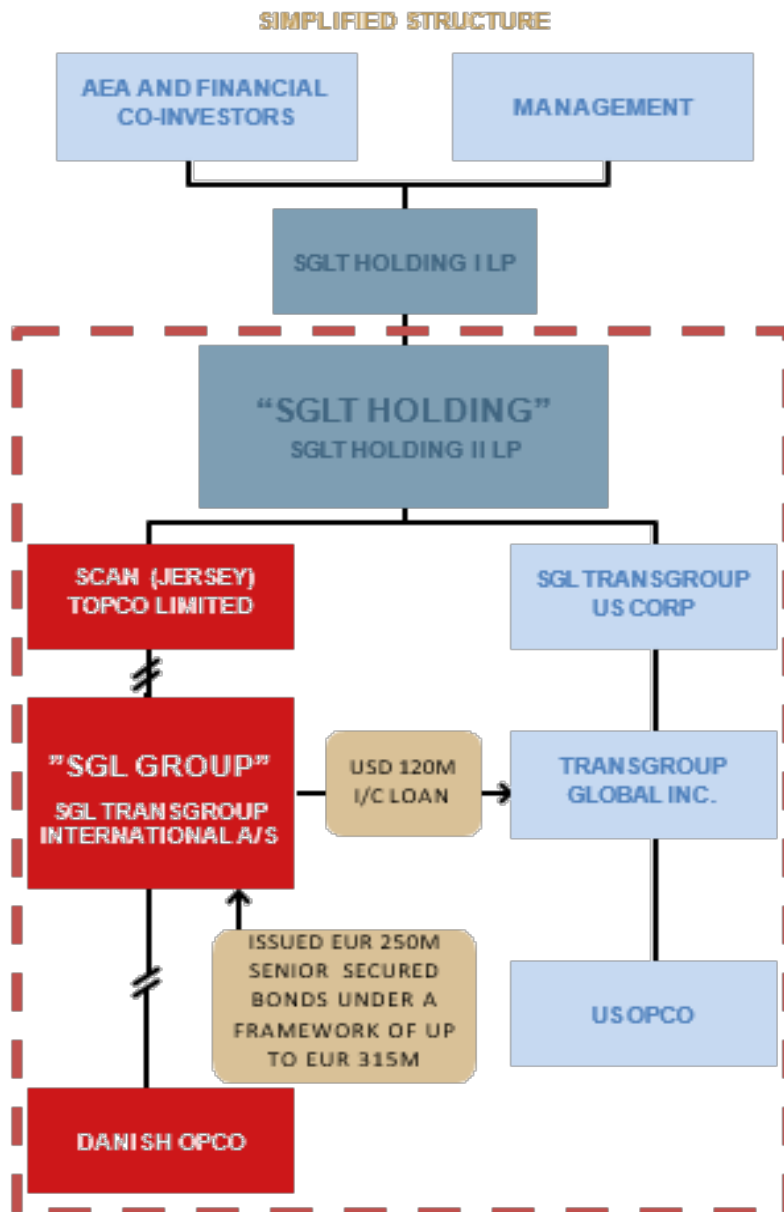
SGL TransGroup International A/S (together with TransGroup Global Inc. and their respective subsidiaries) has issued senior secured floating-rate bonds with SGL TransGroup International A/S as the issuer in an aggregate amount of EUR 250m within a total framework amount of EUR 315m.

Reporting currency for SGL Group is DKK.



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SGLT Holding



Financial highlights

Q3 2020 Q3 2019 YTD 2020 YTD 2019

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

Revenue	310,864	291,545	866,732	807,728
Gross profit	54,449	46,790	148,792	130,318
EBITDA before special items	21,100	15,594	51,188	37,716
EBITDA before special items excluding IFRS 16	15,438	11,646	37,133	27,224
Operating profit (EBIT) before special items	12,169	8,920	24,464	19,643
Special items, net	-5,381	-1,228	-10,813	-1,792
Operating profit (EBIT)	6,788	7,692	13,651	17,851
Financial items, net	-13,635	-5,154	-23,544	-14,986
Profit/loss before tax	-6,847	2,538	-9,893	2,865
Profit/loss for the period	-7,481	1,504	-10,881	733

Income statement (Business performance)¹

Adjusted EBITDA ^{1,2}	16,137	12,803	39,067	30,650
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Cash flow

Cash flows from operating activities before special items, interest & tax			57,430	6,141
Cash flows from operating activities			30,183	-9,608
Cash flows from investing activities			-16,027	-17,319
Free cash flow			14,156	-26,927
Cash flows from financing activities			12,364	-12,278
Cash flow for the period			26,520	-39,205

Financial position

Total equity			132,200	152,001
Equity attributable to parent company			129,736	149,483
Net interest bearing debt (NIBD)			293,849	255,147
Net interest bearing debt (NIBD) excluding lease liabilities (IFRS 16)			246,393	218,829
Total assets			631,494	551,022

Financial ratios in %

Gross margin	17.5	16.0	17.2	16.1
EBITDA margin before special items	6.8	5.3	5.9	4.7
Adjusted EBITDA margin	5.2	4.4	4.5	3.8
EBIT margin before special items	3.9	3.1	2.8	2.4
Equity ratio			20.9	27.6

¹Business 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.

²Excluding 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 and logistics 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 9 months 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). Airlog Group Sweden AB, Airlog Group Fur OY, Airlog Group AS and Airlog Group Denmark A/S were disposed 1 July 2020, and revenue from disposed entities amounted to USD 5 million for the first half of 2020.

Total revenue in the first 9 months of 2020 was USD 866.7 million, which is an increase of 7.3% compared to first 9 months of 2019 including positive impact of FX translation.

The acquisitions made in first 9 months of 2020 and last quarter of 2019 have contributed by USD 49 million.

The YTD gross profit amounted to USD 148.8 million, equivalent to an increase of 14% compared to first 9 months of 2019, positively impacted by FX translation.

SG&A costs amounted USD 98 million in the first 9 months of 2020 and increased by 5% compared to the first 9 months of 2019. SG&A costs were 11% of the revenue which is slightly lower than in the 9 months of 2019. The increase is derived from increased staff costs mainly influenced by the acquisitions, and green field activities, however offset by small levels of realized operating leverage.

Adjusted EBITDA increased by USD 8 million in the first 9 months of 2020 compared to the first 9 months of 2019; mainly due to strong performance through increased sales and improved margins in AsiaPacific. The improved performance is driven both by organic growth and through acquisitions made.

Depreciation and amortisation amounted to USD 26.7 million in the first 9 months of 2020, compared to USD 18.1 million in the first 9 months 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 9 months of 2020 special items amounted to net cost of USD 10.8 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 23.5 million in the first 9 months of 2020 and were mainly comprised of interest on the bond debt and interests on lease liabilities.

Financial performance (continued)

Cash Flows

Cash flows from operating activities before special items, interest & tax were positive USD 57 million in the first three quarters of 2020, mainly due to positive development in working capital and improved underlying business performance.

CAPEX amounts to USD 4.9 million for the first 9 months of 2020, 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, and cash received for disposed Airlog entities amounted to USD 1.6 million.

Cash flow from financing activities of USD 12.4 million included dividend paid to non-controlling interests at a value of USD 2 million. Redemption of the leasing debt amounted to USD 14.6 million. In Q3 2020 the Group issued EUR 27 million bonds within the framework of EUR 315 million and cash received net of transaction costs amounted to USD 30.7 million. As at 30 September 2020 total bonds amounted to EUR 250 million, corresponding to USD 293 million.

Capital structure

The equity attributable to the Parent company was USD 130 million. The total equity ratio was 20.9% as per 30 September 2020 compared to 27.6% by the end of September 2019. The decrease is primarily driven by the subsequent bond issue relative to stronger performance.

Net interest bearing debt (NIBD)

Consolidated net interest bearing debt amounted to USD 294 million and USD 246 million excluding lease liabilities (30 September 2019: USD 255 million and USD 219 million excluding the lease liabilities). The main part of the debt consists of bond debt raised for acquisitions.

Subsequent events

Effective 1 October 2020 SGLT Holding has through its wholly owned subsidiary, Scan Global Logistics A/S, acquired PostNord's Swedish Air & Ocean activities.

The ambition with the acquisition is to offer an even better customer experience in the Nordics, getting more market shares and growing the Swedish side of the business. The acquisition includes the employees who will bring valuable competencies and insights on the Swedish market and enable a more extensive network and presence in Sweden.

The acquisition price for the activities is approximately DKK 9 million, and the fair value of the net identifiable assets are mainly related to customer relations.

The acquisition is financed through cash and cash equivalents.

USD'000	Consolidated income statement	Q3 2020	Q3 2019	YTD 2020	YTD 2019
	Revenue	310,864	291,545	866,732	807,728
	Cost of operation	-256,415	-244,755	-717,940	-677,410
	Gross profit	54,449	46,790	148,792	130,318
	Other external expenses	-5,296	-5,663	-18,110	-17,697
	Staff costs	-28,053	-25,533	-79,494	-74,905
	Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) and special items	21,100	15,594	51,188	37,716
	Depreciation of tangible assets	-4,131	-4,344	-14,750	-10,984
	Amortisation of intangibles	-4,800	-2,330	-11,974	-7,089
	Operating profit (EBIT) before special items	12,169	8,920	24,464	19,643
	Special items, net	-5,381	-1,228	-10,813	-1,792
	Operating profit (EBIT)	6,788	7,692	13,651	17,851
	Financial income	170	42	560	42
	Financial expenses	-13,805	-5,196	-24,104	-15,028
	Profit before tax	-6,847	2,538	-9,893	2,865
	Tax on profit for the period	-634	-1,034	-988	-2,132
	Profit for the period	-7,481	1,504	-10,881	733
	Total income for the year attributable to				
	Owners of the parent	-7,883	511	-11,869	-1,366
	Non-controlling interests	402	993	988	2,099
	Total	-7,481	1,504	-10,881	733

USD'000	Consolidated statement of other comprehensive income	Q3 2020	Q3 2019	YTD 2020	YTD 2019
	Profit for the period	-7,481	1,504	-10,881	733
	<i>Items that will be reclassified to income statement when certain conditions are met:</i>				
	Exchange rate adjustment	2,890	-4,602	1,330	-6,958
	Reclassified to income statement	-94	0	-94	0
	Other comprehensive income, net of tax	2,796	-4,602	1,236	-6,958
	Total comprehensive income for the period	-4,685	-3,098	-9,645	-6,225
	Total comprehensive income for the year attributable to				
	Owners of the parent	-5,087	-4,080	-10,685	-8,313
	Non-controlling interests	402	982	1,040	2,088
	Total	-4,685	-3,098	-9,645	-6,225

USD'000		30 Sep	30 Sep	31 Dec
Notes	Consolidated balance sheet	2020	2019	2019
	ASSETS			
	Goodwill	248,192	226,664	230,597
	Customer relations	69,599	67,920	71,395
	Trademarks	15,648	17,013	16,819
	Other acquired intangible assets	1,187	1,010	994
	Software	13,486	8,229	10,563
	Intangible assets	348,112	320,836	330,368
	Right of use assets	44,582	34,952	35,470
	Property, plant and equipment	7,703	8,317	10,298
	Tangible fixed assets	52,285	43,269	45,768
	Other receivables	2,588	1,997	1,912
	Deferred tax asset	409	552	1,263
	Financial assets	2,997	2,549	3,175
	Total non-current assets	403,394	366,654	379,311
	Trade receivables	166,320	170,992	159,910
	Income taxes receivable	1,720	494	476
	Receivables from related parties	1,157	803	916
	Other receivables	7,796	5,470	4,223
	Prepayments	4,786	5,520	2,853
2	Cash and cash equivalents	46,321	1,089	32,329
	Total current assets	228,100	184,368	200,707
	Total assets	631,494	551,022	580,018

USD'000		30 Sep	30 Sep	31 Dec
Notes	Consolidated balance sheet	2020	2019	2019
	EQUITY AND LIABILITIES			
	Partnership interest	186,174	186,174	186,174
	Currency translation reserve	-1,227	-6,137	-2,411
	Retained earnings	-55,211	-30,554	-43,263
	Equity attributable to parent company	129,736	149,483	140,500
	Non-controlling interests	2,464	2,518	2,987
	Total Equity	132,200	152,001	143,487
3	Bond debt	288,176	188,473	242,939
	Lease liabilities	32,353	22,031	22,168
	Earn-out provision	960	891	915
	Deferred tax liability	11,088	11,042	10,387
	Other liabilities	995	0	0
	Total non-current liabilities	333,572	222,437	276,409
2	Bank debt	13	28,765	13,183
	Lease liabilities	15,103	14,287	15,006
	Earn-out provision	1,743	745	544
	Trade payables	106,051	103,433	99,107
	Deferred income	12,721	2,038	6,301
	Corporation tax	2,147	3,965	4,067
	Other payables	27,944	23,351	21,914
	Total current liabilities	165,722	176,584	160,122
	Total liabilities	499,294	399,021	436,531
	Total equity and liabilities	631,494	551,022	580,018

USD'000			
Notes	Consolidated cash flow statement	YTD 2020	YTD 2019
	Operating profit (EBIT) before special items	24,464	19,643
	Depreciation, amortisation	26,724	18,073
	Non-cash transactions	-3,401	-880
	Exchange rate adjustments	1,240	-70
	Change in working capital	8,403	-30,625
	Cash flows from operating activities before special items, interest & tax	57,430	6,141
	Special items, paid	-9,460	-1,026
	Special items received	1,000	0
	Interest received	170	3,441
	Interest paid	-14,711	-15,131
	Tax paid	-4,246	-3,033
	Cash flows from operating activities	30,183	-9,608
	Purchase of software	-3,473	-2,761
	Purchase of property, plant and equipment	-1,449	-2,934
	Sale of property, plant and equipment	2	3,817
	Earn out paid	-4,299	-553
	Special items, transactions cost acquisitions	0	-188
	Investments in Group entities	-8,402	-14,700
	Disposals of Group entities	1,594	0
	Cash flows from investing activities	-16,027	-17,319
	Free cash flow	14,156	-26,927
	Dividend paid to non-controlling interests	-1,932	-1,361
	Capital increase	0	422
	Purchase of non-controlling interest	-245	0
	Long-term loan	0	-221
	Loan to related parties	-856	0
	Repayment of loan from AEA	0	5
	Proceeds from issuing of bonds	30,744	0
	Redemption of lease liabilities	-14,627	-9,910
	Redemption of other acquisition debt	-720	-1,213
	Cash flows from financing activities	12,364	-12,278
	Change in cash and cash equivalents	26,520	-39,205
	Cash and cash equivalents		
	Cash and cash equivalents at the beginning of the period	19,146	11,438
	Exchange rate adjustment of cash and cash equivalents	642	91
	Change in cash and cash equivalents	26,520	-39,205
2	Net Cash and cash equivalents at 30 September	46,308	-27,676

USD'000	Consolidated statement of changes in equity					
Note	Partner- ship interest	Currency translation reserve	Retained earnings	Equity attributable to parent company	Non- controlling interests	Total equity
Equity at 1 January 2020	186,174	-2,411	-43,263	140,500	2,987	143,487
Profit for the period	0	0	-11,869	-11,869	988	-10,881
Currency exchange adjustment	0	1,278	0	1,278	52	1,330
Reclassified to income statement	0	-94	0	-94	0	-94
Other comprehensive income, net of tax	0	1,184	0	1,184	52	1,236
Total comprehensive income for the period	0	1,184	-11,869	-10,685	1,040	-9,645
Purchase of non-controlling interests	0	0	-79	-79	369	290
Dividend distributed	0	0	0	0	-1,932	-1,932
Total transactions with owners	0	0	-79	-79	-1,563	-1,642
Equity at 30 September 2020	186,174	-1,227	-55,211	129,736	2,464	132,200

USD'000	Consolidated statement of changes in equity					
Note	Partner- ship interest	Currency translation reserve	Retained earnings	Equity attributable to parent company	Non- controlling interests	Total equity
Equity at 1 January 2019	185,752	810	-29,188	157,374	1,743	159,117
Profit for the period	0	0	-1,366	-1,366	2,099	733
Currency exchange adjustment	0	-6,947	0	-6,947	-11	-6,958
Other comprehensive income, net of tax	0	-6,947	0	-6,947	-11	-6,958
Total comprehensive income for the period	0	-6,947	-1,366	-8,313	2,088	-6,225
Purchase of non-controlling interests	0	0	0	0	48	48
Dividend distributed	0	0	0	0	-1,361	-1,361
Capital increase by cash payment	422	0	0	422	0	422
Total transactions with owners	422	0	0	422	-1,313	-891
Equity at 30 September 2019	186,174	-6,137	-30,554	149,483	2,518	152,001

Note	USD'000	Q3	Q3	YTD	YTD
1	Alternative performance measures	2020	2019	2020	2019
	<i>Adjusted EBITDA is specified below</i>				
	EBITDA before special items	21,100	15,594	51,188	37,716
	IFRS 16 impact	-5,786	-3,972	-14,191	-10,553
	Other adjustments*	823	1,181	2,070	3,487
	Adjusted EBITDA (Business performance)	16,137	12,803	39,067	30,650

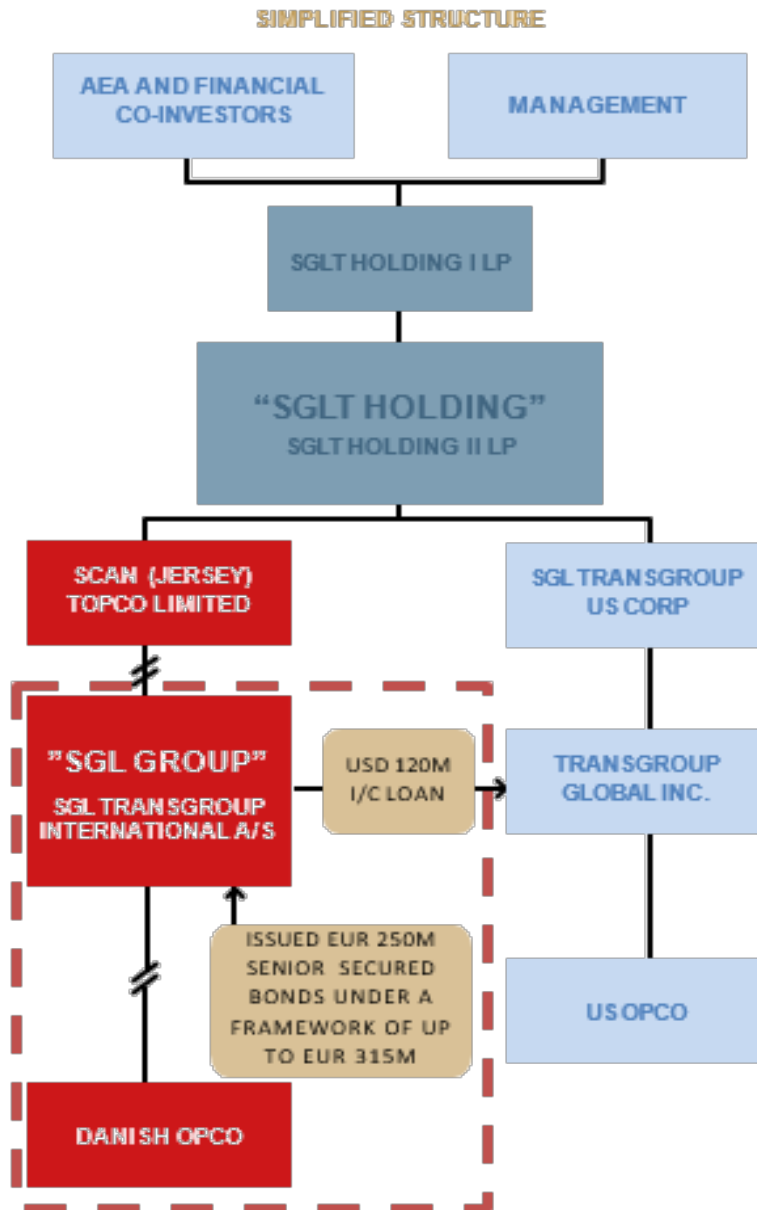
* Adjustments for extraordinary items which are not in line with the ordinary course of business and other non-recurring items, such as Holding companies related costs and fees for Group services.

Note	(USD'000)	30 Sep	30 Sep
2	Cash and Liquidity	2020	2019
	Cash and cash equivalents	46,321	1,089
	Bank debt	-13	-28,765
	Net cash	46,308	-27,676
	Credit facilities	64,218	51,066
	Liquidity reserve	110,526	23,390

Note	(USD'000)	30 Sep	30 Sep
3	Bond debt	2020	2019
	Issued bonds, DKK tranche DKK 625 million, interest rate 6.80%	0	91,153
	Issued bonds, USD tranche USD 100 million, interest rate 7.70%	0	100,000
	Issued bonds, EUR 250 million, interest rate 6.75%	292,701	0
		292,701	191,153
	Capitalised loan costs	-4,525	-2,680
	Total bond debt	288,176	188,473
		Cash flow*	Carrying amount
	Bond debt falling due between within 5 years	374,804	292,701
	Total non-current financial liabilities	374,804	191,153
	Total current financial liabilities*	19,757	

* Total cash flows including interest.

SGL Group



Financial highlights

Q3 2020 Q3 2019 YTD 2020 YTD 2019

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

Revenue	1,347,598	1,126,228	3,858,595	3,111,440
Gross profit	253,533	197,896	706,243	553,855
EBITDA before special items	97,786	58,272	252,486	140,888
EBITDA before special items excluding IFRS 16	71,576	39,236	183,265	91,947
Operating profit (EBIT) before special items	55,860	27,786	119,764	60,523
Special items, net	-28,077	-7,910	-52,846	-11,279
Operating profit (EBIT)	27,783	19,875	66,918	49,244
Financial items, net	-68,114	-18,215	-94,818	-51,453
Profit/loss before tax	-40,331	1,660	-27,900	-2,209
Profit/loss for the period	-43,325	-2,751	-32,899	-12,482

Cash flow

Cash flows from operating activities before special items, interest & tax			215,471	-17,724
Cash flows from operating activities			94,078	-80,005
Cash flows from investing activities			-93,550	-103,567
Free cash flow			528	-183,572
Cash flows from financing activities			121,727	-53,569
Cash flow for the period			122,255	-237,141

Financial position

Total equity			532,192	638,929
Equity attributable to parent company			526,189	632,366
Net interest bearing debt (NIBD)			1,229,087	1,013,762
Net interest bearing debt (NIBD) excluding lease liabilities (IFRS 16)			990,128	841,620
Total assets			3,537,613	3,022,643

Financial ratios in %

Gross margin	18.8	17.6	18.3	17.8
EBITDA margin before special items	7.3	5.2	6.5	4.5
EBITDA margin before special items excluding IFRS 16	5.3	3.5	4.7	3.0
EBIT margin before special items	4.1	2.5	3.1	1.9
EBIT margin	2.1	0.7	1.7	1.6
Equity ratio			15.0	21.1

Other

Number of full time employees at period end	1,289	1,129	1,289	1,129
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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. The main part 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.

SGL Group financial review

Result for the period

The interim financial report for the third 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). Airlog Group Sweden AB, Airlog Group Fur OY, Airlog Group AS and Airlog Group Denmark A/S were disposed 1 July 2020. Revenue from disposed entities amount to DKK 33 million for the first half of 2020.

In the first three quarters of 2020 revenue amounted to DKK 3,859 million generating EBITDA before special items of DKK 252.5 million. EBITDA before special items excluding the IFRS 16 lease adjustment showed an increase of DKK 91 million, a 99% increase compared to 2019.

Revenue

In the first 9 months of 2020 the consolidated revenue increased by DKK 747 million compared to first 9 months of 2019 corresponding to an increase of 24%. 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 in 2020 contributed in total DKK 178 million in revenue in the first 9 months of 2020.

The revenue was DKK 1,348 million for Q3 2020, compared to DKK 1,126 million in Q3 2019, equivalent to an increase of 20%.

Gross profit

Compared to first 9 months of 2019 gross profit increased by 152 million to DKK 706 million in the first 9 months of 2020. Gross profit margin is 18.3%, equal to a 0.5 percentage point increase compared to 2019. However, excluding IFRS 16 gross profit amounts to DKK 676 million compared to DKK 541 million in 2019, corresponding to a gross margin of 17.5%, which is at the same level as in 2019. The acquired company in Australia, Pioneer International Logistics contributed by DKK 52 million and a strong development in AsiaPacific contributed positively as well. A strong development within Air, Ocean and 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 10% compared 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 2020, which is 1 percentage point lower than in 2019.

EBITDA before special items

EBITDA before special items amounted to DKK 252 million in 2020, which is a significant improvement compared to last year. The EBITDA margin before special items ended at 6.5%, compared to 4.5% in 2019. The increase in EBITDA was mainly due to strong performance through increased sales and improved margins in the region of AsiaPacific. The improved performance is driven both by organic growth and through acquisitions made.

For the first 9 months of 2020 EBITDA before special items and excluding IFRS 16 amounted to DKK 183 million, equivalent to a margin 4.7%.

Financial performance (continued)

Depreciation and amortisation

Depreciation and amortisation amounted to DKK 133 million in the first 9 months of 2020, compared to DKK 80 million in the first 9 months 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 9 months of 2020 special items amounted to DKK 53 million, which included COVID-19 related costs, green field activities and M&A activities as well as gain from disposed entities of DKK 7.6 million. COVID-19 related costs are net off compensation received from governments.

Financial items

Net financial expenses amounted to DKK 95 million in the first 9 months of 2020 compared to DKK 51 million in the first 9 months 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 12 million and 2019: 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 for further information.

Cash Flows

For first 9 months of 2020 the accumulated cash flow from operating activities before special items, interests and tax was positive DKK 215 million, mainly driven by increased operating profit before special items.

CAPEX for the first 9 months of 2020 amounted to DKK 27 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 in 2020. Payments received for disposed Airlog Group entities amounted to DKK 11 million.

Capital structure

The total equity was DKK 532 million with an equity ratio of 15% as at 30 September 2020, which is 6.1 percentage point lower than at September 2019. The decrease is primarily driven by the subsequent bond issue relative to stronger performance. The equity ratio excluding the impact of IFRS 16 was 16.2%.

Net interest bearing debt (NIBD) and liquidity reserve

Consolidated net interest bearing debt amounted to DKK 1,229 million and excluding IFRS 16 DKK 990 million as at 30 September 2020. In Q2 2020 the company increased its credit facility by DKK 70 million and the total liquidity reserve was DKK 457 million by end of September 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 9 months of 2020 the acquired activities generated revenue of DKK 10 million and EBIT of DKK 2 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 168 million and EBIT of DKK 42 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 Internation 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 first 9 months 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 during Q2 2020 and the continuing strong performance during Q3 2020 together with the visibility for the remainder of the year, SGL Group maintain the guidance on EBITDA before special items (excluding the impact of IFRS 16) which was updated as part of the H1 2020 interim financial report, 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		Q3 2020	Q3 2019	YTD 2020	YTD 2019
Notes	Consolidated income statement				
1	Revenue	1,347,598	1,126,228	3,858,595	3,111,440
1	Cost of operation	-1,094,065	-928,332	-3,152,352	-2,557,585
	Gross profit	253,533	197,896	706,243	553,855
	Other external expenses	-29,560	-22,420	-83,677	-76,473
	Staff costs	-126,187	-117,204	-370,080	-336,494
	Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) and special items	97,786	58,272	252,486	140,888
	Depreciations	-18,117	-21,961	-75,309	-55,112
	Amortisations	-23,809	-8,525	-57,413	-25,253
	Operating profit (EBIT) before special items	55,860	27,786	119,764	60,523
3	Special items, net	-28,077	-7,910	-52,846	-11,279
	Operating profit (EBIT)	27,783	19,875	66,918	49,244
4	Financial interest, net	-68,114	-18,215	-94,818	-51,453
	Result before tax	-40,331	1,660	-27,900	-2,209
	Tax on result for the period	-2,994	-4,411	-4,999	-10,273
	Result for the period	-43,325	-2,751	-32,899	-12,482
	Total income for the year attributable to				
	Owners of the parent	-43,222	-2,935	-32,215	-13,305
	Non-controlling interests	-103	184	-684	823
	Total	-43,325	-2,751	-32,899	-12,482

DKK'000		Q3 2020	Q3 2019	YTD 2020	YTD 2019
	Consolidated statement of other comprehensive income				
	Result for the period	-43,325	-2,751	-32,899	-12,482
	<i>Items that will be reclassified to income statement when certain conditions are met:</i>				
	Exchange rate adjustment	-4,739	-2,287	-9,041	-8,013
	Reclassified to income statement	-621	0	-621	0
	Other comprehensive income, net of tax	-5,360	-2,287	-9,662	-8,013
	Total comprehensive income for the period	-48,685	-5,038	-42,561	-20,495
	Total comprehensive income for the period attributable to				
	Owners of the parent	-48,580	-5,294	-41,904	-21,390
	Non-controlling interests	-105	256	-657	895
	Total	-48,685	-5,038	-42,561	-20,495

DKK'000		30 Sep	30 Sep	31 Dec
Notes	Consolidated balance sheet	2020	2019	2019
ASSETS				
2	Goodwill	1,061,102	1,005,975	1,005,568
2	Customer relations	266,761	258,584	276,840
2	Trademarks	34,649	42,602	41,181
2	Other intangible assets	3,349	1,992	4,939
	Software	73,158	39,805	52,487
	Intangible assets	1,439,019	1,348,958	1,381,015
	Right of use assets	225,360	165,312	164,575
	Property, plant and equipment	30,488	42,605	50,940
	Tangible fixed assets	255,848	207,917	215,515
6	Receivable from related party	763,188	672,077	801,108
	Other receivables	14,833	11,267	10,409
	Deferred tax asset	2,602	3,726	8,431
	Financial assets	780,623	687,070	819,948
	Total non-current assets	2,475,490	2,243,945	2,416,478
	Trade receivables	790,360	645,610	639,971
	Receivables from related parties	0	7,555	0
	Income taxes receivable	9,787	3,386	2,566
	Other receivables	26,138	31,978	20,158
	Prepayments	27,155	37,026	14,931
5	Cash and cash equivalents	208,683	53,143	121,989
	Total current assets	1,062,123	778,698	799,615
	Total assets	3,537,613	3,022,643	3,216,093

DKK'000		30 Sep	30 Sep	31 Dec
Notes	Consolidated balance sheet	2020	2019	2019
EQUITY AND LIABILITIES				
	Share capital	501	501	501
	Share premium	2,778	833,542	2,778
	Currency translation reserve	-34,830	-34,021	-25,141
	Retained earnings	557,740	-167,656	589,955
	Equity attributable to parent company	526,189	632,366	568,093
	Non-controlling interests	6,003	6,563	6,660
	Total equity	532,192	638,929	574,753
7	Bond debt	1,832,768	1,300,679	1,641,555
	Lease Liabilities	162,624	99,819	96,635
	Earn-out provision	6,104	6,108	6,109
	Deferred tax liability	60,244	57,553	59,038
	Other payables	6,621	0	6,621
	Total non-current liabilities	2,068,361	1,464,159	1,809,958
5	Bank debt	85	144,410	35,647
	Lease liabilities	76,335	72,323	76,092
	Earn-out provision	11,086	5,106	3,634
	Trade payables	542,029	439,881	458,572
	Payables to related parties	100,364	111,770	105,355
	Deferred income	43,843	13,975	42,066
	Corporation tax	13,410	23,752	27,150
	Other payables	149,908	108,338	82,866
	Total current liabilities	937,060	919,555	831,382
	Total liabilities	3,005,421	2,383,714	2,641,340
	Total equity and liabilities	3,537,613	3,022,643	3,216,093

DKK'000			
Notes	Consolidated cash flow statement 1 January - 30 September	YTD 2020	YTD 2019
	Operating profit (EBIT) before special items	119,764	60,523
	Depreciation and amortisation	132,722	80,365
	Non-cash transactions	-11,413	-7,015
	Exchange rate adjustments	-14,305	33
	Change in working capital	-11,297	-151,630
	Cash flows from operating activities before special items, interest and tax	215,471	-17,724
	Special items paid	-53,334	-6,412
	Special items received	6,359	0
	Interest received	45,663	30,392
	Interest paid	-93,684	-74,489
	Tax paid	-26,397	-11,772
	Cash flows from operating activities	94,078	-80,005
	Purchase of software	-20,629	-18,928
	Purchase of property, plant and equipment	-6,730	-14,812
	Sale of property, plant and equipment	0	25,368
8	Investments in group entities and activities	-49,408	-91,519
	Disposals of Group entities	10,559	0
	Earn-out paid	-27,342	-3,675
	Cash flows from investing activities	-93,550	-103,567
	Free cash flow	528	-183,572
	Capital increase	0	2,778
	Loan from Transgroup Global Inc.	0	657
	Redemption of lease liabilities	-69,221	-48,941
	Proceeds from issuing of bonds	195,527	0
	Redemption of other acquisition debt	-4,579	-8,063
	Cash flows from financing activities	121,727	-53,569
	Change in cash and cash equivalents	122,255	-237,141
	Cash and cash equivalents		
	Cash and cash equivalents at the beginning of the period	86,343	145,874
	Change in cash and cash equivalents	122,255	-237,141
5	Net cash and cash equivalents at 30 September	208,598	-91,267

DKK'000 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 2020	501	2,778	-25,141	589,955	568,093	6,660	574,753
Result for the period	0	0	0	-32,215	-32,215	-684	-32,899
Currency exchange adjustment	0	0	-9,068	0	-9,068	27	-9,041
Reclassified to income statement	0	0	-621	0	-621	0	-621
Other comprehensive income, net of tax	0	0	-9,689	0	-9,689	27	-9,662
Total comprehensive income for the period	0	0	-9,689	-32,215	-41,904	-657	-42,561
Equity at 30 September 2020	501	2,778	-34,830	557,740	526,189	6,003	532,192

DKK'000 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
Result 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

Note DKK'000

1 Segment information

	Air		Ocean		Road		Solution		Total	
	YTD 2020	YTD 2019	YTD 2020	YTD 2019	YTD 2020	YTD 2019	YTD 2020	YTD 2019	YTD 2020	YTD 2019
Revenue (services)	2,797,642	1,521,320	1,533,086	1,423,966	506,158	524,206	141,979	110,096	4,978,865	3,579,588
Intercompany revenue	-939,433	-275,475	-152,987	-156,057	-27,850	-35,184	0	-1,432	-1,120,270	-468,148
Net revenue (services)	1,858,209	1,245,845	1,380,099	1,267,909	478,308	489,022	141,979	108,664	3,858,595	3,111,440
Cost of operation	-1,526,250	-1,007,138	-1,153,967	-1,069,185	-390,161	-397,799	-81,974	-83,463	-3,152,352	-2,557,585
Gross profit	331,959	238,707	226,132	198,724	88,147	91,223	60,005	25,201	706,243	553,855
Sales, distribution and administration costs, not allocated to segments									-453,757	-412,967
Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) and special items									252,486	140,888
Depreciation and amortisation									-132,722	-80,365
Operating profit (EBIT) before special items									119,764	60,523
Special items, net									-52,846	-11,279
Operating profit (EBIT)									66,918	49,244

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 September 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	-2,155	-2,148	-619	0	-4,922
Additions from acquisitions	1,197	79,041	3,918	0	84,156
Additions	989	989	0	0	1,978
Amortisation during the year	-23,266	-18,137	-2,396	-79	-43,878
Balance at 30 September 2020	614,036	693,495	54,333	3,997	1,365,861

Effective 1 July 2020 the Group disposed Airlog Group Sweden AB, Airlog Group Fur OY, Airlog Group AS and Airlog Group Denmark A/S. No significant value of Intangible assets related to the disposed entities were recorded at the time of disposal.

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		YTD 2020	YTD 2019
3		Special items		
		Restructuring cost	-8,440	0
		M&A activities* and Green field activities**	-10,081	-6,840
		COVID-19 activities***	-37,637	0
		Other cost	-4,318	-4,439
		Gain on disposed entities	7,630	0
		Total special items, net	-52,846	-11,279

*Acquisition activities mainly related to Pioneer and Cambodia.

**Start-up activities related to Poland, Austria, Belgium, Czech Republic and additional offices in Denmark and Spain.

***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		YTD 2020	YTD 2019
4		Financial items		
		Financial income		
		Interest income from Transgroup Global Inc.	46,849	37,879
		Interest income	1,129	281
		Exchange rate gain	2,538	4,460
		Total financial income	50,516	42,620
		Financial expenses		
		Bond interest expenses	-85,799	-70,309
		Interest expenses	-4,755	-5,487
		Lease interest expenses	-11,908	-9,084
		Amortisation of capitalised loan costs	-3,336	-2,722
		Other financial expenses	-3,473	-1,016
		Exchange rate loss	-36,063	-5,455
		Total financial expenses	-145,334	-94,073
		Financial items, net	-94,818	-51,453

Note	DKK'000	30 Sep 2020	30 Sep 2019
5	Cash & Liquidity		
	Cash and cash equivalents	208,683	53,143
	Bank debt	-85	-144,410
	Net cash	208,598	-91,267
	Credit facilities	248,452	178,723
	Liquidity reserve	457,050	87,456

Note	DKK'000	30 Sep 2020	30 Sep 2019
6	Receivable from Transgroup Global Inc.		
	Total receivable from Transgroup Global Inc.	763,188	672,077
		Carrying amount	Carrying amount
	Cash flow*		
	Receivable falling due within 5 years	1,029,591	763,188
	Total receivable from Transgroup Global Inc.	1,029,591	763,188
	Current portion of the receivable	64,108	0

* Total cash flows including interest.

Note	DKK'000	30 Sep 2020	30 Sep 2019
7	Bond debt		
	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	685,660
	Issued bonds, EUR 250 million, interest rate 6.75%	1,861,550	0
		1,861,550	1,310,660
	Capitalised loan costs	-28,782	-9,981
	Total bond debt	1,832,768	1,300,679
		Carrying amount	Carrying amount
	Cash flow*		
	Bond debt falling due between within 5 years	2,383,715	1,861,550
	Total financial liabilities	2,383,715	1,861,550
	Current portion of financial liabilities	125,655	0

* Total cash flows including interest.

The fair values of the issued bonds were DKK 1,843 million, based on quoted bond rates of 99 at Nasdaq, Stockholm at 30 September 2020.

25 September 2020 the Group successfully carried out a subsequent issue of bonds in an amount of EUR 27 million under the framework of its outstanding bond loan (ISIN: SE0013101219). The subsequent bond issue was priced at 100% of the nominal amount. Following the subsequent issue, the total amount outstanding under the Group's bond loan is EUR 250 million.

Note	DKK'000	30 Sep 2020*	30 Sep 2019
8	Business combinations		
	Provisional fair value at date of acquisition:		
	ASSETS		
	Software	4	194
	Right of use assets	4,499	24,347
	Property, plant and equipment	565	35,948
	Non-current receivables	0	2,487
	Trade receivables	23,205	21,975
	Other receivables	871	2,196
	Prepayments	86	702
	Cash and cash equivalents	4,442	44,514
	Total assets	33,672	132,363
	LIABILITIES		
	Lease liabilities	4,499	24,347
	Finance liabilities	4,804	8,063
	Trade payables	9,506	30,165
	Deferred tax	0	989
	Corporation tax	0	1,768
	Other payables	4,147	18,943
	Total liabilities	22,956	84,275
	Acquired net assets	10,716	48,088
	Goodwill, customer relations, trademarks and other intangible assets	84,163	114,297
	Deferred tax	-7,471	-16,252
	Fair value of total consideration	87,408	146,133
	Due acquisition debt	-11,575	0
	Earn-out provision	-24,071	-11,006
	Cash consideration	51,762	135,127
	Adjustment for cash and cash equivalents taken over	-4,442	-44,514
	Cash consideration for the acquisitions	47,320	90,613
	Transaction costs for acquisitions included in special items	2,088	6,840
	Investments in Group entities (cash outflow)	49,408	97,453

*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 10 million to SGL Group revenue, and the profit amounted to DKK 1.5 million in the first 3 quarters 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. In addition an earnout depending on future income has been agreed up-on. AUD 5.2 million has been paid in 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 168 million to SGL Group revenue, and the profit amounted to DKK 40 million in the first 3 quarters of 2020.

Note

9 Events after the balance sheet date

Effective 1 October 2020 SGL Group has through its wholly owned subsidiary, Scan Global Logistics A/S, acquired PostNord's Swedish Air & Ocean activities.

The ambition with the acquisition is to offer an even better customer experience in the Nordics, getting more market shares and growing the Swedish side of the business. The acquisition includes the employees who will bring valuable competencies and insights on the Swedish market and enable a more extensive network and presence in Sweden.

The acquisition price for the activities is approximately DKK 9 million, and the fair value of the net identifiable assets are mainly related to customer relations.

The acquisition is financed through cash and cash equivalents.

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 11 to 26) for the period 1 January to 30 September 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 September 2020 and operations and cash flow for the period 1 January - 30 September 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, 18 November 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