AEA SGLT Holding II LP

(Formation date 2 August 2016)

Interim Financial Report

fourth quarter 2016

with the performance of the SGL Holding Group from the acquisition date 2 August 2016
with the performance of TransGroup from the acquisition date 1 October 2016

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Financial highlights for the Group

	Q4 2016	YTD 2016
Key figures (in USD thousands):		
Income statement		
Revenue	189,800	261,968
Gross profit	**26,651**	**39,286**
Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) and special items	**5,386**	**8,274**
Earnings before Interest, Tax, Amortisation (EBITA) and special items	**5,191**	**8,001**
Operating profit (EBIT) before special items	**1,775**	**4,425**
Special items	-11,149	-12,233
Net financial expenses	-3,640	-6,339
Profit/loss before tax	**-13,014**	**-14,147**
Profit/loss for the period	**-10,607**	**-12,023**
Cash flow		
Cash flows from operating activities before special items and interest	**3,161**	**5,490**
Cash flows from operating activities	**-423**	**-939**
Investments in software	-230	-275
Investments in property, plant and equipment	-25	-72
Investments in Group entities	-119,430	-196,545
Cash flows from investing activities	**-119,685**	**-196,892**
Free Cash flow	**-120,108**	**-197,831**
Cash flows from financing activities	**44,004**	**224,825**
Cash flow for the period	**-76,104**	**26,994**
Financial position		
Total equity	141,504	141,504
Equity attributable to parent company	141,343	141,343
Net interest bearing debt (NIBD)	161,890	161,890
Total assets	417,325	417,325
Financial ratios in %		
Gross margin*	14.0	15.0
EBITDA margin*	2.8	3.2
EBIT margin*	0.9	1.7
Equity ratio	33.9	33.9

*before special items

For definition of financial ratios please see note 5 Accounting policies.

The above figures comprise income and cash flow statement for 3 months regarding TransGroup which was acquired with effect from 1 October 2016 and 5 months regarding SGL Holding Group which was acquired with effect from 2 August 2016.

Company details

Name	:	**AEA SGLT Holding II LP**
Place of business	:	c/o AEA Investors LP, 666 Fifth Avenue, New York 10103.
Registered office	:	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, South Church Street, George Tower, KY 1-1104, Cayman Islands.
Financial year	:	1 January - 31 December. First year 2 August - 31 December 2016.
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Telephone		Office: 212-702-1369 Mobile: 917-686-2532
Directors	:	John Cozzi Alan Wilkinson Todd Welsch
Parent company of AEA SGLT Holding II LP	:	AEA SGLT Holding I LP
Ultimate owner	:	AEA SGLT Holding I LP
Bankers	:	Jyske Bank A/S JP Morgan Chase & Co.
Auditors	:	Ernst & Young, Godkendt Revisionspartnerselskab
Address, Postal code, Town	:	Osvald Helmuths Vej 4, P O Box 250, 2000 Frederiksberg, Denmark
CVR/VAT no.	:	30 70 02 28

Legal entities in the AEA SGLT Holding II LP Group

Company name	Country/state	Currency	Nominal capital	Economic ownership interest
AEA SGLT Holding II LP*	Cayman Islands	USD	0	100%
Scan (Jersey) Topco Limited*	Jersey	GBP	1	100%
Scan (UK) Midco Limited*	United Kingdom	GBP	1	100%
Scan Bidco A/S	Denmark	DKK	500,300	100%
Anpartsselskabet af 1. november 2006*	Denmark	DKK	6,355,600	100%
Nidovni HH ApS*	Denmark	DKK	18,598,000	100%
TTGR Holding ApS*	Denmark	DKK	500,000	100%
Scan Global Logistics Holding ApS*	Denmark	DKK	3,530,502	100%
Scan Global Logistics A/S	Denmark	DKK	1,902,000	100%
SGL Road ApS	Denmark	DKK	500,000	100%
SGL Road AB	Sweden	SEK	100,000	80%
ScanAm Global Logistics AB	Sweden	SEK	100,000	100%
Scan Global Logistics AS	Norway	NOK	150,000	100%
Scan Global Logistics (Finland) Oy	Finland	EUR	2,523	100%
Scan Global Logistics K.K.	Japan	JPY	15,000,000	100%
Scan Global Logistics Ltd.	China	USD	1,650,000	100%
Scan Global Logistics Ltd.	Hong Kong	HKD	500,000	100%
Connect Air (HK) Ltd.	Hong Kong	HKD	300,000	100%
Scan Global Logistics Ltd. (Branch)	Taiwan			100%
Scan Global Logistics Ltd.	Thailand	THB	5,000,000	52%
Scan Global Logistics Ltd.	Malaysia	MYR	2	100%
Connect Air (Malaysia) Ltd.	Malaysia	MYR	2	100%
Scan Global Logistics Pty. Ltd.	Australia	AUD	13	100%
Scan Global Logistics (Phil) Inc.	Philippines	PHP	4,000,000	40%
Scan Global Logistics Chile S.A.	Chile	CLP	179,872,000	100%
Scan Global Logistics (Vietnam) Ltd.	Vietnam	USD	100,000	100%
Scan Global Logistics Ltd.	Indonesia	IDR	252,015,000	100%
Scan Global Logistics Pte Ltd. (Singapore)	Singapore	SGD	100,000	100%
TGI US Topco Corp.*	USA	USD	1	100%
Transgroup Global Inc.	USA	USD	1	100%
TransLAX, LLC	USA	USD		50%
ICO SFO, LLC	USA	USD		50%
Transfair North America International Freight Services, LLC	Washington	USD		100%
ORD ICO, LLC	Illinois	USD		100%
TRANS BGS, LLC	Washington	USD		100%
TRANS ICO, LLC	Washington	USD		50%
Transgroup Express, LLC	Washington	USD		100%
Transdomestic LAX, LLC	California	USD		100%
TRANS CLT, LLC	Norht Carolina	USD		100%
TRANS IAH, LLC	Texas	USD		100%
Translogic Technologies, LLC	Washington	USD		100%
TRANS-MIA, LLC	Florida	USD		51%
TRANS ATL, LLC	Georgia	USD		51%
Cargo Connections NC, LLC	Norht Carolina	USD		51%
CNA TRANS, LLC	Nevada	USD		50%
Utah Specialized Transportation, LLC	Utah	USD		51%

*Holding companies.

Management's commentary

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

AEA SGLT Holding I LP is owned by AEA, co-investors and the management of TransGroup and SGL Group.
A description of the 2 Groups is made in note 4 Investments in Group entities.

Investments in Group entities
Total investments in Group entities at the fair value of total consideraton amounted to USD 279 million of which USD 64 million was financed through a share contribution in kind from management of the acquired entities.

Total cash investments in Group entities in 2016 was USD 197 million.
The cash payment was financed through a capital increase of USD 94 million and the issue of bonds in Scan Bidco A/S, the parent company of the SGL Holding Group.
In December 2016 there has been issued a further USD 17 million in bonds in connection with the expected acquisition of the Airlog Group in March 2017.
The Airlog acquisition will also be partly financed by a capital increase of USD 11 million.

Profit for the period August to December 2016
The YTD figures comprise 5 months performance from the SGL Holding Group and 3 months from TransGroup.

The YTD revenue was USD 262 million and EBITDA before special items was USD 8.3 million.
The acquisitions have at the fair value assesment, identified intangibles of software of USD 4.5 million, trademarks of USD 20 million and customer relations of USD 75 million.
The amortisation period is 3 years, 10 years and 10-12 years respectively.
Amortisation of intangibles identified at acquistion was YTD USD 3.2 million.
The amortisation for 2017 without Airlog Group is expected to be USD 10 million.

Net financial expenses amounted YTD to USD 6.3 million, which mainly comprise interest on the bond debt.
The future yearly interest expense on the bond debt is expected to be USD 13.7 million.
The yearly amortisation of capitalized loan costs is expected to be USD 0.5 million.

Special items of USD 12.2 million comprise transaction cost of USD 11.6 regarding the TransGroup and SGL acquisition and USD 0.6 regarding the Airlog acquisition.

Capital structure
The equity attributable to the Parent company was USD 141 million with an equity ratio of 33.9% as per 31 December 2016.

The equity was mainly affected by a capital increase of USD 158 million of which USD 94 million was a cash contribution.

Net interest bearing debt (NIBD)
Consolidated net interest bearing debt amounted to USD 162 million. The debt is due to the acquisition of TransGroup and the SGL Holding Group.

Management's commentary

Transgroup Global Inc Group
Following the change of the ownership of Transgroup Worldwide Logistics as of 1 October 2016, Transgroup Global Inc became the new US parent company of the Transfair North America International Freight Services LLC & Transgroup Express LLC (TransGroup).

The purchase price for TransGroup of USD 144 million and transaction costs were paid through a share contribution of USD 35 million, a cash capital increase of USD 27 million and USD 95 million through issuing of bonds in Scan Bidco A/S.

Profit for the period
This fourth quarter 2016 consolidated financial statements describe operating results of TransGroup of the first 3 months of this new ownership as well as the transactions costs and financial items in the parent company originated from the acquisition of TransGroup.
The YTD 2016 revenue and EBITDA before special items comprise of USD 86 million and USD 2.9 million respectively reported by TransGroup since the date of the acquisition.

Amortisaton of intangibles of USD 1.6 million comprise amortisation of software, customer relations and trademarks arisen at acquisition of TransGroup.

The special items of USD 10.6 million relates to transaction costs in connection with the acquisition.

The net financial expenses of USD 2 million comprise USD 0.1 million in amortisation of loan costs and USD 1.9 million in interest on the bond debt (IC loan to Scan Bidco A/S). The future monthly interest expense on the debt is USD 0.6 million.

Cash Flows
The acquisition of TransGroup generated a cash out flow from investing activities of USD 118 million.

This was financed through a capital increase of USD 27 million and USD 95 million in proceeds from issuing of bonds in Scan Bidco A/S.

Capital structure
The equity attributable to the Parent company was USD 52.6 million with an equity ratio of 30.1% as per 31 December 2016.

The equity was mainly affected by a capital increase of USD 62 million of which USD 27 million was a cash contribution.

Net interest bearing debt (NIBD)
Consolidated net interest bearing debt amounted to USD 94.8 million. The debt is due to the acquisition of TransGroup.

Management's commentary

Proforma figures
On a pro forma basis, if the acquisition had been effective as from 1 January 2016 the TransGroup acquisition would have contributed USD 315 million (2015: USD 301 million) to revenue and USD 15.3 million (2015: 13.8 million) to EBITDA before special items.

For calendar year 2016, Transgroup Global Inc Group performed well on a year over year basis. Gross revenues were up roughly 13 million USD and Normalized EBITDA was also up about 1.5 million USD. Both are strong indicators of continuing growth and the strength of the US Dollar has not effected business in any negative fashion what so ever. The effect has been an increase in air and ocean imports, while domestic shipments remain constant. Management continues to see continuing growth in EBITDA, while Gross Revenues may not see the same increase as YoY in 2016. Overall the health of Transgroup Global Inc Group is strong and will continue to perform well.

Management's commentary

Scan Bidco A/S
Following the change of the ownership of Scan Global Logistics as of 2 August 2016, Scan Bidco A/S became the new Danish parent company of the SGL Holding Group.

The purchase price for the SGL Holding Group of USD 134 million was paid through a share contribution of USD 30 million, a capital increase and issuing of bonds.

Profit for the period
The YTD 2016 consolidated financial statements describe operating results of the Scan Global Logistics A/S Group and SGL Holding ApS of the first 5 months of this new ownership as well as the transaction costs and financial items in the parent company Scan Bidco originated from the acquisition of the SGL Holding Group.

The Q4 2016 revenue and EBITDA before special items comprise of USD 112 million and USD 2.5 million respectively.

The special items of 0.6 million in Q4 2016 relates to transaction costs in connection with the acquisition of Airlog Group AB.

The net financial expenses of USD 1.6 million in Q4 2016 mainly comprise interest on the bond debt. After the increase of bond debt with USD 17.7 million, the future monthly interest expense on the bond debt is USD 1.1 million, where USD 0.6 million is off-set in an interest income from the intercompany loan to Transgroup Global Inc (the parent company of TransGroup) and consequently the net interest expense regarding the bond debt will be USD 0.5 million.

Cash Flows
The acquisition of the SGL Holding Group generated a cash out flow from investing activities of USD 77 million.

This was financed through a cash capital increase of USD 67 million and USD 172 million in proceeds from issuing of bonds.
USD 98 million of the bond proceeds was lent to the sister company Transgroup Global Inc as per 30 September 2016.

USD 54 million of the bond proceeds were used for redemption of the previous bond debt in SGL Holding ApS.
In December 2016 USD 17 million was received in bond proceeds for the use to acquire Airlog Group.

Capital structure
The equity attributable to the Parent company was USD 89 million with an equity ratio of 25.8% as per 31 December 2016.

The equity was mainly affected by a capital increase of USD 96 million of which USD 67 million was a cash contribution.

Net interest bearing debt (NIBD)
Consolidated net interest bearing debt amounted to USD 67 million. The debt is due to the acquisition of the SGL Holding Group.
The issued bonds of DKK 625 million and USD 100 million are expected to be listed on the Nasdaq Stock Exchange in Stockholm during the second quarter of 2017.

Management's commentary

Proforma figures
In connection with the acquisition the Scan Global Logistics A/S Group has changed accounting policies from Danish GAAP to IFRS.
On a pro forma basis, if the acquisition had been effective as from 1 January 2016, the SGL acquisition (ex. SGL Holding companies - see page 3) would have contributed USD 406.5 million to revenue and USD 13.4 million to EBITDA before special items based on the IFRS standard.

For the possibility to compare to prior published reports for the Scan Global Logistics A/S Group, below is mentioned figures without adjustment to IFRS, where Danish GAAP applies.

The Scan Global Logistics A/S Group did have positive earnings trend throughout the H1 2016 driven by a strong performance from key entities. Specially during the latter part of H2 2016 the SGL Group experienced significant margin pressure due to the increased sea freight rates. Furthermore there was a declined in the ADP division mainly due to less volume from UNPD.

For the full Q4 2016 Scan Global Logistics A/S Group generated revenues of USD 108 million against USD 132 million in Q4 2015.

The lower than 2015 revenues were mainly due to the lower activities in the Project division as well as the high volume activities in Hong Kong was ceased end 2015.

The Q4 2016 gross margin has been in line with Q4 2015 so the lower sales did have full impact on the gross profit. The gross profit in Q4 2016 was USD 14 million versus USD 17 million in Q4 2015.

The overhead costs decreased by 8% against Q4 2015 mainly due to lower costs in Denmark.

The EBITDA result of the 4th quarter was USD 3 million which was USD 2 million below Q4 2015.

(USDt) Notes	Consolidated income statement for the period 2 Aug to 31 Dec	Group Q4 2016	Group YTD 2016
	Revenue	189,800	261,968
	Cost of operation	-163,149	-222,682
	Gross profit	**26,651**	**39,286**
	Other external expenses	-6,041	-8,163
	Staff costs	-15,224	-22,849
	Earnings before Interest, Tax, Depreciation, Amortisation and special items	**5,386**	**8,274**
	Depreciation of tangible assets	-195	-273
	Earnings before Interest, Tax, Amortisation and special items	**5,191**	**8,001**
	Amortisation of intangibles	-3,416	-3,576
	Operating profit before special items	**1,775**	**4,425**
1	Special items	-11,149	-12,233
	Operating profit (EBIT)	**-9,374**	**-7,808**
	Financial income	25	119
	Financial expenses	-3,665	-6,458
	Loss before tax	**-13,014**	**-14,147**
	Tax on profit for the period	2,407	2,124
	Loss for the period	**-10,607**	**-12,023**
	Total income for the year attributable to		
	Owners of the parent	-11,083	-12,479
	Non-controlling interests	476	456
	Total	**-10,607**	**-12,023**

(USDt)	Consolidated statement of comprehensive income	Group Q4 2016	Group YTD 2016
	Profit for the period	-10,607	-12,023
	Items that will be reclassified to income statement when certain conditions are met:		
	Exchange rate adjustment	-5,182	-4,669
	Other comprehensive income, net of tax	-5,182	-4,669
	Total comprehensive income for the period	-15,789	-16,692
	Total comprehensive income for the year attributable to		
	Owners of the parent	-16,265	-17,148
	Non-controlling interests	476	456
	Total	**-15,789**	**-16,692**

(USDt) Notes	Consolidated balance sheet	Group 31 Dec 2016
	ASSETS	
	Software	5,507
	Customer relations	70,572
	Trademarks	19,077
	Other acquired intangible assets	1,079
	Goodwill	184,476
	Intangible assets	**280,711**
	Property, plant and equipment	**1,798**
	Other receivables	1,298
	Deferred tax asset	2,783
	Financial assets	**4,081**
	Total non-current assets	**286,590**
	Trade receivables	98,207
	Income taxes receivable	302
	Receivables from Group entities	8
	Other receivables	2,932
	Prepayments	1,027
2	Cash and cash equivalents	28,259
	Total current assets	**130,735**
	Total assets	**417,325**

(USDt) Notes	Consolidated balance sheet	Group 31 Dec 2016
	EQUITY AND LIABILITIES	
	Partnership interest	158,491
	Currency translation reserve	-4,669
	Retained earnings	-12,479
	Equity attributable to parent company	**141,343**
	Non-controlling interests	161
	Total Equity	**141,504**
3	Bond debt	183,345
	Deferred rent	443
	Deferred tax liability	8,462
	Total non-current liabilities	**192,250**
2	Bank debt	1,532
	Trade payables	61,590
	Deferred income	3,146
	Corporation tax	1,021
	Other payables	16,282
	Total current liabilities	**83,571**
	Total liabilities	**275,821**
	Total equity and liabilities	**417,325**

(USDt) Consolidated statement of changes in equity	Partner-ship interest	Currency translation reserve	Retained earnings	Equity attributable to parent company	Non-controlling interests	Group Total equity
Equity at 2 August 2016	**0**	**0**	**0**	**0**	**0**	**0**
Profit for the period	**0**	**0**	**-12,479**	**-12,479**	**456**	**-12,023**
Currency exchange adjustment	0	-4,669	0	**-4,669**	0	**-4,669**
Other comprehensive income, net of tax	**0**	**-4,669**	**0**	**-4,669**	**0**	**-4,669**
Total comprehensive income for the period	**0**	**-4,669**	**-12,479**	**-17,148**	**456**	**-16,692**
Addition due to acquisition	0	0	0	**0**	91	**91**
Dividend distributed	0	0	0	**0**	-386	**-386**
Capital increase by cash payment	94,134	0	0	**94,134**	0	**94,134**
Capital increase by contribution in kind	64,357	0	0	**64,357**	0	**64,357**
Total transactions with owners	**158,491**	**0**	**0**	**158,491**	**-295**	**158,196**
Equity at 31 December 2016	**158,491**	**-4,669**	**-12,479**	**141,343**	**161**	**141,504**

(USDt) Notes	Consolidated cash flow statement for 2 Aug to 31 Dec	Group Q4 2016	Group YTD 2016
	Operating profit (EBIT) before special items	1,775	4,425
	Depreciation, amortisation and impairment	3,611	3,849
	Exchange rate adjustments	-128	-483
	Change in working capital	-2,097	-2,301
	Cash flows from operating activities before special items and interest	**3,161**	**5,490**
	Interest received	0	0
	Interest paid	-3,415	-5,878
	Tax paid	-169	-551
	Cash flows from operating activities	**-423**	**-939**
	Purchase of software	-230	-275
	Purchase of property, plant and equipment	-25	-72
4	Investments in Group entities	-119,430	-196,545
	Cash flows from investing activities	**-119,685**	**-196,892**
	Free cash flow	**-120,108**	**-197,831**
	Dividend paid to non-controlling interests	-386	-386
	Capital increase	27,249	94,134
	Loan from AEA	0	71
	Proceeds from issuing of bonds in DKK	17,723	92,514
	Proceeds from issuing of bonds in USD	0	100,000
	Loan costs from issuing of bonds	-582	-5,737
	Redemption of bond loan	0	-53,924
	Redemption of other acquisition debt	0	-1,847
	Cash flows from financing activities	**44,004**	**224,825**
	Change in cash and cash equivalents	**-76,104**	**26,994**
	Cash and cash equivalents		
	Cash and cash equivalents at the beginning of the period	103,074	0
	Exchange rate adjustment of cash and cash equivalents	-243	-267
	Change in cash and cash equivalents	-76,104	26,994
	Cash and cash equivalents at 31 December	**26,727**	**26,727**

Note	(USD thousand)	Group
1	**Special items**	**YTD 2016**
	Transaction costs due to acquisition of TransGroup and the SGL Group	11,619
	Transaction costs due to acquisition of Airlog Group	614
	Total special items	**12,233**

2	**Cash and Liquidity**	**31 Dec 2016**
	Cash and cash equivalents	28,259
	Bank debt	-1,532
	Net cash	**26,727**
	Credit facilities	12,748
	Liquidity reserve	**39,475**

The AEA SGLT Holding II LP Group holds net positive bank liquidity of 26,727 thousand. Total financial reserves (net bank liquidity and credit facilities) aggregates to USD 39,475 thousand.

USD 17,191 thousand of the cash is standing on an escrow account as per 31 December 2016 and will be released in March 2017 in connection with the acquisition of the Airlog Group.

3	**Bond debt**	**31 Dec 2016**
	Issued bonds, DKK tranche, interest rate 6.80%	88,617
	Issued bonds, USD trance USD 100 million, interest rate 7.70%	100,000
		188,617
	Capitalised loan costs	-5,272
	Total bond debt	**183,345**

	Cash flow*	Carrying amount
Bond debt falling due between 1 and 5 years (2021)	54,904	0
Bond debt falling due after more than 5 years	195,480	188,617
Total non-current financial liabilities	**250,384**	**188,617**
Total current financial liabilities	**13,726**	**0**

* Total cash flows including interest.

In 2016, Scan Bidco A/S issued senior secured callable bonds of DKK 625 million with an interest rate of 6.80% and USD 100 million with an interest rate of 7.70%. Borrowing costs of USD 5.7 million are paid in 2016 and amortised until 2022.
Interest is paid quarterly and the bond debt has to be repaid in June 2022.
The proceeds were used for the acquisition of the SGL Holding Group and TransGroup and repayment of SGL Holding ApS' bond debt.
USD 17 million of the proceeds is standing on an escrow account as per 31 December 2016 and is reserved for the acquisition of the Airlog Group.
For the issued bond certain terms and conditions apply regarding negative pledge, redemption, change of control and incurrance test.
The company Bond is expected to be listed on the Nasdaq Stock Exchange in Stockholm during the second quarter of 2017.

Note 4	(USD thousand) Investments in Group entities	YTD 2016 SGL Group	YTD 2016 TransGroup	YTD 2016 Total
	Provisional fair value at date of acquisition:			
	ASSETS			
	Software	1,569	0	1,569
	Property, plant and equipment	1,997	105	2,102
	Long term investments	0	20	20
	Deferred tax asset	1,324	0	1,324
	Non-current receivables	1,233	149	1,382
	Trade receivables	53,178	39,618	92,796
	Income taxes receivable	45	0	45
	Other receivables	2,713	0	2,713
	Prepayments	2,028	30	2,058
	Cash and cash equivalents	28,346	565	28,911
	Total assets	**92,433**	**40,487**	**132,920**
	LIABILITIES			
	Long term liabilities	0	473	473
	Bond debt	53,726	0	53,726
	Trade payables	42,648	18,399	61,047
	Deferred income	3,627	0	3,627
	Corporation tax	993	0	993
	Other payables	12,622	2,434	15,056
	Total liabilities	**113,616**	**21,306**	**134,922**
	Non-controlling interests' share of acquired net assets	112	-21	91
	Acquired net assets	**-21,295**	**19,202**	**-2,093**
	Goodwill	120,138	70,177	190,315
	Customer relations	37,556	37,000	74,556
	Trademarks	7,452	12,600	20,052
	Other acquired intangible assets	0	1,079	1,079
	Software	0	4,500	4,500
	Deferred tax on intangible assets	-9,902	0	-9,902
	Fair value of total consideration	**133,949**	**144,558**	**278,507**
	Payable to sellers of TransGroup	0	927	927
	Paid through share contribution	29,572	34,785	64,357
	Cash consideration	**104,377**	**108,846**	**213,223**
	Adjustment for cash and cash equivalents taken over	-28,346	-565	-28,911
	Cash consideration for the acquisition of SGL and TransGroup	**76,031**	**108,281**	**184,312**
	Transaction costs for acquisition of SGL and TransGroup	1,018	10,601	11,619
	Transaction costs for acquisition of Airlog Group	614	0	614
	Investments in Group entities	**77,663**	**118,882**	**196,545**

With effect from 1 October 2016, Transgroup Global Inc acquired TransGroup.
The total consideration amounted to USD 143,817 thousand. Further there has been a residual acquisition of a station in Utah of USD 741 thousand.
With effect from 2 August 2016, Scan Bidco A/S acquired the Scan Global Logistics Holding Group.
The total consideration amounted to USD 133,949 thousand.

Note 4 (USD thousand)
Investments in Group entities

About TransGroup
TransGroup is a North America-based provider of domestic and international freight forwarding and multi-modal logistics services to customers in the United States and Canada.
Diverse service offering comprising Domestic Surface, Ocean Services, Air Services (domestic and international) and Other.

Founded in Seattle in 1986; founders remain in the company as key management.

17 corporate stations and 31 contract stations in the US and Canada
–Corporate stations are majority or fully-owned, with TransGroup responsible for all accounting; receive station fees and a proportion of net income
–Contract stations are owned by third parties on long-term contracts; low-risk, no-capex model whereby TransGroup receives a share of revenues.

Long-term, defensible customer base of 5,300 customers across the world.

Value proposition underpinned by a highly dynamic service platform, supported by state-of-the-art technology, allowing TransGroup to offer highly customised solutions to complex logistics challenges.

TransGroup and SGL have been in a worldwide, exclusive strategic partnership for the past 15 years; TransGroup has been an investor in SGL since 2009.

Fair value of acquired net assets and recognised goodwill
The integration of TransGroup is ongoing for which reason net asssets and goodwill, trademarks and customer relations may be adjusted and off-balance sheet items may be recorded for up to 12 months from the date of acquisition in compliance with IFRS 3.

In connection with the acquisition of TransGroup, adjustments have been made to a number of the acquired net assets in compliance with the financial reporting requirements.
These include changes to Transgroup Global's accounting policies and fair value adjustments and relate mainly to valuation of software.
The carrying amount on the date of acquisition did not deviate materially from the fair value except for software which was valuated from zero to USD 4.5 million.

Customer relations and trademarks are amortised over 10 years.

Recognised goodwill, trademarks and customer relations is deductible for tax purposes.

Earnings impact
The Q4 2016 revenue and EBITDA before special items comprise USD 86 million and USD 2.9 million, respectively, reported by TransGroup since the date of acquisition.

On a pro forma basis, if the acquisition had been effective from on 1 January 2016 TransGroup would have contributed USD 315 million to revenue and USD 15.3 million to EBITDA before special items.

Note 4 (USD thousand)

Investments in Group entities

About the Scan Global Logistics Group

The Scan Global Logistics Group is a Nordic based full-service global freight forwarding provider with nearly 800 employees working out of 42 offices in 19 countries, specialised in complex logistics solutions. The Group offers customers a wide range of global transportation and logistics supply chain solutions with a complete coverage on air, sea and overland transportation.

Fair value of acquired net assets and recognised goodwill

The integration of the SGL Holding Group is ongoing for which reason net asssets and goodwill, trademarks and customer relations may be adjusted and off-balance sheet items may be recorded for up to 12 months from the date of acquisition in compliance with IFRS 3.

In connection with the acquisition of the SGL Holding Group, adjustments have been made to a number of the acquired net assets in compliance with the financial reporting requirements.

These include changes to Scan Bidco's accounting policies and fair value adjustments and relate mainly to valuation of deferred income and deferred tax asset.
The carrying amount on the date of acquisition did not deviate materially from the fair value.

Customer relations are amortised over 12 years and trademarks over 10 years.

Recognised goodwill, trademarks and customer relations is non-deductible for tax purposes.
There is calculated deferred tax on trademarks and customer relations.

Earnings impact

The YTD 2016 revenue and EBITDA before special items comprise USD 184 million and USD 5.4 million, respectively, reported by the SGL Holding Group since the date of acquisition.

On a pro forma basis, if the acquisition had been effective from on 1 January 2016 the SGL Holding Group would have contributed USD 406.5 million to revenue and USD 12.2 million to EBITDA before special items.

Acquisition of the Airlog Group

In November 2016 Scan Global Logistics A/S has entered into an agreement to acquire 100% of the Swedish based freight forwarder Airlog Group AB.

The acquisition is expected to take effect in March 2017.
Under the terms of the agreement, Scan Global Logistics will acquire Airlog for a consideration of SEK 200 million.

About the Airlog Group

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

In 2015, Airlog generated sales of SEK 417 million.

Note
5
Accounting policies

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

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

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

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

Note 5 **Accounting policies** (Continued)

Consolidation

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

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether control exists.

The consolidated financial statements are prepared on the basis of the financial statements of the consolidated entities by adding together like items.

Intra-group income, expenses, gains, losses, investments, dividends and balances are eliminated.

Investments in consolidated entities are set off by the parent's proportionate share of the consolidated entity's fair value of assets and liabilities at the time of acquisition.

Recently acquired or sold subsidiaries are recognised in the consolidated income statement for the period in which the parent controls such entities. Comparative figures are not restated for recently acquired or sold entities.

The purchase method of accounting is applied to the acquisition of subsidiaries.
The purchase price is made up at the net present value of the consideration agreed.
Conditional payments are recognised at the amount expected to be paid.
Directly attributable aquisition expenses are expensed in the income statement.
Identifiable assets and liabilities in the acquired entities are recognised at the fair value at the time of acquisition.
Allowance is made for the tax effect of revaluations of assets and liabilities.
Any residual difference between the purchase price and the Group’s share of the fair value of the identifiable assets and liabilities is recognised as goodwill.

If the purchase price is less than the fair value of the acquired subsidiary's assets, the residual difference (negative goodwill) is recognised directly in the income statement.
For each acquisition, the Group determines whether any non-controlling interest in the acquired business is accounted at fair value (so-called full goodwill) or to the proportional share of the acquired business's net assets.
Entities over which the Group exercises significant influence are considered associates. Significant influence is presumed to exist when the Group directly or indirectly holds between 20% and 50% of the voting rights or otherwise has or actually exercises significant influence. Associates are recognised in the consolidated financial statements at their net asset value.

Note
5 **Accounting policies** (Continued)

Non-controlling interests

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

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

Functional currency

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

Foreign currency translation

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

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

- Balance sheet items are translated at the closing rate.
- Items in the income statement are translated at the rate at the date of the transaction.
- Any exchange differences resulting from the translation of the opening equity at the closing rate and the exchange adjustment of the items in the income statement from the rate at the date of the transaction to the closing rate are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.
- Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Note 5 **Accounting policies** (Continued)

Materiality in financial reporting

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

Income statement

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

Revenue from services, comprising air, sea and road freight forwarding is recognised by reference to the stage of completion, which is measured as time elapsed of total expected time to render the service for each contract.

Rent income from the Solutions activity (Warehousing) is recognised on a straight-line basis over the rent period.

Revenue is measured at fair value net of VAT, all types of discounts/rebates granted, as well as net of other indirect taxes charged on behalf of third parties.

Costs of operations

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

Cost related to operating leases is recognised on a straight line basis over the term of the lease.

Based on assessments of the individual lease arrangement a judgement is made to whether the lease is an operating or financial lease.

Other external expenses

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

Note 5 **Accounting policies** (Continued)

Staff costs

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

Special items

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

Financial income and expenses

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

Tax

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

Accounting policies

Note
5 **Accounting policies** (Continued)

Balance sheet

Goodwill

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

Customer relations

Customer relations arising from business combinaitons is recognised at fair value at acquisition.
When an indication of impairment is identified customer relations is tested for impairment.
Customer relations arising from the acquisition of TransGroup is amortised over 10 years.
Customer relations arising from the acquisition of SGL Group is amortised over 12 years.

Trademarks

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

Software

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

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

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

Property, plant and equipment

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

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

Depreciation

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

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

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

Note 5 Accounting policies (Continued)

Accounting estimates

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

Impairment testing of non-current assets

Goodwill

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

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

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

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

Receivables

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

Prepayments

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

Accounting policies

Note
5 **Accounting policies** (Continued)

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

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

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

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

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

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

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

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

Note 5 **Accounting policies** (Continued)

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

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

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

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

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

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

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

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

Note 5

Accounting policies (Continued)

Financial ratios

Definition of financial ratios:

Gross margin:
Gross profit / Revenue * 100

EBITDA margin:
EBITDA / Revenue * 100

EBIT margin:
Operating profit / Revenue * 100

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

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