

SGL TransGroup International A/S

Kirstinehøj 7, 2770 Kastrup

CVR no. 37 52 10 43

Interim Financial Report Fourth quarter 2019

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Financial highlights

Q4 2019

 Q4 2018¹⁾

YTD 2019

 YTD 2018¹⁾
Key figures (in DKK thousands):
Income statement

Revenue	1,032,464	945,942	4,143,904	3,520,600
Gross profit	219,181	158,483	773,036	591,836
Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) and special items	61,224	28,005	202,112	88,639
Operating profit (EBIT) before special items	25,181	16,962	85,704	47,537
Special items	-28,687	-27,406	-39,966	-34,955
Operating profit (EBIT)	-3,506	-10,444	45,738	12,582
Net financial expenses	-70,648	-18,424	-122,101	-59,601
Profit/loss before tax	-74,154	-28,868	-76,363	-47,019
Profit/loss for the period	-72,946	-33,706	-85,428	-55,386

Cash flow

Cash flows from operating activities before special items, interest & tax			92,272	112,561
Cash flows from operating activities			-118,645	19,253
Cash flows from investing activities			-134,434	-39,344
Free Cash flow			-253,079	-20,092
Cash flows from financing activities			193,547	129,920
Cash flow for the period			-59,532	109,829

Financial position

Total equity			574,753	656,646
Equity attributable to parent company			568,093	651,111
Net interest bearing debt (NIBD)			1,056,374	607,219
Total assets			3,216,092	2,702,767

Financial ratios in %

Gross margin	21.2	16.8	18.7	16.8
EBITDA margin before special items	5.9	3.0	4.9	2.5
EBIT margin before special items	2.4	1.8	2.1	1.4
Equity ratio			17.9	24.3

Other

Number of full time employees at period end	1,202	1,000	1,202	1,000
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¹⁾ IFRS 16, leases, was adopted 1 January 2019. No figures prior to 1 January 2019, throughout the report, have been restated.

Company details

Name	:	SGL TransGroup International A/S (former Scan Bidco A/S)
Address, Postal code, Town	:	Kirstinehøj 7, 2770 Kastrup, Denmark
CVR No.	:	37 52 10 43
Registered office	:	Tårnby (Copenhagen)
Financial year	:	1 January - 31 December
Website	:	www.scangl.com
E-mail	:	headoffice@scangl.com
Telephone	:	(+45) 32 48 00 00
Contact person	:	Claes Brønsgaard Pedersen, Group CFO
Telephone	:	(+45) 32 48 00 00
Board of Directors	:	Henrik von Sydow, Chairman Allan Dyrgaard Melgaard Claes Brønsgaard Pedersen Thomas Thellufsen Nørgaard Jørgen Agerbo Jessen
Executive Board	:	Claes Brønsgaard Pedersen
Parent company of SGL TransGroup International A/S	:	Scan (UK) Midco Limited
Ultimate owner	:	SGLT Holding I LP
Bankers	:	Jyske Bank A/S
Auditors	:	Ernst & Young, Godkendt Revisionspartnerselskab
Address, Postal code, Town	:	Dirch Passers Allé 36, P O Box 250, 2000 Frederiksberg, Denmark
CVR/VAT no.	:	30 70 02 28

Legal entities

Company name	Country	Currency	Nominal capital	Ownership interest
SGL TransGroup International A/S				
Scan Global Logistics Holding ApS*	Denmark	DKK	3,530,839	100%
Scan Global Logistics A/S	Denmark	DKK	1,901,650	100%
SGL Express A/S	Denmark	DKK	500,000	100%
SGL Road ApS	Denmark	DKK	500,200	100%
SGL Road AB	Sweden	SEK	100,000	100%
Scan Global Logistics GmbH	Germany	EUR	25,000	100%
SGL E-Commerce A/S	Denmark	DKK	500,000	100%
Airlog Group Denmark A/S	Denmark	DKK	500,000	100%
Scan Global Logistics AB	Sweden	SEK	100,000	100%
Crosseurope AB	Sweden	SEK	100,000	100%
Crosseurope GmbH	Germany	EUR	25,000	100%
Scan Global Logistics GmbH**	Austria	EUR	35,000	100%
Scan Global Logistics N.V.	Belgium	EUR	61,500	100%
Scan Global Logistics B.V.	Netherlands	EUR	18,000	100%
Scan Global Logistics Spain S.L.	Spain	EUR	60,000	100%
Airlog Group Holding AB*	Sweden	SEK	2,000,000	100%
Airlog Group Sweden AB	Sweden	SEK	2,000,000	100%
SGL Express AB	Sweden	SEK	1,000,000	100%
Airlog Group Fur OY	Finland	EUR	2,500	100%
Airlog Group AS	Norway	NOK	30,000	100%
Scan Global Logistics AS	Norway	NOK	150,000	100%
Scan Global Logistics (Finland) Oy	Finland	EUR	2,523	100%
Scan Global Logistics K.K.	Japan	JPY	15,000,000	100%
Scan Global Logistics (Shanghai) Co. Ltd.	China	USD	1,650,000	100%
Scan Global Logistics (Wuxi) Ltd.	China	CNY	5,000,000	100%
Scan Global Logistics Ltd.	Hong Kong	HKD	500,000	100%
Scan Global Logistics (Shanghai) Limited	China	CNY	3,000,000	100%
Scan Global Logistics Ltd. (Branch)	Taiwan			100%
Scan Global Logistics Ltd.	Thailand	THB	5,000,000	100%
Scan Global Logistics Ltd.	Malaysia	MYR	2	100%
Connect Air (Malaysia) Ltd.	Malaysia	MYR	2	100%
Scan Global Logistics Pty. Ltd.	Australia	AUD	13	100%
Scan Global Logistics (Phil) Inc.	Philippines	PHP	4,000,000	40%
Scan Global Logistics Chile S.A.	Chile	CLP	179,872,000	100%
Scan Global Logistics Peru S.A.C.	Peru	PEN	1,000	100%
Scan Global Logistics (Vietnam) Ltd.	Vietnam	USD	100,000	75%
Scan Global Logistics Ltd.	Indonesia	IDR	252,015,000	100%
Scan Global Logistics Pte Ltd. (Singapore)	Singapore	SGD	100,000	100%
Scan Global Logistics SA	Mali	XOF	10,000,000	55%
Macca Logistics Sarl	Senegal	XOF	1,000,000	100%
Macca Logistics Sarl	Ivory Coast	XOF	1,000,000	100%
IQS Holding GmbH*	Germany	EUR	58,400	100%
IQS International Quality Service GmbH	Germany	EUR	26,100	100%
IQS Business Travel GmbH	Germany	EUR	25,000	100%
ENGINOX GmbH	Germany	EUR	25,000	100%
Aircargo Consulting GmbH	Germany	EUR	25,000	100%
IQS Logistic Consulting Corp.	USA	USD	100	100%
Global Automotive Testing Support GmbH	Germany	EUR	25,000	100%
Global Aviation Management Services FZE	Dubai	AED	1,000,000	100%

*Holding companies.

**PNAR Holding T.Two GmbH changed name 13/2 2020 to Scan Global Logistics GmbH

Management's commentary

Business model

SGL TransGroup International Group's (the Group) activities focus on international freight-forwarding services, primarily by air and sea, with supporting IT, logistics and road freight services. More than 80% of revenue originates from large customers contracted via corporate initiatives, primarily in the Nordic region. The Group primarily provides services to its customers via the Scan Global Logistics Group network of offices supported by its close partner and related party TransGroup Global Logistics and other key agents worldwide.

Business review

The Group has implemented International Financial Reporting Standard - new accounting standard on leases IFRS 16 effective 1 January 2019, which had an impact on the financial statements and key ratios, as most contracts on leased equipment and locations previously classified as operating leases have now been capitalised. IFRS 16, leases, was adopted 1 January 2019. No figures prior to 1 January 2019, throughout the report, have been restated.

Result for the period

2019 consolidated financial statements include the operating results of the Scan Global Logistics A/S Group, including the results of Kestrel and Macca Logistics Sarl, both of which were acquired in Q3 2018 as well as IQS Group (acquired 2 January 2019), BK Spedition GmbH (acquired 2 May 2019), activities from IC Company (acquired 30 June 2019) and Scan Global Logistics Spain S.L. (acquired 25 November 2019).

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

Full year 2019 revenue amounted to DKK 4,144 million generating EBITDA before special items of DKK 202 million. EBITDA before special items excluding the IFRS 16 adjustment showed an increase of DKK 45 million (a 51% improvement compared to 2018).

The total 2019 organic growth amounts to 5% in revenue and 18% in EBITDA before special items and IFRS 16 in comparison to 2018. Air, Sea and Road segments were all strong drivers of the organic growth, mainly driven by the Nordic and Greater China; however, partly offset by the Solution segment due to restructuring activities within the Danish Solutions business. Refer to further details below.

Revenue

The consolidated revenue was DKK 1,032 million for Q4 2019, compared to DKK 946 million in Q4 2018, equivalent to an increase of 9%. The increase is mainly driven by businesses acquired (IQS, BK Spedition, IC Group activities and SGL Spain) which in total contributed in a year-over-year revenue growth of DKK 82 million in the fourth quarter of 2019, resulting in an organic growth of 1%.

Gross profit

In the fourth quarter of 2019, the gross profit amounted to DKK 219 million, corresponding to a gross margin of 21.2% which is a 4.4 percentage points increase compared to the fourth quarter of 2018 (hereof 1 percentage points was a result of the change per IFRS 16). This increase was primarily driven by the Sea and Road activities in the Nordic region as well as by Road activities derived from acquired businesses relative to 2018. Furthermore, a strong development within E-Commerce and several departments at ADP has added to the profitability.

Management's commentary (continued)

SG&A cost

SG&A costs amounted to DKK 158 million in the fourth quarter of 2019, equivalent to an increase of 21% compared to fourth quarter of 2018. The increase is derived from increased staff costs mainly influenced by the acquisitions of IQS, BK Spedition, SGL Spain and activities from IC Group; however, positively impacted by IFRS 16 as the majority of lease contracts are now recognised as Right-of-use assets on the balance sheet and depreciated subsequently.

SG&A costs comprise 15% of revenue in the fourth quarter of 2019 compared to 14% of revenue in the fourth quarter of 2018. However, excluding IFRS 16 the SG&A costs comprise 16% of revenue.

EBITDA before special items

EBITDA before special items amounted to DKK 61 million in the fourth quarter of 2019, equivalent to an EBITDA margin before special items of 5.9%; an increase of 2.9 percentage point primarily driven by the recent acquisitions as well as IFRS 16 impact accounting for 1.8 percentage point increase.

Depreciation and amortisation

Depreciation and amortisation amounted to DKK 36 million in the fourth quarter of 2019, compared to DKK 11 million in the fourth quarter of 2018. This increase is primarily explained by IFRS 16 depreciations but amortisation of intangible assets from acquisitions has a minor impact as well.

Special items

In fourth quarter of 2019 special items amounted to DKK 29 million, which included restructuring activities within the Danish Solutions business, other restructuring costs (redundancy cost for personnel and closing of offices), start-up costs and acquisition costs.

Financial items

Net financial expenses amounted to DKK 71 million in the fourth quarter of 2019 compared to DKK 18 million in the fourth quarter of 2018. Net financial expenses mainly comprised of interest expenses on the bond debt, including capitalised loan costs recognised in the income statement and FX loss related to the redemption of the bonds, as well as an impact of IFRS 16 interest expenses (DKK 3.3 million) offset by the interest income from the intercompany loan to Transgroup Global Inc. (the parent company of Transgroup). Please refer to note 4 and 5 for further information.

Cash Flows

For the full year 2019 the accumulated cash flow from operating activities before special items, interests and tax was positive DKK 92 million, driven by improved EBITDA, however negatively influenced by working movements and adjustments for non-cash transactions. The negative working capital movement is a result of a combined increase in receivables (higher activities), creditor payments including special project payments as well as the impact of the acquisitions.

The redemption of the old bond debt led to additional financial costs paid.

CAPEX for the full year amounts to DKK 56 million and comprised mainly developments and investments in software and IT equipment.

The cash out-flow from acquisitions including the transactions costs amounted to DKK 97 million. The main part of the sale of property, plant and equipment relates to the property acquired as a part of the IQS transaction (DKK 25 million), which was subsequently sold on a sale and lease back transaction.

Management's commentary (continued)

Capital structure

The total equity was DKK 575 million with an equity ratio of 17.9% as at 31 December 2019. The equity ratio excluding the impact of IFRS 16 was 19.1% and decreased by 5.2 percentage points compared to 31 December 2018.

The Group's issued bonds, ISIN NO0010768062 and NO0010768070, in an aggregate amount of approximately USD 191 million, were delisted 25 November 2019. 4 November 2019 SGL TransGroup International A/S issued new EUR 215 million senior secured callable floating rate bonds due 4 November 2024. Refer to note 7 for further information.

The Group has successfully carried out a subsequent issue of bonds in an amount of EUR 8 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 223 million. The bond loan and subsequent bond are listed on Nasdaq Stockholm and on the Frankfurt Stock Exchange Open Market. Refer to note 7 for further information.

Net interest bearing debt (NIBD) and liquidity reserve

Consolidated net interest bearing debt amounted to DKK 1,056 million as at 31 December 2019. Hereof DKK 173 million has been added in lease liabilities according to IFRS 16. The total liquidity reserve was DKK 267 million by end of December 2019; driven by issue of new bonds. See note 5 and 7 for further information.

Acquisitions in 2019

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

Effective as at 2 May 2019 the Group acquired the German road transport company BK Spedition GmbH. The acquisition of BK Spedition was financed by available cash.

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

Effective 25 November 2019 the Group acquired 100% ownership of Scan Global Logistics Spain S.L. The acquisition strengthens the Group's position in the fashion industry.

The revenue included in the consolidated income statement since 2 January 2019 contributed by acquired businesses was DKK 447 million, and the acquired businesses also contributed a profit after tax of DKK 11.6 million over the same period. Refer to note 8 for further information.

Events after the balance sheet date

The 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 the Group.

On the 15 January 2020 the Group acquired 100% of the shares in the Australian freight-forwarding company Pioneer. The acquisition, including full effect from identified synergies, is estimated to have a positive EBITDA contribution of approximately AUD 2.7 million annually. The acquisition has been partly financed by the proceeds from the from subsequent bond issue and partly by a reinvestment of existing shareholders of Pioneer.

(DKKt)		Q4 2019	Q4 2018	YTD 2019	YTD 2018
Notes	Consolidated income statement				
1	Revenue	1,032,464	945,942	4,143,904	3,520,600
1	Cost of operation	-813,283	-787,459	-3,370,868	-2,928,764
	Gross profit	219,181	158,483	773,036	591,836
	Other external expenses	-33,415	-33,991	-109,888	-124,956
	Staff costs	-124,542	-96,487	-461,036	-378,241
	Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) and special items	61,224	28,005	202,112	88,639
	Depreciations	-22,199	-3,497	-74,596	-11,627
	Amortisations	-13,844	-7,546	-41,812	-29,475
	Operating profit before (EBIT) special items	25,181	16,962	85,704	47,537
3	Special items, net	-28,687	-27,406	-39,966	-34,955
	Operating profit (EBIT)	-3,506	-10,444	45,738	12,582
4	Financial interest, net	-70,648	-18,424	-122,101	-59,601
	Result before tax	-74,154	-28,868	-76,363	-47,019
	Tax on loss for the period	1,208	-4,838	-9,065	-8,367
	Result for the period	-72,946	-33,706	-85,428	-55,386
	Total income for the year attributable to				
	Owners of the parent	-73,153	-33,955	-86,458	-55,593
	Non-controlling interests	207	249	1,030	207
	Total	-72,946	-33,706	-85,428	-55,386

(DKKt)		Q4 2019	Q4 2018	YTD 2019	YTD 2018
	Consolidated statement of comprehensive income				
	Loss for the period	-72,946	-33,706	-85,428	-55,386
	<i>Items that will be reclassified to income statement when certain conditions are met:</i>				
	Exchange rate adjustment	8,770	3,969	757	-5,861
	Other comprehensive income, net of tax	8,770	3,969	757	-5,861
	Total comprehensive income for the period	-64,176	-29,737	-84,671	-61,247
	Total comprehensive income for the period attributable to				
	Owners of the parent	-64,273	-30,294	-85,663	-61,744
	Non-controlling interests	97	557	992	497
	Total	-64,176	-29,737	-84,671	-61,247

(DKKt)				
Notes	Consolidated balance sheet		31.12.2019	31.12.2018
	ASSETS			
2	Goodwill		1,005,568	951,425
2	Customer relations		276,840	234,079
2	Trademarks		41,181	41,377
2	Other intangible assets		1,938	0
	Software		55,487	23,398
	Intangible assets		1,381,014	1,250,279
	Right of use assets		164,576	0
	Property, plant and equipment		50,940	24,192
	Tangible fixed assets		215,516	24,192
6	Receivable to related party		801,108	637,944
	Other receivables		10,409	7,936
	Deferred tax asset		8,431	4,757
	Financial assets		819,948	650,637
	Total non-current assets		2,416,478	1,925,108
	Trade receivables		639,971	505,662
	Receivables from related parties		0	5,420
	Income taxes receivable		2,566	3,073
	Other receivables		20,157	24,320
	Prepayments		14,931	13,968
5	Cash and cash equivalents		121,989	225,216
	Total current assets		799,614	777,659
	Total assets		3,216,092	2,702,767

(DKKt)			
Notes	Consolidated balance sheet	31.12.2019	31.12.2018
EQUITY AND LIABILITIES			
	Share capital	501	501
	Share premium	2,778	830,764
	Currency translation reserve	-25,141	-25,936
	Retained earnings	589,955	-154,218
	Equity attributable to parent company	568,093	651,111
	Non-controlling interests	6,660	5,535
	Total Equity	574,753	656,646
7	Bond debt	1,641,555	1,264,236
	Lease Liabilities	96,635	0
	Earn-out provision	6,109	1,678
	Deferred tax liability	59,038	46,807
	Total non-current liabilities	1,803,337	1,312,721
5	Bank overdraft	35,647	79,342
	Lease liabilities	76,092	0
	Earn-out provision	3,634	5,674
	Trade payables	458,572	425,569
	Payables to related parties	105,355	114,097
	Deferred income	42,066	6,136
	Corporation tax	27,150	17,707
	Other payables	89,486	84,875
	Total current liabilities	838,002	733,400
	Total liabilities	2,641,339	2,046,121
	Total equity and liabilities	3,216,092	2,702,767

(DKKt)			
Notes	Consolidated cash flow statement 1 January - 31 December	YTD 2019	YTD 2018
	Operating profit (EBIT) before special items	85,704	47,537
	Depreciation, amortisation and impairment	116,408	41,102
	Non-cash transactions	-28,470	0
	Exchange rate adjustments	1,679	-1,396
	Change in working capital	-83,049	25,318
	Cash flows from operating activities before special items, interest & tax	92,272	112,561
	Special items	-19,545	-29,478
	Interest received	5,838	50,959
	Interest paid	-187,441	-103,725
	Tax paid	-9,769	-11,064
	Cash flows from operating activities	-118,645	19,253
	Purchase of software	-34,208	-15,781
	Purchase of property, plant and equipment	-21,817	-10,964
	Sale of property, plant and equipment	25,329	0
8	Investments in group entities and activities excluding transaction costs	-97,425	-7,625
	Special items, transactions cost acquisitions	-1,166	-1,360
	Earn-out paid	-5,147	-3,613
	Cash flows from investing activities	-134,434	-39,344
	Free cash flow	-253,079	-20,092
	Capital increase	2,778	104,331
	Loan to/from Transgroup Global Inc.	-94,287	27,636
	Payments to/from group entities	927	0
	Purchase of non-controlling interest	0	-2,047
	Redemption of lease liabilities	-68,554	0
	Proceeds from issuing of bonds	1,666,066	0
	Redemption of bond loan	-1,305,320	0
	Redemption of other acquisition debt	-8,063	0
	Cash flows from financing activities	193,547	129,920
	Change in cash and cash equivalents	-59,532	109,829
	Cash and cash equivalents		
	Cash and cash equivalents at the beginning of the period	145,874	36,045
	Change in cash and cash equivalents	-59,532	109,829
5	Net cash and cash equivalents at 31 December	86,342	145,874

(DKKt)	Consolidated statement of changes in equity						
	Share capital	Share premium	Currency translation reserve	Retained earnings	Equity attributable to parent company	Non-controlling interests	Total equity
Equity at 1 January 2019	501	830,764	-25,936	-154,218	651,111	5,535	656,646
Result for the period	0	0	0	-86,458	-86,458	1,030	-85,428
Currency exchange adjustment	0	0	795	0	795	-38	757
Other comprehensive income, net of tax	0	0	795	0	795	-38	757
Total comprehensive income for the period	0	0	795	-86,458	-85,663	992	-84,671
Transfer	0	-830,764	0	830,764	0	0	0
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	-827,986	0	830,631	2,645	133	2,778
Equity at 31 December 2019	501	2,778	-25,141	589,955	568,093	6,660	574,753

(DKKt)	Consolidated statement of changes in equity						
	Share capital	Share premium	Currency translation reserve	Retained earnings	Equity attributable to parent company	Non-controlling interests	Total equity
Equity at 1 January 2018	500	726,434	-19,785	-97,544	609,605	312	609,917
Effect of changes in accounting policies, IFRS 9	0	0	0	-1,081	-1,081	0	-1,081
Adjusted equity at 1 January 2018	500	726,434	-19,785	-98,625	608,524	312	608,836
Result for the period	0	0	0	-55,593	-55,593	207	-55,386
Currency exchange adjustment	0	0	-6,151	0	-6,151	290	-5,861
Other comprehensive income, net of tax	0	0	-6,151	0	-6,151	290	-5,861
Total comprehensive income for the period	0	0	-6,151	-55,593	-61,744	497	-61,247
Purchase of non-controlling interests	0	0	0	0	0	4,726	4,726
Capital increase by cash payment	1	104,330	0	0	104,331	0	104,331
Total transactions with owners	1	104,330	0	0	104,331	4,726	109,057
Equity at 31 December 2018	501	830,764	-25,936	-154,218	651,111	5,535	656,646

Note (DKKt)

1 Segment information

YTD 2019

	Air		Sea		Road		Solution		Total	
	YTD 2019	YTD 2018	YTD 2019	YTD 2018	YTD 2019	YTD 2018	YTD 2019	YTD 2018	YTD 2019	YTD 2018
Revenue (services)	2,125,044	1,658,386	1,851,717	1,750,464	686,788	580,194	160,484	120,762	4,824,033	4,109,806
Intercompany revenue	-411,671	-316,998	-216,001	-226,819	-50,246	-43,610	-2,211	-1,779	-680,129	-589,206
Net revenue (services)	1,713,373	1,341,388	1,635,716	1,523,645	636,542	536,584	158,273	118,983	4,143,904	3,520,600
Cost of operation	-1,391,778	-1,106,399	-1,363,272	-1,275,264	-506,681	-440,193	-109,137	-106,908	-3,370,868	-2,928,764
Gross profit	321,595	234,989	272,444	248,381	129,861	96,391	49,136	12,075	773,036	591,836

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

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

Note (DKKt)

2 Goodwill, customer relations, trademarks and other intangible assets

31.12.2019

	Air	Sea	Road	Solution	Total
Balance at 31 December 2018	528,978	644,781	48,941	4,181	1,226,881
Exchange rate adjustment	1,543	-237	-456	0	850
Additions 2019	123,902	4,596	7,687	0	136,185
Amortisation during the year	-18,652	-16,890	-2,742	-105	-38,389
Balance at 31 December 2019	635,771	632,250	53,430	4,076	1,325,527

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

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

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

Note	(DKKt)		YTD 2019	YTD 2018
3	Special items			
	Restructuring cost		-27,907	-33,595
	Transaction costs in connection with acquisitions and others		-12,059	-1,360
	Total special items, costs		-39,966	-34,955

Note	(DKKt)		YTD 2019	YTD 2018
4	Financial items			
	Financial income			
	Interest income from Transgroup Global Inc.		45,596	47,872
	Other financial income		29,120	31,052
	Total financial income		74,716	78,924
	Financial expenses			
	Interest expenses		-172,115	-91,446
	Capitalised loan costs		-13,538	-3,630
	Other financial expenses		-11,164	-47,079
	Total financial expenses		-196,817	-138,525

Note	(DKKt)		31.12.2019		
5	Cash & Liquidity				
			Net Cash (+ = deposit)	Credit facilities	Liquidity reserve
	SGL TransGroup International Group		86,342	180,518	266,860

The Group holds net bank liquidity of DKK 86,342 thousands. Total financial reserves (net bank liquidity and credit facilities) aggregates to DKK 266,860 thousands.

Cash & Liquidity		31.12.2018			
			Net Cash (+ = deposit)	Credit facilities	Liquidity reserve
	SGL TransGroup International Group		145,874	148,515	294,389

The Group holds net bank liquidity of DKK 145,874 thousands. Total financial reserves (net bank liquidity and credit facilities) aggregates to DKK 294,389 thousands.

Note (DKKt)		31.12.2019	31.12.2018
6	Receivable from Transgroup Global Inc.		
	Principal, USD 98,019 thousand, interest rate 7.70%	0	637,944
	Principal, USD 120,000 thousand, interest rate 8.40%	801,108	0
	Total receivable from Transgroup Global Inc.	801,108	637,944
		Carrying amount	Carrying amount
	Cash flow*		
	Receivable falling due between 1 and 5 years	1,131,966	801,108
	Total receivable from Transgroup Global Inc.	1,131,966	801,108
	Current portion of the receivable	67,293	0

* Total cash flows including interest.

In connection with TransGroup Global Inc.'s (formerly TGI US Bidco) acquisition of TransGroup in October 2016, TransGroup Global Inc. borrowed USD 98 million from SGL TransGroup International A/S. In December 2019 a new borrowing of USD 120 million was entered with SGL TransGroup International A/S. The net proceeds was used to refinance the old borrowing, pay transaction costs and finance general corporate purposes. The new borrowing will mature in December 2024.

7	Bond debt	31.12.2019	31.12.2018
	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	651,940
	Issued bonds, EUR 223 million, interest rate 6.75%	1,665,743	0
		1,665,743	1,276,940
	Capitalised loan costs	-24,188	-12,704
	Total bond debt	1,641,555	1,264,236
		Carrying amount	Carrying amount
	Cash flow*		
	Bond debt falling due between 1 and 5 years	2,218,562	1,665,743
	Total financial liabilities	2,218,562	1,665,743
	Current portion of financial liabilities	112,438	0

* Total cash flows including interest.

Redemption of bond debt in advance

22 October 2019 SGL TransGroup International A/S announced that the Bonds will be redeemed in advance. The redemption date was executed 25 November 2019. The redemption amount for each Tranche 1 Bond was 103.85% and for each Tranche 2 Bond was 103.40% of the outstanding nominal amount, plus accrued but unpaid Interest.

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

The Bonds were de-listed from the corporate bond list of Nasdaq Stockholm in connection with the redemption date and the last day of trade date was 20 November 2019.

In connection with the redemption of bond debt the loan to TransGroup Global Inc. has been restructured. Refer to note 6 for further information.

Issue new bond loan

SGL TransGroup International A/S has issued a senior secured floating rate due bond loan of EUR 215,000,000 on 4 November 2019, within a total framework amount of EUR 315,000,000 with ISIN SE0013101219 (the "Bonds").

Subsequently, 17 December 2019 the Group successfully carried out a subsequent issue of bonds in an amount of EUR 8 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 223 million.

Certain terms and conditions apply for the issued bonds regarding negative pledge, redemption, change of control and incurrence test. Interest is paid quarterly and the bond debt has to be repaid in 2024.

The bond loan and subsequent bond are listed on Nasdaq Stockholm and on the Frankfurt Stock Exchange Open Market.

Note (DKKt)

8 Investments in group entities

Others* IQS Group 31.12.2019

Provisional fair value at date of acquisition:
ASSETS

Right of use assets	21,404	3,123	24,527
Software	90	104	194
Property, plant and equipment	12,142	29,303	41,445
Trade receivables	2,855	21,975	24,830
Other receivables	1,728	1,596	3,324
Prepayments	454	702	1,156
Cash and cash equivalents	660	44,514	45,174
Total assets	39,333	101,317	140,650

LIABILITIES

Lease liabilities	-21,404	-3,123	-24,526
Finance liabilities	-31	-8,063	-8,094
Trade payables	-2,459	-30,165	-32,625
Deferred tax	0	-989	-989
Corporation tax	-203	-1,768	-1,971
Other payables	-9,184	-14,343	-23,527
Total liabilities	-33,281	-58,451	-91,732

Acquired net assets

	6,052	42,866	48,918
Goodwill, customer relations, trademarks and other intangible assets	29,134	107,051	136,185
Deferred tax	-4,785	-16,252	-21,037
Fair value of total consideration	30,401	133,665	164,066
Due acquisition debt	-10,461	0	-10,461
Earn-out provision	-4,487	-6,519	-11,006
Cash consideration	15,453	127,146	142,599
Adjustment for cash and cash equivalents taken over	-660	-44,514	-45,174
Cash consideration for the acquisitions	14,793	82,632	97,425
Transaction costs for acquisitions included in special items	1,166	5,934	7,100
Investments in Group entities	15,959	88,566	104,525

* Acquisition of BK-International Spedition GmbH, IC Group A/S and Scan Global Logistics Spain S.L.

Purchase of shares in the IQS Group

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

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

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

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

The revenue and gross profit are mainly allocated to the Air segment.

Purchase of activities from BK-International Speditions GmbH

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

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

Purchase of logistic activities from IC Group A/S

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

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

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

The revenue and gross profit are mainly allocated to the Solution segment.

Note (DKKt)

8 Investments in group entities (continued)

Purchase of shares in the Scan Global Logistics Spain S.L.

On 25 November 2019 the Group acquired, through its wholly owned subsidiary Scan Global Logistics A/S, 100% ownership of Scan Global Logistics Spain S.L. The acquisition strengthens the Group's positioning in the fashion business market.

Under the terms of the agreement, SGL Spain was acquired for a total cash consideration of EUR 1,000 thousand. In addition, an unconditional, additional acquisition price amounting to EUR 1,400 thousand shall be payable January 2021. The main assets acquired relate to tangible assets, customer relations, trademarks and other intangible assets.

The fair value of the acquired identifiable net asset is provisional pending final valuation of those assets. The main assets is related to customer relationships.

The revenue and gross profit are mainly allocated to the Air and Sea segment.

Note

9 Events after the balance sheet date

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

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 agent for the group.

Acquisition of Pioneer International Logistics

The Group has through its wholly owned subsidiary, Scan Global Logistics PTY (a subsidiary of Scan Global Logistics A/S), entered into an agreement for the acquisitions of Pioneer International Logistics, an Australian freight forwarding company. With the acquisition will the Group 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.

The acquisition price for Pioneer International Logistics is AUD 12.5 million, financed through subsequent bond issue.

Closing was 15 January 2020, from which date Pioneer International Logistics is consolidated in the Group's financials.

Note

10 Accounting policies

Basis of preparation

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

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

Changes in accounting policies

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

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

10 Accounting policies (continued)

IFRS 16 Leases

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

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

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

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

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

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

Major accounting policy choices made in implementing the standard includes:

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

Impact on the financial statements as of 1 January 2019

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

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

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

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 the group's assets and liabilities for accounting purposes. Except for judgements in determining the lease term as described below, there are no significant changes in the material estimates or assessments presented in the annual report for 2018.

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

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

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

New accounting regulation

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

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

Management's statement

The Board of Directors and Executive Management have today considered and approved the interim financial report of SGL TransGroup International A/S for the period 1 January to 31 December 2019.

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

In our opinion the interim financial report gives a true and fair view of the Group's assets and liabilities and financial position at 31 December 2019 and operations and cash flow for the period 1 January - 31 December 2019.

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

Kastrup, 28 February 2020

Executive Management:

Claes Brønsgaard Pedersen

Board of Directors:

Henrik von Sydow
Chairman

Allan Dyrgaard Melgaard

Claes Brønsgaard Pedersen

Thomas Thellufsen Nørgaard

Jørgen Agerbo Jessen