Scan Global Logistics A/S

Kirstinehøj 7, 2770 Kastrup
CVR no. 14 04 96 73

Annual Report 2017

Approved at the annual general meeting of shareholders on 6/6 2018.

Chairman of the annual general meeting:

Claes Brønsgaard Pedersen

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Notes to the Parent Company SGL A/S

Company details

Name	:	**Scan Global Logistics A/S**
Address, Postal code, Town	:	Kirstinehøj 7, 2770 Kastrup, Denmark
CVR no.	:	14 04 96 73
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
Board of Directors	:	Claes Brønsgaard Pedersen, Chairman Jørgen Agerbro Jessen, Deputy chairman Allan Dyrgaard Melgaard Thomas Tellufsen Nørgaard
Executive Board	:	Allan Dyrgaard Melgaard
Parent company of Scan Glocal Logistics A/S	:	Scan Global Logistics Holding ApS
Ultimate owner	:	AEA SGLT Holding I LP, c/o Maples Corporate Services Limited. P.O.Box 309, Ugland House, South Church Street, George Tower, KY1-1104, Cayman Islands (100% ownership)
Bankers	:	Jyske Bank A/S
Auditors	:	Ernst & Young, Godkendt Revisionspartnerselskab
Address, Postal code, City	:	Osvald Helmuths Vej 4, P O Box 250, 2000 Frederiksberg, Denmark
CVR no.	:	30 70 02 28

Legal entities in the SGL Group

31 December 2017

Company	Country	Currency	Nominal capital	Ownership interest
Scan Global Logistics A/S	Denmark	DKK	1,902,000	100%
Airlog Group Denmark A/S	Denmark	DKK	500,000	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%
Crosseurope AB	Sweden	SEK	100,000	100%
Airlog Group Holding AB	Sweden	SEK	2,000,000	100%
Airlog Group Sweden AB	Sweden	SEK	2,000,000	100%
Pro Logistics i Helsingborg AB *	Sweden	SEK	100,000	100%
AirLog Air Logistics AB	Sweden	SEK	100,000	100%
SGL Express AB	Sweden	SEK	1,000,000	100%
Connect Logistics ApS *	Denmark	DKK	50,000	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 Ltd.	China	USD	1,650,000	100%
Scan Global Logistics Ltd.	Hong Kong	HKD	500,000	100%
Connect Air (HK) Ltd. (dormant)	Hong Kong	HKD	300,000	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 (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%

* Entities audited by other audit firms than Ernst & Young.

** The Company is consolidated 100% as a subsidiary as the parent company defacto controls the activity and financing of the Company

Financial highlights

SGL Group	2017	2016	2015	2014	2013
Key figures (in DKK thousands):					
Income statement					
Revenue	3,391,185	2,741,354	3,188,373	2,873,265	2,440,155
Gross profit	**505,887**	**473,131**	**481,261**	**365,257**	**325,657**
Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) and special items	**32,422**	**90,401**	**110,493**	**55,898**	**44,256**
Earnings Before Interest, Tax, Amortisation (EBITA) and special items	**23,539**	**78,530**	**99,863**	**45,345**	**36,592**
Operating profit (EBIT) before special items	**20,158**	**78,177**	**96,500**	**44,745**	**36,446**
Special items, income	4,916	0	0	0	0
Special items, cost	-20,904	-9,599	-9,318	0	0
Operating profit (EBIT)	**4,170**	**68,578**	**87,182**	**44,745**	**36,446**
Net financial income/expenses	-9,986	-7,696	1,596	-2,191	-12,641
Profit/loss before tax	**-5,816**	**60,882**	**88,778**	**42,554**	**23,805**
Profit/loss for the year	**-6,146**	**35,616**	**67,559**	**19,222**	**18,292**
Cash flow					
Cash flows from operating activities	-31,217	87,211	115,461	103,770	-19,218
Cash flow from investing activities	-193,256	-11,657	-13,529	-5,847	-19,667
Free Cash flow	-224,473	75,554	101,932	97,923	-38,885
Cash flows from financing activities	215,954	-108,530	-49,480	-93,066	37,218
Financial position					
Total equity	182,714	55,700	143,726	106,592	129,258
Equity attributable to parent company	182,402	54,704	140,472	105,696	128,418
Total assets	963,921	562,710	644,548	584,610	565,901
Financial ratios in %					
Gross margin*	14.9	17.3	15.1	12.7	13.3
EBITDA margin*	1.0	3.3	3.5	1.9	1.8
EBIT margin*	0.6	2.9	3.0	1.6	1.5
EBIT margin	0.1	2.5	2.7	1.6	1.5
Return on assets*	2.6	13.0	15.7	7.8	6.9
Equity ratio	19.0	9.9	22.3	18.2	22.8
Return on equity (ROE)	-5.9	35.9	53.6	17.6	14.9
*before special items					
Average number of employees	866	731	713	811	774

For definition of financial ratios please see note 24 Accounting policies.

Comparison figures for the year 2015 and going forward are presented according to IFRS.
Comparison figures for the years 2013 and 2014 are presented according to Danish Financial Statements Act.

Operating review

The Scan Global Logistic (SGL) Group's business model

The SGL Group's activities focus on international freight-forwarding services, primarily by air and sea, with supporting IT, logistics and road freight services. More than 80% of the revenue base originates from large customers contracted via corporate initiatives, primarily in the Nordic region. The SGL Group primarily provides services to its customers via the SGL Group network of offices supported by its close partner and affiliated company TransGroup, USA, and other key agents worldwide. The SGL Group's main focus is to create solutions to complex logistics challenges.

The SGL Group's business review

During November 2016 Scan Global Logistics A/S signed an agreement to acquire 100% of the shares in the Swedish-based company Airlog Group Holding AB in order to strengthen our position in the Nordics and particular in Sweden. The approval from the Danish competition authorities was obtained in January 2017 and the acquisition took effect on 6 March 2017.

Under the terms of the agreement, Scan Global Logistics A/S acquired Airlog Group for a consideration of SEK 200 million. In addition an earn-out agreement with a maximum of SEK 15 million was concluded.

Scan Global Logistics A/S did also acquire 100% of the Swedish based freight forwarder Crosseurope AB. The Acquisition was effective 1 January 2017.

Crosseurope AB is a freight forwarder in Trelleborg, Sweden focusing on small to mid-sized customers. Crosseurope has since 1993 established a solid position in road freight in Sweden.

Under the terms of the agreement, Scan Global Logistics acquired Crosseurope for a consideration of SEK 47.5 million. In addition, an earn-out agreement with a maximum of SEK 2.5 million has been concluded.

Furthermore Scan Global Logistics A/S did also purchase the remaning 48% shares in SGL Thailand end January 2017 from the two minority shareholders.

Financial review, SGL Group

The 2017 consolidated financial statement describes operating results of the Scan Global Logistics A/S Group including the new ownership of Airlog (10 months) and Crosseurope.

In 2017, the SGL Group generated revenues of DKK 3.4 billion, against DKK 2.7 billion the year before, and a loss before tax of DKK -6.1 million against a profit of DKK 35.6 million the year before. Compared with the original outlook for 2017 on the EBITDA level of approx. DKK 90 million, the EBITDA before special items result of DKK 32 million for the year is disappointing.

In addition to the revenue from the Airlog Group and Crosseurope acquisitions, the SGL Group did have positive revenue growth throughout 2017 driven by an increase in volumes within all main products (Air, Sea and Road). The Aid, Development and Projects (ADP) division experienced increasing revenues througout the year as well as a strengthened pipeline and no customer attrition.

Operating review (continued)

Q4 2017 has also been a transition period with renewals of contracts with some larger customers.

The weakening of the USD/DKK exchange rate during 2017 had a significant negative impact on the yearly Gross Profit and margin, estimated at minimum DKK 15 million.

Gross profit margin before special items was 14.9 % compared to 17.3% in 2016.

EBITDA before special items of DKK 32.4 million (2016: DKK 90.4 million) decreased by 64%.
The EBITDA margin before special items of 1% is 2.3% points below 2016.

The total SG&A costs of DKK 473 million in 2017 mainly comprised of salary related costs, travel and rent and is equal to an increase of DKK 91 million versus 2016.

The total salary costs increased by 23% in 2017 mainly due to the acquisition of the Airlog Group and Crosseurope. During 2017 the SGL Group had an increase of total 135 employees (average) compared to 2016.

Special items net costs of DKK 16m comprised mainly of restructuring costs in the Danish and Swedish organisations (salary related).

The SGL Group generated a cash flow of DKK 12.8 million from operating activities before special items, interest and tax in 2017 versus DKK 116.6 million in 2016. The lower level in 2016 was mainly due to the lower EBITDA and working capital.

The SGL Group continues to drive several initiatives supporting long-term stability in structures and processes as well as financial control procedures through uniform operational practices, a joint operational system and uniform models for financial controlling while also maintaining strong central control of key financial matters.

The plan for year 2018 assumes continued positive development of revenues, gradually improving Gross Margins from re-negotiated contracts, full impact on the SG&A costs of the organizational changes made by the end of 2017 and further synergy according to plan from the acquisitions of Airlog and Crosseurope.

Despite the disappointing results in 2017, the management has assessed that no impairment has been identified for intangible assets due to the expected future positive outlook.

Capital structure

On a regular basis, the Executive Board assesses whether the SGL Group has an adequate capital structure, just as the Board of Directors regularly evaluates whether the SGL Group’s capital structure is in line with the best interests of the SGL Group and its stakeholders.

It is the Management’s assessment that the current capital structure is sufficient to support the SGL Group's strategic plans.

During first half of 2017, the ultimate Danish parent company Scan Bidco A/S of Scan Global Logistics A/S has made the following changes in the capital structure:

To finance the acquisition of Airlog equivalent to DKK 168 million a capital increase of DKK 155 million was made in March 2017 and DKK 71 million in intercompany loan from Scan Bidco A/S was received.

Operating review (continued)

Post balance sheet events

No significant events effecting the financial statement for 2017 have occurred subsequent to the financial year-end.

Outlook

Even though there are several challenging macroeconomic and geopolitical factors within the EU as well as in Africa, China, USA, the Middle East and elsewhere, global trade continues to grow. The Group's two most important markets, China and the US, show solid GDP (Gross Domestic Product) growth projections although lower than some analysts projected earlier, but the underlying trade still grows.

The risk of a trade war between USA and China is present at Spring 2018, however the impact cannot be estimated at this point of time.

Our home markets are in the Nordic region where our group entities in Denmark and Sweden are on a growth path, both through M&A and organically. The project sales within Aid, Development and Projects (ADP) did in early 2017 experience a dip in the incoming contracts, however again in Q4 2017 an increase in the activity level. SGL Group do believe that ADP will generate long-term, sustainable growth. The SGL Group will stay focused on delivering superior logistics solutions to demanding customers, driven by our strong focus on our people's ability to excel. We continue to enhance our IT system support for operations, sales, management and financial support. The SGL Group's long-term ambitions remain the same as in previous years:

1) Outperform market growth

2) Improve all relevant KPIs with focus on:

- Operating margin
- Conversion rate (Gross profit to EBITDA)
- Cash generation

The SGL Group expects to continue improving and growing the underlying business. However, financial KPIs are expected to be influenced by the macroeconomic development and challenges in 2017 vs 2016.

As a long-term goal we expect all group entities to generate an average EBITDA margin of 4-4.5% over an economic cycle, which means that the SGL Group, after group function costs will generate 3.5-4% over such a period.

The outlook for year 2018 is positively impacted by the Airlog acquisition (12 months in 2018 vs. 10 months 2017) and the development within our traditional markets.

The estimated EBITDA before speciel items level is expected to be well above the level of 2017 and above DKK 80 million. I.e. close to the full year 2016 level.

Management and Board of Directors

Allan Dyrgaard Melgaard was appointed CEO and Executive Board in November 2017

Jørgen Agerbro Jessen was appointed Deputy chairman in 2017

Thomas Tellufsen Nørgaard joint the Board of Directors in 2017

Risk factors

Commercial risks

The fluctuations in freight rates caused by a change in supply/demand on key trade lanes like Asia to Europe could represent the most significant short-term operating risk, as carrier cost is the largest single cost item for the SGL Group. Therefore, contracts with carriers constantly need to be balanced against customer contracts. The industry is characterised by short-term agreements, eliminating a large part of the risk. Furthermore, longer-term contracts are normally possible to agree back-to-back with the carriers, further balancing the risk.

Other main risks are clerical errors such as wrongful release of cargo (against instructions from customers), accepting liability outside of normal scope or standard trading conditions.

Global economic conditions

A lengthy economic downturn, a decline in the gross domestic product growth rate and world import and export levels, as well as other geopolitical events, could adversely affect the global transportation industry and trigger a decrease in demand for the SGL Group's services.

Risks related to IT infrastructure

The SGL Group depends on information technology to manage critical business processes, including administrative and financial functions. The SGL Group uses IT systems for internal purposes and externally in relation to its customers and suppliers. Extensive downtime of network servers, attacks by IT viruses or other disruptions or failure of information technology systems are possible and could have a negative effect on the SGL Group’s operations.

Risks relating to the SGL Group's operations in emerging markets

The SGL Group Aid, Development and Project departments have operations and customers worldwide, including a number of emerging markets. These markets are subject to greater political, economic and social uncertainties than countries with more developed institutional structures, and the risk of loss resulting from changes in law, economic or social upheaval and other factors may be substantial. Among the more significant risks of operating and investing in emerging markets are those arising from the introduction of trade restrictions, enforcement of foreign exchange restrictions and changes in tax laws and enforcement mechanisms.

The SGL Group has taken out liability insurance to meet any loss resulting from damage on customers goods, errors and omissions.

Operating review (continued)

Internal control and risk management systems in relation to financial reporting

The Board of Directors and the Executive Board have the overall responsibility for risk management and internal controls in relation to financial reporting.

The organisational structure and the internal guidelines form the control environment together with laws and other rules applicable to the SGL Group.

The Management regularly assesses the SGL Group’s organisational structure, staffing, establishes and approves overall policies, procedures and controls in relation to financial reporting.

In relation to the financial reporting, the Management has special focus on procedures and internal controls within the following areas and accounting items, which ensures that the reporting is made on a reassuring basis:

- Revenue recognition of service contracts and projects.
- Assessment of work in progress.
- Trade receivables – management of credit.
- Assessment of recognition of business combinations/purchase price allocation.
- Assessment of impairment of intangible assets.

The SGL Group has established a formal group reporting process, which includes monthly reporting, with budget control, assessment of performance and fulfillment of agreed targets etc.

Internal control and risk management systems in relation to business risks

The Management assesses business risks in connection with the annual revision and approval of the strategy plan.

In connection with the risk assessment, the Management (if needed) also considers the policies approved by the Board of Directors regarding finance, hedging and insurance policies for the SGL Group.

The SGL Group’s risk management, including internal controls in relation to the financial reporting, is designed to effectively minimise the risk of errors and lack of information.

Operating review (continued)

Corporate Social Responsibility (CSR)

SGL Group has been working with Corporate Social Responsibility since 2013, where we expanded our focus activities in the economic, environmental and social scopes in line with the sustainable approach and commitments with the groups of stakeholders.

The following global standards and principles have been used in preparing SGL Group's Corporate Social Responsibility;

- The UN Global Compact ten principles on, Employees, Environment, Human Rights and anti-corruption
- The UN Sustainable Development Goals.

The SGL Group is committed and interested in in making the principles an active part of our general company strategy, organizational culture and in the day-to-day operation.

Employees and knowledge resources

SGL Group respects human rights within our sphere of influence and we seek to conduct our business in a manner that makes us an attractive employer.

The SGL Group aims to further strengthen its strong market position in the Nordic region, expand globally and remain one of the world's leading suppliers to global aid and development organisations. Due to the SGL Group's highly customer-focused approach, it is essential to secure a high level of continuity with respect to customer-specific knowhow through retention of key staff and training of new employees.

Information on employee relations

During the year, there were additions of competent and experienced staff, which has strengthened the SGL Group's knowledge and competence base. In SGL Group there is a risk of employees not being trained.

On the SGL Group's intranet, an internal training program has been set up where the more experienced co-workers conduct training of both existing employees within new areas and training of new employees. 80% of employees received training by employees within the company.

Development in staff in the financial year 2017:	Denmark	Rest of the world
Employees at the beginning of the year	320	413
Net change	62	130
Employees at year-end	382	543

The average number of employees in 2017 in the SGL Group was 866 compared to 731 in 2016.

The addition of employees in Denmark is mainly due to the acquisition of Airlog. The increase in the rest of the world is mainly due to the acquisition of Airlog and Crosseurope in Sweden as well as increasing activities in China.

Impact on the external environment and climate

The SGL Group's activities focus on international freight-forwarding services, primarily by air, ocean and road freight services. The SGL Group's main climate risk is related to CO2 emissions.

The SGL Group does not own nor directly operate aircrafts, vessels or trucks, but uses at wide range of subcontractors to facilitate the transports for our customers.

Operating review (continued)

The SGL Group is environmentally conscious and is making an ongoing effort to reduce the environmental impact from its operations, focusing also on being able to contribute positively to customers' green accounts. Therefore, environmental issues are a natural and integral part of the SGL Group's management system, and the SGL Group has developed an environmental management system that meets the requirements of DS/EN ISO14001. Furthermore in 2017/2018 we established a Multiple Site Certification covering all locations in Denmark and Sweden.

As freight forwarders, we are a service provider and we accommodate our customers' wishes in regard to how they want their transportation done. We do, however, facilitate information to our customers on, e.g., CO2 emissions on the particular transport. We encourage our hauliers to think and act with the environment in mind.

The SGL Group has identifed several environmental risks related to its business. To start with, the Group has focused on reducing flammable waste and paper.

In 2016 we were re-certified within ISO-14001 and the goals for Denmark, where 41% are employed, are:
- We want to reduce our electricity consumption by 5%, measured by usage per employee, over a three year period (2015-2017).
- The result in 2017 vs 2016 was a reduction of 11% and with a reduction of 21% since 2014.
- Furthermore the aim is to reduce flammable waste to be max 20% of the overall waste and min 80% sorted by source.
- Result 2016-2017: 31% flammable and 69% sorted by source.We continue working hard to achieve the high ambition, but highly depending on the customers we have in our warehouses. The targets will be unchanged in 2018.
- We want to reduce paper and print by 5% yearly, measured by usage per employee.
- The result 2016-2017 was however no reduction per employee, but the overall reduction since 2013 has been -22%.

Actions have been taken in order to meet all targets going forward.

2017 Environmental Achievements
- We now hold the work environment certification, OHSAS 18001.
- We will continue to improve our energy-efficiency and initiate new tests to reduce our consumption.
- More than 90% of our hauliers will have engines with Euronorm 5 or 6 in their trucks

Human rights, Anti Corruption and Ethics

The SGL Group has internal guidelines for respecting human rights.

The SGL Group has been servicing a number of UN organizations and NGOs, at all times in accordance with the International Labor Organisation's conventions and the requirements laid down by the UN's Commission on Human Rights.

In addition, as a Danish business entity, we are required to comply with all Danish and EU regulations and executive orders regarding labour and the environment. SGL Group does not wish to cooperate or otherwise deal with an undertaking or organisation that is known for being involved in illegal activities such as supply and carriage of illegal weapons or use of child work.

At the SGL Group, the risks of corruption and business ethics is mainly related to facilitation payment in the supply chain. To begin with, the SGL Group focuses on training its employees in the Group's Code of Conduct."
The SGL Group has successfully delivered a great number of shipments to a number of UN missions worldwide and together with our partners worldwide and thereby proved to ourselves that we are a reliable supplier of high quality.

The SGL Group delivered our first "Communication in Progress" to UN Global Compact in 2016. This report is conducted by our Executive Management Team and communicated to the organisation. We have taken an important step forward on our journey as a compliant organisation.

The SGL Group has internal guidelines for respecting human rights. The main human rights risks are assessed to be related to the supply chain, and we urge all of our business partners to strive to act in a responsible and respecting manner. In order to ensure that we within the Group act in a responsible manner, we have implemented a training on our Code of Conduct for all staff.

2017 Ethical Achievements

- Based on our own commitment and general values, we urge all of our business partners to strive to act in a responsible and respecting matter. This is also directly communicated when we engage sub-contractors.

- We will continue to contribute to deliberating human & labor rights violations throughout our operations.

- In order to protect human rights and anti-corruption the training on Code of conduct is now implemented.

- 80% of all staff, globally, has passed the Code-of-Conduct e-learning with 80-100% correct answers in the final test.
- Information Policy including Social Media Strategy rolled out.

Account of the gender composition of management

As freight forwarding and logistics has traditionally been a male-dominated trade, the Board of Directors in the SGL Group does not consider it realistic that the SGL Group can ensure a completely equal distribution of women and men in executive positions. The SGL Group strives to ensure that at least 25% of all candidates for all managerial positions are female.

The total ratio of women among the SGL Group's employees was approx. 50% at year-end. The Board of Directors has chosen to use 35% as a minimum target for the number of female executives and aims to have at least one female board member by the end of 2021 in the SGL Group. As for the year 2017 the Group did not find any candidates with the right qualifications for the Board of Directors.

Geographically, the ratio of female executives in the SGL Group is higher in the Asian entities, meaning that an improvement, if any, at group level requires that the Scandinavian entities increase the ratio of female executives.

It is our intention as a modern management to increase the number of women in our managerial positions. We acknowledge the value which diversity in management brings to the company and will focus on attracting women to vacant management positions.

While no concrete actions were taken to increase the number of women in managerial positions in 2017, we have made a commitment to establish a diversity policy in 2018, which will state specific action points with focus on developing and retaining our female employees and, through network and training, give opportunity for a more diverse community.

2017 has been a year with a high focus on acquisitions with the merger of organisations rather than focusing on the gender composition of management. Furthermore the Excutive management team has been reduced and thereby it has not been possible to come closer to the target.

Operating review (continued)

Ownership and Corporate Governance

Scan Global Logistics A/S is owned directly by Scan Global Logistics Holding ApS, and the ultimate owner is AEA SGLT Holding I LP.

The Board of Directors consists of the following members:

- Chairman Claes Brønsgaard Pedersen
- Deputy chairman Jørgen Agerbro Jessen
- Allan Dyrgaard Melgaard
- Thomas Thellufsen Nørgaard

The main responsibilities of the Board of Directors are outlined below:

1) Provide direction for the organisation. The Board has a strategic function in providing the vision, mission and goals of the organisation. These are determined in cooperation with the Executive Management Team of Scan Global Logistics Group (5 directors).

2) Develop a governance and approval system. The governance and approval system includes the interaction between the Board and the CEO and the Executive Management Team and clearly outlines the authorities given to the CEO.

Periodically, the Board of Directors interacts with the CEO and the Executive Management Team at board meetings, which typically take place 4 times per year. In between board meetings, the Board of Directors is updated through e-mails and phone conferences as required.

3) Monitor and control. The Board of Directors has a monitoring and control function and receives a monthly report outlining the financial results and current state of affairs of the SGL Group.

An audit committee has been established in 2018 in Scan Bidco A/S, the parent company, and comprises of 4 members.

Other board positions of the members of the Board of Directors are:

Claes Brønsgaard Pedersen
SGL Road ApS
Scan Global Logistics Holding ApS
HKS Pro ApS

Allan Dyrgaard Melgaard
SGL Road ApS (Chairman)
Scan Global Logistics Holding ApS
WB Invest ApS
Airlog Group Denmark A/S

Jørgen Agerbro Jessen
Scan Global Logistics Holding ApS (Chairman)
Airlog Group Denmark A/S
Guldægget ApS

Thomas Thellufsen Nørgaard
Airlog Group Denmark A/S
Scan Global Logistics Holding ApS

1 January - 31 December

Consolidated income statement

(DKKt) Notes	Consolidated income statement	Group 2017	Group 2016
1	Revenue	3,391,185	2,741,354
1	Cost of operation	-2,885,298	-2,268,223
	Gross profit	**505,887**	**473,131**
2	Other external expenses	-107,686	-85,827
3	Staff costs	-365,779	-296,903
	Earnings before Interest, Tax, Depreciation, Amortisation and special items	**32,422**	**90,401**
9 + 10	Depreciation of software and tangible assets	-8,883	-11,871
	Earnings before Interest, Tax, Amortisation and special items	**23,539**	**78,530**
9	Amortisation of customer relations and trademarks	-3,381	0
9	Impairment of goodwill	0	-353
	Operating profit before special items	**20,158**	**78,177**
4	Special items, income	4,916	0
5	Special items, expenses	-20,904	-9,599
	Operating profit (EBIT)	**4,170**	**68,578**
6	Financial income	4,194	1,597
7	Financial expenses	-14,180	-9,293
	Profit before tax	**-5,816**	**60,882**
8	Income tax for the year	-330	-25,266
	Profit for the year	**-6,146**	**35,616**
	Profit for the year attributable to		
	Owners of the parent	-7,021	35,043
	Non-controlling interests	875	573
	Total	**-6,146**	**35,616**

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income	Group 2017	Group 2016
Profit for the year	-6,146	35,616
Items that will be reclassified to income statement when certain conditions are met:		
Exchange rate adjustment	-9,588	-615
Other comprehensive income, net of tax	-9,588	-615
Total comprehensive income for the year	-15,734	35,001
Total comprehensive income for the year attributable to		
Owners of the parent	-16,566	34,232
Non-controlling interests	832	769
Total	**-15,734**	**35,001**

(DKKt) Notes	Consolidated balance sheet	31 Dec Group 2017	31 Dec Group 2016
	ASSETS		
	Software	12,071	9,746
	Customer relations	35,351	0
	Trademarks	3,935	0
	Goodwill	157,235	0
9	**Intangible assets**	**208,592**	**9,746**
	Land and buildings	1,768	2,188
	Plant and machinery	1,870	2,650
	Fixtures, tools, fittings and equipment	12,090	7,179
10	**Property, plant and equipment**	**15,728**	**12,017**
11	Deferred tax asset	5,284	7,568
	Other receivables	8,135	7,751
	Financial assets	**13,419**	**15,319**
	Total non-current assets	**237,739**	**37,082**
12	Trade receivables	559,320	397,932
	Receivables from group entities	60,698	43,707
	Income taxes receivable	1,817	2,127
	Other receivables	22,077	19,953
	Prepayments	9,363	7,250
19	Cash and cash equivalents	72,907	54,659
	Total current assets	**726,182**	**525,628**
	Total assets	**963,921**	**562,710**

(DKKt) Notes	Consolidated balance sheet	31 Dec Group 2017	31 Dec Group 2016
	EQUITY AND LIABILITIES		
13	Share capital	1,902	1,902
	Currency translation reserve	-10,544	-999
	Retained earnings	191,044	18,801
	Dividend proposed for the year	0	35,000
	Equity attributable to parent company	**182,402**	**54,704**
	Non-controlling interests	312	996
	Total Equity	**182,714**	**55,700**
22	Earn out provision	2,825	0
14	**Total non-current liabilities**	**2,825**	**0**
19	Credit institutions	37,574	10,807
22	Earn out provision	5,888	0
	Trade payables	446,224	322,112
	Deferred income	17,810	21,980
	Payables to group entities	182,298	80,000
	Corporation tax	12,661	6,384
	Other payables	75,927	65,727
	Total current liabilities	**778,382**	**507,010**
	Total liabilities	**781,207**	**507,010**
	Total equity and liabilities	**963,921**	**562,710**

Consolidated statement of changes in equity

(DKKt)		Share capital	Currency translation reserve	Dividend proposed for the year	Retained earnings	Equity attributable to parent company	Non-controlling interests	Group Total equity
2017	**Equity at 1 January 2017**	**1,902**	**-999**	**35,000**	**18,801**	**54,704**	**996**	**55,700**
	Profit for the year	**0**	**0**	**0**	**-7,021**	**-7,021**	**875**	**-6,146**
	Currency exchange adjustment	0	-9,545	0	0	**-9,545**	-43	**-9,588**
	Other comprehensive income, net of tax	**0**	**-9,545**	**0**	**0**	**-9,545**	**-43**	**-9,588**
	Total comprehensive income for the year	**0**	**-9,545**	**0**	**-7,021**	**-16,566**	**832**	**-15,734**
	Purchase of non-controlling interests	0	0	0	-10,389	**-10,389**	-1,516	**-11,905**
	Capital increase	0	0	0	154,653	**154,653**	0	**154,653**
	Dividend not paid	0	0	-35,000	35,000	**0**	0	**0**
	Total transactions with owners	**0**	**0**	**-35,000**	**179,264**	**144,264**	**-1,516**	**142,748**
	Equity at 31 December 2017	**1,902**	**-10,544**	**0**	**191,044**	**182,402**	**312**	**182,714**
2016	**Equity at 1 January 2016**	**1,902**	**-188**	**50,000**	**88,758**	**140,472**	**3,254**	**143,726**
	Profit for the year	**0**	**0**	**105,000**	**-69,957**	**35,043**	**573**	**35,616**
	Currency exchange adjustment	0	-811	0	0	**-811**	196	**-615**
	Other comprehensive income, net of tax	**0**	**-811**	**0**	**0**	**-811**	**196**	**-615**
	Total comprehensive income for the year	**0**	**-811**	**105,000**	**-69,957**	**34,232**	**769**	**35,001**
	Dividend	0	0	-120,000	0	**-120,000**	-3,027	**-123,027**
	Total transactions with owners	**0**	**0**	**-120,000**	**0**	**-120,000**	**-3,027**	**-123,027**
	Equity at 31 December 2016	**1,902**	**-999**	**35,000**	**18,801**	**54,704**	**996**	**55,700**

1 January - 31 December

(DKKt) Notes	Consolidated cash flow statement	Group 2017	Group 2016
	Operating profit (EBIT) before special items	20,158	78,177
	Depreciation, amortisation and impairment	12,264	12,224
	Exchange rate adjustments	-4,124	-5,478
17	Change in working capital	-24,072	31,672
	Cash flows from operating activities before special items and interest	**4,226**	**116,595**
5	Special items paid	-18,904	-5,371
	Interest received, etc.	841	1,597
	Interest paid, etc.	-9,343	-4,427
	Tax paid	-8,037	-21,183
	Cash flows from operating activities	**-31,217**	**87,211**
9	Purchase of software	-5,946	-3,631
10	Purchase of property, plant and equipment	-10,164	-3,798
15	Investment in group entities	-175,146	0
15	Special items paid, transaction costs acquisition	-2,000	-4,228
	Cash flows from investing activities	**-193,256**	**-11,657**
	Free cash flow	**-224,473**	**75,554**
	Capital increase	154,653	0
16	Investments in non-controlling interests	-11,905	0
	Dividends to non-controlling interests	0	-3,027
	Dividends distributed	0	-120,000
18	Payments to/from group entities	85,307	14,497
18	Redemption of other acquisition debt	-12,101	0
	Cash flows from financing activities	**215,954**	**-108,530**
	Change in cash and cash equivalents	**-8,519**	**-32,976**
	Cash and cash equivalents		
	Cash and cash equivalents at 1 January	43,852	76,828
	Change in cash and cash equivalents	-8,519	-32,976
19	**Cash and cash equivalents at 31 December**	**35,333**	**43,852**

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Notes to the income statement

Note 1	Segment information Condensed gross profit	Air	Sea	Road	Solution	Total
2017	Revenue (services)	1,486,123	1,697,007	549,112	129,923	**3,862,165**
	Intercompany revenue	-272,137	-147,862	-48,606	-2,375	**-470,980**
	Net revenue (services)	1,213,986	1,549,145	500,506	127,548	**3,391,185**
	Cost of operation	-1,015,937	-1,339,372	-414,034	-115,955	**-2,885,298**
	Gross profit	198,049	209,773	86,472	11,593	**505,887**
	Revenue (services)	1,218,555	1,312,841	393,653	121,349	**3,046,398**
	Intercompany revenue	-180,640	-78,738	-43,338	-2,328	**-305,044**
2016	Net revenue (services)	1,037,915	1,234,103	350,315	119,021	**2,741,354**
	Cost of operation	-851,662	-1,011,615	-295,243	-109,703	**-2,268,223**
	Gross profit	186,253	222,488	55,072	9,318	**473,131**

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).

	Goodwill, customer relations and trademarks	Air	Sea	Road	Solution	Total
2017	Balance as at 1 January	0	0	0	0	0
	Exchange rate adjustments	-4,176	-952	-272	0	-5,400
	Additions 2017	133,281	30,366	41,642	0	205,289
	Amortisation during the year	-1,616	-368	-1,384	0	-3,368
	Balance as at 31 December	127,489	29,046	39,986	0	**196,521**
2016	Balance as at 1 January	0	226	130	0	356
	Exchange rate adjustments	0	1	-4	0	-3
	Additions 2016	0	0	0	0	0
	Amortisation during the year	0	-227	-126	0	-353
	Balance as at 31 December	0	0	0	0	**0**

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 SGL Group is within the Air and Sea segments, whereas the Road and Solutions business areas are relatively small in a group context and within a limited geographical area (Denmark & Sweden). The project business of the SGL Group is also within the Air and Sea segments.

Consequently, goodwill, customer relations and trademarks are primarily allocated to the Air and Sea segments.

Notes to the income statement

Note 1	Segment information (continued) Geographical information	Denmark	Other Nordics	Greater China	Other countries	Total
2017	Net revenue (services)	1,983,851	853,359	359,384	194,591	**3,391,185**
	Non-current assets less tax assets	216,767	7,482	5,063	3,143	**232,455**
2016	Net revenue (services)	1,731,090	509,800	227,780	272,684	**2,741,354**
	Non-current assets less tax assets	19,530	2,772	3,541	3,671	**29,514**

The revenue information is based on the locations of the seller.

Other Nordics comprise: Sweden, Norway and Finland.

Greater China comprise: China, Hong Kong and Taiwan.

Other countries comprise: Japan, Vietnam, Thailand, Malaysia, Singapore, Indonesia, the Philippines, Australia and Chile.

No single customer accounts for more than 10 percent of consolidated revenues.

Notes to the income statement

Note	(DKKt)	Group 2017	Group 2016
2	**Fee to the auditors**		
	Fee to the auditors appointed at the annual general meeting:		
	Fee for the statutory audit	2,095	2,674
	Fee for tax and VAT services	145	96
	Fee for other services	936	407
	Total fees to auditors appointed at the general meeting	**3,176**	**3,177**
	Other auditors, tax and other services	430	1,086
	Total fee to the auditors	**3,606**	**4,263**

		2017	2016
3	**Staff costs**		
	Wages and salaries	378,994	311,844
	Pensions	28,276	21,253
	Other social security costs	24,565	16,398
	Total gross staff costs	**431,835**	**349,495**
	Transferred to cost of operation	-47,378	-47,471
	Transferred to special items	-18,678	-5,121
	Total staff costs	**365,779**	**296,903**
	Remuneration to members of management:		
	Executive Board (Key management personnel), short term employee benefits	12,755	16,460
	Board of Directors	60	330
	Total	**12,815**	**16,790**

Members of the Board of Directors did not receive remuneration in 2016 and 2017 except one board member, who received a fee of DKK 60 thousand in 2017. The key personnel of Scan Global Logistics Group comprise of 5 persons.

	2017	2016
Management fee to AEA Investors LP, New York	**5,943**	**2,297**

The fee to AEA covers fee for management services for the Scan Global Logistics Group. The fee can not be split into the seperate services.

	Number	Number
Average number of full time employees	866	731

Share-based payments and warrant programme established in 2015 and exercised in 2016:

The programme was offered to the Board of Directors, Executive Board and senior management.
The warrants provided the warrant holders with the right to subscribe for a total of up to DKK 179,271 B-shares, each with a nominal value of DKK 1.

At 1 January 2016, the programme comprised 179,271 warrants. In 2016 the programme was expanded with 45,000 warrants to the Executive Board.

The market value of the programme at grant date was DKK 0.

All schemes issued are exercisable through share settlement only (equity-settled schemes) and is exercised on 1 August 2016.

Notes to the income statement

Note	(DKKt)	Group
3	**Staff costs** (Continued)	

Warrants scheme and warrants held by management

Accounting estimates

The market value is calculated using the Black & Scholes valuation model. The assumption used is based on Management estimates.

The valuation of the warrants granted is based on the following assumptions:

Assumptions	
Share price	84 DKK
Volatility	20.0%
Risk-free interest rate	0.4%
Expected dividends	0.0%

Development in outstanding warrants	Board of Directors	Executive Board	Senior staff	Other	Total (DKKt)	Average Exercise price (DKK)
Outstanding at 1 January 2016	97,256	93,503	52,245	209,498	452,502	166
Granted in	0	45,000	0	0	45,000	171
Exercised in	-97,256	-108,503	-52,245	-209,498	-467,502	-139
Warrants waived/expired	0	-30,000	0	0	-30,000	-250
Outstanding at 31 December 2016	**0**	**0**	**0**	**0**	**0**	

Notes to the income statement

Note	(DKKt)	Group 2017	Group 2016
4	**Special items, income**		
	Adjustment earn-out business combination	4,916	0
	Total special items, income	**4,916**	**0**

If recognised the special items would have been recorded as other income.

5	**Special items, expenses**	2017	2016
	Restructuring cost (Redundancy cost for personel and closing of offices)	18,904	5,899
	Transaction costs in connection with the acquition of Airlog Holding Group AB and the Crosseurope AB	2,000	3,700
	Total special items, cost	**20,904**	**9,599**

If recognised the special items would have been expensed under other external costs and staff costs.

6	**Financial income**	2017	2016
	Interest income from group entities	0	1,141
	Other interest income	841	456
	Exchange income from FX contracts (fair value)	3,353	0
	Total financial income	**4,194**	**1,597**

Financial income relates to the financial items measured of amortized income

7	**Financial expenses**	2017	2016
	Interest expenses to group entities (amortised cost)	5,248	2,405
	Other interest expenses (amortised cost)	4,095	2,022
	Exchange loss from FX contracts (fair value)	0	2,124
	Exchange loss (amortised cost)	4,837	2,742
	Total financial expenses	**14,180**	**9,293**

Financial expenses relate to the financial items measured of amortized costs

Notes to the income statement

Note	(DKKt)	Group 2017	Group 2016
8	**Tax for the year**		
	The tax for the year is disaggregated as follows:		
	Tax on profit for the year	330	25,266
	Total tax for the year	**330**	**25,266**
	Tax on profit for the year is calculated as follows:		
	Current tax on profit for the year	5,300	19,248
	Offset of tax assets and liabilities	0	0
	Change in deferred tax for the year	-7,069	3,013
	Tax adjustment relating to previous years	2,099	3,005
	Total tax on profit for the year	**330**	**25,266**
	Reconciliation of tax rate:		
	Tax on profit for the year	330	25,266
	Profit before tax	-5,816	60,882
	Effective tax rate	27.90%	41.50%
	Danish corporation tax rate	22.00%	22.00%
	Difference in tax rate	5.90%	19.50%
	Reconcilliation of tax:		
	Danish corporation tax rate (22%)	-1,280	13,394
	Difference between tax rate for subsidiaries outside Denmark and Danish tax rate	-343	-111
	Unrecognised tax assets	2,454	1,827
	Write down of tax assets	0	6,679
	Non-taxable income and non-deductible expenses	252	338
	Tax relating to previous years	2,099	3,005
	Tax on dividend from subsidiaries	0	320
	Other	-2,852	-186
	Total tax for the year	**330**	**25,266**

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Notes to the balance sheet

Note 9	Intangible assets Group (DKKt)	Software	Customer relations	Trade-marks	Goodwill	Total
2017	Cost at 1 January 2017	35,159	0	0	4,681	39,840
	Currency exchange adjustment	-2	0	0	0	-2
	Additions from acquisitions	0	39,277	4,421	161,591	205,289
	Additions	5,946	0	0	0	5,946
	Cost at 31 December 2017	**41,103**	**39,277**	**4,421**	**166,272**	**251,073**
	Amortisation and impairment at 1 January 2017	25,413	0	0	4,681	30,094
	Currency exchange adjustment	1	933	111	4,356	5,401
	Amortisation	3,618	2,993	375	0	6,986
	Impairment	0	0	0	0	0
	Amortisation and impairment at 31 December 2017	**29,032**	**3,926**	**486**	**9,037**	**42,481**
	Carrying amount at 31 December 2017	**12,071**	**35,351**	**3,935**	**157,235**	**208,592**
2016	Cost at 1 January 2016	31,528	0	0	4,684	36,212
	Currency exchange adjustment	0	0	0	-3	-3
	Additions	3,631	0	0	0	3,631
	Cost at 31 December 2016	**35,159**	**0**	**0**	**4,681**	**39,840**
	Amortisation and impairment at 1 January 2016	19,004	0	0	4,328	23,332
	Currency exchange adjustment	0	0	0	0	0
	Amortisation	6,409	0	0	0	6,409
	Impairment	0	0	0	353	353
	Amortisation and impairment at 31 December 2016	**25,413**	**0**	**0**	**4,681**	**30,094**
	Carrying amount at 31 December 2016	**9,746**	**0**	**0**	**0**	**9,746**

Goodwill, customer relations and trademarks were tested for impairment at 31 December 2017.

The basis for the calculation is a 3 year projection with targets for year 2021; "3 year plan".

The 3 year plan is covering each focus area bringing loss making units into profitable businesses, plan for the organic growth and the project business. Furthermore new and potential contract wins have been factored into the plan affecting several business segments and companies within the Group.

Note 9

Intangible assets (continued)

Group (DKKt)

A discounted cash flow model (DCF) has been used to determine the recoverable amount per business segment on a value in use basis.

Please see note 1 for the allocation of goodwill to each business segment.

The test did not result in any impairment of the carring amount of goodwill allocated to each business segment. In that connection, a sensitivity analysis was performed to assess whether changes in the cash flow whould have lead to any impairment losses being recognised. The analysis showed that probable changes in the future cash flow would not indicate a need for an impairment of goodwill.

In 2017, the management estimated that likely changes to the basic assumptions will not result in the carrying amount of goodwill exceeding the recoverable amount.

The most significant assumptions for this are:
- In the calculation a WACC of 9.3% after tax (11.4% before tax) has been applied.
- The basis for the calculation is a 3 year projection with targets for year 2021; "3 year plan".
- A subsequent terminal period is applied.
- An expectation has been applied in which the Scan Global Logistics A/S Group is expected to grow with the expected annual market growth of 2% from 2021 and onward.
- An expected normalisation in the project sales and the rates from sea freight carriers end 2017 with a positive impact from year 2018.

For impairment purpose other cost below segment result (Gross Profit) is allocated to the reportable segment based on their relative share of the profit contribution in the Group.

Carrying amount of Goodwill, Customer relations and Trademarks	DKK million	197
Plan period	Average annual Gross Profit growth rate	24%
Terminal period	Growth	2%
	Pre tax discount rate	11.4%

Notes to the balance sheet

Note 10	Property, plant and equipment Group (DKKt)	Land and buildings	Plant and machinery	Fixtures, tools, fittings and equipment	Total
2017	Cost at 1 January 2017	7,999	8,869	32,675	49,543
	Currency exchange adjustment	-342	-99	-501	-942
	Additions	233	755	9,176	10,164
	Addition from acquition	126	0	244	370
	Disposals	0	-894	-260	-1,154
	Cost at 31 December 2017	**8,016**	**8,631**	**41,334**	**57,981**
	Depreciation and impairment at 1 January 2017	5,811	6,219	25,496	37,526
	Currency exchange adjustment	-176	1	-165	-340
	Depreciation	613	541	4,124	5,278
	Depreciation from acquition	0	0	0	0
	Depreciation and impairment of disposals	0	0	-211	-211
	Depreciation and impairment at 31 December 2017	**6,248**	**6,761**	**29,244**	**42,253**
	Carrying amount at 31 December 2017	**1,768**	**1,870**	**12,090**	**15,728**
2016	Cost at 1 January 2016	6,927	6,832	32,328	46,087
	Reclassification to opening value	-265	1,829	-1,564	0
	Currency exchange adjustment	36	-212	-56	-232
	Additions	1,393	420	1,985	3,798
	Disposals	-92	0	-18	-110
	Cost at 31 December 2016	**7,999**	**8,869**	**32,675**	**49,543**
	Depreciation and impairment at 1 January 2016	5,397	4,663	22,346	32,406
	Reclassification to opening value	-219	962	-743	0
	Currency exchange adjustment	24	-153	-111	-240
	Depreciation	701	747	4,014	5,462
	Depreciation and impairment of disposals	-92	0	-10	-102
	Depreciation and impairment at 31 December 2016	**5,811**	**6,219**	**25,496**	**37,526**
	Carrying amount at 31 December 2016	**2,188**	**2,650**	**7,179**	**12,017**

Notes to the balance sheet

Note	(DKKt)	Group	Group
11	**Deferred tax assets**	2017	2016
	Deferred tax at 1 January	7,568	10,581
	Additions from business combination	-9,613	0
	Deferred tax for the year	7,069	-3,013
	Other adjustments	260	0
	Deferred tax asset at 31 December	**5,284**	**7,568**

2017

Deferred tax assets/liabilities arise from the following	Other*	Tax loss carry-forwards	Total
Deferred tax at 1 January	5,103	2,465	7,568
Additions from business combination	-9,613	0	-9,613
Recognised in the income statement	206	6,863	7,069
Exchange rate adjustments	260	0	260
Deferred tax at 31 December	**-4,044**	**9,328**	**5,284**

* Other temporary differences, comprise other intangible assets + property, plant and equipment + deferred income.

2016

Deferred tax assets/liabilities arise from the following	Other**	Tax loss carry-forwards	Total
Deferred tax at 1 January	3,701	6,880	10,581
Recognised in the income statement	1,402	-4,415	-3,013
Deferred tax at 31 December	**5,103**	**2,465**	**7,568**

** Other temporary differences, comprise other intangible assets + property, plant and equipment + deferred income.

Deferred tax assets not recognised in the balance sheet (tax loss carry-forwards)	2017	2016
Unrecognised at 1 January	7,956	0
Additions	2,454	7,956
Unrecognised tax assets at 31 December	**10,410**	**7,956**

Notes to the balance sheet

Note	(DKKt)	Group	Group
12	**Trade receivables**	31 Dec 2017	31 Dec 2016
	Trade receivables before impairment at 31 December	570,098	404,190
	Provision for bad debts	-10,778	-6,258
	Trade receivables at 31 December	559,320	397,932
	Trade receivables not due	432,438	340,901
	Overdue trade receivables not written down	**126,882**	**57,031**
	Overdue trade receivables not written down break down as follows:		
	Overdue 1-30 days	75,934	39,831
	Overdue 31-60 days	20,632	12,077
	Overdue 61-90 days	8,527	2,101
	Overdue for more than 90 days	21,789	3,022
	Overdue trade receivables not written down	**126,882**	**57,031**
	Impairment losses for the year relating to doubtful trade receivables break		
	Impairment at 1 January	6,258	0
	Currency exchange adjustment	-217	0
	Additions from acquisitions	420	10,929
	Impairment losses recognised for receivables	4,317	-4,671
	Impairment at 31 December	**10,778**	**6,258**

Note			
13	**Share capital**	31 Dec 2017	31 Dec 2016
	The Parent Company's share capital of DKK 1,902 thousand comprises:		
	1,901,648 shares of DKK 1 each	1,902	1,902
	Total share capital at 31 December	**1,902**	**1,902**

In 2017 the share capital was increased from DKK 1,901,645 by DKK 3 to DKK 1,901,648.

Note	(DKKt)	Group
14	**Financial liabilities and financial risks**	31 Dec 2017

Capital structure and liquidity risk

On a regularly basis, the Excecutive Board assesses whether the SGL Group has an adequate capital structure, just as the Board of Directors regularly evaluates whether the SGL Group's capital structure is in line with the best interests of the SGL Group and its stakeholders.

It is the Management's assessment that the current capital structure is sufficient to support the SGL Group's strategy plans.

Loan facilities and undrawn bank credit facilities are desclosed in note 19.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The SGL Group has a limited external interest bearing long-term financial liabilites. Interest bearing loan at group entities has a fixed interest rate of 7.7%. Thereby the SGL Group's interest rate exposure is minimal.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily trade receivables, and from its financing activities, including deposits with banks and financial institutions (to the extend the balance is in surplus of the Group), foreign exchange transactions and other financial instruments.

The Group has established procedures for handling of credit risk and actively monitores and limits risks and loss on receivables. Historically, losses on receivables are at a low level. We refer to note 12 regarding credit quality and impairment losses on trade receivables.

Due to the nature of customers in ADP (Aid, Development and Projects) customers have complex approval procedures which can delay payments and therefore overdue trade receivables for more than 90 days can arise, but credit risks are generally assessed as low.

Notes to the balance sheet

Note 14 **Financial liabilities and financial risks (Continued)** Group 31 Dec 2017

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates, primary from USD. The SGL Group’s exposure to the risk of changes in foreign exchange rates relates primarily to the SGL Group’s operating activities (when revenue or expense is denominated in a foreign currency) and the SGL Group’s net investments in foreign subsidiaries. Primary currencies for invoicing and cost are USD, EUR, DKK and SEK.

The SGL Group manages its foreign currency risk for business purposes by hedging the net position of foreign operating and financial assets and liabilities according to the balance sheet at an ongoing basis. Net foreign positions are hedged by financial instruments.

No hedge accounting is recognised. All changes in financial instruments are recognised as financial income or financial expenses in the income statement.

The SGL Group's foreign currency risk mainly relates to USD, EUR and SEK and the exposure towards these currencies is described below.

2017	In DKK millions					
Main currency exposures	**DKK/DKK**	**USD/DKK**	**EUR/DKK**	**SEK/DKK**	**Others/DKK**	**Total**
Trade receivables	162	123	79	60	135	559
Other receivables	6	0	0	5	11	22
Cash	58	5	0	8	2	73
Cash and receivables	**226**	**128**	**79**	**73**	**148**	**654**
Credit institutions	38	0	0	0	0	38
Earn out provision	0	0	0	9	0	9
Trade payables	136	91	38	34	147	446
Payables to group entities	182	0	0	0	0	182
Other payables	48	0	12	3	13	76
Financial liabilities	**404**	**91**	**50**	**46**	**160**	**751**
Net position before Fx contracts		**37**	**29**	**27**	**-12**	**81**
Fx contracts		-6	-5	7	4	**0**
Net position		**31**	**24**	**34**	**-8**	**81**
Exchange rate fluctuation		13%	0%	3%	10%	5%
Impact on profit/loss		4	0	1	-1	4
Impact on other comprehensive income		0	0	0	0	0

Notes to the balance sheet

Note 14 **Financial liabilities and financial risks (Continued)** Group 31 Dec 2017

Foreign currency risk

The SGL Group's foreign currency risk mainly relates to USD, EUR and SEK and the exposure towards these currencies is described below.

2016	In DKK millions				
Main currency exposures	**DKK/DKK**	**USD/DKK**	**EUR/DKK**	**SEK/DKK**	**Total**
Trade receivables	179	112	77	30	398
Other receivables	8	6	4	2	20
Cash	26	11	8	10	55
Cash and receivables	**213**	**129**	**89**	**42**	**473**
Credit institutions	9	0	0	2	11
Trade payables	205	61	43	13	322
Payables to group entities	80	0	0	0	80
Other payables	41	13	9	3	66
Financial liabilities	**335**	**74**	**52**	**18**	**479**
Net position before Fx contracts		**55**	**37**	**24**	**116**
Fx contracts		-41	41	0	**0**
Net position		**14**	**78**	**24**	**116**
Exchange rate fluctuation		5%	2%	5%	3%
Impact on profit/loss		1	2	1	4
Impact on other comprehensive income		0	0	0	0

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Note 15	(DKKt) **Investments in group entities**	Airlog Group Holding AB	Crosseurope AB	Group YTD 2017
	Provisional fair value at date of acquisition:			
	ASSETS			
	Property, plant and equipment	274	96	370
	Trade receivables (2017: Gross DKK 69,378. Bad debt provision DKK 402)	59,045	9,931	68,976
	Income taxes receivable	937	160	1,097
	Other receivables	2,661	1,089	3,750
	Prepayments	2,225	2,612	4,837
	Cash and cash equivalents	8,451	8,646	17,097
	Total assets	**73,593**	**22,534**	**96,127**
	LIABILITIES			
	Trade payables	34,251	4,474	38,725
	Corporation tax	7,930	131	8,061
	Other payables	21,308	17,837	39,145
	Total liabilities	**63,489**	**22,442**	**85,931**
	Non-controlling interests' share of acquired net assets	0	0	0
	Acquired net assets	**10,104**	**92**	**10,196**
	Goodwill	136,690	24,902	161,592
	Customer relations	23,540	15,737	39,277
	Trademarks	3,418	1,003	4,421
	Deferred tax on customer relations and trademarks	-5,931	-3,682	-9,613
	Fair value of total consideration	**167,821**	**38,052**	**205,873**
	Earn-out provision	11,701	1,929	13,630
	Cash consideration	**156,120**	**36,123**	**192,243**
	Adjustment for cash and cash equivalents taken over	-8,451	-8,646	-17,097
	Cash consideration for the acquisitions	**147,669**	**27,477**	**175,146**
	Transaction costs for acquisitions in 2017	150	1,850	2,000
	Investments in group entities	**147,819**	**29,327**	**177,146**

15 Investments in group entities (continued)

Acquisition of Airlog Group AB

Scan Global Logistics A/S has on the 6 of March 2017 acquired 100% of the shares in Swedish based freight forwarder Airlog Group AB.

The acquisition is made in order to strengthen Scan Global Logistic Group position especially in the air segment.

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

In 2016, Airlog generated sales of DKK 360 million (SEK 451 million) and a profit after tax of DKK 3 million (SEK 4 million).

After the acquisition the Swedish and Danish Airlog traditional freight forwarding activity has been fully integrated in the Scan Global Logistic freight forwarding activity. Therefore, it is not possible to disclose financial information regarding the specific Airlog activity after the acquisition, including information regarding the Airlog performance recognized in the Scan Global Logistic consolidation after acquisition.

Under the terms of the agreement, the Airlog Group was acquired for a total cash consideration of SEK 200 million. In addition, an earn-out with a maximum of SEK 15 million has been agreed. At the date of the transaction it is expected that the earn-out will be paid 100%. Total consideration amounts to DKK 168 million.

Transaction cost amounts to DKK 4.4 million, which has been expensed and recognized as special items amounting to DKK 4.2 million in 2016 and DKK 0.2 million in 2017.

The earn out will be paid based on certain conditions regarding target for gross profit for the acquired Airlog agent business. Final calculation and payment of the earn out will be paid after end of the financial year 2017 and 2018 respectively.

Based on events in Q4 2017 a subsequent measurement of the earn out has been made. This measurement has resulted in a reduced contingent liability and recognition of a special item (income) amounting to DKK 4.9 million.

Acquired net assets before identification of intangible assets including goodwill amounts to DKK 10 million. The Airlog carrying amount on the date of acquisition did not deviate materially from the fair market value.

Intangible assets of trademark and customer relations have been identified. A royalty cash flow model has been used for calculation a fair market value of trademark. A customer attrition model has been used for calculation of the fair market value of customer relations. The purchase price allocation has been finalized in Q4 2017. The expected lifetime of the customer relations is 10-12 year and for the trademark 10 years.

15 Investments in group entities (continued)

Acquisition of Airlog Group AB (continued)
After recognition of identified assets and liabilities at fair value, goodwill has been recognized at an amount of DKK 136.7 million. Goodwill represents the values of the expected significant cost synergies and other synergies from combining the two businesses including value of the Airlog Group employees and related knowhow. Goodwill are non-deductible for tax purposes.

Acquisition of Crosseurope Aktiebolag
Scan Global Logistics A/S on 29 of June 2017 acquired 100% of the shares in the Swedish based freight forwarder Crosseurope AB.

The acquisition was made in order to strengthen Scan Global Logistic Group's position especially in the road segment.

Crosseurope AB is a freight forwarder based in Trelleborg, Sweden focusing on small to mid-size customers. Crosseurope has since 1993 established a solid position in the road freight business in Sweden.

In 2016, Crosseurope generated sales of DKK 77 million (SEK 98 million) and a profit after tax of DKK 5.6 million (SEK 7 million).

Under the terms of the agreement, Crosseurope was acquired for a total cash consideration of SEK 47.5 million. In addition, an earn-out agreement with a maximum of SEK 2.5 million has been agreed. At the date of acquisition, it is expected that the earn out will be paid 100%. Total amounts hereafter amount to DKK 38 million.

Payment of the earn out is based on conditions that certain Crosseurope AB customers will generate a certain level of revenue in 2017.

Transaction cost amounts to DKK 1.9 million, which has been expensed and recognized as special items in 2017.

Revenue and result for Crosseurope AB for 2017, has on a proforma basis been calculated to an amount of respectively DKK 83 million and DKK 7.5 million. Crosseurope revenue and result have been consolidated into the Scan Bidco Group consolidation with DKK 83 million and DKK 7.5 million.

Acquired net assets before identification of intangible assets including goodwill amounts to DKK 0.1 million. The Crosseurope carrying amount at the date of acquisition did not deviate materially from the fair market value.

Intangible assets of trademark and customer relations have been identified. A royalty cash flow model has been used for calculating a fair market value of trademark. A customer relation attrition model has been used for calculation of the fair market value of customer relations. The expected lifetime of the customer relations is 12 year and for the trademark 10 years.

15 Investments in group entities (continued)

Acquisition of Crosseurope Aktiebolag (continued)
The purchase price allocation has been finalized in Q4 2017.

After recognition of identified assets and liabilities at fair value, goodwill has been recognized at an amount of DKK 24.9 million. Goodwill represents the values of the expected cost synergies and other synergies from combining the two businesses including takeover of the Crosseurope employees and related knowhow. Goodwill is non-deductible for tax purposes.

		1 January - 31 December	
Note	(DKKt)	Group	Group
16	**Investments in non-controlling interests**	2017	2016
	Non-controlling interests	10,389	0
	Net assets taken over	**10,389**	**0**
	Goodwill recognised under equity	1,516	0
	Purchase price (including costs)	**11,905**	**0**

Scan Global Logistics A/S purchased the remaning 48% shares in Scan Global Logistics Ltd. (Thailand) end January 2017 from the two minority shareholders.

Notes to the cash flow statement

1 January - 31 December

Note 17 (DKKt) Change in working capital

	Group 2017	Group 2016
Changes in receivables	-88,446	37,374
Changes in trade payables, etc.	52,272	-5,702
Total change in working capital	**-36,174**	**31,672**

Note 18 (DKKt) Financial liabilities and financing activities

(DKKt)	2016	Cash flow	Non-cash change: Business combinations	Non-cash change: Foreign exchange movement	Non-cash change: Fair value change	2017
Payables to Group entities	80,000	102,298	0	0	0	182,298
Financial debt in business combinations	0	-12,101	25,730	0	-4,916	8,713
Total liabilities from financing activities	**80,000**	**90,197**	**25,730**	**0**	**-4,916**	**191,011**
Bank debt	10,807	26,767	0	0	0	37,574
Total other financial liabilities	**10,807**	**26,767**	**0**	**0**	**0**	**37,574**
Financial liabilities at 31 December	**90,807**	**116,964**	**25,730**	**0**	**-4,916**	**228,585**

19 Cash and liquidity

	31 Dec 2017	31 Dec 2016
Cash	72,907	54,659
Credit institutions	-37,574	-10,807
Net cash	**35,333**	**43,852**
Credit facilities	148,476	89,911
Liquidity reserve	**183,809**	**133,763**

The SGL Group holds net positive bank liquidity of DKK 35,333 thousand. Total financial reserves (net bank liquidity and credit facilities) aggregate to DKK 183,809 thousand.

Supplementary notes

Note	(DKKt)	Group	Group
20	**Security for loans**	31 Dec 2016	31 Dec 2016

As security for debt to credit institutions, for undrawn credit facilities and payment warranties, the Group has pledged assets as collateral

Chattel mortgages	11,500	11,500
Company charge	213,300	213,300
Total security	**224,800**	**224,800**

The above-mentioned securities relate to assets in the company Scan Global Logistics A/S. Carrying amount of total assets in Scan Global Logistics A/S is as of 31 December 2017 DKK 688 million (2016: DKK 353 million) of which DKK 2 million (2016: DKK 3 million) relates to fixed assets.

As at 31 December 2017 the total credit facility including warranties with the credit institution amounts to DKK 202 million (2016: DKK 151 million) regarding Scan Global Logistics A/S.

As security for bond debt Scan Global Logistics Holding ApS (the Parent company of Scan Global Logistics A/S) has pledged assets as collateral

The following assets are pledged as collateral:		
Shares in Scan Global Logistics A/S, carrying amount in Scan Global Logistics Holding ApS	767,511	667,503

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Supplementary notes

Note	(DKKt)	Group 31 Dec 2017	Group 31 Dec 2016
21	**Contingent liabilities and other financial obligations**		
	Rent obligations for leased premises	61,529	62,099
	Operating leases for cars	24,772	28,602
	Total rent and lease obligations	**86,301**	**90,701**
	Maturity analysis:		
	Falling due before 1 year	46,997	44,671
	Falling due between 1 and 5 years	39,304	46,030
	Falling due after more than 5 years	0	0
	Total rent and lease obligations	**86,301**	**90,701**
	Total rent and lease expenses during the year	**56,981**	**24,561**
	Warranties for payments, issued by bank	20,161	20,590
	Warranties for payments, issued by group entities	13,120	11,761
	Warranties for payments	**33,281**	**32,351**

Claims and legal disputes:

There are a few claims which are considered immaterial. The claims are covered by the Group's insurance programs.

Disputes can arise for project sales, which usually are settled in-between the parties. One dispute was unsettled by the end of December 2017 with an estimated amount of approx. DKK 4 million. No provision was made as management does not expect the dispute to result in any payment from the company.

22 Financial instruments by category

The carrying amount of financial assets, trade payables and payables to credit institutions corresponds to the estimated fair value.

	31 Dec 2017	31 Dec 2016
Financial instruments by category, carrying amount		
Financial assets (measured at amortised cost)**:**		
Trade receivables	559,320	397,932
Other receivables	30,212	27,704
Receivables from group entities	60,698	43,707
Cash	72,907	54,659
Financial assets measured at amortised cost	723,137	524,002
Financial liabilities (measured at fair value at IFRS level 2)**:**		
Currency derivatives	-172	187
Financial liabilities (measured at amortised cost)**:**		
Payables to group entities	80,000	80,000
Credit institutions	37,574	10,807
Earn-out provision	8,713	0
Trade payables	446,224	322,112
Financial liabilities measured at amortised cost	572,511	412,919

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Supplementary notes

Note 23	(DKKt) Related parties	Group 31 Dec 2017

Information about related parties with a controlling interest and significant influence:

Related Party	Domicile
Owners of Scan Global Logistics A/S:	
Scan Global Logistics Holding ApS (controlling interest of 100%)	Denmark
Ultimate owner with controlling interest:	
AEA SGLT Holding I LP (controlling interest of 100% of the financial rights)	Cayman Islands
Owners of AEA SGLT Holding I LP:	
AEA Investors Small Business Fund III LP (controlling interest on voting rights)	Cayman Islands

Consolidated financial statements are prepared by the parent company Scan Bidco A/S.
No consolidated financial statements are prepared by the ultimate parent company.

Loans from/to related parties	
Scan Global Logistics A/S, liability to Scan Global Logistics Holding ApS	80,000
Scan Global Logistics A/S, liability to Scan Bidco A/S	102,298
Scan Global Logistics A/S, receivable from Scan Global Logistics Holding ApS	6,053
Airlog Group Holding AB, receivable from Scan Global Logistics Holding ApS	54,645
Management fee to AEA Investors LP, New York (part of AEA Group)	5,943

The fee to AEA covers fee for management services for the Scan Global Logistics Group.

No members of the Board of Directors or the Executive Board had in 2016 or 2017 any direct or indirect transactions with the Group in addition to above mentioned and the benefits described in note 3 Staff costs.

For purchases and sales between Group companies, the same pricing principles are applied as to transactions with external partners. Please see note 1 for intercompany revenue and note 6 - 7 for financial income and expenses.

In addition Scan Global Logistics A/S charge group services to the benefit of the subsidary companies amounting to DKK 32 million (2016: DKK 27 million).

Note	(DKKt)	Group
23	**Related parties (continued)**	**31 Dec 2016**
	Information about related parties with a controlling interest and significant influence:	
	Related Party	Domicile
	Owners of Scan Global Logistics A/S:	
	Scan Global Logistics Holding ApS (controlling interest of 100%)	Denmark
	Owners of Scan Global Logistics Holding ApS:	
	MMG ApS (significant influence)	Denmark
	TTGR Holding ApS (significant influence)	Denmark
	Nidovni HH A/S (controlling interest)	Denmark
	Owners of Nidovni HH A/S:	
	Anpartsselskabet af 1. november 2006 (controlling interest)	Denmark
	Ultimate owner with controlling interest:	
	AEA SGLT Holding I LP (controlling interest of 100% of the financial rights)	Cayman Islands
	Loans from/to related parties	
	Scan Global Logistics A/S, liability to Scan Global Logistics Holding ApS	80,000
	Scan Global Logistics A/S, receivable from Scan Global Logistics Holding ApS	43,707
	Management fee to AEA Investors LP, New York (part of AEA Group)	2,297

Note
24 Accounting policies

Basis of preparation

The 2017 Annual Report of Scan Global Logistics A/S has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and additional disclosure requirements in the Danish Financial Statements Act. The Annual Report of Scan Global Logistics A/S comprises the consolidated financial statements of Scan Global Logistics A/S and its subsidiaries.

SGL Group has implemented those standards and interpretations, which will enter into force in EU for 2017. None of these standards and interpretations has had any effect on recognition and measurement in 2017 or are expected to have any effect in the future.

Basis of measurement

The financial statements have been prepared on a historical cost basis unless otherwise specifically indicated, such as derivative financial instruments and acquisition opening balances, which are measured at fair value.

Reporting currency

The financial statements are presented in Danish kroner and all values are rounded to the nearest thousand, except when otherwise indicated.

Consolidation

The consolidated financial statements comprise the parent, Scan Global Logistics A/S, and entities controlled by the parent. 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 Company'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 acquisition 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
24 **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 changes 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 Danish kroner, 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.

Materiality in financial reporting

When preparing the financial statements, the Management considers 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 Group's results 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 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.

Cost of operations

Cost of operations comprises costs incurred to generate the net turnover for the year. The cost of operations includes 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.

Staff costs
Staff costs comprise costs such as salaries, wages, 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.
Costs related to share-based payments are recognised in the period it relates to.

Warrants
The value of the employee services received in exchange for the grant of warrants corresponds to the fair value of the warrants at the date of grant.
The fair value of equity-settled warrant schemes is measured at the grant date and recognised in the income statement as staff costs over the period until the warrants are vested.
The cumulative expense recognised under the warrant programs reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.
The offsetting item is recognised directly in equity.
On initial recognition of such warrant schemes an estimate is made of the number of warrants that the employees are expected to earn.

The estimated number of warrants is adjusted subsequently to reflect the actual number of warrants earned.

The fair value of the warrants granted is estimated on the basis of the Black & Scholes valuation model. The estimate takes into account the terms and conditions applicable to the grant of warrants and Management's expectations of the development in the elements on which the valuation model is based.

Special items
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.

Note
24 **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 there is evidence of impairment, or at least once a year.

Customer relations

Customer relations arising from business combinations are recognised at fair value at acquisition. When evidence of impairment is identified, customer relations are tested for impairment.
Customer relations arising from the acquisition are amortised over 10-12 years.

Trademarks

Trademarks arising from business combinations are recognised at fair value at acquisition. When evidence of impairment is identified, trademarks are tested for impairment. Trademarks are 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 3 to 10 years

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.

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. As goodwill is allocated to the Groups activity, it follows the structure of the segment information in note 5. 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.

Cash

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 income statement 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 at 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 24 **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 24 **Accounting policies** (Continued)

Segment information
The segment information is based on the internal applicable management reporting to the Management of the SGL Group, as they are deemed to be the Chief Operating Decision Maker of the Group.

Business segments
The operations are organised into four reportable segments (Air, Sea, Road and Solution) that form the segmental reporting.

Measurement of earnings by segment
The business segment is measured by gross profit. Segment performance is measured consistently with the profit or loss in the consolidated income statement.

Geografical segments
The Group has operations in 16 countries worldwide. The operations are divided into the four geographical locations below:
Denmark
Other Nordics
Greater China
Other countries
The revenue information is based on the locations of the seller.

Financial ratios
Financial ratios are calculated in accordance to the following definitions:

Gross margin*:
Gross profit / Revenue * 100

EBITDA margin*:
EBITDA before special items / Revenue * 100

EBIT margin*:
Operating profit (EBIT) before special items / Revenue * 100

EBIT margin:
Operating profit (EBIT) / Revenue * 100

Return on assets*:
Operating profit (EBIT) before special items / Average total assets * 100

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

Return on equity:
Profit/loss for the year attributable to owners of the parent / Average equity excluding non-controlling interests * 100

**before special items*

Note 25	Recognition and measurement uncertainties (DKKt)	Group 2017	Group 2016

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.

The accounting estimates and judgements deemed by the Management to be material for the preparation and understanding of the consolidated financial statements are listed below:

Revenue, significant accounting estimates

Revenue from service is recognised with reference to the stage of completion determined as the time elapsed at the reporting date and the total expected time to render the service contract. Consequently recognition of revenue contains judgments, estimates and assumptions made by management based on information available at the reporting date. Although Management believes the assumptions made for the purpose of measuring revenue and work-in-progress, possible unforeseeable changes in these assumptions may result in changes to revenue and work-in-progress in subsequent periods.

Deferred tax asset, significant accounting estimates

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.
Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.
Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

	Group 2017	Group 2016
Deferred tax asset, recognition and measurement uncertainties		
Deferred tax asset at 31 December	**5,284**	**7,568**

The recognition is due subject to the facts that the tax losses can be utilised against future earnings within a period of 3-5 years. The uncertainty about recognition and measurement of the deferred tax asset therefore depends on whether the future earnings can be realized.

The Management expects that the Company will be able to generate sufficient profits to utilise the tax loss carry forwards within 3-5 years and therefore the deferred tax asset has been recognised at full value in the financial statements.

Note

25 **Recognition and measurement uncertainties** (continued) (DKKt)

Business combinations

Upon acquisition of companies, the acquired company's identifiable assets, liabilities and contingent liabilities must be recognised using the acquisition method at fair value. The most important assets are usually goodwill, property, plant and equipment and intangible assets and receivables. For a large part of the assets and liabilities taken over, there are no effective markets that can be used to determine the fair value. This applies in particular to acquired intangible assets. The typical methods used are based on the present value of future cash flows, based, for example, on royalties or other expected net cash flows related to the asset, or the cost price method, based, for example, on the replacement cost. The Management therefore makes estimates in connection with the determination of the fair value of the acquired assets, liabilities and contingent liabilities. Depending on the type of asset/liability, the calculation of the fair value may be subject to uncertainty and may be subject to subsequent adjustment.

The fair values of the identifiable assets, liabilities and contingent liabilities are stated in note 15, Investments in group entities, which also reflects the methods for calculating fair value of acquisitions made in 2016 and 2017.

Goodwill, significant accounting estimates

In connection with the impairment tests the Management estimates, e.g., revenue development, gross profit, operating margin and growth rate in the terminal period. The estimates are made per business segment and are determined based on historical experience and assumptions about the future development within each segment, including the expected long-term average market growth rates.

Significant factors relevant for the future net cash flow for the segments:

Air

The air segment operates globally which means that the global economic and world trade have an impact of the future cash flow. The gross profit per consignment, including utilisation, cost management initiatives and development in internal productivity will also affect the cash flow.

Sea

The sea segment operates globally which means that the global economic and world trade have an impact of the future cash flow. The gross profit per consignment, including utilisation, cost management initiatives and development in internal productivity will also affect the cash flow.

Road

The road segment mainly operates in Denmark and Sweden, which means that the future cash flow is mainly affected by the growth rates in those two countries. The gross profit per consignment, including utilisation, cost management initiatives and development in internal productivity will also affect the cash flow.

Solutions

The solution segment mainly operates in Denmark, which means that the future cash flow is mainly affected by the growth rates in this country. The development in lease cost and other related cost of warehousing gross profit per consignment, including utilisation, cost management initiatives and development in internal productivity will also affect the cash flow.

Note 26

New accounting regulation not yet adopted

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 2017 consolidated financial statements. The most significant of these are listed in the following; however only IFRS 16 Leases is expected to have an impact on the consolidated financial statements when implemented. SGL Group expects to implement these standards when they take effect.

IFRS 9 Financial instruments

IFRS 9 will take effect on 1 January 2018. The standard introduces several changes to IAS 39 – including a new impairment framework, new rules for hedge accounting and new requirements and guidance on classifications and measurement of financial assets and liabilities.

Impact assessments of the standard are in progress. Based on current evaluation. The standard is not expected to have any significant impact on the financial statements of the Group. The standard will result in only minor changes to existing accounting practices, mainly in the form of changes to existing credit loss and impairment models applied.

IFRS 9 will be applied following the standards retrospective approach.

IFRS 15 Revenue from contracts with customers
IFRS 15 will take effect on 1 January 2018. The standard introduces a new framework for revenue recognition and measurement.

Impact assessments of current logistics and freight forwarding services offered by SGL Group are in progress. Based on these, the standard is not expected to have any significant impact on the financial statements or the timing of revenue recognition of services delivered, as our services for the most part are straightforward in nature with short delivery times. The standard will result in only minor changes to existing accounting practices, mainly in the form of extended external reporting disclosure requirements.

IFRS 15 will be applied following the modified retrospective approach with any cumulative effects recognized in retained earnings as of 1 January 2018 and with no restatement of the comparison period.

Note 26

New accounting regulation not yet adopted (continued)

IFRS 16 Leases

IFRS 16 Leases will take effect on 1 January 2019 and will be applied following the retrospective approach with full restatement for the comparison period, when implemented in 2019.

The standard broadens the criteria for recognition of lease assets and liabilities and will have a minor impact on SGL's financial statements, as off-balance operating leases will be capitalized and accounted for similar to our current finance lease accounting policies. Reported operating profit will increase, as operating lease expenses will be replaced by depreciation and interest expenses. Reported cash flow from operating activities will increase but be offset by an increase cash outflow from financing activities, and, accordingly, there will be no change in the underlying cash flow for the year.

Impact assessments and implementation strategies are in progress. Based on current estimates, the standard will, if the standard was implemented in 2018, have an effect on the Group's consolidated balance sheet at 1 January 2018, where the leased assets and liabilities are expected to increase by around DKK 77.5 million, corresponding to an increase in total assets and liabilities by around 8%. The estimated impact on the consolidated income statement for 2018 is an expected increase in operating profit before amortization, depreciation and special terms of around DKK 44.0 million. The expected effect on the result will be 0 million. The expected effect on cash flow will be an increase in operating cash flow of DKK 42.0 million and similar reduction in cash flow from financing activities. The estimated effects are provisional and subject to uncertainties, and are based on analysis of our current contract portfolio and therefore do not take any future significant changes in activities or contracts in 2018 into account.

We continue our work with the implementation of the standard as well as the underlying accounting processes and will follow up on the impact assessment in the financial statement for 2018.

1 January - 31 December

(DKKt) Notes	Income statement	Parent 2017	Parent 2016
	Revenue	1,658,391	1,442,518
	Cost of operation	-1,484,348	-1,221,649
	Gross profit	**174,043**	**220,869**
1	Other external expenses	-14,663	-10,432
2	Staff costs	-153,942	-135,115
	Earnings before Interest, Tax, Depreciation, Amortisation and special items	**5,438**	**75,322**
8 + 9	Depreciation of software and tangible assets	-4,725	-7,499
	Earnings before Interest, Tax, Amortisation and special items	**713**	**67,823**
	Amortisation of customer relations and trademarks	-200	0
	Operating profit before special items	**513**	**67,823**
3	Special items, income	4,916	0
4	Special items, expenses	-9,182	-5,121
	Operating profit (EBIT)	**-3,753**	**62,702**
12	Income from investments in group entities	2,337	-9,074
5	Financial income	3,870	11,686
6	Financial expenses	-10,035	-13,285
	Profit before tax	**-7,581**	**52,029**
7	Tax on profit for the year	2,560	-13,286
	Profit for the year	**-5,021**	**38,743**
	Proposed distribution of profit:		
	Reserve for net revaluation under the equity method	0	0
	Retained earnings	-5,021	-66,257
	Extraordinary dividend distributed on 8 September 2016	0	70,000
	Proposed dividends	0	35,000
	Total	**-5,021**	**38,743**

(DKKt) Notes	Balance sheet	31 Dec Parent 2017	31 Dec Parent 2016
	ASSETS		
	Software	12,030	9,690
	Customer relations	2,680	0
	Goodwill	21,387	0
8	**Intangible assets**	**36,097**	**9,690**
	Land and buildings	1,013	1,261
	Fixtures and fittings, tools and equipment	1,293	1,255
9	**Property, plant and equipment**	**2,306**	**2,516**
12	Investments in group entities	351,324	82,865
10	Deferred tax asset	3,865	1,305
	Other receivables	553	463
	Financial assets	**355,742**	**84,633**
	Total non-current assets	**394,145**	**96,839**
11	Trade receivables	268,309	190,082
	Receivables from group entities	2,668	32,906
	Income taxes receivable	77	77
	Other receivables	4,542	2,177
	Prepayments	4,293	3,313
18	Cash and cash equivalents	32,680	27,149
	Total current assets	**312,569**	**255,704**
	Total assets	**706,714**	**352,543**

(DKKt) Notes	Balance sheet	31 Dec Parent 2017	1 Jan Parent 2016
	EQUITY AND LIABILITIES		
13	Share capital	1,902	1,902
	Currency translation reserve	-10,544	-999
	Retained earnings	207,133	22,501
	Dividend proposed for the year	0	35,000
	Total Equity	**198,491**	**58,404**
21	Earn-out provision	2,825	0
14	**Total non-current liabilities**	**2,825**	**0**
18	Credit institutions	37,574	10,807
21	Earn-out provision	5,888	0
	Trade payables	183,120	135,846
	Deferred income	17,792	30,479
	Payables to group entities	224,721	81,372
	Other payables	36,303	35,635
	Total current liabilities	**505,398**	**294,139**
	Total liabilities	**508,223**	**294,139**
	Total equity and liabilities	**706,714**	**352,543**

(DKKt) Statement of changes in equity		Share capital	Currency translation reserve	Dividend proposed for the year	Retained earnings	Total equity
2017	**Equity at 1 January 2017**	**1,902**	**-999**	**35,000**	**22,501**	**58,404**
	Profit for the year	**0**	**0**	**0**	**-5,021**	**-5,021**
	Currency exchange adjustment	0	-9,545	0	0	**-9,545**
	Other comprehensive income, net of tax	**0**	**-9,545**	**0**	**0**	**-9,545**
	Total comprehensive income for the year	**0**	**-9,545**	**0**	**-5,021**	**-14,566**
	Capital increase	0	0	0	154,653	**154,653**
	Dividend not paid	0	0	-35,000	35,000	**0**
	Total transactions with owners	**0**	**0**	**-35,000**	**189,653**	**154,653**
	Equity at 31 December 2017	**1,902**	**-10,544**	**0**	**207,133**	**198,491**
2016	**Equity at 1 January 2016**	**1,902**	**-188**	**50,000**	**88,758**	**140,472**
	Profit for the year	**0**	**0**	**105,000**	**-66,257**	**38,743**
	Currency exchange adjustment	0	-811	0	0	**-811**
	Other comprehensive income, net of tax	**0**	**-811**	**0**	**0**	**-811**
	Total comprehensive income for the year	**0**	**-811**	**105,000**	**-66,257**	**37,932**
	Sale of non-controlling interests	0	0	0	0	**0**
	Adjustment subordinate loan capital	0	0	0	0	**0**
	Dividend	0	0	-120,000	0	**-120,000**
	Total transactions with owners	**0**	**0**	**-120,000**	**0**	**-120,000**
	Equity at 31 December 2016	**1,902**	**-999**	**35,000**	**22,501**	**58,404**

1 January - 31 December

Cash flow statement

(DKKt) Notes	Cash flow statement	Parent 2017	Parent 2016
	Operating profit (EBIT) before special items	513	67,823
	Depreciation, amortisation and impairment	4,925	7,499
	Exchange rate adjustments	-3,680	-2,698
15	Change in working capital	-33,663	32,525
	Cash flows from operating activities before special items and interest	**-31,905**	**105,149**
	Special items paid	-4,266	-4,593
	Interest received, etc.	517	11,686
	Interest paid, etc.	-3,326	-10,587
	Tax paid	0	-16,226
	Cash flows from operating activities	**-38,980**	**85,429**
8	Purchase of software	-5,946	-3,565
9	Purchase of property, plant and equipment	-1,119	-1,615
12	Purchases and capital increase in subsidiaries	-264,200	-8,201
	Purchases of activity	-27,130	0
	Payments to/from subsidiaries	0	13,306
	Special items paid, transaction costs acquisition of Airlog Group	0	-4,228
	Cash flows from investing activities	**-298,395**	**-4,303**
	Free cash flow	**-337,375**	**81,126**
	Capital increase	154,653	0
	Dividends from subsidiaries	0	3,201
	Dividends distributed	0	-120,000
17	Payments to/from group entities	173,587	14,497
17	Redemption of other acquisition debt	-12,101	0
	Cash flows from financing activities	**316,139**	**-102,302**
	Change in cash and cash equivalents	**-21,236**	**-21,176**
	Cash and cash equivalents		
	Cash and cash equivalents at 1 January	16,342	37,518
	Change in cash and cash equivalents	-21,236	-21,176
18	**Cash and cash equivalents at 31 December**	**-4,894**	**16,342**

Notes to the income statement

Note	(DKKt)	Parent 2017	Parent 2016
1	**Fee to the auditors**		
	Fee to the auditors appointed at the annual general meeting:		
	Fee for the statutory audit	626	900
	Fee for tax and VAT services	75	13
	Fee for other services	921	367
	Total fees to auditors appointed at the general meeting	**1,622**	**1,280**
	Other auditors, tax and other services	167	742
	Total fee to the auditors	**1,789**	**2,022**

Note		2017	2016
2	**Staff costs**		
	Wages and salaries	152,743	133,468
	Pensions	9,151	5,986
	Other social security costs	1,005	782
	Total gross staff costs	**162,899**	**140,236**
	Transferred to cost of operation	0	0
	Transferred to special items	-8,957	-5,121
	Total staff costs	**153,942**	**135,115**
	Remuneration to members of management:		
	Executive Board (Key management personnel)	12,755	16,460
	Board of Directors	60	330
	Total	**12,815**	**19,189**

Members of the Board of Directors did not receive remuneration in 2016 and 2017 except one board member, who received a fee of DKK 60 thousand in 2017. The key personnel of Scan Global Logistics Group comprise of 5 persons.

	2017	2016
Management fee to AEA Investors LP, New York	**5,943**	**2,297**

The fee to AEA covers fee for management services for the Scan Global Group. The fee can not be split into the seperate services.

	Number	Number
Average number of full time employees	221	206

Share-based payments, issued in the Parent company of Scan Global Logistics A/S:

Please see note 3 "Staff costs" for the Group for a description of the warrant programme, exercised in 2016.

Notes to the income statement

Note	(DKKt)	Parent 2017	Parent 2016
3	**Special items, income**		
	Adjustment earn-out business combination	4,916	0
	Total special items	**4,916**	**0**

4	Special items, expenses	2017	2016
	Restructuring cost (Redundancy cost for personel and closing of offices)	-9,182	0
	Transaction costs in connection with the acquition of Airlog Holding Group AB and the Crosseurope AB	0	0
	Primarily costs related to an IFRS conversion and an extraordinary incentive program for key employees.	0	5,121
	Total special items	**-9,182**	**5,121**

5	Financial income	2017	2016
	Interest income from group entities	0	11,291
	Other interest income	517	395
	Exchange gain from FX contracts	3,353	0
	Exchange gain	0	0
	Total financial income	**3,870**	**11,686**

Financial income relates to the financial items measured of amortized income

6	Financial expenses	2017	2016
	Interest expenses to group entities	511	9,438
	Other interest expenses	2,815	1,149
	Exchange loss from FX contracts	0	2,124
	Exchange loss	6,709	574
	Total financial expenses	**10,035**	**13,285**

Financial expenses relate to the financial items measured of amortized costs

Notes to the income statement

Note	(DKKt)	Parent 2017	Parent 2016
7	**Tax for the year**		
	The tax for the year is disaggregated as follows:		
	Tax on profit for the year	-2,560	13,286
	Total tax for the year	**-2,560**	**13,286**
	Reconcilliation of tax:		
	Danish corporation tax rate (22%)	-1,668	11,446
	Unrecognised tax assets	-383	0
	Non-taxable income and non-deductible expenses	-509	1,520
	Tax on dividend from subsidiaries	0	320
	Total tax for the year	**-2,560**	**13,286**

Notes to the balance sheet

Note 8 Intangible assets Parent (DKKt)

		Goodwill	Customer relations	Software	Total
2017	Cost at 1 January 2017	2,383	0	35,093	37,476
	Additions	21,387	2,880	5,946	30,213
	Cost at 31 December 2017	**23,770**	**2,880**	**41,039**	**67,689**
	Amortisation and impairment at 1 January 2017	2,383	0	25,403	27,786
	Amortisation	0	200	3,606	3,806
	Impairment	0	0	0	0
	Amortisation and impairment at 31 December 2017	**2,383**	**200**	**29,009**	**31,592**
	Carrying amount at 31 December 2017	**21,387**	**2,680**	**12,030**	**36,097**
2016	Cost at 1 January 2016	2,383	0	31,528	33,911
	Additions	0	0	3,565	3,565
	Cost at 31 December 2016	**2,383**	**0**	**35,093**	**37,476**
	Amortisation and impairment at 1 January 2016	2,383	0	19,004	21,387
	Amortisation	0	0	6,399	6,399
	Amortisation and impairment at 31 December 2016	**2,383**	**0**	**25,403**	**27,786**
	Carrying amount at 31 December 2016	**0**	**0**	**9,690**	**9,690**

Note 9 Property, plant and equipment Parent (DKKt)

		Land and buildings	Fixtures, tools, fittings and equipment	Total
2017	Cost at 1 January 2017	3,229	10,144	13,373
	Additions	97	812	909
	Cost at 31 December 2017	**3,326**	**10,956**	**14,282**
	Depreciation and impairment at 1 January 2017	1,968	8,889	10,857
	Depreciation	345	774	1,119
	Depreciation and impairment at 31 December 2017	**2,313**	**9,663**	**11,976**
	Carrying amount at 31 December 2017	**1,013**	**1,293**	**2,306**
2016	Cost at 1 January 2016	2,214	9,544	**11,758**
	Additions	1,015	600	**1,615**
	Cost at 31 December 2016	**3,229**	**10,144**	**13,373**
	Depreciation and impairment at 1 January 2016	1,736	8,021	**9,757**
	Depreciation	232	868	**1,100**
	Depreciation and impairment at 31 December 2016	**1,968**	**8,889**	**10,857**
	Carrying amount at 31 December 2016	**1,261**	**1,255**	**2,516**

Notes to the balance sheet

Note (DKKt)		Parent 2017	Parent 2016
10	**Deferred tax assets**		
	Deferred tax at 1 January	1,305	-1,558
	Deferred tax for the year	2,560	2,863
	Deferred tax at 31 December	**3,865**	**1,305**

2017	Deferred tax assets/liabilities arise from the following	Other**	Tax loss carry-forwards	Total
	Deferred tax at 1 January	1,305	0	1,305
	Recognised in the income statement	206	2,354	2,560
	Deferred tax at 31 December	**1,511**	**2,354**	**3,865**

* Other temporary differences, comprise other intangible assets + property, plant and equipment.

2016	Deferred tax assets/liabilities arise from the following	Other**	Tax loss carry-forwards	Total
	Deferred tax at 1 January	-1,558	0	-1,558
	Recognised in the income statement	2,863	0	2,863
	Deferred tax at 31 December	**1,305**	**0**	**1,305**

* Other temporary differences, comprise other intangible assets + property, plant and equipment + deferred income.

11	Trade receivables	31 Dec 2017	31 Dec 2016
	Trade receivables before impairment at 31 December	272,014	192,510
	Provision for bad debts	-3,705	-2,428
	Trade receivables at 31 December	268,309	190,082
	Trade receivables not due	209,817	177,180
	Overdue trade receivables not written down	**58,492**	**12,902**
	Overdue trade receivables not written down break down as follows:		
	Overdue 1-30 days	34,399	6,721
	Overdue 31-60 days	13,009	5,781
	Overdue 61-90 days	2,480	400
	Overdue for more than 90 days	8,604	0
	Overdue trade receivables not written down	**58,492**	**12,902**
	Impairment losses for the year relating to doubtful trade receivables break down as follows:		
	Impairment at 1 January	2,428	5,790
	Impairment losses recognised for receivables	1,277	-3,362
	Impairment at 31 December	**3,705**	**2,428**

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Notes to the balance sheet

Note 12	Investments in group entities Parent company (DKKt)	Parent 2017	Parent 2016
	Cost		
	Cost at 1 January	161,872	149,971
	Additions	264,200	12,429
	Transaction costs not part of cost of acquisition	0	-528
	Disposals	0	0
	Cost at 31 December	**426,072**	**161,872**
	Revaluations		
	Revaluations at 1 January	42,499	54,774
	Transfered	-139,603	0
	Exchange rate adjustements	-9,545	0
	Share of profit/loss for the year	12,440	-9,074
	Equity movements, trade with non-controlling interests and dividend	-676	-3,201
	Revaluations at 31 December	**-94,885**	**42,499**
	Investments with a negative net asset value written down over receivables		
	Impairment losses at 1 January	121,506	128,034
	Transferred	-139,603	0
	Exchange adjustment	0	811
	Investments with a negative net asset value written down over receivables	-2,040	-7,339
	Impairment losses at 31 December	**-20,137**	**121,506**
	Carrying amount at 31 December	**351,324**	**82,865**

13	Share capital	31 Dec 2017	31 Dec 2016
	The Parent Company's share capital of DKK 1,902 thousand comprises:		
	1,901,648 shares of DKK 1 each	1,902	1,902
	Total share capital at 31 December	**1,902**	**1,902**

In 2017 the share capital was increased from DKK 1,901,645 by DKK 3 to DKK 1,901,648.

14 Financial liabilities and financial risks — 31 Dec 2017

Please see note 14 for the Group for a description of the SGL's financial risks.

Notes to the cash flow statement

1 January - 31 December

Note	(DKKt)	Parent 2017	Parent 2016
15	**Change in working capital**		
	Changes in receivables	-81,019	56,351
	Changes in trade payables, etc.	47,356	-23,826
	Total change in working capital	**-33,663**	**32,525**

16 Investments in non-controlling interests

Scan Global Logistics A/S purchased the remaining 48% shares in Scan Global Logistics Ltd. (Thailand) end January 2017 from the two minority shareholders.

17 Financial liabilities and financing activities

(DKKt)	2016	Cash flow	Non-cash change: Business combina-tions	Non-cash change: Foreign exchange movement	Non-cash change: Fair value change	2017
Payables to Group entities	81,372	143,349	0	0	0	224,721
Financial debt in business combination	0	-12,101	25,730	0	-4,916	8,713
Total liabilities from financing activities	**81,372**	**131,248**	**25,730**	**0**	**-4,916**	**233,434**
Bank debt	10,807	26,767	0	0	0	37,574
Total other financial liabilities	**10,807**	**26,767**	**0**	**0**	**0**	**37,574**
Financial liabilities at 31 December	**92,179**	**158,015**	**25,730**	**0**	**-4,916**	**271,008**

Supplementary notes

Note	(DKKt)	Parent	Parent
18	**Cash and liquidity**	31 Dec 2017	31 Dec 2016
	Cash	32,680	27,149
	Credit institutions	-37,574	-10,807
	Net cash	**-4,894**	**16,342**
	Credit facilities	144,151	85,000
	Liquidity reserve	**139,257**	**101,342**

As per 31 December 2017 the SGL Group holds net negative bank liquidity of DKK -4,894 thousand (2016 DKK 35,333 thousand). Total financial reserves (net bank liquidity and credit facilities) aggregate to DKK 139,257 thousand (2016: DKK 183,809 thousand.

19	**Security for loans**	31 Dec 2017	31 Dec 2016
	As security for debt to credit institutions, for undrawn credit facilities and payment warranties, the Company has pledged assets as collateral		
	Chattel mortgages	11,500	11,500
	Company charge	213,300	213,300
	Total security	**224,800**	**224,800**

The above-mentioned securities relate to assets in the company Scan Global Logistics A/S. Carrying amount of total assets in Scan Global Logistics A/S is as of 31 December 2017 DKK 688 million (2016: DKK 353 million) of which DKK 2 million (2016: DKK 3 million) relates to fixed assets.

As at 31 December 2017 the total credit facility including warranties with the credit institution amounts to DKK 202 million (2016: DKK 151 million) regarding Scan Global Logistics A/S.

As security for bond debt Scan Global Logistics Holding ApS and Scan Global Logistics A/S have pledged assets as collateral		
The following assets are pledged as collateral:		
Shares in Scan Global Logistics A/S, carrying amount in Scan Global Logistics Holding ApS	767,511	667,503
Shares in Airlog Group Holding AB	171,429	0
Shares in Airlog Group Denmark A/S	28,689	0
Shares in Crosseurope AB	46,061	0

Supplementary notes

Note	(DKKt)	Parent	Parent
20	**Contingent liabilities and other financial obligations**	31 Dec 2017	31 Dec 2016
	Rent obligations for leased premises	14,868	22,371
	Operating leases for cars and IT equipment	10,929	10,724
	Total rent and lease obligations	**25,797**	**33,095**
	Maturity analysis:		
	Falling due before 1 year	10,533	9,673
	Falling due between 1 and 5 years	15,264	23,422
	Falling due after more than 5 years	0	0
	Total rent and lease obligations	**25,797**	**33,095**
	Total rent and lease expenses during the year	**12,178**	**10,352**
	Warrenties for payments, issued by bank	19,970	20,185
	Warrenties for payments, issued by Parent company	12,770	8,427
	Warranties for payments	**32,740**	**28,612**

Claims and legal disputes

There are a few claims which are considered immaterial. The claims are covered by the Group's insurance programs.

Disputes can arise for project sales, which usually are settled in-between the parties. One dispute was unsettled by the end of December 2017 with an estimated amount of approx. DKK 4m.
No provision was made as no liabilities are expected to be recognized by the company.

The Company has issued a letter of continued financial support for one minor subsidiary for the financial year 2018. In the letter the Company also declare that no demand of repayment of an intercompany receivable of DKK 0,9 million will be made in the financial year 2018.

Joint taxation

Scan Bidco A/S, company reg. no 37521043 being the administration company, Scan Global Logistics A/S is subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

The jointly taxed enterprises' total, known net liability to the Danish tax authorities appears from the annual accounts of the administration company.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.

Supplementary notes

Note	(DKKt)	Parent	Parent
21	**Financial instruments by category**	31 Dec 2017	31 Dec 2016

The carrying amount of financial assets, trade payables and payables to credit institutions corresponds to the estimated fair value.

	Parent 31 Dec 2017	Parent 31 Dec 2016
Financial instruments by category, carrying amount		
Financial assets (measured at amortised cost):		
Trade receivables	268,309	190,082
Other receivables	5,095	2,640
Receivables from group entities	2,668	32,906
Cash	32,680	27,149
Financial assets measured at amortised cost	308,752	252,777
Financial liabilities (measured at fair value at IFRS level 2):		
Currency derivatives	-172	187
Financial liabilities (measured at amortised cost):		
Payables to group entities	224,721	81,372
Earn-out provision	8,713	0
Credit institutions	37,574	10,807
Trade payables	183,120	135,846
Financial liabilities measured at amortised cost	454,128	228,025

Supplementary notes

Note 22	(DKKt) **Related parties**	Parent 31 Dec 2017

Information about related parties with a controlling interest and significant influence:

Related Party	Domicile
Owners of Scan Global Logistics A/S:	
Scan Global Logistics Holding ApS (controlling interest of 100%)	Denmark
Ultimate owner with controlling interest:	
AEA SGLT Holding I LP (controlling interest of 100% of the financial rights)	Cayman Islands
Owners of AEA SGLT Holding I LP:	
AEA Investors Small Business Fund III LP (controlling interest on voting rights)	Cayman Islands

Consolidated financial statements are prepared by the parent company Scan Bidco A/S.
No consolidated financial statements are prepared by the ultimate parent company.

Loans from/to related parties	
Scan Global Logistics A/S, liability to Scan Global Logistics Holding ApS	80,000
Scan Global Logistics A/S, liability to Scan Bidco A/S	102,298
Scan Global Logistics A/S, receivable from Scan Global Logistics Holding ApS	60,698
Management fee to AEA Investors LP, New York (part of AEA Group)	5,943

The fee to AEA covers fee for management services for the Scan Global Logistics Group.

No members of the Board of Directors or the Executive Board had in 2016 or 2017 any direct or indirect transactions with the Group in addition to above mentioned and the benefits described in note 2 Staff costs.

For purchases and sales between Group companies, the same pricing principles are applied as to transactions with external partners. Please see Group note 1 for intercompany revenue and Group note 6 - 7 for financial income and expenses.

In addition Scan Global Logistics A/S charge group services to the benifit of the subsidary companies amounting to DKK 32 million (2016: DKK 27 million)

Note	(DKKt)	Parent
22	**Related parties (continued)**	31 Dec 2016
	Information about related parties with a controlling interest and significant influence:	
	Related Party	Domicile
	Owner of Scan Global Logistics A/S:	
	Scan Global Logistics Holding ApS (controlling interest of 100%)	Denmark
	Owners of Scan Global Logistics Holding ApS:	
	TTGR Holding ApS (significant influence)	Denmark
	Nidovni HH A/S (controlling interest)	Denmark
	Owner of Nidovni HH A/S:	
	Anpartsselskabet af 1. november 2006 (controlling interest)	Denmark
	Owner of TTGR Holding ApS and Anpartsselskabet af 1. november 2006:	
	Scan Bidco A/S	Denmark
	Ultimate owner with controlling interest:	
	AEA SGLT Holding I LP (controlling interest of 100% of the financial rights)	Denmark
	Loans from/to related parties	
	Scan Global Logistics A/S, liability to Scan Global Logistics Holding ApS	80,000
	Scan Global Logistics A/S, receivable from Scan Global Logistics Holding ApS	43,707
	Management fee to AEA Investors LP, New York (part of AEA Group)	2,297

Note 23 **Accounting policies**

The accounting policies applied by the Parent Company are consistent with those of the Group.
Further comments are:

Income statement

Income from investments in group entities

The item comprises the Parent Company's proportionate share of such entities' profit after tax.
Further, it comprises amortisation (less tax) of intangible assets identified on acquisition of the group entity.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to ”Reserve for net revaluation under the equity method” under equity.

Balance sheet

Investments in group entities

Investments in subsidiaries are measured, using the equity method, at the Parent Company's proportionate share of such entities' equity plus goodwill, customer relations and trademarks on consolidation and intra-group losses and less intra-group gains and negative goodwill, if any.

On acquisition of subsidiaries, the difference between cost of acquisition and net asset value of the entity acquired is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value and allowing for the recognition of any restructuring provisions relating to the entity acquired.
Any remaining positive differences in connection with the acquisition of subsidiaries are included in the item ”Investments in group entities”.

Negative investments:
Investments in entities whose net asset value is negative are measured at DKK 0, with the effect that the entity's proportionate share of a deficit on equity, if any, is set off against receivables from the investment in so far as the deficit is irrecoverable.
Amounts in excess thereof are recognised under "Provisions" in so far as the parent has a legal or constructive obligation to cover the deficit.

Newly acquired and sold investments are recognised in the financial statements from the time of acquisition or until the time of sale, respectively.
The acquisition method of accounting is applied to corporate takeovers as described under "Consolidation" in the accounting policies for the Group.

Note

24 Recognition and measurement uncertainties

The Parent Company, Scan Global Logistics A/S, uses the equity method for valuation of investments in group entities.
Therefore, the same recognition and measurement uncertainties apply to the Parent Company as those for the Group.
Please see note 25 for the Group for further information.

25 New accounting regulation not yet adopted

Please see note 26 for the Group where new accounting regulation not yet adopted is described.

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Statement by the Board

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Scan Global Logistics A/S for the financial year 1 January - 31 December 2017.

The annual report has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and additional requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2017 and of the results and cash flows of the Group's and the Company's operations for the financial year 1 January - 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend the adoption of the annual report at the annual general meeting.

Kastrup, 6/6 2018

Executive Board:

Allan Dyrgaard Melgaard

Board of Directors:

Claes Brønsgaard Pedersen
Chairman

Jørgen Agerbro Jessen
Deputy chairman

Allan Dyrgaard Melgaard

Thomas Thellufsen Nørgaard

Independent auditor's report

To the shareholders of Scan Global Logistics A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Scan Global Logistics A/S for the financial year 1 January – 31 December 2017, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Independent auditor's report (continued)

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

► Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

► Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

► Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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Independent auditor's report (continued)

▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 6/6 2018

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Søren Skov Larsen
State Authorised Public Accountant
MNE no.: mne26797

Allan Nørgaard
State Authorised Public Accountant
MNE no.: mne35501