# Scan Global Logistics A/S

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

# Annual Report 2019

Approved at the annual general meeting of shareholders on 27 May 2020.

Chairman of the annual general meeting:

Claes Brønsgaard Pedersen

# Contents

# 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 | : | Henrik August von Sydow, Chairman<br>Claes Brønsgaard Pedersen, Deputy chairman<br>Allan Dyrgaard Melgaard<br>Thomas Tellufsen Nørgaard<br>Jørgen Agerbro Jessen |
| Executive Board | : | Allan Dyrgaard Melgaard |
| Parent company of Scan Glocal Logistics A/S | : | Scan Global Logistics Holding ApS |
| Ultimate owner | : | SGLT Holding I LP, c/o Maples Corporate Services Limited.<br>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 | : | Dirch Passers Allé 36, P O Box 250, 2000 Frederiksberg, Denmark |
| CVR no. | : | 30 70 02 28 |

# Legal entities in the SGL Group

31 December 2019

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

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

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

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

# Financial highlights

| SGL Group | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| ***Key figures (in DKK thousands):*** | | | | | |
| **Income statement** | | | | | |
| Revenue | 4,143,904 | 3,520,600 | 3,391,185 | 2,741,354 | 3,188,373 |
| **Gross profit** | **773,036** | **591,837** | **505,887** | **473,131** | **481,261** |
| **Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) and special items** | **205,234** | **90,797** | **32,422** | **90,401** | **110,493** |
| **Operating profit (EBIT) before special items** | **114,826** | **75,695** | **20,158** | **78,177** | **96,500** |
| Special items, net | -39,966 | -34,955 | -15,988 | -9,599 | -9,318 |
| **Operating profit (EBIT)** | **74,860** | **40,740** | **4,170** | **68,578** | **87,182** |
| Net financial income/expenses | -28,582 | -22,091 | -9,986 | -7,696 | 1,596 |
| **Profit/loss before tax** | **46,278** | **18,649** | **-5,816** | **60,882** | **88,778** |
| **Profit/loss for the year** | **31,389** | **2,539** | **-6,146** | **35,616** | **67,559** |
| **Cash flow** | | | | | |
| Cash flows from operating activities | 14,077 | 54,894 | -31,217 | 87,211 | 115,461 |
| Cash flow from investing activities | -131,435 | -39,294 | -193,256 | -11,657 | -13,529 |
| Free Cash flow | -117,358 | 15,600 | -224,473 | 75,554 | 101,932 |
| Cash flows from financing activities | -5,056 | 94,327 | 215,954 | -108,530 | -49,480 |
| **Financial position** | | | | | |
| Total equity | 320,634 | 288,861 | 182,714 | 55,700 | 143,726 |
| Equity attributable to parent company | 313,974 | 283,326 | 182,402 | 54,704 | 140,472 |
| Total assets | 1,461,164 | 1,124,517 | 963,921 | 562,710 | 644,548 |
| **Financial ratios in %** | | | | | |
| Gross margin* | 18.7 | 16.8 | 14.9 | 17.3 | 15.1 |
| EBITDA margin* | 5.0 | 2.6 | 1.0 | 3.3 | 3.5 |
| EBIT margin* | 2.8 | 2.2 | 0.6 | 2.9 | 3.0 |
| EBIT margin | 1.8 | 1.2 | 0.1 | 2.5 | 2.7 |
| Return on assets* | 8.9 | 7.2 | 2.6 | 13.0 | 15.7 |
| Equity ratio | 21.9 | 25.7 | 19.0 | 9.9 | 22.3 |
| Return on equity (ROE) | 10.2 | 1.0 | -5.9 | 35.9 | 53.6 |
| *before special items | | | | | |
| **Average number of employees** | 1,175 | 952 | 866 | 731 | 713 |

For definition of financial ratios please see note 25 Accounting policies.

Comparison figures for the year 2015, 2016 and 2017 have not been restated according to IFRS 9 and 15.

IFRS 16 leases was adopted 1 January 2019. No figures prior to 1 January 2019, throughout the report, have been restated.

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

SGL Group's activities focus on international freight-forwarding services, primarily by Air and Ocean, with supporting IT, logistics and Road Freight services. More than 80% of the revenue base originates from large customers contracted via corporate initiatives, primarily in the Nordic region. SGL Group primarily provides services to its customers via SGL Group network of offices supported by its affiliated company TransGroup, USA, and other key agents worldwide. SGL Group holds world-leading positions in key verticals like high-end automotive logistics, fashion, and food ingredients and additives.

SGL Group has been the leading provider of complex aid, development and project ("ADP") solutions to NGOs like Unicef and the United Nations for +40 years. SGL Group's main focus is to create solutions for complex logistic challenges on an international basis. SGL Group focuses on complex logistics projects requiring tailor-made solutions (e.g. Aid & Development and verticals such as automotive, fashion retail, food ingredients and additives, etc.) rather than high-volume, low-margin assignments.

Key success factors for SGL Group are agility, flexibility, geographic presence, sector expertise and customer centricity.

In order to accommodate and support this strategic focus, SGL Group is prepared to - in full or partially - acquire other companies in relevant markets.

## The SGL Group's business review

SGL Group continued its acquisition strategy, looking at acquisition opportunities with a good strategic fit and an opportunity to scale-up the business and increase profitability. This resulted in four acquisitions in 2019, which strengthened the focus on the highly specialised Automotive Vertical, the activities in Northern Europe, Air and Ocean in Spain as well as the Fashion and Retail business, establishing a strong platform for E-commerce fulfilment services within SGL Group.

Furthermore, SGL Group has expanded its footprint once again and opened new offices in Austria, Belgium, The Netherlands, Peru and Myanmar.

On 2 January 2019 Scan Global Logistics A/S acquired 100% ownership of the leading special solution provider for high-end automotive logistics – German based, International Quality Service Group (IQS Group). Please refer to note 15 business combinations for further details

On 2 May 2019 the Group, through its wholly owned subsidiary Scan Global Logistics GmbH, acquired activities from the German based logistic company BK-International Speditions GmbH. The acquisition strengthens the Group's positioning in the Road business market. Please refer to note 15 business combinations for further details.

Effective as at 30 June 2019 the Group acquired, through its wholly owned subsidiary SGL E-Commerce A/S, the logistic activity in IC Group A/S, one of the leading Scandinavian fashion fulfillment operations. Please refer to note 15 business combinations for further details.

On 25 November 2019 Scan Global Logistics A/S acquired 100% ownership of Scan Global Logistics Spain S.L. The acquisition strengthens the Group's positioning in the fashion business market. Please refer to note 15 business combinations for further details.

## Financial review

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

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

**Revenue**

In 2019, the SGL Group generated revenues of DKK 4.1 billion, against DKK 3.5 billion the year before, and a profit before tax of DKK 46 million against DKK 19 million the year before. The actual EBITDA result before special items of DKK 205 million for the year is according to previous communicated plan and expectations.

The total organic growth amounts to 5 pecent in revenue compared to 2018.

Air, Ocean and Road segments were all strong drivers of the organic growth, mainly driven by the Nordics and Greater China; however, partly offset by the Solution segment due to restructuring activities within the Danish Solution business.

**Gross profit**

Gross profit amounted to DKK 773 million, corresponding to a gross margin of 18.7 percent which is a 1.9 percentage points increase compared to 2018 (hereof 0.6 percentage points was a result of the change per IFRS 16). This increase was primarily driven by the Ocean and Road activities in the Nordic region as well as by Road activities derived from acquired businesses relative to 2018.
Furthermore, a strong development within E-Commerce and several departments at ADP have added to the profitability.

Of the total increase in Gross profit, DKK 93 million related to the acquired businesses and DKK 24 million the IFRS 16 adjustment. Consequently, the organic growth of the Gross profit was DKK 64 million, equivalent to 11 percent, compared to 2018.

**SG&A costs**

SG&A costs amounted to DKK 568 million, equivalent to an increase of 13 percent compared to 2018. The increase is derived from increased staff costs mainly influenced by acquisitions made in 2019. However, positively impacted by IFRS 16 as the majority of lease contracts are now recognised as Right-of-Use assets on the balance sheet and depreciated subsequently. The total impact on the SG&A costs from the acquisitions was DKK 64 million.

SG&A costs comprise 14 percent of revenue in 2019; overall on par with 2018. However, excluding IFRS 16, the SG&A costs comprised 15 percent of revenue.

**EBITDA before special items**

EBITDA before special items amounted to DKK 205 million compared to DKK 91 million in 2018 equal to an increase by 126 percent.
The EBITDA margin before special items of 5 percent is 2.4 percentage points above 2018 primarily driven by the recent acquisitions as well as IFRS 16 impact accounting for 1.5 percentage point increase.

**Special items**

In 2019 special items amounted to DKK 40 million, which included restructuring activities within the Danish Solutions business, other restructuring costs (redundancy cost for personnel and closing of offices), start-up costs and acquisition costs.

**Financial items**

Net financial costs amounted to 29 million compared to 22 million in 2018. The costs mainly relate to interests regarding leases of 12 million and interests to internal and external parties.

**Cash flows**

SGL Group generated a cash flow of DKK 69 million from operating activities before special items, interest and tax in 2019 versus DKK 117 million in 2018. Despite improved EBITDA, the cash flow was negatively influenced by working capital movements and adjustments for non-cash transactions. The negative working capital movement is a result of increase activity level in 2019 compared to 2018, mainly due to higher receivables, but to some extent also impacted by the acquisitions made.

2019 CAPEX amounted to DKK 53 million, mainly driven by development of IT projects securing the infrastructure necessary for continued long-term growth.

Cash outflow related to acquisitions made including transaction costs amounted to DKK 97 million. The property acquired as a part of the IQS Group transaction has been sold with a net positive cash impact of DKK 25 million subsequently.

Cash flow from financing activities included redemption of the lease liabilities (IFRS 16) of DKK 69 million, and redemption of debt taken over in acquisitions amounting to DKK 8 million.

**Capital structure**

On a regular basis, the Management assesses whether the SGL Group has an adequate capital structure, just as the Management 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 SGL Group. The ultimate owner will make the necessary capital available for possible future acquisitions.

The total equity was DKK 321 million with an equity ratio of 21.9 percent as of 31 December 2019. The equity ratio excluding the impact of IFRS 16 was 24.7 percent and decreased by 1 percentage points compared to 31 December 2018.

## Post balance sheet events

Effective 1 January 2020, SGL Group acquired activities in the Cambodian based freight forwarder Scan Global Logistics Co., Ltd. (Cambodia). Please refer to note 24 for further details.

SGL Group has through its wholly owned subsidiary, Scan Global Logistics PTY (a subsidiary of Scan Global Logistics A/S), entered into an agreement for the acquisitions of Pioneer International Logistics, an Australian freight forwarding company. Please refer to note 24 for further details.

## Outlook

SGL Group finished 2019 strong and above previous expectations with a great momentum driven both organically and externally, giving reason for cautious optimism and expectation to continue improving and growing the business in 2020. SGL Group is now well into 2020 where the outbreak of the COVID-19 virus is boding a negative impact on the global growth momentum. The global economy remains uncertain due to the COVID-19 virus, currently impacting growth negatively in the industry in the short term. The strength of SGL Group´s entrepreneurial business model and the breadth and diversity of its customers and partners combined with the financial structure and M&A track record (M&A track record positively influenced by the acquisitions made in 2019 in combination with the acquisition of Pioneer made in the beginning of 2020), will allow SGL Group to capitalise on growth opportunities where they exist.

The estimated EBITDA before special items (excluding the impact of IFRS 16) is expected to be in the range of DKK 100 million to DKK 140 million; adjusted for estimated impact of the COVID-19 virus.

Beyond 2020, SGL Group sees a wealth of further opportunities. SGL Group will continue the acquisition strategy and continue to target acquisition opportunities with a good strategic fit, which will scale-up the business, increase profitability, and secure a down-trending leverage ratio.

SGL Group stays focused on delivering superior logistics solutions to demanding customers driven by its strong belief in the employees' ability to constantly design the required solution. Subject to the COVID-19 virus, SGL Group continues to enhance the IT system support for operations, sales, management and financial support and SGL Groups 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

SGL Group´s long-term goal remains unchanged where SGL Group entities expect to generate an average EBITDA margin of 4-5% over an economic cycle. SGL Group, after group function costs, will generate and EBITDA margin of 3.5-4% over such period.

### Market expectations

SGL Group continues to monitor the macroeconomic and geopolitical factors involving the US, China and EU as global trade continues to be negatively impacted by the COVID-19 virus.

At the publication of this Annual report, some countries are starting to open up again and some countries continue to keep strict measures to mitigate further spread of COVID-19 virus, disrupting SGL Group activities, including disruptions on Airfreight due to the majority of airlines ceasing operation of passenger aircrafts, and thereby limiting belly cargo capacity. In isolated cases, SGL Group also experiences disruptions on Ocean freight and Road freight, but overall not to the extent as seen on Airfreight.

The risk of an escalating trade war between USA and China is still present, potentially impacted by shifting power dynamics in the US political system leading up to the presidential election in November. The current outlook for 2020 assumes no major shifts in the overall level of trade barriers.

### Volatile rate development

As a result of the current situation SGL Group experiences a very volatile market environment in terms of rate development, with the situation on some transport modes (especially Airfreight) changing by the hour as a result of the COVID-19 virus situation, as capacity becomes available or removed. In other cases, SGL Group sees an implementation of specific surcharges with this being apparent on Road freight in Europe and on Ocean freight specifically for exports to Asia and US excluding Europe.

In maintaining an entrepreneurial business model with an agile operational set-up, SGL Group is to a large extent able to pass on any extra charges and rate increases.

## 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 SGL Group. As a result, 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 normally enable the possibility to agree back-to-back with the carriers, further balancing the risk.

Other major 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 SGL Group's services. Refer to Outlook 2020 page 6 for details on the COVID-19 situation.

### Risks related to IT infrastructure

SGL Group depends on information technology to manage critical business processes, including administrative and financial functions. 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 SGL Group’s operations.

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

SGL Group´s Aid, Development and Project (ADP) 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.  SGL Group monitors and follows any development to mitigate any possible risks.

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

**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 SGL Group.

The Management regularly assesses 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

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 strategic 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 SGL Group.

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.

## Corporate Social Responsibility (CSR)

SGL is committed to sustainability and social responsibility, reduction of environmental impact, the well-being of our employees, and ethical behavior. We operate as an asset-light freight forwarder and base our business model on providing value to customers by providing advanced supply chain solutions. The Group CSR policies are described in the Annual Report for SGL TransGroup International A/S page 23-31, which can be found on https://www.scangl.com/media/2250/sgl-transgroup-international-annual-report-2019-published-29042020.pdf

## Account of the gender composition of management

As freight forwarding and logistics has traditionally been a male-dominated trade, the Management in SGL Group does not consider it realistic that SGL Group can ensure a completely equal distribution of women and men in executive positions.

focused on increasing the number of women in managerial positions to meet the target of 35 percent as minimum for the number of female executives. Management aims to have at least one female board member by the end of 2021 in SGL Group. As for the year 2019 SGL Group did not find any candidates with the right qualifications for the Board of Directors. The Board of Directors comprise of 5 persons, all male. However, 42% of the managers within the Group are female. This is a 17 percentage point increase compared to 2018 and the percentage of women in

Geographically, the ratio of female executives in the SGL Group is higher in the Asian entities.

SGL Group has made a commitment to establish a diversity policy in 2020. The policy will state specific action points with focus on developing and retaining female employees, and through network and training, provide opportunity for a more diverse mixture of staff.

## Ownership and Corporate Governance

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

The Board of Directors consists of the following members:

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

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 SGL 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 SGL Group

## Ownership and Corporate Governance (continued)

An audit committee has been established for SGL TransGroup International A/S and comprises of 6 members; Matthew Bates (Chairman), Henrik von Sydow, Tom Gartland, Alan Wilkinson, John Cozzi and Rachel Kumar.

The Audit committee primarily assists the Board of Directors in various areas, including the following main tasks:

- monitor internal accounting and financial control systems, it-systems and the integrity of the company’s financial reports.
- monitor compliance with legislation, standards and regulations world-wide.
- monitor auditor independence, including the provision of non-audit services and reporting, and to facilitate the auditor selection process.

The Audit Committee also carries out ongoing assessments of the company’s financial and business risks as well as potential cases.

1 January - 31 December

| (DKKt) Notes | Consolidated income statement | Group 2019 | Group 2018 |
|---|---|---|---|
| 1 | Revenue | 4,143,904 | 3,520,600 |
| 1 | Cost of operation | -3,370,868 | -2,928,763 |
| | **Gross profit** | **773,036** | **591,837** |
| 2 | Other external expenses | -106,766 | -122,799 |
| 3 | Staff costs | -461,036 | -378,241 |
| | **Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) and special items** | **205,234** | **90,797** |
| 9 + 10 | Depreciation of tangible assets and right of use assets | -74,596 | -7,155 |
| | **Earnings before Interest, Tax, Amortisation (EBITA) and special items** | **130,638** | **83,642** |
| 8 | Amortisation of intangible assets | -15,812 | -7,947 |
| | **Operating profit (EBIT) before special items** | **114,826** | **75,695** |
| 4 | Special items, net | -39,966 | -34,955 |
| | **Operating profit (EBIT)** | **74,860** | **40,740** |
| 5 | Financial income | 1,467 | 382 |
| 6 | Financial expenses | -30,049 | -22,473 |
| | **Profit before tax** | **46,278** | **18,649** |
| 7 | Income tax for the year | -14,889 | -16,110 |
| | **Profit for the year** | **31,389** | **2,539** |
| | **Profit for the year attributable to** | | |
| | Owners of the parent | 30,359 | 2,332 |
| | Non-controlling interests | 1,030 | 207 |
| | **Total** | **31,389** | **2,539** |

| Consolidated statement of other comprehensive income | Group 2019 | Group 2018 |
|---|---|---|
| **Profit for the year** | 31,389 | 2,539 |
| *Items that will be reclassified to income statement when certain conditions are met:* | | |
| Exchange rate adjustment | -2,394 | -5,449 |
| **Other comprehensive income, net of tax** | -2,394 | -5,449 |
| **Total comprehensive income for the year** | 28,995 | -2,910 |
| **Total comprehensive income for the year attributable to** | | |
| Owners of the parent | 28,003 | -3,407 |
| Non-controlling interests | 992 | 497 |
| **Total** | **28,995** | **-2,910** |

IFRS 16 leases, was adopted 1 January 2019. No figures prior to 1 January 2019, throughout the report, have been restated.

| (DKKt) Notes | Consolidated balance sheet | 31 Dec Group 2019 | 31 Dec Group 2018 |
|---|---|---|---|
| | **ASSETS** | | |
| | Software | 52,487 | 23,398 |
| | Customer relations | 96,590 | 32,829 |
| | Trademarks | 8,232 | 3,427 |
| | Other intangible assets | 1,939 | 0 |
| | Goodwill | 206,446 | 155,452 |
| 8 | **Intangible assets** | **365,694** | **215,106** |
| 10 | **Right of use assets** | **164,576** | **0** |
| | Land and buildings | 2,115 | 3,395 |
| | Plant and machinery | 16,058 | 4,981 |
| | Fixtures, tools, fittings and equipment | 32,768 | 15,816 |
| 9 | **Property, plant and equipment** | **50,941** | **24,192** |
| 11 | Deferred tax asset | 16,680 | 9,972 |
| | Other receivables | 11,668 | 7,936 |
| | **Financial assets** | **28,348** | **17,908** |
| | **Total non-current assets** | **609,559** | **257,206** |
| 12 | Trade receivables | 639,971 | 505,662 |
| 23 | Receivables from Group entities | 116,748 | 96,291 |
| | Income taxes receivable | 2,566 | 3,073 |
| | Other receivables | 18,898 | 23,715 |
| | Prepayments | 14,928 | 13,968 |
| 19 | Cash and cash equivalents | 58,494 | 224,602 |
| | **Total current assets** | **851,605** | **867,311** |
| | **Total assets** | **1,461,164** | **1,124,517** |

IFRS 16 leases, was adopted 1 January 2019. No figures prior to 1 January 2019, throughout the report, have been restated.

scan GLOBAL LOGISTICS

## Consolidated balance sheet

| (DKKt) Notes | | 31 Dec Group 2019 | 31 Dec Group 2018 |
|---|---|---|---|
| | **EQUITY AND LIABILITIES** | | |
| 13 | Share capital | 1,902 | 1,902 |
| | Currency translation reserve | -18,639 | -16,283 |
| | Retained earnings | 330,711 | 297,707 |
| | **Equity attributable to parent company** | **313,974** | **283,326** |
| | Non-controlling interests | 6,660 | 5,535 |
| | **Total Equity** | **320,634** | **288,861** |
| 10 | Lease liabilities | 96,635 | 0 |
| 11 | Deferred tax | 24,759 | 6,280 |
| 15, 22 | Earn-out provision | 6,109 | 1,678 |
| | Other payables | 6,621 | 0 |
| | **Total non-current liabilities** | **134,124** | **7,958** |
| 19 | Credit institutions | 35,647 | 79,342 |
| 10 | Lease liabilities | 76,092 | 0 |
| 15, 22 | Earn-out provision | 3,634 | 5,674 |
| | Trade payables | 458,572 | 425,569 |
| | Deferred income | 20,587 | 4,592 |
| 23 | Payables to Group entities | 301,814 | 209,934 |
| | Corporation tax | 27,195 | 17,714 |
| | Other payables | 82,865 | 84,873 |
| | **Total current liabilities** | **1,006,406** | **827,698** |
| | **Total liabilities** | **1,140,530** | **835,656** |
| | **Total equity and liabilities** | **1,461,164** | **1,124,517** |

IFRS 16 leases, was adopted 1 January 2019. No figures prior to 1 January 2019, throughout the report, have been restated.

1 January - 31 December

## Consolidated cash flow statement

| (DKKt) Notes | | Group 2019 | Group 2018 |
|---|---|---|---|
| | Operating profit (EBIT) before special items | 114,826 | 75,695 |
| | Depreciation and amortisation | 90,408 | 15,102 |
| | Non-cash transactions | -29,891 | 0 |
| | Exchange rate adjustments | 2,584 | 508 |
| 17 | Change in working capital | -108,915 | 25,481 |
| | **Cash flows from operating activities before special items, interest and tax** | **69,012** | **116,786** |
| 4 | Special items paid | -19,545 | -29,478 |
| 5 | Interest received, etc. | 280 | 235 |
| 6 | Interest paid, etc. | -25,901 | -15,408 |
| | Tax paid | -9,769 | -17,241 |
| | **Cash flows from operating activities** | **14,077** | **54,894** |
| 8 | Purchase of software | -31,208 | -15,781 |
| 9 | Purchase of property, plant and equipment | -21,818 | -10,964 |
| | Sale of property, plant and equipment | 25,329 | 0 |
| 15 | Investment in Group entities | -97,425 | -7,625 |
| 15 | Special items paid, transaction costs acquisition | -1,166 | -1,360 |
| 18 | Earn-out paid | -5,147 | -3,564 |
| | **Cash flows from investing activities** | **-131,435** | **-39,294** |
| | **Free cash flow** | **-117,358** | **15,600** |
| | Capital increase | 2,778 | 104,331 |
| 16 | Investments in non-controlling interests | 0 | -2,047 |
| 10 | Redemption of lease liabilities | -68,554 | 0 |
| | Payments from Group entities | 89,240 | -7,957 |
| | Payments to Group entities | -20,457 | |
| | Redemption of other acquisition debt | -8,063 | 0 |
| | **Cash flows from financing activities** | **-5,056** | **94,327** |
| | **Change in cash and cash equivalents** | **-122,414** | **109,927** |
| | **Cash and cash equivalents** | | |
| | Cash and cash equivalents at 1 January | 145,260 | 35,333 |
| | Change in cash and cash equivalents | -122,414 | 109,927 |
| 19 | **Cash and cash equivalents at 31 December** | **22,847** | **145,260** |

The cash flow statement cannot be directly derived from the balance sheet and income statement.

IFRS 16 leases, was adopted 1 January 2019. No figures prior to 1 January 2019, throughout the report, have been restated.

scan GLOBAL LOGISTICS

## Consolidated statement of changes in equity

| (DKKt) | | Share capital | Currency translation reserve | Retained earnings | Equity attributable to parent company | Non-controlling interests | Group Total equity |
|---|---|---|---|---|---|---|---|
| **2019** | **Equity at 1 January 2019** | **1,902** | **-16,283** | **297,707** | **283,326** | **5,535** | **288,861** |
| | **Profit for the year** | **0** | **0** | **30,359** | **30,359** | **1,030** | **31,389** |
| | Currency exchange adjustment | 0 | -2,356 | 0 | **-2,356** | -38 | **-2,394** |
| | **Other comprehensive income, net of tax** | **0** | **-2,356** | **0** | **-2,356** | **-38** | **-2,394** |
| | **Total comprehensive income for the year** | **0** | **-2,356** | **30,359** | **28,003** | **992** | **28,995** |
| | Purchase of non-controlling interests | 0 | 0 | -133 | **-133** | 133 | **0** |
| | Capital increase | 0 | 0 | 2,778 | **2,778** | 0 | **2,778** |
| | **Total transactions with owners** | **0** | **0** | **2,645** | **2,645** | **133** | **2,778** |
| | **Equity at 31 December 2019** | **1,902** | **-18,639** | **330,711** | **313,974** | **6,660** | **320,634** |
| **2018** | **Equity at 1 January 2018** | **1,902** | **-10,544** | **191,044** | **182,402** | **312** | **182,714** |
| | **Profit for the year** | **0** | **0** | **2,332** | **2,332** | **207** | **2,539** |
| | Currency exchange adjustment | 0 | -5,739 | 0 | **-5,739** | 290 | **-5,449** |
| | **Other comprehensive income, net of tax** | **0** | **-5,739** | **0** | **-5,739** | **290** | **-5,449** |
| | **Total comprehensive income for the year** | **0** | **-5,739** | **2,332** | **-3,407** | **497** | **-2,910** |
| | Purchase of non-controlling interests | 0 | 0 | 0 | **0** | 4,726 | **4,726** |
| | Capital increase | 0 | 0 | 104,331 | **104,331** | 0 | **104,331** |
| | Dividend not paid | 0 | 0 | 0 | **0** | 0 | **0** |
| | **Total transactions with owners** | **0** | **0** | **104,331** | **104,331** | **4,726** | **109,057** |
| | **Equity at 31 December 2018** | **1,902** | **-16,283** | **297,707** | **283,326** | **5,535** | **288,861** |

IFRS 16 leases, was adopted 1 January 2019. No figures prior to 1 January 2019, throughout the report, have been restated.

# Contents

scan GLOBAL LOGISTICS

# Notes to the income statement

## Note 1 Segment information

### Condensed gross profit

| | | Air | Ocean | Road | Solution | Total |
|---|---|---|---|---|---|---|
| 2019 | Revenue (services) | 2,125,044 | 1,851,717 | 686,788 | 160,484 | **4,824,033** |
| | Intercompany revenue | -411,671 | -216,001 | -50,246 | -2,211 | **-680,129** |
| | Net revenue (services) | 1,713,373 | 1,635,716 | 636,542 | 158,273 | **4,143,904** |
| | Cost of operation | -1,391,778 | -1,363,272 | -506,681 | -109,137 | **-3,370,868** |
| | **Gross profit** | **321,595** | **272,444** | **129,861** | **49,136** | **773,036** |
| 2018 | Revenue (services) | 1,658,386 | 1,750,464 | 580,194 | 120,762 | **4,109,806** |
| | Intercompany revenue | -316,998 | -226,819 | -43,610 | -1,779 | **-589,206** |
| | Net revenue (services) | 1,341,388 | 1,523,645 | 536,584 | 118,983 | **3,520,600** |
| | Cost of operation | -1,106,399 | -1,275,264 | -440,193 | -106,907 | **-2,928,763** |
| | **Gross profit** | 234,989 | 248,381 | 96,391 | 12,076 | **591,837** |

Net revenue from freight forwarding services is recognised following the over-time recognition principle. Most freight forwarding services and related services are characterised by short delivery time, except for Ocean services, which usually take longer due to the nature of the tranport service. The projects business of SGL Group is included in the Air and Ocean segments as the projects includes Air and Ocean transport in one service, e.g. delivery of first aid. Therefore, the delivery time for project sales is longer.

Segments are monitored at gross profit level. The four segments are all using SGL 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 | Ocean | Road | Solution | Total |
|---|---|---|---|---|---|---|
| 2019 | Balance at 1 January | 120,569 | 32,166 | 38,972 | 0 | 191,707 |
| | Exchange rate adjustments | -1,512 | -328 | -456 | 0 | -2,296 |
| | Additions 2019 | 123,902 | 4,596 | 7,687 | 0 | 136,185 |
| | Amortisation during the year | -8,394 | -1,504 | -2,491 | 0 | -12,389 |
| | **Balance at 31 December** | 234,565 | 34,930 | 43,712 | 0 | **313,207** |
| 2018 | Balance at 1 January | 127,489 | 29,046 | 39,986 | 0 | 196,521 |
| | Exchange rate adjustments | -5,306 | -1,325 | -1,657 | 0 | -8,287 |
| | Additions 2018 | 0 | 4,990 | 1,959 | 0 | 6,949 |
| | Amortisation during the year | -1,614 | -545 | -1,316 | 0 | -3,475 |
| | **Balance at 31 December** | 120,569 | 32,166 | 38,972 | 0 | **191,708** |

Note

## 1 Segment information (continued)

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

The core business of SGL Group is within the Air and Ocean segments, whereas the Road and Solution business 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 Ocean segments.
Consequently, goodwill, customer relations, trademarks, and other intangible assets are primarily allocated to the Air and Ocean segments.

| | Geographical information | Denmark | Other Nordics | Greater China | Other countries | Total |
|---|---|---|---|---|---|---|
| **2019** | Net revenue (services) | 2,036,058 | 943,543 | 372,359 | 791,944 | **4,143,904** |
| | Non-current assets less tax assets | 556,150 | 4,135 | 4,493 | 28,101 | **592,879** |
| **2018** | Net revenue (services) | 1,973,718 | 962,263 | 337,746 | 246,873 | **3,520,600** |
| | Non-current assets less tax assets | 225,893 | 2,038 | 5,753 | 13,550 | **247,234** |

No single customer accounts for more than 10 percent of consolidated revenues.
SGL Group has operations in 16 countries worldwide. The operations are divided into the four georaphical locations below:

- Denmark
- Other Nordics comprises of Sweden, Norway and Finland.
- Greater China comprises of China, Hong Kong and Taiwan.
- Other countries comprises of Japan, Vietnam, Thailand, Malaysia, Singapore, Indonesia, the Philippines, Australia, Mali, Senegal, Ivory Coast, Germany, Austria, Netherlands, Belgium, Spain, USA, Dubai, Chile and Peru.

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

# Notes to the income statement

| Note | (DKKt) | Group 2019 | Group 2018 |
|---|---|---|---|
| 2 | **Fee to the auditors** | | |
| | ***Fee to the auditors appointed at the annual general meeting:*** | | |
| | Fee for the statutory audit | 2,798 | 2,064 |
| | Fee for tax and VAT services | 104 | 59 |
| | Fee for other services | 197 | 891 |
| | **Total fees to auditors appointed at the general meeting** | **3,099** | **3,014** |

| Note | | 2019 | 2018 |
|---|---|---|---|
| 3 | **Staff costs** | | |
| | Wages and salaries | 460,539 | 374,454 |
| | Pensions | 33,677 | 30,351 |
| | Other social security costs | 32,477 | 29,677 |
| | **Total gross staff costs** | **526,693** | **434,482** |
| | Transferred to cost of operation | -58,747 | -45,461 |
| | Transferred to special items | -6,910 | -10,780 |
| | **Total staff costs** | **461,036** | **378,241** |
| | **Remuneration to members of management:** | | |
| | Executive Board (Key management personel), short term employee benefits | 7,859 | 10,134 |
| | Board of Directors | 1,260 | 104 |
| | **Total** | **9,119** | **10,238** |

Members of the Board of Directors did not receive remuneration in 2018 and 2019. The key personnel of Scan Global Logistics Group comprise of 4 persons.

| | 2019 | 2018 |
|---|---|---|
| Management fee to AEA Investors LP, New York | **5,720** | **5,836** |

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

| | Number | Number |
|---|---|---|
| Average number of full time employees | **1,175** | 952 |

# Notes to the income statement

| Note | (DKKt) | Group | Group |
|---|---|---|---|
| 4 | **Special items, net** | **2019** | **2018** |
| | Restructuring cost (Redundancy cost for personel and closing of offices) | 27,907 | 16,407 |
| | Transaction costs in connection with acquitions | 7,100 | 1,360 |
| | Settlement costs related to special projects, etc. | 4,959 | 17,188 |
| | **Total special items, expenses** | **39,966** | **34,955** |

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

| Note | | | |
|---|---|---|---|
| 5 | **Financial income** | **2019** | **2018** |
| | Other interest income | 280 | 235 |
| | Exchange rate gains | 1,187 | 147 |
| | **Total financial income** | **1,467** | **382** |

Financial income relates to the financial items measured at amortised income.

| Note | | | |
|---|---|---|---|
| 6 | **Financial expenses** | **2019** | **2018** |
| | Interest expenses to group entities | 5,759 | 7,080 |
| | Lease interest expenses | 12,400 | 0 |
| | Other interest expenses | 7,742 | 8,328 |
| | Exchange rate losses from FX contracts (fair value) | 0 | 285 |
| | Exchange rate losses (amortised cost) | 4,148 | 6,780 |
| | **Total financial expenses** | **30,049** | **22,473** |

Except for exchange rate losses from FX contracts, financial expenses relate to the financial items measured at amortised costs.

# Notes to the income statement

| Note | (DKKt) | Group 2019 | Group 2018 |
|---|---|---|---|
| 7 | **Tax for the year** | | |
| | *The tax for the year is disaggregated as follows:* | | |
| | Tax on profit for the year | 14,889 | 16,110 |
| | **Total tax for the year** | **14,889** | **16,110** |
| | *Tax on profit for the year is calculated as follows:* | | |
| | Current tax on profit for the year | 25,343 | 15,453 |
| | Change in deferred tax for the year | -10,003 | 1,992 |
| | Tax adjustment relating to previous years | -451 | -1,335 |
| | **Total tax on profit for the year** | **14,889** | **16,110** |
| | *Reconciliation of tax rate:* | | |
| | Tax on profit for the year | 14,889 | 16,110 |
| | Profit before tax | 46,278 | 18,649 |
| | Effective tax rate | 32% | 75% |
| | Danish corporation tax rate | 22% | 22% |
| | Difference in tax rate | **10%** | 53% |
| | **Reconcilliation of tax:** | | |
| | Danish corporation tax rate (22%) | 10,181 | 4,103 |
| | Difference between tax rate for subsidiaries outside Denmark and Danish tax rate | 355 | -54 |
| | Unrecognised tax assets | 340 | 1,396 |
| | Write down of tax assets | -949 | 2,370 |
| | Non-taxable income and non-deductible expenses | 3,298 | 1,063 |
| | Tax relating to previous years | -451 | -1,335 |
| | Tax on dividend from subsidiaries | 37 | 0 |
| | Other | 2,078 | 8,567 |
| | **Total tax for the year** | **14,889** | **16,110** |

scan GLOBAL LOGISTICS

# Notes to the balance sheet

| Note 8 | Intangible assets Group (DKKt) | Software | Customer relations | Trade-marks | Goodwill | Other intangible assets | Total |
|---|---|---|---|---|---|---|---|
| **2019** | Cost at 1 January 2019 | 56,892 | 39,763 | 4,242 | 164,489 | 0 | 265,386 |
| | Currency exchange adjustment | 1,075 | -391 | -51 | -1,888 | | -1,255 |
| | Additions from acquisitions | 194 | 75,310 | 5,839 | 52,882 | 2,154 | 136,379 |
| | Additions | 31,208 | 0 | 0 | 0 | 0 | 31,208 |
| | **Cost at 31 December 2019** | **89,369** | **114,682** | **10,030** | **215,483** | **2,154** | **431,718** |
| | Amortisation and impairment at 1 January 2019 | 33,494 | 6,934 | 815 | 9,037 | 0 | 50,280 |
| | Currency exchange adjustment | -35 | -30 | -3 | 0 | 0 | -68 |
| | Amortisation | 3,423 | 11,188 | 986 | 0 | 215 | 15,812 |
| | **Amortisation and impairment at 31 December 2019** | **36,882** | **18,092** | **1,798** | **9,037** | **215** | **66,024** |
| | **Carrying amount at 31 December 2019** | **52,487** | **96,590** | **8,232** | **206,446** | **1,939** | **365,694** |
| **2018** | Cost at 1 January 2018 | 41,103 | 39,277 | 4,421 | 166,272 | 0 | 251,073 |
| | Currency exchange adjustment | -5 | -1,638 | -179 | -6,608 | 0 | -8,430 |
| | Additions from acquisitions | 13 | 2,124 | 0 | 4,825 | 0 | 6,962 |
| | Additions | 15,781 | 0 | 0 | 0 | 0 | 15,781 |
| | **Cost at 31 December 2018** | **56,892** | **39,763** | **4,242** | **164,489** | **0** | **265,386** |
| | Amortisation and impairment at 1 January 2018 | 29,032 | 3,926 | 486 | 9,037 | 0 | 42,481 |
| | Currency exchange adjustment | -10 | -122 | -16 | 0 | 0 | -148 |
| | Amortisation | 4,472 | 3,130 | 345 | 0 | 0 | 7,947 |
| | **Amortisation and impairment at 31 December 2018** | **33,494** | **6,934** | **815** | **9,037** | **0** | **50,280** |
| | **Carrying amount at 31 December 2018** | **23,398** | **32,829** | **3,427** | **155,452** | **0** | **215,106** |

Goodwill, customer relations, trademarks and other intangible assets were tested for impairment at 31 December 2019.

The basis for the calculation is budget 2020 and strategy 2021-2022.

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.

## Notes to the balance sheet

| Note | Intangible assets (continued) |
|---|---|
| 8 | 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 carrying amount of goodwill allocated to each business segment. In that connection, a sensitivity analysis was performed to assess whether changes in the cash flow would 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 2019, 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 (11.3% before tax) has been applied.
- The basis for the calculation is budget 2020 and strategy 2021-2022.
- A subsequent terminal period is applied.
- An expectation has been applied in which the Scan Global Logistics Group is expected to grow with the expected annual market growth of 2%.

The impairment test was performed on input not adjusted for IFRS 16, hence right of use assets was not included in the carrying amount and WACC was not adjusted for IFRS 16. Adjusted for IFRS 16 a WACC of 7.0% (7.7% before tax) should have been applied. Our analysis showed that adjusting for IFRS 16 will not significantly affect the headroom in the impairment test.

segment based on their relative share of the profit contribution in the Group.
For a description of key asumption per segment, reference is made to note 2.

| | | |
|---|---|---|
| Carrying amount of Goodwill, Customer relations, Trademarks and other intangible assets: | DKK million | 313 |
| Plan period: | Average annual Gross Profit growth rate | 8% |
| Terminal period: | Growth | 2% |
| | Pre tax discount rate | 11.3% |

## Notes to the balance sheet

| Note 9 | Property, plant and equipment Group (DKKt) | Land and buildings | Plant and machinery | Fixtures, tools, fittings and equipment | Total |
|---|---|---|---|---|---|
| **2019** | Cost at 1 January 2019 | 11,156 | 13,253 | 48,059 | 72,468 |
| | Currency exchange adjustment | 87 | -73 | 185 | 199 |
| | Additions | 546 | 3,412 | 17,860 | 21,818 |
| | Addition from acquisition | 25,311 | 11,844 | 4,283 | 41,438 |
| | Disposals | -25,118 | -1,588 | -1,532 | -28,238 |
| | **Cost at 31 December 2019** | **11,982** | **26,848** | **68,855** | **107,685** |
| | Depreciation and impairment at 1 January 2019 | 7,761 | 8,272 | 32,243 | 48,276 |
| | Currency exchange adjustment | 80 | 150 | 398 | 628 |
| | Depreciation | 2,026 | 3,956 | 4,978 | 10,960 |
| | Disposals | 0 | -1,588 | -1,532 | -3,120 |
| | **Depreciation and impairment at 31 December 2019** | **9,867** | **10,790** | **36,087** | **56,744** |
| | **Carrying amount at 31 December 2019** | **2,115** | **16,058** | **32,768** | **50,941** |
| **2018** | Cost at 1 January 2018 | 8,016 | 8,631 | 41,334 | 57,981 |
| | Reclassification to opening value | -220 | -672 | -249 | -1,141 |
| | Currency exchange adjustment | 2,743 | 1,940 | 6,281 | 10,964 |
| | Additions | 617 | 3,306 | 741 | 4,663 |
| | Transfers between categories | 0 | 48 | -48 | 0 |
| | **Cost at 31 December 2018** | **11,156** | **13,253** | **48,059** | **72,468** |
| | Depreciation and impairment at 1 January 2018 | 6,248 | 6,761 | 29,244 | 42,253 |
| | Currency exchange adjustment | -217 | -212 | -704 | -1,133 |
| | Depreciations | 1,730 | 1,707 | 3,718 | 7,155 |
| | Transfers between categories | 0 | 16 | -16 | 0 |
| | **Depreciation and impairment at 31 December 2018** | **7,761** | **8,272** | **32,243** | **48,276** |
| | **Carrying amount at 31 December 2018** | **3,395** | **4,981** | **15,816** | **24,192** |

SCAN GLOBAL LOGISTICS

# Notes to the balance sheet

| Note | Group (DKKt) | |
|---|---|---|
| 10 | **Leasing** | Total |

| Right of use assets | Land and builings | Other assets | Total |
|---|---|---|---|
| **2019** | | | |
| Balance 1 January 2019 | 111,864 | 27,442 | 139,306 |
| Currency exchange adjustment | 538 | 16 | 554 |
| Additions | 35,693 | 20,736 | 56,429 |
| Additions from acquisitions | 23,555 | 972 | 24,527 |
| Remeasurement of lease liability | 7,396 | 0 | 7,396 |
| Depreciations for the year | -50,019 | -13,617 | -63,636 |
| **Balance at 31 December 2019** | **129,027** | **35,549** | **164,576** |

| Lease liabilities | 2019 |
|---|---|
| **The lease liabilities fall due as specified below** | |
| Within 1 year | 72,041 |
| Between 1 to 3 years | 99,982 |
| Between 3 to 5 years | 17,213 |
| After 5 years | 4,839 |
| **Total undiscounted lease obligation 31 December 2019** | **194,075** |
| **Lease obligation recognised in the balance sheet 31 December 2019** | **172,727** |
| Hereof short-term | 76,092 |
| Hereof long-term | 96,635 |

| Amounts recognised in the income statement | 2019 |
|---|---|
| Interest costs relating to lease liabilities | 12,400 |
| Short-term lease costs (falling due within 1 year) | 11,746 |
| Low-value lease costs | 265 |

## Cash flows and future cashflows

During 2019 the Group has paid DKK 68,554 thousands relating to lease liabilities. Hereof interest payments amount to DKK 12,400 thousands and proceed of lease liabilities amount to DKK 56,154 thousands.

| Future cash flows | |
|---|---|
| Lease obligation regarding leasing agreements entered into with effect from 1 January 2020 or later | 10,968 |
| Future lease payments for low-value contracts | 488 |
| Future lease payments for short-term contracts | 1,010 |

scan GLOBAL LOGISTICS

# Notes to the balance sheet

| Note | (DKKt) | Group 2019 | Group 2018 |
|---|---|---|---|
| 11 | **Deferred tax assets/liabilities** | | |
| | Deferred tax at 1 January | 3,692 | 5,284 |
| | Additions from business combination | -21,037 | 0 |
| | Deferred tax for the year | 10,003 | -1,992 |
| | Other adjustments | -737 | 400 |
| | **Deferred tax asset/liability at 31 December** | **-8,079** | **3,692** |

| 2019 | Deferred tax assets/liabilities arise from the following | Other* | Tax loss carry-forwards | Total |
|---|---|---|---|---|
| | Deferred tax at 1 January | -3,625 | 7,317 | 3,692 |
| | Additions from business combination | -21,037 | 0 | -21,037 |
| | Recognised in the income statement | 3,626 | 6,377 | 10,003 |
| | Exchange rate adjustments | -873 | 136 | -737 |
| | **Deferred tax at 31 December** | **-21,909** | **13,830** | **-8,079** |

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

| 2018 | Deferred tax assets/liabilities arise from the following | Other** | Tax loss carry-forwards | Total |
|---|---|---|---|---|
| | Deferred tax at 1 January | -4,044 | 9,328 | 5,284 |
| | Additions from business combination | 0 | 0 | 0 |
| | Recognised in the income statement | 75 | -2,067 | -1,992 |
| | Exchange rate adjustments | 344 | 56 | 400 |
| | **Deferred tax at 31 December** | **-3,625** | **7,317** | **3,692** |

** 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) | 2019 | 2018 |
|---|---|---|
| Unrecognised at 1 January | 11,806 | 10,410 |
| Additions | 340 | 1,396 |
| **Unrecognised tax assets at 31 December** | **12,146** | **11,806** |

scan GLOBAL LOGISTICS

# Notes to the balance sheet

| Note | (DKKt) | Group | Group |
|---|---|---|---|
| 12 | **Trade receivables** | **31 Dec 2019** | **31 Dec 2018** |
| | Trade receivables before impairment at 31 December | 651,983 | 518,215 |
| | Provision for bad debts | -12,012 | -12,553 |
| | Trade receivables at 31 December | 639,971 | 505,662 |
| | Trade receivables not due | 496,158 | 186,732 |
| | **Overdue trade receivables not written down** | **143,813** | **318,930** |
| | *Overdue trade receivables not written down break down as follows:* | | |
| | Overdue 1-30 days | 102,445 | 222,081 |
| | Overdue 31-60 days | 1,630 | 42,178 |
| | Overdue 61-90 days | 15,666 | 18,545 |
| | Overdue for more than 90 days | 24,072 | 36,126 |
| | **Overdue trade receivables not written down** | **143,813** | **318,930** |
| | *follows:* | | |
| | Impairment at 1 January | 12,553 | 10,778 |
| | Currency exchange adjustment | 0 | -112 |
| | Additions from acquisitions | 0 | 13 |
| | Reversal of impairments | -2,221 | -1,485 |
| | Impairment losses recognised for receivables | 1,566 | 3,359 |
| | Impairment for the year | 114 | 0 |
| | **Impairment at 31 December** | **12,012** | **12,553** |

| Note | | | |
|---|---|---|---|
| 13 | **Share capital** | **31 Dec 2019** | **31 Dec 2018** |
| | ***The Parent Company's share capital of DKK 1,902 thousand comprises:*** | | |
| | 1,901,650 shares of DKK 1 each | 1,902 | 1,902 |
| | **Total share capital at 31 December** | **1,902** | **1,902** |

In 2018 the share capital was increased from DKK 1,901,648 by DKK 1 to DKK 1,901,649.
In 2019 the share capital was increased from DKK 1,901,649 by DKK 1 to DKK 1,901,650.

| Note | (DKKt) | Group |
|---|---|---|
| 14 | **Financial liabilities and financial risks** | 31 Dec 2019 |

**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 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 disclosed 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's interest-bearing financial assets are limited to cash holdings. Interest-bearing financial liabilites relate to bank loans and borrowings, loans provided by shareholders and finance leases as disclosed in note 22.

**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. SGL 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.

## Financial liabilities and financial risks (Continued)

**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. The SGL Group's exposure to the risk of changes in foreign exchange rates relates primarily to the SGL Group's operating activities and the SGL Group's net investments in foreign subsidiaries.

Hedging of foreign currency risk is evaluated regularly to align with defined risk appetite and ensuring that the most cost-ffective hedging strategies are applied.

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, SEK and RMB. The below table shows the impact on profit/loss and other comprehensive income from changes in the Group's primary currencies.

| DKK million<br>Main currency exposures | Change in exchange rate | Impact on Profit/Loss | Impact on Other Comprehensive Income | Impact on Profit/Loss | Impact on Other Comprehensive Income |
|---|---|---|---|---|---|
| Currency | | 2019 | | 2018 | |
| USD | 10% | -1 | 0 | 6 | 0 |
| USD | -10% | 1 | 0 | -6 | 0 |
| EUR | 1% | 1 | 0 | 1 | 0 |
| EUR | -1% | -1 | 0 | -1 | 0 |
| SEK | 10% | 0 | 0 | 3 | 0 |
| SEK | -10% | 0 | 0 | -3 | 0 |
| RMB | 10% | 1 | 0 | 1 | 0 |
| RMB | -10% | -1 | 0 | -1 | 0 |

# Notes to the cash flow statement

1 January - 31 December

| Note | (DKKt) | IQS Group | Others* | Group YTD 2019 | Group YTD 2018 |
|---|---|---|---|---|---|
| 15 | **Business combinations** | | | | |
| | **Fair value at date of acquisition:** | | | | |
| | **ASSETS** | | | | |
| | Software | 104 | 90 | 194 | 0 |
| | Right of use assets | 3,123 | 21,404 | 24,527 | 0 |
| | Property, plant and equipment | 29,303 | 12,142 | 41,445 | 4,676 |
| | Trade receivables | 21,975 | 2,855 | 24,830 | 4,868 |
| | Other receivables | 1,596 | 1,728 | 3,324 | 337 |
| | Prepayments | 702 | 454 | 1,156 | 433 |
| | Cash and cash equivalents | 44,514 | 660 | 45,174 | 2,190 |
| | **Total assets** | **101,317** | **39,333** | **140,650** | **12,504** |
| | **LIABILITIES** | | | | |
| | Lease liabilities | 3,123 | 21,404 | 24,527 | 0 |
| | Finance liabilities | 8,063 | 31 | 8,094 | 0 |
| | Trade payables | 30,165 | 2,459 | 32,624 | 609 |
| | Deferred tax | 989 | 0 | 989 | 0 |
| | Corporation tax | 1,768 | 203 | 1,971 | 240 |
| | Other payables | 14,343 | 9,184 | 23,527 | 1,846 |
| | **Total liabilities** | **58,451** | **33,281** | **91,732** | **2,696** |
| | Non-controlling interests' share of acquired net assets | 0 | 0 | 0 | 4,690 |
| | **Acquired net assets before identification of intangible assets and goodwill** | 42,866 | 6,052 | **48,918** | **5,118** |
| | Goodwill | 52,882 | 0 | 52,882 | 4,825 |
| | Customer relations | 46,176 | 29,134 | 75,310 | 2,124 |
| | Trademarks | 5,839 | 0 | 5,839 | 0 |
| | Other intangible assets | 2,154 | 0 | 2,154 | 0 |
| | Deferred tax on customer relations and trademarks | -16,252 | -4,785 | -21,037 | 0 |
| | **Fair value of total consideration** | **133,665** | **30,401** | **164,066** | **12,067** |
| | Due acquisition debt | 0 | 10,461 | 10,461 | **0** |
| | Earn-out provision | 6,519 | 4,487 | 11,006 | 2,252 |
| | **Cash consideration** | **127,146** | **15,453** | **142,599** | **9,815** |
| | Adjustment for cash and cash equivalents taken over | -44,514 | -660 | -45,174 | -2,190 |
| | **Cash consideration for the acquisitions** | **82,632** | **14,793** | **97,425** | **7,625** |
| | Transaction costs for acquisitions in 2018 | 5,934 | 1,166 | 7,100 | 1,360 |
| | **Investments in group entities** | **88,566** | **15,959** | **104,525** | **8,985** |

* Acquisition of BK-International Speditions GmbH, the logistic activities from IC Group A/S and Scan Global Logistics Spain S.L.

Note (DKKt)

## 15 Business combinations (continued)

**Acquisitions in 2019**

Revenue from IQS Group, acquired 2 January 2019, contributed by DKK 331 million to SGL Group revenue. Profit from IQS amounted to DKK 13 million in 2019.

The revenue from other acquried businesses amounted to DKK 116 million and profit amounted to DKK 0.3 million in 2019. Had the entities been owned by SGL Group the full year 2019 revenue from other acquisitions would have been DKK 126 million higher and profit DKK 0.6 million higher.

**Purchase of shares in the IQS Group**

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

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

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

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

Transaction costs amounted to DKK 5.934 thousand, which have been expensed and recognized as special items in 2019.

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

**Purchase of activities from BK-International Speditions GmbH**

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

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

Transaction costs amounted to DKK 224 thousand, which have been expensed and recognized as special items in 2019.

## 15 Business combinations (continued)

**Purchase of logsitic activities from IC Group A/S**

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

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

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

Transaction costs amounted to DKK 682 thousand, which have been expensed and recognized as special items in 2019.

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

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

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

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

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

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

Transaction costs amounted to DKK 260 thousand, which have been expensed and recognized as special items in 2019.

## 15 Business combinations (continued)

**Acquisitions in 2018**

**Purchase of activities from Kestrel Freight & Customs Pty Ltd.**

Effective July 2nd 2018, Scan Global Logistics Pty. Ltd. (Australia) acquired activities from Australian based freight forwarder Kestrel Freight & Customs Pty Ltd. Kestrel is an Australian full-service freight forwarder that provides logistics support to projects in industries such as mining, construction, oil & gas and telecommunication.

Under the terms of the agreement, the Kestrel activities were acquired for a total cash consideration of AUD 500 thousand. In addition, earn-out payments depending on future EBITDA were agreed upon. The provision of the earn-out has been determined at year end 2018 and based on the prognosis of the 5 year period after the effective date. After year-end of 2018 no earn-out payment has to be paid. The main assets acquired relates to tangible assets and customer relations have been identified.

Transaction costs amounted to DKK 674 thousand, which have been expensed and recognized as special items in 2018.

**Purchase of shares in Macca Logistics Sarl**

Effective July 2nd 2018, Scan Global Logistics A/S has acquired 55% of Macca Logistics Sarl, Bamako, Mali – including operational offices in the ports of Dakar, Senegal and Abidjan, Ivory Coast. SGL Group and Macca have had a close partnership for many years and this acquisition strengthens SGL Group's presence in Western Africa serving the GO's and NGO's in the region.

Under the terms of the agreement, Macca Logistics Sarl was acquired for a total cash consideration of EUR 1 million, EUR 500 thousand paid at closing date and EUR 500 thousand which was paid in January 2019. Except for tangibles assets, no significant assets have been acquired and no significant intangible assets have been identified.

Transaction costs amounted to DKK 686 thousand, which have been expensed and recognized as special items in 2018.

| Note | (DKKt) | Group | Group |
|---|---|---|---|
| 16 | **Investments in non-controlling interests** | 2019 | 2018 |
| | Non-controlling interests | 0 | 2,047 |
| | **Net assets taken over** | **0** | **2,047** |
| | **Purchase price (including costs)** | **0** | **2,047** |

Scan Global Logistics A/S purchased the remaning 20% shares in SGL Road AB in 2018 from the minority shareholder.

**Note 17** (DKKt)

## Change in working capital

| | Group 2019 | Group 2018 |
|---|---|---|
| Changes in receivables | -104,874 | 53,252 |
| Changes in trade payables, etc. | -2,541 | -27,382 |
| Debt relating to acquisitions | -1,500 | 3,728 |
| Special items | 0 | -4,117 |
| **Total change in working capital** | **-108,915** | **25,481** |

**Note 18** (DKKt)

## Financial liabilities and financing activities

| (DKKt) | 2018 | Impact of IFRS 16 implementation | Cash flow | Non-cash change: Business combinations | Non-cash change: Foreign exchange movement | Non-cash change: Fair value change | 2019 |
|---|---|---|---|---|---|---|---|
| Payables to Group entities | 209,934 | 0 | 89,240 | 0 | 0 | 2,640 | 301,814 |
| Lease liabilities | 0 | 139,306 | -68,554 | 24,527 | 426 | 77,022 | 172,727 |
| Financial debt in business combinations | 7,352 | 0 | -5,147 | 7,482 | 56 | 0 | 9,743 |
| **Total liabilities from financing activities** | **217,286** | **139,306** | **15,539** | **32,009** | **482** | **79,662** | **484,284** |
| Bank debt | 79,342 | 0 | -43,695 | 0 | 0 | 0 | 35,647 |
| **Total other financial liabilities** | **79,342** | **0** | **-43,695** | **0** | **0** | **0** | **35,647** |
| **Financial liabilities at 31 December** | **296,628** | **139,306** | **-28,156** | **32,009** | **482** | **79,662** | **519,931** |

| (DKKt) | 2017 | Cash flow | Non-cash change: Business combinations | Non-cash change: Foreign exchange movement | Non-cash change: Fair value change | 2018 |
|---|---|---|---|---|---|---|
| Payables to Group entities | 182,298 | 27,636 | 0 | 0 | 0 | 209,934 |
| Financial debt in business combinations | 8,713 | -3,564 | 2,252 | 0 | -49 | 7,352 |
| **Total liabilities from financing activities** | **191,011** | **24,072** | **2,252** | **0** | **-49** | **217,286** |
| Bank debt | 37,574 | 41,768 | 0 | 0 | 0 | 79,342 |
| **Total other financial liabilities** | **37,574** | **41,768** | **0** | **0** | **0** | **79,342** |
| **Financial liabilities at 31 December** | **228,585** | **65,840** | **2,252** | **0** | **-49** | **296,628** |

scan GLOBAL LOGISTICS

# Supplementary notes

| Note | (DKKt) | Group | Group |
|---|---|---|---|
| 19 | **Cash and liquidity** | 31 Dec 2019 | 31 Dec 2018 |
| | Cash | 58,494 | 224,602 |
| | Credit institutions | -35,647 | -79,342 |
| | **Net cash** | **22,847** | **145,260** |
| | Credit facilities | 180,518 | 148,515 |
| | **Liquidity reserve** | **203,365** | **293,775** |

| Note | (DKKt) | | |
|---|---|---|---|
| 20 | **Security for loans** | 31 Dec 2019 | 31 Dec 2018 |

**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 2019 DKK 1,013 million (2018: DKK 912 million) of which DKK 9 million (2018: DKK 3 million) relates to fixed assets.

As of 31 December 2019 the total credit facility including warranties with the credit institution amounts to DKK 211 million (2018: DKK 170 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 | 874,620 | 871,842 |

scan GLOBAL LOGISTICS

# Supplementary notes

| Note | (DKKt) | Group | Group |
|---|---|---|---|
| 21 | **Contingent liabilities and other financial obligations** | 31 Dec 2019 | 31 Dec 2018 |
| | Warranties for payments, issued by bank | 36,064 | 21,252 |
| | Warranties for payments, issued by group entities | 2,274 | 3,630 |
| | **Warranties for payments** | **38,338** | **24,882** |

***Claims and legal disputes:***

In the current financial year, there have only been few claims against the company due to various transports worldwide.
These claims are considered insignificant and are expected to be covered economically by the company's global liability insurance program.
The company has a few cases, which are not covered by the company's global liability insurance program.
The management has on the basis of the precautionary principle made a provision to cover these risks.

| | | | |
|---|---|---|---|
| 22 | **Financial instruments by category** | 31 Dec 2019 | 31 Dec 2018 |

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

*Financial instruments by category, carrying amount*

| | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| **Financial assets** (measured at amortised cost)**:** | | |
| Trade receivables | 639,971 | 505,662 |
| Other receivables | 30,566 | 31,651 |
| Receivables from group entities | 116,748 | 96,291 |
| Cash | 58,494 | 224,602 |
| Financial assets measured at amortised cost | 845,779 | 858,206 |
| **Financial liabilities** (measured at fair value at IFRS level 2)**:** | | |
| Currency derivatives | 85 | -108 |
| **Financial liabilities** (measured at amortised cost)**:** | | |
| Lease liabilities | 172,727 | 0 |
| Payables to group entities | 301,814 | 209,934 |
| Credit institutions | 35,647 | 79,342 |
| Earn-out provision | 9,743 | 7,352 |
| Trade payables | 458,572 | 425,569 |
| Financial liabilities measured at amortised cost | 978,503 | 722,197 |

scan GLOBAL LOGISTICS

# Supplementary notes

| Note | (DKKt) | Group |
|---|---|---|
| 23 | **Related parties** | **31 Dec 2019** |

***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:*** | Cayman |
| | SGLT Holding I LP (controlling interest of 100% of the financial rights) | Islands |
| | ***Owners of SGLT Holding I LP:*** | Cayman |
| | AEA Investors Small Business Fund III LP (controlling interest on voting rights) | Islands |

Consolidated financial statements are prepared by the parent company SGL TransGroup International A/S.
No consolidated financial statements are prepared by the ultimate parent company.

| | | |
|---|---|---|
| | Sale of building from IQS Holding GmbH to Ejendomsselskabet Langenbach ApS | 25,329 |
| | ***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 SGL TransGroup International A/S | 221,814 |
| | Airlog Group Holding AB, receivable from Scan Global Logistics Holding ApS | 50,085 |
| | Scan Global Logistics A/S, receivable from Scan Global Logistics Holding ApS | 66,663 |
| | Management fee to AEA Investors LP, New York (part of AEA Group) | 5,720 |

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 2018 or 2019 any direct or indirect transactions with the Group other than the 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 5 - 6 for financial income and expenses.

scan GLOBAL LOGISTICS

# Supplementary notes

| Note | (DKKt) | Group |
|---|---|---|
| 23 | **Related parties (continued)** | 31 Dec 2018 |

***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:*** | |
| SGLT Holding I LP (controlling interest of 100% of the financial rights) | Cayman Islands |
| ***Owners of SGLT Holding LP:*** | |
| AEA Investors Small Business Fund III LP (controlling interest on voting rights) | Cayman Islands |

Consolidated financial statements are prepared by the parent company SGL TransGroup International 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 | 129,934 |
| Scan Global Logistics A/S, receivable from Scan Global Logistics Holding ApS | 45,429 |
| Airlog Group Holding AB, receivable from Scan Global Logistics Holding ApS | 50,862 |
| Management fee to AEA Investors LP, New York (part of AEA Group) | 5,836 |

| Note | (DKKt) |
|---|---|
| 24 | **Events after the balance sheet date** |

**Acquisition of activities in Scan Global Logistics co. Ltd. (Cambodia)**

Effective 1 January 2020, SGL Group acquired activities in the Cambodian based freight forwarder Scan Global Logistics Co., Ltd. (Cambodia). Previously the Cambodian company has acted as agent for SGL Group.

The acquisition price for the Cambodian activities is approximately DKK 5.5 million. The opening balance is not finalised yet.

**Acquisition of Pioneer International Logistics**

SGL Group has through its wholly owned subsidiary, Scan Global Logistics PTY (a subsidiary of Scan Global Logistics A/S), entered into an agreement for the acquisitions of Pioneer International Logistics, an Australian freight forwarding company. With the acquisition SGL Group will be able to serve the Australian and Pacific customers even better, and the existing customers of Pioneer International Logistics gain access to a full-fledged international solution including added expertise, technology, network, and e-commerce platform.

The acquisition price for Pioneer International Logistics is AUD 12.5 million, financed through subsequent bond issue. Closing was 15 January 2020, from which date Pioneer International Logistics is consolidated into SGL Group's financials. The opening balance is not finalised yet.

**Impact from COVID-19 virus**

Please refer to detailed commentary on the COVID-19 impact in Outlook 2020, page 6.

Note

## 25 Accounting policies

### Basis of preparation
The 2019 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.

### 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 (DKK) and all values are rounded to the nearest thousand, except when otherwise indicated.

### New accounting regulation
SGL Group has implemented the latest International Financial Reporting Standards (IFRS) and amendments effective as of 1 January 2019 as adopted by the European Union, IFRS 16 and IFRIC 23.

*IFRIC 23 Uncertainty over income tax treatments*

IFRIC 23 is an interpretation which clarifies the accounting for uncertainties in income taxes as part of the application of IAS 12. The interpretation specifically addresses whether an entity considers each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty will be followed, and uncertain tax positions are measured at the most likely outcome method. SGL Group has applied the interpretation from its effective date 1 January 2019. The interpretation has not had a significant impact to the balance sheet nor financial ratios.

*IFRS 16 Leases*

IFRS 16 has been implemented using the simple modified retrospective approach with the cumulative effect of applying the standard recognised in the opening balances of assets and liabilities.

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

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

The right-of use assets mainly relates to buildings, cars, trucks, and other assets used for freight forwarding services. The right of use assets are depreciated along the following schedule:

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

**New accounting regulation (continued)**

Major accounting policy choices made in implementing the standard includes:

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

*Impact on the financial statements as of 1 January 2019*

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

Reported operation profits have increased by DKK 69 million, as previous operating lease expenses have been replaced by depreciation and interest expenses. However, the impact on profit for the period is neutral over time, but a timing effect does occur due to
frontloading of interest expenses.

Reported cash flow from operating activities has increased DKK 69 million but is offset by an increased cash outflow from financing activities. Accordingly, the total cash flow for the period isunchanged.

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

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

**New accounting regulations not yet adopted**

The IASB has issued a number of new standards and amendments not yet in effect and therefore not relevant for the preparation of the 2019 consolidated financial statements. SGL Group expects to implement these standards when they take effect.

IASB has issued new or amended accounting standards, which become effective after 31 December 2019.

Note

## 25 Accounting policies (Continued)

**New accounting regulations not yet adopted (continued)**

The following amendments are relevant for SGL Group, but none of these are expected to have a significant impact on the financial statements:

- Amendments to References to the Conceptual Framework in IFRS Standards (issued 2018, effective date 1 January 2020)
- Amendments to IFRS 3, Business Combinations (issued 2018, effective date 1 January 2020)
- Amendments to IAS 1 and IAS 8, Definition of Material (issued 2018, effective date 1 January 2020)
- Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued 2019, effective date 1 January 2020)
- Amendments to IAS 1, Classification of Liabilities as Current or Non-Current (issued 23 January 2020, effective date 1 January 2022).

### 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 SGL Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

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 SGL 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, SGL 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.

Note 25 **Accounting policies** (Continued)

### Consolidation (continued)

Entities over which SGL Group exercises significant influence are considered associates. Significant influence is presumed to exist when SGL 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.

### 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

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

### Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rate at the date of the transaction.

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

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

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

## Note 25 Accounting policies (Continued)

### 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 SGL 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 comprises freight forwarding services, contract logistics and other related services delivered in the financial year.

Revenue from services delivered is recognised in accordance with the over-time recognition principle following the satisfaction of various milestones as the performance obligation is fulfilled towards the customer. The main services comprise Air, Ocean, Road and Solutions services as described in the following.

*Air services*

Air services comprise air freight logistics facilitating transportation of goods across the globe. Air services are characterised by short delivery times as most air transports are completed within a few days.

*Ocean services*

Ocean services comprise ocean freight logistics facilitating transportation of goods across the globe. Ocean services are reported within the Air & Ocean reporting segment. Ocean services are characterised by longer delivery times averaging one month depending on destination.

*Road services*

Road services comprise road freight logistics facilitating transportation of goods by road networks mainly within Europe, the US and South Africa. Road services are reported within the Road reporting segment. Road services are characterised by short delivery times as most road transports are completed within a few days.

Note 25 **Accounting policies** (Continued)

**Revenue (continued)**

*Solution services*

Rent income from the Solution activity mainly comprise warehousing. Solutions services are reported within the Solution reporting segment. Solution services are characterised by very short delivery times, happening almost instantaneously as agreed actions under the customer contract are carried out.

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 SGL Group’s employees have performed the related work.
The item is net of refunds made by public authorities.

**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 SGL Groups main 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.

## Note 25 Accounting policies (Continued)

**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.

### 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 acquisitions are amortised over 5-12 years.

**Trademarks and other intangible assets**

Trademarks and other intangible assets arising from business combinations are recognised at fair value at acquisition. When evidence of impairment is identified, trademarks and other intangible assets are tested for impairment. Trademarks and other intangible assets are amortised over 3-10 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, SGL 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.

Note 25 **Accounting policies (Continued)**

*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 SGL Group.

The tests are conducted for each cash generating unit (CGU) to which the goodwill is allocated to. As goodwill is allocated to SGL Group´s 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  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.

## Accounting policies (Continued)

**Receivables**

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Trade receivables are generally due for settlement within 30-90 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional. Trade receivables are recognised as services delivered are invoiced to the customer and are not adjusted for any financing components as credit terms are short and the financing component therefore insignificant. SGL Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Where services delivered have yet to be invoiced and invoices on services received from hauliers have still to be received, contract assets and accrued cost of services are recognised at the reporting date.
Revenue allocated to remaining performance obligations are not disclosed following the practical expedient of IFRS 15.

SGL Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due.

**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 SGL 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 SGL 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.

Note 25 **Accounting policies** (Continued)

*Deferred tax (continued):*

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.

**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 and received interests 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 flow statement (continued)

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

### Segment information

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

**Business segments**

The operations are organised into four reportable segments (Air, Ocean, 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**

SGL 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

Key figures and ratios are disclosed in accordance with 'Recommendations & Ratios' published by the Danish Finance Society. 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

## 26 Recognition and measurement uncertainties

**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.

***Deferred tax asset, recognition and measurement uncertainties***

| | 2019 | 2018 |
|---|---|---|
| **Deferred tax asset at 31 December** | **16,680** | **9,972** |

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 relating to the Danish part of the Group therefore depends on whether the future earnings can be realised.
Deferred tax assets relating to the Danish part of the Group has been recognised to the extent management expects to utilise these within a period of 5 years. Unrecognised deferred tax assets relating to the Danish part of the Group amounts to DKK 4 million.

The majority of deferred tax assets related to tax losses for foreign entities has not been recognised, refer to note 11.

Note

## 26 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, customer relations, trademarks and other 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, Business combinations, which also reflects the methods for calculating fair value of acquisitions made in 2018 and 2019.

**Goodwill, significant accounting estimates**

In connection with the impairment tests the Management estimates, e.g., revenue development, gross profit, operating margin, WACC 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.

***Ocean***

The Ocean 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.

***Solution***

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.

1 January - 31 December

| (DKKt) Notes | Income statement | Parent 2019 | Parent 2018 |
|---|---|---|---|
| | Revenue | 1,702,374 | 1,706,364 |
| | Cost of operation | -1,477,971 | -1,502,397 |
| | **Gross profit** | **224,403** | **203,967** |
| 1 | Other external expenses | -1,338 | -14,941 |
| 2 | Staff costs | -178,700 | -155,890 |
| | **Earnings before Interest, Tax, Depreciation, Amortisation and special items** | **44,365** | **33,136** |
| 7 + 8 + 9 | Depreciation of tangible assets and right of use assets | -12,037 | -1,842 |
| | **Earnings before Interest, Tax, Amortisation and special items** | **32,328** | **31,294** |
| | Amortisation of customer relations, trademarks and software | -3,359 | -4,694 |
| | **Operating profit before special items** | **28,969** | **26,600** |
| 3 | Special items, net | -8,988 | -16,189 |
| | **Operating profit (EBIT)** | **19,981** | **10,411** |
| 12 | Income from investments in group entities | 36,819 | 7,279 |
| 4 | Financial income | 5,389 | 46 |
| 5 | Financial expenses | -15,818 | -13,863 |
| | **Profit before tax** | **46,371** | **3,873** |
| 6 | Tax on profit for the year | -4,209 | -855 |
| | **Profit for the year** | **42,162** | **3,018** |
| | **Proposed distribution of profit:** | | |
| | Retained earnings | 42,162 | 3,018 |
| | **Total** | **42,162** | **3,018** |

| (DKKt) Notes | Balance sheet | 31 Dec Parent 2019 | 31 Dec Parent 2018 |
|---|---|---|---|
| | **ASSETS** | | |
| | Software | 50,521 | 23,339 |
| | Customer relations | 2,200 | 2,440 |
| | Goodwill | 21,387 | 21,387 |
| 7 | **Intangible assets** | **74,108** | **47,166** |
| 9 | **Right of use assets** | **20,471** | **0** |
| | Land and buildings | 653 | 1,909 |
| | Fixtures and fittings, tools and equipment | 8,622 | 848 |
| 8 | **Property, plant and equipment** | **9,275** | **2,757** |
| 12 | Investments in group entities | 652,504 | 406,809 |
| 10 | Deferred tax asset | 5,382 | 3,766 |
| | Other receivables | 556 | 556 |
| | **Financial assets** | **658,442** | **411,131** |
| | **Total non-current assets** | **762,296** | **461,054** |
| 11 | Trade receivables | 242,847 | 234,650 |
| 20 | Receivables from group entities | 14,517 | 894 |
| | Income taxes receivable | 152 | 107 |
| | Other receivables | 7,636 | 15,973 |
| | Prepayments | 8,627 | 4,663 |
| 17 | Cash and cash equivalents | 1,614 | 194,521 |
| | **Total current assets** | **275,393** | **450,808** |
| | **Total assets** | **1,037,689** | **911,862** |

| (DKKt) Notes | Balance sheet | 31 Dec Parent 2019 | 31 Dec Parent 2018 |
|---|---|---|---|
| | **EQUITY AND LIABILITIES** | | |
| 13 | Share capital | 1,902 | 1,902 |
| | Currency translation reserve | -17,336 | -16,283 |
| | Reserve for development | 54,264 | 23,339 |
| | Retained earnings | 305,159 | 291,144 |
| | **Total Equity** | **343,989** | **300,102** |
| 9 | Lease liabilities | 11,001 | 0 |
| 20 | Earn-out provision | 4,615 | 0 |
| | Other payables | 5,367 | 0 |
| | **Total non-current liabilities** | **20,983** | **0** |
| 17 | Credit institutions | 34,732 | 79,342 |
| 9 | Lease liabilities | 10,758 | 0 |
| 20 | Earn-out provision | 2,140 | 5,384 |
| | Trade payables | 187,544 | 187,963 |
| | Deferred income | 681 | 0 |
| 20 | Payables to group entities | 401,128 | 294,842 |
| | Other payables | 35,734 | 44,230 |
| | **Total current liabilities** | **672,717** | **611,761** |
| | **Total liabilities** | **693,700** | **611,761** |
| | **Total equity and liabilities** | **1,037,689** | **911,862** |

1 January - 31 December

| (DKKt) Notes | Cash flow statement | Parent 2019 | Parent 2018 |
|---|---|---|---|
| | Operating profit (EBIT) before special items | 28,969 | 26,600 |
| | Depreciation, amortisation and impairment | 15,396 | 6,536 |
| | Non-cash transactions | 12,608 | 0 |
| | Exchange rate adjustments | 1,175 | -4,657 |
| 15 | Change in working capital | -6,691 | 16,833 |
| | **Cash flows from operating activities before special items and interest** | **51,457** | **45,312** |
| | Special items paid | -7,748 | -16,189 |
| 4 | Interest received, etc. | 5,196 | 46 |
| 5 | Interest paid, etc. | -14,389 | -10,394 |
| | Tax paid | -46 | -786 |
| | **Cash flows from operating activities** | **34,470** | **17,989** |
| 7 | Purchase of software | -30,301 | -15,763 |
| 8 | Purchase of property, plant and equipment | -8,569 | -2,186 |
| | Purchases and capital increase in subsidiaries | -199,847 | -52,629 |
| 16 | Earn-out paid | -5,147 | -3,564 |
| | **Cash flows from investing activities** | **-243,864** | **-74,142** |
| | **Free cash flow** | **-209,394** | **-56,153** |
| | Capital increase | 2,778 | 104,331 |
| 16 | Redemption of lease liabilities | -10,304 | 0 |
| | Payments to group entities | -13,623 | 0 |
| 16 | Payments from group entities | 90,308 | 71,895 |
| 16 | Redemption of other acquisition debt | -8,063 | 0 |
| | **Cash flows from financing activities** | **61,096** | **176,226** |
| | **Change in cash and cash equivalents** | **-148,298** | **120,073** |
| | **Cash and cash equivalents** | | |
| | Cash and cash equivalents at 1 January | 115,179 | -4,894 |
| | Change in cash and cash equivalents | -148,298 | 120,073 |
| 17 | **Cash and cash equivalents at 31 December** | **-33,118** | **115,179** |

IFRS 16 leases, was adopted 1 January 2019. No figures prior to 1 January 2019, throughout the report, have been restated.

scan GLOBAL LOGISTICS

## Statement of changes in equity

| (DKKt) | | Share capital | Currency translation reserve | Retained earnings | Reserve for development | Total equity |
|---|---|---|---|---|---|---|
| 2019 | **Equity at 1 January 2019** | **1,902** | **-16,283** | **291,144** | **23,339** | **300,102** |
| | **Profit for the year** | **0** | **0** | **42,162** | **0** | **42,162** |
| | Currency exchange adjustment | 0 | -1,053 | 0 | 0 | **-1,053** |
| | Transfer to reserve for development | 0 | 0 | -30,925 | 30,925 | **0** |
| | **Other comprehensive income, net of tax** | **0** | **-1,053** | **-30,925** | **30,925** | **-1,053** |
| | **Total comprehensive income for the year** | **0** | **-1,053** | **11,237** | **30,925** | **41,109** |
| | Capital increase | 0 | 0 | 2,778 | 0 | **2,778** |
| | **Total transactions with owners** | **0** | **0** | **2,778** | **0** | **2,778** |
| | **Equity at 31 December 2019** | **1,902** | **-17,336** | **305,159** | **54,264** | **343,989** |
| 2018 | **Equity at 1 January 2018** | **1,902** | **-10,544** | **207,133** | **0** | **198,491** |
| | **Profit for the year** | **0** | **0** | **3,019** | **0** | **3,019** |
| | Currency exchange adjustment | 0 | -5,739 | 0 | 0 | **-5,739** |
| | Transfer to reserve for development | 0 | 0 | -23,339 | 23,339 | **0** |
| | **Other comprehensive income, net of tax** | **0** | **-5,739** | **-23,339** | **23,339** | **-5,739** |
| | **Total comprehensive income for the year** | **0** | **-5,739** | **-20,320** | **23,339** | **-2,720** |
| | Adjustment subordinate loan capital | 0 | 0 | 104,331 | 0 | **104,331** |
| | **Total transactions with owners** | **0** | **0** | **104,331** | **0** | **104,331** |
| | **Equity at 31 December 2018** | **1,902** | **-16,283** | **291,144** | **23,339** | **300,102** |

IFRS 16 leases, was adopted 1 January 2019. No figures prior to 1 January 2019, throughout the report, have been restated.

scan GLOBAL LOGISTICS

# Notes to the income statement

| Note | (DKKt) | Parent 2019 | Parent 2018 |
|---|---|---|---|
| 1 | **Fee to the auditors** | | |
| | ***Fee to the auditors appointed at the annual general meeting:*** | | |
| | Fee for the statutory audit | 774 | 720 |
| | Fee for tax and VAT services | 48 | 0 |
| | Fee for other services | 175 | 876 |
| | **Total fees to auditors appointed at the general meeting** | **997** | **1,596** |

| Note | | 2019 | 2018 |
|---|---|---|---|
| 2 | **Staff costs** | | |
| | Wages and salaries | 169,279 | 145,667 |
| | Pensions | 11,249 | 10,491 |
| | Other social security costs | 598 | 1,585 |
| | **Total gross staff costs** | **181,126** | **157,743** |
| | Transferred to special items | -2,426 | -1,853 |
| | **Total staff costs** | **178,700** | **155,890** |
| | **Remuneration to members of management:** | | |
| | Executive Board (Key management personel) | 7,859 | 10,134 |
| | Board of Directors | 1,260 | 104 |
| | **Total** | **9,119** | **10,238** |

Members of the Board of Directors did not receive remuneration in 2018 and 2019. The key personel of Scan Global Logistics A/S comprise of 4 persons.

| | | |
|---|---|---|
| Management fee to AEA Investors LP, New York | **5,720** | **5,836** |

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 | 292 | 263 |

scan GLOBAL LOGISTICS

# Notes to the income statement

| Note | (DKKt) | Parent 2019 | Parent 2018 |
|---|---|---|---|
| 3 | **Special items, expenses** | | |
| | Restructuring cost (Redundancy cost for personel and closing of offices) | 2,426 | 2,418 |
| | Transaction costs in connection with acquitions | 1,293 | 945 |
| | Settlement costs related to special projects | 5,269 | 12,826 |
| | **Total special items** | **8,988** | **16,189** |

| 4 | **Financial income** | 2019 | 2018 |
|---|---|---|---|
| | Interest expenses from group entities | 4,901 | 0 |
| | Other financial income | 295 | 46 |
| | Exchange rate gain | 193 | 0 |
| | **Total financial income** | **5,389** | **46** |

Other financial income relates to the financial items measured of amortised income.

| 5 | **Financial expenses** | 2019 | 2018 |
|---|---|---|---|
| | Interest expenses to group entities | 7,393 | 3,729 |
| | Interest expenses to lease liabilities | 1,426 | 0 |
| | Other financial expenses | 5,570 | 6,665 |
| | Exchange rate loss from FX contracts | 0 | 281 |
| | Exchange rate loss | 1,429 | 3,188 |
| | **Total financial expenses** | **15,818** | **13,863** |

Other financial expenses relate to the financial items measured of amortised costs.

| 6 | **Tax for the year** | 2019 | 2018 |
|---|---|---|---|
| | *The tax for the year is disaggregated as follows:* | | |
| | Tax on profit for the year | 4,209 | 855 |
| | **Total tax for the year** | **4,209** | **855** |
| | | | |
| | **Reconcilliation of tax:** | | |
| | Danish corporation tax rate (22%) | 10,202 | 852 |
| | Non-taxable income and non-deductible expenses | -6,098 | 65 |
| | Other adjustments | 105 | -62 |
| | **Total tax for the year** | **4,209** | **855** |

scan GLOBAL LOGISTICS

# Notes to the balance sheet

## Note 7 Intangible assets Parent (DKKt)

| | | Goodwill | Customer relations | Software | Total |
|---|---|---|---|---|---|
| 2019 | Cost at 1 January 2019 | 23,770 | 2,880 | 45,207 | 71,857 |
| | Additions | 0 | 0 | 30,301 | 30,301 |
| | **Cost at 31 December 2019** | **23,770** | **2,880** | **75,508** | **102,158** |
| | Amortisation and impairment at 1 January 2019 | 2,383 | 440 | 21,868 | 24,691 |
| | Amortisation | 0 | 240 | 3,119 | 3,359 |
| | **Amortisation and impairment at 31 December 2019** | **2,383** | **680** | **24,987** | **28,050** |
| | **Carrying amount at 31 December 2019** | **21,387** | **2,200** | **50,521** | **74,108** |
| 2018 | Cost at 1 January 2018 | 23,770 | 2,880 | 41,039 | 67,689 |
| | Additions | 0 | 0 | 15,763 | 15,763 |
| | Disposals | 0 | 0 | -11,595 | -11,595 |
| | **Cost at 31 December 2018** | **23,770** | **2,880** | **45,207** | **71,857** |
| | Amortisation and impairment at 1 January 2018 | 2,383 | 200 | 29,009 | 31,592 |
| | Amortisation | 0 | 240 | 4,454 | 4,694 |
| | Disopsals | 0 | 0 | -11,595 | -11,595 |
| | **Amortisation and impairment at 31 December 2018** | **2,383** | **440** | **21,868** | **24,691** |
| | **Carrying amount at 31 December 2018** | **21,387** | **2,440** | **23,339** | **47,166** |

## Note 8 Property, plant and equipment Parent (DKKt)

| | | Land and buildings | Fixtures, tools, fittings and equipment | Total |
|---|---|---|---|---|
| 2019 | Cost at 1 January 2019 | 4,349 | 2,613 | 6,962 |
| | Additions | 161 | 8,408 | 8,569 |
| | **Cost at 31 December 2019** | **4,510** | **11,021** | **15,531** |
| | Depreciation and impairment at 1 January 2019 | 2,440 | 1,765 | 4,205 |
| | Depreciation | 1,417 | 634 | 2,051 |
| | **Depreciation and impairment at 31 December 2019** | **3,857** | **2,399** | **6,256** |
| | **Carrying amount at 31 December 2019** | **653** | **8,622** | **9,275** |
| 2018 | Cost at 1 January 2018 | 3,326 | 10,956 | **14,282** |
| | Additions | 2,127 | 59 | **2,186** |
| | Disposals | -1,104 | -8,402 | **-9,506** |
| | **Cost at 31 December 2018** | **4,349** | **2,613** | **6,962** |
| | Depreciation and impairment at 1 January 2018 | 2,313 | 9,663 | **11,976** |
| | Depreciation | 1,231 | 504 | **1,735** |
| | Disposals | -1,104 | -8,402 | **-9,506** |
| | **Depreciation and impairment at 31 December 2018** | **2,440** | **1,765** | **4,205** |
| | **Carrying amount at 31 December 2018** | **1,909** | **848** | **2,757** |

# Notes to the balance sheet

Note **Parent** (DKKt)

## 9 Leasing

| Right of use assets | | Land and buildings | Other assets | Total |
|---|---|---|---|---|
| 2019 | Balance 1 January 2019 | 13,519 | 6,244 | 19,763 |
| | Additions | 0 | 5,144 | 5,144 |
| | Remeasurement of lease liability | 5,800 | -250 | 5,550 |
| | Depreciations for the year | -6,881 | -3,105 | -9,986 |
| | **Balance at 31 December 2019** | **12,438** | **8,033** | **20,471** |

| Lease liabilities | 2019 | 2018 |
|---|---|---|
| **The lease liabilities fall due as specified below** | | |
| Within 1 year | | 10,279 |
| Between 1 to 3 years | | 12,595 |
| Between 3 to 5 years | | 471 |
| **Total undiscounted lease obligation 31 December 2019** | | **23,345** |
| **Lease obligation recognised in the balance sheet** | | **21,759** |
| Hereof short-term | | 10,758 |
| Hereof long-term | | 11,001 |

| Amounts recognised in the income statement | 2019 | 2018 |
|---|---|---|
| Interest costs relating to lease liabilities | | 1,426 |
| Short-term lease costs | | 1,004 |
| Low-value lease costs | | 11 |

### Cash flows and future cashflows

During 2019 Scan Global Logistics A/S has paid DKK 10.304 thousands relating to lease liabilities. Hereof interest payments amount to DKK 1.426 thousands and proceed of leaseliabilities amount to DKK 8.878 thousands.

| **Future cash flows** | |
|---|---|
| Lease obligation regarding leasing agreements entered into with effect from 1 January 2020 or | 585 |
| Future lease payments for low-value contracts | 10 |

scan GLOBAL LOGISTICS

# Notes to the balance sheet

| Note | (DKKt) | Parent 31 Dec 2019 | Parent 31 Dec 2018 |
|---|---|---|---|
| 10 | **Deferred tax assets** | | |
| | Deferred tax at 1 January | 3,766 | 3,865 |
| | Deferred tax for the year | 1,616 | -99 |
| | **Deferred tax at 31 December** | **5,382** | **3,766** |

| 2019 | Deferred tax assets/liabilities arise from the following | Other* | Tax loss carry-forwards | Total |
|---|---|---|---|---|
| | Deferred tax at 1 January | 3,766 | 0 | 3,766 |
| | Recognised in the income statement | 1,616 | 0 | 1,616 |
| | **Deferred tax at 31 December** | **5,382** | **0** | **5,382** |

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

| 2018 | Deferred tax assets/liabilities arise from the following | Other* | Tax loss carry-forwards | Total |
|---|---|---|---|---|
| | Deferred tax at 1 January | 1,511 | 2,354 | 3,865 |
| | Recognised in the income statement | 2,255 | -2,354 | -99 |
| | **Deferred tax at 31 December** | **3,766** | **0** | **3,766** |

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

| Note | | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|---|
| 11 | **Trade receivables** | | |
| | Trade receivables before impairment at 31 December | 246,900 | 238,895 |
| | Provision for bad debts | -4,053 | -4,245 |
| | Trade receivables at 31 December | 242,847 | 234,650 |
| | Trade receivables not due | 207,368 | 46,913 |
| | **Overdue trade receivables not written down** | **35,479** | **187,737** |
| | *Overdue trade receivables not written down break down as follows:* | | |
| | Overdue 1-30 days | 30,926 | 130,248 |
| | Overdue 31-60 days | -9,738 | 20,899 |
| | Overdue 61-90 days | 7,645 | 9,090 |
| | Overdue for more than 90 days | 6,646 | 27,500 |
| | **Overdue trade receivables not written down** | **35,479** | **187,737** |
| | *Impairment losses for the year relating to doubtful trade receivables break down as follows:* | | |
| | Impairment at 1 January | 4,245 | 3,705 |
| | Reversal of impairments | -1,200 | 720 |
| | Impairment losses recognised for receivables | 1,008 | -180 |
| | **Impairment at 31 December** | **4,053** | **4,245** |

scan GLOBAL LOGISTICS

# Notes to the balance sheet

## Note 12 Investments in group entities Parent company (DKKt)

| | Parent 31 Dec 2019 | Parent 31 Dec 2018 |
|---|---|---|
| **Cost** | | |
| Cost at 1 January | 478,701 | 426,072 |
| Additions | 199,847 | 52,629 |
| Sale of shares | -133 | 0 |
| **Cost at 31 December** | **678,415** | **478,701** |
| **Revaluations** | | |
| Revaluations at 1 January | -94,860 | -94,885 |
| Exchange rate adjustements | -992 | -5,739 |
| Share of result for the year | 36,819 | 7,279 |
| Equity movements, trade with non-controlling interests and dividend | 0 | -1,515 |
| **Revaluations at 31 December** | **-59,033** | **-94,860** |
| **Investments with a negative net asset value written down over receivables** | | |
| Impairment losses at 1 January | -22,968 | -20,137 |
| Investments with a negative net asset value written down over receivables | -10,154 | -2,831 |
| **Impairment losses at 31 December** | **-33,122** | **-22,968** |
| **Carrying amount at 31 December** | **652,504** | **406,809** |

## 13 Share capital

| | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| ***The Parent Company's share capital of DKK 1,902 thousand comprises:*** | | |
| 1,901,650 shares of DKK 1 each | 1,902 | 1,902 |
| **Total share capital at 31 December** | **1,902** | **1,902** |

In 2018 the share capital was increased from DKK 1,901,648 by DKK 1 to DKK 1,901,649.
In 2019 the share capital was increased from DKK 1,901,649 by DKK 1 to DKK 1,901,650.

## 14 Financial liabilities and financial risks

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

# Notes to the cash flow statement

| Note (DKKt) 15 | Change in working capital | Parent 2019 | Parent 2018 |
|---|---|---|---|
| | Changes in receivables | -3,824 | 21,855 |
| | Changes in trade payables, etc. | -2,867 | -5,022 |
| | **Total change in working capital** | **-6,691** | **16,833** |

## Note 16 (DKKt) Financial liabilities and financing activities

| (DKKt) | 2018 | Impact of IFRS 16 implementation | Cash flow | Non-cash change: combina-combina-tions | Non-cash change: Fair value change | 2019 |
|---|---|---|---|---|---|---|
| Payables to Group entities | 294,842 | 0 | 90,308 | 0 | 15,978 | 401,128 |
| Lease liabilities | 0 | 19,763 | -10,304 | 0 | 12,300 | 21,759 |
| Financial debt in business combination | 5,384 | 0 | -5,147 | 6,518 | 0 | 6,755 |
| **Total liabilities from financing activities** | **300,226** | **19,763** | **74,857** | **6,518** | **28,278** | **429,642** |
| Bank debt | 79,342 | 0 | -52,673 | 8,063 | | 34,732 |
| **Total other financial liabilities** | **79,342** | **0** | **-52,673** | **8,063** | **0** | **34,732** |
| **Financial liabilities at 31 December** | **379,568** | **19,763** | **22,184** | **14,581** | **28,278** | **464,374** |

| (DKKt) | 2017 | Cash flow | combina- | Fair value change | 2018 |
|---|---|---|---|---|---|
| Payables to Group entities | 224,721 | 67,290 | 0 | 2,831 | 294,842 |
| Financial debt in business combinations | 8,713 | -3,564 | 235 | 0 | 5,384 |
| **Total liabilities from financing activities** | **233,434** | **63,726** | **235** | **2,831** | **300,226** |
| Bank debt | 37,574 | 41,768 | 0 | 0 | 79,342 |
| **Total other financial liabilities** | **37,574** | **41,768** | **0** | **0** | **79,342** |
| **Financial liabilities at 31 December** | **271,008** | **105,494** | **235** | **2,831** | **379,568** |

# Supplementary notes

| Note | (DKKt) | Parent | Parent |
|---|---|---|---|
| 17 | **Cash and liquidity** | 31 Dec 2019 | 31 Dec 2018 |
| | Cash | 1,614 | 194,521 |
| | Credit institutions | -34,732 | -79,342 |
| | **Net cash** | **-33,118** | **115,179** |
| | Credit facilities | 174,000 | 148,494 |
| | **Liquidity reserve** | **140,882** | **263,673** |

| Note | (DKKt) | | |
|---|---|---|---|
| 18 | **Security for loans** | 31 Dec 2019 | 31 Dec 2018 |

**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 2019 DKK 1,013 million (2018: DKK 912 million) of which DKK 9 million (2018: DKK 3 million) relates to fixed assets.

At 31 December 2019 the total credit facility including warranties with the credit institution amounts to DKK 211 million (2018: DKK 170 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 | 874,620 | 871,842 |
| Shares in Airlog Group Holding AB | 164,199 | 165,914 |
| Shares in Airlog Group Denmark A/S | 26,955 | 28,456 |
| Shares in Crosseurope AB | 55,491 | 50,497 |

## Supplementary notes

| Note | (DKKt) | Parent | Parent |
|---|---|---|---|
| 19 | **Contingent liabilities and other financial obligations** | 31 Dec 2019 | 31 Dec 2018 |
| | Warrenties for payments, issued by bank | 36,064 | 21,150 |
| | Warrenties for payments, issued by Parent company | 2,274 | 3,628 |
| | **Warranties for payments** | **38,338** | **24,778** |

***Claims and legal disputes***

In the current financial year, there have only been few claims against the company due to various transports worldwide.

These claims are considered insignificant and are expected to be covered economically by the company's global liability insurance program.

The company has two cases, which are not covered by the company's global liability insurance program.

The management has on the basis of the precautionary principle made a provision to cover these risks.

***Joint taxation***

SGL TransGroup International 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.

scan GLOBAL LOGISTICS

# Supplementary notes

| Note | (DKKt) | Parent | Parent |
|---|---|---|---|
| 20 | **Financial instruments by category** | 31 Dec 2019 | 31 Dec 2018 |

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

| | Parent 31 Dec 2019 | Parent 31 Dec 2018 |
|---|---|---|
| *Financial instruments by category, carrying amount* | | |
| **Financial assets** (measured at amortised cost)**:** | | |
| Trade receivables | 242,847 | 234,650 |
| Other receivables | 8,192 | 16,529 |
| Receivables from group entities | 14,517 | 894 |
| Cash | 1,614 | 194,521 |
| Financial assets measured at amortised cost | 267,170 | 446,594 |
| | | |
| **Financial liabilities** (measured at fair value at IFRS level 2)**:** | | |
| Currency derivatives | 0 | -108 |
| | | |
| **Financial liabilities** (measured at amortised cost)**:** | | |
| Lease liabilities | 21,759 | 0 |
| Payables to group entities | 401,128 | 294,842 |
| Earn-out provision | 6,755 | 5,384 |
| Credit institutions | 34,732 | 79,342 |
| Trade payables | 187,544 | 187,963 |
| Financial liabilities measured at amortised cost | 651,918 | 567,531 |

scan GLOBAL LOGISTICS

# Supplementary notes

| Note | (DKKt) | Parent |
|---|---|---|
| 21 | **Related parties** | **31 Dec 2019** |

***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:*** | Cayman |
| SGLT Holding I LP (controlling interest of 100% of the financial rights) | Islands |
| ***Owners of SGLT Holding I LP:*** | Cayman |
| AEA Investors Small Business Fund III LP (controlling interest on voting rights) | Islands |

Consolidated financial statements are prepared by the parent company SGL TransGroup International 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 SGL TransGroup International A/S | 224,815 |
| Scan Global Logistics A/S, receivable from Scan Global Logistics Holding ApS | 66,663 |
| Management fee to AEA Investors LP, New York (part of AEA Group) | 5,720 |

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 2018 or 2019 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 5 and 6 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 42 million (2018: DKK 41 million).

SCAN GLOBAL LOGISTICS

# Supplementary notes

| Note | (DKKt) | Parent |
|---|---|---|
| 21 | **Related parties (continued)** | 31 Dec 2018 |
| | ***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 |
| | SGLT Holding I LP (controlling interest of 100% of the financial rights) | Islands |
| | ***Owners of SGLT Holding I LP:*** | Cayman |
| | AEA Investors Small Business Fund III LP (controlling interest on voting rights) | 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 | 129,934 |
| | Scan Global Logistics A/S, receivable from Scan Global Logistics Holding ApS | 45,429 |
| | Management fee to AEA Investors LP, New York (part of AEA Group) | 5,836 |

Note

## 22 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

## 23 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.

## 24 New accounting regulation not yet adopted

Please see note 25 for the Group where new accounting regulation not yet adopted is described.

# 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 2019.

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 2019 and of the results and cash flows of the Group's and the Company's operations for the financial year 1 January - 31 December 2019.

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, 27 May 2020

**Executive Board:**

Allan Dyrgaard Melgaard

**Board of Directors:**

Henrik August von Sydow
Chairman

Claes Brønsgaard Pedersen
Deputy chairman

Allan Dyrgaard Melgaard

Thomas Thellufsen Nørgaard

Jørgen Agerbro Jessen

# 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 2019, 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 2019 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 2019 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.

scan GLOBAL LOGISTICS

# 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 ffectiveness 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.

scan GLOBAL LOGISTICS

# 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, 27 May 2020

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

| | |
|---|---|
| Søren Skov Larsen | Allan Nørgaard |
| State Authorised Public Accountant | State Authorised Public Accountant |
| mne26797 | mne35501 |