

# **AEA SGLT Holding II LP**

(Formation date 2 August 2016)

## **Interim Financial Report Second quarter 2017**

## Contents

Page

Financial highlights	1
Company details	2
Legal entities in AEA SGLT Holding II LP	3 - 4
Management's commentary	5 - 8
<b>Consolidated financial statements for AEA SGLT Holding II LP Group</b>	
Consolidated income statement	9
Consolidated statement of comprehensive income	9
Consolidated balance sheet	10 - 11
Consolidated statement of changes in equity	12
Consolidated cash flow statement	13
<b>Notes to the consolidated financial statements</b>	
1 Cash and Liquidity	14
2 Bond debt	14
3 Investments in Group entities	15 - 16
4 Accounting policies	17 - 26

---

Financial highlights for the Group	Q2 2017	Q2 2016	YTD 2017	YTD 2016
<b>Key figures (in USD thousands):</b>				
<b>Income statement</b>				
Revenue	211,053	0	390,980	0
<b>Gross profit</b>	<b>30,612</b>	<b>0</b>	<b>58,550</b>	<b>0</b>
<b>Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) and special items</b>	<b>3,592</b>	<b>0</b>	<b>9,324</b>	<b>0</b>
<b>Earnings before Interest, Tax, Amortisation (EBITA) and special items</b>	<b>3,230</b>	<b>0</b>	<b>8,659</b>	<b>0</b>
<b>Operating profit (EBIT) before special items</b>	<b>648</b>	<b>0</b>	<b>3,530</b>	<b>0</b>
Special items	-364	0	-364	0
Net financial expenses	-4,090	0	-7,990	0
<b>Profit/loss before tax</b>	<b>-3,806</b>	<b>0</b>	<b>-4,824</b>	<b>0</b>
<b>Profit/loss for the period</b>	<b>-2,884</b>	<b>0</b>	<b>-4,125</b>	<b>0</b>
<b>Cash flow</b>				
<b>Cash flows from operating activities before special items and interest</b>			<b>1,280</b>	<b>0</b>
<b>Cash flows from operating activities</b>			<b>-7,750</b>	<b>0</b>
Investments in software			-1,452	0
Investments in property, plant and equipment			-719	0
Investments in Group entities			-25,186	0
<b>Cash flows from investing activities</b>			<b>-27,357</b>	<b>0</b>
<b>Free Cash flow</b>			<b>-35,107</b>	<b>0</b>
<b>Cash flows from financing activities</b>			<b>9,536</b>	<b>0</b>
<b>Cash flow for the period</b>			<b>-25,571</b>	<b>0</b>
<b>Financial position</b>				
Total equity			154,615	0
Equity attributable to parent company			154,185	0
Net interest bearing debt (NIBD)			195,175	0
Total assets			478,822	0
<b>Financial ratios in %</b>				
Gross margin*	14.5	0.0	15.0	0.0
EBITDA margin*	1.7	0.0	2.4	0.0
EBIT margin*	0.3	0.0	0.9	0.0
Equity ratio	0.0	0.0	32.3	0.0

\*before special items

For definition of financial ratios please see note 4 Accounting policies.

## Company details

Name	:	<b>AEA SGLT Holding II LP</b>
Place of business	:	c/o AEA Investors LP, 666 Fifth Avenue, New York 10103.
Registered office	:	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, South Church Street, George Tower, KY 1-1104, Cayman Islands.
Financial year	:	1 January - 31 December
Website	:	www.scangl.com
E-mail	:	headoffice@scangl.com
Telephone	:	(+45) 32 48 00 00
Contact details	:	Todd Welsch
Telephone	:	Office: (+1) 212-702-1369
Directors	:	John Cozzi Alan Wilkinson Todd Welsch
Parent company of AEA SGLT Holding II LP	:	AEA SGLT Holding I LP
Ultimate owner	:	AEA SGLT Holding I LP
Bankers	:	Jyske Bank A/S JP Morgan Chase & Co.
Auditors	:	Ernst & Young, Godkendt Revisionspartnerselskab
Address, Postal code, Town	:	Osvald Helmuths Vej 4, P O Box 250, 2000 Frederiksberg, Denmark
CVR/VAT no.	:	30 70 02 28

## Legal entities in the AEA SGLT Holding II LP Group

Company name	Country/state	Currency	Nominal capital	Economic ownership interest	
AEA SGLT Holding II LP*	Cayman Islands	USD	0	100%	
TGI US Topco Corp.*	Please see page 4 for details	Delaware	USD	1	100%
Scan (Jersey) Topco Limited*	Jersey	GBP	1	100%	
Scan (UK) Midco Limited*	United Kingdom	GBP	1	100%	
Scan Bidco A/S	Denmark	DKK	500,500	100%	
Anpartsselskabet af 1. november 2006*	Denmark	DKK	6,355,600	100%	
Nidovni HH ApS*	Denmark	DKK	18,598,000	100%	
TTGR Holding ApS*	Denmark	DKK	500,000	100%	
Scan Global Logistics Holding ApS*	Denmark	DKK	3,530,837	100%	
Scan Global Logistics A/S	Denmark	DKK	1,902,647	100%	
SGL Road ApS	Denmark	DKK	500,000	100%	
SGL Road AB	Sweden	SEK	100,000	80%	
ScanAm Global Logistics AB	Sweden	SEK	100,000	100%	
Crosseurope AB	Sweden	SEK	100,000	100%	
Airlog Group Holding AB*	Sweden	SEK	2,000,000	100%	
Airlog Group Sweden AB	Sweden	SEK	2,000,000	100%	
Pro Logistics i Helsingborg AB	Sweden	SEK	100,000	100%	
Airlog Group Denmark A/S	Denmark	DKK	500,000	100%	
AirLog Air Logistics AB	Sweden	SEK	100,000	100%	
Airlog Group Express AB	Sweden	SEK	1,000,000	100%	
Connect Logistics ApS	Denmark	DKK	50,000	100%	
Airlog Group Fur OY	Finland	EUR	2,500	100%	
Airlog Group AS	Norway	NOK	30,000	100%	
Scan Global Logistics AS	Norway	NOK	150,000	100%	
Scan Global Logistics (Finland) Oy	Finland	EUR	2,523	100%	
Scan Global Logistics K.K.	Japan	JPY	15,000,000	100%	
Scan Global Logistics Ltd.	China	USD	1,650,000	100%	
Scan Global Logistics Ltd.	Hong Kong	HKD	500,000	100%	
Connect Air (HK) Ltd.	Hong Kong	HKD	300,000	100%	
Scan Global Logistics Ltd. (Branch)	Taiwan			100%	
Scan Global Logistics Ltd.	Thailand	THB	5,000,000	100%	
Scan Global Logistics Ltd.	Malaysia	MYR	2	100%	
Connect Air (Malaysia) Ltd.	Malaysia	MYR	2	100%	
Scan Global Logistics Pty. Ltd.	Australia	AUD	13	100%	
Scan Global Logistics (Phil) Inc.	Philippines	PHP	4,000,000	40%	
Scan Global Logistics Chile S.A.	Chile	CLP	179,872,000	100%	
Scan Global Logistics (Vietnam) Ltd.	Vietnam	USD	100,000	100%	
Scan Global Logistics Ltd.	Indonesia	IDR	252,015,000	100%	
Scan Global Logistics Pte Ltd. (Singapore)	Singapore	SGD	100,000	100%	

## Legal entities in the AEA SGLT Holding II LP Group

Company name	Country/state	Currency	Nominal capital	Economic ownership interest
TGI US Topco Corp.*	Delaware	USD	1	100%
Transgroup Global Inc.	Delaware	USD	1	100%
TransLAX, LLC	USA	USD		50%
ICO SFO, LLC	USA	USD		50%
Transfair North America International Freight Services, LLC	Washington	USD		100%
ORD ICO, LLC	Illinois	USD		100%
TRANS BGS, LLC	Washington	USD		100%
TRANS ICO, LLC	Washington	USD		50%
Transgroup Express, LLC	Washington	USD		100%
Transdomestic LAX, LLC	California	USD		100%
TRANS CLT, LLC	Norht Carolina	USD		100%
TRANS IAH, LLC	Texas	USD		100%
Translogic Technologies, LLC	Washington	USD		100%
TRANS-MIA, LLC	Florida	USD		51%
TRANS ATL, LLC	Georgia	USD		51%
Cargo Connections NC, LLC	Norht Carolina	USD		51%
CNA TRANS, LLC	Nevada	USD		50%
Utah Specialized Transportation, LLC	Utah	USD		51%

\*Holding companies.

## Management's commentary

### AEA SGLT Holding I LP

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

AEA SGLT Holding I LP is owned by AEA, co-investors and the management of TransGroup and SGL Group.

AEA SGLT Holding II LP is a holding company with no assets except the shares in Scan Bidco and Transgroup Global Inc. (TransGroup). A description of the 2 Groups is made in note 3 Investments in Group entities.

### *Investments in Group entities*

Total investments in Group entities at the fair value of total consideration amounted to USD 30 million in H1 of which USD 11 million was financed through a capital increase.

Total cash investments in Group entities in H1 2017 was USD 25 million.

The cash payment was financed through a capital increase of USD 11 million in March 2017 and the issue of bonds USD 17 millions in December 2016 in Scan Bidco A/S, the parent company of the SGL Holding Group.

### *Profit for the period*

The figures comprise the performance from the Scan Bidco Group and from TransGroup.

The combined group provide world wide services within freight forwarding and logistics services. The homemarket of TransGroup is USA, whereas the Scan Bidco Group has its origins in the Nordics and with own network in the Asia Pacific region.

TransGroup experienced a strong growth in revenues compared to Q1 2017. The increase reflects a general strong macro economic trend in the US as well as organic growth resulting in international business growth particular within the corporate stations.

The strengthened US dollar seems not to have any material negative impact on the business.

The Scan Bidco Group did have positive revenue growth throughout Q2 2017 driven by an increase in volumes within all main products (Air, Ocean and Road). The general margin pressure in the market combined with a change in the sea carriers behaviour continued to have a significant impact on the Q2 2017 earnings, especially due to the increased sea freight rates on the core trade lanes since 2016. The Aid, Development and Projects (ADP) division experience increasing revenues compared to Q1 as well as a strengthened pipeline and no customer attrition.

The subsidiary company Scan Global Logistics A/S acquired the Swedish based company Crosseurope in June 2017 in order to strengthen the position in the Swedish road market.

The second quarter result of AEA SGLT Holding II LP was USD 211.1 million in revenue and approx 17% increase vs. Q1 2017. The EBITDA before special items was USD 3.6 million.

The total Q2 Gross profit was USD 30.6 million and the gross margin equals 14.5%.

## Management's commentary

The total SG&A costs of USD 27 million mainly comprises of salary related costs, travel and rent. The increase since Q1 is due to the acquisitions of Airlog and Crosseurope with full impact in Q2. TransGroup experienced an increase of USD 1.7 million since Q1 due to non-recurring advisory costs and the full impact of expanding the station network.

Amortisation of intangibles identified at acquisition was YTD USD 2,6 million.

Net financial expenses amounted YTD to USD 4.1 million, which mainly comprise interest on the bond debt.

### *Cash Flows*

The acquisitions in H1 of the Airlog Group and Crosseurope generated a cash out flow from investing activities of USD 25 million.

This was financed through a capital increase of USD 11 million and cash proceeds from issuing of bonds in Q4 2016.

Other investments comprise mainly software and IT equipment USD 2 million in H1 2017.

Furthermore Scan Global Logistics A/S did acquire a non-controlling interest part in a subsidiary company in H1 value USD 1.7 million.

The working capital did increase by USD 14 million since December 2016 and primarily due to the account receivables in Denmark and in the ADP Division.

### *Capital structure*

The equity attributable to the Parent company was USD 154 million with an equity ratio of 32.3% as per 30 June 2017.

The equity was mainly affected by a capital increase of USD 11 million all made by a cash contribution.

### *Net interest bearing debt (NIBD)*

Consolidated net interest bearing debt amounted to USD 195 million. The debt is mainly due to the acquisition of TransGroup, SGL Holding Group, the Airlog Group and Crosseurope.

## **Market development**

### **Ocean freight**

We continue to see a strong demand and growth in the ocean of approx 7%. The expectation is +6% for the full year 2017 which is the strongest growth since 2011.

The Transpacific trade has had a strong second quarter 2017. The import volumes from Asia to the US has grown 4,4% during the first half year of 2017.

The Asia-Europe trade was challenged by lack of space and a rate pressure during Q2 . The significant YoY volume and price per container increase (both east and west bound) experienced in Q1 has stabilized at a high level in Q2. The supply and demand balance remained in favor of the carriers capitalizing with constant high rates.

The consolidation of the container carriers are continuing in 2017 and the number of top carriers are being reduced by mergers and acquisitions.

## Management's commentary

### Market development (cont')

#### Airfreight

We continue seeing a strong global airfreight market for the second quarter (Q2) 2017. Worldwide Air Cargo in chargeable weight, increased by 10.4% for the first 6 months 2017 compared to the same period 2016 and this is the strongest growth seen since 2010.

In the same period the capacity in the market increased by approx. 4% and consequently we see increasing prices.

Planning and forecasting are crucial elements in navigating in this environment securing the cargo of existing customer to be handled, minimize lead times as well as having the customer understand the new price levels.

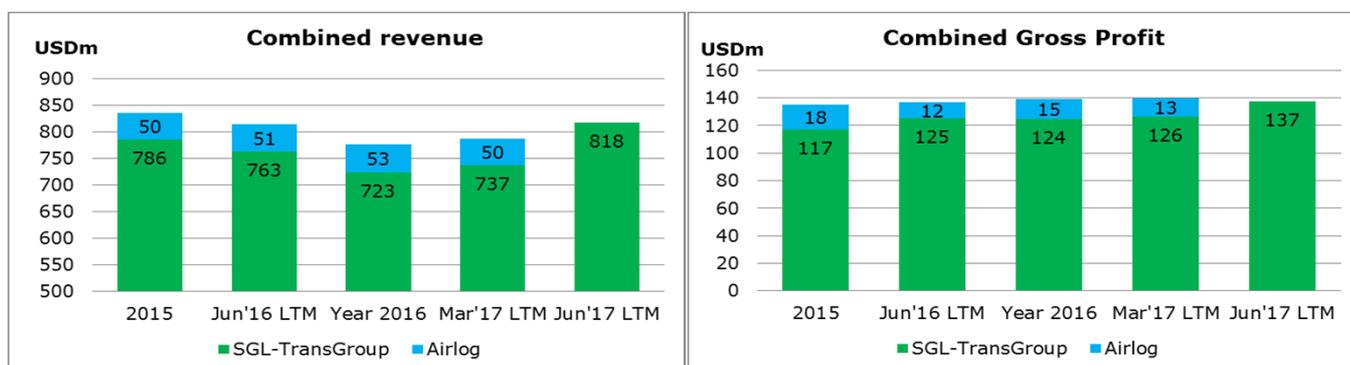
The outlook for the remaining part of 2017 is optimistic with a robust growth of +8% partly by new product launches from larger companies and with a more evenly spread demand Q3 to Q4 2017.

### Business development

#### Proforma figures

On a pro forma basis, if the acquisitions had been effective as from 1 January 2015, we would have seen the following development in the total operating group (excl. the holding companies). That includes the recent acquisition of the Airlog Group.

The LTM for June 2017 is only shown as the total combined group as the Airlog activities are getting integrated in the SGL business and Crosseurope is added.



For calendar year 2016, TransGroup performed well on a year over year basis. The effect has been an increase in air and ocean imports, while domestic shipments remained constant.

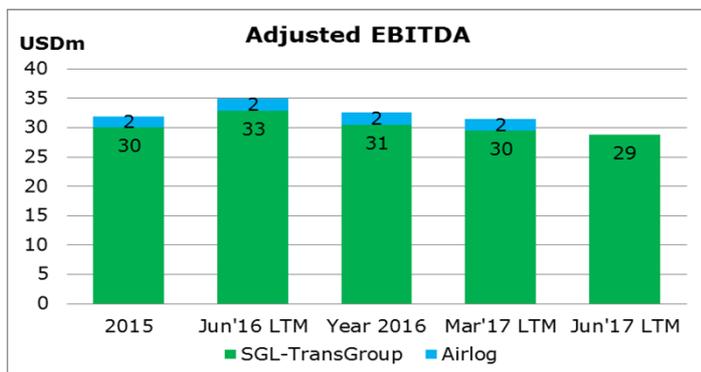
The Scan Bidco Group did have positive earnings trend throughout the H1 2016 driven by a strong performance from key entities. Specially during the latter part of H2 2016 the Scan Bidco Group experienced significant margin pressure due to the increased sea freight rates. Furthermore there was a decline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

Please see page 5 for comments to the Q2 2017.

## Management's commentary

### Business development (Cont')

#### Proforma figures



The EBITDA adjusted for non-recurring items in connection with the acquisitions.

The development in the EBITDA shows the impact of the positive earnings trend in H1 2016 followed by a decline in the projects sales and increasing margin pressure due to the increased sea freight rates.

On a proforma basis incl. Airlog the NIBD/EBITDA as per LTM Jun'17 was 6.7.

#### Integration

As part of our strategy, we have started several workstreams in a global integration. These workstreams are focused on Finance, IT and Marketing.

Targets short term are to create one global finance organization to secure finance and business partnering for the business. Long term systems, toolboxes and process optimizations are priorities.

The IT roadmap is defined and agreed. System and tools will be amended to meet customers needs and integrated in the organization successively.

Global Marketing will start merging brands, ie. logos, websites and external material during 2017. The exercise will be founded in insights from customers, market and employees.

(USDt) Notes	Group Q2 2017	Group Q2 2016	Group YTD 2017	Group YTD 2016
<b>Consolidated income statement for the period 1 January to 30 June</b>				
Revenue	211,053	0	390,980	0
Cost of operation	-180,441	0	-332,430	0
<b>Gross profit</b>	<b>30,612</b>	<b>0</b>	<b>58,550</b>	<b>0</b>
Other external expenses	-7,911	0	-13,557	0
Staff costs	-19,109	0	-35,669	0
<b>Earnings before Interest, Tax, Depreciation, Amortisation and special items</b>	<b>3,592</b>	<b>0</b>	<b>9,324</b>	<b>0</b>
Depreciation of tangible assets	-362	0	-665	0
<b>Earnings before Interest, Tax, Amortisation and special items</b>	<b>3,230</b>	<b>0</b>	<b>8,659</b>	<b>0</b>
Amortisation of intangibles	-2,582	0	-5,129	0
<b>Operating profit before special items</b>	<b>648</b>	<b>0</b>	<b>3,530</b>	<b>0</b>
Special items	-364	0	-364	0
<b>Operating profit (EBIT)</b>	<b>284</b>	<b>0</b>	<b>3,166</b>	<b>0</b>
Financial income	29	0	52	0
Financial expenses	-4,119	0	-8,042	0
<b>Loss before tax</b>	<b>-3,806</b>	<b>0</b>	<b>-4,824</b>	<b>0</b>
Tax on profit for the period	922	0	699	0
<b>Loss for the period</b>	<b>-2,884</b>	<b>0</b>	<b>-4,125</b>	<b>0</b>
<b>Total income for the year attributable to</b>				
Owners of the parent	-3,144	0	-4,620	0
Non-controlling interests	260	0	495	0
<b>Total</b>	<b>-2,884</b>	<b>0</b>	<b>-4,125</b>	<b>0</b>

(USDt) Notes	Group Q2 2017	Group Q2 2016	Group YTD 2017	Group YTD 2016
<b>Consolidated statement of comprehensive income</b>				
<b>Profit for the period</b>	-2,884	0	-4,125	0
<i>Items that will be reclassified to income statement when certain conditions are met:</i>				
Exchange rate adjustment	6,161	0	7,667	0
<b>Other comprehensive income, net of tax</b>	<b>6,161</b>	<b>0</b>	<b>7,667</b>	<b>0</b>
<b>Total comprehensive income for the period</b>	<b>3,277</b>	<b>0</b>	<b>3,542</b>	<b>0</b>
<b>Total comprehensive income for the year attributable to</b>				
Owners of the parent	3,017	0	3,047	0
Non-controlling interests	260	0	495	0
<b>Total</b>	<b>3,277</b>	<b>0</b>	<b>3,542</b>	<b>0</b>

(USDt) Notes	Consolidated balance sheet		Group
	30 June 2017	30 June 2016	31 Dec 2016
<b>ASSETS</b>			
Software	5,314	0	5,507
Customer relations	69,758	0	70,572
Trademarks	18,814	0	19,077
Other acquired intangible assets	0	0	1,079
Goodwill	224,920	0	184,476
<b>Intangible assets</b>	<b>318,806</b>	<b>0</b>	<b>280,711</b>
<b>Property, plant and equipment</b>	<b>2,217</b>	<b>0</b>	<b>1,798</b>
Other receivables	1,703	0	1,298
Deferred tax asset	1,581	0	2,783
<b>Financial assets</b>	<b>3,284</b>	<b>0</b>	<b>4,081</b>
<b>Total non-current assets</b>	<b>324,307</b>	<b>0</b>	<b>286,590</b>
Trade receivables	133,570	0	98,207
Income taxes receivable	437	0	302
Receivables from Group entities	0	0	8
Other receivables	10,388	0	2,932
Prepayments	2,831	0	1,027
1 Cash and cash equivalents	7,289	0	28,259
<b>Total current assets</b>	<b>154,515</b>	<b>0</b>	<b>130,735</b>
<b>Total assets</b>	<b>478,822</b>	<b>0</b>	<b>417,325</b>

(USDt) Notes	Consolidated balance sheet		Group
	30 June 2017	30 June 2016	31 Dec 2016
<b>EQUITY AND LIABILITIES</b>			
	169,804	0	158,491
Partnership interest			
	2,998	0	-4,669
Currency translation reserve			
	-18,617	0	-12,479
Retained earnings			
<b>Equity attributable to parent company</b>	<b>154,185</b>	<b>0</b>	<b>141,343</b>
Non-controlling interests	430		161
<b>Total Equity</b>	<b>154,615</b>	<b>0</b>	<b>141,504</b>
<b>2</b>			
Bond debt	191,018	0	183,345
Earn-out provision	1,795	0	0
Deferred rent	514	0	443
Deferred tax liability	11,383	0	8,462
<b>Total non-current liabilities</b>	<b>204,710</b>	<b>0</b>	<b>192,250</b>
<b>1</b>			
Bank debt	6,414	0	1,532
Trade payables	87,143	0	61,590
Deferred income	4,212	0	3,146
Corporation tax	1,382	0	1,021
Other payables	20,346	0	16,282
<b>Total current liabilities</b>	<b>119,497</b>	<b>0</b>	<b>83,571</b>
<b>Total liabilities</b>	<b>324,207</b>	<b>0</b>	<b>275,821</b>
<b>Total equity and liabilities</b>	<b>478,822</b>	<b>0</b>	<b>417,325</b>

(USDt)	<b>Consolidated statement of changes in equity</b>					
	Partner- ship interest	Currency translatio n reserve	Retained earnings	Equity attributable to parent company	Non- controlling interests	Group Total equity
<b>Equity at 1 January 2017</b>	<b>158,491</b>	<b>-4,669</b>	<b>-12,479</b>	<b>141,343</b>	<b>161</b>	<b>141,504</b>
<b>Profit for the period</b>	<b>0</b>	<b>0</b>	<b>-4,620</b>	<b>-4,620</b>	<b>495</b>	<b>-4,125</b>
Currency exchange adjustment	0	7,667	0	7,667	-8	7,659
<b>Other comprehensive income, net of tax</b>	<b>0</b>	<b>7,667</b>	<b>0</b>	<b>7,667</b>	<b>-8</b>	<b>7,659</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>7,667</b>	<b>-4,620</b>	<b>3,047</b>	<b>487</b>	<b>3,534</b>
Purchase of non-controlling interests	0	0	-1,518	-1,518	-218	-1,736
Dividend distributed	0	0	0	0	0	0
Capital increase by cash payment	11,313	0	0	11,313	0	11,313
Capital increase by contribution in kind	0	0	0	0	0	0
<b>Total transactions with owners</b>	<b>11,313</b>	<b>0</b>	<b>-1,518</b>	<b>9,795</b>	<b>-218</b>	<b>9,577</b>
<b>Equity at 30 June 2017</b>	<b>169,804</b>	<b>2,998</b>	<b>-18,617</b>	<b>154,185</b>	<b>430</b>	<b>154,615</b>

(USDt) Notes	<b>Consolidated cash flow statement</b>	Group YTD 2017
	Operating profit (EBIT) before special items	3,530
	Depreciation, amortisation and impairment	5,794
	Special items	-364
	Exchange rate adjustments	6,657
	Change in working capital	-14,337
	<b>Cash flows from operating activities before special items and interest</b>	<b>1,280</b>
	Interest received	52
	Interest paid	-7,965
	Tax paid	-1,116
	<b>Cash flows from operating activities</b>	<b>-7,750</b>
	Purchase of software	-1,452
	Purchase of property, plant and equipment	-719
3	Investments in Group entities	-25,186
	<b>Cash flows from investing activities</b>	<b>-27,357</b>
	<b>Free cash flow</b>	<b>-35,107</b>
	Capital increase	11,313
	Purchase of non-controlling interest	-1,706
	Payments to/from group entities	0
	Repayment of loan from AEA	-71
	<b>Cash flows from financing activities</b>	<b>9,536</b>
	<b>Change in cash and cash equivalents</b>	<b>-25,571</b>
	<b>Cash and cash equivalents</b>	
	Cash and cash equivalents at the beginning of the period	26,727
	Exchange rate adjustment of cash and cash equivalents	-281
	Change in cash and cash equivalents	-25,571
1	<b>Net Cash and cash equivalents at 30 June</b>	<b>875</b>

Note	(USD thousand)	Group
1	<b>Cash and Liquidity</b>	<b>30.06.2017</b>
	Cash and cash equivalents	28,259
	Bank debt	-1,532
	<b>Net cash</b>	<b>26,727</b>
	Credit facilities	13,644
	<b>Liquidity reserve</b>	<b>40,371</b>

The AEA SGLT Holding II LP Group holds net positive bank liquidity of 26,727 thousand. Total financial reserves (net bank liquidity and credit facilities) aggregates to USD 40,371 thousand.

2	<b>Bond debt</b>	<b>30.06.2017</b>	
	Issued bonds, DKK tranche, interest rate 6.80%		95,910
	Issued bonds, USD tranche USD 100 million, interest rate 7.70%		100,000
			<b>195,910</b>
	Capitalised loan costs		-5,032
	<b>Total bond debt</b>		<b>190,878</b>
		<b>Cash flow*</b>	<b>Carrying amount</b>
	Bond debt falling due between 1 and 5 years (2021)	56,888	0
	Bond debt falling due after more than 5 years	203,021	195,910
	<b>Total non-current financial liabilities</b>	<b>259,909</b>	<b>195,910</b>
	<b>Total current financial liabilities</b>	<b>14,222</b>	<b>0</b>

\* Total cash flows including interest.

In 2016, Scan Bidco A/S issued senior secured callable bonds of DKK 625 million with an interest rate of 6.80% and USD 100 million with an interest rate of 7.70%. Borrowing costs of USD 5.7 million were paid in 2016 and amortised until 2022.

Interest is paid quarterly and the bond debt has to be repaid in June 2022.

The proceeds were used for the acquisition of the Ailog Group and TransGroup and repayment of SGL Holding ApS' bond debt.

For the issued bond certain terms and conditions apply regarding negative pledge, redemption, change of control and incurrence test.

The company Bond was listed on the Nasdaq Stock Exchange in Stockholm in June 2017.

Note (USD thousand) 3 Investments in Group entities	YTD 2017 Total
<b>Provisional fair value at date of acquisition:</b>	
<b>ASSETS</b>	
Property, plant and equipment	54
Trade receivables	9,973
Income taxes receivable	158
Other receivables	545
Prepayments	717
Cash and cash equivalents	2,527
<b>Total assets</b>	<b>13,973</b>
<b>LIABILITIES</b>	
Trade payables	5,550
Corporation tax	1,146
Other payables	5,763
<b>Total liabilities</b>	<b>12,460</b>
Non-controlling interests' share of acquired net assets	0
<b>Acquired net assets</b>	<b>1,513</b>
Goodwill, customer relations and trademarks less of deferred tax	28,158
<b>Fair value of total consideration</b>	<b>29,671</b>
Earn-out provision	1,957
<b>Cash consideration</b>	<b>27,713</b>
Adjustment for cash and cash equivalents taken over	-2,527
<b>Cash consideration for the acquisition of Airlog Group</b>	<b>25,186</b>
Transaction costs for acquisition of Airlog Group	0
<b>Investments in Group entities</b>	<b>25,186</b>

Note	(USD thousand)
3	<b>Investments in Group entities</b>

### **Acquisition of Crosseurope and Airlog Group**

In June 2017 Scan Global Logistics A/S did enter into an agreement to acquire 100% of the Swedish based freight forwarder Crosseurope AB. The acquisition was effective as of 1 January 2017.

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

In 2016, Crosseurope AB generated sales of SEK 98 million.

Under the terms of the agreement, Scan Global Logistics acquired Crosseurope for a consideration of SEK 47.5 million. In addition, an earn-out agreement with a maximum of SEK 2.5 million has been concluded. Total consideration amounts equal to USD 5.8 million plus transaction costs.

This is in addition to Scan Global Logistics A/S' acquisition of the Airlog Group (please see the interim financial report Q1 2017) for a consideration of SEK 200 million an earn-out with a maximum of SEK 15 million. Total consideration amounts equals to USD 23.8 million plus transaction costs.

### **Fair value of acquired net assets and recognised goodwill**

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

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

The carrying amount on the date of acquisition did not deviate materially from the fair value.

Recognised goodwill, trademarks and customer relations are non-deductible for tax purposes.

However there will be calculated deferred tax on trademarks and customer relations. There has not yet been made a calculation of the value of trademarks and customer relations.

As a consequence of this, there is also not recognised amortization of trademarks and customer relations for June 2017.

A preliminary calculation of trademarks and customer relations will be made during 2017 and hereby also a calculation of deferred tax.

### **Earnings impact**

The Crosseurope Q2 2017 revenue and EBITDA before special items comprise USD 4.5 million and USD 0.6 million, respectively, reported since the date of acquisition.

**Basis of preparation**

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

**Basis of measurement**

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

**Reporting currency**

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

**Significant accounting estimates**

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

## Accounting policies

Note

### 4 Accounting policies (Continued)

#### Consolidation

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

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

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

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

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

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

The purchase method of accounting is applied to the acquisition of subsidiaries.

The purchase price is made up at the net present value of the consideration agreed.

Conditional payments are recognised at the amount expected to be paid.

Directly attributable acquisition expenses are expensed in the income statement.

Identifiable assets and liabilities in the acquired entities are recognised at the fair value at the time of acquisition.

Allowance is made for the tax effect of revaluations of assets and liabilities.

Any residual difference between the purchase price and the Group's share of the fair value of the identifiable assets and liabilities is recognised as goodwill.

If the purchase price is less than the fair value of the acquired subsidiary's assets, the residual difference (negative goodwill) is recognised directly in the income statement.

For each acquisition, the Group determines whether any non-controlling interest in the acquired business is accounted at fair value (so-called full goodwill) or to the proportional share of the acquired business's net assets.

Entities over which the Group exercises significant influence are considered associates. Significant influence is presumed to exist when the Group directly or indirectly holds between 20% and 50% of the voting rights or otherwise has or actually exercises significant influence. Associates are recognised in the consolidated financial statements at their net asset value.

## Accounting policies

Note

### 4 Accounting policies (Continued)

#### Non-controlling interests

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

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

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

#### Functional currency

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

#### Foreign currency translation

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

Receivables, payables and other monetary items denominated in foreign currencies are translated into the functional currency at the exchange rate at the balance sheet date.

Realised and unrealised exchange gains and losses are recognised in the income statement as financial income and expenses.

#### *Foreign Group entities*

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

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

## Accounting policies

Note

### 4 Accounting policies (Continued)

#### Materiality in financial reporting

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

#### Income statement

##### Revenue

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

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

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

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

##### Costs of operations

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

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

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

##### Other external expenses

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

## Accounting policies

Note

### 4 Accounting policies (Continued)

#### **Staff costs**

Staff costs comprise costs such as salaries, wages, social, pensions and social security costs except staff costs recognised under costs of operation and special items. Staff costs are recognised in the year in which the Group's employees have performed the related work.

The item is net of refunds made by public authorities.

#### **Special items**

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

#### **Financial income and expenses**

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period.

The items comprise interest income and expenses, also from Group entities and associates, dividends declared from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

#### **Tax**

Tax for the year consists of current tax and changes in deferred tax for the year, including adjustments to previous years. The tax for the year is recognised in the income statement, unless the tax relates directly to items included in other comprehensive income or equity.

Current income tax receivable and payable is measured at the amount expected to be recovered from or paid to the taxation authorities.

## Accounting policies

Note

### 4 Accounting policies (Continued)

#### Balance sheet

##### Goodwill

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

##### Customer relations

Customer relations arising from business combinations is recognised at fair value at acquisition.

When an indication of impairment is identified customer relations is tested for impairment.

Customer relations arising from the acquisition of TransGroup is amortised over 10 years.

Customer relations arising from the acquisition of SGL Group is amortised over 12 years.

##### Trademarks

Trademarks arising from business combinations is recognised at fair value at acquisition.

Trademarks arising from acquisition is amortised over 10 years.

##### Software

Software includes acquired intangible rights.

Software acquired separately or developed for internal use is measured at the lower of cost less any accumulated amortisation and impairment losses and the recoverable amount.

Costs related to development of software is calculated as, external costs, staff costs, amortisation and depreciation directly or indirectly attributable to the development of the software. After commissioning, software is amortised on a straight-line basis over the expected useful life.

The amortisation period is 3 years.

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

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

##### Property, plant and equipment

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

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

##### Depreciation

Depreciation is provided on a straight-line basis over the expected useful life of each individual asset. The depreciation basis is the cost.

The expected useful lives of the assets are as follows:

Leasehold improvements & Other tools and equipment 3 to 10 years

Plant and machinery 3 to 5 years

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

## Accounting policies

Note

### 4 Accounting policies (Continued)

#### *Accounting estimates*

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

#### **Impairment testing of non-current assets**

##### *Goodwill*

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

The tests are conducted for each cash generating unit "CGU" to which the goodwill is allocated to. Goodwill is allocated to the Groups activity thus it follows the structure of the segment information.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.

In assessing the recoverable amount, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset including geographical location and financial risks.

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

The carrying amount of other non-current assets is tested for impairment at least once a year in connection with the impairment test of goodwill or when an indication of impairment is identified. Impairment is determined by assessing the recoverable amount of each CGU. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.

The recoverable amount is the higher of the fair value of the assets less the expected costs of sale and the value in use.

Value in use is the net present value of estimated future cash flows from the asset or the CGU of which the asset form parts.

Where an impairment loss is recognised on a group of assets, a loss must first be allocated to goodwill and then to the other assets proportionally.

#### **Receivables**

Receivables are measured at amortised cost.

Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired.

Provisions are made to the lower of the net realisable value and the carrying amount.

#### **Prepayments**

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

## Accounting policies

Note

### 4 Accounting policies (Continued)

#### Cash and cash equivalents

Cash comprises cash balances and bank balances.

#### Provisions

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

Provisions comprise expected expenses relating to guarantee commitments, losses on work in progress, restructurings, etc.

#### Corporation tax

##### *Income taxes payable:*

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

##### *Deferred tax:*

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

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

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

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

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

## Accounting policies

Note

### 4 Accounting policies (Continued)

#### Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred.

Interest-bearing debt is subsequently measured at amortised cost, using the effective interest rate method.

Borrowing costs, including capital losses, are recognised as financing costs in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

#### Deferred income

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

#### Contingent liabilities

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

#### Cash flow statement

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

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

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

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

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

## Accounting policies

Note

### 4 Accounting policies (Continued)

#### Financial ratios

##### Definition of financial ratios:

##### Gross margin:

Gross profit / Revenue \* 100

##### EBITDA margin:

EBITDA / Revenue \* 100

##### EBIT margin:

Operating profit / Revenue \* 100

##### Equity ratio:

Equity at year end / Total assets \* 100

##### Net interest bearing debt

Interest bearing debt less of interest bearing assets.