ANNUAL REPORT 2019

SGL TransGroup International A/S

UNCOMPLICATE YOUR WORLD »

HOW TO READ THIS REPORT

SGL GROUP

SGL TransGroup International A/S (SGL Group), formerly Scan Bidco A/S, is owned directly by Scan (UK) Midco Limited, and the ultimate owner is SGLT Holding I LP. SGL Group includes SGL TransGroup International A/S and all its subsidiaries.

During 2019, SGL TransGroup International A/S (together with TransGroup Global Inc. and their respective subsidiaries) has issued a senior secured floating rate due bond loan within a total framework amount of EUR 315 million.

Reporting currency for SGL Group is DKK.

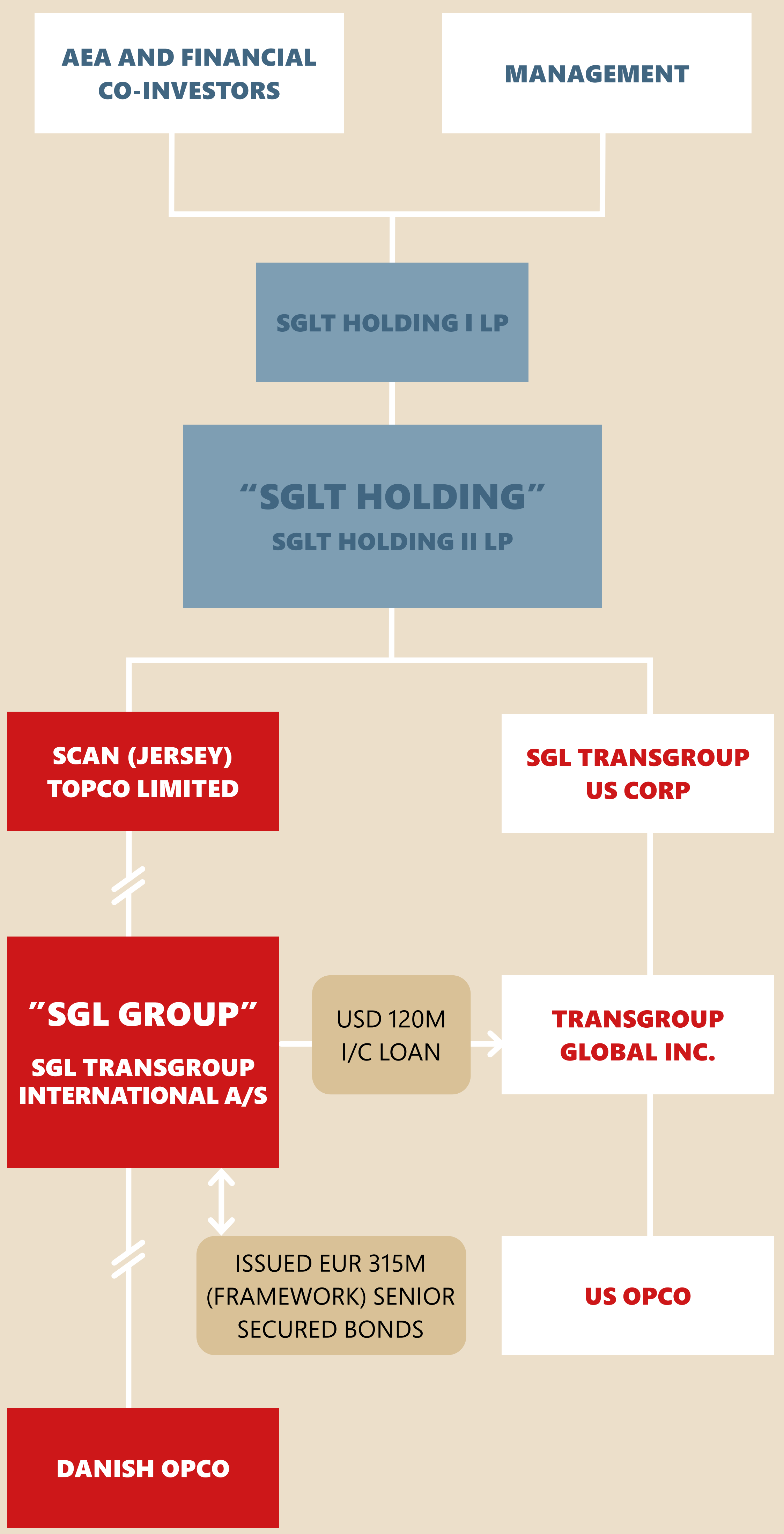
SGLT HOLDING

The figures contained in this section are comprised of the combined financial performance of SGL TransGroup International A/S and TransGroup Global Inc., including their respective subsidiaries, constituting the combined group SGLT Holding II LP ("SGLT Holding").

The figures for SGLT Holding are included because they highlight the performance to which attention should be given when understanding the current combined performance and predicting future combined performance supporting the issued senior secured bond through SGL TransGroup International A/S.

Reporting currency for SGLT Holding is USD.

SIMPLIFIED STRUCTURE



CONTENT

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KEY ACHIEVEMENTS FOR SGL GROUP

2019 EBITDA ABOVE GUIDANCE

	Realised	Guidance
EBITDA before special items* (DKKm)	**134**	>120
EBITDA margin before special items* (%)	**3.2**	3.5-4.0%**

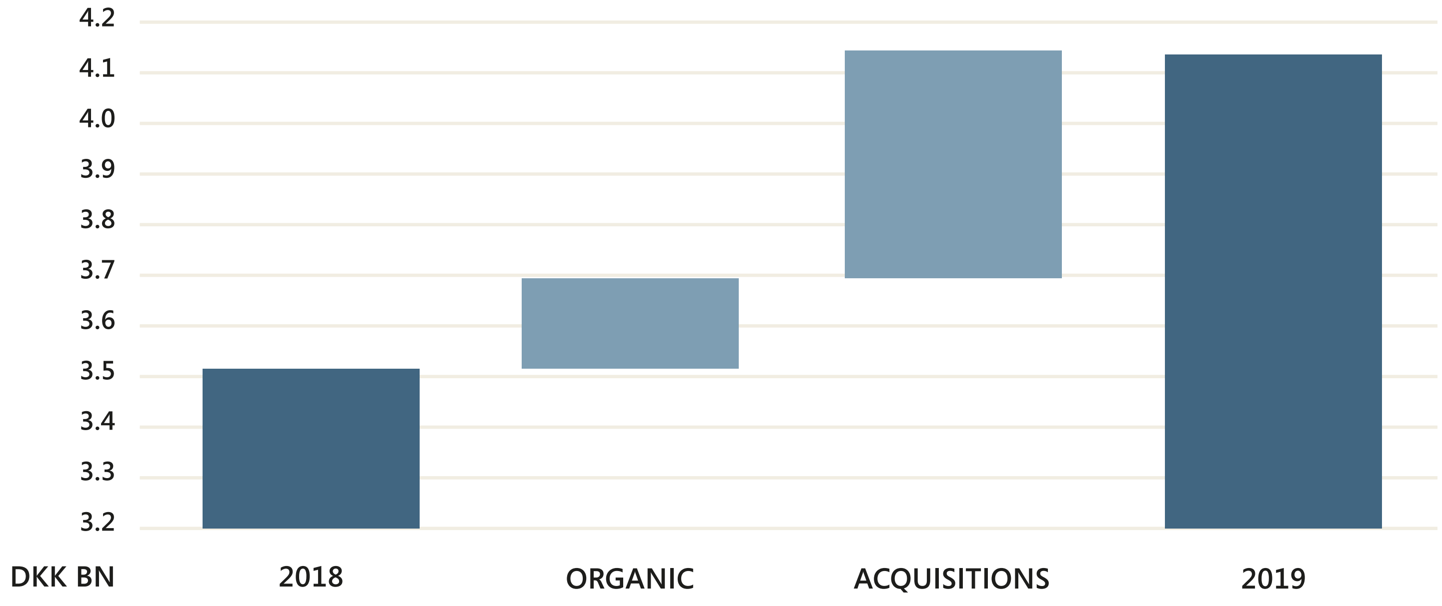
**Before impact of IFRS 16 Leases* ***Long-term goal over an economic cycle*

EBITDA
51% IMPROVEMENT
EBITDA before special items excluding the IFRS 16 impact showed an increase of DKK 45 million (a 51% improvement) compared to 2018.

BOND
EUR 223M
Successfully issued a senior secured floating rate due bond loan of EUR 215 million initially and EUR 8 million subsequently, within a total framework amount of EUR 315 million replacing our existing bonds and collected further capital for future growth.

RATING
B
SGL Group has gone through an official rating process by S&P & Fitch during 2019 with a satisfying outcome.

ORGANIC GROWTH
5% REVENUE 18% EBITDA
The total organic growth amounts to 5% in revenue, despite the reorganisations made in the Danish Solution segment, and 18% in EBITDA before special items and IFRS 16 in comparison to 2018.

REVENUE GROWTH


ACQUISITIONS AND GREEN FIELD
IQS
BK SPEDITION
E-COMMERCE
SGL SPAIN
AUSTRIA
BELGIUM
NETHERLANDS
MYANMAR
PERU
SGL Group continued its acquisition strategy, looking at acquisition opportunities with a good strategic fit and an opportunity to scale-up the business, increase profitability and secure down-trending leverage ratio. This resulted in four acquisitions in 2019, which strengthened our focus on the highly specialised Automotive Vertical, the Road activities in Northern Europe, Air and Ocean in Spain as well as the Fashion and Retail business, establishing a strong platform for E-commerce fulfillment 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.

A YEAR OF GROWTH; ORGANIC AND THROUGH SUCCESSFUL ACQUISITIONS

2019 has in every way been another good year for SGL Group. We have grown organically and in addition to this, we have exercised four successful acquisitions. These acquisitions are supporting the total expansion of our company, in terms of geography, services, and competencies.

This, on an overall level, allows us to strengthen our position in the market through an improved level of service and support to our customers.

Furthermore, we opened new offices in Peru and Myanmar and additional offices in regions and countries where we are already present.

In terms of the results, we are pleased to see that our EBITDA before special items and IFRS 16 has grown during the year to a level above the expectations we presented a year ago - also margin wise.

We are very pleased with this development as well as the overall development of SGL Group. SGL Group has gone through an official rating process by S&P and Fitch during 2019 with a satisfying outcome, and we have refinanced our existing bonds and collected further capital for future growth.

2019 has seen us strengthen our organisation, we have cultivated our internal culture and mapped our DNA to stay true to the culture that has taken us this far. A culture that also matches our future expectations. We have an improved focus on ESG (Environmental, Social and Governance), where we intend to invest time and resources in order to make a difference.

2020 is expected to be restricted to some extent by the macroeconomic development as a consequence of the COVID-19; however, in total we are entering into 2020 in very good shape and are looking forward to a great journey together with you, our customers, and colleagues.

Allan Melgaard
Group CEO,
Executive Management
Scan Global Logistics A/S

Claes Brønsgaard Pedersen
Group CFO,
Executive Management
SGL TransGroup International A/S

45 YEARS OF UNCOMPLICATING THE WORLD OF LOGISTICS

SGL Transgroup International A/S (SGL Group), previously Scan Bidco A/S, was established in 2016. The same year, on 2 August, when SGL Group was sold to a fund sponsored by a private equity group, AEA Investors SBF LP, SGL Transgroup International A/S became the Danish parent company of Scan Global Logistic A/S , forming SGL Group. SGL Group is owned directly by Scan (UK) Midco Limited, and the ultimate owner is SGLT Holding I LP. SGL Group includes SGL Transgroup International A/S and all its subsidiary companies.

The core business of SGL Group was established back in the years 1975 and 1989. SGL Group carries the vast experience and knowledge of the freight forwarding business that has enabled SGL Group to have long time customer relationships as well as attract new customers.

SGL Group started with the focus on having a strong Nordic base serving Nordic and international customers worldwide by gradually establishing subsidiary companies in Asia, and through an extended worldwide network of agents.

The objective has always been to become an agile and customer-oriented organisation primarily within Air and Ocean, but also the Road and Solution segments. SGL Group is also specialised in Project Sales transporting odd-sized goods within the above mode of transports for large organisations and industries. The objective is to target customers with complex demands and lower price sensitivity.

SGL Group is an asset-light organisation using limited funds on transport equipment using a large number of sub-suppliers instead.

The fund sponsored by a private equity group, AEA Investors SBF LP did also acquire a US-based freight forwarding group, Transgroup, in 2016, which became a sister company to SGL Group. The two groups (SGL Group and TransGroup) are forming SGLT Holding.

1975 Mahé Freight was founded

1989 ScanAm Transport was founded

2004 Jørgen Jessen & Allan Melgaard joint CEOs & private investment in Mahé Freight. Co-owners of Mahé with Lehman Nordic

2006 Preparation for sale and merger

2007 Sold to Odin Equity Mahé merger with ScanAm. Creation of Scan Global Logistics

2008 Acquisition of Danish PR Shipping

2009 Entered into strategic alliance partnership with Transgroup Worldwide Logistics

2010 Henrik von Sydow appointed Chairman of the board

2011 Henrik von Sydow appointed CEO of Scan Global Logistics

2012 Acquisition of Interexpress Sweden (Road)

2015 Preparation of sale of SGL Mahé Euro.

2016 SGL Group and Transgroup sold to private equity in New York AEA Investors. Issued senior secured callable bonds of DKK 625 million and USD 100 million until the year 2022

2017 Allan Melgaard appointed Group CEO of Scan Global Logistics. Acquisition of Airlog Group

2018 Acquisition of Kestrel Freight in Australia and Macca Logistics in Africa

2019 Acquisition of IQS Group, BK Spedition, IC Logistics & SGL Spain. SGL Express Courier and SGL E-Commerce established as an independent company. Issued senior secured bond loan of EUR 215 million initially and EUR 8 million subsequently, within a total framework amount of EUR 315 million, replacing the existing bonds, until the year 2024

2020 Acquisition of Pioneer International Logistics

BUSINESS MODEL WITH FOCUS ON UNIQUE VERTICALS TO SGL GROUP

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's network of offices supported by its affiliated company TransGroup, USA, and other partners 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 logistics 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.

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

SGL Group has an extensive footprint across all continents with over 1,700* employees in 107* offices in EMEA, Americas, China and South East Asia as well as in the Pacific.

SGL Group serves more than 20,000 customers, of which average tenure among the 20 largest is approximately 8 years.

**SGLT Holding level*

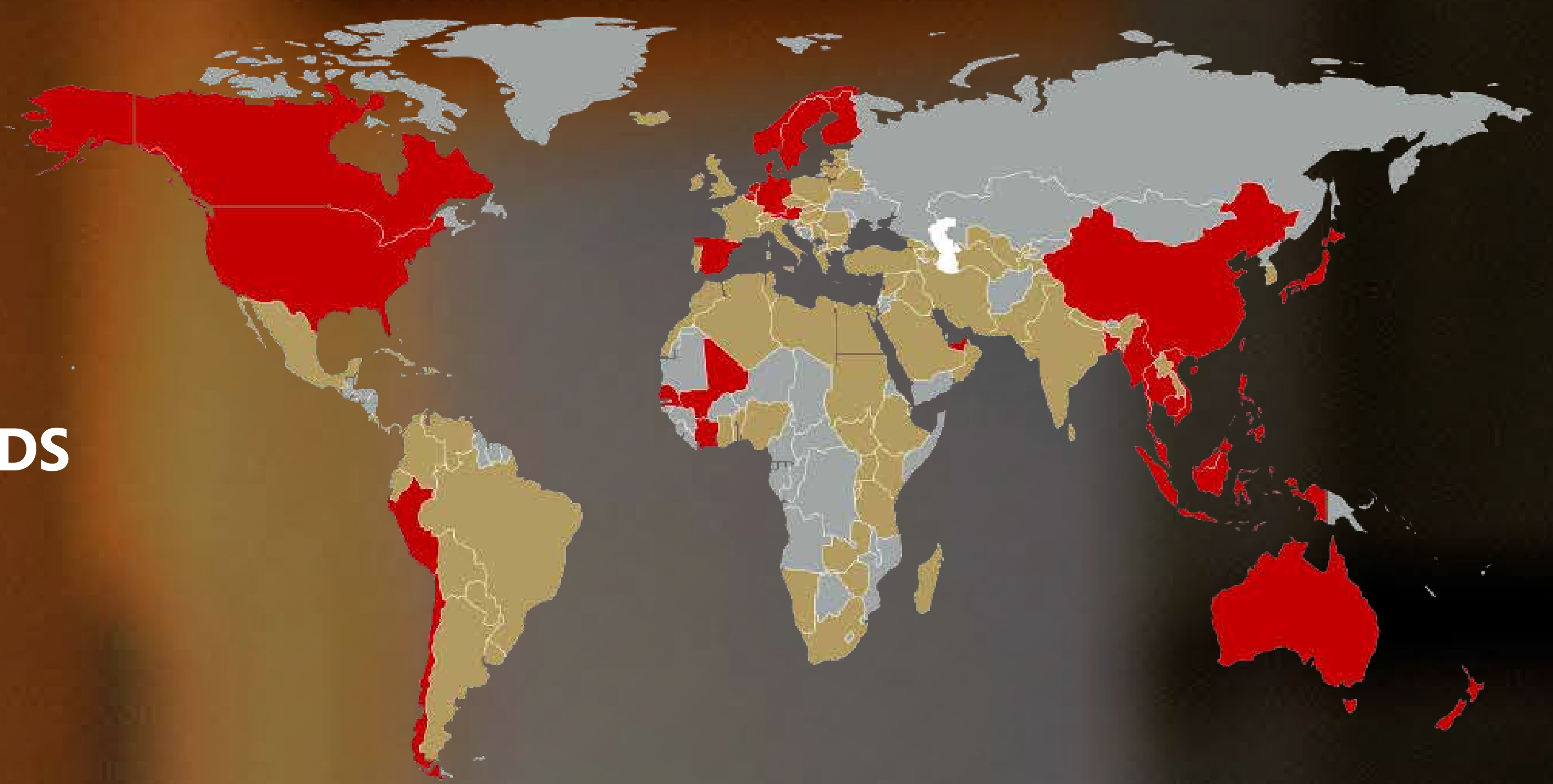
THE FREIGHT FORWARDING VALUE CHAIN

PRESENT ACROSS ALL SERVICES

OVERVIEW OF SERVICES

- AID & DEVELOPMENT
- GLOBAL AIR FREIGHT SERVICES
- CUSTOMS CLEARANCE
- AIR CHARTER
- AUTOMOTIVE SPECIAL LOGISTICS
- ROAD TRANSPORT AND DELIVERY SERVICES
- INDUSTRIAL PROJECTS
- OCEAN CHARTER
- RAIL TRANSPORT
- PARCEL AND EXPRESS
- E-COMMERCE
- GLOBAL WAREHOUSING AND STORAGE SEVICES
- OIL AND GAS TRANSPORTATION AND LOGISTICS SERVICES
- GLOBAL OCEAN FREIGHT SERVIVES

GLOBAL REACH – LOCAL STRONGHOLDS



STRATEGY AND M&A

SGL Group's commercial strategy has been set out in its comprehensive Vision 2022 plan which was originally formulated at the end of 2018. The plan sets out 3 overarching pillars which are to drive SGL Group's go-to-market strategy over the period through 2022.

FOCUS ON ORGANISATIONAL EXCELLENCE

SGL Group is a people business and primarily relies on its employees to maintain and develop its market position and customer relationships. In recognising this, a continued focus on the internal organisation is a key element of Vision 2022. This entails efforts to maintain and strengthen the entrepreneurial culture which forms an important part of SGL Group's DNA, whilst at the same time ensuring the appropriate level of discipline with regards to cost, contracts and pricing.

SELECTIVE GEOGRAPHIC EXPANSION

From being firmly rooted in the Nordics, SGL Group's geographic footprint has expanded significantly in recent years with Asia Pacific, Africa, and Northern Europe having become material areas of operation. SGL Group seeks to continue on the path of selective geographic expansion into regions where management has identified growth potential.

LEADERSHIP

SGL Group is among the leading freight forwarders globally within certain verticals including Aid & Development, and Specialty Automotive. We are among the leading freight forwarders in our home markets. A key component of Vision 2022 is to maintain and solidify SGL Group's position in these verticals to continue developing differentiated, sector-specific capabilities which Management expect will drive superior execution and strengthen SGL Group's competitive advantage. In addition, SGL Group is working actively to develop a differentiated presence within a number of additional, attractive segments such as Industrial Projects, and Fashion & Retail whilst also seeking to invest further into strategic opportunities within e-commerce and final mile delivery, a high-margin segment showing strong growth.

FOCUS ON ORGANISATIONAL EXCELLENCE

- Maintain and strengthen entrepreneurial organisation and culture
- Continued focus on customer centricity
- Selective organisational adjustments across geographies, modes and verticals to push commercial agenda
- Recruitment of talent in specific growth verticals
- Cross-selling initiatives
- Increased offshoring of repetitive operational tasks to boost frontline customer focus

SELECTIVE GEOGRAPHIC EXPANSION (INCL. GREEN FIELD)

- Continue to play an active part in market-wide consolidation
- Capture growth potential in home markets as the Nordics through strict customer focus
- Drive expansion and growth in especially Europe and APAC through M&A and team lift-outs
- Continue openings of African gateways to support ADP business, in particular in landlocked countries
- Continue to pursue green field opportunities and expand with new office and services whilst making life and business a little less complicated for our customers

LEADERSHIP

- Solidify leadership within select attractive verticals such as ADP and Automotive
- Further expand presence within Fashion and retail and Telecom and electronics
- Invest further into strategic opportunities within e-commerce and final mile delivery
- Develop differentiated capabilities to drive superior execution and customer alignment in areas with attractive market dynamics

M&A AS KEY TOOL IN FULFILLING STRATEGIC GOALS

- Strong financial rationale and scope for multiple arbitrage, independent players
- Enable rapid geographic expansion and provide scale
- Improve utilisation of central infrastructure in SGL Group, which can accommodate significantly higher volumes
- Deepen know-how, product insight and offering in existing segments and verticals
- Leverage entrepreneurial organisation and DNA to attract talent

STRATEGY AND M&A

Management views mergers and acquisitions as an important instrument in delivering SGL Group's strategic agenda across all three pillars of Vision 2022. This view is supported by a clear financial and operational rationale. From a financial perspective, the global freight forwarding market remains highly fragmented. Hence SGL Group continues its acquisition strategy by looking at acquisition opportunities with a good strategic fit and are available at the right price, and target great acquisition opportunities which will scale-up the business, increase profitability, and secure a down-trending leverage ratio.

M&A track record
Over the period 2017 to date, SGL Group has completed a total of 10 bolt-on acquisitions.

SGL Group has historically funded M&A through internally generated cash flow, with exception of its two largest acquisitions to date. The largest acquisition, Airlog, was funded through (i) existing cash, (ii) a subsequent issue under the currently outstanding bonds in an amount of DKK 125 million (USD 18.6 million) and new equity from the shareholders in an amount of USD 10.2 million. The acquisition of IQS Group was funded in its entirety through a USD 16.3 million equity contribution from the shareholders.

Due diligence approach
SGL Group has developed a robust due diligence playbook to minimise financial, legal, operational and cultural risks associated with M&A. Once an in-principle agreement has been entered into between SGL Group and the shareholder(s) of a potential acquisition target, the company will be subjected to full financial and legal due diligence carried out by reputable external parties. Management will furthermore nominate a balanced group of internal stakeholders to carry out a comprehensive commercial due diligence covering the relevant market, competitors and customers, and will where required to complement this with an external commercial due diligence. To ensure alignment of goals, vision and culture, key stakeholders of the target are invited to SGL Group's offices to meet with their prospective colleagues and engage in a variety of workshops. Finally, a granular business case including scenario analysis (base, downside, upside) is prepared and presented to the Board, alongside findings from the due diligence process, for approval. The Board will assess all cases with a particular focus on the extent to which they align with - and contribute to meeting – the strategic objectives set out in Vision 2022.

AIRLOG GROUP
- ACQUIRED: March 2017
- REGION: Sweden
- RATIONALE: strong position in air and ocean freight, doubling SGL Group's presence in this segment in Sweden

CROSSEUROPE TRANSPORT & LOGISTICS
- ACQUIRED: June 2017
- REGION: Sweden
- RATIONALE: strengthen SGL Group's presence in the surface segment in Sweden

KESTREL
- ACQUIRED: July 2018
- REGION: Australia
- RATIONALE: strengthen SGL Group's presence in Australia in general and specifically within industrial projects

MACCA LOGISTICS
- ACQUIRED: July 2018
- REGION: Mali/Senegal/Cote d'Ivoire
- RATIONALE: strengthen presence in regions where SGL Group is leading provider to governments and NGOs

IQS International Quality Service GmbH
- ACQUIRED: January 2019
- REGION: Germany
- RATIONALE: strengthen SGL Group's presence in Germany and within speciality automotive logistics

BK Spedition
- ACQUIRED: May 2019
- REGION: Germany
- RATIONALE: further strengthen SGL Group's position in the German road freight market

IC GROUP
- ACQUIRED: June 2019
- REGION: Nordics
- RATIONALE: acquired logistics activities as a supplement to SGL Group's growing e-commerce and fulfilment offering through addition of a leading fashion fulfilment operator

SGL Spain
- ACQUIRED: November 2019
- REGION: Spain
- RATIONALE: strengthen presence in Spain in particular and across the world, where SGL Group is a provider to the garment industry

SGL Cambodia
- ACQUIRED: January 2020
- REGION: Cambodia
- RATIONALE: strengthen presence in Cambodia; previously the Combodian company acted as agent for SGL Group

Pioneer International Logistics
- ACQUIRED: January 2020
- REGION: Australia
- RATIONALE: strengthen presence in Australia to serve the Australian and Pacific customers even better, and gain access to a full-fledged international solution including added expertise, technology, network, and e-commerce platform

OVERVIEW OF BOLT-ON ACQUISITIONS COMPLETED SINCE 2017

MARKET OVERVIEW

Freight forwarding is a service industry specialised in the movement of goods around the world on behalf of exporters and importers (i.e. shippers). Freight forwarding in its purest form is an asset-light business where forwarders organise transportation for their customers by purchasing capacity from capacity providers (ocean carriers, airlines, trucking companies, etc.). The actual physical transportation is performed by the capacity provider, who also owns the assets used in the transportation, with the freight forwarder taking a fee in exchange for organising the shipment.

SGL Group is considered a global freight forwarder as its core business is procurement of intercontinental Air and Ocean as well as overland local and regional transportation.

The freight forwarding market is affected by underlying demands from shippers as well as by supply-side factors within Ocean, Air and Road transportation, i.e. availability of capacity.

KEY MARKET DRIVERS

Macroeconomic activity

- Analysts forecast the Global Freight Forwarding market to grow at the highest CAGR during the forecast period 2019-2024
- The global economy sets the pace for the transport and logistics market. In recent years growth in global trade has been on a par with global GDP growth

Risks

- Trade tariffs – mainly between USA and China
- UK Brexit aftermath
- Corona Virus as described more detailed in Outlook 2020 on page 12

Change of trade flows

- Rising manufacturing costs in China shift production of consumer goods to markets like Myanmar, Cambodia, Laos, Vietnam, Bangladesh and Ethiopia
- Growth of China's economy and consumer market balances trade flows in and out of China
- Reorientation of trade flows drives need for the logistics industry to expand global footprint

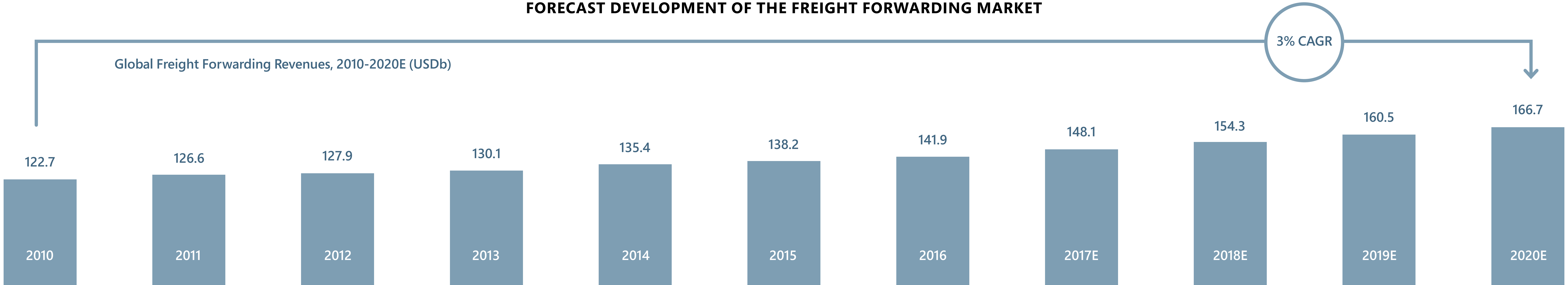
Propensity to use Freight forwarders

- Shippers' propensity to use freight forwarders for their logistics needs continues to rise
- Key drivers are focus on core business, cost optimisation, product risks and delivery time

IT

- The global IT organisation plays an absolutely critical role in the development of IT solutions to support both our employees and our customers
- The rate and success of the systems integration determines when and how SGL Group can work with the customers; all to making the world a little less complicanted for our customers

FORECAST DEVELOPMENT OF THE FREIGHT FORWARDING MARKET



OUTLOOK 2020

EBITDA BEFORE SPECIAL ITEMS* (DKKM)

DKK 100M TO DKK 140M

**Before impact of IFRS 16 Leases*

EBITDA MARGIN BEFORE SPECIAL ITEMS* (%)

3.0% TO 4.0%

OUTLOOK 2020

SGL Group finished 2019 strong and above previous expectations with a great momentum driven both organically and externally. SGL Group is now well into 2020 where it sees the outbreak of the COVID-19 virus 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.

In such an environment SGL Group remains committed to finding new ways to make the world a little less complicated. The strength of its entrepreneurial business model and the breadth and diversity of its customers and partners combined with its financial structure and M&A track record will allow us to capitalise on growth opportunities where they exist.

Indeed, SGL Group entered 2020 with good momentum in the acquisition strategy, giving us reason for cautious optimism. Having delivered beyond expectations in 2019, SGL Group expects to continue improving and growing the underlying business in 2020, seeing a positive influence by the acquisitions made in 2019 in combination with the acquisition of Pioneer in the beginning of 2020. However, financial performance is expected to be restricted by the macroeconomic development as a consequence of the COVID-19 pandemic virus.

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 all helping us to stay committed to our goal of making the world a little less complicated.

SGL Group stays focused on delivering superior logistics solutions to demanding customers driven by our strong belief in our 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 Group's long-term ambitions remain the same as in previous years:

1. Outperform market growth
2. Improve all relevant KPIs with focus on:
    1. Operating margin
    2. Conversion rate (Gross profit to EBITDA)
    3. Cash generation

SGL Group's long-term goal remains unchanged where SGL Group entities expect to generate an average EBITDA margin before special items and IFRS 16 of 4-5% over an economic cycle. After group function costs, SGL Group will generate 3.5-4% over such period.

MARKET EXPECTATIONS 2020

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 more and more countries continue to implement and/or 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.

With China continuing to recover and getting closer to full operating capacity, we now see an intensified situation in the US making its appearance with significant disruptions on the airfreight, ocean freight and domestic transportation in the US.

The risk of an escalating trade war between the 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, Refer to Risk management on page 31 for further details.

FOUR-YEAR OVERVIEW

FOUR-YEAR OVERVIEW FOR SGL GROUP	2019	2018	2017	2016 (5 MONTHS)
Key figures (in DKK´000):				
Income statement				
Revenue	4,143,904	3,520,600	3,391,185	1,250,824
Gross profit	773,036	591,836	505,887	193,998
Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) and special items	202,112	88,639	30,035	36,321
EBITDA before special items and IFRS 16	133,559	88,639	30,035	36,321
Operating profit (EBIT) before special items	85,704	47,537	-8,229	20,986
Special items, net	-39,966	-34,955	-16,906	-11,018
Operating profit (EBIT)	45,738	12,582	-25,135	9,968
Financial items, net	-122,101	-59,601	-50,677	-29,225
Profit/loss before tax	-76,363	-47,019	-75,812	-19,257
Profit/loss for the year	-85,428	-55,386	-65,275	-20,625
Cash flow				
Cash flows from operating activities	-112,797	19,252	-73,306	-3,688
Cash flows from investing activities	-134,434	-39,343	-193,256	-1,177,958
Free cash flow	-247,231	-20,091	-266,562	-1,181,646
Cash flows from financing activities	187,699	129,92	136,603	1,347,150
Cash flow for the year	-59,532	109,829	-129,959	165,504
Financial position				
Total equity	574,753	656,646	608,836	627,234
Equity attributable to parent company	568,093	651,111	608,524	626,238
Net interest-bearing debt (NIBD)	1,056,374	607,219	685,126	472,969
Total assets	3,216,093	2,702,767	2,576,813	-
Financial ratios in %				
Gross margin	18.7	16.8	14.1	15.5
EBITDA margin before special items	4.9	2.5	0.9	2.9
EBITDA margin before special items and IFRS 16	3.2	2.5	0.9	2.9
EBIT margin before special items	2.1	1.4	-0.2	1.7
EBIT margin	1.1	0.4	-0.7	0.8
Return on assets*	0.7	0.5	-0.1	0.4
Equity ratio	17.9	24.3	23.6	25.8
Return on equity (ROE)	-14.2	-8.8	-10.7	-3.3
*before special items				
Number of average full-time employees	**1,175**	**952**	**866**	**733**

For a definition of financial ratios please see note 6.4 Accounting policies.

The above figures for 2016 comprise income and cash flow statement for the period 2 August - 31 December 2016 regarding the SGL Holding Group activities, which were acquired with effect from 2 August 2016.

Comparison figures for the year 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.

FINANCIAL PERFORMANCE – SGL GROUP

REVENUE
DKK 4,144M

ADJUSTED EBITDA*
DKK 134M

**Before special items and IFRS 16 leases*

RESULT FOR THE PERIOD

2019 consolidated financial statements include the operating results of SGL TransGroup International A/S and its wholly owned subsidiaries (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.

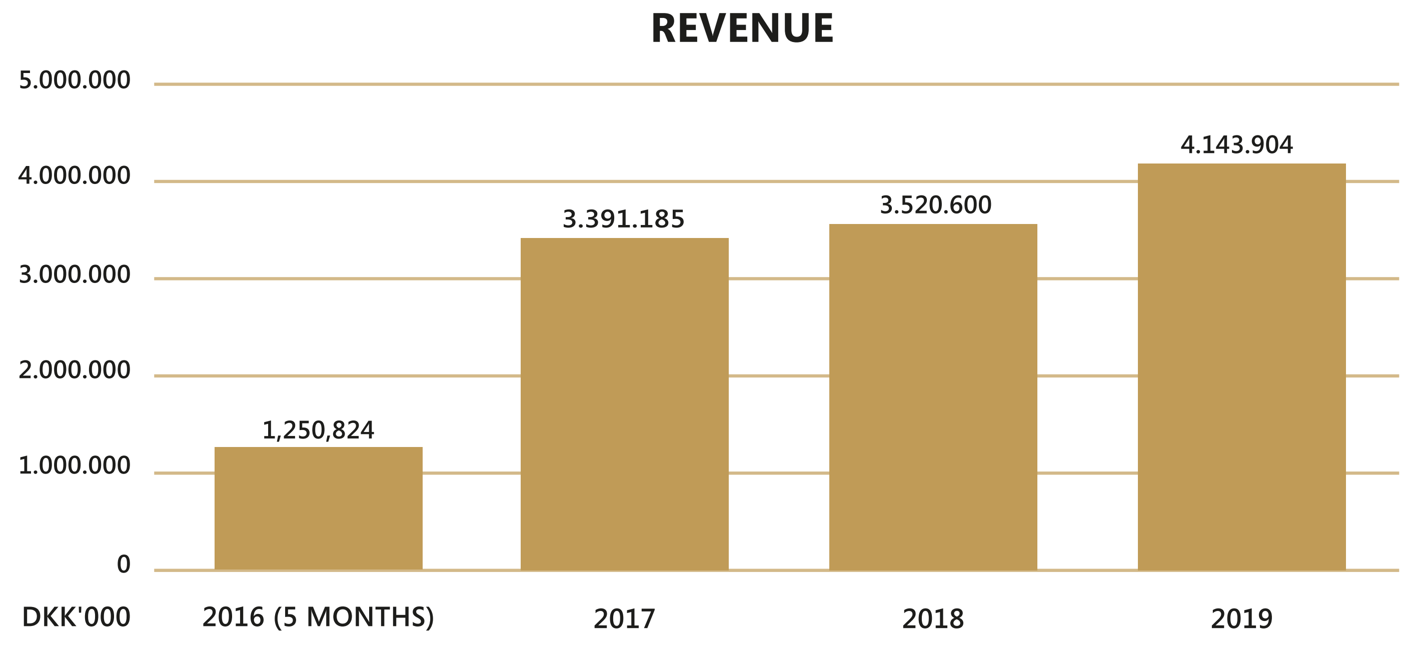
REVENUE

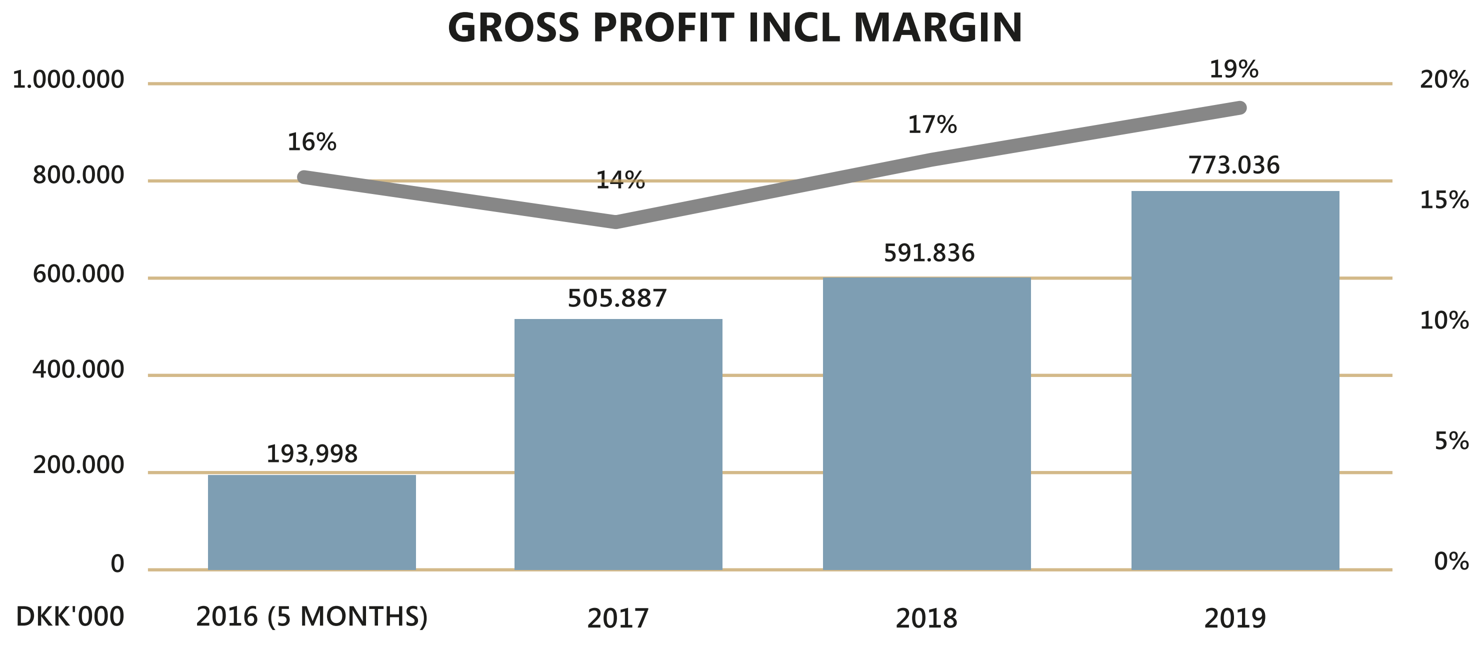
2019 revenue amounted to DKK 4,144 million generating EBITDA before special items of DKK 202 million.

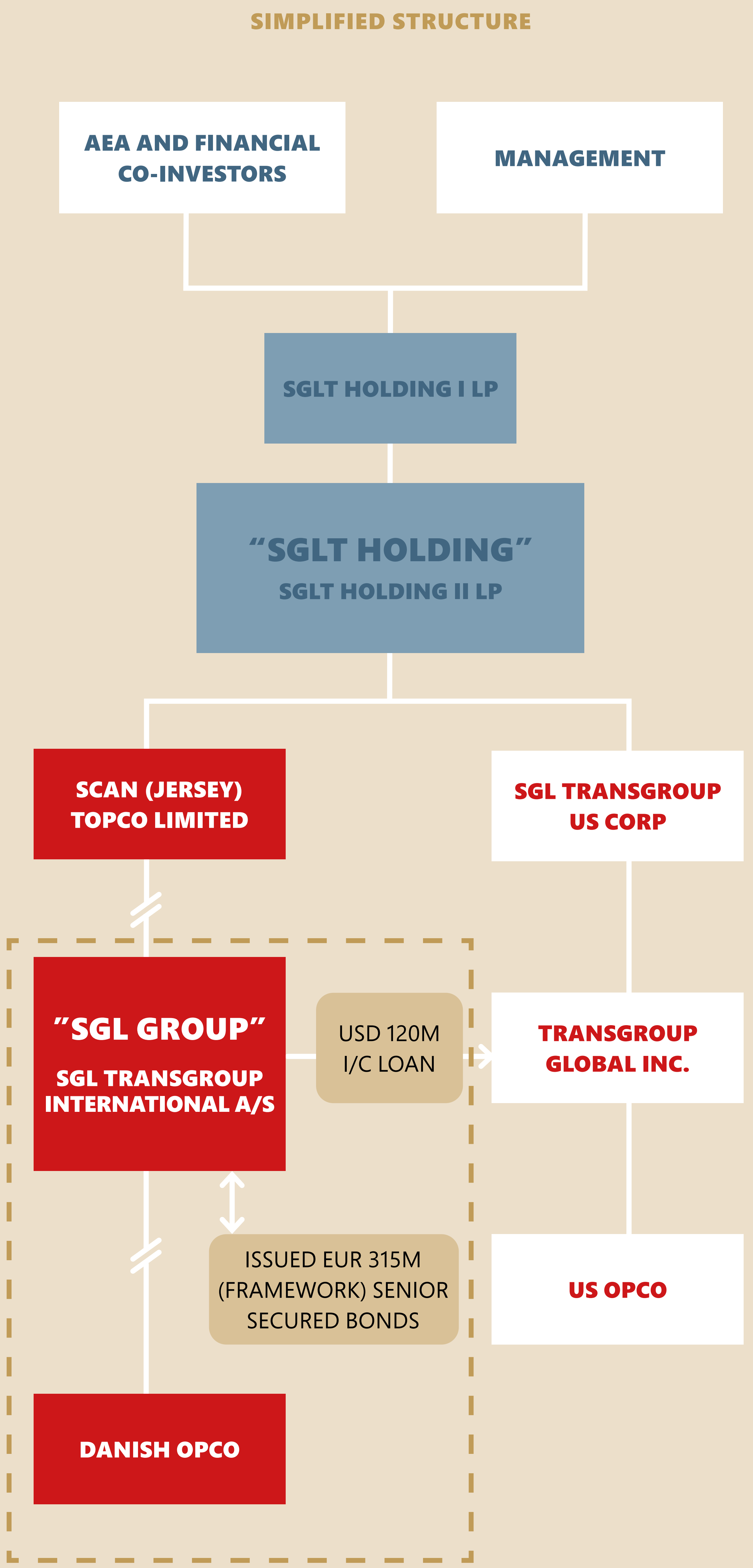
The total 2019 organic growth amounts to 5 percent in revenue in comparison to 2018. Air, Ocean and Road segments were all strong drivers of the organic growth, mainly driven by the Nordics and Greater China; however, partly offset by the Solution segment due to restructuring activities within the Danish Solutions business. Refer to further details below.

GROSS PROFIT

The 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.







FINANCIAL PERFORMANCE – SGL GROUP

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 to 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 571 million, equivalent to an increase of 10 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.

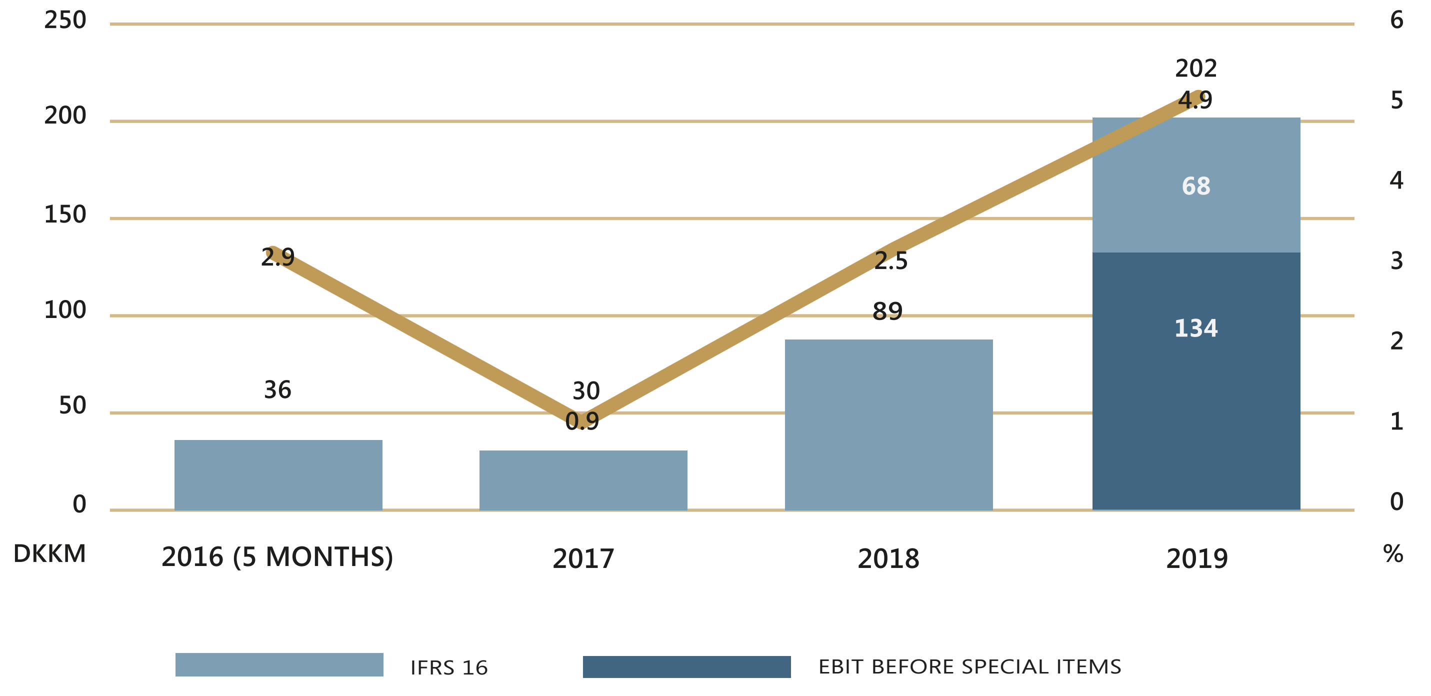
EBITDA BEFORE SPECIAL ITEMS

EBITDA before special items amounted to DKK 202 million in 2019, equivalent to an EBITDA margin before special items of 4.9 percent; an increase of 2.4 percentage point primarily driven by the recent acquisitions as well as IFRS 16 impact accounting for a 1.5 percentage point increase. EBITDA before special items excluding the IFRS 16 adjustment amounted to DKK 134 million and showed an increase of DKK 45 million; equivalent to a 51 percent improvement compared to 2018. The total 2019 organic growth amounts to 18 percent in EBITDA before special items and IFRS 16 in comparison to 2018.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation amounted to DKK 116 million in 2019, compared to DKK 41 million in 2018. This increase is primarily explained by IFRS 16 depreciations, but amortisation of intangible assets from acquisitions has a minor impact as well as a result of the development of IT projects.

EBITDA BEFORE SPECIAL ITEMS



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 items amounted to a cost of DKK 122 million in 2019 compared to a cost of DKK 60 million in 2018. Net financial expenses mainly comprised interest expenses on the bond debt, including capitalised loan costs recognised in the income statement and FX currency loss related to the redemption of the bonds, as well as an impact of IFRS 16 interest expenses (DKK 12.4 million); however, offset by the interest income from the related party loan to Transgroup Global Inc, the parent company of Transgroup. Please refer to note 3.2 for further information.

FINANCIAL PERFORMANCE – SGL GROUP

CASH FLOWS

The 2019 cash flow from operating activities before special items, interests and tax was positive DKK 98 million, driven by improved EBITDA; however, negatively influenced by working movements and adjustments for non-cash transactions. The negative working capital movement is a result of the increased activity level in 2019 compared to 2018, mainly due to higher receivables, but to some extent also impacted by the acquisitions made.

The redemption of the old bond debt led to additional financial costs paid, impacting the cash flows from operating activities.

2019 CAPEX amounted to DKK 56 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 mainly included redemption of bonds and issue of bonds; refer to further information below. Furthermore, cash flow from financing activities included redemption of the lease liabilities (IFRS 16) of DKK 68 million and redemption of debt taken over in acquisitions amounting to DKK 8 million.

CAPITAL STRUCTURE

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

SGL Group's issued bonds, ISIN NO0010768062 and NO0010768070, in an aggregate amount of approximately USD 191 million, were delisted 25 November 2019.

4 November 2019 SGL TransGroup International A/S issued new EUR 215 million senior secured callable floating rate bonds due 4 November 2024. Refer to note 3.6 for further information.

SGL Group has successfully carried out a subsequent issue of bonds for an amount of EUR 8 million under the framework of its outstanding bond loan (ISIN: SE0013101219). The subsequent bond issue was priced at 100 percent of the nominal amount. Following the subsequent issue the total amount outstanding under SGL Group's bond loan is EUR 223 million. The bond loan and subsequent bonds are listed on Nasdaq Stockholm and the Frankfurt Stock Exchange Open Market. Refer to note 3.6 for further information.

NET INTEREST-BEARING DEBT (NIBD) AND LIQUIDITY RESERVE

Consolidated net interest-bearing debt amounted to DKK 1,056 million as of 31 December 2019; hereof DKK 173 million have been added in lease liabilities according to IFRS 16. The total liquidity reserve was DKK 267 million by the end of December 2019 driven by the issue of new bonds. See note 3.6 for further information.

FINANCIAL PERFORMANCE – AIR SEGMENT

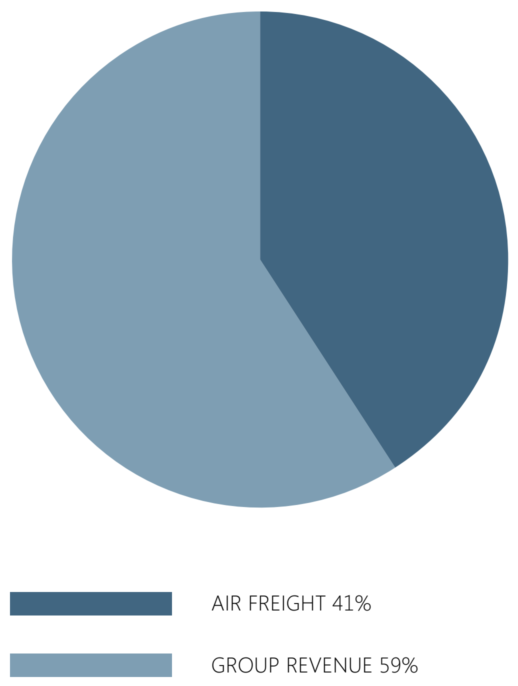
REVENUE*	GROSS MARGIN
DKK 1,713M	19%

*Intercompany revenue eliminated

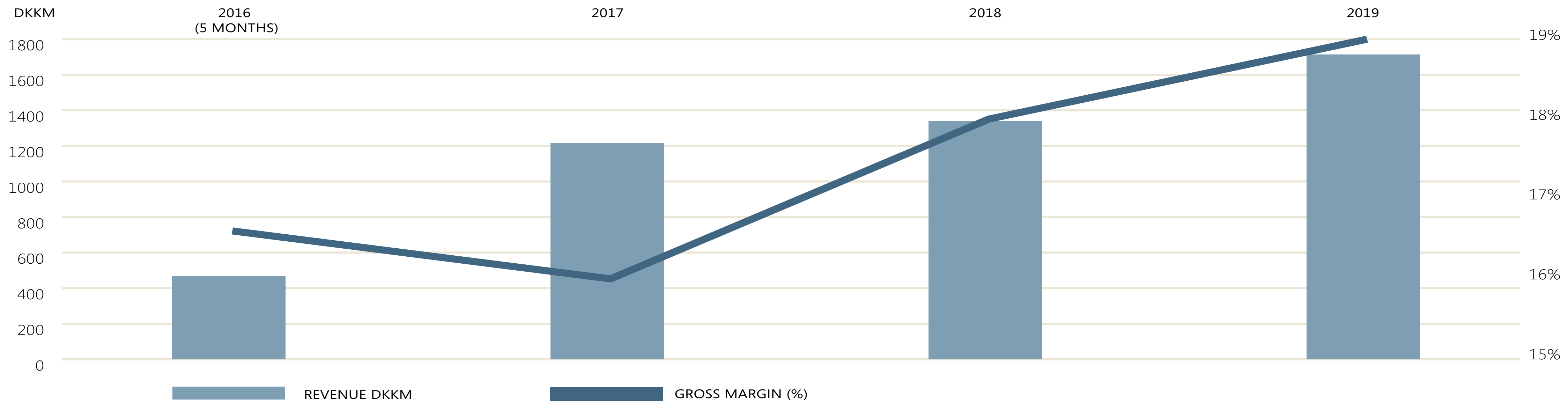
Key comments

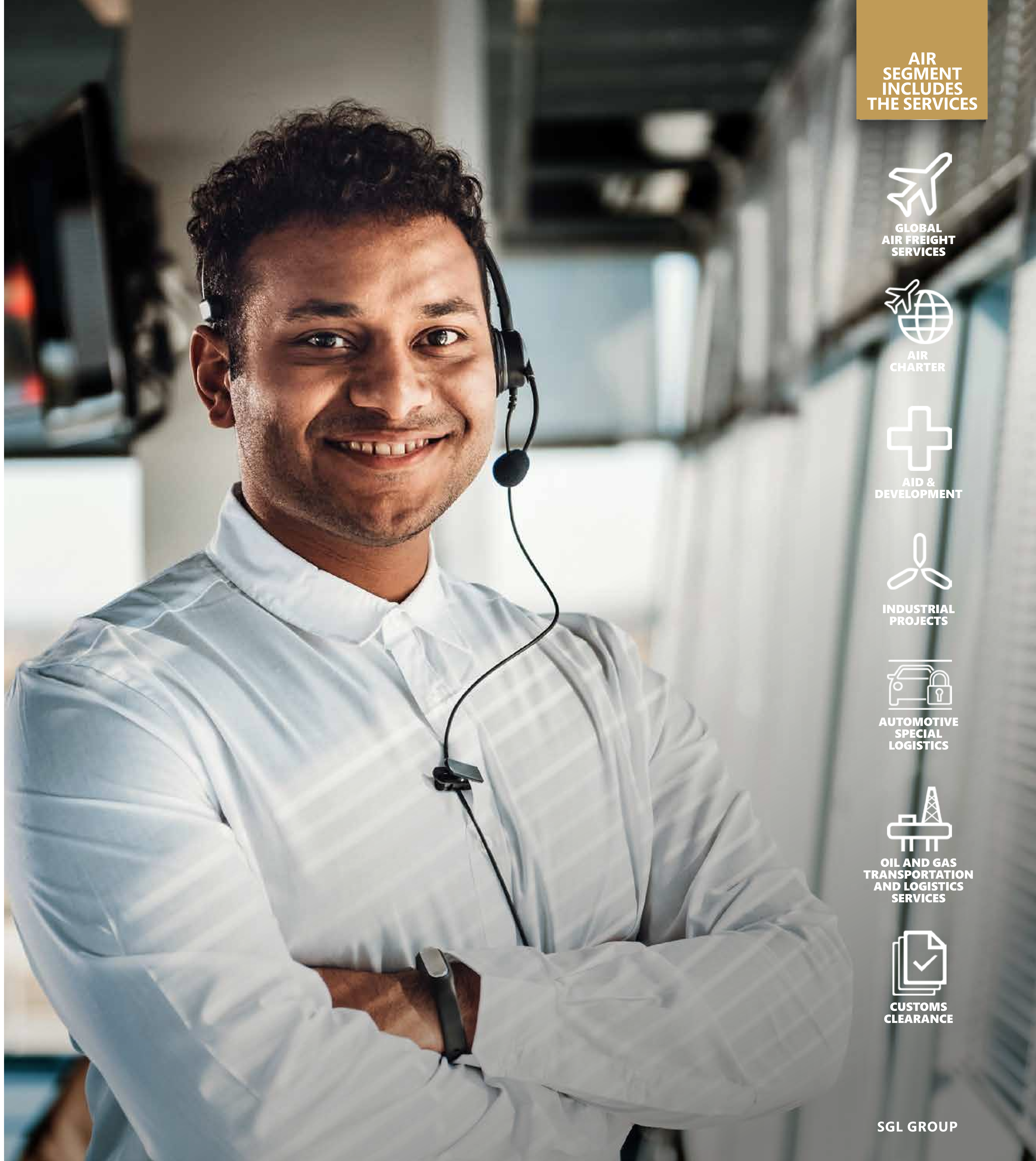
- Global full-service offering through collaboration with all major airlines
- Leading position in the Nordic countries
- Offer complex air freight solutions
- SGL Group can provide an aircraft to suit every customer's requirements
- The acquisition of IQS and Scan Global Logistics Spain S.L. in 2019 primarily affected the Air freight segment in Europe
- Annual air freight volumes of approx. 70,000 tonnes, primarily between Northern Europe and Asia and North America and Asia.
- Revenue has grown at a CAGR 18% between 2016 and 2019, with an increasing gross margin over the last two years to 19% due to the IQS acquisition and the organic growth in Denmark and Asian countries

SHARE OF REVENUE



AIR SEGMENT





FINANCIAL PERFORMANCE – OCEAN SEGMENT

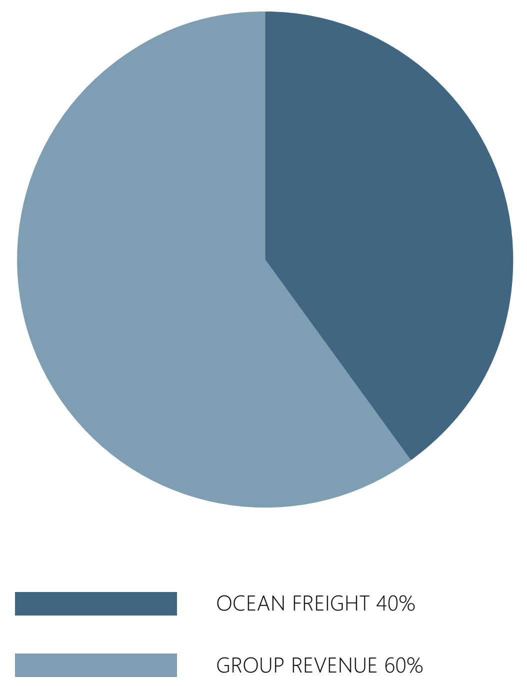
REVENUE*	GROSS MARGIN
DKK 1,636M	17%

*Intercompany revenue eliminated

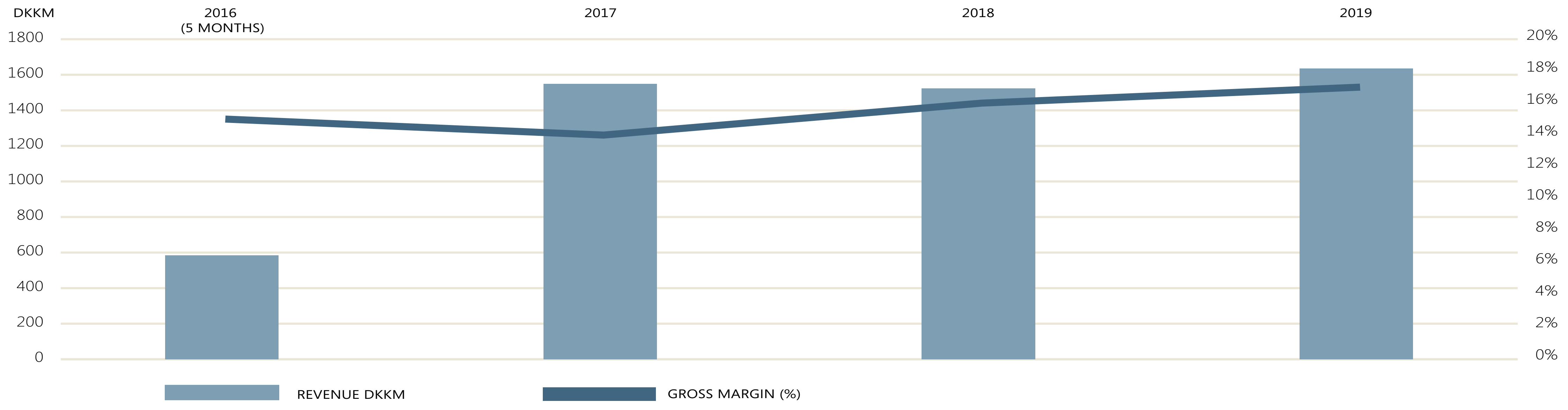
Key comments

- Competitive full container load ("FCL") and less than container load ("LCL") offering focusing on complex requirements with clear value add
- Annual Ocean freight volumes more than 170,000 TEU, the majority of which comprises of flows between Asia and Northern Europe and North America and Asia
- Revenue has grown at a CAGR 10% between 2016 and 2019, with an increasing gross margin over the last 2 years to 17% due to the organic growth in Denmark and Asian countries

SHARE OF REVENUE



OCEAN SEGMENT



FINANCIAL PERFORMANCE – ROAD SEGMENT

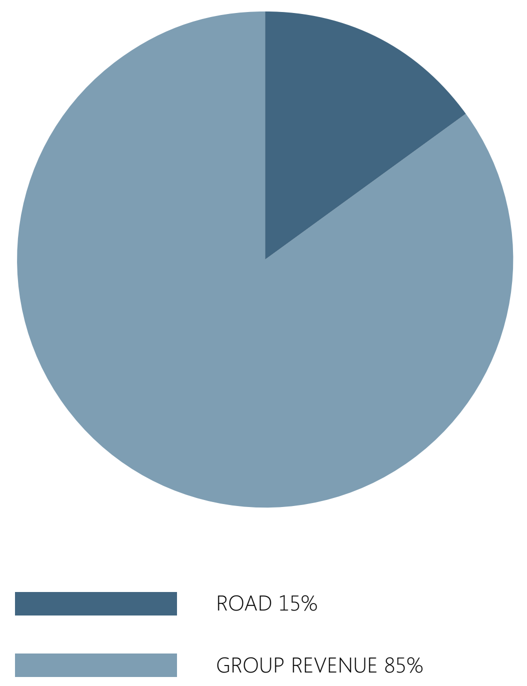
REVENUE*	GROSS MARGIN
DKK 637M	20%

*Intercompany revenue eliminated

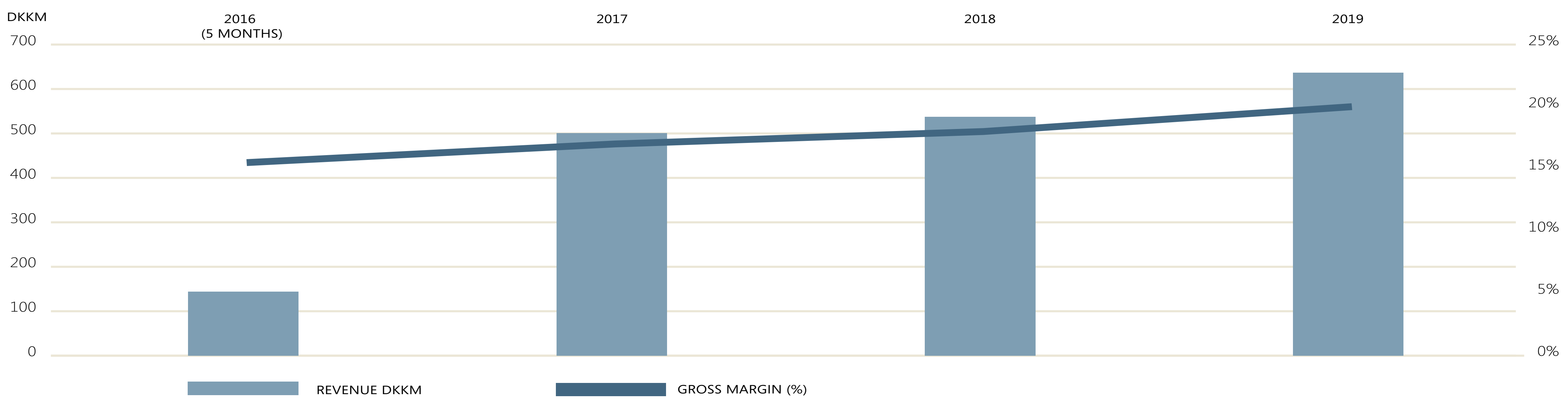
Key comments

- Primarily surface transports in Europe
- Minimal asset ownership, which ensures high flexibility, limited investments, and utilisation risk
- Hubs are operated along main transportation routes in the Nordics
- The acquisitions of Crosseurope AB (2017), Macca Logistics (2018) and BK Spedition GmbH (2019) have had an impact on the relatively high revenue growth at a CAGR 22% between 2016 and 2019, with a gross margin in the level of 17% -18% (excl. IFRS 16 impact)

SHARE OF REVENUE



ROAD SEGMENT



FINANCIAL PERFORMANCE – SOLUTION SEGMENT

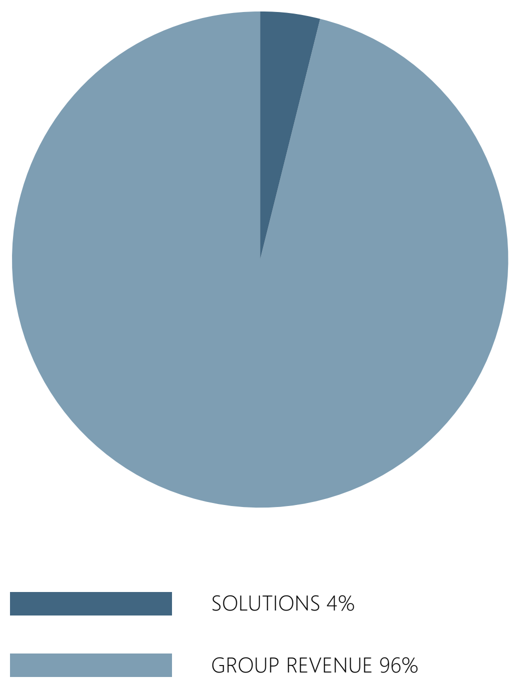
REVENUE*
DKK 158M
*Intercompany revenue eliminated

GROSS MARGIN
31%

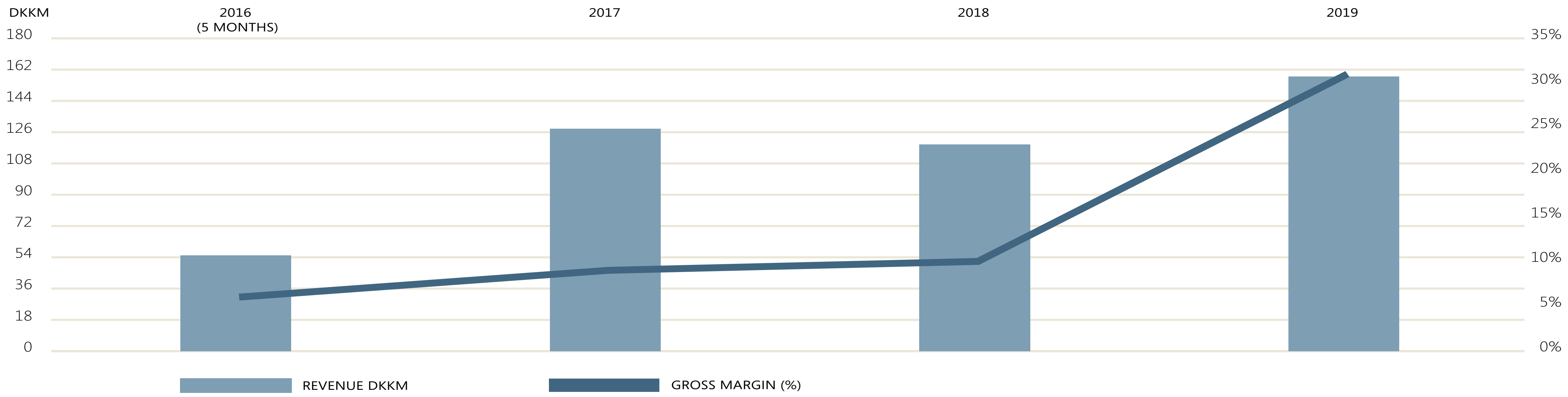
Key comments

- E-Commerce, contract logistics, and warehousing incl. value-added services
- Warehouse capacity mainly in Denmark and Asia
- Customs solutions
- A rapidly growing and profitable Parcel and Express division combined with the newly acquired unit IC Logistics from IC Company established a strong platform for E-commerce fulfilment services within SGL Group.
- The acquisition of IC logistics in June 2019 had a positive impact on revenue growth and gross margin. Revenue has grown at a CAGR 10% between 2016 and 2019.
- The traditional warehouse activities in Denmark have been undergoing a reorganisation during 2019 including cost reductions. Consequently the revenue decreased by 4 percent compared to 2018, and the gross margin increased to 31 percent in 2019 from the traditional level of 8-10 percent in the previous years.

SHARE OF REVENUE



SOLUTION SEGMENT



FINANCIAL PERFORMANCE – SGLT HOLDING

REVENUE	ADJUSTED EBITDA*
USD 1,074M	USD 43M

Adjusted EBITDA (Business performance) excluding the impact of IFRS 16 leases

Financial performance SGLT Holding II LP (SGLT Holding)

INTRO

SGL TransGroup International A/S (together with TransGroup Global Inc. and their respective subsidiaries) has issued a senior secured floating-rate due bond loan within a total framework amount of EUR 315 million.

The figures contained in this section are comprised of the combined financial performance of SGL Group and TransGroup, including their respective subsidiaries, constituting the combined group SGLT Holding II LP ("SGLT Holding").

The figures for SGLT Holding are included because they highlight the performance to which attention should be given when understanding the current combined performance and predicting future combined performance supporting the bond.

Reporting currency for SGLT Holding is USD, hence the performance in this section is explained in USD.

RESULTS FOR THE PERIOD

The 2019 financial performance include the operating results of SGL Group and TransGroup, including newly acquired businesses such as Kestrel and Macca Logistics Sarl (both acquired in Q3 2018), IQS Group (acquired 2 January 2019), New Bison LLC (acquired 2 January 2019), BK Spedition GmbH (acquired 2 May 2019), IC Logistics (acquired 30 June 2019), and Scan Global Logistics Spain S.L. (acquired 25 November 2019).

2019 revenue amounted to USD 1,074 million equivalent to an increase of 12 percent despite negative impact by USD 35 million due to FX translation, generating EBITDA before special items of USD 53 million. EBITDA before special items excluding the IFRS 16 adjustment showed an increase of USD 7 million (approx. 23 percent improvement compared to 2018).

The acquisitions made during 2019 have had a revenue impact of USD 76 million and, consequently, the organic revenue growth was 8 percent taking the negative impact from FX translation into consideration.

The Gross profit increased USD 35 million during 2019 of which the acquisitions and IFRS 16 impact relate to USD 20 million. Consequently, the organic growth was USD 15 million equivalent to an 11 percent increase year over year.

SG&A costs increased by USD 15 million organically, equivalent to 12 percent due to several growth initiatives, including opening new offices and business developments in both SGL Group and TransGroup. SG&A costs were 12 percent of the revenue; on par with 2018.

Adjusted EBITDA (business performance) excluding the impact of IFRS 16 Leases amounts to USD 43 million and represents the underlying financial performance of SGLT Holding for 2019, as results are adjusted for extraordinary items which are not in line with the ordinary course of business and other non-recurring items.

CASH FLOWS FOR THE PERIOD

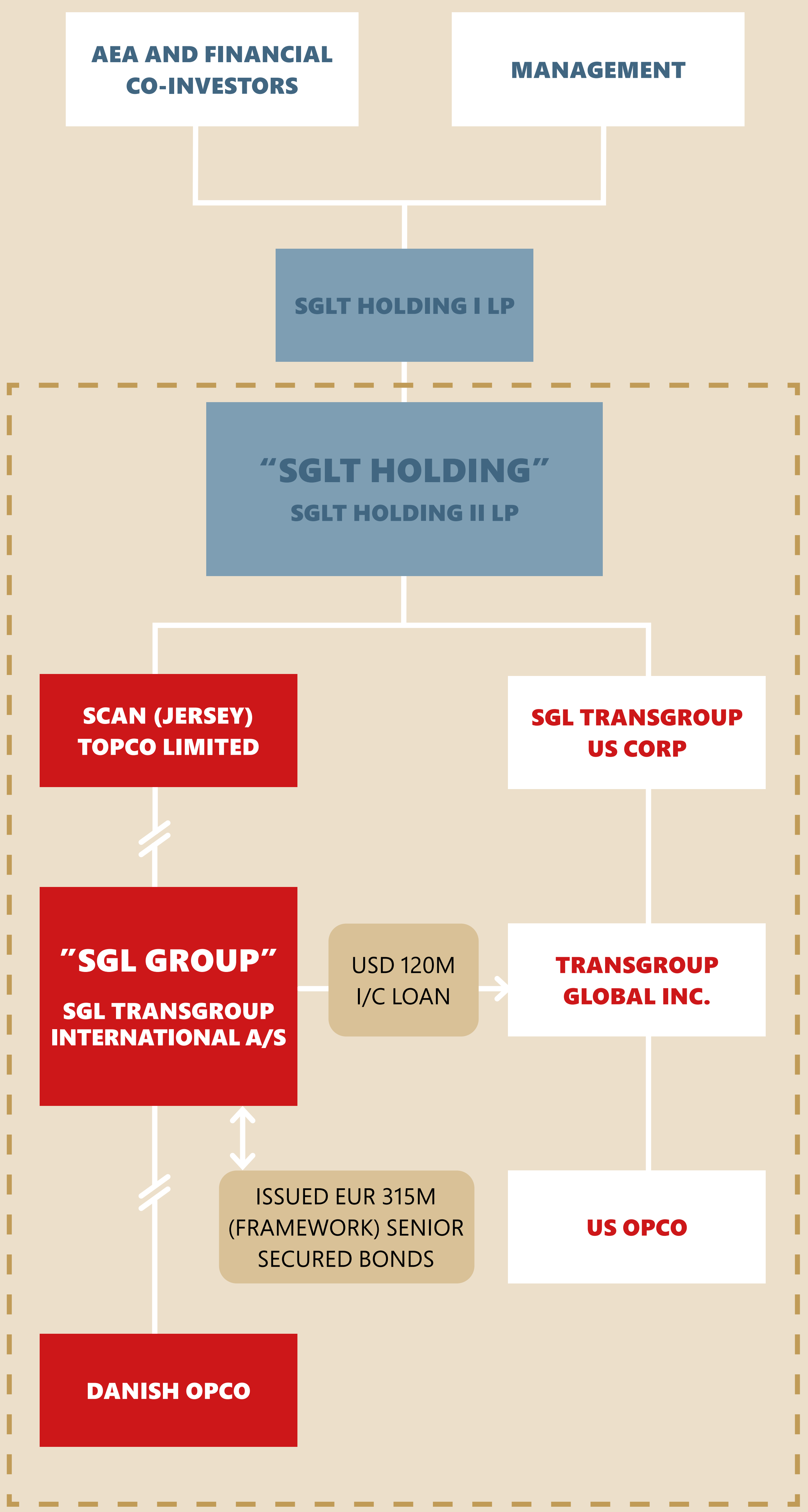
The 2019 cash flow from operating activities before special items, interests and tax was positive USD 34 million, driven by improved EBITDA, however negatively influenced by working capital movements and adjustments for non-cash transactions.

2019 CAPEX amounted to USD 10 million, mainly driven by the development of IT projects. Cash outflow related to acquisitions made including transaction costs amounted to USD 18 million.

Cash flow from financing activities mainly included the redemption of bonds and issue of bonds.

Total net change in the cash flow was positive USD 7 million.

SIMPLIFIED STRUCTURE



FINANCIAL HIGHLIGHTS – SGLT HOLDING

	2019	2018
Key figures (in USD thousands):		
Income statement (IFRS)		
Revenue	1,074,254	955,266
Gross profit	181,152	145,695
EBITDA before special items	52,833	31,168
Operating profit (EBIT) before special items	27,350	20,223
Special items	-6,377	-6,949
Operating profit (EBIT)	20,973	13,274
Net financial expenses	-32,271	-17,765
Profit/loss for the period	-11,798	-7,856
Income statement (Business performance)[2)]		
Adjusted EBITDA[3)]	43,005	n/a
Cash flow		
Cash flows from operating activities before special items, interest and tax	33,960	28,549
Cash flows from operating activities	-5,535	4,162
Investments in intangible assets	-5,124	-645
Investments in property, plant and equipment	-4,608	-1,750
Investments in Group entities	-17,803	-2,291
Cash flows from investing activities	-24,744	-9,416
Free Cash flow	-30,279	-5,253
Cash flows from financing activities	37,633	13,790
Cash flow for the period	7,354	8,537
Financial position		
Total equity	143,487	159,117
Equity attributable to parent company	140,500	157,374
Net interest bearing debt (NIBD)	267,544	184,430
Total assets	580,018	510,878
Financial ratios in %		
Gross margin[4)]	16.9	15.3
EBITDA margin[4)]	4.9	3.3
Adjusted EBITDA (Business performance) [2) 3)]	4.0	n/a
EBIT margin[4)]	2.5	2.1
Equity ratio	24.7	31.1
Net leverage ratio [5)]	5.4	n/a

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

2) Business performance represents the underlying financial performance of SGL Group in the reporting period as results are adjusted for extraordinary items which are not in line with the ordinary course of business and other non-recurring items. Apart from this, there is no difference between business performance and IFRS results.

3) Excluding the impact of IFRS 16 Leases

4) Before special items

5) Net leverage ratio defined as Net interest bearing debt (excluding IFRS 16 leases) / Adjusted EBITDA (business performance)

ESG* – A FOCUS AREA

In a world, and an industry, influenced by environmental and social challenges at a grand scale SGL Group has decided to recognise its responsibilities in the bigger picture. Hence, SGL Group will include ESG as a strategic element in our future business.

*SGL Group already complies with the UN Global Compact principles, we have faith in the SDG17 ** and will use the UN SDG17 as our beacon in all future efforts.*

SGL Group will support the SDG 17 efforts in the best way possible and focus on selected sustainable goals and geographical areas where SGL Group believes it will have the best and biggest impact – as fast as possible. SGL Group does not neglect all other areas, but results demands focus.

SGL Group intends to involve experts in environmental issues, Global Compact and researchers at the highest level. SGL Group also plans to establish partnerships that will enable us to involve its partners and customers in joint efforts for even more effect.

There is no better time to start than now. And SGL Group wants to make a difference.

Allan Melgaard, Group CEO

Overall ESG Initiatives and Drivers:

SGL Group supports 70% CO_2 reduction in 2030 and the target of being CO_2 neutral in 2050

SGL Group supports the UN target of maximum 1,5 degree Global Warming

SGL Group will initiate Partnerships with various Stakeholders to drive the mutual climate targets

SGL Group will be a member of the Science Based Targets Initiative and Support “GRI” framework for reporting

*ESG: Environmental, social and corporate

**SDG: Sustainable Development Goals (UN17)

7 AFFORDABLE AND CLEAN ENERGY

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

SUSTAINABLE DEVELOPMENT GOALS

ENVIRONMENT

Environmental conditions are an integrated part of SGL Group. SGL Group thinks of the environmental issues in terms of its customers, suppliers and especially employees, and commits to environmental responsibility. The SGL Group Environmental policy is available at https://www.scangl.com/media/2014/environmental-policy-october-2019.pdf.

For SGL Group, the biggest environmental and climate risks are related to environmental management at SGL Group locations.

SGL Group holds an Environmental Management System and have a Multisite Certification (ISO14001:2015) covering all sites in Denmark, Norway, Sweden and Finland. SGL Group will continue this roll-out internationally and implement it into all offices.

Twice a year SGL Group conducts an Energy Mapping of all sites. The Energy Mapping informs about the energy consumption at SGL Group including its subsidiaries. This Energy Mapping contains information about our Electricity Consumption, Waste, Heat, Print and more.

The electricity consumption in Denmark is by 1/1-2020 only supplied by green electricity from Danish Wind Mills.

Training courses are made every year on all sites. The training contains ISO 14001, ISO 9001, Processes, Targets, Deviations, UN Global Compact, AEO, and more. It is a part of the SGL Group Academy training, and the employees receive a certificate upon completing a test to ensure content has been understood.

Academy tests (E-learning) on Environmental aspects are made every year on all sites.

Together with external consultants SGL Group conducts a yearly report as a review and a confirmation that SGL is in compliance with all Environmental Laws.

SGL Group supports UN Global Compact (since December 2015) which contains 10 principals within the four areas Human Rights, Environment, Labour and Anti-corruption. Communication on progress is created and published every year.

SGL Group has waste management in place on all terminals and warehouses which means that SGL Group does its outmost to source sort our waste to largest extend possible.

SGL Group, achieved the following results, among others, in 2019:

- Achieved ISO 9001 and ISO 14001 Multi-Site Certifications covering all locations and sites in Denmark, Norway, Sweden and Finland.
- Reduced electricity consumption by approx. 11%.
- Reduced consumption of copy paper by approx. 9%.

“SGL Group fully recognises the need for compliance and focus on ESG and SDG. SGL Group already invests in these areas and are very ambitious in its aim towards supporting the UN Global Compact principles as well as the UN SDG17 goals for the world. Business has become much more than business, and SGL Group intends to take its role and responsibility for climate change seriously.

Allan Melgaard, Group CEO

PARTNERSHIPS

SGL Group joins partnerships with all stakeholders in the supply chain as well as subjects area experts and authorities.

SGL Group is focused on establishing partnerships with its multinational and global customers. Partnerships can comprise developing new supply chain solutions focused on reducing costs and improving performance, environmental efforts as well as assisting its customers to enter new markets.

SGL Group Headquarter is a part of the external CSR Management System, "SEDEX" since October 2019. SEDEX consist of four pillars, Labour, Health & Safety, Environment and Business Ethics. The system is accessible to all stakeholders.

SGL Group is part of the EcoTransIT World Initiative (EWI). An organisation who aims at continuously developing and harmonising the emission calculation methodology for the global transport sector.

From the beginning of 2020 SGL Group is able to supply all partnering customers with reports concerning the emission coming from their shipments. Full emission from Well-to-Wheel (CO2, Sox, NOX and more), according to the European standard EN 16258.

Respecting human rights and working against corruption in all forms is at the center of our values and something we also expect from our suppliers.

SGL Group makes contractual requirements for working conditions and business ethics for sub-suppliers, as this is where the biggest risks related to Human Rights and anti-corruption are found. SGL group ensures that all sub-suppliers are in compliance and accept the "SGL Supplier Code of Conduct":

- *Child labor, Forced labor, Compensation and working hours, Discrimination, Health and safety, Business continuity planning, Improper payments/bribery*

In addition a Questionnaire in "SGL Supplier Code of Conduct" asks the Suppliers within Road, Air and Ocean, to confirm that they comply with SGL Group´s Security Declaration (AEO), SGL Supplier Code of Conduct and SGL Anti-Corruption Policy.

In 2019, we found no violations to our Supplier Code of Conduct.

SGL Group Code of Conduct is available at https://www.scangl.com/media/1824/code-of-conduct-sgl-final.pdf, and SGL Group Anticorruption policy is available at https://www.scangl.com/media/1825/sgl-anti-corruption-policy-january-2018-v1.pdf.

DRIVING SUSTAINABLE GROWTH THROUGH PARTNERSHIPS

SGL Group is in the process of setting up partnership across industries in order to join forces with other likeminded companies and create initiatives that may impact our companies' sustainability – and reduce the CO_2 impact from transportation.

10 REDUCED INEQUALITIES

11 SUSTAINABLE CITIES AND COMMUNITIES

SUSTAINABLE DEVELOPMENT GOALS

SOCIETY

As a part of SGL Group's ESG activities (Environmental, Social and Governance criteria) and commitment to the UN Global Compact initiative SGL Group has signed on as a sponsor and supporter of Cargo Human Care.

SGL Group wants to make a difference and via Cargo Human Care SGL Group has specifically taken on the responsibility to sponsor five young adults who could use a helping hand. The young people are currently living at the John Kaheni Residence, who looks after 32 adolescents, providing them with vocational training and other competencies supported by professionals. In general, the facility is establishing a foundation for their future in terms of skills and education.

The United Nations – with whom SGL Group has been working closely with for 40 years – has set 17 Global Goals and by supporting Cargo Human Care SGL Group is now making a direct impact.



CARGO HUMAN CARE

SGL Group is partnering with Cargo Human Care where we currently sponsor 5 young Kenyans within education and health via CHC.


PEOPLE

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

SUSTAINABLE DEVELOPMENT GOALS

Health and safety are an integrated part of SGL Group. SGL Group takes responsibility to protect the health and safety of our people, subcontractors, customers as well as the public. The main risk for the business is not being able to maintain continuity and competences within employees and subcontractors. SGL Group's Health and safety policy is available at https://www.scangl.com/media/2016/hse-policy-october-2019.pdf.

In SGL Group, its people are its most important source of energy in our business. Together they shape the culture that underpins our development and growth as a company. In 2018, SGL Group initiated a thorough process with input from its employees across the world to create a common understanding of who it is and why it exists. SGL Group tested it with customers to contribute to its collective self-awareness and developed SGL Group's Strategic Narrative and Cultural DNA, containing our virtues and purpose.

In 2019, SGL Group invested in anchoring its cultural DNA and its purpose to make the world a little less complicated, throughout the organisation. To launch the Strategic Narrative and Cultural DNA, SGL Group conducted a roadshow across its offices – from Helsinki to Shanghai – and engaged in conversations about its people ambition.

In order to document as well as apply this ambition to the way SGL Group works, SGL Group has implemented the very first Meaningfulness Survey (MQ), systematically gathering feedback on the extent to which our employees find it meaningful to work for SGL Group. The MQ survey was sent out to all of our +1.300 employees in +20 countries, and the survey will continue to be repeated to enable all leaders to gain continuous insights to the development of our culture based on feedback from all employees.

Results from the first MQ survey carried out in 2019 were very satisfactory, scoring 3.99 on a scale from 1.0 to 5.0.

To monitor the feedback closely, Management decided to include the MQ score as a leading business indicator in addition to its financial KPIs for the way it measures and reports on its overall performance going forward. All for the benefit of SGL Group and the people working in it.

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.

The total ratio of women among SGL Group's employees was 45 percent at year-end. In 2019 Management has 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 managerial positions exceeds the 35 percent target set in 2018.

Geographically, the ratio of female executives in 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.

PEOPLE

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

SUSTAINABLE DEVELOPMENT GOALS

"

I am a firm believer in the fact that culture beats strategy, and that no system or formula can compensate for the energy of good people. In SGL Group it is our people who create the value, and it is our human approach that sets us apart. We have now defined our unique DNA to be able to scale it as we grow and welcome new employees and new customers to the business for everyone to know how we want to approach the world and each other. We will continue to focus on anchoring our DNA across the global organisation to strengthen our culture and make sure that every single human being working with us feels a high sense of meaning in the work that they do.

Group CEO and co-founder, Allan Melgaard.

OUR CULTURAL DNA

Why does SGL Group not have values like every other company? Simply because SGL Group does not believe that you can give yourself values. No matter how many times it calls itself "accountable", SGL Group will never actually be accountable if no one beyond itself verifies it. SGL Group lets its customers and partners give it values, when it has earned them. So, instead of values, SGL Group has given itself four virtues that SGL Group everyday strives to live up to. They are SGL Group's principles, defining the morality and behavior that SGL Group believes create a meaningful workplace.

SGL Group might not live up to them 24/7, 365 days a year, as nobody is perfect. But it is the codex that SGL Group will always try its best to promote. And when someone really tries to carry themselves with respect, entrepreneurship, integrity and fun, but fails, we will forgive rather than blame. As long as SGL Group takes its point of departure in the following, it can be proud of itself.

Respect. SGL Group does not believe in entitlement, but that all human beings are equal in worth no matter who they are or what they do

- You meet others with the same respect you want from them
- You view any difference in background or perspective as a source of inspiration
- You don't let your seniority (or lack of same) set you apart or limit your responsibility
- You care for your fellow human beings, never letting anyone suffer from a lack of leadership – not even leaders

Entrepreneurship. SGL Group does not believe in being flawless, but in the ability to combine perseverance with innovation to get things done and learn from its mistakes

- You meet any challenge with a can-do attitude
- You search for opportunities and act more than you talk
- You never hesitate to change direction when the facts tell you to
- You care more for results than perfection

Integrity. SGL Group does not only believe in good intentions, but in honesty and execution to have the least possible distance between what we say and what SGL Group does

- You deliver on your promises and recognise when you don't
- You have the courage to always do what's right
- You put honesty above compassion
- You ask twice as much about what you can do better than what you did well

Fun. SGL Group does not merely believe in protocols, but in fostering an informal atmosphere powered by positive energy for human relationships to prosper

- You take work seriously but not yourself
- You treat negativity in the office as you treat weeds in your garden
- You never create a policy for something that can be fixed by attitude
- You celebrate the achievements of your team

CORPORATE GOVERNANCE AND OWNERSHIP

SGL Group is owned directly by Scan (UK) Midco Limited, and the ultimate owner is SGLT Holding I LP.

BOARD OF DIRECTORS

The Board of Directors consists of the following members:

- Henrik von Sydow, chairman
- Allan Dyrgaard Melgaard
- Claes Brønsgaard Pedersen
- Thomas Thellufsen Nørgaard
- Jørgen Agerbo Jessen

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

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 of SGL Group.

DEVELOP A GOVERNANCE AND APPROVAL SYSTEM

The governance and approval system includes the interaction between the Board and Management and clearly outlines the authorities given to the CEO. Periodically, the Board of Directors interacts with the Executive Management 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.

MONITORING AND CONTROLLING

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

AUDIT COMMITTEE

An audit committee has been established 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.

CORPORATE GOVERNANCE AND OWNERSHIP

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

HENRIK VON SYDOW

SGL Road ApS, Chairman
Scan Global Logistics A/S, Chairman
Scan Global Logistics Holding ApS, Chairman
SGL Express A/S, Chairman
My Dentist AB
Burt AB
New to World Sweden AB

CLAES BRØNSGAARD PEDERSEN

SGL Road ApS
Scan Global Logistics A/S, CFO
Scan Global Logistics Holding ApS
SGL Express A/S
SGL E-Commerce A/S
HSK Pro ApS, Chairman
JAFC Holding ApS

JØRGEN AGERBO JESSEN

Scan Global Logistics A/S
Scan Global Logistics Holding ApS
SGL Express A/S
Airlog Group Denmark A/S
SGL E-Commerce A/S
Ejendomsselskabet Langenbach ApS, Director
CPC ApS, Managing director
MMG ApS, Director
Danske Luftfragtspeditørers Forening
Danske Speditører
Guldægget ApS
Flair Invest ApS, Director
Saack Invest ApS, Director
PS Invest ApS, Director
C. Jessen Invest ApS, Director

ALLAN DYRGAARD MELGAARD

SGL Road ApS, Chairman
Scan Global Logistics A/S, CEO
Scan Global Logistics Holding ApS, CEO
SGL Express A/S
SGL E-Commerce A/S, Chairman
Airlog Group Denmark A/S, Chairman
LMT ApS, Managing director
MMG ApS, Director
WB Invest ApS
Ejendomsselskabet Langenbach ApS, Chairman

THOMAS TELLUFSEN NØRGAARD

SGL Road ApS, Managing director
Scan Global Logistics A/S
Scan Global Logistics Holding ApS
SGL Express A/S
Airlog Group Denmark A/S
Thell Con ApS, Director
Ejendomsselskabet Langenbach ApS

RISK MANAGEMENT

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 offer 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 on page 12 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 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, 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 constantly monitor and follow all and any development in order to mitigate any possible risks.

SGL Group has taken out liability insurance to meet any loss resulting from damage on customer's 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. In addition, the Board of Directors has established an Audit Committee with four members to support the oversight function regarding risk management, financial reporting and compliance.

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 and staffing as well as establish and approve overall policies, procedures and controls in relation to financial reporting.

In relation to the financial reporting, the Management has a 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 fulfilment 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 financial reporting, is designed to effectively minimise the risk of errors and lack of information.

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT

NOTES	DKK'000	2019	2018*
1.1, 1.2	Revenue	4,143,904	3,520,600
1.1, 1.3	Cost of operation	-3,370,868	-2,928,764
	Gross profit	**773,036**	**591,836**
	Other external expenses	-109,888	-124,956
1.3	Staff costs	-461,036	-378,241
	Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA) and special items	**202,112**	**88,639**
2.1, 2.2, 2.3	Amortisation and depreciation	-116,408	-41,102
	Operating profit (EBIT) before special items	**85,704**	**47,537**
1.4	Special items, net	-39,966	-34,955
	Operating profit (EBIT)	**45,738**	**12,582**
3.2	Financial income	74,716	78,924
3.2	Financial expenses	-196,817	-138,525
	Profit/loss before tax	**-76,363**	**-47,019**
4.1	Income tax for the year	-9,065	-8,367
	Profit/loss for the year	**-85,428**	**-55,386**
	Total income for the year attributable to		
	Owners of the Parent Company	-86,458	-55,593
	Non-controlling interests	1,030	207
	Total	**-85,428**	**-55,386**

STATEMENT OF OTHER COMPREHENSIVE INCOME

DKK'000	2019	2018*
Profit/loss for the year	**-85,428**	**-55,386**
Items that will be reclassified to income statement when certain conditions are met:		
Exchange rate adjustment	757	-5,861
Other comprehensive income, net of tax	**757**	**-5,861**
Total comprehensive income for the period	**-84,671**	**-61,247**
Total comprehensive income for the year attributable to		
Owners of the Parent Company	-85,663	-61,744
Non-controlling interests	992	497
Total	**-84,671**	**-61,247**

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

BALANCE SHEET

NOTES	DKK'000	2019	2018*
	ASSETS		
2.1, 2.4	Intangible assets	1,381,014	1,250,279
2.2	Property, plant and equipment	50,940	24,192
2.3	Right of use assets	164,576	0
3.3, 3.5	Receivables from related parties	801,108	637,944
	Other receivables	10,409	7,936
4.2	Deferred tax asset	8,431	4,757
	Financial assets	**819,948**	**650,637**
	Total non-current assets	**2,416,478**	**1,925,108**
2.5	Trade receivables	639,971	505,662
3.3, 3.5	Receivables from related parties	0	5,420
	Income tax receivables	2,566	3,073
	Other receivables	20,158	24,320
	Prepayments	14,931	13,968
3.4	Cash and cash equivalents	121,989	225,216
	Total current assets	**799,615**	**777,659**
	Total assets	**3,216,093**	**2,702,767**

NOTES	DKK'000	2019	2018*
	EQUITY AND LIABILITIES		
3.1	Share capital	501	501
	Share premium	2,778	830,764
	Currency translation reserve	-25,141	-25,936
	Retained earnings	589,955	-154,218
	Equity attributable to the Parent Company	**568,093**	**651,111**
	Non-controlling interests	6,660	5,535
	Total equity	**574,753**	**656,646**
3.3, 3.6	Bond debt	1,641,555	1,264,236
2.3, 3.6	Lease Liabilities	96,635	0
3.6	Earn-out provision	6,109	1,678
4.2	Deferred tax liability	59,038	46,807
	Other payables	6,621	0
	Total non-current liabilities	**1,809,958**	**1,312,721**
3.4, 3.6	Bank debt	35,647	79,342
2.3, 3.6	Lease Liabilities	76,092	0
3.6	Earn-out provision	3,634	5,674
	Trade payables	458,572	425,569
3.6	Payables to related parties	105,355	114,097
	Deferred income	42,066	6,136
	Corporation tax	27,150	17,707
	Other payables	82,866	84,875
	Total current liabilities	**831,382**	**733,400**
	Total liabilities	**2,641,340**	**2,046,121**
	Total equity and liabilities	**3,216,093**	**2,702,767**

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

STATEMENT OF CASH FLOWS

NOTES	DKK'000	2019	2018*
	Operating profit (EBIT) before special items	85,704	47,537
2.1, 2.2, 2.3	Depreciation and amortisation	116,408	41,102
	Non-cash transactions	-22,623	0
	Exchange rate adjustments	1,680	-5,840
2.6	Change in working capital	-83,049	25,318
	Cash flows from operating activities before special items, interest and tax	**98,120**	**108,117**
	Special items paid	-19,545	-29,478
	Interest received	5,838	50,959
	Interest paid	-187,441	-99,282
	Tax paid	-9,769	-11,064
	Cash flows from operating activities	**-112,797**	**19,252**
2.1	Purchase of software and other intangible assets	-34,208	-15,781
2.2	Purchase of property, plant and equipment	-21,817	-10,964
	Sale of property, plant and equipment	25,329	0
5.3	Investments in group entities and activities excluding transaction costs	-97,425	-7,625
1.4	Special items, transactions cost acquitions	-1,166	-1,360
	Earn-out paid	-5,147	-3,613
	Cash flows from investing activities	**-134,434**	**-39,343**
	Free cash flow	**-247,231**	**-20,091**
	Capital increase	2,778	104,331
	Purchase of non-controlling interest	0	-2,047
	Payments from group entities	6,347	0
	Redemption of lease liabilities	-68,554	0
3.5	Loan to Transgroup Global Inc.	-94,287	0
	Payable to TransGroup Global Inc.	-11,268	27,636
3.3	Proceeds from issuing of bonds	1,666,066	0
	Redemption of bond loan	-1,305,320	0
	Redemption of other acquisition debt	-8,063	0
	Cash flows from financing activities	**187,699**	**129,920**
	Change in cash and cash equivalents	**-59,532**	**109,829**

NOTES	DKK'000	2019	2018*
	Cash and cash equivalents		
	Cash and cash equivalents at 1 January	145,874	36,045
	Change in cash and cash equivalents	-59,532	109,829
3.4	**Cash and cash equivalents at 31 December**	**86,342**	**145,874**

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

STATEMENT OF CHANGES IN EQUITY

DKK'000	SHARE CAPITAL	SHARE PREMIUM	CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO PARENT COMPANY	NON-CONTROLLING INTERESTS	GROUP TOTAL EQUITY
Equity at 1 January 2019	**501**	**830,764**	**-25,936**	**-154,218**	**651,111**	**5,535**	**656,646**
Profit/loss for the year	**0**	**0**	**0**	**-86,458**	**-86,458**	**1,030**	**-85,428**
Currency exchange adjustment	0	0	795	0	795	-38	757
Other comprehensive income, net of tax	**0**	**0**	**795**	**0**	**795**	**-38**	**757**
Total comprehensive income for the year	**0**	**0**	**795**	**-86,458**	**-85,663**	**992**	**-84,671**
Transfer	0	-830,764	0	830,764	0	0	0
Purchase of non-controlling interests	0	0	0	-133	-133	133	0
Capital increase by cash payment	0	2,778	0	0	2,778	0	2,778
Total transactions with owners	**0**	**-827,986**	**0**	**830,631**	**2,645**	**133**	**2,778**
Equity at 31 December 2019	**501**	**2,778**	**-25,141**	**589,955**	**568,093**	**6,660**	**574,753**
Equity at 1 January 2018	**500**	**726,434**	**-19,785**	**-97,544**	**609,605**	**312**	**609,917**
Effect of changes in accounting policies, IFRS 9	0	0	0	-1,081	-1,081	0	-1,081
Adjusted Equity at 1 January 2018	**500**	**726,434**	**-19,785**	**-98,625**	**608,524**	**312**	**608,836**
Profit/loss for the year	**0**	**0**	**0**	**-55,593**	**-55,593**	**207**	**-55,386**
Currency exchange adjustment	0	0	-6,151	0	-6,151	290	-5,861
Other comprehensive income, net of tax	**0**	**0**	**-6,151**	**0**	**-6,151**	**290**	**-5,861**
Total comprehensive income for the year	**0**	**0**	**-6,151**	**-55,593**	**-61,744**	**497**	**-61,247**
Purchase of non-controlling interests	0	0	0	0	0	4,726	4,726
Capital increase by cash payment	1	104,330	0	0	104,331	0	104,331
Total transactions with owners	**1**	**104,330**	**0**	**0**	**104,331**	**4,726**	**109,057**
Equity at 31 December 2018*	**501**	**830,764**	**-25,936**	**-154,218**	**651,111**	**5,535**	**656,646**

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

OVERVIEW OF NOTES

NOTE 1.1 SEGMENT INFORMATION

DKK'000	REVENUE AND 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	-106,908	-2,928,764
	Gross profit	**234,989**	**248,381**	**96,391**	**12,075**	**591,836**

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 transport service. The project business of SGL Group is included in the Air and Ocean segments as the projects include 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).

DKK'000	GOODWILL, CUSTOMER RELATIONS, TRADEMARKS AND OTHER INTANGIBLE ASSETS	AIR	OCEAN	ROAD	SOLUTION	TOTAL
2019	Balance at 1 January	528,978	644,781	48,941	4,181	1,226,881
	Exchange rate adjustments	1,543	-237	-456	0	850
	Additions 2019	125,402	6,096	7,687	0	139,185
	Amortisation during the year	-18,652	-16,890	-2,742	-105	-38,389
	Balance at 31 December	**637,271**	**633,750**	**53,430**	**4,076**	**1,328,527**
2018	Balance at 1 January	546,317	657,291	50,21	4,288	1,258,106
	Exchange rate adjustments	-5,467	-1,564	-1,666	-2	-8,699
	Additions 2018	0	4,990	1,959	0	6,949
	Amortisation during the year	-11,872	-15,936	-1,562	-105	-29,475
	Balance at 31 December	**528,978**	**644,781**	**48,941**	**4,181**	**1,226,881**

NOTE 1.1 SEGMENT INFORMATION CONT.

GOODWILL, CUSTOMER RELATIONS, TRADEMARKS AND OTHER INTANGIBLE ASSETS, CONT.

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 Solutions business areas are relatively small in a group context and within a limited geographical area (Denmark & Sweden). Consequently, goodwill, customer relations, trademarks, and other intangible assets are primarily allocated to the Air and Ocean segments.

DKK'000	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	2,371,318	4,135	4,493	28,100	**2,408,046**
2018	Net revenue (services)	1,973,718	962,263	337,746	246,873	**3,520,600**
	Non-current assets less tax assets	1,899,011	2,038	5,754	13,550	**1,920,353**

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

ACCOUNTING POLICIES

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 - comprise of Sweden, Norway and Finland.
- Greater China - comprises of China, Hong Kong and Taiwan
- Other countries - enegal, Ivory Coast, Germany, Austria, Netherlands, Belgium, Spain, USA, Dubai, Chile and Peru.

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

NOTE 1.2 REVENUE

ACCOUNTING POLICIES

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.

Solution services

Rent income from the Solution activity mainly comprises warehousing. Solution 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.

NOTE 1.3 COSTS

DKK'000 STAFF COSTS	2019	2018
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 key personnel:		
Wages	7,242	9,102
Pension	612	1,022
Other social security costs	5	9
Key management personnel (short-term employee benefits)	**7,859**	**10,134**

Members of the Executive Board and Board of Directors did not receive remuneration in 2019.
The key personnel of SGL Group comprise of 4 persons.

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

The fee to AEA covers the fee for management services for SGL Group.

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

ACCOUNTING POLICIES

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.

NOTE 1.4 SPECIAL ITEMS, NET

DKK'000	2019	2018
Restructuring cost (Redundancy cost for personnel and closing of offices), etc.	27,907	16,407
Transaction costs in connection with acquisitions	7,100	1,360
Settlement costs related to special projects, etc.	4,959	17,188
Total special items, net	**39,966**	**34,955**

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

ACCOUNTING POLICIES

Special items are recognised in connection with presenting the consolidated income statement for the year to separate items thereby its nature is not related to SGL Group's main business activity, and a separation of these items improve the understanding of the performance for the year.

NOTE 2.1 INTANGIBLE ASSETS

DKK'000		GOODWILL	CUSTOMER RELATIONS	TRADE-MARKS	OTHER INTANGIBLES	SOFTWARE	TOTAL
2019	Cost at 1 January 2019	951,425	290,825	54,131	0	34,145	1,330,526
	Currency exchange adjustment	1,261	-387	-52	-1	1,075	1,896
	Additions from acquisitions	52,882	75,310	5,839	2,154	194	136,379
	Additions	0	0	0	3,000	31,208	34,208
	Cost at 31 December 2019	**1,005,568**	**365,748**	**59,918**	**5,153**	**66,622**	**1,503,009**
	Amortisation at 1 January 2019	0	56,746	12,754	0	10,747	80,247
	Currency exchange adjustment	0	-26	-3	0	-35	-64
	Amortisation	0	32,188	5,986	215	3,423	41,812
	Amortisation at 31 December 2019	**0**	**88,908**	**18,737**	**215**	**14,135**	**121,995**
	Carrying amount at 31 December 2019	**1,005,568**	**276,840**	**41,181**	**4,938**	**52,487**	**1,381,014**
2018	Cost at 1 January 2018	953,620	290,344	54,310	0	18,356	1,316,630
	Currency exchange adjustment	-7,020	-1,643	-179	0	-5	-8,847
	Additions from acquisitions	4,825	2,124	0	0	13	6,962
	Additions	0	0	0	0	15,781	15,781
	Cost at 31 December 2018	**951,425**	**290,825**	**54,131**	**0**	**34,145**	**1,330,526**
	Amortisation at 1 January 2018	0	32,743	7,425	0	6,285	46,453
	Currency exchange adjustment	0	-127	-16	0	-10	-153
	Additions from acquisitions	0	177	0	0	0	177
	Amortisation	0	23,953	5,345	0	4,472	33,770
	Amortisation at 31 December 2018	**0**	**56,746**	**12,754**	**0**	**10,747**	**80,247**
	Carrying amount at 31 December 2018	**951,425**	**234,079**	**41,377**	**0**	**23,398**	**1,250,279**

ACCOUNTING POLICIES

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 is 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 arising from the acquisition 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.

Impairment

Please refer to section 2.4 for further details.

NOTE 2.2 PROPERTY, PLANT AND EQUIPMENT

DKK'000		LAND AND BUILDINGS	PLANT AND MACHINERY	FIXTURES, TOOLS, FITTINGS AND EQUIPMENT	TOTAL
2019	Cost at 1 January 2019	5,649	7,264	23,788	36,701
	Exchange rate adjustment	80	-73	186	193
	Additions	546	3,412	17,859	21,817
	Additions from acquisitions	25,318	11,844	4,283	41,445
	Disposals	-25,118	-1,588	-1,532	-28,238
	Cost at 31 December 2019	**6,475**	**20,859**	**44,584**	**71,918**
	Depreciation at 1 January 2019	2,254	2,283	7,972	12,509
	Exchange rate adjustments	80	150	399	629
	Depreciation	2,026	3,956	4,978	10,960
	Depreciation and impairment of disposals	0	-1,588	-1,532	-3,120
	Depreciation at 31 December 2019	**4,360**	**4,801**	**11,817**	**20,978**
	Carrying amount at 31 December 2019	**2,115**	**16,058**	**32,767**	**50,940**
2018	Cost at 1 January 2018	2,509	2,643	17,063	22,215
	Exchange rate adjustment	-219	-672	-249	-1,140
	Additions	2,743	1,940	6,281	10,964
	Additions from acquisitions	616	3,306	741	4,663
	Transfer	0	48	-48	0
	Cost at 31 December 2018	**5,649**	**7,264**	**23,788**	**36,701**
	Depreciation at 1 January 2018	741	773	4,973	6,487
	Exchange rate adjustments	-217	-212	-704	-1,133
	Depreciation	1,730	1,707	3,718	7,155
	Transfer	0	16	-16	0
	Depreciation at 31 December 2018	**2,254**	**2,283**	**7,972**	**12,509**
	Carrying amount at 31 December 2018	**3,395**	**4,981**	**15,816**	**24,192**

ACCOUNTING POLICIES

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.

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 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.

NOTE 2.3 RIGHT OF USE ASSETS

DKK'000 LEASES

	RIGHT OF USE ASSETS	LAND AND BUILDINGS	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
	Re-measurement 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 SGL 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

NOTE 2.4 IMPAIRMENT

Goodwill, customer relations, trademarks, and other intangible assets were tested for impairment on 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 SGL Group.

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 1.1 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 SGL 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.

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

NOTE 2.4 IMPAIRMENT CONT.

DKKM		GROUP	AIR	OCEAN	ROAD	SOLUTION
Carrying amount of goodwill, customer relations, trademarks and other intangible assets		1,329	637	635	53	4
Plan period	Average annual Gross Profit growth rate	8%	8%	8%	8%	8%
Terminal period	Growth rate	2%	2%	2%	2%	2%
	Pre tax discount rate	11.3%	11.3%	11.3%	11.3%	11.3%
Sensitivity analysis						
Growth in plan period, allowed decline		27%	13%	14%	>50%	>50%
Discount rate, allowed increase >100%		33%		13%	15%	>100%

Reasonably possible changes in key assumption on which Management has based its determination of the Air and Ocean segments recoverable amount would cause the Air and Ocean segments carrying amounts for intangible assets to exceed the segments' recoverable amounts. The Air and Ocean segments recoverable amounts exceed its carrying amount with DKK 132 million and DKK 139 million, respectively.

ACCOUNTING POLICIES

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. As goodwill is allocated to SGL Group's activity, it follows the structure of the segment information in note 1.1.

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.

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.

NOTE 2.5 TRADE RECEIVABLES

DKK'000	2019	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**
Impairment losses for the year relating to doubtful trade receivables break down as 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	-405
Impairment for the year	114	3,764
Impairment at 31 December	**12,012**	**12,553**

ACCOUNTING POLICIES

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 is not disclosed following the practical expedient of IFRS 15.

SGL Group applies the IFRS 9 simplified approach to measuring expected credit losses which use a 12-months expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due.

NOTE 2.6 CHANGE IN NET WORKING CAPITAL

DKK'000	2019	2018
Changes in receivables	-102,612	53,579
Changes in trade payables, etc.	21,063	-27,872
Debt relating to acquisitions	-1,500	3,728
Special items	0	-4,117
Total change in working capital	**-83,049**	**25,318**

NOTE 3.1 SHARE CAPITAL

DKK´000	2019	2018
The Parent Company's share capital of DKK 501 thousands comprises:		
5,007 shares of DKK 100 each on formation	501	501
Total share capital at 31 December	**501**	**501**

NOTE 3.2 FINANCIAL ITEMS

DKK'000 FINANCIAL INCOME	2019	2018
Financial income from Transgroup Global Inc.	45,596	47,872
Redemption of bond debt	25,415	0
Other financial income	1,243	3,143
Exchange rate gains from FX contracts	108	147
Exchange rate gains	2,354	27,762
Total financial income	**74,716**	**78,924**

DKK'000 FINANCIAL EXPENSES	2019	2018
Interest expenses	26,705	13,313
Lease interest expenses	12,400	0
Bond interest expenses	85,668	87,706
Redemption of bond debt	47,342	0
Amortisation of capitalised loan costs	13,538	3,630
Exchange rate losses from FX contracts	0	285
Exchange rate losses	11,164	33,591
Total financial expenses	**196,817**	**138,525**

ACCOUNTING POLICIES

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 3.3 FINANCIAL INSTRUMENTS

DKK´000 FINANCIAL INSTRUMENTS BY CATEGORY	2019	2018
The carrying amount of financial assets, trade payables and payables to credit institutions correspond to the estimated fair value.		
The fair values of the issued bonds were EUR 225 million totalling DKK 1,682 million (2018: 1,205 million), based on quoted bond rates at 31 December 2019 of 101,00 at Nasdaq, Frankfurt at 31 December 2019.		
Financial instruments by category, carrying amount		
Financial assets (measured at amortised cost)		
Trade receivables	639,971	505,662
Other receivables	30,567	32,256
Receivables from group entities	801,108	643,364
Cash	121,989	225,216
Financial assets measured at amortised cost	**1,593,635**	**1,406,498**
Financial liabilities		
Currency derivatives	85	-108
Financial liabilities measured at amortised cost:		
Issued bonds	1,641,555	1,264,236
Lease liabilities	172,727	0
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	**2,318,244**	**1,776,499**

NOTE 3.4 CASH AND CASH EQUIVALENTS

DKK´000 CASH AND LIQUIDITY	2019	2018
Cash	121,989	225,216
Credit institutions	-35,647	-79,342
Net cash	**86,342**	**145,874**
Credit facilities	180,518	148,515
Liquidity reserve	**266,860**	**294,389**

ACCOUNTING POLICIES

Cash comprises cash balances and bank balances.

NOTE 3.5 LOAN TO RELATED PARTY

DKK´000 RECEIVABLE FROM TRANSGROUP GLOBAL INC.	2019	2018
Principal, USD 98,019k, fixed interest rate 7.70% p.a.	0	637,944
Principal, USD 120,000k, interest rate 8.40%	801,108	0
Total receivable from Transgroup Global Inc.	**801,108**	**637,944**
	Cash flow*	Cash flow*
Receivable falling due between 1 and 5 years	1,131,966	811,938
Total non-current receivable from Transgroup Global Inc.	**1,131,966**	**811,938**
Total current receivable from Transgroup Global Inc.	**67,293**	**49,205**

** Total cash flows including interest.*

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

NOTE 3.6 FINANCIAL LIABILITIES

DKK'000
FINANCIAL LIABILITIES AND FINANCING ACTIVITIES

				Non-cash change			
	2018	Impact of IFRS 16 implementation	Cash flow	Business combinations	Foreign exchange movement	Fair value change	2019
Bond debt	1,264,236	0	360,746	0	16,573	0	1,641,555
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
Payables to Group entities	114,097	0	-11,268	0	2,526	0	105,355
Total liabilities from financing activities	**1,385,685**	**139,306**	**275,777**	**32,009**	**19,581**	**77,022**	**1,929,380**
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	**1,465,027**	**139,306**	**232,082**	**32,009**	**19,581**	**77,022**	**1,965,027**

			Non-cash change			
	2017	Cash flow	Business combinations	Foreign exchange movement	Fair value change	2018
Bond debt	1,229,436	0	0	34,800	0	1,264,236
Financial debt in business combinations	8,713	-3,564	2,252	0	-49	7,352
Payables to Group entities	83,874	27,636	0	2,587	0	114,097
Total liabilities from financing activities	**1,322,023**	**24,072**	**2,252**	**37,387**	**-49**	**1,385,685**
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	**1,359,597**	**65,840**	**2,252**	**37,387**	**-49**	**1,465,027**

NOTE 3.6 FINANCIAL LIABILITIES CONT.

DKK'000 BOND DEBT	2019	2018
Bond debt		
Issued bonds, DKK tranche, fixed interest rate 6.80% p.a.	0	625,000
Issued bonds, USD tranche USD 100 million, fixed interest rate 7.70% p.a.	0	651,940
Issued bonds, EUR 223 million, interest rate 6.75%	1,665,743	0
	1,665,743	**1,276,940**
Capitalised loan costs	-24,188	-12,704
Total bond debt	**1,641,555**	**1,264,236**
	Cash flow*	Cash flow*
Bond debt falling due between 1 and 5 years	2,218,562	1,604,735
Total non-current financial liabilities	**2,218,562**	**1,604,735**
Current portion of financial liabilities	**112,438**	**92,699**

** Total cash flows including interest.*

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

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

The Bonds were de-listed from the corporate bond list of Nasdaq Stockholm in connection with the redemption and the last day of trade was 20 November 2019. In connection with the redemption of bond debt the loan to TransGroup Global Inc. has been restructured. Refer to note 3.5 for further information.

Please see note 5.4 for a description of pledges.

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

17 December 2019 SGL Group successfully carried out a subsequent issue of bonds in an amount of EUR 8 million under the framework of its outstanding bond loan (ISIN: SE0013101219). The subsequent bond issue was priced at 100% of the nominal amount. Following the subsequent issue, the total amount outstanding under SGL Group's bond loan is EUR 223 million.

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

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

ACCOUNTING POLICIES

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.

NOTE 3.7 FINANCIAL RISKS

Capital structure and liquidity risk

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

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

Loan facilities and undrawn bank credit facilities are disclosed in note 3.4.

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 most significant interest rate risk relates to the bond debt.

A 1 percent increase in interest rates would result in higher interest expenses of DKK 5,9 million.

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 extent the balance is in surplus of SGL Group), loan to Transgroup Global Inc., foreign exchange transactions and other financial instruments.

SGL Group has established procedures for handling of credit risk and actively monitors and limits risks and losses on receivables. Historically, losses on receivables are at a low level. We refer to note 2.4 regarding credit quality and impairment losses on trade receivables.

NOTE 3.7 FINANCIAL RISKS CONT.

Foreign currency risk

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

SGL Group manages its foreign currency risk on an ongoing basis.

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

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

DKKM		2019		2018	
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
USD	10%	79	0	4	0
USD	-10%	-79	0	-4	0
EUR	1%	-15	0	1	0
EUR	-1%	15	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

NOTE 4.1 INCOME TAX

DKK'000	2019	2018
Tax for the year is disaggregated as follows:		
Tax on profit for the year	9,065	8,367
Total tax for the year	**9,065**	**8,367**
Reconcilliation of tax rate (%)		
Danish corporation tax rate (22%)	-16,800	-10,344
Difference between tax rate for subsidiaries outside Denmark and Danish tax rate	167	-54
Unrecognised tax assets	4,440	1,396
Write down of tax assets from prior years	-949	2,370
Non-taxable income and non-deductible expenses (net)	20,917	7,610
Tax regarding prior years	-74	0
Tax on dividends from subsidiaries	37	0
Other	1,327	7,389
Total tax for the year	**9,065**	**8,367**

ACCOUNTING POLICIES

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.

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.

NOTE 4.2 DEFERRED TAX

DKK´000 DEFERRED TAX ASSETS AND LIABILITIES	2019	2018
Deferred tax 1 January	-42,050	-47,909
Additions from acquisitions	-21,037	0
Deferred tax for the year	13,217	5,458
Exchange rate adjustments	-737	401
Deferred tax at 31 December	**-50,607**	**-42,050**
Specification of deferred tax in the balance sheet:		
Deferred tax asset	8,431	4,757
Deferred tax liability	-59,038	-46,807
Deferred tax at 31 December	**-50,607**	**-42,050**

ACCOUNTING POLICIES

Deferred tax

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

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

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

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

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

NOTE 4.2 DEFERRED TAX CONT.

DKK'000	DEFERRED TAX ASSETS/LIABILITIES ARISE FROM THE FOLLOWING	INTANGIBLES*	OTHER**	TAX LOSSCARRY-FORWARDS	TOTAL
2019	Deferred tax at 1 January	-61,152	4,698	14,404	-42,050
	Exchange rate adjustments	-884	11	136	-737
	Additions from acquisitions	-21,037	0	0	-21,037
	Recognised in the income statement	8,431	914	3,872	13,217
	Deferred tax at 31 December	**-74,642**	**5,623**	**18,412**	**-50,607**

** Intangibles temporary differences comprise customer relations and trademarks.*
*** Other temporary differences, comprise other intangible assets + property, plant and equipment.*

2018	Deferred tax at 1 January	-67,957	5,363	14,685	-47,909
	Exchange rate adjustments	361	-18	56	399
	Recognised in the income statement	6,444	-647	-337	5,460
	Deferred tax at 31 December	**-61,152**	**4,698**	**14,404**	**-42,050**

** Intangibles temporary differences comprise customer relations and trademarks.*
*** Other temporary differences, comprise other intangible assets + property, plant and equipment.*

DEFERRED TAX ASSETS NOT RECOGNISED IN THE BALANCE SHEET (TAX LOSS CARRY-FORWARDS)	2019	2018
Unrecognised at 1 January	11,810	10,414
Additions	4,440	1,396
Unrecognised tax assets at 31 December	**16,250**	**11,810**

NOTE 5.1 AUDIT FEES

DKK'000	2019	2018
Fee to the auditors appointed at the annual general meeting		
Fee for statutory audit	3,128	2,261
Fee for tax and VAT services	104	59
Fee for other services	260	891
Total fees to auditors appointed at the general meeting	**3,492**	**3,211**

NOTE 5.2 RELATED PARTY TRANSACTIONS

	2019
Information about related parties with a controlling interest and significant influence:	
Related party	**Domicile**
Owners of SGL TransGroup International A/S:	
Scan (UK) Midco Limited (controlling interest of 100%)	United Kingdom
Ultimate owner with controlling interest:	
SGLT Holding I LP (controlling interest of 100% of the financial rights)	Cayman Islands
Owners of SGLT Holding I LP:	
AEA Investors Small Business Fund III LP (controlling interest on voting rights)	Cayman Islands
No consolidated financial statements are prepared by either the parent company Scan (UK) Midco Limited nor by the ultimate parent company.	
Related party transactions	**DKK'000**
Sale of building from IQS Holding GmbH to Ejendomsselskabet Langenbach ApS	25,329
Loans from/to related parties	
Liability to TransGroup Global Inc.	-105,355
Loan to Transgroup Global Inc.	801,108
Lons to/from related parties, net	**695,753**
Management fee to AEA Investors SBF LP, New York (part of AEA Group)	**5,720**

The fee to AEA Investors SBF LP covers fee for Management services for SGL Group.

In 2019 no members of the Board of Directors or the Executive Board had any direct or indirect transactions with SGL Group other than the above mentioned and the benefits described in note 1.3 staff costs.

For purchases and sales between Group companies, the same pricing principles are applied as to transactions with external partners. Please see note 1.1 regarding intercompany revenue and note 3.2 for financial income and expenses.

NOTE 5.2 RELATED PARTY TRANSACTIONS CONT.

2018

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

Related party	Domicile
Owners of SGL TransGroup International A/S	
Scan (UK) Midco Limited (controlling interest of 100%)	United Kingdom
Ultimate owner with controlling interest:	
SGLT Holding I LP (controlling interest of 100% of the financial rights)	Cayman Islands
Owners of SGLT Holding I LP:	
AEA Investors Small Business Fund III LP (controlling interest on voting rights)	Cayman Islands

No consolidated financial statements are prepared by either the parent company Scan (UK) Midco Limited nor by the ultimate parent company.

Related party transactions	DKK'000
Receivables from related parties	
Outlay for expenses incurred in Scan (UK) Midco Limited	50
Outlay for expenses incurred in Scan (Jersey) Topco Limited	116
Outlay for expenses incurred in Transgroup Global Inc.	6,857
Outlay for expenses incurred in AEA Investors Small Business Fund III LP	821
Outlay for expenses incurred in SGLT Holding II LP	88
Outlay for expenses incurred in SGLT Holding I LP	-2,512
Total current receivables from group entities	**5,420**
Loan to Transgroup Global Inc.	524,929
Total receivables from group entities	**530,349**
Management fee to AEA Investors SBF LP, New York (part of AEA Group)	5,836

The fee to AEA Investors SBF LP covers the fee for the management services for SGL Group.

In 2018 no members of the Board of Directors or the Executive Board had any direct or indirect transactions with SGL Group other than the above mentioned.

For purchases and sales between group entities, the same pricing principles are applied as to transactions with external partners.

Please see note 3.2 regarding intercompany interest income.

NOTE 5.3 BUSINESS COMBINATIONS

DKK'000 INVESTMENTS IN GROUP ENTITIES	IQS GROUP	OTHERS*	TOTAL 2019	TOTAL 2018
Fair value at date of acquisition:				
ASSETS				
Software	104	90	194	0
Property, plant and equipment	29,303	12,142	41,445	4,676
Right of use assets	3,123	21,404	24,527	0
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	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**

DKK'000 INVESTMENTS IN GROUP ENTITIES, CONT.	IQS GROUP	OTHERS*	TOTAL 2019	TOTAL 2018
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**	**12,068**
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**	**9,816**
Adjustment for cash taken over	-44,514	-660	-45,174	-2,190
Cash consideration for the acquisitions	**82,632**	**14,793**	**97,425**	**7,626**
Transaction costs for acquisitions	5,934	1,166	7,100	1,360
Investments in group entities (cash outflow)	**88,566**	**15,959**	**104,525**	**8,986**

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

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.

NOTE 5.3 BUSINESS COMBINATIONS CONT.

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

The acquisition provides 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 five offices in Germany, 1 in the USA and 1 in Dubai, and was founded in 1998 and has built a strong reputation ever since.

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

Transaction costs amounted to DKK 5.934 thousand, which have been expensed and recognised 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 paid in October 2019. In addition, earn-out payments of maximum EUR 400 thousands depending on future revenue in 2019 and 2020. The provision of the earn-out has been determined based on the prognosis of the 2 year period after the effective date. The goodwill arising from the acquisitions is attributable to synergies expected from combining the operations of SGL Group and the acquired companies.

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

Purchase of logistic activities from IC Group A/S
Effective as at 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 recognised 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, SGL Group acquired, through its wholly-owned subsidiary Scan Global Logistics A/S, 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, SGL Spain was acquired for a total cash consideration of EUR 1,000 thousand. In addition, an unconditional, additional acquisition price amounting to EUR 1,400 thousand shall be payable January 2021. The main assets acquired relate to tangible assets, customer relations, trademarks and other intangible assets.

The fair value of the acquired identifiable net asset is provisional pending final valuation of those assets. The main assets are 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 recognised as special items in 2019.

ACQUISITIONS 2018

Purchase of activities from Kestrel Freight & Customs Pty Ltd.
Effective 2 July 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 relate to tangible assets and customer relations have been identified.

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

Purchase of shares in Macca Logistics Sarl
Effective 2 July 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, Cote d'Ivoire. SGL Group and Macca have had a close partnership in 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 the 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.

NOTE 5.4 CONTINGENT LIABILITIES AND SECURITY FOR DEBT

DKK'000 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS	2019	2018
Warranties for payments, issued by bank	36,064	21,252
Warranties for payments, issued by group entities	3,087	3,980
Warranties for payments	**39,151**	**25,232**

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.

SGL Group 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.

NOTE 5.4 CONTINGENT LIABILITIES AND SECURITY FOR DEBT, CONT.

DKK'000 SECURITY FOR LOANS	2019	2018
As security for debt to credit institutions, for undrawn credit facilities and payment warranties, SGL 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 guarantees with the credit institution amounts to DKK 211 million (2018: DKK 170 million) regarding Scan Global Logistics A/S.

As security for bond debt the Parent Company has pledged assets as collateraL

	2019	2018
Bond debt at par	1,665,743	1,276,940
The following assets are pledged as collateral:		
Bond proceeds on escrow account for the acquisition of Pioneer International Logistics	59,067	0
Intercompany loan to Transgroup Global Inc.	801,108	639,025
The following shares:		
Shares in Scan Global Logistics Holding ApS	672,546	689,154
Shares in Airlog Group Holding AB	68,562	64,468
Shares in Airlog Group Denmark A/S	2,314	3,816
Shares in Crosseurope AB	22,821	14,515

As security for bond debt SGL Group has pledged assets as collateral

	2019	2018
The following assets are pledged as collateral:		
Intercompany loan from Scan Global Logistics Holding ApS to Scan Global Logistics A/S	80,000	80,000
Shares in Scan Global Logistics A/S, carrying amount in Scan Global Logistics Holding ApS	874,620	871,842

ACCOUNTING POLICIES

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.

NOTE 5.5 COMPANY OVERVIEW

COMPANY NAME	COUNTRY CAPITAL	CURRENCY INTEREST	NOMINAL	OWNERSHIP
SGL TransGroup International A/S (SGL Group)				
Scan Global Logistics Holding ApS*	Denmark	DKK	3,530,839	100%
Scan Global Logistics A/S	Denmark	DKK	1,901,650	100%
SGL Express A/S	Denmark	DKK	500	100%
SGL Road ApS	Denmark	DKK	500,2	100%
SGL Road AB	Sweden	SEK	100	100%
SGL E-Commerce A/S	Denmark	DKK	500	100%
Airlog Group Denmark A/S	Denmark	DKK	500	100%
Scan Global Logistics AB	Sweden	SEK	100	100%
Scan Global Logistics GmbH **	Germany	EUR	25	100%
Crosseurope AB	Sweden	SEK	100	100%
Crosseurope GmbH **	Germany	EUR	25	100%
Scan Global Logistics GmbH****	Austria	EUR	35	100%
Scan Global Logistics N.V.**	Belgium	EUR	61,5	100%
Scan Global Logistics B.V.**	Netherlands	EUR	18	100%
Scan Global Logistics Spain S.L**	Spain	EUR	60	100%
Airlog Group Holding AB	Sweden	SEK	2,000,000	100%
Airlog Group Sweden AB	Sweden	SEK	2,000,000	100%
SGL Express AB	Sweden	SEK	1,000,000	100%
Airlog Group Fur OY	Finland	EUR	2,5	100%
Airlog Group AS	Norway	NOK	30	100%
Scan Global Logistics AS	Norway	NOK	150	100%
Scan Global Logistics (Finland) Oy	Finland	EUR	2,523	100%
Scan Global Logistics K.K.**	Japan	JPY	15,000,000	100%
Scan Global Logistics (Shanghai) Co. Ltd.	China	USD	1,650,000	100%
Scan Global Logistics (Wuxi) Ltd.	China	CNY	3,000,000	100%
Scan Global Logistics Ltd.	Hong Kong	HKD	500	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%

COMPANY NAME	COUNTRY CAPITAL	CURRENCY INTEREST	NOMINAL	OWNERSHIP
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	100%
Scan Global Logistics (Vietnam) Ltd.	Vietnam	USD	100	100%
Scan Global Logistics Ltd.**	Indonesia	IDR	252,015,000	100%
Scan Global Logistics Pte Ltd. (Singapore)**	Singapore	SGD	100	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	58,4	100%
IQS International Quality Service GmbH	Germany	EUR	26,1	100%
IQS Business Travel GmbH	Germany	EUR	25	100%
ENGINOX GmbH	Germany	EUR	25	100%
Aircargo Consulting GmbH	Germany	EUR	25	100%
IQS Logistic Consulting Corp.	USA	USD	100	100%
Global Automotive Testing Support GmbH	Germany	EUR	25	100%
Global Aviation Management Services FZE	Dubai	AED	1,000,000	100%

* *Holding companies.*

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

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

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

NOTE 5.6 SUBSEQUENT EVENTS

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

Please refer to detailed commentary on the COVID-19 virus impact in Outlook 2020, page 12.

NOTE 6.1 GENERAL ACCOUNTING POLICIES

Basis of preparation
The 2019 Annual Report of SGL Group 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 SGL Group comprises the consolidated financial statements of SGL TransGroup International 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.

Consolidation
The consolidated financial statements comprise the parent, SGL TransGroup International 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 of 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 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.

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 percent and 50 percent 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 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 (DKK), 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.

NOTE 6.1 GENERAL ACCOUNTING POLICIES CONT.

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

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

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

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

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

Materiality in financial reporting
When preparing the financial statements, the Management considers how to best present the financial statements and its commentary to ensure that the content is relevant and focus is kept on what is material to the user. This is pursued by aggregating immaterial items in the financial statements and only including relevant descriptions in the Management commentary and only including descriptions on risks, mitigation thereof etc. that may have or had a material impact on the achievement of SGL Group's results and targets. The notes to the financial statements are prepared with a 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 true.

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

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

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

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

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.

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.

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

NOTE 6.2 KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

Significant accounting estimates
The preparation of SGL 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 judgements, estimates and assumptions made by the Management based on information available at the reporting date. Although the 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 assets, 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 reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

DEFERRED TAX ASSETS, RECOGNITION AND MEASUREMENT UNCERTAINTIES

DKK´000	2019	2018
Deferred tax assets at 31 December	8,431	4,757

The recognition is due subject to the facts that the tax losses can be utilised against future earnings within a period of 3-5 years. The uncertainty about recognition and measurement of the deferred tax asset therefore depends on whether the future earnings can be 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 4.2.

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, 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. 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 5.2, Business combinations, which also reflects the methods for calculating the 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. 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. 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. 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.

NOTE 6.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New accounting regulation adopted in 2019
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
- 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. Implementation of IFRS 16 is specified below:

IFRS 16 Leases
IFRS 16 has been implemented 1 January 2019 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 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 relate to buildings, cars, trucks, and other assets used for freight forwarding services. The right-of-use assets are depreciated along the following schedule:

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

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

Major accounting policy choices made in implementing the standard include:
- 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 under IAS 17) 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 is unchanged.

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:

DKK'000	
Operating lease obligation as at 31 December 2018 (IAS 17)	118,849
Discounted alternative borrowing rate	-837
Service elements included in leasing agreements	-1,293
Discounted lease payments covered by extention options that the Group is 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 as at 1 January 2019 (IFRS 16)	**139,306**

New accounting regulations not yet adopted
IASB has issued new or amended accounting standards, which become effective after 31 December 2019. 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).

NOTE 6.4 FINANCIAL DEFINITIONS

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

Gross margin*:
Gross profit / Revenue * 100

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

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

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

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

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

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

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

**before special items*

MANAGEMENT STATEMENT

The Board of Directors and the Executive Board have today discussed and approved the annual report of SGL TransGroup International A/S (SGL Group) 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 SGL Group's and the Parent Company's financial position at 31 December 2019 and of the results and cash flows of SGL Group's and the parent Company's operations for the financial year 1 January - 31 December 2019.

Further, in our opinion, the Management's review includes a fair review of the development in SGL Group's and the Parent Company's operations and financial conditions, the results for the year, cash flow and financial position as well as a description of the significant risks and uncertainty factors that the Parent Company and SGL Group face.

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

Kastrup, 28 April 2020

Executive Board:

Claes Brønsgaard Pedersen

Board of Directors:

Henrik von Sydow
Chairman

Allan Dyrgaard Melgaard

Claes Brønsgaard Pedersen

Jørgen Agerbro Jessen

Thomas Thellufsen Nørgaard

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SGL TRANSGROUP INTERNATIONAL A/S

OPINION

We have audited the consolidated financial statements and the parent company financial statements of SGL Trans-Group International 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.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

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.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

APPOINTMENT OF AUDITOR

SGL TransGroup International A/S has issued bonds, which was listed on the NASDAQ Stockholm Stock Exchange in June 2017. We were initially appointed as auditor of SGL TransGroup International A/S on 15 September 2016 for the financial year 2016. We have been reappointed annually by resolution of the general meeting for a total consecutive period of 3 years up until the financial year 2019.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2019. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Accordingly, our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

REVENUE RECOGNITION

The Group generates revenue from three principal freight forwarding services being Air, Ocean and Road in addition to the Solutions services. Revenue from freight forwarding services is recognised over time, which is measured as time elapsed of total expected time to render the service to the customer or another service provider. Given the significance of revenue and significant management judgements in respect of estimating revenue from services delivered over time, we considered this of most significance in our audit. Accordingly, we considered revenue recognition to be a key audit matter for the consolidated financial statements.

As part of our audit, we have evaluated the design and tested the operating effectiveness of selected controls in this area. We further, for a sample containing large ongoing services and a sample of other ongoing services at year-end, evaluated the judgments made by management regarding revenue from services delivered over time and assumptions made in assessment of claims. We evaluated on a sample basis changes in estimated total time to render the service to the customer to supporting underlying documentation, and discussed these with shipping agents and group management. For those balances subject to claims, we made inquiries of external legal counsel. We also assessed whether policies and processes for making these

INDEPENDENT AUDITOR'S REPORT CONT.

estimates have been applied consistently to all services of a similar nature.

The accounting principles and disclosures about revenue recognition are included in note 1.2, note 6.1 and note 6.2 to the consolidated financial statements.

IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

An impairment test of goodwill and other intangible assets is carried out annually by the Group by assessing the value in use of the Group's cash generating units (CGUs) which requires significant assumptions about future developments. The assumptions used in the impairment test represent management's best estimate for the period under consideration. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, we considered impairment of goodwill and other intangible assets to be a key audit matter for the consolidated financial statements.

As part of our audit, we obtained an understanding of the impairment assessment process. Our work included test and comparison of inputs with supporting documentation including evaluation of key assumptions used in the valuation including projected future income and earnings and testing the allocation of the goodwill and other intangible assets. We further assessed the sensitivities applied by Group Management. We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflects the risks inherent in the valuation of goodwill and other intangible assets.

The accounting principles and disclosures about goodwill and other intangible assets are included in note 2,1, note 2.4 and note 6.2 to the consolidated financial statements.

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 form of 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 the work we have performed, 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.

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:

INDEPENDENT AUDITOR'S REPORT CONT.

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

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

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

- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 28 April 2020

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

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

PARENT COMPANY FINANCIAL STATEMENTS

DKK'000 NOTES	INCOME STATEMENT	2019	2018*
	Revenue	0	0
	Cost of operation	0	0
	Gross profit	0	0
1	Other external expenses	-1,385	-2,123
2	Staff costs	0	0
	Operating profit (EBIT)	**-1,385**	**-2,123**
6	Income from investments in group entities	-5,448	-26,699
3	Financial income	93,394	99,107
4	Financial expenses	-171,550	-127,559
	Profit/loss before tax	**-84,989**	**-57,274**
5	Income tax for the year	1,276	1,681
	Profit/loss for the year	**-83,713**	**-55,593**

STATEMENT OF OTHER COMPREHENSIVE INCOME DKK'000	2019	2018*
Profit/loss for the year	**-83,713**	**-55,593**
Items that will be reclassified to income statement when certain conditions are met:		
Exchange rate adjustment	795	-6,151
Other comprehensive income, net of tax	**795**	**-6,151**
Total comprehensive income for the period	**-82,918**	**-61,744**

DKK'000 NOTES	BALANCE SHEET	2019	2018
	ASSETS		
	Other intangible assets	3,000	0
	Intangible assets	**3,000**	**0**
6	Investments in Group entities	1,043,862	1,045,870
7	Receivable from Group entities	439,953	426,201
8	Receivable from Transgroup Global Inc.	801,108	637,944
5	Deferred tax assets	3,617	4,602
	Financial assets	**2,288,540**	**2,114,617**
	Total non-current assets	**2,291,540**	**2,114,617**
17	Receivables from group entities	0	5,420
	Other receivables	0	605
13	Cash and cash equivalents	63,094	151
	Total current assets	**63,094**	**6,176**
	Total assets	**2,354,634**	**2,120,793**
	EQUITY AND LIABILITIES		
9	Share capital	501	501
	Share premium	833,542	830,764
	Currency translation reserve	-25,141	-25,936
	Reserve for net revaluation according to the equity method	0	0
	Retained earnings	-222,378	-138,532
	Total equity	**586,524**	**666,797**
10	Bond debt	1,641,555	1,264,236
	Total non-current liabilities	**1,641,555**	**1,264,236**
	Corporation tax	0	38
17	Payables to Transgroup Global Inc.	105,355	114,097
17	Payables to Scan Global Logistics Holding ApS	0	74,327
	Other payables	21,200	1,298
	Total current liabilities	**126,555**	**189,760**
	Total liabilities	**1,768,110**	**1,453,996**
	Total equity and liabilities	**2,354,634**	**2,120,793**

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

PARENT COMPANY FINANCIAL STATEMENTS

DKK'000 NOTES	CASH FLOW STATEMENT	2019	2018*
	Operating profit (EBIT) before special items	-1,385	-2,123
	Non-cash transactions	-424	0
	Exchange rate adjustments	795	2,613
11	Change in working capital	20,507	630
	Cash flows from operating activities before special items and interest	**19,493**	**1,120**
3	Interest received	510	71,142
4	Interest paid	-162,174	-97,960
	Tax received	0	234
	Cash flows from operating activities	**-142,171**	**-25,464**
	Purchase of property, plant and equipment	-3,000	0
6	Capital increase in subsidiaries	-2,778	-104,331
	Repayments to/from group entities	-39,015	22,791
	Cash flows from investing activities	**-44,793**	**-81,540**
	Free cash flow	**-186,964**	**-107,004**
	Capital increase	2,778	104,331
8	Loan to Transgroup Global Inc.	-94,286	30,222
	Payable to TransGroup Global Inc.	-11,268	-27,635
	Proceeds from issuing of bonds	1,666,066	0
	Redemption of bond loan	-1,305,320	0
10	Redemption of other acquisition debt	-8,063	0
	Cash flows from financing activities	**249,907**	**106,918**
	Change in cash and cash equivalents	**62,943**	**-86**
	Cash and cash equivalents		
	Cash and cash equivalents at 1 January	151	237
	Change in cash and cash equivalents	62,943	-86
13	**Cash and cash equivalents at 31 December**	**63,094**	**151**

STATEMENT OF CHANGES IN EQUITY DKK'000	SHARE CAPITAL	SHARE PREMIUM	CURRENCY TRANSLATION RESERVE	RESERVE EQUITY METHOD	RETAINED EARNINGS	TOTAL EQUITY
Equity at 1 January 2019	**501**	**830,764**	**-25,936**	**0**	**-138,532**	**666,797**
Profit/loss for the year	**0**	**0**	**0**	**-5,448**	**-78,265**	**-83,713**
Currency exchange adjustment	0	0	795	0	0	795
Other comprehensive income, net of tax	**0**	**0**	**795**	**0**	**0**	**795**
Total comprehensive income for the year	**0**	**0**	**795**	**-5,448**	**-78,265**	**-82,918**
Sale of shares	0	0	0	-133	0	-133
Capital increase by cash payment	0	2,778	0	0	0	2,778
Total transactions with owners	**0**	**2,778**	**0**	**-133**	**0**	**2,645**
Transfer to retained earnings	**0**	**0**	**0**	**5,581**	**-5,581**	**0**
Equity at 31 December 2019	**501**	**833,542**	**-25,141**	**0**	**-222,378**	**586,524**
Equity at 1 January 2018	**500**	**726,434**	**-19,785**	**10,559**	**-90,754**	**626,954**
Effect of changes in accounting policies, IFRS 9	**0**	**0**	**0**	**0**	**-2,744**	**-2,744**
Adjusted equity at 1 January 2018	**500**	**726,434**	**-19,785**	**10,559**	**-93,498**	**624,21**
Profit/loss for the year	**0**	**0**	**0**	**-26,699**	**-28,894**	**-55,593**
Currency exchange adjustment	0	0	-6,151	0	0	-6,151
Other comprehensive income, net of tax	**0**	**0**	**-6,151**	**0**	**0**	**-6,151**
Total comprehensive income for the year	**0**	**0**	**-6,151**	**-26,699**	**-28,894**	**-61,744**
Capital increase by cash payment	1	104,330	0	0	0	104,331
Total transactions with owners	**1**	**104,330**	**0**	**0**	**0**	**104,331**
Transfer to retained earnings	**0**	**0**	**0**	**16,140**	**-16,140**	**0**
Equity at 31 December 2018	**501**	**830,764**	**-25,936**	**0**	**-138,532**	**666,797**

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

PARENT COMPANY FINANCIAL STATEMENTS

NOTE 1

DKK'000 FEE TO THE AUDITORS	2019	2018
Fee to the auditors appointed at the annual general meeting:		
EY		
Fee for the statutory audit	303	170
Fee for other services	63	0
Total fees to auditors appointed at the general meeting	**366**	**170**

NOTE 2

STAFF COSTS	2019	2018
Total staff costs	**0**	**0**

Members of the Executive Board and the Board of Directors in SGL TransGroup International A/S did not receive any remuneration in 2019.

Please refer to note 5.2 for SGL Group for Management fee to related parties.

	Number	Number
Average number of full-time employees	0	0

NOTE 3

DKK'000 FINANCIAL INCOME	2019	2018
Financial income from Group entities	67,503	71,142
Redemption of bond debt	25,415	0
Other financial income	476	0
Exchange gains	0	27,965
Total financial income	**93,394**	**99,107**

NOTE 4

FINANCIAL EXPENSES	2019	2018
Interest expenses	117,423	97,960
Redemption of bond debt	47,342	0
Exchange losses	6,785	29,599
Total financial expenses	**171,550**	**127,559**

NOTE 5

TAX FOR THE YEAR	2019	2018
Tax on loss for the year is calculated as follows:		
Current tax on loss for the year (tax refund)	-2,261	-196
Change in deferred tax for the year	973	-1,485
Adjustment to tax in prior year	12	0
Total tax on loss for the year (tax refund)	**-1,276**	**-1,681**
Reconcilliation of tax rate (%)		
Danish corporation tax rate (22%)	-18,698	-12,600
Non-taxable income from investments in group entities	1,199	5,874
Non-deductible expenses	14,131	5,046
Other	2,092	-1
Total tax on loss for the year (tax refund)	**-1,276**	**-1,681**

Deferred tax for the financial year 2018 and 2019 relates to tax loss carry forward.

NOTE 6

DKK'000 INVESTMENTS IN GROUP ENTITIES	2019	2018
Cost at 1 January	1,137,453	1,033,122
Additions	2,778	104,331
Sale of share	-133	0
Cost at 31 December	**1,140,098**	**1,137,453**
Changes at 1 January	-91,583	-58,733
Currency exchange adjustment	795	-6,151
Share of result in subsidiaries after tax	-5,448	-26,699
Changes at 31 December	**-96,236**	**-91,583**
Carrying amount at 31 December	**1,043,862**	**1,045,870**

INCOME FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD RECOGNISED IN THE INCOME STATEMENT

Share of profit in subsidiaries after tax	14,832	-6,419
Amortisation of group intangibles	-26,000	-26,000
Tax on amortisation of group intangibles	5,720	5,720
Total Income from investments in Group entities	**-5,448**	**-26,699**

NOTE 7

DKK'000 RECEIVABLE FROM GROUP ENTITIES	2019	2018
Receivable from Scan Global Logistics A/S, interest rate 7.70% p.a. (Stage 1)	224,815	128,270
Receivable from Scan Global Logistics Holding ApS, interest rate 7.70% p.a. (Stage 1)	218,138	297,931
Total receivable from group entities	**442,953**	**426,201**
	Cash flow*	Cash flow*
Receivable falling due between 1 and 5 years	528,690	547,566
Total non-current receivable	**528,690**	**547,566**
Total current receivable	**33,876**	**32,946**

** Total cash flows including interest.*

In connection with Scan Global Logistics A/S' acquisition of Airlog Group AB with acquisition effect from 6 March 2017, SGL TransGroup International A/S lend DKK 103 million to Scan Global Logistics A/S.

In connection with SGL TransGroup International A/S's acquisition of Scan Global Logistics Holding ApS with acquisition effect from 2 August 2016, SGL TransGroup International A/S redeemed the bond debt in Scan Global Logistics Holding ApS. Thereby the receivable of DKK 298 million arose.

For both receivables an interest of 7.70% p.a. is paid quarterly, and repayments are voluntary, but the receivable must be repaid in July 2022 at the latest.

If no repayments occur before July 2022, the cash flow will evolve as stated in the above note.

Please see note 14 for a description of pledges.

PARENT COMPANY FINANCIAL STATEMENTS

NOTE 8

DKK'000 RECEIVABLE FROM TRANSGROUP GLOBAL INC.	2019	2018
Principal, USD 98,019 thousand, fixed interest rate 7.70% p.a.	0	637,944
Principal, USD 120,000 thousand, interest rate 8.40%	801,108	0
Total receivable from Transgroup Global Inc.	**801,108**	**637,944**
	Cash flow*	Cash flow*
Receivable falling due between 1 and 5 years	1,131,966	811,938
Total non-current receivable from Transgroup Global Inc.	**1,131,966**	**811,938**
Total current receivable from Transgroup Global Inc.	**67,293**	**49,205**

** Total cash flows including interest.*

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

If no repayments occur before November 2024, the cash flow will evolve as stated in the above note.

Please see note 14 for a description of pledges.

NOTE 9

DKK'000 SHARE CAPITAL	2019	2018
The Parent Company's share capital of DKK 500 thousand comprises:		
5,007 shares of DKK 100 each on formation	501	501
1 shares of DKK 100 each in share capital increase by cash payment and contribution in kind	0	0
Total share capital at 31 December 2019	**501**	**501**

NOTE 10

DKK'000 FINANCIAL LIABILITIES AND FINANCIAL RISKS	2019	2018
Issued bonds, DKK tranche, fixed interest rate 6.80%	0	625,000
Issued bonds, USD tranche USD 100 million, fixed interest rate 7.70%	0	651,940
Issued bonds, EUR 223 million, interest rate 6.75%	1,665,743	0
	1,665,743	**1,276,940**
Capitalised loan costs	-24,188	-12,704
Total bond debt	**1,641,555**	**1,264,236**
	Cash flow*	Cash flow*
Bond debt falling due between 1 and 5 years	2,218,562	1,604,735
Total non-current financial liabilities	**2,218,562**	**1,604,735**
Current portion of financial liabilities	**112,438**	**92,699**

** Total cash flows including interest.*

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

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

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

In connection with the redemption of bond debt the loan to TransGroup Global Inc. has been restructured. Refer to note 8 for further information.

Please see note 5.4 for SGL Group, for a description of pledges.

Issue new bond loan

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

Subsequently, 17 December 2019 SGL Group successfully carried out a subsequent issue of bonds in an amount of EUR 8 million under the framework of its outstanding bond loan (ISIN: SE0013101219). The subsequent bond issue was priced at 100% of the nominal amount. Following the subsequent issue, the total amount outstanding under SGL Group's bond loan is EUR 223 million.

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

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

PARENT COMPANY FINANCIAL STATEMENTS

NOTE 10

DKKM
FINANCIAL LIABILITIES AND FINANCIAL RISKS (CONTINUED) 2019

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

		2019		2018	
Main currency exposures	Change in exchange	Impact on Profit/Loss	Impact on Other Comprehensive Income	Impact on Profit/Loss	Impact on Other Comprehensive Income
USD	10%	79	0	4	0
USD	-10%	-79	0	-4	0
EUR	1%	-15	0	1	0
EUR	-1%	15	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

NOTE 11

DK'000
CHANGE IN WORKING CAPITAL

	2019	2018
Changes in receivables	605	306
Changes in trade payables, etc.	19,902	324
Total change in working capital	**20,507**	**630**

12
FINANCIAL LIABILITIES AND FINANCING ACTIVITIES

(DKK'000)	2018	Cash flow	Non-cash change: Business combinations movement	Non-cash change: Foreign exchange	Non-cash change: Fair value change	2019
Bond debt	1,264,236	360,746	0	16,573	0	1,641,555
Payables to Group entities	114,097	-11,268	0	2,526	0	105,355
Total liabilities from financing activities	**1,378,333**	**349,478**	**0**	**19,099**	**0**	**1,746,910**

(DKK'000)	2017	Cash flow	Non-cash change: Business combinations movement	Non-cash change: Foreign exchange	Non-cash change: Fair value change	2018
Bond debt	1,229,436	0	0	34,800	0	1,264,236
Payables to Group entities	83,874	27,636	0	2,587	0	114,097
Total liabilities from financing activities	**1,313,310**	**27,636**	**0**	**37,387**	**0**	**1,378,333**

13
CASH AND LIQUIDITY

	2019	2018
Cash	63,094	151
Liquidity reserve	63,094	151

NOTE 14

DK'000
SECURITY FOR LOANS

As security for bond debt, the Parent Company has pledged assets as collateral.

	2019	2018
Bond debt at par	1,665,743	1,276,940
The following assets are pledged as collateral:		
Intercompany loan to Scan Global Logistics Holding ApS	218,138	297,931
Intercompany loan to Scan Global Logistics A/S	224,814	129,933
Intercompany loan to Transgroup Global Inc.	801,108	639,025
The following shares:		
Shares in Scan Global Logistics Holding ApS	672,546	689,154
Total carrying amount	**1,916,606**	**1,756,043**

Please se note 5.4 for SGL Group for a description of securities in SGL Group.

15
CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Joint taxation
SGL TransGroup International A/S, company reg. no 37 52 10 43 being the administration company, 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.

PARENT COMPANY FINANCIAL STATEMENTS

NOTE 16

DKK'000

FINANCIAL INSTRUMENTS BY CATEGORY

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

The fair values of the issued bonds were EUR 225 million for the EUR trance, totalling DKK 1,682 million (2018: 1,205 million), based on quoted bond rates at 31 December 2019 of 101,00 at Nasdaq, Frankfurt.

Financial instruments by category, carrying amount

	2019	2018
Financial assets (measured at amortised cost):		
Other receivables	0	605
Receivables from group entities	1,241,061	1,069,565
Cash	63,094	151
Financial assets measured at amortised cost	**1,304,155**	**1,070,321**
Financial liabilities (measured at amortised cost):		
Payables to group entities	105,355	188,424
Issued bonds measured at amortised cost	1,641,555	1,264,236
Financial liabilities measured at amortised cost	**1,746,910**	**1,452,660**

NOTE 17

DKK'000

RELATED PARTIES

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

Related party	Domicile
Owners of SGL TransGroup International A/S:	
Scan (UK) Midco Limited (controlling interest)	United Kingdom
Ultimate owner with controlling interest:	
SGLT Holding I LP (controlling interest of 100% of the financial rights)	Cayman Islands
Owners of SGLT Holding I LP:	
AEA Investors Small Business Fund III LP (controlling interest on voting rights)	Cayman Islands

	2019
Payables to Transgroup Global Inc.	-105,355
Loan to Scan Global Logistics A/S, described in note 8	221,815
Loan to Scan Global Logistics Holding ApS, described in note 8	218,138
Loan to Transgroup Global Inc., described in note 9	801,108
Total receivables from Group entities	**1,135,706**

No members of the Board of Directors or the Executive Board had in 2019 any direct or indirect transactions with SGL Group other than the benefits described in note 5.2 for SGL Group, "Related Parties".

For purchases and sales between Group entities, the same pricing principles are applied as to transactions with external partners.

Please see note 3 regarding intercompany interest income.

NOTE 17

DKK'000

RELATED PARTIES, CONT.

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

Related party	Domicile
Owners of SGL TransGroup International A/S:	
Scan (UK) Midco Limited (controlling interest)	United Kingdom
Ultimate owner with controlling interest:	
SGLT Holding I LP (controlling interest of 100% of the financial rights)	Cayman Islands
Owners of SGLT Holding I LP:	
AEA Investors Small Business Fund III LP (controlling interest on voting rights)	Cayman Islands

Receivables from related parties	2018
Outlay for expenses incurred in Scan (UK) Midco Limited	49
Outlay for expenses incurred in Scan (Jersey) Topco Limited	116
Outlay for expenses incurred in Transgroup Global Inc.	6,857
Outlay for expenses incurred in AEA Investors Small Business Fund III LP	821
Outlay for expenses incurred in SGLT Holding II LP	89
Outlay for expenses incurred in SGLT Holding I LP	-2,512
Total current receivables from group entities	**5,420**
Payables to Scan Global Logistics Holding ApS	-74,327
Payables to Transgroup Global Inc.	-114,097
Loan to Scan Global Logistics A/S, described in note 8	129,933
Loan to Scan Global Logistics Holding ApS, described in note 8	296,268
Loan to Transgroup Global Inc., described in note 9	637,944
Total receivables from Group entities	**881,141**

No members of the Board of Directors or the Executive Board had in 2018 any direct or indirect transactions with SGL Group other than the benefits described in note 5.2 for SGL Group, "Related parties".

For purchases and sales between group entities, the same pricing principles are applied as to transactions with external partners.

Please see note 3 regarding intercompany interest income.

PARENT COMPANY FINANCIAL STATEMENTS

ACCOUNTING POLICIES

The accounting policies applied by the Parent Company are consistent with those of SGL 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 the 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 the 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 SGL Group.

NOTE

18 RECOGNITION AND MEASUREMENT UNCERTAINTIES

The Parent Company SGL TransGroup International 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 SGL Group.

SGL Group applies the IFRS 9 simplified approach to measuring expected credit losses which use a 12-months expected loss allowance for loans to group entities.

Please see note 5.5 for SGL Group for further information.

19 NEW ACCOUNTING REGULATION NOT YET ADOPTED

Please see note 6.3 for SGL Group where new accounting regulation not yet adopted is described.

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