

Interim Report 2019 H1



Since our founding in 2011, Nordic Transport Group (NTG) has been one of the fastest-growing freight forwarders in Europe. We move goods throughout the world, but never mind the trucks, ships and aircrafts. At the end of the day it's all about people.

NTG is not your typical freight forwarding company, as we are partly owned by our employees. This is reflected in the consideration and care we put into everything we do. Through organic growth and carefully selected acquisitions and partnerships, we are continuously expanding and enhancing our services and market position.

Forward-looking statements

This document contains forward looking statements which are subject to risk factors associated with, amongst others, the economic and business circumstances occurring from time to time in the countries and markets in which Nordic Transport Group and its subsidiaries operates. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a wide range of variables, which could cause actual results to differ materially from those currently anticipated.

SELECTED FINANCIAL INFORMATION, H1 2019 incl. IRFS 16

(DKK '000)	2019 H1	2018 H1
		Excl. IFRS 16
Net revenue	2,603,177	2,054,119
Gross profit	525,323	384,217
Adjusted EBIT	97,011	87,310
Operating margin	3.7%	4.3%
Conversion ratio	18.5%	22.7%
Profit for the period	40,260	56,462

Financial Highlights

Income (DKK '000)	2019 H1	2018 H1 Excl. IFRS 16
Net revenue	2,603,177	2,054,119
Gross profit	525,323	384,217
Operating profit before amortizations, depreciations and special items (adj. EBITDA)	160,358	89,677
Operating profit before special items (adj. EBIT)	97,011	87,310
Special items, net	-13,565	-6,204
Net financial items	-22,589	-4,140
Profit for the period	40,260	56,462

Cash flow (DKK '000)	2019 H1	2018 H1 Excl. IFRS 16
Operating activities	118,902	-28,691
Investing activities	-22,324	7,390
Free cash flow	96,578	-21,301
Financing activities	-112,238	-130,210
Cash flow for the period	-15,660	-151,151

Financial position (DKK '000)	30/06-2019	30/06-2018 Excl. IFRS 16
Investment in property, plant and equipment	3,773	6,643
Balance sheet total	2,062,143	1,245,302
Net working capital	-109,097	-40,556
Net interest-bearing debt, excluding IFRS 16	-106,286	-2,743
NTG A/S' shareholders' share of equity	165,367	99,104
Non-controlling interests	55,977	52,698

Financial ratios (DKK '000)	2019 H1	2018 H1 Excl. IFRS 16
Gross margin	20.2%	18.7%
Operating margin	3.7%	4.3%
Conversion ratio	18.5%	22.7%
Return on equity	21.6%	36.5%
Solvency ratio	10.7%	12.2%
Earnings per share (DKK)	39	55

Employees	2019 H1	2018 H1
Average number of employees	1,343	1,371

Management report

In the first six months of 2019, NTG has continued its growth journey with all-time-high revenue, driven by strong organic growth, new start-ups and three new acquisitions.

Compared to the first six months of 2018, NTG realized 26.7% growth in net revenue to DKK 2,603 million.

Adjusted EBIT for the period grew to DKK 97 million from DKK 87 million in the same period in 2018, including a positive impact from IFRS 16 of DKK 6 million. Operating margin saw a decrease to 3.7%, mainly related to the on-going integration of the Gondrand entities.

The first six months of 2019 has also included preparations the listing on the main market of Nasdaq Copenhagen.

Acquisitions

On 1 January 2019 NTG acquired UK-based freight forwarder DAP (UK) Ltd. Integration is progressing well and according to plans, and both Road & Logistics and Air & Ocean saw an increase in activity from the acquisition. In addition, Air & Ocean expanded its global footprint by acquiring Japanese-based TAK International Ltd establishing an own presence in the Japanese Air & Ocean market. The closing of this transaction marked acquisition number 20 since 2011.

Integration efforts on acquisitions made in 2018 continued according to plan for the two Danish

acquisitions, NTG Nielsen & Sørensen and NTG Frigo East.

The integration of Gondrand Group continued in the first half of 2019. At closing in April 2018, the transaction marked the largest acquisition to date for NTG with net revenue around DKK 1,300 million and created a platform for growth in several new geographies. Gondrand was a loss-making group, and the efforts to turn it around has continued in the first six months of 2019 with restructuring of activities, significant organizational changes and implementation of standard IT systems is on-going. However, realizing benefits is going slower than expected, and the Gondrand activities contributed negatively to adjusted EBIT with an estimated DKK 10 million for 2019 H1.

Restructuring expenses related to the Gondrand integration increased for the period compared to same period last year. In accordance with NTG's accounting practices, these are captured under Special Items.

In the first six months of 2019, NTG realized 19.0 % M&A-fuelled growth compared to the same period last year.

Start-ups and organic growth

Four new countries in the Air & Ocean segment were added in the first six months of 2019, opening a beachhead into Turkey, Romania, Vietnam and Croatia.

NTG's existing business continued to grow despite uncertainties in the global transport industry caused by

Brexit being postponed and the rising tension between the US and China. Neither of the above have had a material effect on NTG's activity levels during H1 2019, but a general rising tension regarding flows of international trade have an indirect effect on freight volumes.

In the first six months of 2019, organic growth was 7.7%.

Continuing the journey in 2019

The Board of Directors was strengthened in 2019 H1 with the appointment of Eivind Kolding as Chairman, and Michael Larsen as member. Eivind Kolding brings vast experience from senior management positions in some of Denmark's largest companies. Michael Larsen brings industry and entrepreneurial knowledge through his success as Managing Director and partner in NTG Nordic A/S.

As part of the listing preparations, the seven most mature subsidiaries will swap their subsidiary shares for NTG shares (see below). During the first six months of 2019, the four Danish companies were rolled up to Group level, thereby reducing the Group's overall minorities. NTG A/S' share of adjusted EBIT for the period is DKK 77 million (79%). If all seven subsidiaries had swapped their shares as of 30 June 2019, NTG A/S' share of adjusted EBIT for the period would have been DKK 84 million (87%).

Management report, continued

For the full year, NTG expects net revenue in the range DKK 5,000-5,500 million and EBIT before special items between DKK 200-215 million, assuming a stable macro-economic environment. The range of EBIT before special items has been narrowed, primarily due to the performance of the Gondrand Group.

Impact of financial reporting standard for leasing (IFRS 16)

On 1 January 2019, Nordic Transport Group adopted the new leasing standard for financial reporting, IFRS 16. The standard requires all leasing contracts to be realized in the balance sheet statement. Due to Nordic Transport Group's flexible and asset-light business model, the standard has a material impact on consolidated financial reporting.

At initial application, financial liabilities are raised by DKK 583 million, offset by a matching rise in capitalized property, plant and equipment. Adj. EBIT for the period was impacted positively by DKK 6 million, whereas financial expenses rose with DKK 13 million, compared to non-IFRS 16 figures. This gives a negative effect on net profit for the year of DKK 7 million compared to non-IFRS 16 figures, which is due to front-loading of interest expenses on the recognized lease liabilities. The effect on net result is centered on fully owned subsidiaries, and as such most of the impact is borne by NTG A/S' share of net result for the period. Implementation of IFRS 16 has no effect on the underlying contractual cash flows.

2018 financial figures have not been restated, and therefore growth rates were calculated excluding effects of IFRS 16.

Special items

Special items costs during the period was DKK 13.6 million. Of this amount DKK 8.6 million relates to transaction and integration costs from business combinations, including restructuring expenses. The remaining part, DKK 5.0 million, relate to other costs of exceptional nature to NTG's ordinary operations, primarily IPO-related costs.

Conversion of mature subsidiaries

As part of NTG's governance model, shareholders of non-controlling interests in mature subsidiaries have the option of swapping their subsidiary shares with shares in NTG A/S, through pre-defined mechanisms and subject to the acceptance from NTG's Executive Management. During the period, equity swaps were carried out with shareholders in four Danish subsidiaries, NTG Nordic A/S, NTG Continent A/S, NTG East A/S and NTG Frigo A/S. Compared to 31 December 2018, these transactions raised NTG A/S' equity by DKK 43 million and lowered non-controlling interests' share of equity by an equal amount. At 30 June 2019, NTG A/S' share of equity was DKK 165 million and non-controlling interests' share of equity was DKK 56 million (31 December 2018: DKK 114 million, respectively DKK 94 million).

NTG A/S has agreed with non-controlling shareholders of three Swedish subsidiaries (NTG Solution AB, NTG East AB and NTG Continent AB) to swap their ownership interests with shares in NTG A/S. The transactions are pending final formalities. If these transactions had been carried out before 30 June 2019, NTG A/S' share of equity would have been DKK 183 million, with non-controlling interests share of equity amounting to DKK 38 million.

Other movements on equity

The period saw a further decrease in reference interest rates, which raised NTG's defined benefit pension liabilities in Germany and Switzerland. Actuarial adjustments for the period totalled DKK 16 million.

Road & Logistics

Road & Logistics is the largest division of NTG's accounting for 78% of revenue and 86% of adjusted EBIT. Our base is in the Nordics, where we have become the fourth largest player in the region according to Transport Intelligence, and we continue to expand our European coverage into continental Europe and the UK.

Net revenue

During the first six months of 2019 the division increased its revenue by 19% relative 2018 H1 with organic growth of 7%.

Total growth was significantly impacted by the full year effect of the Gondrand acquisition which closed by 1 April 2018. In addition, the full year effect of NS Transcargo (NTG Nielsen & Sørensen) and Combino East (NTG Frigo East) contributed positively to the total growth figure. Both transactions were closed during 2018.

The increase in net revenue was also impacted by the acquisition of UK-based Freight Forwarder DAP (UK) Ltd which closed in January 2019. The integration is progressing as planned, but trade activity has been negatively impacted by the on-going uncertainties relating to Brexit.

In Denmark and Sweden, we saw continued growth in our largest subsidiaries.

In Poland we saw a solid revenue growth from new trade lane activity, and our subsidiaries in the Baltics

SELECTED FINANCIAL INFORMATION

(DKK '000)	2019 H1	2018 H1
		<small>Excl. IFRS 16</small>
Net revenue	2,039,507	1,712,108
Gross profit	380,646	294,617
Adj. EBIT	83,165	78,870
Operating margin	4.1%	4.6%
Conversion ratio	21.8%	26.8%

developed positively after a strengthening of the management teams.

Profitability

Our subsidiaries in Denmark and Sweden managed to increase their profitability further.

The total operating margin of the segment was negatively impacted by challenges in Germany and Italy, mainly attributed to former Gondrand entities.



Air & Ocean

NTG took the first step into air and sea borne freight with the acquisition of CargoWorld Group in 2013. In 2016 the focus on the segment was further strengthened when NTG Air & Ocean was established as a separate division, with the clear ambition to replicate the growth journey of NTG Road & Logistics.

The consolidated landscape of air & ocean carriers means that scale is a vital component in order to achieve an attractive profitability level, and NTG Air & Ocean is well underway on this journey.

Net revenue

During the first six months of 2019 the division increased its revenue by 65% relative to 2018 H1, driven by acquisitions, start-ups and organic growth in existing subsidiaries.

A significant driver was the Gondrand acquisition. In addition, growth was positively impacted by the acquisition of DAP in the UK and TAK in Japan, and new start-ups established in Turkey, Romania, Vietnam and Croatia.

The existing subsidiaries continued their organic growth, including increasing traction in NTG Courier and our Atlanta office, which we opened in October 2018.

Total organic growth for the segment was 13% over same period last year.

SELECTED FINANCIAL INFORMATION

(DKK '000)	2019 H1	2018 H1 Excl. IFRS 16
Net revenue	563,657	341,926
Gross profit	144,646	89,521
Adj. EBIT	11,318	6,883
Operating margin	2.0%	2.0%
Conversion ratio	7.8%	7.7%

After the end of the H1 reporting period we have further increased our US presence with an office in New Jersey, and we expect to add 1-2 new locations in the remainder of 2019.

Profitability

At this point in our journey, NTG Air & Ocean's customers base is mainly comprised of smaller companies with a need or preference for personalized service and special requests. This is reflected in our margins, where we see gross margin in line with market, but with a need for a somewhat larger overhead base in order to honor our customers' needs.

Going forward, we will continue our integration efforts of the Gondrand entities, where we still face challenges in some geographies.



Interim financial statements

INCOME STATEMENT

(DKK '000)	2019 H1	2018 H1 Excl. IFRS 16
Net revenue	2,603,177	2,054,119
Direct costs	-2,077,854	-1,669,902
Gross profit	525,323	384,217
Other external expenses	-97,484	-87,408
Staff costs	-267,481	-207,132
Operating profit before amortizations, depreciations and special items (adj. EBITDA)	160,358	89,677
Amortizations and depreciation of intangible and tangible fixed assets	-63,347	-2,367
Operating profit before special items (adj. EBIT)	97,011	87,310
Special items, net	-13,565	-6,204
Financial income	1,071	689
Financial costs, other	-23,660	-4,829
Profit before tax	60,857	76,966
Tax on profit for the period	-20,597	-20,504
Profit for the period	40,260	56,462
Attributable to:		
Shareholders in NTG A/S	25,140	28,645
Non-controlling interests	15,120	27,817
Earnings per share		
Earnings per share (DKK)	39	55

STATEMENT OF OTHER COMPREHENSIVE INCOME

(DKK '000)	2019 H1	2018 H1 Excl. IFRS 16
Profit for the period	40,260	56,462
<i>Items that may be reclassified to the income statement:</i>		
Foreign exchange adjustments of subsidiaries	-844	-4,249
<i>Items will not be reclassified to the income statement:</i>		
Actuarial adjustments on retirement benefit obligations	-15,864	0
Other comprehensive income	-16,708	-4,249
Total comprehensive income	23,552	52,213
Attributable to:		
Shareholders in NTG A/S	8,691	24,980
Non-controlling interests	14,861	27,233

CASH FLOW STATEMENT

(DKK '000)	2019 H1	2018 H1 Excl. IFRS 16
Operating profit before special items	97,011	87,310
Depreciation and amortizations	63,347	2,367
Change in working capital etc.	33,328	-62,030
Change in provisions	-10,283	-7,912
Financial income received	1,071	689
Financial expenses paid	-10,288	-4,829
Corporation taxes paid	-41,719	-39,582
Special items	-13,565	-4,704
Cash flow from operating activities	118,902	-28,691
Purchase of intangible assets	-978	568
Purchase of property, plant and equipment	-3,773	-6,643
Disposal of tangible assets	9,313	1,240
Acquisition of business activities	-27,689	9,914
Changes in other financial assets	803	2,311
Cash flow from investing activities	-22,324	7,390
Free cash flow	96,578	-21,301

CASH FLOW STATEMENT, continued

(DKK '000)	2019 H1	2018 H1 Excl. IFRS 16
Repayment of loans	0	-67,355
Proceeds from loans	0	0
Repayment of lease liabilities and associated interest	-68,459	0
Repayments of other financial liabilities	-33,661	-507
<i>Shareholders and non-controlling interests</i>		
Proceeds from issue of share capital	0	0
Dividends paid to non-controlling interests	-9,991	-51,078
Disposal of non-controlling interests	-127	-11,270
Cash flow from financing activities	-112,238	-130,210
Cash flow for the period	-15,660	-151,511
Cash and cash equivalents at 1 January	157,988	175,907
Cash flow for the period	-15,660	-151,511
Currency translation adjustments	-843	-4,562
Cash and cash equivalents at 30 June	141,485	19,834

BALANCE SHEET, assets

(DKK '000)	30/06-2019	31/12-2018 Excl. IFRS 16	30/06-2018 Excl. IFRS 16
Intangible assets	398,266	331,057	319,072
Property, plant and equipment	593,542	58,544	51,805
Other receivables	8,103	8,906	6,096
Deferred tax assets	6,768	4,470	3,531
Total non-current assets	1,006,679	402,977	380,504
Trade receivables	838,347	729,084	785,990
Other receivables	75,634	83,146	58,839
Cash and cash equivalents	141,483	157,988	19,834
Corporation tax	0	117	135
Total current assets	1,055,464	970,335	864,798
Total assets	2,062,143	1,373,312	1,245,302

BALANCE SHEET, equity and liabilities

(DKK '000)	30/06-2019	31/12-2018 Excl. IFRS 16	30/06-2018 Excl. IFRS 16
Share capital	758	526	526
Reserves	164,609	113,483	98,578
NTG A/S shareholders' share of equity	165,367	114,009	99,104
Non-controlling interests	55,977	93,898	52,698
Total equity	221,344	207,907	151,802
Deferred tax liabilities	2,840	2,892	2,067
Pensions and similar obligations	150,198	135,157	140,125
Provisions	37,943	48,697	48,696
Financial liabilities	18,392	18,167	3,865
Lease liabilities	479,196	0	0
Total non-current liabilities	688,569	204,913	194,753
Provisions	58,958	65,502	62,237
Financial liabilities	16,805	50,346	13,226
Lease liabilities	112,347	0	0
Trade payables	819,539	693,362	650,242
Other payables	125,289	113,168	155,288
Corporation tax	19,292	38,114	17,754
Total current liabilities	1,152,230	960,492	898,747
Total liabilities	1,840,799	1,165,405	1,093,500
Total equity and liabilities	2,062,143	1,373,312	1,245,302

STATEMENT OF CHANGES IN EQUITY, 2019

(DKK '000)	Share capital	Share premium	Translation reserve	Retained earnings	NTG A/S shareholder's share of equity	Non-controlling interests	Total equity
Equity at 1 January	526	0	-6,038	119,521	114,009	93,898	207,907
Profit for the period	0	0	0	25,140	25,140	15,120	40,260
Net exchange differences recognized in OCI	0	0	-585	0	-585	-259	-844
Actuarial gains/(losses)	0	0	0	-15,864	-15,864	0	-15,864
Tax on other comprehensive income	0	0	0	0	0	0	0
Other comprehensive income, net of tax	0	0	-585	-15,864	-16,449	-259	-16,708
Total comprehensive income for the period	0	0	-585	9,276	8,691	14,861	23,552
<i>Transactions with shareholders:</i>							
Dividends distributed	0	0	0	0	0	-9,988	-9,988
Purchase of treasury shares	0	0	0	0	0	0	0
Capital increase	0	0	0	0	0	0	0
Disposal of non-controlling interests	232	42,435	0	0	42,667	-42,794	-127
Other adjustments	0	-42,435	0	42,435	0	0	0
Total transactions with owners	232	0	0	42,435	42,667	-52,782	-10,115
Equity at 30 June	758	0	-6,623	171,232	165,367	55,977	221,344

STATEMENT OF CHANGES IN EQUITY, 2018

(DKK '000)	Share capital	Share premium	Translation reserve	Retained earnings	NTG A/S shareholder's share of equity	Non-controlling interests	Total equity
Equity at 1 January	520	0	-341	91,690	91,869	65,696	157,565
Profit for the period	0	0	0	28,645	28,645	27,817	56,462
Net exchange differences recognized in OCI	0	0	0	-3,665	-3,665	-584	-4,249
Actuarial gains/(losses)	0	0	0	0	0	0	0
Tax on other comprehensive income	0	0	0	0	0	0	0
Other comprehensive income, net of tax	0	0	0	-3,665	-3,665	-584	-4,249
Total comprehensive income for the period	0	0	0	24,980	24,980	27,233	52,213
<i>Transactions with shareholders:</i>							
Dividends distributed	0	0	0	0	0	-51,076	-51,076
Purchase of treasury shares	0	0	0	0	0	0	0
Capital increase	0	0	0	0	0	0	0
Net addition/disposal of non-controlling interests	6	6,934	0	-24,685	-17,745	10,845	-6,900
Other adjustments	0	-6,934	0	6,934	0	0	0
Total transactions with owners	6	0	0	-17,751	-17,745	-40,231	-57,976
Equity at 30 June	526	0	-341	98,919	99,104	52,698	151,802

Notes

Note 1 – Accounting policies

The Interim Financial Report has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU and additional requirements in the Danish Financial Statements Act.

Accounting policies, judgements and significant estimates applied in preparation of the Interim Financial Report are consistent with those applied in the consolidated financial statements for 2018, with exception of changes stated below. Reference is made to note 1.1 of the 2018 Annual Report for a description of Nordic Transport Group’s accounting policies. For a definition of financial key figures and financial ratios, please see page 72 of the 2018 Annual Report.

Nordic Transport Group has implemented all new EU-approved standards and interpretations effective as of 1 January 2019. Of these standards and interpretations, only IFRS 16 has had a material impact on Nordic Transport Group’s Financial Statements.

IFRS 16

Effective 1 January 2019, Nordic Transport Group applied the new reporting standard on Leases, IFRS 16. Implementation of the standard has had a material effect on Nordic Transport Group’s financial statements, as the distinction between operating and finance leases is removed. Under IFRS 16, all leases (including leases previously classified as off-balance

sheet in accordance with IAS 17) are recognized in the balance sheet as right-of-use assets and with corresponding lease liabilities. Recognition occurs at the date on which the leased assets are available for use by Nordic Transport Group. Nordic Transport Group transitioned to IFRS 16 in accordance with the modified retrospective approach. Consequently, previous period comparative figures will not be adjusted in the financial statements.

Nordic Transport Group applied the following practical expedients during the implementation of IFRS 16:

- Previously applied assessments of lease contract classification in accordance with IAS 17 were maintained. Classification of existing leases as either financial or operational leasing arrangements were not reassessed at the implementation date. Contracts which previously were determined as not containing a lease in accordance with IAS 17 were not reassessed.
- Leasing contracts with a remaining term of 12 months or less from the implementation date, 1 January 2019, were exempted from the implementation of IFRS 16.

Nordic Transport Group applies the following practical expedients from IFRS 16 on all existing and new leasing contracts:

- Groups of lease contracts displaying similar characteristics are discounted using a single discount rate per lease contract group

- Service components part of leasing contracts are not included in the calculation of right-of-use assets and corresponding lease liabilities. These costs will be recognized in the income statement as incurred
- No right-of-use asset or lease liability is recognized for leases with terms of 12 months or less and leasing contracts of low value. These costs will be recognized in the income statement as incurred

Nordic Transport Group’s 2018 Annual Report showed an operating lease commitment of DKK 823,435 thousand at 31 December 2018. The disclosed operating lease commitment at 31 December 2018 is bridged to the calculated lease liabilities in accordance with IFRS 16 as follows.

(DKK ‘000)	
Disclosed operating lease commitment 31 December 2018	823,435
Adjustment for service components	-5,340
Short-term and low value leases (recognized as incurred)	-16,558
Financial leases	-8,326
Discount effect 1 January 2019	-210,094
Lease liability recognized 1 January 2019	583,117
Current	141,332
Non-current	441,785

A weighted average incremental borrowing rate of 5.4% was applied.

At transition, financial liabilities increased by DKK 583,117 thousand to DKK 651,630 thousand, while property, plant and equipment increased by DKK 540,034 to DKK 598,578.

No restatement of comparison figures was carried out, apart from the inclusion of additional line items in the balance sheet statement representing lease liabilities and an additional line item in the income statement representing financial costs related to lease liabilities.

No other new standards or interpretations have had effect on the financial statements of Nordic Transport Group.

Note 2 – Segment information and net revenue

Nordic Transport Group mainly derives revenue from freight forwarding services related to transport of goods throughout Europe and worldwide by road, ocean and air.

(DKK '000)	<i>Road & Logistics</i>		<i>Air & Ocean</i>		<i>Eliminations etc.</i>		<i>Total</i>	
	2019 H1	2018 H1	2019 H1	2018 H1	2019 H1	2018 H1	2019 H1	2018 H1
Segment revenue	2,050,548	1,737,597	564,880	348,914	114	146	2,615,542	2,086,657
Revenue (Intercompany)	-11,041	-25,489	-1,223	-6,988	-101	-61	-12,365	-32,538
Revenue (External)	2,039,507	1,712,108	563,657	341,926	13	85	2,603,177	2,054,119
Gross Profit	380,646	294,617	144,646	89,521	31	79	525,323	384,217
Amortization and depreciation	-57,582	-2,084	-4,536	-110	-1,229	-173	-63,347	-2,367
Operating profit before special items	83,165	78,870	11,318	6,883	2,528	1,557	97,011	87,310
Revenue (DKK '000)	2019 H1	2018 H1						
Denmark	941,808	794,437						
Sweden	408,171	368,407						
Germany	368,760	226,132						
Finland	267,564	277,898						
Other countries	616,874	387,245						
Total	2,603,177	2,054,119						

Note 3 - Leases

Contracts are assessed at inception to determine whether Nordic Transport Group is entering a lease. If a lease is identified, a right-of-use asset and a corresponding lease liability are recognized in the balance sheet at the contract's commencement date.

Lease liabilities are initially measured at the present value of future leasing payments under the contract, discounted using either the interest rate implicit in the contract, or (if the implicit interest rate is not available) an incremental borrowing rate appropriate for Nordic Transport Group.

Right-of-use assets are initially measured at cost, equivalent to the relevant recognized lease liability adjusted for any leasing payments made on or before the commencement date, any initial costs associated to the lease and other directly related costs including dismantling and restoration costs.

Subsequent to recognition, lease liabilities are measured at amortized cost using the effective interest method, adjusted for any remeasurements or contract modifications. Lease payment are allocated between reduction of the liability and interest expenses. Interest expenses are charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Subsequent to recognition, right-of-use assets are depreciated on a straight-line basis over the shorter of each asset's useful life and the relevant lease term and adjusted for any remeasurements of the lease liability.

<u>(DKK '000)</u>	<u>Land & buildings</u>	<u>Other plant and equipment</u>	<u>Total</u>
Opening balance 1 January 2019	0	0	0
Impact of IFRS 16 implementation	332,896	207,138	540,034
Additions during the period	20,361	47,150	67,511
Disposals during the period	0	-3,385	-3,385
Depreciation for the period	-22,127	-37,723	-59,850
Carrying amount at 30 June 2019	331,130	213,180	544,310

Note 4 – Acquisition and disposal of entities

Acquisition during the year – D.A.P. (UK)

By 1 January 2019 Nordic Transport Group acquired a 100% ownership interest in UK-based freight forwarder D.A.P. (UK). The acquisition increases Nordic Transport Group's presence in a new geographical market and increases activity in both of Nordic Transport Group's business segments.

The total consideration consists of a cash payment of DKK 35 million in addition to a contingent consideration. The contingent consideration is determined over a period of 3 years from the acquisition date with vesting each year during the 3-year period. For each vesting year, the contingent consideration is determined using three input factors: 1) the acquisition's financial performance during the vesting year, 2) Nordic Transport Group's financial performance during the vesting year, and 3) Nordic Transport Group's average market capitalization during the vesting year. At 30 June 2019, the assessed fair value of the contingent consideration totals DKK 32 million.

Adjusted for the fair value of acquired cash and cash equivalents of DKK 7,609 thousand, the net cash flow amounted to DKK 27,689 thousand (outflow).

During the 6 months after the acquisition date, the acquisition contributed with DKK 52,071 thousand to

the Groups revenue and DKK 194 thousand to the result after tax.

Integration of D.A.P. (UK) is still ongoing, and consequently net assets and goodwill may be adjusted, and off-balance sheet items may be recognized for up to 12 months after the acquisition date 1 January 2019, in accordance with the provisions of IFRS 3.

Provisional fair values of acquired assets and liabilities at the acquisition date are given in the table below.

Fair value of acquired trade receivables and other receivables amounts to DKK 24,308 thousand. Collectability of receivables has been assessed based on Group credit assessment policies. In total DKK 101 thousand has been provided for as doubtful trade receivables.

Goodwill is primarily related to synergy effects from integration with Nordic Transport Group's existing infrastructure and network. Goodwill is non-deductible for tax purposes.

(DKK '000)	Fair values at date of acquisition
Property, plant and equipment	252
Trade receivables	19,588
Other receivables	4,720
Cash and cash equivalents	7,609
Total assets	32,169
Deferred tax	67
Financial liabilities	3,404
Trade payables	16,661
Corporation tax	1,441
Other payables	9,429
Total liabilities	31,002
Acquired net assets	1,167
Fair value of total consideration	67,398
Goodwill arising from the acquisition	66,231

Note 5 - Related party transactions

Nordic Transport Group's related parties include the Group's Board of Directors, the Executive Board and close family members of these persons. Related parties also include companies in which these persons have significant influence.

None of the related parties have control of Nordic Transport Group.

Nordic had the following transactions with related parties during the interim period:

<u>(DKK '000)</u>	<u>2019 H1</u>	<u>2018 H1</u>
Sale of services to related	101	109
Rent and leasing obtained from related parties	-8,679	-8,997
Purchase of other services from related parties	-5,138	-2,502
Loan payments from related parties	0	5,000
Loan and interest payments to related parties	-749	-102,908

Statement of the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the Interim Report of Nordic Transport Group A/S for the period 1 January 2019 to 30 June 2019.

The interim consolidated financial statements of Nordic Transport Group A/S have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and additional Danish disclosure

requirements for interim financial reporting of listed companies. In our opinion, the interim consolidated financial statements give a true and fair view of Nordic Transport Group A/S' consolidated assets, liabilities and financial position at 30 June 2019 and of the results of Nordic Transport Group A/S' consolidated operations and cash flows for the period 1 January to 30 June 2019.

Furthermore, in our opinion the Management report includes a fair review of the development in Nordic Transport Group A/S' operations and financial conditions, the results for the period, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that Nordic Transport Group A/S faces.

Hvidovre, 27 August 2019

Executive Board

Jesper E. Petersen
CEO, Road & Logistics

Mikkel Fruergaard
CEO, Air & Ocean

Christian D. Jakobsen
Group CFO

Board of Directors

Eivind Kolding
Chairman of the board

Jørgen Hansen
Vice chairman of the board

Michael Larsen
Board member

Finn Skovbo Pedersen
Board member

Peter Grubert
Board member

Stefan Pettersson
Board member

Ulrik Ross
Board member

Nordic Transport Group A/S

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CVR no. 36471573

Independent auditor's review report on the Interim Financial Statements

To the Shareholders of Nordic Transport Group A/S

We have reviewed the Interim Financial Statements of Nordic Transport Group A/S for the period 1 January 2019 – 30 June 2019 comprising income statement for the period 1 January 2019 – 30 June 2019, statement of other comprehensive income for the period

1 January 2019 – 30 June 2019, balance sheet at 30 June 2019, statement of changes in equity and cash flow statement for the period 1 January 2019 – 30 June 2019 as well as selected explanatory notes, including summary of significant accounting policies.

Management's responsibility for the Interim Financial Statements

Management is responsible for the preparation of interim financial statements in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU and additional Danish disclosure requirements for interim financial reporting of listed companies, and for such internal control as Management determines is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Interim Financial Statements based on our review. We conducted our review in accordance with the International Standard on Review of Interim Financial

Information Performed by the Independent Auditor of the Entity and additional requirements under Danish Auditor regulation. This requires us to conclude whether anything has come to our attention that causes us to believe that the Financial Statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This also requires us to comply with ethical requirements.

A review of interim financial statements in accordance with the International Standard on Review of Interim Financial Information Performed by the Independent Auditor of the Entity is a limited assurance engagement. The auditor performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the Interim Financial Statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Statements for the period 1 January 2019 – 30 June 2019 are not prepared in all material respects in accordance with IAS 34, Interim Financial Reporting,

as adopted by the EU and additional Danish disclosure requirements for interim financial reporting of listed companies.

Other matters regarding limitation of scope

Please note that the comparative figures for the period 1 January – 30 June 2018 and at 30 June 2018 stated in the Interim Financial Statements have not been reviewed, which also appears from the Interim Financial Statements.

Copenhagen, 27 August 2019

PriceWaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No. 33 77 12 31

Flemming Eghoff

State Authorized Public
Accountant

mne30221

Morten Jørgensen

State Authorized Public
Accountant

mne32806