



INTERIM FINANCIAL REPORT

Q3 2019

Company Announcement no. 799

1 November 2019

Selected financial and operating data for the period 1 January - 30 September 2019

(DKKm)	Q3 2019	Q3 2018 excl. IFRS 16	YTD 2019	YTD 2018 excl. IFRS 16
Revenue	24,521	20,237	64,579	58,108
Gross profit	6,271	4,472	16,670	13,042
EBIT before special items	1,785	1,507	4,870	4,112
<i>Operating margin</i>	7.3%	7.4%	7.5%	7.1%
<i>Conversion ratio</i>	28.5%	33.7%	29.2%	31.5%
Special items, costs	172	-	191	-
Profit after tax	1,149	1,104	3,261	3,060
Adjusted earnings for the period	1,403	1,126	3,592	3,126
Adjusted free cash flow			2,453	2,631
Diluted adjusted earnings per share of DKK 1 for the last 12 months			24.2	21.6

Jens Bjørn Andersen, Group CEO: *"The closing of the Panalpina transaction on 19 August was the all-important event in Q3. We have had a good start to the integration and the first operational integrations have already started. Meanwhile, we are pleased to report strong results for Q3, despite challenging market conditions, especially in the air freight market."*

Financial outlook for 2019

Due to the Panalpina transaction, we withdrew the financial outlook for 2019 earlier this year. With the transaction completed and Panalpina included in the consolidated financial statements as of 19 August 2019, the expectations for full-year EBIT before special items for 2019 are at DKK 6,600 million including amortisation of customer relationships of approximately DKK 100 million, of which DKK 80 million are related to Panalpina. Transaction and integration costs (reported as special items) for 2019 are expected to amount to approximately 30% of total expected restructuring costs of DKK 2,300 million.

Synergies and integration costs

When Panalpina is fully integrated we expect to achieve annual cost synergies of around DKK 2,300 million (previously announced DKK 2,200 million). Around 5% of the cost synergies are expected to impact the income statement in 2019, around 60% in 2020 and the remaining 35% in 2021. Total transaction and integration costs are expected in the level of DKK 2,300 million. These costs will be charged to the income statement under Special Items. We expect that approximately 30% of the transaction and integration costs will materialise in 2019, 55% in 2020 and 15% in 2021.

Share buyback

On 11 November, we will launch a new share buyback programme of a maximum value of DKK 2,500 million, running until 6 February 2020. Please refer to Company Announcement No. 800 for further details.

Contacts

Investor Relations

Flemming Ole Nielsen, tel. +45 43 20 33 92, flemming.o.nielsen@dsv.com

Nicolas Thomsen, tel. +45 43 20 31 93, nicolas.thomsen@dsv.com

Media

Tina Hindsbo, tel. +45 43 20 36 63, tina.hindsbo@dsv.com

Yours sincerely,
DSV Panalpina A/S

DSV Panalpina A/S, Hovedgaden 630, 2640 Hedehusene, Denmark, tel. +45 43 20 30 40, CVR No. 58233528, www.dsv.com.

DSV Panalpina Group

We provide and manage supply chain solutions for thousands of companies every day – from the small family run business to the large global corporation. Our reach is global, yet our presence is local and close to our customers. 60,000 employees in more than 90 countries work passionately to deliver great customer experiences and high-quality services. Read more at www.dsv.com

Financial highlights

	Q3 2019	Q3 2018 excl. IFRS 16	YTD 2019	YTD 2018 excl. IFRS 16
Income statement (DKKm)				
Revenue	24,521	20,237	64,579	58,108
Gross profit	6,271	4,472	16,670	13,042
EBITDA before special items	2,727	1,699	7,431	4,668
EBIT before special items	1,785	1,507	4,870	4,112
Special items, costs	172	-	191	-
Net financial expenses	113	94	435	129
Profit for the period	1,149	1,104	3,261	3,060
Adjusted earnings for the period	1,403	1,126	3,592	3,126
Balance sheet (DKKm)				
DSV Panalpina A/S shareholders' share of equity			50,842	15,327
Non-controlling interests			(190)	(33)
Balance sheet total			99,427	40,201
Net working capital			3,719	2,342
Net interest-bearing debt			17,134	5,602
Invested capital			69,424	20,912
Gross investment in property, plant and equipment			693	466
Cash flows (DKKm)				
Operating activities			5,219	2,776
Investing activities			1,410	(204)
Free cash flow			6,629	2,572
Adjusted free cash flow			2,453	2,631
Financing activities			(4,787)	(2,420)
Share buyback			(2,466)	(2,579)
Dividends distributed			(423)	(380)
Cash flow for the period			1,842	152
Financial ratios (%)				
Gross margin	25.6	22.1	25.8	22.4
Operating margin	7.3	7.4	7.5	7.1
Conversion ratio	28.5	33.7	29.2	31.5
Effective tax rate	23.4	21.9	23.2	23.2
ROIC before tax*			12.5	25.2
Return on equity (ROE)			12.7	25.6
Solvency ratio			51.1	38.1
Gearing ratio*			1.8	0.9
Share ratios				
Earnings per share of DKK 1 for the last 12 months			22.6	20.9
Diluted adjusted earnings per share of DKK 1 for the period	6.7	6.1	18.9	16.8
Diluted adjusted earnings per share of DKK 1 for the last 12 months			24.2	21.6
Number of shares issued ('000)			241,527	188,000
Number of treasury shares ('000)			9,484	6,933
Average number of shares issued ('000) for the last 12 months			185,493	183,399
Average diluted number of shares ('000) for the last 12 months			188,099	186,522
Share price end of period (DKK)			651.8	584.0
Staff				
Number of full-time employees			61,799	48,182

The implementation of IFRS 16 Leases as from 1 January 2019 has a material impact on the financial statements and key ratios. Comparative figures for 2018 have not been restated.

For a definition of the financial highlights, please refer to page 81 of the 2018 Annual Report.

*For the calculation of financial ratios for 2019, certain pro forma adjustments have been made, please refer to Note 2.

Management's commentary

On 19 August 2019, DSV completed the acquisition of Panalpina. The acquisition was an all-share transaction, and 55.5 million new shares were issued.

The Group achieved a gross profit of DKK 16,670 million for the first nine months of 2019, compared to DKK 13,042 million for the same period last year, with organic growth of 6.2%.

EBIT before special items was DKK 4,870 million for the first nine months of 2019, compared to DKK 4,112 million for the same period last year, with organic growth of 7.9%.

FINANCIAL DEVELOPMENT 2018 - 2019

(DKKm)	Q3 2018 excl. IFRS 16	Currency translation adjustments	Acquisi- tions, net **	Organic growth	Organic growth*	Q3 2019 excl. IFRS 16 ***	IFRS 16 impact ***	Q3 2019
Revenue	20,237	253	4,301	(270)	(1.3%)	24,521	-	24,521
Gross profit	4,472	58	975	196	4.3%	5,701	570	6,271
EBIT before special items	1,507	20	62	93	6.1%	1,682	103	1,785
Gross margin (%)	22.1					23.2		25.6
Operating margin (%)	7.4					6.9		7.3
Conversion ratio (%)	33.7					29.5		28.5

	YTD 2018 excl. IFRS 16	Currency translation adjustments	Acquisi- tions, net **	Organic growth	Organic growth*	YTD 2019 excl. IFRS 16 ***	IFRS 16 impact ***	YTD 2019
Revenue	58,108	514	4,170	1,787	3.0%	64,579	-	64,579
Gross profit	13,042	140	959	813	6.2%	14,954	1,716	16,670
EBIT before special items	4,112	67	63	330	7.9%	4,572	298	4,870
Gross margin (%)	22.4					23.2		25.8
Operating margin (%)	7.1					7.1		7.5
Conversion ratio (%)	31.5					30.6		29.2

* Growth in constant currencies excluding acquisitions and IFRS 16 impact

** Acquisitions includes Panalpina's amortisation of customer relationships and Panalpina's IFRS 16 impact

*** IFRS 16 impact from the former DSV Group

Integration of Panalpina Welttransport (Holding) AG

The acquisition of Panalpina Welttransport (Holding) AG (Panalpina) was closed on 19 August 2019, from which date Panalpina has been included in the consolidated financial statements of DSV. The acquisition was an all-share transaction (public exchange offer), and 55.5 million new shares corresponding to DKK 35.4 billion were issued in a capital increase and used as consideration.

Following the completion of the transaction the legal name of the holding company was changed to DSV Panalpina A/S. However, all commercial activities will continue under the DSV brand.

The Panalpina Group was one of the world's leading providers of supply chain solutions. On acquisition, the Swiss-based company employed approximately 14,500 full-time employees

in 70 countries generating annual revenue of approximately DKK 40 billion in 2018.

Panalpina was included in the consolidated financial statements as of 19 August 2019. The combination had a significant impact on the consolidated balance sheet of the Group but only limited impact on the income statement year-to-date in 2019.

We have initiated the operational and legal integration of Panalpina. The process is carried out while focusing on maintaining a high service level for our customers in the transition phase. We expect to achieve annual cost synergies of around DKK 2,300 million (previously announced DKK 2,200 million). The cost synergies will primarily be derived from the consolidation of operations, logistics facilities, administration and IT infrastructure.

We expect to recognise around 5% of the cost synergies in the income statement for 2019. In 2020 we expect around 60% of the synergies to materialise and the remaining 35% in 2021. Total transaction and integration costs are expected in the level of DKK 2,300 million. These costs will be charged to the income statement under Special Items. We expect that approximately 30% of the transaction and integration costs will materialise in 2019, 55% in 2020 and 15% in 2021.

The Panalpina activities have been included in the existing DSV divisional structure from the date of acquisition based on Panalpina's segment structure of Air- and Ocean Freight (included in Air & Sea) and Logistics (split approximately 50/50 between Road and Solutions). The Panalpina acquisition will have the largest impact on the Air & Sea division (approximately 90% of Panalpina revenue is Air & Sea activities) and only limited impact on Road and Solutions.

As the integration progresses, new information may result in adjustments to the opening balance and accounting estimates as well as changes to the allocation of activities and number of employees to the individual segments (divisions).

For further information please see Note 8.

Profit for the period

Revenue

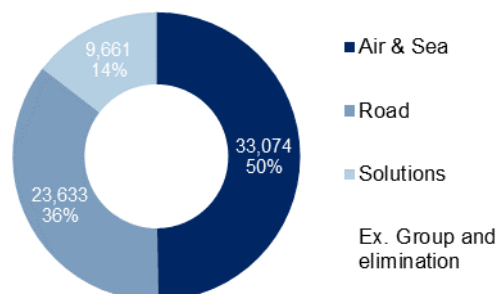
For the first nine months of 2019, DSV Panalpina revenue amounted to DKK 64,579 million (YTD 2018: DKK 58,108 million). Adjusted for exchange rate fluctuations (in constant currencies) and the inclusion of Panalpina, growth for the nine-month period was 3.0%.

The Air & Sea division achieved organic growth in revenue of 5.4%, Road 1.5% and Solutions a negative 0.8% for the first nine months of 2019, compared to the same period last year; all in constant currencies and excluding the impact of Panalpina.

For Q3 2019, revenue amounted to DKK 24,521 million, compared to DKK 20,237 million for the same period last year. The increase in Q3 2019 was mainly attributable to the inclusion of the results of the Panalpina operations as of 19 August. Organic growth in Q3 was negative by 1.3%.

Demand weakness in several segments of the global logistics markets continued in the third quarter of 2019. This led to lower average freight rates, especially in the air freight market, where market volumes are estimated to be down by 4% for the first nine months. The sea freight market is estimated to have grown 1-2% for the first nine months of 2019, although there have been significant differences between trade lanes, with the Trans-Pacific lane showing the weakest development. The European road freight market and contract logistics market have been more stable and are estimated to have grown by 1-2%, close to the growth in the underlying economy.

REVENUE YTD 2019 (DKKm)



Gross profit

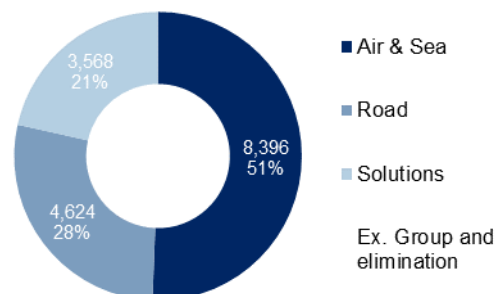
Gross profit was DKK 16,670 million for the first nine months of the year, compared to DKK 13,042 million for the same period of 2018. In constant currencies and excluding IFRS 16 and Panalpina, growth in gross profit was 6.2%.

The Air & Sea division achieved organic growth in gross profit of 6.7%, Road 1.9% and Solutions 6.6% for the first nine months of 2019, compared to the same period last year. All in constant currencies and excluding IFRS 16 and the impact of Panalpina.

For Q3 2019, gross profit amounted to DKK 6,271 million, compared to DKK 4,472 million for the same period last year. Similar to the development in revenue, the acquisition of Panalpina had a large impact on the increase in gross profit for Q3 2019. In constant currencies and excluding IFRS 16 and Panalpina, organic growth in gross profit was 4.3% and was positively impacted by an increase in profit per shipment in Air & Sea and improved gross margins in both Road and Solutions.

IFRS 16 had a positive impact on gross profit of DKK 570 million for Q3 2019 and DKK 1,716 million for the nine-month period ended 30 September.

GROSS PROFIT YTD 2019 (DKKm)



The consolidated gross margin was 25.8% for the first nine months of 2019 (23.2% excluding IFRS 16), compared to 22.4% for the first nine months of 2018.

EBIT before special items

EBIT before special items was DKK 4,870 million for the first nine months of 2019, compared to DKK 4,112 million for the same period of 2018. In constant currencies and excl. IFRS 16 and Panalpina, organic growth for the period was 7.9%.

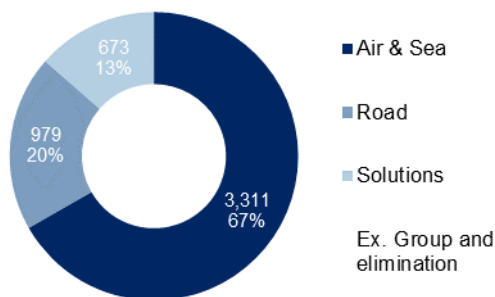
For Q3 2019, EBIT before special items amounted to DKK 1,785 million, compared to DKK 1,507 million for the same period last year. In constant currencies (organic growth) and excl. IFRS 16

and the acquisition of Panalpina, growth for the period was 6.1%.

IFRS 16 had a positive impact on EBIT before special items of DKK 103 million for Q3 2019 and DKK 298 million for the nine-month period ended 30 September.

EBIT before special items was positively affected by the inclusion of Panalpina, which reported positive EBIT before special items of DKK 61 million for the period including amortisation of customer relationships of DKK 26 million. The cost synergies from the acquisition had very limited effect in the quarter, but the synergy impact is expected to increase in the coming quarters.

EBIT BEFORE SPECIAL ITEMS YTD 2019 (DKKm)



The conversion ratio was 29.2% for the first nine months of 2019 (30.6% excluding IFRS 16), compared to 31.5% for the corresponding period of 2018.

The conversion ratio was 28.5% for Q3 2019 (29.5% excluding IFRS 16), compared to 33.7% for the same period last year.

The decline in margins in Q3 2019 is attributable to the Panalpina integration, which initially has an adverse effect on the margins of the Group. As the integration progresses and the synergies are realised, margins are expected to increase again.

The amortisation of customer relationships came to DKK 41 million for the first nine months of 2019 against DKK 21 million for the same period last year. For Q3 2019, amortisation of customer relationships came to DKK 31 million, of which DKK 26 million was related to Panalpina. Amortisation of customer relationships was DKK 7 million in Q3 2018.

Special items, costs

Special items, costs totalled DKK 191 million for the first nine months of 2019 (2018: DKK 0 million) and are mainly related to transaction and integration costs related to the acquisition of Panalpina.

Financial items

Financial items totalled a net expense of DKK 435 million for the first nine months of 2019, compared to DKK 129 million for the same period last year. The increase was mainly due to the implementation of IFRS 16, as interest on lease liabilities amounted to DKK 276 million for the first nine months of 2019 (2018: DKK 10 million).

For Q3 2019, financial items totalled a net expense of DKK 113 million, compared to DKK 86 million for the same period last year. IFRS 16 caused an increase of DKK 93 million, compared

to Q3 2018, but this was partly offset by exchange rate gains of DKK 57 million in Q3 2019. The exchange rate gains were mainly related to intra-group loans and had no cash flow impact.

Tax on profit for the period

The effective tax rate was 23.2% for the first nine months of 2019 and in line with the first nine months of 2018.

Profit for the period

Profit for the first nine months of 2019 was DKK 3,261 million, compared to DKK 3,060 million for the same period of 2018. The growth was primarily driven by higher operating profit in 2019 but was negatively impacted by an increase in special items related to the integration.

Diluted adjusted earnings per share

Diluted adjusted earnings per share were DKK 18.9 for the first nine months of 2019, compared to DKK 16.8 for the same period last year.

The 12-month figure to the end of September 2019 was DKK 24.2 per share, compared to DKK 21.6 for the same period last year, corresponding to an increase of 12.0%.

The 29.9% capital increase carried out in August 2019 has not yet fully impacted the average number of shares. The impact from the capital increase will gradually materialise over a 12-month period.

IFRS 16 has no material impact on earnings per share.

Cash flow statement

CASH FLOW STATEMENT

(DKKm)	YTD 2019	YTD 2018 excl. IFRS16
Cash flow from operating activities	5,219	2,776
Cash flow from investing activities	1,410	(204)
Free cash flow	6,629	2,572
Proceeds from and repayment of short-term and long-term debt	(2,459)	160
Allocated to shareholders	(2,889)	(2,959)
Exercise of share options	692	366
Other transactions with shareholders	(131)	13
Cash flow from financing activities	(4,787)	(2,420)
Cash flow for the period	1,842	152
Free cash flow	6,629	2,572
Repayment of lease liabilities and interest (IFRS 16 impact reversed)	(2,256)	-
Net acquisition of subsidiaries and activities	(2,101)	59
Special items (restructuring costs)	181	-
Adjusted free cash flow	2,453	2,631

Cash flow from operating activities

Cash flow from operating activities was DKK 5,219 million for the first nine months of 2019, compared to DKK 2,776 million for the same period of 2018. The increase was mainly due to IFRS 16, which had a positive impact of DKK 2,256 million for the first nine months as repayment of lease liabilities and interest is now reported as financing activities. The underlying improvement was around DKK 200 million and was driven primarily by an increase in operating results.

Cash flow from investing activities

Cash flow from investing activities amounted to DKK 1,410 million for the first nine months of 2019, compared to a negative cash flow of DKK 204 million for the same period of 2018. The development is due to the Panalpina transaction, where the net cash position of DKK 1,975 million was included as a positive cash flow from acquisition.

Adjusted free cash flow

Adjusted free cash flow for the period was DKK 2,453 million, compared to DKK 2,631 million for the same period last year.

Net working capital

The Group reported net working capital of DKK 3,719 million on 30 September 2019, compared to DKK 2,342 million on 30 September 2018.

Relative to full-year revenue, the net working capital amounted to 4.3% on 30 September 2019 (30 September 2018: 3.0%).

Capital structure and finances

DSV Panalpina A/S shareholders' share of equity

The equity interest of DSV Panalpina shareholders was DKK 50,842 million on 30 September 2019 (DKK 14,561 million on 31 December 2018).

The development in equity was driven by the capital increase made in connection with the Panalpina transaction.

On 15 August 2019, the share capital was increased by nominally DKK 55,526,507. The capital increase corresponds to 29.9% of the share capital. After the capital increase, the share capital amounted to nominally DKK 241,526,507 divided into 241,526,507 shares of DKK 1 each. Each share has one vote.

DSV Panalpina reduced its share capital on 25 October 2019 through the cancellation of 6,526,507 treasury shares. Consequently, the share capital of DSV Panalpina has a nominal value of DKK 235 million, corresponding to 235 million shares with a face value of DKK 1.

On 30 September 2019, the Company's portfolio of treasury shares amounted to 9,483,574 shares. On 31 October 2019, the portfolio of treasury shares amounts to 4,306,067 shares.

The Company currently runs a share buyback programme of a maximum value of DKK 3,500 million, running from 30 April to 8 November 2019. Please refer to Company Announcement No. 745 for further details.

On 11 November we will launch a new share buyback programme of a maximum value of DKK 2,500 million, running until 6 February 2020. Please refer to Company Announcement No. 800 for further details.

The solvency ratio excluding non-controlling interests was 51.1% on 30 September 2019 (30 September 2018: 38.1%). The increase was primarily due to the capital increase.

DEVELOPMENT IN EQUITY

(DKKm)	YTD 2019	YTD 2018 excl. IFRS 16
Equity at 1 January 2019 as previously reported	14,561	14,835
Impact of accounting policy change	(593)	-
Equity on 1 January	13,968	14,835
Profit for the period	3,265	3,072
Currency translation adjustments, foreign enterprises	308	(191)
Capital increase	35,390	-
Allocated to shareholders	(2,889)	(2,959)
Sale of treasury shares	692	366
Other equity movements	108	204
Equity end of period	50,842	15,327

Net interest-bearing debt

Net interest-bearing debt amounted to DKK 17,134 million on 30 September 2019, compared to a total net interest-bearing debt of DKK 5,602 million on 30 September 2018. The increase is mainly due to IFRS 16.

Due to the impact from IFRS 16, the financial gearing ratio was 1.8 on 30 September 2019, up from 0.9 for the same period last year. The targeted financial gearing ratio is below 2 times EBITDA.

The weighted average duration of the Company's bonds, committed loans and credit facilities was 2.6 years on 30 September 2019 and unchanged, compared to 30 September 2018.

Invested capital and ROIC

The Group's invested capital including goodwill and customer relationships amounted to DKK 69,424 million on 30 September 2019, compared to DKK 20,912 million on 30 September 2018.

Return on invested capital including goodwill and customer relationships was 12.5% for the 12-month period ended 30 September 2019, compared to 25.2% for the same period last year.

The development is due to the Panalpina transaction and the implementation of IFRS 16.

Outlook

Due to the Panalpina transaction the financial outlook for 2019 was withdrawn earlier this year. With the transaction completed and Panalpina included in the consolidated financial statements as of 19 August 2019, the revised expectations for full-year 2019 are as follows:

- EBIT before special items are expected to be DKK 6,600 million including amortisation of customer relations of approximately DKK 100 million, of which DKK 80 million are related to Panalpina.
- Special items (primarily transactions and integration costs) in 2019 are expected to amount to approximately 30% of the total expected restructuring costs of DKK 2,300 million.

The outlook is based on the current level of currency exchange rates and assumes that growth on global transport markets does not deteriorate further for the remainder of 2019. Furthermore, it is assumed that synergies for 2019 are achieved as expected.

DSV Air & Sea

The Air & Sea division operates a global network specialising in transportation of cargo by air and sea. The division offers both conventional freight forwarding services and tailored project cargo solutions.

The combination with Panalpina substantially strengthens the Air & Sea division, which will be among the largest providers globally with close to 3 million containers (TEUs) and 1.5 million tonnes of air freight transported yearly.

The division reported EBIT before special items of DKK 3,311 million for the first nine months of 2019 (2018: DKK 2,796 million), to which Panalpina contributed DKK 39 million.

INCOME STATEMENT

(DKKm)	Q3 2019	Q3 2018 excl. IFRS 16	YTD 2019	YTD 2018 excl. IFRS 16
Divisional revenue	13,981	9,625	33,074	27,134
Direct costs	10,538	7,266	24,678	20,243
Gross profit	3,443	2,359	8,396	6,891
Other external expenses	594	439	1,404	1,381
Staff costs	1,442	886	3,320	2,649
EBITDA before special items	1,407	1,034	3,672	2,861
Depreciation of right-of-use assets	127	2	270	5
Depreciation and amortisation of owned assets	60	19	91	60
EBIT before special items	1,220	1,013	3,311	2,796

KEY PERFORMANCE INDICATORS

	Q3 2019	Q3 2018 excl. IFRS 16	YTD 2019	YTD 2018 excl. IFRS 16
Gross margin (%)	24.6	24.5	25.4	25.4
Operating margin (%)	8.7	10.5	10.0	10.3
Conversion ratio (%)	35.4	42.9	39.4	40.6
Number of full-time employees			22,824	12,090
Total invested capital (DKKm)			48,113	10,884
Net working capital (DKKm)			3,117	1,611
ROIC before tax (%)			13.9	32.6

Market development

Freight volume growth

	DSV Q3 2019	Market Q3 2019	DSV YTD 2019	Market YTD 2019
Sea freight – TEUs	41%	3%	17%	2%
Air freight – tonnes	63%	(4%)	23%	(4%)

DSV growth includes acquired and organic growth. Market growth rates are based on market statistics and own estimates.

Growth in Q3 2019, was significantly impacted by Panalpina. For Q3 2019, the division reported a total increase in sea freight volumes (TEUs) of 41%. Excluding Panalpina volumes, organic growth for the quarter was approximately 7%.

For air freight, the division reported total volume (tonnes) growth of 63% for Q3 2019. Excluding Panalpina volumes, organic growth for the quarter was a decline of 6%.

Historically, Panalpina has applied different criteria for measuring transported units than those of DSV. Therefore, there is not a one-to-one correlation to Panalpina's historically reported volume numbers. Data quality will gradually improve as Panalpina's transport volumes are migrated to DSV's systems.

Divisional revenue

The division's revenue amounted to DKK 33,074 million for the first nine months of 2019, compared to DKK 27,134 million for the same period last year. The increase in revenue is mainly attributable to Panalpina. Organic growth for the period was 5.4%.

For Q3 2019, revenue amounted to DKK 13,981 million, compared to DKK 9,625 million for the same period last year. Organic growth for the quarter was 1.4% and was positively impacted by higher activity in sea freight, but offset by lower air freight volumes and lower average freight rates.

Gross profit

Gross profit was DKK 8,396 million for the first nine months of 2019, compared to DKK 6,891 million for the same period in 2018. This corresponds to an organic growth for the period of 6.7%.

For Q3 2019, gross profit amounted to DKK 3,443 million, compared to DKK 2,359 million for the same period last year, which corresponds to an organic growth of 7.6%.

The organic growth in gross profit for Q3 2019 was driven by higher volumes and stronger yields for sea freight. For air freight, volumes were down for the quarter, but this was compensated by a significant improvement in yields.

The reported gross profit per unit (TEU/tonne) for Q3 2019 declined, compared to the same period last year, which is a result of Panalpina having lower gross profit per unit.

The division's gross margin was 25.4% for the first nine months of 2019, which was on level with the same period last year. The inclusion of Panalpina had no material impact on the division's gross margin.

EBIT before special items

EBIT before special items was DKK 3,311 million for the first nine months of 2019, compared to DKK 2,796 million for the

same period last year. This corresponds to an organic growth for the period of 13.3%.

For Q3 2019, EBIT before special items totalled DKK 1,220 million, compared to DKK 1,013 million for the same period last year, which corresponds to an organic growth of 13.1%.

The positive development is a result of a strong organic performance by the legacy DSV operation. Furthermore, EBIT before special items was positively affected by the inclusion of Panalpina, which reported positive EBIT before special items of DKK 39 million for the period including amortisation of customer relationships of DKK 23 million.

The conversion ratio was 39.4% for the first nine months of 2019, compared to 40.6% for the same period last year. The operating margin was 10.0%, compared to 10.3% for the same period last year.

For Q3 2019, the conversion ratio was 35.4%, compared to 42.9% for the same period last year. The operating margin was 8.7%, compared to 10.5% for Q3 2018.

The decline in margins is attributable to the Panalpina inclusion, which initially has an adverse effect on the margins. As the integration progresses and the synergies are realised, margins are expected to increase again.

Net working capital

The Air & Sea division's net working capital came to DKK 3,117 million on 30 September 2019, compared to DKK 1,611 million on 30 September 2018.

The increase is mainly due to Panalpina.

FINANCIAL DEVELOPMENT 2018 - 2019

(DKKm)	Q3 2018 excl. IFRS 16	Currency translation adjustments	Acquisi- tions, net **	Organic growth	Organic growth*	Q3 2019 excl. IFRS 16 ***	IFRS 16 impact ***	Q3 2019
Divisional revenue	9,625	205	4,017	134	1.4%	13,981	-	13,981
Gross profit	2,359	48	827	182	7.6%	3,416	27	3,443
EBIT before special items	1,013	20	39	135	13.1%	1,207	13	1,220
Gross margin (%)	24.5					24.4		24.6
Operating margin (%)	10.5					8.6		8.7
Conversion ratio (%)	42.9					35.3		35.4

	YTD 2018 excl. IFRS 16	Currency translation adjustments	Acquisi- tions, net **	Organic growth	Organic growth*	YTD 2019 excl. IFRS 16 ***	IFRS 16 impact ***	YTD 2019
Divisional revenue	27,134	433	4,017	1,490	5.4%	33,074	-	33,074
Gross profit	6,891	131	827	472	6.7%	8,321	75	8,396
EBIT before special items	2,796	65	39	381	13.3%	3,281	30	3,311
Gross margin (%)	25.4					25.2		25.4
Operating margin (%)	10.3					9.9		10.0
Conversion ratio (%)	40.6					39.4		39.4

* Growth in constant currencies excluding acquisitions and IFRS 16 impact

** Acquisitions includes Panalpina's amortisation of customer relationships and Panalpina's IFRS 16 impact

*** IFRS 16 impact from the former DSV Group

AIR AND SEA SPLIT

(DKKm)	Sea freight				Air freight			
	Q3 2019	Q3 2018 excl. IFRS16	YTD 2019	YTD 2018 excl. IFRS16	Q3 2019	Q3 2018 excl. IFRS16	YTD 2019	YTD 2018 excl. IFRS16
Divisional revenue	6,629	4,731	16,560	13,425	7,352	4,894	16,514	13,709
Direct costs	5,013	3,566	12,446	9,978	5,525	3,700	12,232	10,265
Gross profit	1,616	1,165	4,114	3,447	1,827	1,194	4,282	3,444
Gross margin (%)	24.4	24.6	24.8	25.7	24.9	24.4	25.9	25.1
Volume (TEUs/tonnes)	520,048	369,143	1,271,305	1,085,141	288,793	177,155	629,197	513,422
Gross profit per unit (DKK)	3,107	3,156	3,236	3,177	6,328	6,736	6,806	6,707

DSV Road

The Road division is among the market leaders in Europe and, furthermore, the division has operations in North America and South Africa. The division offers full load, part load and groupage services through a network of more than 200 terminals and operates approximately 20,000 trucks. The acquisition of Panalpina is expected to add approximately DKK 1,5 billion of annual revenue to the Road division.

EBIT before special items came to DKK 979 million with negative organic growth of 2.1%, compared to the same period last year.

INCOME STATEMENT

(DKKm)	Q3 2019	Q3 2018 excl. IFRS 16	YTD 2019	YTD 2018 excl. IFRS 16
Divisional revenue	7,698	7,812	23,633	23,350
Direct costs	6,170	6,439	19,009	19,353
Gross profit	1,528	1,373	4,624	3,997
Other external expenses	261	357	793	979
Staff costs	679	639	2,123	2,012
EBITDA before special items	588	377	1,708	1,006
Depreciation of right-of-use assets	212	2	643	9
Depreciation and amortisation of owned assets	33	30	86	89
EBIT before special items	343	345	979	908

KEY PERFORMANCE INDICATORS

	Q3 2019	Q3 2018 excl. IFRS 16	YTD 2019	YTD 2018 excl. IFRS 16
Gross margin (%)	19.8	17.6	19.6	17.1
Operating margin (%)	4.5	4.4	4.1	3.9
Conversion ratio (%)	22.4	25.1	21.2	22.7
Number of full-time employees			13,493	13,345
Total invested capital (DKKm)			9,776	4,579
Net working capital (DKKm)			(411)	(473)
ROIC before tax (%)			13.6	23.1

Market development

We estimate that the European road freight market has grown 1-2%. The market stalled in the third quarter of 2019, where especially the automotive sector saw declining volumes.

Divisional revenue

The division's revenue amounted to DKK 23,633 million for the first nine months of 2019, compared to DKK 23,350 million for the same period last year. Organic growth for the nine-month period was 1.5%.

For Q3 2019, revenue amounted to DKK 7,698 million, compared to DKK 7,812 million for the same period last year. Organic growth for the quarter was negative by 2.2%.

Revenue was impacted positively by the acquisition of Panalpina, but negatively by the divestment of the US-based

Market Transport Ltd. as per 1 April 2019 (annual revenue approximately DKK 600 million).

The development was driven by a decline in shipments due to lower market growth on most markets, especially the slowdown in the automotive sector and lower activity on UK related traffics.

Gross profit

For the first nine months of 2019, gross profit totalled DKK 4,624 million, compared to DKK 3,997 million for the same period last year. The increase was mainly due to IFRS 16. Organic growth for the period was 1.9%.

For Q3 2019, gross profit amounted to DKK 1,528 million, compared to DKK 1,373 million for the same period last year and the growth was mainly driven by IFRS 16. Organic growth for the quarter was a negative 4.3%.

Similar to revenue, the gross profit was impacted positively by the acquisition of Panalpina, but negatively by the divestment of US-based Market Transport Ltd. and low market growth.

The division's gross margin was 19.6% for the first nine months of 2019 (17.3% excluding IFRS 16), compared to 17.1% for same period of 2018.

EBIT before special items

EBIT before special items was DKK 979 million for the first nine months of 2019, compared to DKK 908 million for the same period last year. The increase was mainly due to IFRS 16.

Organic growth for the period was negative by 2.1%.

For Q3 2019, EBIT before special items totalled DKK 343 million, compared to DKK 345 million for the same period last year and the growth was mainly driven by IFRS 16. Organic growth was a negative 10.7%. The decline was due to the lower gross profit, which has not been fully compensated by adjustments to the cost base.

EBIT before special items was positively affected by the inclusion of Panalpina, which reported positive EBIT before special items of DKK 10 million for the period including amortisation of customer relationship of DKK 1 million.

The conversion ratio was 21.2% for the first nine months of 2019 (22.1% excluding IFRS 16), compared to 22.7% for the same period last year. The operating margin was 4.1% (3.8% excluding IFRS 16), compared to 3.9% for the same period last year.

Net working capital

The Road division's net working capital was negative by DKK 411 million on 30 September 2019, compared to a negative DKK 473 million on 30 September 2018.

FINANCIAL DEVELOPMENT 2018 - 2019

(DKKm)	Q3 2018 excl. IFRS 16	Currency translation adjustments	Acquisi- tions, net **	Organic growth	Organic growth*	Q3 2019 excl. IFRS 16 ***	IFRS 16 impact ***	Q3 2019
Divisional revenue	7,812	19	43	(176)	(2.2%)	7,698	-	7,698
Gross profit	1,373	2	40	(59)	(4.3%)	1,356	172	1,528
EBIT before special items	345	1	11	(37)	(10.7%)	320	23	343
Gross margin (%)	17.6					17.6		19.8
Operating margin (%)	4.4					4.2		4.5
Conversion ratio (%)	25.1					23.6		22.4

	YTD 2018 excl. IFRS 16	Currency translation adjustments	Acquisi- tions, net **	Organic growth	Organic growth*	YTD 2019 excl. IFRS 16 ***	IFRS 16 impact ***	YTD 2019
Divisional revenue	23,350	15	(88)	356	1.5%	23,633	-	23,633
Gross profit	3,997	-	24	76	1.9%	4,097	527	4,624
EBIT before special items	908	5	12	(19)	(2.1%)	906	73	979
Gross margin (%)	17.1					17.3		19.6
Operating margin (%)	3.9					3.8		4.1
Conversion ratio (%)	22.7					22.1		21.2

* Growth in constant currencies excluding acquisitions and IFRS 16 impact

** Acquisitions includes Panalpina's amortisation of customer relationships and Panalpina's IFRS 16 impact

*** IFRS 16 impact from the former DSV Group

DSV Solutions

The Solutions division offers warehousing and logistics services such as e-commerce solutions, distribution and order management. The acquisition of Panalpina adds approximately 500 thousand square metres of warehouse capacity to the existing capacity and is expected to add annual revenue of approximately DKK 2 billion.

EBIT before special items came to DKK 673 million for the first nine months of 2019 with negative organic growth of 2.9%, compared to the same period last year.

INCOME STATEMENT

(DKKm)	Q3 2019	Q3 2018 excl. IFRS 16	YTD 2019	YTD 2018 excl. IFRS 16
Divisional revenue	3,465	3,417	9,661	9,376
Direct costs	2,209	2,659	6,093	7,178
Gross profit	1,256	758	3,568	2,198
Other external expenses	278	235	796	696
Staff costs	341	283	951	847
EBITDA before special items	637	240	1,821	655
Depreciation of right-of-use assets	329	2	978	9
Depreciation and amortisation of owned assets	69	54	170	160
EBIT before special items	239	184	673	486

KEY PERFORMANCE INDICATORS

	Q3 2019	Q3 2018 excl. IFRS 16	YTD 2019	YTD 2018 excl. IFRS 16
Gross margin (%)	36.2	22.2	36.9	23.4
Operating margin (%)	6.9	5.4	7.0	5.2
Conversion ratio (%)	19.0	24.3	18.9	22.1
Number of full-time employees			22,521	20,384
Total invested capital (DKKm)			11,471	4,445
Net working capital (DKKm)			1,483	1,204
ROIC before tax (%)			9.2	16.0

Market development

The contract logistics market is estimated to have grown 1-2% in the first nine months of 2019. The general economic slowdown continued and especially the weak development in the automotive industry impacted market growth in Q3 2019.

Divisional revenue

The division's revenue was DKK 9,661 million for the first nine months of 2019, compared to DKK 9,376 million for the same period of 2018. Organic growth for the period was negative by 0.8%.

For Q3 2019, revenue amounted to DKK 3,465 million, compared to DKK 3,417 million for the same period last year. Panalpina contributed DKK 288 million for the quarter. Organic growth for Q3 2019 was negative by 8.0%. The development was impacted by the slowdown in the automotive sector and a

general decline in the UK market.

Gross profit

Gross profit was DKK 3,568 million for the first nine months of 2019, compared to DKK 2,198 million for the same period of 2018. The increase was mainly due to IFRS 16. Organic growth for the period was 6.6%.

For Q3 2019, gross profit amounted to DKK 1,256 million, compared to DKK 758 million for the same period last year, and the growth was mainly driven by IFRS 16. Panalpina contributed DKK 100 million for the quarter. Organic growth was 2.6%.

The development in gross profit was positively impacted by optimised processes and warehouse automation. The division's gross margin was 36.9% for the first nine months of 2019 (25.4% excluding IFRS 16), compared to 23.4% for the

same period last year. The gross margin for Q3 2019 was 36.2% (25.5% excluding IFRS 16), compared to 22.2% for Q3 2018.

EBIT before special items

EBIT before special items was DKK 673 million for the first nine months of 2019, compared to DKK 486 million for the same period of 2018. The increase was mainly due to IFRS 16. Organic growth for the period was a negative 2.9%.

For Q3 2019, EBIT before special items totalled DKK 239 million, compared to DKK 184 million for the same period last year. The growth was mainly driven by IFRS 16. Organic growth for the period was negative by 12.0%.

The cost base was impacted by IT migration (to the global warehouse management system) and implementation of new technology in warehouses.

EBIT before special items for Q3 2019 was positively affected by the inclusion of Panalpina, which reported positive EBIT before special items of DKK 11 million for the period including amortisation of customer relationships of DKK 2 million.

The conversion ratio was 18.9% for the first nine months 2019 (19.6% excluding IFRS 16), compared to 22.1% for the same period last year. The division's operating margin was 7.0% for the first nine months of 2019 (5.0% excluding IFRS 16), compared to 5.2% for the same period last year.

Net working capital

The division's net working capital came to DKK 1,483 million on 30 September 2019, compared to DKK 1,204 million on 30 September 2018.

FINANCIAL DEVELOPMENT 2018 - 2019

(DKK)m	Q3 2018 excl. IFRS 16	Currency translation adjustments	Acquisi- tions, net **	Organic growth	Organic growth*	Q3 2019 excl. IFRS 16 ***	IFRS 16 impact ***	Q3 2019
Divisional revenue	3,417	35	288	(275)	(8.0%)	3,465	-	3,465
Gross profit	758	7	100	20	2.6%	885	371	1,256
EBIT before special items	184	-	11	(22)	(12.0%)	173	66	239
Gross margin (%)	22.2					25.5		36.2
Operating margin (%)	5.4					5.0		6.9
Conversion ratio (%)	24.3					19.5		19.0

	YTD 2018 excl. IFRS 16	Currency translation adjustments	Acquisi- tions, net **	Organic growth	Organic growth*	YTD 2019 excl. IFRS 16 ***	IFRS 16 impact ***	YTD 2019
Divisional revenue	9,376	74	288	(77)	(0.8%)	9,661	-	9,661
Gross profit	2,198	9	100	146	6.6%	2,453	1,115	3,568
EBIT before special items	486	(1)	11	(14)	(2.9%)	482	191	673
Gross margin (%)	23.4					25.4		36.9
Operating margin (%)	5.2					5.0		7.0
Conversion ratio (%)	22.1					19.6		18.9

* Growth in constant currencies excluding acquisitions and IFRS 16 impact

** Acquisitions includes Panalpina's amortisation of customer relationships and Panalpina's IFRS 16 impact

*** IFRS 16 impact from the former DSV Group

Interim financial statements

Income statement

(DKKm)	Q3 2019	Q3 2018 excl. IFRS 16	YTD 2019	YTD 2018 excl. IFRS 16
Revenue	24,521	20,237	64,579	58,108
Direct costs	18,250	15,765	47,909	45,066
Gross profit	6,271	4,472	16,670	13,042
Other external expenses	817	769	2,115	2,260
Staff costs	2,727	2,004	7,124	6,114
EBITDA before special items	2,727	1,699	7,431	4,668
Depreciation of right-of-use assets	680	6	1,938	23
Depreciation and amortisation of owned assets	262	186	623	533
EBIT before special items	1,785	1,507	4,870	4,112
Special items, costs	172	-	191	-
Financial income	85	(4)	132	132
Financial expenses, lease liabilities	96	3	276	10
Financial expenses, other	102	87	291	251
Profit before tax	1,500	1,413	4,244	3,983
Tax on profit for the period	351	309	983	923
Profit for the period	1,149	1,104	3,261	3,060
Profit for the period attributable to:				
Shareholders of DSV Panalpina A/S	1,141	1,107	3,265	3,072
Non-controlling interests	8	(3)	(4)	(12)
Earnings per share of DKK 1 for the period	5.6	6.1	17.4	16.8
Diluted earnings per share of DKK 1 for the period	5.5	6.0	17.2	16.5

Statement of comprehensive income

(DKKm)	Q3 2019	Q3 2018 excl. IFRS 16	YTD 2019	YTD 2018 excl. IFRS 16
Profit for the period	1,149	1,104	3,261	3,060
Items that will be reclassified to income statement when certain conditions are met:				
Net exchange differences recognised in OCI	181	(39)	309	(185)
Fair value adjustments relating to hedging instruments	(13)	19	(20)	(1)
Fair value adjustments relating to hedging instruments transferred to financial expenses	9	(2)	9	(1)
Tax on items reclassified to income statement	2	-	4	-
Items that will not be reclassified to income statement:				
Actuarial gains/(losses)	(15)	-	(139)	(15)
Tax relating to items that will not be reclassified	-	(1)	30	-
Other comprehensive income, net of tax	164	(23)	193	(202)
Total comprehensive income	1,313	1,081	3,454	2,858
Total comprehensive income attributable to:				
Shareholders of DSV Panalpina A/S	1,303	1,083	3,457	2,864
Non-controlling interests	10	(2)	(3)	(6)
Total	1,313	1,081	3,454	2,858

Cash flow statement

(DKKm)	YTD 2019	YTD 2018 excl. IFRS 16
EBITDA before special items	7,431	4,668
<i>Adjustments:</i>		
Share-based payments	86	68
Change in provisions	(71)	(70)
Change in working capital, etc.	(1,155)	(1,024)
Special items	(181)	-
Interest received	47	37
Interest paid	(195)	(228)
Corporation tax, paid	(743)	(675)
Cash flow from operating activities	5,219	2,776
Purchase of intangible assets	(223)	(332)
Purchase of property, plant and equipment	(693)	(466)
Disposal of intangible assets, property, plant and equipment	288	630
Acquisition and disposal of subsidiaries and activities	2,101	(59)
Change in other financial assets	(63)	23
Cash flow from investing activities	1,410	(204)
Free cash flow	6,629	2,572
Proceeds from borrowings	623	445
Repayment of borrowings	(826)	(285)
Interests paid on lease liabilities	(267)	-
Repayment of lease liabilities	(1,989)	-
<i>Transaction with shareholders:</i>		
Dividends distributed	(423)	(380)
Purchase of treasury shares	(2,466)	(2,579)
Sale of treasury shares	692	366
Other transactions with shareholders	(131)	13
Cash flow from financing activities	(4,787)	(2,420)
Cash flow for the period	1,842	152
Cash and cash equivalents 1 January	1,158	1,348
Cash flow for the period	1,842	152
Currency translation adjustments	(19)	(51)
Cash and cash equivalents end of period	2,981	1,449
The cash flow statement cannot be directly derived from the balance sheet and income statement.		
<i>Statement of adjusted free cash flow</i>		
Free cash flow	6,629	2,572
Net acquisition of subsidiaries and activities	(2,101)	59
Special items (restructuring costs)	181	-
Repayment of lease liabilities and interest (IFRS 16 impact reversed)	(2,256)	-
Adjusted free cash flow	2,453	2,631

Balance sheet – Assets

(DKKm)	30.09.2019	31.12.2018 excl. IFRS 16	30.09.2018 excl. IFRS 16
Intangible assets	52,211	16,742	16,687
Right-of-use assets	11,679	193	181
Property, plant and equipment	3,088	2,297	2,214
Other receivables	496	291	235
Deferred tax assets	1,791	851	1,067
Total non-current assets	69,265	20,374	20,384
Trade receivables	20,181	13,252	13,795
Contract assets	2,955	1,554	1,850
Inventories	1,597	718	877
Other receivables	2,407	1,662	1,617
Cash and cash equivalents	2,981	1,158	1,449
Assets held for sale	41	94	229
Total current assets	30,162	18,438	19,817
Total assets	99,427	38,812	40,201

Balance sheet – Equity and liabilities

(DKKm)	30.09.2019	31.12.2018 excl. IFRS 16	30.09.2018 excl. IFRS 16
Share capital	242	188	188
Reserves and retained earnings	50,600	14,373	15,139
DSV Panalpina A/S shareholders' share of equity	50,842	14,561	15,327
Non-controlling interests	(190)	(29)	(33)
Total equity	50,652	14,532	15,294
Lease liabilities	9,198	132	113
Borrowings	7,002	6,461	6,087
Pensions and similar obligations	1,845	915	1,125
Provisions	1,246	627	658
Deferred tax liabilities	348	188	187
Total non-current liabilities	19,639	8,323	8,170
Lease liabilities	3,291	60	66
Borrowings	806	485	874
Trade payables	10,078	7,646	7,470
Accrued cost of services	6,034	2,813	2,905
Provisions	936	412	376
Other payables	6,927	4,087	4,613
Corporation tax	1,064	454	433
Total current liabilities	29,136	15,957	16,737
Total liabilities	48,775	24,280	24,907
Total equity and liabilities	99,427	38,812	40,201

Statement of changes in equity – 1 January - 30 September 2019

(DKKm)	Share capital	Reserves	Retained earnings	DSV Panalpina A/S shareholders' share of equity	Non-controlling interests	Total equity
Equity 1 January 2019 as previously reported	188	(704)	15,077	14,561	(29)	14,532
Impact of accounting policy change*	-	-	(593)	(593)	(16)	(609)
Equity 1 January 2019	188	(704)	14,484	13,968	(45)	13,923
Profit for the period	-	-	3,265	3,265	(4)	3,261
Other comprehensive income, net of tax	-	296	(104)	192	1	193
Total comprehensive income for the period	-	296	3,161	3,457	(3)	3,454
Transactions with owners:						
Share-based payments	-	-	86	86	-	86
Tax on share-based payments	-	-	276	276	-	276
Dividends distributed	-	-	(423)	(423)	(1)	(424)
Purchase of treasury shares	-	(4)	(2,462)	(2,466)	-	(2,466)
Sale of treasury shares	-	3	689	692	-	692
Capital increase	56	-	35,334	35,390	(16)	35,374
Capital reduction	(2)	2	-	-	-	-
Addition/disposal of non-controlling interests	-	-	-	-	(125)	(125)
Dividends on treasury shares	-	-	22	22	-	22
Other adjustments	-	-	(160)	(160)	-	(160)
Total transactions with owners	54	1	33,362	33,417	(142)	33,275
Equity 30 September 2019	242	(407)	51,007	50,842	(190)	50,652

*Cumulative effect of applying IFRS 16 Leases - see Note 1 to the Interim Financial Statements

Statement of changes in equity – 1 January - 30 September 2018

(DKKm)	Share capital	Reserves	Retained earnings	DSV Panalpina A/S shareholders' share of equity	Non-controlling interests	Total equity
Equity on 1 January 2018	190	4,195	10,450	14,835	(26)	14,809
Profit for the period	-	-	3,072	3,072	(12)	3,060
Other comprehensive income, net of tax	-	(193)	(15)	(208)	6	(202)
Total comprehensive income for the period	-	(193)	3,057	2,864	(6)	2,858
Transactions with owners:						
Share-based payments	-	-	68	68	-	68
Tax on share-based payments	-	-	139	139	-	139
Dividends distributed	-	-	(380)	(380)	(1)	(381)
Purchase of treasury shares	-	(5)	(2,574)	(2,579)	-	(2,579)
Sale of treasury shares	-	2	364	366	-	366
Capital reduction	(2)	2	-	-	-	-
Dividends on treasury shares	-	-	14	14	-	14
Total transactions with owners	(2)	(1)	(2,369)	(2,372)	(1)	(2,373)
Equity 30 September 2018	188	4,001	11,138	15,327	(33)	15,294

Notes

1 Accounting policies

The Interim Financial Report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union and Danish disclosure requirements for listed companies.

Except as stated below, accounting policies applied in preparing the Interim Financial Report are consistent with those applied in preparing the 2018 Annual Report. The 2018 Annual Report provides a full description of DSV Panalpina accounting policies.

Changes in accounting policies

DSV Panalpina A/S has implemented the latest International Financial Reporting Standards (IFRS) and amendments effective as of 1 January 2019 as adopted by the European Union.

Of the standards and amendments implemented, only IFRS 16 Leases has had material impact on the Group's financial statements.

IFRS 16 Leases

IFRS 16 Leases was implemented 1 January 2019. Implementation of IFRS 16 had a material impact on DSV Panalpina's financial statements as most contracts previously classified as off-balance operating leases under IAS 17 have now been capitalised, recognising right-of-use assets and lease liabilities similar to previous practices for finance leases.

Consequently, reported operating profits have increased, 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 but is offset by an increased cash outflow from financing activities. Accordingly, total cash flow for the period is unchanged.

Application and practical expedients applied

IFRS 16 has been applied following the modified retrospective approach with the cumulative effect of applying the standard recognised in the opening balance of retained earnings.

Comparatives have not been restated and are presented in accordance with the previous IFRS standard on leases (IAS 17 and IFRIC 4) – as disclosed in the 2018 Annual Report. Right-of-use assets and lease liabilities have been presented as separate line items in the balance sheet, which has led to minor reclassifications of comparative figures.

For existing leases classified as operating leases under IAS 17, lease liabilities have been measured at the present value of the remaining lease payments discounted using an appropriate incremental borrowing rate at 1 January 2019. Right-of-use assets have been measured as if IFRS 16 had been applied since the lease commencement date and discounted using an appropriate incremental borrowing rate on 1 January 2019.

The weighted average incremental borrowing rate applied at 1 January 2019 was 3.43% for assets classified as land and buildings and 2.57% for assets classified as other plant and operating equipment.

For existing leases classified as finance leases under IAS 17, the carrying amount of lease liabilities and right-of-use assets on 1 January 2019 equals the carrying amount of lease liabilities and lease assets on 31 December 2018.

The following practical expedients have been applied in implementing the standard:

- Existing assessments of whether a contract contains a lease in accordance with IAS 17 and IFRIC 4 have been maintained. No reassessment of existing lease contracts has been made at the commencement date.
- Contracts not previously determined to contain a lease in accordance with IAS 17 and IFRIC 4 have not been reassessed at the commencement date.
- A single discount rate has been applied to appropriate groups of leases with similar characteristics.
- Existing assessments of whether leases are onerous have been applied.

The following practical expedients have not been applied:

- Allowing non-recognition of right-of-use assets and related lease liabilities for existing leases ending within 12 months of 1 January 2019.
- Exclusion of initial direct costs from the right-of-use asset measurement.
- The use of hindsight.

Implementation impact

Implementation of the standard has impacted the 2019 opening balance as outlined below:

(DKKkm)	31 December 2018 (IAS 17)	Increase (+) Decrease (-)	Change
<i>Implementation impact :</i>			
Right-of-use assets	193	+	9,991
Deferred tax assets	851	+	138
Reserves and retained earnings	14,373	-	593
Lease liabilities	192	+	10,704
Other receivables	1,662	-	26
Other payables	4,087	-	8
<i>Reclassifications of financial lease assets (IAS 17):</i>			
Property, plant and equipment	2,490	-	193
Borrowings	7,138	-	192

Recognised right-of-use assets have been classified within the following asset categories:

(DKKkm)	1 January 2019
Land and buildings	8,893
Other plant and operating equipment	1,098
Total right-of-use assets recognised	9,991

Differences between the operating lease commitments on 31 December 2018, disclosed in the 2018 Annual Report, and

lease liabilities recognised in the opening balance on 1 January 2019 in accordance with IFRS 16 specify as follows:

(DKKm)	
Operating lease commitments 31 December 2018	12,020
Discounted using incremental borrowing rate at 1 January 2019	(1,135)
Finance lease liabilities recognised at 31 December 2018	223
Short-term and low-value leases recognised as an expense on a straight line basis	(404)
Lease liabilities recognised 1 January 2019	10,704
<i>Current /non-current classification:</i>	
Non-current liabilities	8,135
Current liabilities	2,569

2 Adjusted financial ratios

Due to the impact of IFRS 16, the following financial ratios for Q3 2019 have been adjusted on a pro forma basis:

ROIC before tax: DKK 9,500 million have been added to invested capital at the beginning of the period.

Gearing ratio: EBITDA for 6 months of 2018 has been raised by DKK 2,145 million (corresponding to a full-year pro forma EBITDA impact of DKK 2,860 million).

Other financial highlights are presented in line with the definition on page 81 of the 2018 Annual Report.

5 Segment information

(DKKm)	Air & Sea		Road		Solutions		Other activities, non-allocated items and eliminations		Total	
	YTD 2019	YTD 2018 excl. IFRS16	YTD 2019	YTD 2018 excl. IFRS16	YTD 2019	YTD 2018 excl. IFRS16	YTD 2019	YTD 2018 excl. IFRS16	YTD 2019	YTD 2018 excl. IFRS16
Condensed income statement										
Revenue	32,606	26,682	22,485	22,201	9,413	9,138	75	87	64,579	58,108
Intercompany revenue	468	452	1,148	1,149	248	238	(1,864)	(1,839)	-	-
Divisional revenue	33,074	27,134	23,633	23,350	9,661	9,376	(1,789)	(1,752)	64,579	58,108
Direct costs	24,678	20,243	19,009	19,353	6,093	7,178	(1,871)	(1,708)	47,909	45,066
Gross profit	8,396	6,891	4,624	3,997	3,568	2,198	82	(44)	16,670	13,042
Other external expenses	1,404	1,381	793	979	796	696	(878)	(796)	2,115	2,260
Staff costs	3,320	2,649	2,123	2,012	951	847	730	606	7,124	6,114
Operating profit before depreciation, amortisation and special items	3,672	2,861	1,708	1,006	1,821	655	230	146	7,431	4,668
Depreciation of right-of-use assets	270	5	643	9	978	9	47	-	1,938	23
Depreciation and amortisation of owned assets	91	60	86	89	170	160	276	224	623	533
Operating profit before special items	3,311	2,796	979	908	673	486	(93)	(78)	4,870	4,112
Condensed balance sheet										
Total assets	35,439	21,760	18,116	15,964	13,406	8,159	32,466	(5,682)	99,427	40,201
Total liabilities	36,471	24,657	13,370	9,840	12,046	6,895	(13,112)	(16,485)	48,775	24,907

3 Management judgements

In preparing the Interim Financial Statements, Management makes various accounting estimates and judgements that affect the reported amounts and disclosures in the statements and in the notes to the financial statements. These are based on professional experience, historical data and other factors available to Management.

By their nature, management judgements and estimates include a degree of uncertainty, and actual results may therefore deviate from the judgements and estimates on the reporting date.

Judgements and estimates are continuously evaluated, and the effects of any changes are recognised in the relevant period.

4 New accounting regulations

The IASB has issued a number of new standards and amendments not yet in effect or endorsed by the EU and therefore not relevant for the preparation of the 2019 Interim Financial Statements.

None of these are currently expected to carry any significant impact on the DSV Panalpina Financial Statements when implemented.

6 Revenue

Sale of services and geographical segmentation are specified in the tables below:

(DKKm)	EMEA		Americas		APAC		Eliminations		Total	
	Q3 2019	Q3 2018 excl. IFRS16	Q3 2019	Q3 2018 excl. IFRS16	Q3 2019	Q3 2018 excl. IFRS16	Q3 2019	Q3 2018 excl. IFRS16	Q3 2019	Q3 2018 excl. IFRS16
Air services	4,257	2,535	2,571	1,726	2,469	1,681	(1,945)	(1,048)	7,352	4,894
Sea services	5,100	3,537	2,198	1,550	1,514	1,193	(2,183)	(1,549)	6,629	4,731
Road services	7,803	7,796	649	774	-	-	(754)	(758)	7,698	7,812
Solutions services	2,518	2,705	675	499	310	261	(38)	(48)	3,465	3,417
Divisional revenue	19,678	16,573	6,093	4,549	4,293	3,135			25,144	20,854
Non-allocated items and eliminations									(623)	(617)
Total revenue									24,521	20,237

(DKKm)	EMEA		Americas		APAC		Eliminations		Total	
	YTD 2019	YTD 2018 excl. IFRS16	YTD 2019	YTD 2018 excl. IFRS16	YTD 2019	YTD 2018 excl. IFRS16	YTD 2019	YTD 2018 excl. IFRS16	YTD 2019	YTD 2018 excl. IFRS16
Air services	9,211	7,666	6,335	4,837	5,418	4,702	(4,450)	(3,496)	16,514	13,709
Sea services	12,215	9,858	5,443	4,192	3,802	3,336	(4,900)	(3,961)	16,560	13,425
Road services	23,899	23,434	2,008	2,197	-	-	(2,274)	(2,281)	23,633	23,350
Solutions services	7,133	7,386	1,789	1,413	853	721	(114)	(144)	9,661	9,376
Divisional revenue	52,458	48,344	15,575	12,639	10,073	8,759			66,368	59,860
Non-allocated items and eliminations									(1,789)	(1,752)
Total revenue									64,579	58,108

7 Leases

Accounting policies

Whether a contract contains a lease is assessed at contract inception. For identified leases a right-of-use asset and corresponding lease liability are recognised on the lease commencement date.

Upon initial recognition, the right-of-use asset is measured at cost corresponding to the lease liability recognised, adjusted for any lease prepayments or directly related costs, including dismantling and restoration costs. The lease liability is measured at the present value of lease payments discounted using the interest rate implicit in the lease contract. In cases where the implicit interest rate cannot be determined, an appropriate incremental DSV Panalpina borrowing rate is used.

At subsequent measurement, the right-of-use asset is measured less accumulated depreciations and impairment losses and adjusted for any remeasurements of the lease liability.

Depreciations are done following the straight-line method over the lease term or the useful life of the right-of-use asset, whichever is shortest. The lease liability is measured at amortised cost using the effective interest method and adjusted for any remeasurements or modifications made to the contract.

Right-of-use assets and lease liabilities are not recognised for low value lease assets or leases with a lease term of 12 months or less. These are recognised as an expense on a straight-line basis over the term of the lease. Any service elements

separable from the lease contract are also accounted for following same principle.

Leases 2019

Right-of-use assets classified as land and buildings mainly relate to leases of warehouses, terminals and office buildings, whereas assets recognised as other plant and operating equipment mainly relate to leases of trailers, trucks, company cars, forklifts, IT hardware and other office equipment.

Land and buildings leases normally have a lease term of up to 10 years, whereas leases of other plant and operating equipment normally have a lease term of up to 5 years.

Classification of right-of-use assets:

(DKKm)	YTD 2019		Total
	Land & Buildings	Other plant and operating equipment	
Opening balance 1 January 2019	14	179	193
Impact of accounting policy change	8,893	1,098	9,991
Addition from business combinations	1,765	470	2,235
Addition for the period	1,321	191	1,512
Disposals for the period	(187)	(86)	(273)
Depreciations for the period	(1,540)	(398)	(1,938)
Currency translation adjustments	(42)	1	(41)
Carrying amount at 30 September 2019	10,224	1,455	11,679

8 Business combinations

On 19 August 2019, DSV acquired 100% of the shares in Panalpina Weltransport (Holding) AG (Panalpina) via a public exchange offer, thereby obtaining control of the company.

About Panalpina

Panalpina was one of the world's leading providers of supply chain solutions with its core services comprising Air Freight, Ocean Freight, and Logistics and Manufacturing. Panalpina generated revenues of approximately DKK 40 billion in 2018 and operated a global network with some 500 offices in more than 70 countries and approximately 14,500 people worldwide.

Strategic rationale and synergies

The combination with Panalpina is expected to increase DSV's annual revenue by close to 50%, which will rank the combined company in the industry top four with a pro forma revenue of approximately DKK 118 billion, a combined workforce of more than 60,000 employees and own operations in more than 90 countries.

DSV and Panalpina are a strong match with many potential synergies as a result of similarities in business models, services and strategies. Additionally, scale remains one of the key competitive advantages in freight forwarding with significant operational and commercial benefits.

The DSV Air & Sea division will be substantially strengthened and will be among the largest providers globally with close to 3 million containers (TEUs) and more than 1.5 million tonnes of air freight transported yearly. Likewise, the DSV Solutions division will be strengthened and Panalpina will bring additional warehousing capacity of more than 500,000 square metres. DSV's road network will be a strong cross selling opportunity to Panalpina's existing service offerings.

Furthermore, the combination will increase DSV's activities in the APAC and Americas regions, thereby further extending DSV's geographical reach.

Consideration transferred

The consideration transferred for the shares in Panalpina was made in DSV equity instruments by offering 2.375 ordinary DSV shares for one Panalpina share.

A total of 55,526,507 DSV shares was exchanged at a fair value of DKK 35,270 million based on the acquisition date closing price of DKK 635.20 on Nasdaq Copenhagen.

The total consideration transferred amounts to DKK 35,983 million. Adjusted for the fair value of cash and cash equivalents acquired of DKK 1,975 million, the net consideration amounts to DKK 34,008 million.

Earnings impact

The Panalpina acquisition has contributed revenues of DKK 4,453 million and operating profit before special items of DKK 61 million to the Group for the period 19 August 2019 to 30 September 2019.

If the acquisition had occurred on 1 January 2019, consolidated pro forma revenue and operating profit before special items for the period ended 30 September 2019 of the combined DSV Panalpina Group would have been approximately DKK 90 billion and DKK 5.3 billion, respectively.

Transaction costs

Total transaction costs recognised until 30 September 2019 amount to DKK 105 million, of which DKK 92 million have been recognised as special items costs in the income statement and DKK 13 million recognised in equity relating to the issue of DSV shares used for settling the public exchange offer.

Fair value of acquired net assets and recognised goodwill

As accounting for the Panalpina acquisition is ongoing, net assets, goodwill, and contingent assets and liabilities recognised at the reporting date are to some extent still provisional. Adjustments may be applied to these amounts for a period of up to twelve months from the acquisition date in accordance with IFRS 3.

The major categories of net assets for which acquisitional accounting is still ongoing mainly relate to valuation of IT systems, customer relationships and various other provisions. In addition, other minor adjustments may be applied to the various net asset categories as full alignment to DSV accounting policies is being finalised.

The provisional fair value of identified net assets and goodwill recognised comprises:

Assets identified at fair value:	(DKKm)
Customer relationships	761
Other intangible assets	7
Right-of-use assets	2,219
Property, plant and equipment	653
Trade receivables	6,655
Contract assets	1,166
Inventories	-
Deferred tax assets	626
Other receivables	620
Cash and cash equivalents	1,975
Total Assets	14,682
Liabilities identified at fair value:	
Lease liabilities	2,219
Borrowings	1,109
Provisions	1,187
Pensions and similar obligations	787
Trade payables	2,581
Accrued cost of services	3,216
Deferred tax liabilities	195
Corporation tax	535
Other payables	1,547
Total liabilities	13,376
Non-controlling interests share of acquired net assets	(139)
Total net assets acquired	1,445
Fair value of total consideration transferred	35,970
Goodwill arising from acquisitions	34,525

The fair value of acquired trade receivables, contract assets and other receivables amounts to DKK 8,441 million. Collectability of receivables has been assessed based on credit assessment policies. Expected credit losses in total of DKK 300 million has been provided for as trade receivables.

Goodwill recognised mainly relates to the expertise and insight of the acquired workforce and expected synergies from the integration into the DSV Panalpina Group. Recognised goodwill is non-deductible for tax purposes.

Fair value measurement

Material net assets acquired for which significant management judgements have been applied are recognised using the following valuation techniques:

Property, plant and equipment

Fair value of property, plant and equipment relating to material individual assets is measured based on external market valuations carried out by professional appraisers.

Customer relationships

Customer relationships have been measured using a multi-period excess earnings model (MPEE) in which the present value of future cash flows from recurring contract customers expected to be retained after the date of acquisition have been valued using a peer group WACC of 6.75% as discount rate. In total, customer relationships amounting to DKK 761 million have been included in the opening balance.

The main input value drivers in the MPEE model used are the estimated future retention rate and net cash flow of the acquired contract customer base. These inputs have been estimated based on Management's professional judgement from analysis of the acquired customer base, historical data and general business insight.

Trade receivables and payables, contract assets and accrued cost of services

Fair value of trade receivables and trade payables, contract assets and accrued cost of services has been measured at the contractual amount expected to be received or paid. In addition, collectability has been taken into consideration on trade receivables. The amounts have not been discounted, as maturity on receivables- and payables is generally very short and the discounted effect therefore immaterial.

Financial liabilities

Fair value of acquired publicly traded company bonds has been measured at market value at the acquisition date. Lease liabilities have been measured at the present value of the remaining lease payments at the acquisition date discounted using an appropriate incremental borrowing rate. Other financial liabilities have been measured at the present value of the repayable amounts discounted using a representative DSV borrowing rate, unless the discount effect is insignificant. A DSV borrowing rate has been applied as DSV vouches for the acquired debt, and as such the credit enhancement of the Group has been applied in the valuation.

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today considered and adopted the Interim Financial Report of DSV Panalpina A/S for the nine-month period ended 30 September 2019.

The Interim Financial Report, which has not been audited or reviewed by the Company auditor, has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union and additional requirements in accordance with the Danish Financial Statements Act.

In our opinion, the Interim Financial Statements give a true and fair view of the DSV Panalpina Group's assets, equity, liabilities and financial position on 30 September 2019 and of the results of the Group's activities and the cash flow for the nine-month period ended 30 September 2019.

We also find that the Management's commentary provides a fair statement of developments in the activities and financial situation of the Group, financial results for the period, the general financial position of the Group and a description of the major risks and elements of uncertainty faced by the Group. Over and above the disclosures in the Interim Financial Report, no changes in the Group's most significant risks and uncertainties have occurred relative to the disclosures in the annual report for 2018.

Hedehusene, 1 November 2019

Executive Board:

Jens Bjørn Andersen
CEO

Jens H. Lund
CFO

Board of Directors:

Thomas Plenborg
Chairman

Jørgen Møller
Deputy Chairman

Annette Sadolin

Birgit W. Nørgaard

Robert S. Kledal

Marie-Louise Aamund

Beat Walti