



# INTERIM FINANCIAL REPORT

## First quarter 2017

Company Announcement no. 646

2 May 2017

### Selected financial and operating data for the period 1 January – 31 March 2017

(DKKm)	Q1 2017	Q1 2016
Net revenue	18,223	15,319
Gross profit	4,220	3,607
Operating profit before special items	1,129	643
<i>Operating margin</i>	6.2%	4.2%
<i>Conversion ratio</i>	26.8%	17.8%
Special items, costs	160	370
Profit before tax	875	319
Adjusted earnings for the period	809	527
Adjusted free cash flow	839	438
Diluted adjusted earnings per share of DKK 1 for the period	4.30	2.83

Jens Bjørn Andersen, CEO: "A very strong set of Q1 numbers brings us even closer to our goal of reaching pre-UTi performance levels and margins. All three divisions have recorded a significant increase in earnings in the quarter, which is very satisfactory. In addition to following our integration plans, we have increased our sales efforts in order to secure future market share gains."

Gross profit and EBIT before special items for Q1 2017 were positively impacted by property gains of approx. DKK 125 million. In combination with the underlying financial performance for the quarter this leads to an upward adjustment of the full-year outlook for 2017 as follows:

- Operating profit before special items is expected to be in the range of DKK 4,300-4,600 million (previously DKK 4,200-4,500 million).
- All other expectations for the full-year performance are unchanged.

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This announcement has been forwarded to Nasdaq Copenhagen and to the press. It is also available at [www.dsv.com](http://www.dsv.com).

Yours sincerely,  
DSV A/S

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#### Global Transport and Logistics

With offices and facilities in more than 80 countries on six continents, we provide and run supply chain solutions for thousands of companies on a daily basis. Our reach is global yet our presence is local and close to our customers. Read more at [www.dsv.com](http://www.dsv.com)

## Financial highlights\*

	Q1 2017	Q1 2016
<b>Income statement (DKKm)</b>		
Net revenue	18,223	15,319
Gross profit	4,220	3,607
Operating profit before amortisation, depreciation and special items	1,311	820
Operating profit before special items	1,129	643
Special items, costs	160	370
Net financial expenses	94	(46)
Profit before tax	875	319
Profit for the period	669	233
Adjusted earnings for the period	809	527
<b>Balance sheet (DKKm)</b>		
DSV A/S shareholders' share of equity	13,967	11,435
Non-controlling interests	(39)	2
Equity total	13,928	11,437
Balance sheet total	40,304	39,068
Net working capital	2,240	1,111
Net interest-bearing debt	7,754	9,232
Invested capital	21,831	21,597
Gross investment in property, plant and equipment	161	143
<b>Cash flows (DKKm)</b>		
Operating activities	563	166
Investing activities	164	(4,641)
Free cash flow	727	(4,475)
Adjusted free cash flow	839	438
Financing activities	(851)	1,881
Dividends distributed	(342)	(327)
Cash flow for the period	(124)	(2,594)
<b>Financial ratios (%)</b>		
Gross margin	23.2	23.5
Operating margin	6.2	4.2
Conversion ratio	26.8	17.8
Effective tax rate	23.5	27.0
ROIC before tax	18.2	18.1
Return on equity (ROE)	16.6	21.3
Solvency ratio	34.7	29.3
Gearing ratio	1.64	2.55
<b>Share ratios</b>		
Earnings per share of DKK 1 for the period	3.60	1.26
Earnings per share of DKK 1 for the last 12 months	11.35	10.74
Diluted adjusted earnings per share of DKK 1 for the period	4.30	2.83
Diluted adjusted earnings per share of DKK 1 for the last 12 months	14.86	13.00
Number of shares issued ('000)	190,000	192,500
Number of treasury shares ('000)	3,906	8,312
Average number of shares issued ('000) for the period	185,724	184,006
Average number of shares issued ('000) for the past 12 months	185,363	173,566
Average diluted number of shares ('000) for the period	188,166	186,166
Average diluted number of shares ('000) for the past 12 months	187,593	175,674
Share price at 31 March (DKK)	361.00	272.60
<b>Staff</b>		
Number of full-time employees at 31 March	45,112	44,334

\*) For a definition of the financial highlights, please refer to page 81 of the 2016 Annual Report.

# Management's commentary

The Group achieved a gross profit of DKK 4,220 million for the first three months of 2017 against DKK 3,607 million for the same period last year. Operating profit before special items was DKK 1,129 million for the three months under review against DKK 643 million for the same period of 2016.

The quarter includes almost one extra month of UTi activities, compared to Q1 2016, and the increase in earnings is driven by the realisation of integration synergies. Furthermore, Q1 2017 was positively impacted by property gains of approx. DKK 125 million in the Road division.

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” For Q1 2017, EBIT before special items totalled DKK 1,129 million against DKK 643 million last year

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## Integration of UTi Worldwide Inc.

The acquisition of UTi Worldwide Inc. was closed on 22 January 2016.

The integration has continued to progress according to plan. A large part of the integration was completed during the first year, and the remaining part is mainly related to consolidation of IT infrastructure, back-office systems and Solutions sites. The entire integration process is expected to be completed within two years after the acquisition. In line with guidance, the financial synergies are expected to fully materialise within three years after the acquisition.

The UTi activities have been included in the existing DSV divisional structure from the date of acquisition. As the integration progressed during 2016, minor adjustments were made to classification of costs, allocation of activities and number of employees. The changes had no material impact on reported results and no restatements have been made.

In connection with the integration process, most of UTi's activities have been transferred to DSV's IT platforms and administrative functions have been combined. Therefore, the Q1 2017 financial statements do not present separate reports on acquired growth.

## Profit for the period

### Net revenue

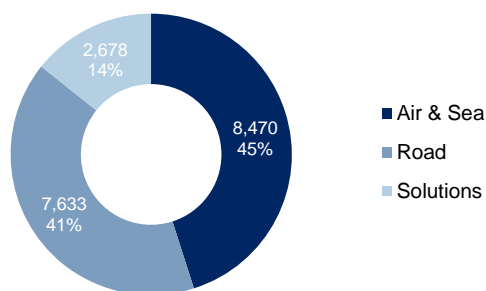
For the first three months of 2017, DSV recorded net revenue of DKK 18,223 million against DKK 15,319 million for the corresponding period of 2016. Adjusted for exchange rate fluctuations, growth for the period was 18.5%.

The Air & Sea division achieved growth of 19.7%, Road 14.2% and Solutions 28.2% (adjusted for exchange rate fluctuations).

The increase is partly attributable to almost one extra month of UTi operations compared to Q1 2016.

Relative to the same period of 2016, net revenue was positively affected by higher average freight rates and a higher number of working days.

## NET REVENUE YTD 2017 (DKKm)



## Gross profit

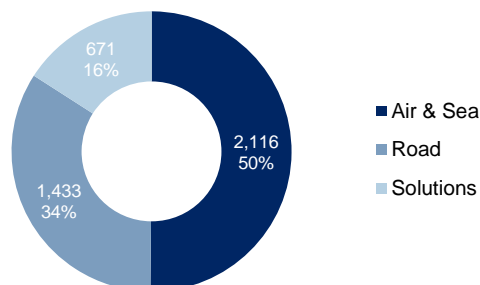
Gross profit was DKK 4,220 million for the first three months of the year against DKK 3,607 million for the same period of 2016. Adjusted for exchange rate fluctuations, growth for the period was 16.0%.

The Air & Sea division achieved growth of 11.6%, Road 14.6% and Solutions 20.7% (adjusted for exchange rate fluctuations).

The increase is partly attributable to almost one extra month of UTi operations compared to Q1 2016.

Gross profit and net revenue of the Road division were impacted by a net gain of approx. DKK 125 million on property transactions in Q1 2017.

## GROSS PROFIT YTD 2017 (DKKm)



The consolidated gross margin was 23.2% for the first three months of 2017 against 23.5% for the same period of 2016.

## GROWTH

(DKKm)	Q1 2016	Currency translation adjustments	Growth incl. acquisitions	Growth incl. acquisitions (%)	Q1 2017
Net revenue	15,319	65	2,839	18.5%	18,223
Gross profit	3,607	37	576	16.0%	4,220
EBIT before special items	643	(1)	487	75.7%	1,129

## Operating profit before special items

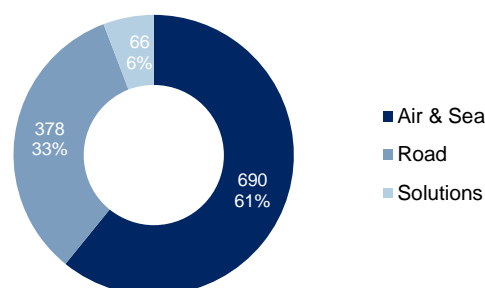
Operating profit before special items was DKK 1,129 million for the three months under review against DKK 643 million for the same period of 2016. Adjusted for exchange rate fluctuations, growth for the period was 75.7%. Adjusted for the property gain in the Road division, the growth was approx. 56%.

The conversion ratio was 26.8% for the three-month period against 17.8% for the corresponding period of 2016. The significant improvement is mainly attributable to realisation of UTi synergies, which have the highest impact in the Air & Sea division and on headquarter/administrative functions.

The operating margin (before special items) was 6.2% for the three months under review against 4.2% for the same period last year.

In line with the forecast previously announced, the Group expects synergies of around DKK 1.5 billion, of which approx. 40% materialised in 2016 and 40% are expected in 2017. The remaining 20% are expected in 2018. Further optimisations are expected during 2019 and 2020 with a view to achieving the long-term financial targets.

## Operating profit before special items YTD 2017 (DKKm)



## Special items, net

Special items totalled DKK 160 million for the first three months of 2017. The costs mainly relate to the integration of UTi. We expect integration costs of approx. DKK 500 million in 2017, in line with previous expectations.

## Financial items

Financial items totalled a net expense of DKK 94 million for Q1 2017 and were slightly higher than expected due to exchange rate losses.

## Tax on profit for the period

The effective tax rate was 23.5 for the three months under review and was lower than the expected level of 25%.

## Diluted adjusted earnings per share

Diluted adjusted earnings per share were DKK 4.30 for the first three months of 2017, up 51.9% compared to the same period last year. The increase is due to an increase in adjusted earnings.

The 12-month figure to the end of March 2017 was DKK 14.86 per share against DKK 13.00 for the same period last year, corresponding to an increase of 14.3%.

## Cash flow statement

### CASH FLOW STATEMENT

(DKKm)	Q1 2017	Q1 2016
<b>EBITDA before special items</b>	<b>1,311</b>	<b>820</b>
Change in net working capital	(328)	(519)
Adjustment, non-cash operating items	(45)	67
Adjustment, other operating items	(375)	(202)
<b>Cash flow from operating activities</b>	<b>563</b>	<b>166</b>
Purchase and sale of intangibles, property, plant and equipment	146	(111)
Acquisition and disposal of subsidiaries and activities, excluding creditors	-	(4,587)
Other	18	57
<b>Cash flow from investing activities</b>	<b>164</b>	<b>(4,641)</b>
<b>Free cash flow</b>	<b>727</b>	<b>(4,475)</b>
Proceeds from and repayment of short-term and long-term debt	(600)	2,156
Allocated to shareholders	(342)	(327)
Exercise of share options	86	38
Other transactions with shareholders	5	14
<b>Cash flow from financing activities</b>	<b>(851)</b>	<b>1,881</b>
<b>Cash flow for the period</b>	<b>(124)</b>	<b>(2,594)</b>
<b>Adjusted free cash flow</b>	<b>839</b>	<b>438</b>

## Cash flow from operating activities

Cash flow from operating activities was DKK 563 million for the first three months of 2017 against DKK 166 million for the same period of 2016. The increase is mainly due to the higher EBITDA before special items.

## Net working capital

The Group reported funds tied up in net working capital of DKK 2,240 million at 31 March 2017 against DKK 1,111 million at 31 March 2016.

The optimisation of funds tied up in working capital remains a high priority, but the conversion of IT systems and restructuring of business processes have a temporary adverse impact.

Due to underlying growth in shipments and natural seasonality (timing of Easter and higher number of working days), activity in Q1 2017 was higher compared to Q1 2016, causing an increase in working capital. In addition, we see increasing pressure on working capital in the market in general, not least from large customers and customs clearance activities. Furthermore, the Group has tied up more capital in property projects.

Relative to estimated full-year revenue, the net working capital amounted to 3.2% at 31 March 2017 (31 March 2016: 1.6%).

## Cash flow from investing activities

Cash flow from investing activities was impacted by sale of property and amounted to DKK 164 million for the first three months of 2017 against DKK -4,641 million for the same period of 2016.

## Free cash flow

Adjusted free cash flow for the period was DKK 839 million against DKK 438 million for the same period last year.

## Capital structure and finances

### Equity

The equity interest of DSV shareholders was DKK 13,967 million at 31 March 2017 (DKK 13,416 million at 31 December 2016).

Equity was mainly affected by the profit for the period and distribution of dividends.

At 31 March 2017, the Company's portfolio of treasury shares amounted to 3,906,248 shares, corresponding to 2.06% of the total number of shares issued. At 2 May 2017, the Company's portfolio of treasury shares amounts to 3,416,248 shares.

The solvency ratio excluding non-controlling interests was 34.7% at 31 March 2017 (31 March 2016: 29.3%).

### DEVELOPMENT IN EQUITY

(DKKm)	Q1 2017	Q1 2016
<b>Equity at 1 January</b>	<b>13,416</b>	<b>11,809</b>
Net profit for the period	668	232
Dividends distributed	(342)	(327)
Sale of treasury shares	86	38
Adjustments relating to hedging instruments	10	(189)
Tax on changes in equity	40	89
Actuarial gains/(losses)	(39)	(130)
Other adjustments, net	128	(87)
<b>Equity at 31 March</b>	<b>13,967</b>	<b>11,435</b>

## Net interest-bearing debt

Consolidated net interest-bearing debt amounted to DKK 7,754 million at 31 March 2017 against DKK 9,232 million at 31 March 2016.

The financial gearing ratio was 1.64 at 31 March 2017 against 2.55 for the same period last year. The decrease is in line with our capital allocation principles, which stipulate using free cash flow to repay debt while the financial gearing ratio is above our target range.

The duration of the Group's long-term loan and credit facilities was 2.7 years at 31 March 2017 against 3.5 years at 31 March 2016.

### **Invested capital**

The Group's invested capital including goodwill and customer relationships amounted to DKK 21,831 million at 31 March 2017 against DKK 21,597 million at 31 March 2016.

### **Return on invested capital (ROIC before tax)**

Return on invested capital including goodwill and customer relationships was 18.2% for the 12-month period ended 31 March 2017 against 18.1% for the 12-month period ended 31 March 2016.

### **Outlook for 2017**

Gross profit and EBIT before special items for Q1 2017 were positively impacted by property gains of approx. DKK 125 million. In combination with the underlying financial performance for the quarter this leads to an upward adjustment of the full-year outlook for 2017 as follows:

- Operating profit before special items is expected to be in the range of DKK 4,300-4,600 million (previously DKK 4,200-4,500 million).
- Adjusted for foreign currency translation adjustments, net financial expenses are expected to approximate DKK 300 million (unchanged).
- Adjusted free cash flow is expected to approximate DKK 3,500 million (unchanged).
- The effective tax rate is expected to be 25% (unchanged).

The outlook for 2017 is based on the assumption of a stable development in the markets in which the Group operates and that currency exchange rates, especially USD against DKK, will remain at the current level.

# DSV Air & Sea

## Activities

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

DSV Air & Sea reported EBIT before special items of DKK 690 million for the three months under review against DKK 414 million for the same period of 2016.



” For Q1 2017, EBIT before special items totalled DKK 690 million against DKK 414 million last year

## INCOME STATEMENT

(DKKm)	Q1 2017	Q1 2016
Divisional net revenue	8,470	7,055
Direct costs	6,354	5,178
<b>Gross profit</b>	<b>2,116</b>	<b>1,877</b>
Other external expenses	491	479
Staff costs	904	937
<b>EBITDA before special items</b>	<b>721</b>	<b>461</b>
Amortisation and depreciation of intangibles, property, plant and equipment	31	47
<b>EBIT before special items</b>	<b>690</b>	<b>414</b>

## KEY OPERATING DATA

	Q1 2017	Q1 2016
Gross margin (%)	25.0	26.6
Conversion ratio (%)	32.6	22.1
Operating margin (%)	8.1	5.9
Number of employees at 31 March	12,648	16,686
Total invested capital (DKKm)	11,292	12,151
Net working capital (DKKm)	1,434	1,611
ROIC before tax (%)	20.6	20.7

## Market development

### Freight volume growth on 2016

	DSV Q1 2017	Market Q1 2017
Sea freight – TEUs	17%	4%
Air freight – tonnes	20%	6%

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

DSV's growth for the period is impacted by almost one extra month of UTi activity compared to Q1 2016.

The Air & Sea division reported an increase in sea freight volumes (TEUs) of approx. 17% for the first three months of 2017.

For air freight, the division reported a volume increase (tonnes) of approx. 20% for the period.

In Q1 2017, the market has been characterised by high activity levels – especially in air freight – and several trade lanes have been impacted by periodic lack of capacity and changes among carriers. This has led to increasing freight rates and a challenging pricing environment.

Since the acquisition of UTi, DSV has focused on the integration of the new activities and in certain cases also on improving profits on low margin business. The organisation has now intensified its focus on sales and gaining market share, which is expected to materialise in the course of 2017.

### Divisional net revenue

The division's net revenue amounted to DKK 8,470 million for the first three months of 2017 against DKK 7,055 million for the same period last year. Adjusted for exchange rate fluctuations, growth for the period was 19.7%.

The increase is partly attributable to almost one extra month of UTi activities compared to Q1 2016 and partly increased freight rates.

### Gross profit

Gross profit was DKK 2,116 million for the three months under review against DKK 1,877 million for the same period of 2016.

Adjusted for exchange rate fluctuations, growth for the period was 11.6%.

The increase is partly attributable to the acquisition of UTi. DSV Air & Sea delivered a solid performance across all regions, with Americas and APAC reporting the highest growth rates for the quarter.

The division's gross margin was 25.0% for the three months under review against 26.6% for the same period last year. The margin was impacted by higher average freight rates compared to the same period last year.

Gross profit per shipment showed a satisfactory development in the quarter and improved both for air and sea compared to the temporary margin pressure at the end of 2016. Q1 2016 only included around 2 months of UTi activities and is therefore not fully comparable to Q1 2017.

### EBIT before special items

EBIT before special items was DKK 690 million for the first three months of 2017 against DKK 414 million for the same period last year.

Conversion ratio was 32.6% for the three months under review against 22.1% for the same period last year. The operating margin was 8.1% against 5.9% for the same period last year.

The positive development is largely the result of the continued successful integration of UTi's activities, where the synergies are being realised according to schedule. In several countries, we already see that profit per shipment and productivity are back at pre-UTi levels. In addition, several countries with limited DSV presence before the UTi acquisition have already become important members of the global network and are delivering solid financial results. South Africa, Mexico, Israel and India are good examples of new, strong DSV countries.

### Working capital

The Air & Sea division reported funds tied up in net working capital of DKK 1,434 million at 31 March 2017 against DKK 1,611 million at 31 March 2016.

## GROWTH

(DKKm)	Q1 2016	Currency translation adjustments	Growth incl. acquisitions	Growth incl. acquisitions (%)	Q1 2017
Divisional net revenue	7,055	22	1,393	19.7%	8,470
Gross profit	1,877	22	217	11.6%	2,116
EBIT before special items	414	8	268	64.7%	690



#### AIR AND SEA SPLIT

(DKKm)	Sea freight		Air freight	
	Q1 2017	Q1 2016	Q1 2017	Q1 2016
Divisional net revenue	4,442	3,832	4,028	3,223
Direct costs	3,359	2,843	2,995	2,335
<b>Gross profit</b>	<b>1,083</b>	<b>989</b>	<b>1,033</b>	<b>888</b>
Gross margin (%)	24.4	25.8	25.6	27.6
Volume (TEUs/tonnes)	332,787	285,109	147,439	122,817
Gross profit per unit (DKK)	3,255	3,470	7,004	7,227

# DSV Road

## Activities

DSV Road is among the market leaders in Europe and is also a significant player in North America and South Africa. The division offers full load, part load and groupage services through a strong network of more than 200 terminals and operates more than 20,000 trucks on a daily basis.

In Q1 2017, DSV Road continued to gain market share and reported 12% growth in shipments. EBIT before special items was DKK 378 million for the three months under review against DKK 219 million for the same period of 2016. The growth in the quarter was partly driven by a gain on property transactions of approx. DKK 125 million.



” For Q1 2017, EBIT before special items totalled DKK 378 million against DKK 219 million last year

## INCOME STATEMENT

(DKKm)	Q1 2017	Q1 2016
Divisional net revenue	7,633	6,688
Direct costs	6,200	5,431
<b>Gross profit</b>	<b>1,433</b>	<b>1,257</b>
Other external expenses	332	332
Staff costs	686	670
<b>EBITDA before special items</b>	<b>415</b>	<b>255</b>
Amortisation and depreciation of intangibles, property, plant and equipment	37	36
<b>EBIT before special items</b>	<b>378</b>	<b>219</b>

## KEY OPERATING DATA

	Q1 2017	Q1 2016
Gross margin (%)	18.8	18.8
Conversion ratio (%)	26.4	17.4
Operating margin (%)	5.0	3.3
Number of employees at 31 March	12,576	11,581
Total invested capital (DKKm)	4,231	4,102
Net working capital (DKKm)	(198)	(697)
ROIC before tax (%)	29.0	25.3

## Market development

### Freight volume growth on 2016

	DSV Q1 2017	Market Q1 2017
Shipments	12%	3%

Market growth rates are based on own estimates.

With shipment growth of 12% in the first three months of 2017 compared to the same period last year, Management estimates that the Road division has gained market share in most markets.

### Divisional net revenue

The division's net revenue amounted to DKK 7,633 million for the first three months of 2017 against DKK 6,688 million for the same period last year. Adjusted for exchange rate fluctuations, growth for the period was 14.2%.

The increase is partly attributable to almost one month extra of UTi activities compared to Q1 2016 and partly the growth in number of shipments.

### Gross profit

For the first three months of 2017, gross profit totalled DKK 1,433 million against DKK 1,257 million for the same period last year. The gross margin was 18.8%, which is on par with the same period last year.

### GROWTH

(DKKm)	Q1 2016	Currency translation adjustments	Growth incl. acquisitions	Growth incl. acquisitions (%)	Q1 2017
Divisional net revenue	6,688	(4)	949	14.2%	7,633
Gross profit	1,257	(7)	183	14.6%	1,433
EBIT before special items	219	(12)	171	78.1%	378

The growth is partly attributable to UTi's activities in USA and South Africa, which are now impacting with almost one extra month compared to Q1 2016.

Furthermore, gross profit and net revenue were impacted by a net gain of approx. DKK 125 million on property transactions in Q1 2017.

### EBIT before special items

EBIT before special items was DKK 378 million for the first three months of 2017 against DKK 219 million for the same period last year. A net gain related to property transactions impacted Q1 2017 positively, but even excluding this gain the division delivered a solid growth in earnings of DKK 34 million or approx. 16%.

Conversion ratio was 26.4% for the three months under review compared to 17.4% last year. The division's operating margin for the three months under review was 5.0% compared to 3.3% last year.

### Working capital

The Road division reported funds tied up in net working capital of DKK -198 million at 31 March 2017 against DKK -697 million at 31 March 2016.

# DSV Solutions

## Activities

DSV Solutions specialises in contract logistics – logistics and warehousing solutions that support customers' entire supply chain. In addition to traditional warehousing and distribution services, the division's service portfolio also includes freight management, customs clearance, order management and e-commerce solutions.

DSV Solutions reported EBIT before special items of DKK 66 million for the first three months of 2017 against DKK 47 million for the same period last year.



” For Q1 2017, EBIT before special items totalled DKK 66 million against DKK 47 million last year

## INCOME STATEMENT

(DKKm)	Q1 2017	Q1 2016
Divisional net revenue	2,678	2,043
Direct costs	2,007	1,507
<b>Gross profit</b>	<b>671</b>	<b>536</b>
Other external expenses	236	165
Staff costs	309	273
<b>EBITDA before special items</b>	<b>126</b>	<b>98</b>
Amortisation and depreciation of intangibles, property, plant and equipment	60	51
<b>EBIT before special items</b>	<b>66</b>	<b>47</b>

## KEY OPERATING DATA

	Q1 2017	Q1 2016
Gross margin (%)	25.1	26.2
Conversion ratio (%)	9.8	8.8
Operating margin (%)	2.5	2.3
Number of employees at 31 March	17,651	15,057
Total invested capital (DKKm)	4,109	3,187
Net working capital (DKKm)	1,058	(9)
ROIC before tax (%)	11.0	10.8

## Market development

The contract logistics market is estimated to have grown by 3% in Q1 2017, in line with the growth level for road freight. After a period with stable growth the market is relatively balanced and warehouse utilisation is high in most regions.

As seen in previous years, growth has been strongest in the e-commerce sector, which is an area where DSV has been strengthened following the acquisition of UTi.

Measured by net divisional revenue, the division achieved growth of 28.2%, which is attributable to both acquired activities and organic growth.

## Divisional net revenue

The division's net revenue was DKK 2,678 million for the three months under review against DKK 2,043 million for the same period of 2016. Adjusted for exchange rate fluctuations, growth for the period was 28.2%.

The increase is partly attributable to almost one extra month of UTi activities.

## Gross profit

Gross profit totalled DKK 671 million for the three months under review against DKK 536 million for the same period last year. Adjusted for exchange rate fluctuations, growth for the period was 20.7%.

The increase in gross profit for the period is mainly attributable to UTi, with Americas, APAC and South Africa achieving the highest growth rates.

The division's gross margin was 25.1% for the three months under review against 26.2% for the same period of 2016.

## EBIT before special items

EBIT before special items was DKK 66 million for the first three months of 2017 against DKK 47 million for the same period last year.

Conversion ratio was 9.8% for the three months under review against 8.8% for the same period last year. Due to seasonality the margins are normally low in Q1, and as the activity increases in the coming quarters we also expect higher margins.

The division's operating margin was 2.5% for the three months under review against 2.3% for the same period last year.

## Working capital

The division reported funds tied up in net working capital DKK 1,058 million at 31 March 2017 against DKK -9 million at 31 March 2016.

## GROWTH

(DKKm)	Q1 2016	Currency translation adjustments	Growth incl. acquisitions	Growth incl. acquisitions (%)	Q1 2017
Divisional net revenue	2,043	59	576	28.2%	2,678
Gross profit	536	24	111	20.7%	671
EBIT before special items	47	3	16	34.0%	66

# Interim financial statements

## Income statement

(DKK m)	Q1 2017	Q1 2016
Net revenue	18,223	15,319
Direct costs	14,003	11,712
<b>Gross profit</b>	<b>4,220</b>	<b>3,607</b>
Other external expenses	851	790
Staff costs	2,058	1,997
<b>Operating profit before amortisation, depreciation and special items</b>	<b>1,311</b>	<b>820</b>
Amortisation and depreciation of intangibles, property, plant and equipment	182	177
<b>Operating profit before special items</b>	<b>1,129</b>	<b>643</b>
Special items, costs	160	370
Financial items	94	(46)
<b>Profit before tax</b>	<b>875</b>	<b>319</b>
Tax on profit for the period	206	86
<b>Profit for the period</b>	<b>669</b>	<b>233</b>
Profit for the period is attributable to:		
Shareholders of DSV A/S	668	232
Non-controlling interests	1	1
Earnings per share:		
Earnings per share of DKK 1 for the period	3.60	1.26
Diluted earnings per share of DKK 1 for the period	3.55	1.25
Supplementary information:		
Diluted adjusted earnings per share of DKK 1 for the period	4.30	2.83
Diluted adjusted earnings per share of DKK 1 for the last 12 months	14.86	13.00

## Statement of comprehensive income

(DKK m)	Q1 2017	Q1 2016
<b>Profit for the period</b>	<b>669</b>	<b>233</b>
<b>Items that will be reclassified to income statement when certain conditions are met:</b>		
Currency translation adjustments, foreign enterprises	104	(100)
Fair value adjustment relating to hedging instruments	8	(194)
Fair value adjustment relating to hedging instruments transferred to financials	2	5
Tax on items reclassified to income statement	(3)	51
<b>Items that will not be reclassified to income statement:</b>		
Actuarial gains/(losses)	(39)	(130)
Tax relating to items that will not be reclassified	10	33
<b>Other comprehensive income, net of tax</b>	<b>82</b>	<b>(335)</b>
<b>Total comprehensive income</b>	<b>751</b>	<b>(102)</b>
<b>Total comprehensive income is attributable to:</b>		
Shareholders of DSV A/S	752	(103)
Non-controlling interests	(1)	1
<b>Total</b>	<b>751</b>	<b>(102)</b>

## Cash flow statement

(DKKm)	Q1 2017	Q1 2016
Operating profit before amortisation, depreciation and special items	1,311	820
<i>Adjustments:</i>		
Share-based payments	13	9
Change in provisions	(58)	58
Change in working capital, etc.	(328)	(519)
Special items	(112)	(76)
Interest received	29	141
Interest paid	(128)	(99)
Corporation tax, paid	(164)	(168)
<b>Cash flow from operating activities</b>	<b>563</b>	<b>166</b>
Purchase of intangible assets	(71)	(83)
Purchase of property, plant and equipment	(164)	(52)
Disposal of property, plant and equipment	381	24
Acquisition and disposal of subsidiaries and activities	-	(4,587)
Change in other financial assets	18	57
<b>Cash flow from investing activities</b>	<b>164</b>	<b>(4,641)</b>
<b>Free cash flow</b>	<b>727</b>	<b>(4,475)</b>
Proceeds from and repayment of short-term and long-term debt	(585)	2,162
Other financial liabilities incurred	(15)	(6)
<i>Shareholders:</i>		
Dividends distributed	(342)	(327)
Sale of treasury shares	86	38
Other transactions with shareholders	5	14
<b>Cash flow from financing activities</b>	<b>(851)</b>	<b>1,881</b>
<b>Cash flow for the period</b>	<b>(124)</b>	<b>(2,594)</b>
Cash and cash equivalents at 1 January	1,714	4,908
Cash flow for the period	(124)	(2,594)
Currency translation adjustments	73	(2)
<b>Cash and cash equivalents at 31 March</b>	<b>1,663</b>	<b>2,312</b>
The cash flow statement cannot be directly derived from the balance sheet and income statement.		
<b>Statement of adjusted free cash flow</b>		
Free cash flow	727	(4,475)
Net acquisition of subsidiaries and activities	-	4,587
Special items (restructuring costs)	112	76
Normalisation of working capital of acquired subsidiaries and activities	-	250
<b>Adjusted free cash flow</b>	<b>839</b>	<b>438</b>

## Balance sheet

### Assets

(DKKm)	31.03.2017	31.12.2016	31.03.2016
Intangible assets	17,234	17,247	16,830
Property, plant and equipment	3,228	3,334	4,428
Other receivables	299	317	293
Deferred tax assets	1,065	1,031	652
<b>Total non-current assets</b>	<b>21,826</b>	<b>21,929</b>	<b>22,203</b>
Trade receivables	12,628	12,338	11,498
Work in progress (services and inventories)	2,102	2,026	1,154
Other receivables	1,795	1,850	1,901
Cash and cash equivalents	1,663	1,714	2,312
Assets held for sale	290	510	-
<b>Total current assets</b>	<b>18,478</b>	<b>18,438</b>	<b>16,865</b>
<b>Total assets</b>	<b>40,304</b>	<b>40,367</b>	<b>39,068</b>

### Equity and liabilities

(DKKm)	31.03.2017	31.12.2016	31.03.2016
Share capital	190	190	192
Reserves	13,777	13,226	11,243
<b>DSV A/S shareholders' share of equity</b>	<b>13,967</b>	<b>13,416</b>	<b>11,435</b>
Non-controlling interests	(39)	(38)	2
<b>Total equity</b>	<b>13,928</b>	<b>13,378</b>	<b>11,437</b>
Deferred tax liabilities	248	287	451
Pensions and similar obligations	1,524	1,488	1,419
Provisions	846	736	749
Financial liabilities	8,555	8,725	8,979
<b>Total non-current liabilities</b>	<b>11,173</b>	<b>11,236</b>	<b>11,598</b>
Provisions	340	462	373
Financial liabilities	928	1,358	2,860
Trade payables	6,866	7,010	6,408
Work in progress (services)	2,686	2,435	2,267
Other payables	3,816	3,879	3,686
Corporation tax	567	609	439
<b>Total current liabilities</b>	<b>15,203</b>	<b>15,753</b>	<b>16,033</b>
<b>Total liabilities</b>	<b>26,376</b>	<b>26,989</b>	<b>27,631</b>
<b>Total equity and liabilities</b>	<b>40,304</b>	<b>40,367</b>	<b>39,068</b>



## Statement of changes in equity – 1 January - 31 March 2017

(DKKkM)	Share capital	Share premium	Treasury share reserve	Hedging reserve	Translation reserve	Retained earnings	DSV A/S shareholders' share of equity	Non-controlling interests	Total equity
<b>Equity at 1 January 2017</b>	<b>190</b>	<b>4,744</b>	<b>(5)</b>	<b>(18)</b>	<b>(79)</b>	<b>8,584</b>	<b>13,416</b>	<b>(38)</b>	<b>13,378</b>
<b>Profit for the period</b>	-	-	-	-	-	<b>668</b>	<b>668</b>	<b>1</b>	<b>669</b>
Currency translation adjustments, foreign enterprises	-	-	-	-	106	-	106	(2)	104
Fair value adjustments relating to hedging instruments	-	-	-	8	-	-	8	-	8
Fair value adjustments relating to hedging instruments transferred to financial expenses	-	-	-	2	-	-	2	-	2
Actuarial gains/(losses)	-	-	-	-	-	(39)	(39)	-	(39)
Tax on other comprehensive income	-	-	-	(3)	-	10	7	-	7
Other adjustments	-	-	-	(52)	-	52	-	-	-
<b>Other comprehensive income, net of tax</b>	-	-	-	<b>(45)</b>	<b>106</b>	<b>23</b>	<b>84</b>	<b>(2)</b>	<b>82</b>
<b>Total comprehensive income for the period</b>	-	-	-	<b>(45)</b>	<b>106</b>	<b>691</b>	<b>752</b>	<b>(1)</b>	<b>751</b>
Transactions with owners:									
Share-based payments	-	-	-	-	-	13	13	-	13
Dividends distributed	-	-	-	-	-	(342)	(342)	-	(342)
Sale of treasury shares	-	-	1	-	-	85	86	-	86
Dividends on treasury shares	-	-	-	-	-	7	7	-	7
Other adjustments	-	-	-	-	-	2	2	-	2
Tax on transactions with owners	-	-	-	-	-	33	33	-	33
<b>Total transactions with owners</b>	-	-	<b>1</b>	-	-	<b>(202)</b>	<b>(201)</b>	-	<b>(201)</b>
<b>Equity at 31 March 2017</b>	<b>190</b>	<b>4,744</b>	<b>(4)</b>	<b>(63)</b>	<b>27</b>	<b>9,073</b>	<b>13,967</b>	<b>(39)</b>	<b>13,928</b>

## Statement of changes in equity – 1 January - 31 March 2016

(DKKkM)	Share capital	Share premium	Treasury share reserve	Hedging reserve	Translation reserve	Retained earnings	DSV A/S shareholders' share of equity	Non-controlling interests	Total equity
<b>Equity at 1 January 2016</b>	<b>192</b>	<b>4,744</b>	<b>(9)</b>	<b>56</b>	<b>(289)</b>	<b>7,115</b>	<b>11,809</b>	<b>32</b>	<b>11,841</b>
<b>Profit for the period</b>	-	-	-	-	-	<b>232</b>	<b>232</b>	<b>1</b>	<b>233</b>
Currency translation adjustments, foreign enterprises	-	-	-	-	(100)	-	(100)	-	(100)
Fair value adjustments relating to hedging instruments	-	-	-	(194)	-	-	(194)	-	(194)
Fair value adjustments relating to hedging instruments transferred to financial expenses	-	-	-	5	-	-	5	-	5
Actuarial gains/(losses)	-	-	-	-	-	(130)	(130)	-	(130)
Tax on other comprehensive income	-	-	-	51	-	33	84	-	84
<b>Other comprehensive income, net of tax</b>	-	-	-	<b>(138)</b>	<b>(100)</b>	<b>(97)</b>	<b>(335)</b>	-	<b>(335)</b>
<b>Total comprehensive income for the period</b>	-	-	-	<b>(138)</b>	<b>(100)</b>	<b>135</b>	<b>(103)</b>	<b>1</b>	<b>(102)</b>
Transactions with owners:									
Share-based payments	-	-	-	-	-	9	9	-	9
Dividends distributed	-	-	-	-	-	(327)	(327)	-	(327)
Sale of treasury shares	-	-	1	-	-	37	38	-	38
Addition/disposal of non-controlling interests	-	-	-	-	-	-	-	(23)	(23)
Dividends on treasury shares	-	-	-	-	-	14	14	-	14
Other adjustments	-	-	-	-	-	(10)	(10)	(8)	(18)
Tax on transactions with owners	-	-	-	-	-	5	5	-	5
<b>Total transactions with owners</b>	-	-	<b>1</b>	-	-	<b>(272)</b>	<b>(271)</b>	<b>(31)</b>	<b>(302)</b>
<b>Equity at 31 March 2016</b>	<b>192</b>	<b>4,744</b>	<b>(8)</b>	<b>(82)</b>	<b>(389)</b>	<b>6,978</b>	<b>11,435</b>	<b>2</b>	<b>11,437</b>

# 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 2016 Annual Report. The 2016 Annual Report provides a full description of Group accounting policies.

### Changes in accounting policies

DSV A/S has implemented amendments to existing International Financial Reporting Standards (IFRS) effective as of 1 January 2017 as adopted by the European Union. The amendments have not impacted the Group Financial Statements and are not expected to have any significant future impact.

Effective from 1 January 2017, DSV A/S has changed its accounting policies in terms of accounting for sale of land and buildings held for the purpose of sale in the ordinary course of business (property projects). These are now accounted for as inventory in accordance with IAS 2 rather than property, plant and equipment in accordance with IAS 16. This policy change has been adopted in order to provide a better understanding of the inherent effects of these transaction types on the financial statements. The basis for the revised accounting policy is disclosed in note 4, 5 and 7 to the Interim Financial Statements.

### Reclassifications

Minor reclassifications have been made to the balance sheet relating to the revised accounting policy on property projects. These are now classified as inventories (within work in progress) rather than assets held for sale and other receivables. Reclassifications amount to DKK 583 million at 31 December 2016.

The revised accounting policy has no material effect on the income statement and as such no restatement has been applied to net revenue and direct costs.

## 2 Accounting estimates and 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 estimates are based on professional judgement, historical data and other factors available to Management. By their nature, estimates include a degree of uncertainty, and actual results may therefore deviate from the estimates at the reporting date. Estimates are continuously evaluated, and the effects of any changes are recognised in the relevant period.

## 3 Segment information

(DKK m)	Air & Sea		Road		Solutions		Other activities, non-allocated items and eliminations		Total	
	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016
<b>Condensed income statement</b>										
Divisional net revenue	8,470	7,055	7,633	6,688	2,678	2,043	516	297	19,297	16,083
Intercompany revenue	(130)	(192)	(356)	(254)	(103)	(51)	(485)	(267)	(1,074)	(764)
<b>Net revenue</b>	<b>8,340</b>	<b>6,863</b>	<b>7,277</b>	<b>6,434</b>	<b>2,575</b>	<b>1,992</b>	<b>31</b>	<b>30</b>	<b>18,223</b>	<b>15,319</b>
<b>Gross profit</b>	<b>2,116</b>	<b>1,877</b>	<b>1,433</b>	<b>1,257</b>	<b>671</b>	<b>536</b>	<b>-</b>	<b>(63)</b>	<b>4,220</b>	<b>3,607</b>
Other external expenses	491	479	332	332	236	165	(208)	(186)	851	790
Staff costs	904	937	686	670	309	273	159	117	2,058	1,997
Amortisation and depreciation of intangibles, property, plant and equipment	31	47	37	36	60	51	54	43	182	177
<b>Operating profit before special items</b>	<b>690</b>	<b>414</b>	<b>378</b>	<b>219</b>	<b>66</b>	<b>47</b>	<b>(5)</b>	<b>(37)</b>	<b>1,129</b>	<b>643</b>
<b>Condensed balance sheet</b>										
Total assets	21,465	19,389	15,824	14,876	7,033	5,764	(4,018)	(961)	40,304	39,068
Total liabilities	27,007	27,736	9,320	8,273	7,111	5,910	(17,062)	(14,288)	26,376	27,631

## 4 Net revenue

Net revenue mainly comprises services provided in the financial year as well as changes in the completion of services in progress.

Revenue from services rendered is recognised when the agreed freight forwarding service is considered rendered and control of the cargo has passed to the customer or another logistics services provider. The time of recognition varies depending on the service rendered. Discounts are offset against net revenue. Net revenue is measured excluding VAT and other tax collected on behalf of third parties.

Net revenue furthermore comprises income from sale of property projects in the form of sale of land and buildings acquired, constructed and held for the purpose of sale in the ordinary course of business and gains from sale and leaseback transactions on office, terminal and warehouse facilities recognised as fixed assets. Revenue from property projects is recognised at the date of sale, when the significant risk, reward of ownership and managerial control are transferred to the buyer.

## 5 Direct costs

Direct costs comprise costs paid to generate the revenue for the year. Direct costs include settlement of accounts with haulage contractors, shipping companies, airlines, etc. Direct costs also include costs of property projects in the form of cost of land and buildings and other direct costs, including staff costs relating to own staff used for fulfilling orders and rental of logistics facilities, as well as other operating costs.

## 6 Special items

Special items are used in connection with the presentation of the profit or loss for the period to distinguish the consolidated operating profit from exceptional items, which by their nature are not related to the Group's ordinary operations or investment in future activities.

Special items for the first three months of 2017 totalled DKK 160 million (31 March 2016 DKK 370 million) and mainly relate to restructuring costs in connection with the acquisition of UTi.

## 7 Work in progress (inventories)

Work in progress includes inventories of land and buildings held for the purpose of sale in the ordinary course of business. Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all cost of purchase, processing and other costs incurred in bringing the inventories to their present condition. Write-downs on inventories to net realisable value are recognised as direct costs in the income statement.

At 31 March 2017, inventories relating to land and buildings held for sale amounted to DKK 630 million.

## 8 Incentive scheme

DSV has launched a new 2017 share-based incentive scheme with the purpose of motivating and retaining senior staff and members of the Executive Board. The scheme is also intended to align the interests of staff and shareholders.

Share options are granted pursuant to the general guidelines for incentive pay for employees of DSV A/S as approved at the Annual General Meeting of the Company on 10 March 2016.

The share options are equity settled and can be exercised by cash purchase of shares only. The obligation relating to the share-based payment schemes is covered by the Company's treasury shares.

### Outstanding share option schemes

At 31 March 2017, the aggregate market value of all outstanding share option schemes of the Group amounted to DKK 1,072 million, of which DKK 81 million are held by members of the Executive Board.

The fair value of the share-based incentive schemes is estimated using the Black & Scholes valuation model.

The assumptions used are based on Management's estimates as listed in the following table:

	Assumptions - Share option scheme 2017
Vesting period	31.03.2017 - 31.03.2020
Exercise period	01.04.2020 - 31.03.2022
Number of employees	1,573
<b>Number of options granted</b>	
Executive Board	190,000
Senior staff	2,533,500
<b>Total</b>	<b>2,723,500</b>
<b>Market value at date of grant</b>	
Market value (DKKm)	102
Exercise price	357
Volatility (%)	17
Risk-free interest rate (%)	0.2
Expected dividend (%)	1.0
Expected remaining life (years)	3.5

# 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 A/S for the three-month period ended 31 March 2017.

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 Danish disclosure requirements for interim financial reports of listed companies.

In our opinion, the Interim Financial Statements give a true and fair view of the DSV Group's assets, equity, liabilities and financial position at 31 March 2017 and of the results of the Group's activities and the cash flow for the three-month period ended 31 March 2017.

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.

Hedehusene, 2 May 2017

## Executive Board:

Jens Bjørn Andersen  
CEO

Jens H. Lund  
CFO

## Board of Directors:

Kurt K. Larsen  
Chairman

Thomas Plenborg  
Deputy Chairman

Annette Sadolin

Birgit W. Nørgaard

Robert S. Kledal

Jørgen Møller