DSV PANALPINA ANNUAL REPORT 2019

DSV Global Transport and Logistics

CONTENTS

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. More than 60,000 employees in more than 80 countries work passionately to deliver great customer experiences and high quality services.

Read more at www.dsv.com

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Annual Report for the year ended
31 December 2019 - 43rd financial year

Published 7 February 2020

Management's commentary

Financial statements

FIVE-YEAR OVERVIEW

Financials

Financials	2019*	2018	2017	2016	2015
Results (DKKm)					
Revenue	94,701	79,053	74,901	67,747	50,869
Gross profit	23,754	17,489	16,605	15,838	11,201
Operating profit before amortisation, depreciation (EBITDA) before special items	10,292	6,212	5,664	4,250	3,575
Operating profit (EBIT) before special items	6,654	5,450	4,878	3,475	3,050
Special items, cost	800	-	525	1,002	58
Net financial expenses	858	249	556	184	303
Profit for the year	3,706	3,988	3,012	1,678	2,058
Adjusted earnings	4,456	4,093	3,484	2,506	2,211
Cash flow (DKKm)					
Operating activities	6,879	4,301	4,664	1,273	3,160
Investing activities	1,371	(444)	(325)	(4,953)	(431)
Free cash flow	8,250	3,857	4,339	(3,680)	2,729
Adjusted free cash flow	3,678	3,916	4,835	1,838	2,837
Financing activities	(7,484)	(4,000)	(4,715)	396	1,855
Share buyback	(4,888)	(4,161)	(1,559)	-	(1,419)
Dividends distributed	(423)	(380)	(342)	(327)	(283)
Cash flow for the year	766	(143)	(376)	(3,284)	4,584
Financial position (DKKm)					
DSV Panalpina A/S shareholders' share of equity	49,430	14,561	14,835	13,416	11,809
Non-controlling interests	(111)	(29)	(26)	(38)	32
Balance sheet total	97,557	38,812	38,388	40,367	27,725
Net working capital	3,125	1,767	1,410	1,809	22
Net interest-bearing debt	18,355	5,831	5,575	8,299	(546)
Invested capital	68,595	20,381	20,391	21,336	10,977
Gross investment in property, plant and equipment	1,000	720	620	728	660

* The implementation of IFRS 16 Leases as from 1 January 2019 had a material impact on the financial statements and key ratios for 2019. Comparative figures for 2015-2018 have not been restated.

** For the calculation of ROIC before tax DKK 10 billion have been added to invested capital at the beginning of the year.

Ratios

Ratios	2019	2018	2017	2016	2015
Financial ratios (%)					
Gross margin	25.1	22.1	22.2	23.4	22.0
Operating margin	7.0	6.9	6.5	5.1	6.0
Conversion ratio	28.0	31.2	29.4	21.9	27.2
Effective tax rate	25.8	23.3	20.7	26.7	23.5
ROIC before tax**	13.4	26.7	23.4	21.5	26.8
Return on equity (ROE)	11.6	27.2	21.1	13.2	23.0
Solvency ratio	50.7	37.5	38.6	33.2	42.6
Gearing ratio	1.8	0.9	1.0	2.0	(0.2)
Share ratios					
Earnings per share of DKK 1	18.7	22.0	16.0	9.0	12.1
Diluted earnings per share of DKK 1	18.4	21.6	15.8	8.9	12.0
Diluted adjusted earnings per share of DKK 1	22.1	22.1	18.4	13.4	12.9
Number of shares issued ('000)	235,000	188,000	190,000	190,000	192,500
Number of treasury shares ('000)	6,140	9,985	5,917	4,509	8,606
Share price at year end (DKK)	767.8	429.2	488.6	314.2	271.7
Proposed dividend per share (DKK)	2.5	2.25	2.00	1.80	1.70

Non-Financials

Non-Financials	2019	2018	2017	2016	2015
CO_2e energy efficiency – Sea	5.6	6.1	6.3	6.9	6.6
CO_2e energy efficiency – Air	579.9	588.5	607.0	601.9	622.0
CO_2e energy efficiency – Road	67.9	71.5	72.3	73.9	72.0
Employees	61,216	47,394	45,636	44,779	22,783
Employee turnover ratio	23.2	20.1	17.4	25.5	17.6
Rate of absence due to illness	2.1	2.4	2.0	2.1	3.3

For a definition of key figures and ratios, please refer to page 83.

Letter from CEO

FOLLOWING THE STRATEGY, DELIVERING ON TARGETS

2019 was a strong year for DSV Panalpina – not least thanks to the addition of the second part of our new Group name. With the acquisition of Panalpina in August 2019, we set sail on a new exciting journey.

For the Group, we achieved revenue of DKK 94,701 million, gross profit of DKK 23,754 million and operating profit before special items of DKK 6,654 million.

Adjusted free cash flow came to DKK 3,678 million, and, in line with our capital allocation policy, we distributed DKK 5,311 million to shareholders in 2019 via share buybacks and dividend.

The financial results for the year marked a new record level for the Group, and all credit goes to our talented and dedicated employees, who work tirelessly to create value for all stakeholders.

The DSV Panalpina share price rose 79% in 2019.

A PERFECT M&A MATCH

Only three years after the successful acquisition of UTi, DSV was once again ready to handle a large-scale M&A project. In early 2019, negotiations to acquire Panalpina began. On 1 April 2019, we announced the signing of an agreement and, by August, we closed the deal.

A large part of our organisation is now working hard on the integration of the two companies. At the same time, we must make sure that we continue to deliver high-quality service to both DSV and Panalpina customers.

Carrying out a global integration of a company roughly half the size of the existing business is a significant task that requires our full attention everywhere in the organisation. We are tracking the plans, and we expect that the majority of the integration will be completed by end of 2020.

We aim to create one strong organisation by merging the two global networks: the offices, IT infrastructure, back-office and HQ functions. While we integrate the two companies, we will preserve the strength of Panalpina; we get thousands of skilled new colleagues on board, our geographical footprint is strengthened, and the customer relations are developed further in the new, combined company.

A STRONGER MARKET POSITION

With the addition of Panalpina, we are much stronger and ready to start building on the leading global market position we now have.

In many ways, Panalpina is the best company we have ever acquired. With our expanded global footprint, increased freight volumes, network and capacity as well as new vertical expertise and products, we are well positioned to grow our business further.

INCREASED FOCUS ON SUSTAINABILITY

Inspired by the increased global focus on climate change and growing interest from investors and customers, DSV Panalpina started working on a new responsibility profile in 2019. This work will continue into 2020.

DSV Panalpina will carry forward the previous commitment of Panalpina to the Science Based Targets initiative (SBTi). Within this programme, we will set targets and work actively to reduce our CO_2 emissions. We will continue to explore possibilities to adopt greener fuels and transport modes in close cooperation with suppliers and customers, including investments in projects and initiatives enabling a transition towards greener transportation.

In 2019, DSV Panalpina entered into a partnership with the Danish Government to establish and chair a task force to propose ways to reduce CO_2 emissions for land transport. The goal for Denmark as a whole is to achieve a 70% CO_2 reduction in 2030 from 1990 levels. We believe that this new collaborative approach will yield new solutions for a sustainable future while preserving a global community of growth and prosperity.

As the DSV Panalpina Group grows, our commitment to business ethics, employees and working environment under the UN Global Compact programme also grows. 2019 saw an increased focus on Code of Conduct implementation and training as well as employee health and safety across the Group.

COMPLETING THE INTEGRATION IN 2020

We expect that 2020 will be the year when we can collectively announce "Panalpina integration complete". Meanwhile, we will continue to focus on delivering great service to our customers.

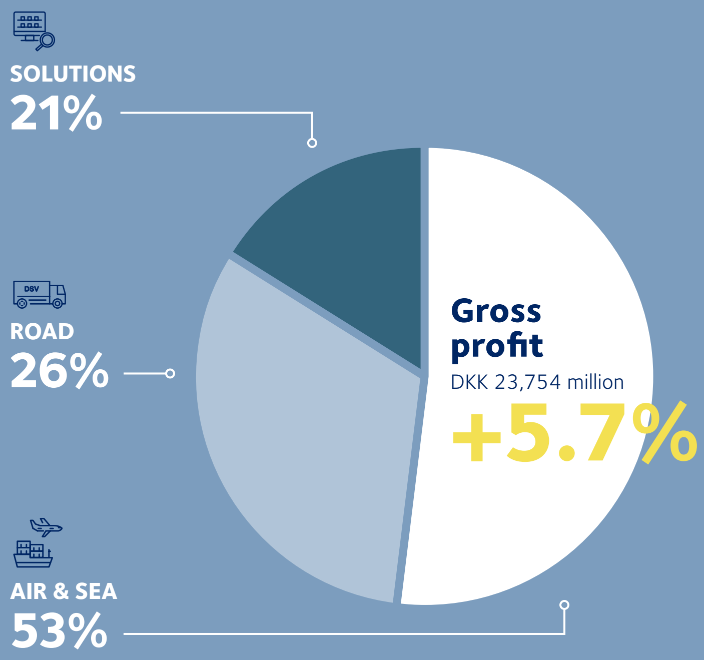
Our ability to take market share will be limited in the busiest integration period, but we will do our utmost to get back on the growth track as soon as possible. We are well-positioned for further growth within all three divisions; while Air & Sea gained the most from this year's M&A, Road and Solutions stand to benefit from cross-selling opportunities to Panalpina's former customer base.

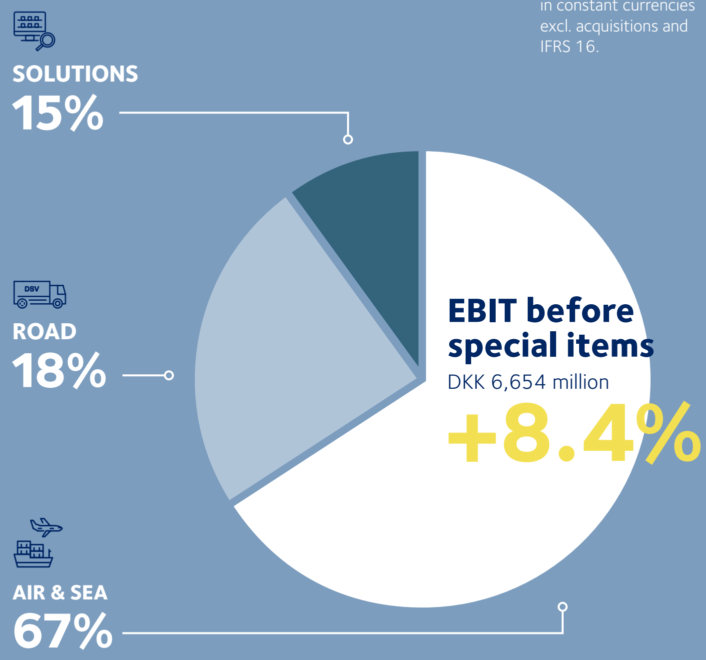
It is difficult to predict the market situation in 2020. Uncertainty related to trade tariffs, Brexit and geopolitical unrest in general has long loomed and may play a part in the year to come. As always, we will keep a close eye on developments and rely on our flexible business model, which allows us to quickly adjust capacity up or down. Most importantly, our customers can rely on us to deliver on time – also in 2020.

JENS BJØRN ANDERSEN
CEO

HIGHLIGHTS 2019

Group results*





* Growth% is presented in constant currencies excl. acquisitions and IFRS 16.

Target fulfillment

EBIT BEFORE SPECIAL ITEMS

In line with outlook for 2019, operating profit before special items came to DKK 6,654 million for 2019. The acquisition of Panalpina impacted EBIT before special items positively by approximately DKK 234 million for the year.

2019 Actual	6,654
2019 Outlook	6,600
2018 Actual	5,450

ADJUSTED FREE CASH FLOW

For 2019, adjusted free cash flow (excluding the impact from aquisitions, special items and IFRS 16) decreased to DKK 3,678 million. Cash flow was impacted positively by higher EBIT before special items, but negatively by higher working capital due to the integration of Panalpina.

2019 Actual	3,678
2018 Actual	3,916

ROIC

The return on invested capital came to 13.4% in 2019 against 26.7% for 2018. The decrease was due to the acquisition of Panalpina and the implementation of IFRS 16.

2019 Actual	13.4%
2018 Actual	26.7%

Growth across regions*

AMERICAS
North and South America

Gross profit:
DKK 5,357 million

+19.4%

EBIT before special items:
DKK 2,035 million

+18.4%

EMEA
Europe, Middle East and Africa

Gross profit:
DKK 14,919 million

+3.9%

EBIT before special items:
DKK 3,334 million

+1.7%

APAC
Asia, Australia and the Pacific

Gross profit:
DKK 3,478 million

+1.6%

EBIT before special items:
DKK 1,285 million

+3.7%

Growth in all divisions*

Air & Sea

Driven by a strong focus on sales and increasing productivity, DSV Air & Sea achieved 5.9% organic growth in gross profit in 2019 – and 12.1% growth in EBIT before special items. The acquisition of Panalpina in August 2019 had a significant impact on the Air & Sea division, which is now a global top 3 player in the industry.

EBIT before special items:
DKK 4,506 million

+12.1%

Road

DSV Road achieved organic growth in gross profit of 1.8% in 2019, whereas EBIT before special items was on level with 2018. The performance was impacted by low growth in Europe, where both a slowdown in the German economy and uncertainty related to Brexit impacted the activity levels. The acquisition of Panalpina had limited direct impact on the Road division.

EBIT before special items:
DKK 1,251 million

+0.2%

Solutions

In 2019, DSV Solutions achieved 7.1% organic growth in gross profit – and a growth of 1.8% in EBIT before special items. The acquisition of Panalpina added approximately 500,000 square metres of warehouse capacity, which equals approximately 10% of the existing capacity.

EBIT before special items:
DKK 1,013 million

+1.8%

* Growth% is presented in constant currencies excl. acquisitions and IFRS 16.

3rd
AIR FREIGHT

3rd
SEA FREIGHT

4th
ROAD FREIGHT
(EUROPE)

10th
LOGISTICS SOLUTIONS

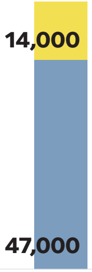
DSV and Panalpina ACHIEVING MORE TOGETHER

The integration of Panalpina Welttransport (Holding) AG is the next big chapter in DSV's growth strategy. It is the largest transaction of the Group to date, and the combination with Panalpina has significantly strengthened the DSV Air & Sea division.

DSV and Panalpina

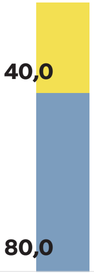
Note: Full-year impact of Panalpina, estimated

+60,000 employees



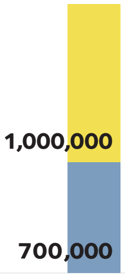
Panalpina
DSV

DKK 120 billion annual revenue



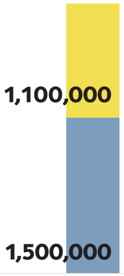
Panalpina
DSV

+1.7 million tonnes of air freight



Panalpina
DSV

+2.6 million TEUs sea freight



Panalpina
DSV

The transaction 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 35.3 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. All Panalpina's commercial activities will be renamed and continue under the DSV brand.

The Panalpina Group was one of the world's leading providers of supply chain solutions with its core services comprising Air Freight, Ocean Freight and Logistics. 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 14,000 employees worldwide.

STRATEGIC RATIONALE AND SYNERGIES

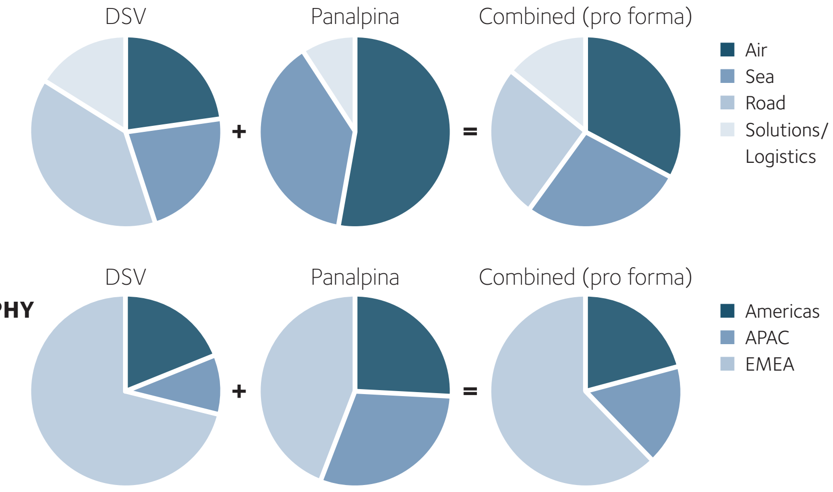
The combination with Panalpina will rank the combined company in the industry top four with a pro forma revenue of approximately DKK 120 billion, a combined workforce of more than 60,000 employees and own operations in more than 80 countries.

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.

Diversification of business mix and geography

DIVISION (revenue)

GEOGRAPHY (revenue)



Note: For illustrative purposes only

The Air & Sea division will be substantially strengthened and will be among the largest providers globally. The Solutions division will be strengthened, and Panalpina will bring additional warehousing capacity of more than 500,000 square metres. The Road network will add cross-selling opportunities to Panalpina's existing service offerings.

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

The operational and legal integration of Panalpina was initiated in Q3 2019. The process is carried out while focusing on maintaining a high service level for our customers in the transition phase.

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 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.

For a period of up to 12 months after closing of the transaction, new information may result in adjustments to the opening balance and accounting estimates as well as changes to the allocation of activities to the individual segments (divisions).

VISION AND STRATEGY

OUR VISION
DSV Panalpina is one of the leading players in a large, fragmented and competitive freight forwarding market. Our vision is simple and unchanged from previous years:

"We want to be a leading global supplier, fulfilling customers' needs for transport and logistics services, targeting extensive growth and to be among the most profitable in our industry."

Our vision has stood the test of time, but as global supply chains and technology change, we have to adapt. The increasing focus on sustainability is another factor which will impact the way we work in the coming years.

CUSTOMERS AT THE CENTRE
We aim to offer our customers global and competitive transport and logistics services of a consistent high quality – and to support their entire supply chain.

We have a strong foothold among both large, global customers and in the SME segment (small and mid-sized customers).

The acquisition of Panalpina has strengthened our position among the large customers and added competences within specific industries.

We now offer even stronger industry-specific solutions for customers within automotive, industrial, retail & fashion, healthcare, technology, chemicals and oil & gas.

ABOVE MARKET GROWTH
We pursue profitable growth – organically and via M&A.

Measured by revenue and profit margins, we are already among the largest and most profitable players in the industry. This gives us a strong position and a foundation for continuously growing our business above market level in all markets where we operate.

The Group has a track record of company integrations – with the ongoing Panalpina integration as the latest and largest example.

Our main targets for potential future acquisitions are large, global freight forwarders, preferably with high exposure to the air and sea market. However, road and contract logistics activities may also be relevant, if there is a strong business case and the return on invested capital lives up to our targets.

OPERATIONAL EXCELLENCE THROUGHOUT
Freight forwarding is a service industry characterised by a high number of transactions (shipments) and a relatively low profit per shipment. This means that high productivity – operational excellence – is essential to profitability above market level.

We constantly strive to do things better than yesterday and to optimise quality, delivery times and prices to the benefit of our customers. Based on the principle of one main system per business area, we operate a consolidated, standardised and scalable IT landscape.

We work systematically to ensure high data quality and data security. When available, we prefer standard, off-the-shelf IT systems. We measure productivity and financial performance methodically across the organisation to ensure that Management has the best possible basis for decision making.

PEOPLE ARE AT THE HEART OF OPERATIONS
While we focus intensely on IT and business process optimisation, our people are at the heart of our operations. We strive to ensure that they have the best tools, training and conditions to perform their best.

We continue to develop and optimise our operational and administrative systems to support our skilled and entrepreneurial freight forwarders in working smarter.

This ultimately translates to high-quality service and supply chain visibility for our customers and value creation for DSV Panalpina's shareholders.

Recruitment and retainment of talent remain key to the Group's success. Global HR initiatives, e.g. DSV Academy, e-learning, talent management and global mobility, are all in place to attract, motivate and retain the very best people.

INDUSTRY AND MARKETS

THE FREIGHT FORWARDING INDUSTRY
We operate in the global transport and logistics market, supporting our customers' entire supply chain – all the way from shipper to consignee.

As a part of this service, we organise the transportation of goods through our subcontractors (trucking companies, container carriers and airlines). This makes us asset-light and able to scale activities to growth and demand in the market.

With the addition of Panalpina, our global network covers more than 80 countries and consists of approximately 600 warehouses and cross-dock terminals and 800 office locations. In countries where we do not have our own network we work with agents.

ADDING VALUE TO SUPPLY CHAINS
In addition to organising transports, we offer our customers a full range of services necessary for processing goods in different parts of the supply chain. Value-added services include purchase order management, cargo consolidation, insurance, customs clearance, pick-and-pack, etc.

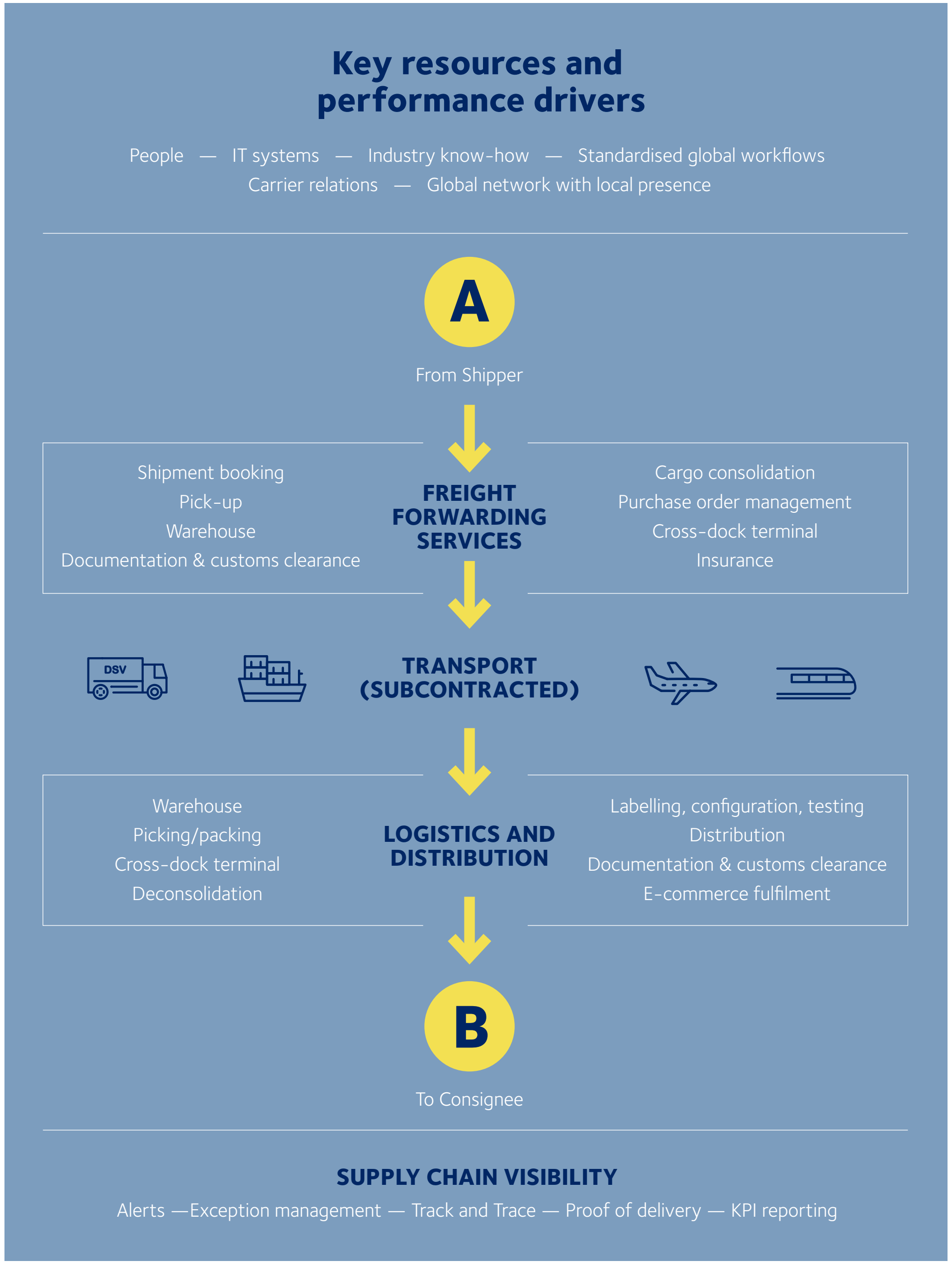
These services are a vital part of modern supply chains, and they require a high level of industry know-how. It is secure and convenient for our customers to procure the services from us and allow us to monitor the entire supply chain and provide supply chain visibility services (e.g. alerts, track and trace, proof of delivery) as well as suggest initiatives for optimisation.

Value-added services represent the majority of the Group's gross profit.

ONE OF THE BIG FOUR
DSV Panalpina is among the top four global freight forwarders and has an estimated 3-4% market share. Together, the top 20 players have a market share of approximately 30-40% of the global freight forwarding market.

In recent years, several of the large freight forwarding companies have systematically gained market share, and this is a trend we expect will continue.

GDP SETS THE PACE FOR MARKET GROWTH
The global economy sets the pace for the transport and logistics market. In recent years, growth in global trade has been on a par with global GDP growth. Air freight is often the "buffer" in modern supply chains and therefore often reacts sharply to small changes in the economy. In 2019, we saw



an overall 3-4% decline in the air freight market, whereas other transport modes grew in line with GDP.

We expect market growth for all transport modes to be in line with the growth in the underlying economy in the coming years.

The growth varies regionally, and several global trends impact global trade flows – most significantly, the gradual shift towards consumption-driven economies taking place in several developing countries.

PREVALENT MARKET TRENDS

Trade tariffs and Brexit

During 2019, we saw continued noise from the implementation of trade tariffs, with the US and China as the main campaigners.

Transports between China and US represent approximately 10% of the Group's air and sea volumes.

Following the implementation of tariffs, there have been several examples of production being moved from China to other countries – mainly in Asia. However, large-scale changes to established supply chains will take years.

Global supply chains are complex, and production is highly specialised in different regions. We believe that globalisation is here to stay and that global trade will grow in the coming years.

However, we must be aware of the changes and ensure that we are present on relevant markets and are able to help our customers adapt to changes in their markets.

Over time, we may see increased regionalisation, where certain products are manufactured closer to the end markets. In that case, the need for transportation and logistics will partly shift focus from international to regional and domestic.

With our diversified geographical and business mix, we are well-positioned to pick up on regional and segmental growth to compensate for any decline in other areas.

From supply to demand chains

Geopolitical dynamics aside, to survive and prosper in the future, the Group must continue to be on top of emerging and prevalent trends to meet customer demand – for better, real-time trackable and sustainable logistics.

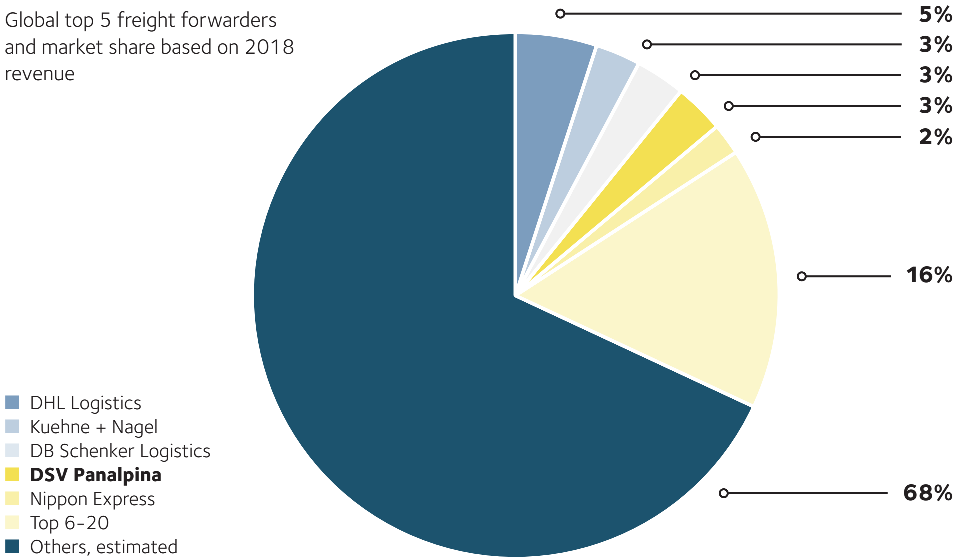
The global manufacturing industry is characterised by complex supply chains due to components being manufactured in different parts of the world.

On top of this, supply chains are increasingly becoming demand chains, where make-to-stock production is converted to make-to-order. Consequently, companies are keeping stocks low to minimise inventory and risk.

This is driving demand for efficient logistics solutions where real-time tracking, alerts and punctual delivery are crucial elements. Another significant trend in recent years has been the growth in e-commerce and omni-channel logistics, allowing consumers multiple options of shopping and delivery.

MARKET SHARES

Global top 5 freight forwarders and market share based on 2018 revenue



Source: Journal of Commerce and DSV Panalpina estimates

Our role in e-commerce is to deliver solutions for e-fulfilment: receiving orders, picking and packing, and handling returns in our warehouses. In most markets, we partner with specialised parcel distributors and let them handle last-mile distribution to private consumers.

Sustainability

Sustainability has moved high on the agenda. We feel this trend among all stakeholders: customers, employees, investors and authorities. The focus of the transport and logistics industry is on reducing impact on the environment and the maturing of greener transportation technologies.

New market entrants

When purely digital start-ups, established carriers and online retailers develop smart, digital customer interfaces and start offering traditional freight forwarding services, we are potentially faced with new competition.

Given our strong road map for continuous development of our own digital platforms and services, we believe that we – along with other established freight forwarders with years of experience, large freight volumes and pre-existing global networks – are in a strong position to hold on to and expand our market position.

TECHNOLOGICAL TRENDS

PREVALENT TECHNOLOGICAL TRENDS

In DSV Panalpina's Innovation Lab we systematically monitor and prioritise relevant trends and technologies. Several technologies are already in use, while others are tested or merely monitored.

Digital interaction with customers and subcontractors

Digitisation impacts our interaction with customers and subcontractors in several ways and covers all the steps in the supply chain; from quote, purchase order, booking, shipment tracking and status alerts to final billing and KPI reporting.

The rollout and continued development of our digital freight platform, myDSV, continued in 2019. Mobile apps for scanning of shipment status (DSV Driver App, Last Mile Delivery App) have been implemented in Road and Air & Sea.

Our Quote Tool for road freight has been implemented and provides an efficient and standardised process for quotes to customers.

Predictive analytics and AI

For the past couple of years, predictive analytics has been at work in DSV Panalpina to help predict customer departure. The technology is implemented as part of our Customer Success Programme and provides our account managers with a "warning" (with 85% accuracy) that a customer is dissatisfied or considering leaving.

Robotics

The DSV Panalpina Robotics Centre of Excellence is the hub of Robotic Process Automation (RPA) used to handle repetitive, data intensive and rules-based business processes in the Group. The use of RPA helps achieve cost reductions, quality improvements and shorter transaction times.

Warehouse automation

Warehouse processes can be automated and streamlined in several ways. We have implemented voice-picking software in selected warehouses and seen a positive impact on productivity.

Automated guided vehicles and goods-to-man picking systems are other examples of technologies we have implemented with success in selected warehouses.

Due to the high volumes in e-commerce, the potential benefits from warehouse automation are often highest for e-commerce customers.

Technologies on the horizon

Driverless trucks, 3D printing and blockchain are examples of technologies that have received significant attention in recent years. However, in our view, they are still a few years away from having a significant impact on our industry.

For now, we monitor these and other technologies, and if, at some point, we see a good business case within a reasonable time frame, we will be ready to act.

DSV TECHNOLOGY TREND RADAR

OUTLOOK AND FINANCIAL TARGETS

Outlook for 2020

(DKKm)	Actual 2019	Outlook 2020
EBIT before special items	6,654	8,200-8,700
Special items, cost	800	1,500
Effective tax rate	25.8%	23.0%

For 2020, we expect an EBIT before special items of DKK 8,200-8,700 million.

Net financial expenses excluding exchange rate adjustments for 2020 are expected in the level of DKK 750 million. This includes financial expenses for lease liabilities of approximately DKK 450 million.

IMPACT FROM PANALPINA INTEGRATION
In line with what has previously been communicated, we expect to achieve cost synergies of around DKK 2,300 million when Panalpina is fully integrated. Around 5% of the synergies were realised in 2019, around 60% are expected to have impact in 2020 and the remaining 35% in 2021.

Total transaction and integration costs are expected in the level of DKK 2,300 million. DKK 800 million of the cost impacted the income statement in 2019, and the majority of the remaining integration costs are expected in 2020.

MARKET ASSUMPTIONS
The 2020 outlook assumes stable developments in the markets in which we operate.

The OECD and IMF project global economic growth around 2-3% in 2020, with lower growth rates in Europe and USA and higher growth in emerging economies, mainly in Asia.

We expect growth rates in the transport markets to be in line with underlying economic growth. Our normal ambition is to gain market share in all the markets in which we operate. However, due to the ongoing integration, it is likely that organic volume growth (DSV legacy business) will be close to the underlying market.

For Panalpina legacy business, there is a risk of a 5% volume loss in the first year of integration.

The expectations are based on the assumption that currency exchange rates, especially the USD against the DKK, will remain at the current level (6 February 2020).

2020 financial targets reached

The 2020 financial targets were set in 2016. The targets were reached, in all essentials, after the first six months of 2019 (interim financial report H1 2019).

For the Air & Sea and Solutions divisions and for the Group as a whole we can sign off on the targets. The main drivers for reaching the targets have been above-market volume growth and significant improvements of productivity. Furthermore, the acquisition of UTi Worldwide in 2016 created new opportunities, both in terms of top line growth and operational leverage.

The Road division has not yet achieved the target and has been impacted by competitive markets and a delay in the Cargolink Way Forward project (update of transport management system for Road).

The integration of Panalpina has caused an immediate dilution of the Group's financial KPIs, due to the lower profitability of the Panalpina Group.

As the integration progresses, we expect to get back to the pre-Panalpina operating margin levels for the Group as a whole.

We expect to announce new long-term financial targets in the beginning of 2021.

2020 TARGETS	Actual 2019	Actual H1-2019
Total		
Operating margin	7.0%	7.7%
Conversion ratio	28.0%	29.7%
ROIC (before tax)	13.4%	20.1%
Air & Sea		
Operating margin	8.8%	11.0%
Conversion ratio	36.0%	42.2%
Road		
Operating margin	4.0%	4.0%
Conversion ratio	20.3%	20.5%
Solutions		
Operating margin	7.0%	7.0%
Conversion ratio	20.4%	18.8%

CAPITAL STRUCTURE AND ALLOCATION

CAPITAL STRUCTURE
The aim of the target capital structure is to ensure:

- Sufficient financial flexibility to meet the strategic objectives;
- A robust financial structure to maximise the return for our shareholders.

Our target financial gearing ratio is below 2.0xEBITDA. The ratio may exceed this level following significant acquisitions.

CAPITAL ALLOCATION
Our free cash flow allocation strategy is unchanged from previous years:

1. Repayment of net interest-bearing debt in periods when the financial gearing ratio is above target range;
2. Value-adding investments in the form of acquisitions or development of the existing business;
3. Distribution to the shareholders by means of share buybacks and dividends.

VALUE-ADDING INVESTMENTS
DSV Panalpina actively participates in the consolidation of a fragmented industry and has created substantial shareholder value through M&A over the years.

The Group has a track record of successful company integrations, and the acquisition of Panalpina is a new, significant chapter in this story.

As illustrated below, the Group has been able to create increasing return on invested capital over time. However, large acquisitions have initially diluted ROIC.

This value is distributed to shareholders through share buybacks and dividends. Group Management continuously monitors whether the capital structure is in line with the targets. Adjustments to the capital structure are normally announced in connection with the release of quarterly financial reports and are made primarily through share buybacks.

DIVIDEND POLICY
DSV Panalpina aims to ensure an annual dividend pay-out ratio of approximately 15% of net profit.

Proposed dividend for 2019 amount to DKK 2.50 per share (2018: 2.25 per share). The proposed dividend for 2019 is equivalent to 15.9% of the net profit.

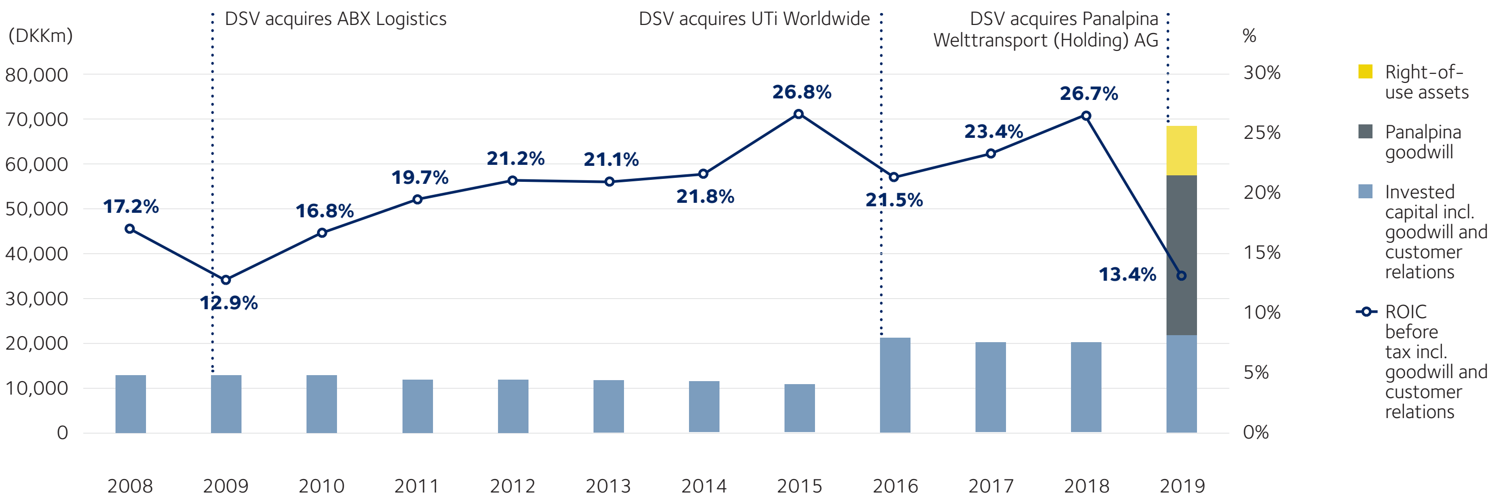
Forward-looking statements

This annual report includes forward-looking statements on various matters, such as expected earnings and future strategies and expansion plans.

Such statements are uncertain and involve various risks, because many factors, some of which are beyond our control, may result in actual developments differing considerably from the expectations set out in the 2019 Annual Report.

Such factors include, but are not limited to, general economic and business conditions, exchange rate and interest rate fluctuations, the demand for our services, competition in the transport sector, operational problems in one or more of DSV Panalpina's subsidiaries and uncertainty in connection with the acquisition and divestment of enterprises.

VALUE THROUGH ACQUISITIONS



FINANCIAL REVIEW

MEETING EXPECTATIONS FOR 2019
DSV Panalpina delivered financial results in line with the outlook for EBIT for 2019.

The Group achieved a gross profit of DKK 23,754 million for 2019, corresponding to an organic growth of 5.7%. EBIT before special items was DKK 6,654 million for 2019, corresponding to an organic growth of 8.4%.

The acquisition of Panalpina in August was the all-important event in 2019, and the transaction had a significant impact on both the results and the balance sheet.

The implementation of IFRS 16 Leases as from 1 January 2019 had a material impact on DSV's financial statements and key ratios as most contracts previously classified as operating leases have now been capitalised. Please refer to page 49 for further details.

RESULTS
The softened global economy and demand weakness impacted negatively on most segments of the global logistics markets – especially the air freight market, which is estimated to have decreased by 3-4% in 2019.

The markets for sea freight, European road freight and contract logistics are estimated to have grown by 1-2% in 2019.

Revenue totalled DKK 94,701 million for 2019 (2018: DKK 79,053 million). Panalpina's estimated contribution was DKK 13,367 million since the inclusion in August 2019, mainly in the Air & Sea division.

Adjusted for exchange rate fluctuations (in constant currencies) and the inclusion of Panalpina, growth for 2019 was 2.0%.

The Air & Sea division achieved organic growth in revenue of 2.5%, Road 1.0% and Solutions 1.9%.

Gross profit was DKK 23,754 million for 2019 (2018: DKK 17,489 million). Panalpina's estimated contribution was DKK 2,775 million.

IFRS 16 had a positive impact on gross profit of DKK 2,289 million for 2019, mainly in the Solutions and Road divisions.

In constant currencies and excluding IFRS 16 and Panalpina, organic growth in gross profit was 5.7%.

The organic growth in gross profit was driven by the Air & Sea division with a growth rate of 5.9% and Solutions with 7.1%. In a soft market, the Road division achieved gross profit growth of 1.8%.

CONDENSED INCOME STATEMENT (DKKm)	2019	2018
Revenue	94,701	79,053
Direct costs	70,947	61,564
Gross profit	**23,754**	**17,489**
Other external expenses	3,133	3,036
Staff costs	10,329	8,241
EBITDA before special items	**10,292**	**6,212**
Amortisation and depreciation	3,536	734
Amortisation of customer relationships	102	28
EBIT before special items	**6,654**	**5,450**

FULL-YEAR GROWTH	2018 full-year	Currency translation adjust-ments	IFRS 16 impact	Acqui-sitional growth	Organic growth	2019 full-year
Revenue						
DKKm	79,053	724	-	13,367	1,557	94,701
Growth					2.0%	19.8%
Gross profit						
DKKm	17,489	191	2,289	2,775	1,010	23,754
Growth					5.7%	35.8%
EBIT before special items						
DKKm	5,450	86	417	234	467	6,654
Growth					8.4%	22.1%

The gross margin was 25.1% for 2019 (22.5% excluding IFRS 16), compared to 22.1% for 2018.

EBIT before special items was DKK 6,654 million for 2019 (2018: DKK 5,450 million). In constant currencies and excluding IFRS 16 and Panalpina, organic growth was 8.4%.

IFRS 16 had a positive impact on EBIT before special items of DKK 417 million for 2019, mainly in the Solutions and Road divisions.

The Air & Sea division reported EBIT before special items of DKK 4,506 million (2018: DKK 3,693 million).

The Road division reported EBIT before special items of DKK 1,251 million (2018: DKK 1,147 million).

The Solutions division reported EBIT before special items of DKK 1,013 million (2018: DKK 709 million).

EBIT before special items was positively affected by the inclusion of Panalpina with an estimated reported positive EBIT before special items of DKK 234 million for the year including amortisation of customer relationships of DKK 82 million. It is estimated that cost synergies of approx. DKK 125 million were achieved in 2019, which was in line with the integration plan.

Total staff costs (excluding hourly workers) was DKK 10,329 million for 2019 (2018: DKK 8,241 million). The increase was mainly due to the inclusion of Panalpina.

Other external expenses totalled DKK 3,133 million for 2019 (2018: DKK 3,036 million). The increase was mainly due to the inclusion of Panalpina, however this was almost fully offset by the impact of IFRS 16, which caused a reduction of other external costs of DKK 701 million compared to 2018.

The conversion ratio was 28.0% for 2019 (29.1% excluding IFRS 16), compared to 31.2% for 2018.

The operating margin was 7.0% for 2019 (6.6% excluding IFRS 16), compared to 6.9% for 2018.

The decline in margins was attributable to the Panalpina integration, which initially had an adverse effect on the margins of the Group. As integration progresses and synergies are realised, margins are expected to increase.

Special items, cost totalled DKK 800 million in 2019 (2018: DKK 0 million) and related to transaction and integration costs following the acquisition of Panalpina.

Net financial expenses totalled DKK 858 million for 2019, compared to DKK 249 million for 2018.

The increase was due to the implementation of IFRS 16 and exchange rate adjustments.

The average interest rate payable on DSV Panalpina's long-term loans, credit facilities and interest rate hedging was 1.8% in 2019 (2.2% in 2018).

(DKKm)	2019	2018
Interest on lease liabilities	383	14
Other interest cost, net	265	271
Interest on pensions	22	24
Exhange rate adjustments	188	(60)
Financial expenses	**858**	**249**

Tax on profit for the year totalled DKK 1,290 million for 2019 (2018: DKK 1,213 million). The effective tax rate was 25.8%, compared to 23.3% in 2018. The effective tax rate for 2019 was at the expected level taking the integration with Panalpina into consideration, as certain integration costs were not fully deductible.

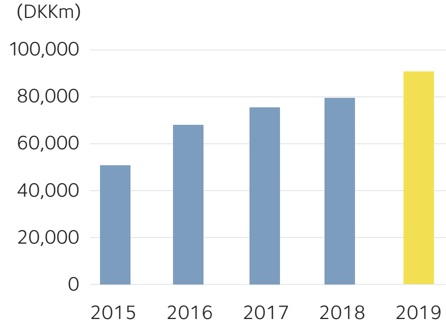
Profit for the year totalled DKK 3,706 million for 2019 against DKK 3,988 million for 2018. The increase in operating profit before special items was offset by integration costs (special items) and higher net financial expenses.

Diluted adjusted earnings per share came to DKK 22.1 for 2019, which was on level with 2018.

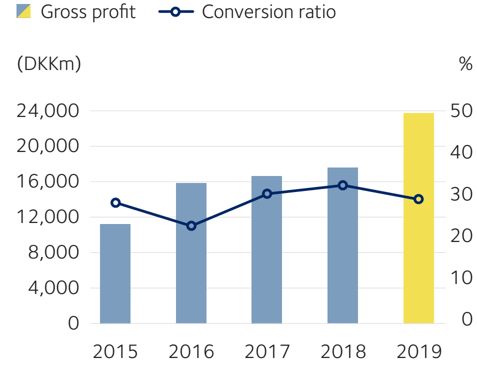
CASH FLOW STATEMENT

Cash flow from operating activities was DKK 6,879 million for 2019, compared to DKK 4,301 million for 2018. The increase was mainly due to IFRS 16, which had a positive impact of DKK 2,763 million for 2019, as repayment of lease liabilities is now reported as financing activities.

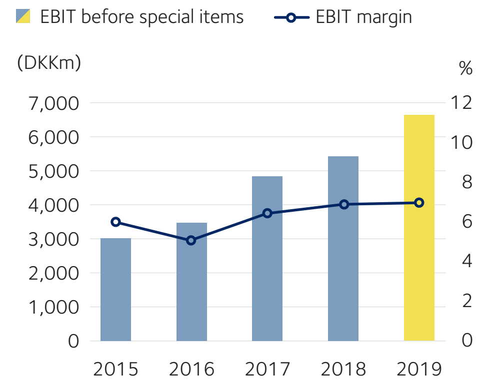
REVENUE



GROSS PROFIT



EBIT BEFORE SPECIAL ITEMS



The underlying development was impacted by an increase in net working capital and special items, both related to the Panalpina integration.

Net working capital (NWC) came to DKK 3,125 million on 31 December 2019 (2018: DKK 1,767 million).

Relative to 2019 revenue, funds tied up in NWC increased to 3.3% on 31 December 2019, compared to 2.2% at year-end 2018. The increase is mainly due to the inclusion of Panalpina increasing the Group's exposure to Air & Sea, where the level of funds tied up in working capital is traditionally higher.

Cash flow from investing activities was a cash inflow of DKK 1,371 million in 2019 (2018: cash outflow of DKK 444 million). The development was mainly due to the Panalpina transaction, where a net cash position of DKK 1,975 million was acquired from Panalpina.

Adjusted free cash flow (excluding the impact from M&A and special items) amounted to DKK 3,678 million in 2019, compared to DKK 3,916 million in 2018.

In accordance with DSV Panalpina's capital allocation policy, the free cash flows for 2019 were distributed to shareholders, as the financial gearing ratio was below the target level throughout the year.

CAPITAL STRUCTURE AND FINANCES

DSV Panalpina shareholders' equity share came to DKK 49,430 million on 31 December 2019 (2018: DKK 14,561 million). The solvency ratio was 50.7% at the end of 2019 (2018: 37.5%).

Movements in equity mainly relate to the capital increase of DKK 35,270 million in connection with the Panalpina transaction, net profit for the year and purchase and sale of treasury shares.

Net interest-bearing debt amounted to DKK 18,355 million on 31 December 2019 against DKK 5,831 million on 31 December 2018. The increase is mainly due to IFRS 16.

Impacted by the implementation of IFRS 16, the financial gearing ratio was 1.8 at year-end 2019 (2018: 0.9). The target financial gearing ratio is below 2.0xEBITDA.

On 31 December 2019, the total duration of bond, loan and credit facilities was 2.9 years (2018: 3.2 years).

Invested capital including goodwill and customer relationships amounted to DKK 68,595 million on 31 December 2019 (2018: DKK 20,381).

Return on invested capital (ROIC before tax) was 13.4% in 2019, compared to 26.7% in 2018.

The development in ROIC and invested capital is due to the Panalpina integration and the implementation of IFRS 16.

DILUTED ADJUSTED EARNINGS PER SHARE (DKKm)	2019	2018
Profit for the year	3,706	3,988
Non-controlling interests' share of consolidated profit for the year	6	(12)
DSV Panalpina A/S shareholders' share of profit for the year	**3,700**	**4,000**
Amortisation of customer relationships	102	28
Share-based payments	117	93
Special items, net	800	-
Related tax effect	(263)	(28)
Adjusted profit for the year	**4,456**	**4,093**
Diluted average number of shares in circulation ('000)	201,405	185,287
Diluted adjusted earnings per share of DKK 1	22.1	22.1

CASH FLOW STATEMENT (DKKm)	2019	2018
Cash flow from operating activities	6,879	4,301
Cash flow from investing activities	1,371	(444)
Free cash flow	**8,250**	**3,857**
Cash flow from financing activities	(7,484)	(4,000)
Cash flow for the period	**766**	**(143)**
Adjusted free cash flow	**3,678**	**3,916**

DEVELOPMENT IN NET INTEREST-BEARING DEBT (DKKm)	2019	2018
Loans and credit facilities	2,867	2,895
Issued bonds	5,046	3,972
Lease liabilities	12,612	192
Other non-current liabilities	71	79
Total financial liabilities	**20,596**	**7,138**
Other interest-bearing receivables	198	149
Cash and cash equivalents	2,043	1,158
Total financial assets	**2,241**	**1,307**
Net interest-bearing debt	**18,355**	**5,831**

AIR & SEA

The combination with Panalpina substantially strengthened the Air & Sea division, forging one of the largest providers globally with more than 2.6 million containers (TEUs) and 1.7 million tonnes of air freight transported yearly. In 2019, DSV Air & Sea achieved 5.9% organic growth in gross profit and 12.1% organic growth in EBIT before special items.

Gross profit
+5.9%
to DKK 12,517 million

EBIT before special items
+12.1%
to DKK 4,506 million

Conversion ratio
36.0%
(2018: 40.2%)

(Growth% is presented in constant currencies excl. acquisitions and IFRS 16)

MARKET DEVELOPMENT

The global air freight market saw a decline in transport volumes of 3-4% in 2019. Exports out of China and Germany were among the weakest markets measured by volume. From an industry perspective, the slowdown in the automotive industry had a negative impact on air volumes, but several other sectors were also in decline.

The weak air freight market led to overcapacity and low air freight rates on most trade lanes.

DSV Air & Sea achieved growth in air freight volumes of 55% for 2019, mainly driven by the addition of Panalpina.

The legacy DSV air volumes saw a decline of approximately 2% for 2019 and were, especially in the second half of the year, impacted by the weak market.

The sea freight market grew an estimated 1-2 % in 2019, in line with the underlying economy. The Asia-Europe, Trans-Atlantic and intra-Europe trade lanes saw good growth during 2019, whereas Trans-Pacific was impacted by the trade tariffs between the US and China.

We achieved sea freight volume growth of 32% for 2019, which were also impacted by the addition of Panalpina in August.

Organic growth in legacy DSV sea freight volume came to approximately 6% for 2019.

RESULTS

Revenue totalled DKK 51,151 million for 2019 (2018: DKK 36,972 million). Panalpina's estimated contribution since the inclusion in August 2019 was DKK 12,633 million. Organic growth for the year came to 2.5%.

Panalpina added to the activities of the division worldwide, with the USA as the single largest country, but also contributing significantly to activities in Asia, Europe, South America and the Middle East.

The organic increase in revenue was mainly driven by growth in sea freight volumes. However, this was partly offset by the decline in air freight volumes and lower air freight rates.

Gross profit totalled DKK 12,517 million for 2019 (2018: DKK 9,193 million). Panalpina's estimated contribution was DKK 2,490 million for the period since August 2019. Organic growth for the year came to 5.9%.

The organic growth in gross profit was driven by higher volumes and stronger yields for sea freight. Air freight volumes were down for the year, but this was compensated for by a significant improvement in yields for the legacy DSV business.

Average gross profit per unit (TEU/tonne) for 2019 for the division as a whole declined, compared to 2018, as a result of a change in the activity mix after the inclusion of Panalpina.

The division's gross margin was 24.5% for 2019, which is on level with 2018. As such, the inclusion of Panalpina had no material impact on the division's gross margin.

CONDENSED INCOME STATEMENT AND KEY FIGURES (DKKm)

	2019	2018
Revenue	51,151	36,972
Direct costs	38,634	27,779
Gross profit	**12,517**	**9,193**
Other external expenses	2,267	1,854
Staff costs	5,093	3,560
EBITDA before special items	**5,157**	**3,779**
Amortisation and depreciation	569	70
Amortisation of customer relationships	82	16
EBIT before special items	**4,506**	**3,693**
Gross margin (%)	24.5	24.9
Conversion ratio (%)	36.0	40.2
Operating margin (%)	8.8	10.0
Total invested capital	45,475	11,144
Net working capital	2,433	1,808
ROIC (%)	15.5	32.8
Number of full-time employees at year end	21,516	12,130

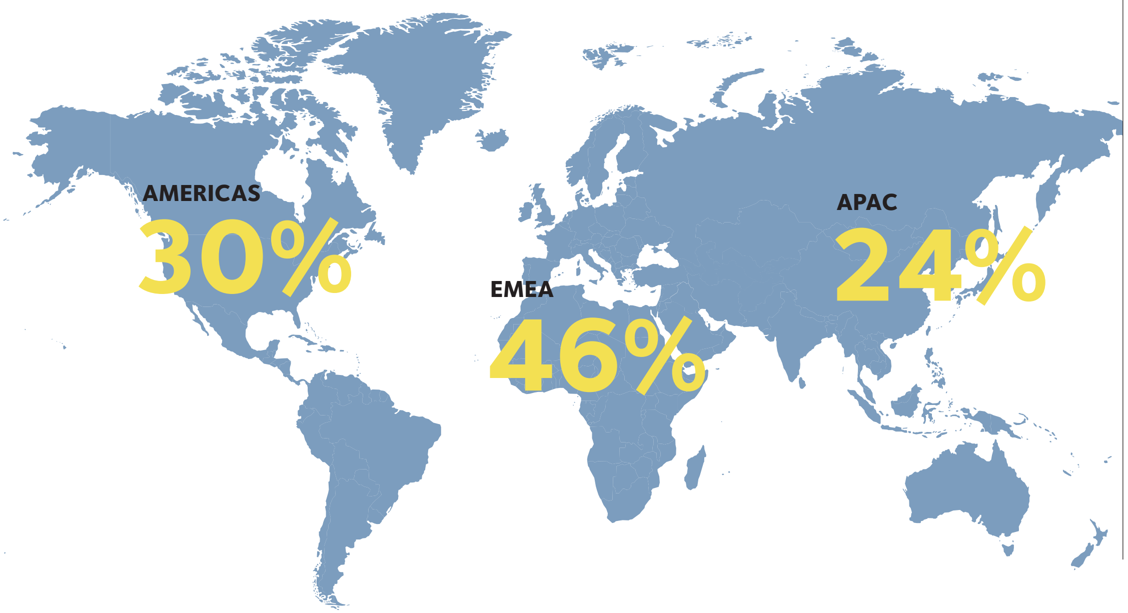
FULL-YEAR GROWTH	2018 full-year	Currency translation adjust-ments	IFRS 16 impact	Acqui-sitional growth	Organic growth	2019 full-year
Revenue						
DKKm	36,972	598	-	12,633	948	51,151
Growth					2.5%	38.4%
Gross profit						
DKKm	9,193	173	109	2,490	552	12,517
Growth					5.9%	36.2%
EBIT before special items						
DKKm	3,693	81	43	232	457	4,506
Growth					12.1%	22.0%

AIR FREIGHT (DKKm)	2019	2018
Revenue	27,134	18,892
Direct costs	20,540	14,265
Gross profit	**6,594**	**4,627**
Gross margin (%)	24.3	24.5
Volume (tonnes)	1,071,266	689,045
Gross profit per unit (DKK)	6,155	6,715

SEA FREIGHT (DKKm)	2019	2018
Revenue	24,017	18,080
Direct costs	18,094	13,514
Gross profit	**5,923**	**4,566**
Gross margin (%)	24.7	25.3
Volume (TEUs)	1,907,126	1,442,348
Gross profit per unit (DKK)	3,106	3,166

GEOGRAPHIC SEGMENTATION 2019

Division gross profit can be broken down by the following geographical areas:



EBIT before special items totalled DKK 4,506 million for 2019 (2018: DKK 3,693 million). Organic growth for the year was 12.1%.

The positive development was driven by a strong organic performance by the legacy DSV operations, especially in the Americas and EMEA. Furthermore, EBIT before special items was positively affected by the inclusion of Panalpina, which contributed approximately DKK 232 million for the period including amortisation of customer relationships of DKK 82 million.

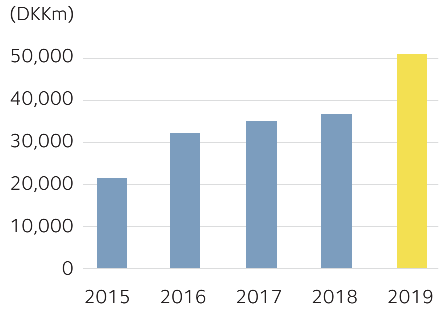
The conversion ratio fell to 36.0% for 2019 against 40.2% for 2018. The operating margin was 8.8% for 2019, compared to 10.0% last year.

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.

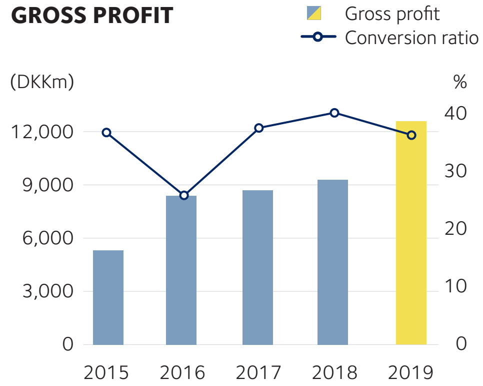
Net working capital came to DKK 2,433 million at the end of 2019 against DKK 1,808 million at year-end 2018. The increase is mainly due to Panalpina.

Return on invested capital was 15.5% in 2019 against 32.8% in 2018. The decrease was mainly due to the initial dilutive effect of the acquisition of Panalpina.

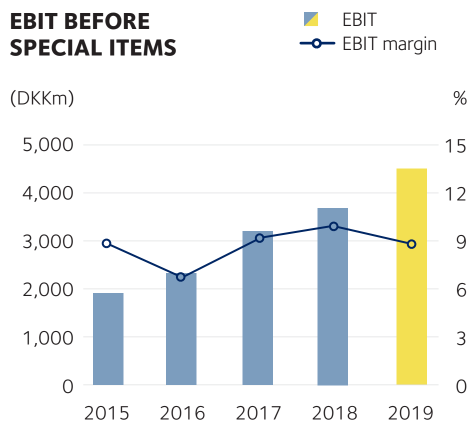
REVENUE



GROSS PROFIT



EBIT BEFORE SPECIAL ITEMS



STRATEGIC AND OPERATIONAL HIGHLIGHTS

ONE OF THE LEADING FREIGHT FORWARDERS

With the inclusion of Panalpina, we significantly strengthened the Air & Sea division and our market position within air freight and sea freight, becoming a global top three player in both markets. Our combined industry-specific solutions have been strengthened.

The combination increased our exposure to our already strong markets in North America and APAC, thereby further balancing the geographical footprint of the division. Panalpina's presence in the Middle East and Latin America are also significant additions to DSV's network.

The second half of 2019 was intensely focused on integrating Panalpina into the Air & Sea division. After the appointment of the management team, the operational integration started in Q4 2019, and the process of merging the two global networks got off to a good start.

In addition to the physical integration, a comprehensive IT integration was initiated across the entire organisation, gradually migrating Panalpina users and customers onto DSV's IT infrastructure and merging back-office functions.

Panalpina added new activities to the division:

Perishables represented a significant part of Panalpina's air freight volume. Perishables is a growth market, but carries a low gross margin.

Through Panalpina's Freighter Network, Air & Sea now controls a limited amount of own air freight capacity, including a leased Boeing 747 freighter.

Both business areas will be subject to further assessment of profitability and return on investment in 2020.

With the Freighter Network came a gateway in Luxemburg, which constitutes a major hub that strengthened our global air freight network.

Finally, with Panalpina, we gained an LCL network (sea freight) with more than 550 weekly groupage lanes as well as a new Global Price Management tool for sea freight. The implementation of the latter was started in 2019 and will eventually be fully implemented across our network to increase transparency, lead time on quotes to customers and ultimately productivity.

OPERATIONAL EXCELLENCE

The strong organic growth in earnings in 2019 was driven by the division's continued focus on profitable growth and operational excellence.

Through the Milestones project, running over several years, the division has optimised workflows and data quality on shipment level, which has significantly improved productivity.

The division has reached industry-leading productivity and margins. An impressive achievement that must be credited to the management team as well as the teams they lead.

FOCUS AREAS IN 2020

The integration continues at full speed and, by the end of 2020, we expect to have moved all Panalpina's transport volumes to DSV's IT infrastructure. This should enable us to complete the integration before the end of 2020 and to achieve the expected cost synergies in line with the announced timeline.

In an integration year, our ability to gain market share will be limited. However, as the integration progresses, and more tasks are completed, we will devote increased attention to developing the business and growing with our customers.

Throughout 2020, emphasis will be on customer visits to present our expanded portfolio of services as well as addressing any issues that may have arisen from the integration of DSV and Panalpina.

Gross profit

+1.8%

to DKK 6,156 million

EBIT before special items

+0.2%

to DKK 1,251 million

Conversion ratio

20.3%

(2018: 21.6%)

(Growth% is presented in constant currencies excl. acquisitions and IFRS 16)

ROAD

DSV Road achieved EBIT before special items of DKK 1,251 million (1,153 excluding IFRS 16) for 2019 against DKK 1,147 million in 2018. Organic growth in EBIT before special items for 2019 came to 0.2%.

The acquisition of Panalpina will have limited impact on the Road division. Annual revenue of approximately DKK 1,200 million will be added to the division.

MARKET SITUATION AND PERFORMANCE

We estimate that the European road freight market grew a modest 1-2% in 2019, in line with the underlying economic growth rate. The slowdown in German economy led to lower road freight volumes, not only in Germany but across the region. The negative development was most significant in the automotive sector, but other industries were also impacted. Uncertainty related to Brexit was another negative factor for the road market, and most traffics related to the UK declined, especially in the second half of 2019.

We estimate that DSV Road performed in line with the market growth in Europe.

The North American road freight market performed better than Europe and achieved approximately 3-4% growth in 2019. However, North America only represents approximately 6% of DSV Road's activities.

RESULTS

Revenue totalled DKK 31,621 million for 2019 (2018: DKK 31,243 million). Organic growth for the year was 1.0%.

Revenue was impacted positively by the acquisition of Panalpina in August 2019, but negatively by the divestment of the US-based Market Transport Ltd. as per 1 April 2019 (annual revenue approximately DKK 600 million).

The organic development was impacted by the low market growth on most markets across Europe.

Gross profit totalled DKK 6,156 million in 2019 (2018: DKK 5,308 million). Organic growth for the year was 1.8%.

IFRS 16 impacted gross profit positively by DKK 699 million in 2019 compared to 2018.

Similar to revenue, 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 for 2019 was 19.5% (17.3% excluding IFRS 16), compared to 17.0% for 2018. The market remains highly competitive, leading to continued pressure on the gross margin. However, due to the relatively low market growth in Europe, supply and demand for haulage capacity was balanced in 2019. In general, we were able to secure the necessary capacity and keep the gross margin relatively stable.

EBIT before special items totalled DKK 1,251 million for 2019 (2018: DKK 1,147 million).

The increase in EBIT was mainly due to the impact of IFRS 16. The underlying result was on level with 2018.

Conversion ratio was 20.3% for 2019 (21.1% excluding IFRS 16), compared to 21.6% for 2018.

The division's operating margin for 2019 was 4.0% (3.6% excluding IFRS 16), compared to 3.7% for 2018.

CONDENSED INCOME STATEMENT AND KEY FIGURES (DKKm)	2019	2018
Revenue	31,621	31,243
Direct costs	25,465	25,935
Gross profit	**6,156**	**5,308**
Other external expenses	1,060	1,326
Staff costs	2,864	2,706
EBITDA before special items	**2,232**	**1,276**
Amortisation and depreciation	973	125
Amortisation of customer relationships	8	4
EBIT before special items	**1,251**	**1,147**
Gross margin (%)	19.5	17.0
Conversion ratio (%)	20.3	21.6
Operating margin (%)	4.0	3.7
Number of full-time employees at year end	13,644	12,850
Total invested capital	10,243	4,342
Net working capital	(422)	(708)
ROIC (%)	13.6	26.8

FULL-YEAR GROWTH	2018 full-year	Currency translation adjust-ments	IFRS 16 impact	Acqui-sitional growth	Organic growth	2019 full-year
Revenue						
DKKm	31,243	24	-	45	309	31,621
Growth					1.0%	1.2%
Gross profit						
DKKm	5,308	1	699	52	96	6,156
Growth					1.8%	16.0%
EBIT before special items						
DKKm	1,147	6	98	(2)	2	1,251
Growth					0.2%	9.1%

While operating margins remained on level with last year, it is worth noticing that DSV Road is among the absolute best European road freight operators based on current levels.

Net working capital was negative by DKK 422 million at the end of 2019, compared to a negative DKK 708 million at year-end 2018. The development was mainly attributable to a property transaction, and NWC is expected to normalise at the beginning of 2020.

Return on invested capital was 13.6% in 2019 against 26.8% in 2018. The decrease was mainly due to IFRS 16. Though lower than previous years, the level of return on invested capital is still very satisfactory for the division.

STRATEGIC AND OPERATIONAL HIGHLIGHTS

OPERATIONAL EXCELLENCE

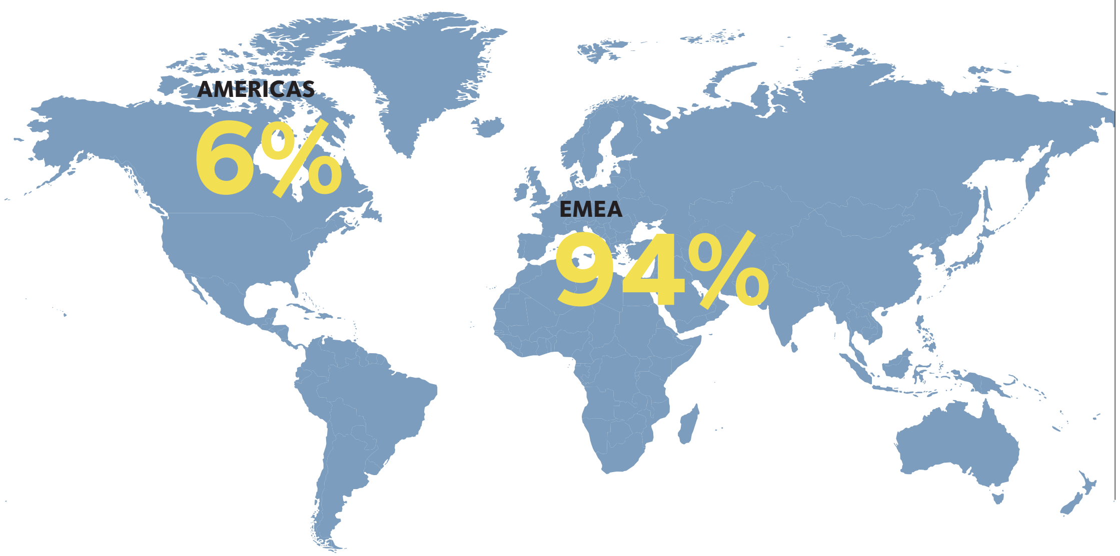
Optimising operations and systems in order to increase productivity in our network was a main focus area in 2019. The aim was to move away from manual processing and follow-up towards increased automation and digitisation.

Specifically, we added more customers to our digital self-service portal myDSV, and, by the end of 2019, more than 85% of our bookings were made through myDSV and customer integrations.

In addition, we worked on cleaning up our data input via our customer integrations to allow us to process all bookings more efficiently.

GEOGRAPHIC SEGMENTATION 2019

Division gross profit can be broken down by the following geographical areas:



Finally, we further developed our Driver App to provide more real-time alerts for our customers.

PREPARING FOR FUTURE GROWTH

Our efforts to develop a new modular-based transport management system (Cargolink Way Forward) continued in 2019. Based on experience from the pilots in 2018, we decided to test an alternative module.

The test carried out in Lithuania in 2019 was satisfactory, and we expect to decide on the configuration of the future system and plan the roll-out in 2020.

The cross-dock terminals are the backbone of our European groupage network. As in previous years, we added new, larger and more efficient terminals in 2019 in Finland, France and Sweden.

FOCUS AREAS IN 2020

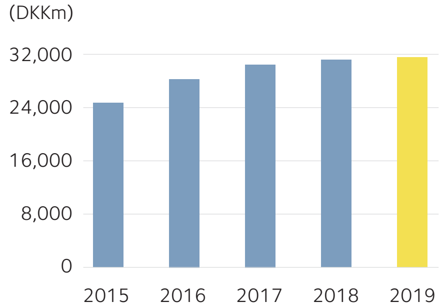
In 2020, we will be working to secure organic growth through the further development of myDSV, the DSV Driver App and our customer integrations.

With a strategic focus on developing our digital services to our customers and working to secure high data quality, we aim to gain further competitive advantage.

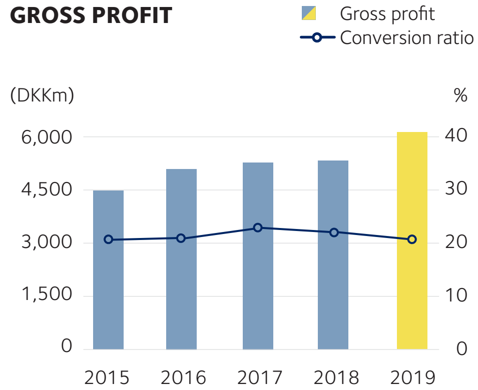
At the same time, we hope to start the implementation of our new transport management system. This will position us for additional future growth through M&A.

The goal remains unchanged: to take market share in all regions, in Europe in particular.

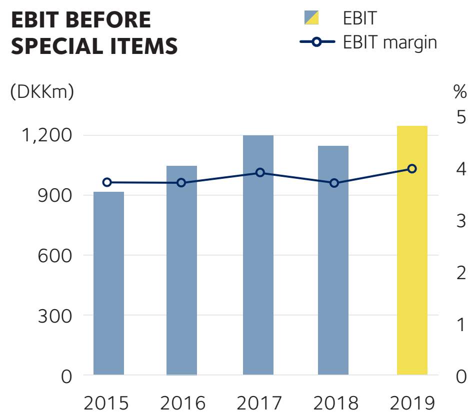
REVENUE



GROSS PROFIT



EBIT BEFORE SPECIAL ITEMS



SOLUTIONS

DSV Solutions reported an EBIT before special items of DKK 1,013 million (DKK 743 excluding IFRS16) against DKK 709 million in 2018. The acquisition of Panalpina added approximately 500,000 square metres of warehouse capacity to the existing capacity and is expected to add annual revenue of approximately DKK 2,000 million.

Gross profit
+7.1%
to DKK 4,969 million

EBIT before special items
+1.8%
to DKK 1,013 million

Conversion ratio
20.4%
(2018: 23.4%)

(Growth% is presented in constant currencies excl. acquisitions and IFRS 16)

MARKET SITUATION AND PERFORMANCE

We estimate that the contract logistics market grew 1-2% in 2019, which is in line with the underlying economic growth rate. The slowdown in the automotive sector also impacted the contract logistics market in 2019, especially in the German industry.

Coupled with the fact that our focus in 2019 was on consolidation and utilisation of existing capacity, DSV Solutions' performance came in on market level.

RESULTS

Revenue totalled DKK 14,390 million in 2019 (2018: DKK 13,229 million). Panalpina contributed DKK 792 million since the inclusion in August 2019, and organic growth for the year was 1.9%.

The development was impacted by the general slowdown in the market.

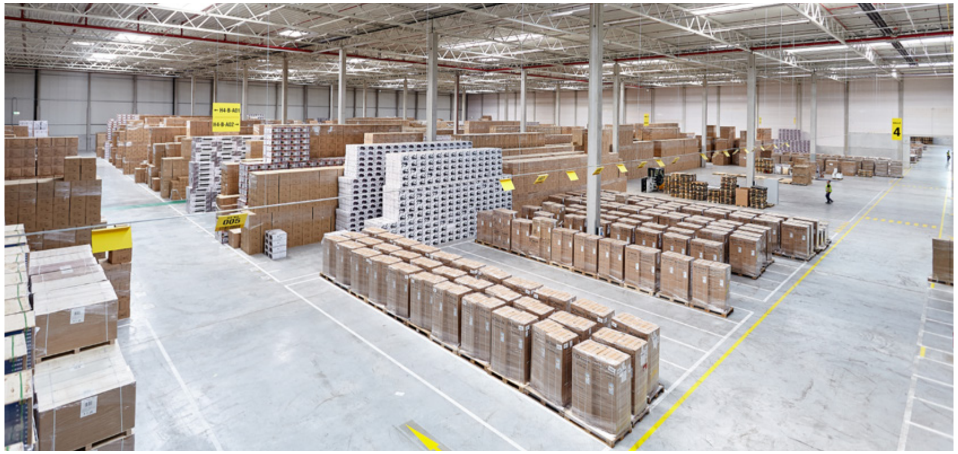
Gross profit totalled DKK 4,969 million in 2019 (2018: DKK 3,035 million). Panalpina contributed DKK 218 million for the year, and organic growth was 7.1%.

The development in gross profit was positively impacted by optimised processes and warehouse automation.

The division's gross margin was 34.5% in 2019 (24.2% excluding IFRS 16) against 22.9% in 2018. IFRS 16 had a positive impact on gross profit of DKK 1,482 million compared to 2018.

EBIT before special items totalled DKK 1,013 million in 2019 (2018: DKK 709 million). Panalpina contributed DKK 21 million for the year, and IFRS 16 had a positive impact of DKK 270 million. Organic growth came to 1.8%.

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



CONDENSED INCOME STATEMENT AND KEY FIGURES (DKKm)

	2019	2018
Revenue	14,390	13,229
Direct costs	9,421	10,194
Gross profit	**4,969**	**3,035**
Other external expenses	1,088	955
Staff costs	1,306	1,141
EBITDA before special items	**2,575**	**939**
Amortisation and depreciation	1,550	222
Amortisation of customer relationships	12	8
EBIT before special items	**1,013**	**709**
Gross margin (%)	34.5	22.9
Conversion ratio (%)	20.4	23.4
Operating margin (%)	7.0	5.4
Number of full-time employees at year end	22,777	20,025
Total invested capital	11,768	3,947
Net working capital	883	818
ROIC (%)	10.0	17.9

FULL-YEAR GROWTH	2018 full-year	Currency translation adjust-ments	IFRS 16 impact	Acqui-sitional growth	Organic growth	2019 full-year
Revenue						
DKKm	13,229	116	-	792	253	14,390
Growth					1.9%	8.8%
Gross profit						
DKKm	3,035	17	1,482	218	217	4,969
Growth					7.1%	63.7%
EBIT before special items						
DKKm	709	-	270	21	13	1,013
Growth					1.8%	42.9%

The conversion ratio was 20.4% in 2019 (21.3% excluding IFRS 16) against 23.4% last year. The division's operating margin was 7.0% in 2019 (5.2% excluding IFRS 16) against 5.4% in 2018.

Net working capital amounted to DKK 883 million on 31 December 2019 (2018: DKK 818 million).

Return on invested capital was 10.0% for 2019 versus 17.9% last year. The development was due to the Panalpina transaction and the implementation of IFRS 16.

STRATEGIC AND OPERATIONAL HIGHLIGHTS

After several years with high organic growth rates, 2019 was a more stable year for DSV Solutions. Still, the focus was very much on developing the business and preparing for future growth.

In 2019, we initiated or completed the construction of several new warehouses, the most significant ones in Denmark, The Netherlands, South Africa and Canada.

In many locations we also focussed on the implementation of warehouse automation, standardised operating processes and planning tools.

One example is our new logistics campus in Vancouver, Canada, where we implemented new technology to service the E-commerce segment. The West Coast of Canada is a new geographical area for Solutions.

Finally, we focused on stabilising the business and on optimising warehouse occupancy. This was partly facilitated by the continued rollout of our new global warehouse management system.

CAPACITY INCREASE WITH THE ADDITION OF PANALPINA

In Solutions, the addition of Panalpina meant a 10% capacity increase, mainly in places where we were not represented before: e.g. in Asia, Middle East and Latin America.

Overall, the integration of Panalpina in Solutions progressed well in 2019.

FOCUS AREAS IN 2020

In 2020, we will increase our focus on winning more contracts with new and existing customers.

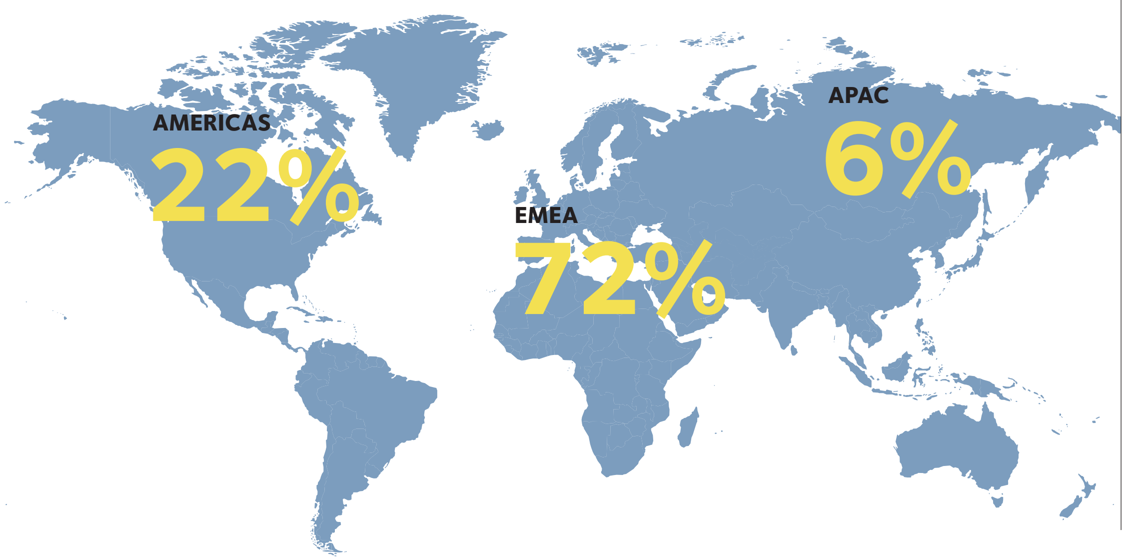
We are ready to push our Logistics Manufacturing Services (LMS) and omni-channel services more to market to meet current demand and add more value to our customers' supply chains.

Furthermore, we will continue to devote special attention to the industrial segments, retail/E-commerce and Healthcare in 2020.

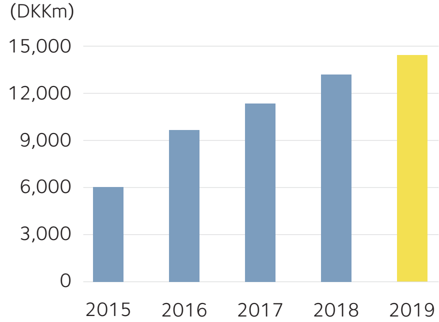
At the same time, we will continue to expand with several new buildings and automation projects globally in 2020, including robots, goods-to-man picking and automated ground vehicles.

GEOGRAPHIC SEGMENTATION 2019

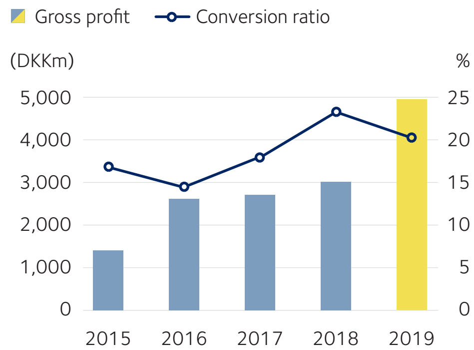
Division gross profit can be broken down by the following geographical areas:



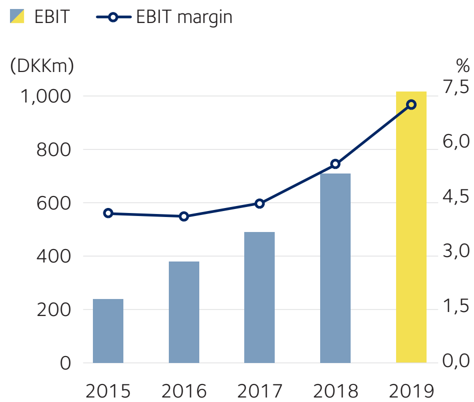
REVENUE



GROSS PROFIT



EBIT BEFORE SPECIAL ITEMS



RISK MANAGEMENT

RISK GOVERNANCE STRUCTURE

As a global freight forwarder, we are exposed to a variety of risks inherent in our daily business operations. Managing these risks by reducing the likelihood of occurrence as well as the financial impact to an acceptable level are a vital and integrated part of our managing activities.

Our risk management framework is based on structured risk identification, analysis and reporting processes providing the basis for risk assessments and subsequent initiation of relevant mitigation actions.

Our flat organisational structure facilitates fast escalation and timely response to issues that may have a material impact on the Group's earnings and financial and strategic targets.

The Board of Directors is responsible for the Group's risk management strategy and the overall framework for identifying and mitigating risks. The Audit Committee supervises compliance with the established framework.

The Executive Board is responsible for the day-to-day risk management processes as well as the continuous development of the Group's risk management activities.

RISK MANAGEMENT PROCESS

As illustrated in the following, our risk management process is structured into two parallel tracks within the organisation:

1. Operational risk management – comprising continuous handling of various identified risks resulting from our normal day-to-day operations;
2. Strategic risk management – addressing key risks and the more strategic mid- to long-term risk scenario in which we operate.

OPERATIONAL RISK MANAGEMENT

Every week, the Executive Board and senior management receive consolidated reports on risks and other operational matters of importance from across the Group, including any risk mitigation actions undertaken by the risk owners. Input for the operational risk reporting are captured consistently from very deep levels in the organisation ensuring a high level of completeness of the risks identified and reported.

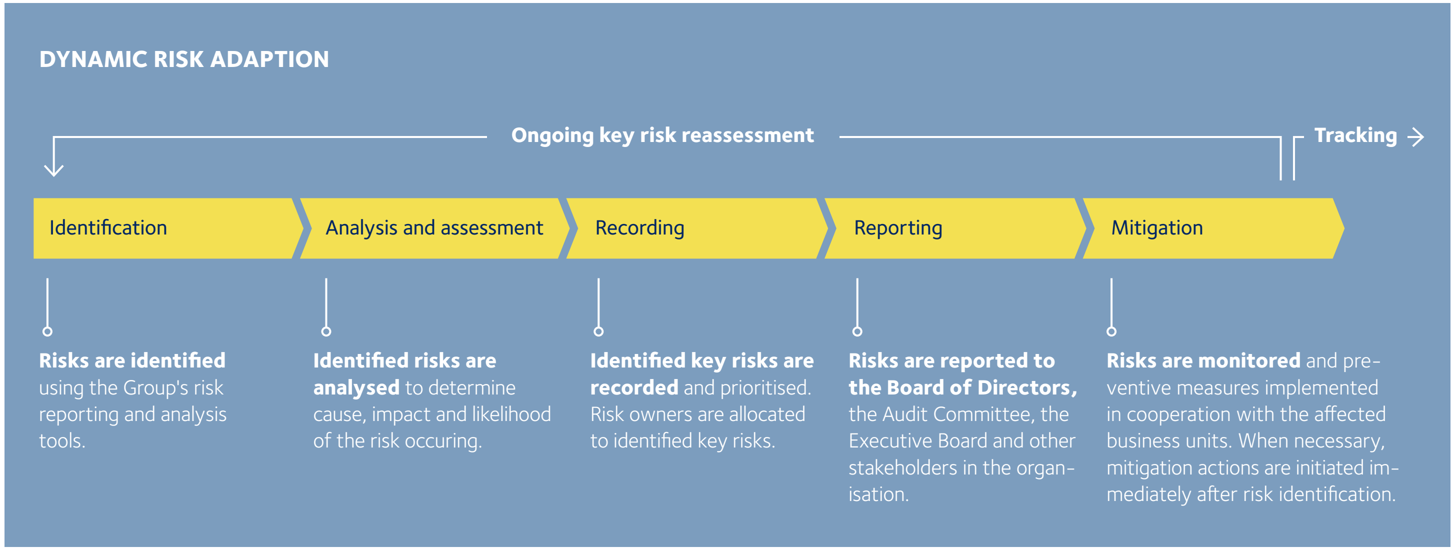
The operational risk reporting forms the basis of the Executive Board's day-to-day risk management activities and also serves as input for the regular reporting to the Board of Directors and the Audit Committee. In addition, the reporting is used in the constant monitoring and reassessment of identified key risks as described in the following.

STRATEGIC RISK MANAGEMENT

The operational risk management process is followed up annually by an extensive Group-wide risk analysis in which the risks observed by key employees across the Group are analysed and consolidated into key risks, as illustrated in the Group key risk map.

Key risks identified are addressed by the Executive Board, the Audit Committee and the Board of Directors as part of the strategic decision-making of the Group.

Key risks are assigned to individual risk owners within the Group ensuring they are addressed and mitigated to an acceptable level.



The status of key risks is reported to the Audit Committee and formalised at year-end by presentation to and approval by the Audit Committee and the Board of Directors.

KEY RISK ANALYSIS

The most recent analysis of the Group's internal and external strategic risks was carried out in the last quarter of 2019.

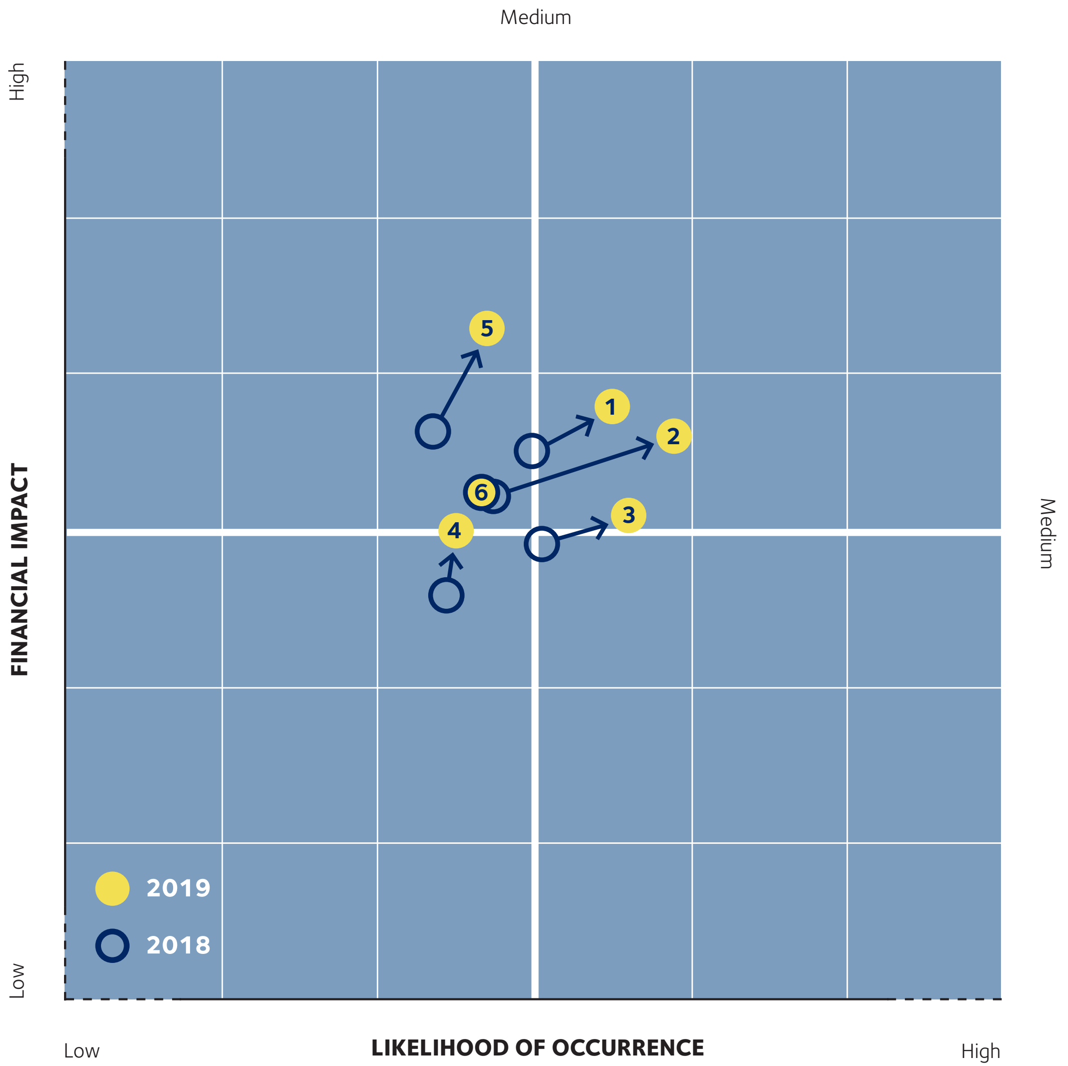
Of particular focus has been the assessment of risks inherent to the acquired Panalpina business activities and to assess and compare these to existing DSV risks identified.

The analysis showed very similar risk scenarios of the two businesses and as such did not identify any significant new risks not already being monitored by our risk management processes.

The analysis also reconfirmed the six overall key risk areas identified in previous years which may have a significant impact on the Group's earnings, financial position and achievement of other strategic objectives should they materialise. The results of the risk analysis, including developments in the risk assessment since last year, are presented in the risk map to the right.

The overall key risks identified, the preventive actions taken to mitigate these risks and the overall development tendencies since last year are described in the following pages.

KEY RISK MAP



1 **IT**
System and process breakdown

2 **MACROECONOMY**
Recession and regional exposure

3 **EMPLOYEES**
Employee retention and attraction

4 **COMPLIANCE**
Fines, claims and damages, etc.

5 **M&A**
Acquisitions and integration

6 **TECHNOLOGY**
Disruption and technological adoption

IT
system and process breakdowns

RISK DESCRIPTION

IT systems, networks and related processes are crucial to our day-to-day operations - from the delivery of our core logistics services to our analytic capabilities and reporting to the financial markets.

This makes us vulnerable to system outages, cyberattacks and failed IT implementation.

Furthermore, we rely on the scalability of our systems, continuous innovation and improvement of our IT landscape to be able to offer competitive services that meet our customers' expectations, improve our productivity and respond to new business opportunities as they arise.

MITIGATION STRATEGIES

Our IT strategy comprises continued centralisation and standardisation of our systems and processes. This strategy also applies to acquired companies, which we move to our operational and administrative IT platforms as quickly as possible, only retaining systems that add value and which are not duplicated by our existing systems.

Our Group IT department oversees IT risks globally. In cooperation with the rest of the organisation, Group IT undertakes the implementation and operation of uniform systems, standards and controls, the decommissioning of redundant systems and oversees the coordinated reporting on operational status, security risks, etc.

We focus on rolling out centrally managed solutions worldwide to reduce the number of software and hardware applications in use. This allows for central management and monitoring of platforms, master data, control systems and security functions.

RISK ASSESSMENT 2019

Continuing the stable track record from previous years, 2019 experienced stable performance from our IT infrastructure - both in terms of operational stability and successful mitigation of cyberattacks.

We have continued investing in IT infrastructure and related processes, continued worldwide rollout of centralised operational, financial and reporting systems, and implementation of additional cyberattack mitigation measures.

Adding complexity to this otherwise steady record, the acquisition of Panalpina implied the takeover of several new data centres and operational and reporting systems, which will remain active until the Panalpina operations have been fully transferred onto our IT platform.

Although the acquired systems and related processes are of high quality, the transfer process and increased complexity of running two parallel IT frameworks in an acquisition integration phase does imply an increased risk of IT incidents occurring, as reflected in the 2019 key risk map.

Macroeconomy
recession and regional exposure

RISK DESCRIPTION

The supply of logistics services and solutions, mainly in the business-to-business market, is our core activity. An economic recession, e.g. triggered by geopolitical events or epidemics, will therefore directly impact our activity level and consequently our financial results.

Similarly, protectionist measures enacted by the major world economic powers may also have a negative impact on overall economic growth, although restrictions on cross-border world trade may be counterbalanced to some extent by increasing domestic activities and demand for related logistics services, such as customs clearance, etc.

Finally, changing industry and consumer patterns leading to lower world and cross-border trade volumes – e.g. as a consequence of increasing environmental awareness – is something we follow closely, although it must be noted that we have yet to see any real impact of this on our business.

MITIGATION STRATEGIES

To diversify our geographical exposure, we have for several years focused on organic and acquisitive growth outside Europe, which historically has been our main market.

We combine this strategy with a continued focus on staying true to our core, asset-light business model and with a high attention to process and cost optimisation. Combined with close monitoring of market developments and our financial results, this enables us to respond quickly to changes in activity levels.

Our asset-light approach implies that the majority of our terminals, warehouses and operational equipment are leased on short-to-medium-term contracts, with the average duration closely monitored to accommodate capacity requirements.

This allows us to quickly adapt to any potential slowdown in individual markets. We have a history of stable earnings margins, even in periods of declining freight volumes.

RISK ASSESSMENT 2019

Following the trend from previous years, 2019 generally saw stable economic growth in most of the markets in which we operate.

The Panalpina acquisition has contributed to further diversifying our regional exposure and product portfolio, rendering us less dependent on Europe, which historically has been our main market. The acquisition has moved us significantly forward in becoming one of the world's largest providers of air and sea freight forwarding services with significantly greater presence in both the APAC and Americas markets.

Even though we are a global network company and now more diversified than ever, we are still impacted by regional economic fluctuations.

2019 continued the trend of mixed signals and rising concerns about protectionist measures and lower economic growth in some of the world's major economies. To what extent this trend will continue into 2020 is uncertain, but it is something we are monitoring closely. Consequently, the likelihood of negative macroeconomic risks occurring have been slightly raised in the Group risk assessment for 2019.

Employees retention and attraction

RISK DESCRIPTION

Employees are a vital resource to DSV Panalpina. Our business depends on highly qualified management teams and employees with technical and operational qualifications at all organisational levels who are capable of handling situations out of the ordinary and jointly contributing to the Group's financial results.

Failure to attract new talents or retaining existing, experienced key employees can potentially have long-term consequences for the operational, strategic and financial development of the Group.

MITIGATION STRATEGIES

To retain and attract the right colleagues, we strive to ensure that our company is an attractive place to work.

We have done so by establishing a performance culture based on employee empowerment enabling our employees to influence their everyday work life. Additionally, we offer clear career advancing opportunities to talented employees.

We accommodate this strategy through several initiatives undertaken locally and by our Group HR department. Examples include training and talent development programmes targeted at all organisational levels, from trainee programmes to executive training.

In recent years, we have also initiated a more significant branding strategy with the intention of increasing the awareness and desirability of the company amongst labour market entries.

RISK ASSESSMENT 2019

Our overall employee turnover rate remained stable in 2019 and on a par with previous years. Still, the generally high activity level in the economy in recent years imply that hiring and retaining the right people in certain parts and/or geographic areas of our business remains a challenge.

As a consequence of the Panalpina acquisition, employee retention may be further impacted by the ongoing reorganisation and restructuring of the Group, which carries an increased risk of not being able to retain some key employees from both organisations.

To counter this, we have continued focusing on various HR and management initiatives, including succession planning and talent management programmes. In terms of the Panalpina acquisition, identifying, reaching out and certifying the position of relevant management and key employees from the very initial phase of the integration process have been high on the agenda.

Despite these initiatives, we do assess a slightly increased likelihood of employee risks materialising.

Compliance fines, claims and damages, etc.

RISK DESCRIPTION

As a result of our global operations, we are subject to extensive national and international regulatory requirements. In particular, regulations relating to tax, customs, VAT, privacy and competition law continue to increase in scope and complexity, which has been the case for several years.

Both the DSV Panalpina Group, Management and staff may risk fines, prison sentences and claims in case of non-compliance.

In addition, cases of non-compliance may carry a long-term impact on our reputation, which may negatively impact relationships with our customers and partners and the public image of the Group.

MITIGATION STRATEGIES

Compliance has very high priority at DSV Panalpina, and our internal procedures, systems and employee training programmes are designed to ensure conformity with relevant legislation and our Code of Conduct.

Our compliance framework is closely integrated into our business processes, containing clear guidelines on how to identify compliance-related issues and how to act accordingly. In addition, communicating and creating awareness of compliance-related developments and issues throughout the organisation is high on our agenda, enacted through daily news updates, global newsletters and webcasts, and internal finance conferences.

Significant compliance-related risks are monitored and managed from Group level in close cooperation with the local business units.

RISK ASSESSMENT 2019

The acquisition of Panalpina has implied the integration of extensive new business activities into the Group's compliance framework. We believe the integration is progressing well, helped by the Panalpina organisation already being a well-managed operation.

Acquisition aside, regulatory requirements continue to expand in scope and complexity, carrying potentially larger fines in case of non-compliance. The EU General Data Protection Regulation (GDPR) is a good example of this trend. This development implies increased pressure to keep up and stay ahead and has, following the trend from last year, led to increasing investments in our compliance organisation in 2019.

As a consequence of the increasing severity of fines, the potential financial impact of non-compliance has been slightly raised in the Group risk assessment for 2019.

M&A
acquisitions and integration

RISK DESCRIPTION
Growth through acquisitions is fundamental to our corporate strategy. As such, the current DSV Panalpina network is to a large extent a result of past strategic acquisitions.

Acquisitions always entail a risk of unsuccessful integration of the acquired company, which could result in cost synergies, strategic advantages and economies of scale being delayed or not fully realised.

Furthermore, deciding on and carrying out the wrong acquisition may be costly and take up valuable resources that could have been spent on other potential acquisition candidates.

MITIGATION STRATEGIES
We have a history of successful integration of acquired companies and realisation of expected synergies. This rests on several factors. First of all, we stress the importance of any potential acquiree matching our business model. In the due diligence process we make sure to involve the right people from our organisation, considering all vital aspects of the business.

Our IT, reporting and operational systems are designed to be scalable and to accommodate effective integration. This means that we are able to integrate the acquired company from an early stage.

Large integrations are headed by an integration board, and the activities are organised into work streams (operational, commercial, financial, IT, legal, tax, etc.). The work streams systematically report on the progress and risks during the entire process. The integration of operational activities is anchored and headed by local management teams based on guidance from Group Management. Local ownership ensures that acquired activities are well integrated.

RISK ASSESSMENT 2019
DSV acquired Panalpina in 2019, marking the largest and most significant acquisition in the history of the Group.

An acquisition of this size renders the potential financial impact from a failed integration a significant risk for the Group. The larger the company acquired, the larger the potential benefits – but, likewise, the larger the potential adverse impact of a failed integration.

So far, the integration work is progressing according to plan without any significant surprises. However, there is still some way to go before the full integration is completed, hence an increased level of risk still exists.

For these reasons, the potential financial impact and likelihood of failed M&A activities occurring has been raised in the Group risk assessment for 2019.

Technology
disruption and technological adoption

RISK DESCRIPTION
As with most industries, the freight forwarding business is undergoing gradual changes – both in terms of technological developments and the competitive landscape. Driving this development are both existing players as well as new entrants to the market.

Currently, digitisation and automation of processes (quoting, booking, tracking, reporting and billing) are the most significant developments we are seeing impacting the freight forwarding market. These developments imply an opportunity to optimise workflows and increase productivity, while also providing higher levels of service and product offerings to our customers.

Failure to keep up, adapt and utilise these new technological opportunities will lead to gradual long-term loss of market share and earnings.

MITIGATION STRATEGIES
Our overall mitigation approach is centred on constant monitoring of the logistics market, technologies, customer offerings and other processes that could potentially impact the way we do business. As highlighted in the Technological trends section (page 13) of this Annual Report, we see new technologies as opportunities, not threats, and we are always open to new ideas.

Based on this, we focus on developing our services, systems and operational procedures to ensure that we have a strong and competitive product offering that fulfils our customers' requirements and expectations and enables us to remain price competitive.

An indirect impact of new technologies and changes in the competitive landscape is that some of the basic freight forwarding services may become commoditised, leading to increasing price pressure. To compensate for this, we continuously seek to increase the scope of value-added services towards our customers.

RISK ASSESSMENT 2019
Failure to adapt the existing DSV Panalpina business model to new technologies, services or other related business opportunities remains a risk that we do not take lightly.

However, even though new technologies and related new ways of doing business continue to emerge, we are still to see new innovations that will have the potential to impact our core business in any significant way in the foreseeable future.

Likewise, we feel comfortable with our current technological initiatives, keeping us competitive and on a par with the industry development.

Consequently, the potential financial impact and likelihood of technology risks occurring remains unchanged from last year.

CORPORATE GOVERNANCE

MANAGEMENT STRUCTURE

Together, the Board of Directors and the Executive Board constitute the governing body of DSV Panalpina. The ultimate authority rests with the shareholders in general meeting.

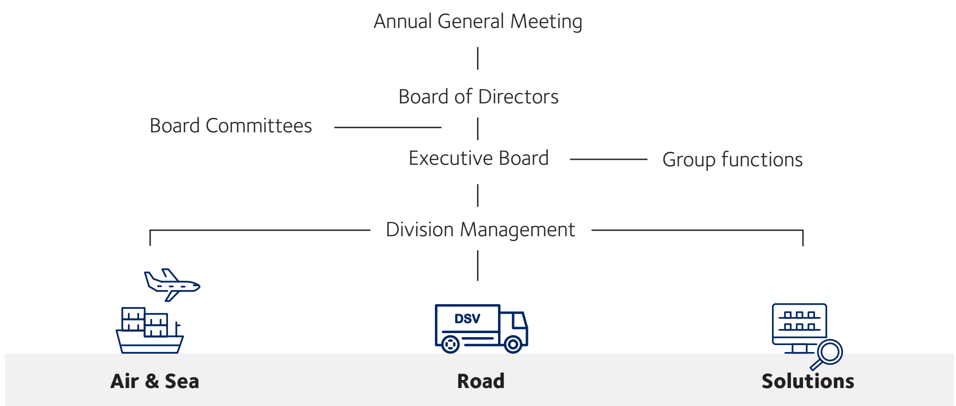
The Board of Directors supervises and outlines the overall visions, strategies and objectives for the development of the Group's business activities.

The Executive Board is responsible for the overall day-to-day management of the Group, execution of the strategies and objectives set, and furthermore contributes essential input to the work of the Board of Directors.

The Board of Directors has established audit, nomination and remuneration committees to perform various preparatory tasks relating to key areas of the Board's responsibilities.

The allocation of responsibilities between the Board of Directors and the Executive Board is defined by the Rules of Procedure.

Division Management is responsible for the day-to-day operations of the divisions supported by centralised Group functions.



Organisation

BOARD OF DIRECTORS

Composition

In accordance with the Company's Articles of Association, the Board of Directors must comprise at least five and not more than nine Directors. Directors are elected for a term of one year at a time, and new Directors are elected according to the applicable rules of the Danish Companies Act.

In 2019, Kurt K. Larsen retired from the Board and was replaced by Thomas Plenborg as new Chairman, with Jørgen Møller as new Deputy chairman. In addition, the Board was expanded with two new members, Marie-Louise Aamund and Beat R. Walti, bringing the total number of Directors to seven.

Competencies of the Board

The composition of the Board of Directors is intended to ensure the diversity of the Board's competency profile and that the Board is able to perform its duties effectively. Overboarding is also taken into consideration when considering the Board composition.

Current competencies required of and possessed by the Board are knowledge of the transport sector, international commercial experience and experience in strategy, M&A, risk management, IT, human resources and accounting.

See page 37 for a description of the individual Directors' competencies and experience.

Board of Directors self-evaluation

Once a year, the Board of Directors performs an overall self-evaluation focusing on the results, composition and competencies of the Board. In this regard, diversity, overboarding, internal management cooperation, succession planning and focus areas for the coming year are also considered.

The Chairman of the Board is in charge of the self-evaluation process. When completed, the self-evaluation report is presented to and discussed by the Board.

The result of the self-evaluation conducted in 2019 did not give rise to any significant remarks and validated the appropriateness of the member profiles elected for the Board.

The current Board composition is considered to have the right competencies supporting the long-term value creation for our shareholders.

Independence of Board members

According to the Danish Recommendations on Corporate Governance, six of the seven members of the Board of Directors are regarded as independent.

Jørgen Møller was a member of Division Management until joining the Board of Directors and is therefore not regarded as an independent Board member as defined by the Recommendations.

BOARD MEETINGS

The Board of Directors held eight ordinary and seven extraordinary board meetings in 2019. The content of the meetings is determined by the annual cycle of the Board, thus ensuring that the strategic and operational policy framework of the Group is reviewed and up to date.

The meeting attendance of the Board in 2019 is illustrated in the following:

MEETING ATTENDANCE 2019	Board of Directors	Audit Committe	Nomination Committee	Remuneration Committee
Kurt K. Larsen	12/12	2/2	2/2	1/1
Thomas Plenborg	14/15	3/3	-	2/2
Jørgen Møller	15/15	-	2/2	1/1
Annette Sadolin	14/15	3/3	1/1	-
Birgit W. Nørgaard	15/15	-	2/2	-
Robert Steen Kledal	15/15	-	1/1	-
Marie-Louise Aamund	11/11	2/2	-	-
Beat R. Walti	3/3	-	-	-

Besides the work laid down in the annual cycle, the work of the Board in 2019 mainly focused on the offer made to and acquisition of Panalpina Welttransport (Holding) AG and the subsequent integration of the two companies.

BOARD COMMITTEES

Audit Committee

The Audit Committee consists of three members with expertise and experience in financial accounting.

The overall tasks of the Audit Committee are:

- to monitor and report on the statutory audit and financial reporting processes;
- to monitor compliance with applicable legislation, standards and regulations;
- to monitor internal controls, IT key controls and risk management systems;
- to monitor auditor independence, including the provision of non-audit services and reporting, and to facilitate the auditor selection process;
- to monitor potential cases from the whistle-blower system.

Besides the work laid down in the annual cycle, the Committee also maintains a close dialogue with relevant management levels throughout the organisation, both formal and informal.

The Committee held three meetings in 2019. The main focus areas of the Committee this year included implementation of IFRS 16 Leases and various acquisitional, accounting and integration matters relating to the Panalpina acquisition.

The Rules of Procedure of the Audit Committee are available at investor.dsv.com/policies.cfm

Nomination Committee
The Nomination Committee consists of four members, who focus on ensuring an optimal composition of the Board of Directors and the Executive Board.

The overall tasks of the Nomination Committee are:

- to define the competencies required of candidates for the Board of Directors and the Executive Board, including considerations on the balancing of skills, knowledge and experience of the two management bodies;
- to evaluate once a year the structure, size, composition and performance of the Board of Directors and the Executive Board, including the skills, knowledge and experience of the individual members;
- to identify and suggest new candidates for the Board of Directors and the Executive Board.

The Committee held two meetings in 2019, mainly focusing on the composition, expansion and succession planning of the Board of Directors, and the revised management structure of the new, combined DSV Panalpina organisation.

The Rules of Procedure of the Nomination Committee are available at investor.dsv.com/policies.cfm

Remuneration Committee
The Remuneration Committee consists of two members, who address the general remuneration policy of DSV Panalpina.

The overall tasks of the Remuneration Committee are:

- to make recommendations on the corporate remuneration policy;
- to make proposals for the remuneration of members of the Board of Directors and the Executive Board;
- to ensure compliance with the Remuneration Policy for members of the Board of Directors and the Executive Board;
- to ensure preparation of the annual remuneration report.

The Committee held two meetings in 2019, focusing among other issues on the new requirements under the European Union Shareholders Rights Directive II, which was implemented into Danish law in 2019, and the related consequences for the remuneration policies and reporting of the Group.

The Rules of Procedure of the Remuneration Committee are available at investor.dsv.com/policies.cfm

REMUNERATION OF THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD
Remuneration of the Board of Directors and the Executive Board is carried out in accordance with the DSV Panalpina Remuneration Policy as adopted by the Annual General Meeting.

The Remuneration Policy is designed to ensure that the DSV Panalpina Group is always able to attract and retain a qualified Management team to support the long-term value creation for our shareholders.

At the 2019 Annual General Meeting, a revised Remuneration Policy was approved. The Remuneration Policy was updated to reflect recent changes on management emuneration in Danish legislation. The regulation changes came with the implementation of the Shareholder Rights Directive in Danish law.

Furthermore, the policy changes aimed at simplifying the remuneration structure, following current societal trends and to clarify the Company's principles in this area.

The DSV Panalpina Remuneration Policy is available at investor.dsv.com/policies.cfm

Reporting on Corporate Governance

Recommendations on Corporate Governance cf. section 107b of the Danish Financial Statements Act
In managing DSV Panalpina, the Board of Directors actively uses the Danish Recommendations on Corporate Governance of 23 November 2017, issued by the Danish Committee on Corporate Governance.

This implies using the Recommendations for defining management structures and procedures and acting in accordance with the principal intention of the Recommendations. The Board regularly assesses its procedures based on the Recommendations.

DSV Panalpina has opted to derogate from one of the 47 Recommendations: 3.4.2 Independence of board committee members.

Our adoption of the Recommendations, including descriptions of internal controls and risk management systems in relation to financial reporting, is reported separately in accordance with section 107b of the Danish Financial Statements Act.

The statutory report on Corporate Governance 2019 is available at investor.dsv.com/corporate-governance

Reporting on the remuneration of the Board of Directors and the Executive Board cf. section 4.2.3 of the Danish Recommendations on Corporate Governance
In accordance with section 4.2.3 of the Danish Recommendations on Corporate Governance, a report on remuneration of the Board of Directors and Executive Board is available at investor.dsv.com/corporate-governance

For details on payments made in 2019 and the DSV Panalpina share option schemes, please refer to notes 5.3 and 5.4 of the consolidated financial statements and the DSV Panalpina Remuneration Report available at investor.dsv.com/corporate-governance/policies-guidelines

Board of Directors

Thomas Plenborg

Office	Chairman
Member since	2011
Up for re-election	Yes
Born	1967

Committee

Audit Committee	Member
Nomination Committee	Chairman
Remuneration Committee	Chairman

Skills and experience
- Management experience from directorships and honorary offices
- Strategy and financial management
- Professor of accounting and auditing at Copenhagen Business School

Other Board positions
CM Everyday Luxury Feeling A/S
ME COWI Holding A/S

Jørgen Møller

Office	Deputy chairman
Member since	2015
Up for re-election	Yes
Born	1950

Committee

Audit Committee	-
Nomination Committee	Member
Remuneration Committee	Member

Skills and experience
- General management experience
- International commercial experience
- CEO of DSV Air & Sea Holding A/S 2002-2015

Annette Sadolin

Office	Member
Member since	2009
Up for re-election	Yes
Born	1947

Committee

Audit Committee	Chairman
Nomination Committee	-
Remuneration Committee	-

Skills and experience
- General international management experience
- Acquisition and divestment of enterprises
- Management experience from GE Frankona München (executive board member) and Employers Reinsurance International (CEO)

Other Board positions
DC DSB
ME Blue Square Re N.V.
ME KNI A/S

Birgit W. Nørgaard

Office	Member
Member since	2010
Up for re-election	Yes
Born	1958

Committee

Audit Committee	-
Nomination Committee	Member
Remuneration Committee	-

Skills and experience
- General international management experience
- Acquisition and divestment of enterprises
- Strategy and financial management
- Management experience from Grontmij NV (COO), Grontmij | Carl Bro A/S (CEO), Danisco and McKinsey

Other Board positions
CM Chairman of the Boards of two companies of the NO Invest A/S Group
CM Norisol A/S
DC NNE A/S
DC Dansk Vækstkapital I
ME Dansk Vækstkapital II
ME NCC AB*
ME IMI Plc.* (retiring)
ME ABP Asspcoated British Ports
ME WSP Global Inc.*
ME RGS Nordic A/S

Robert Steen Kledal

Office	Member
Member since	2014
Up for re-election	No
Born	1969

Committee

Audit Committee	-
Nomination Committee	Member
Remuneration Committee	-

Skills and experience
- General international management experience
- International commercial experience
- Strategy and financial management
- CEO in Wrist Ship Supply A/S, Wrist Ship Supply Holding A/S and Wrist ADM ApS

Other Board positions
CM Chairman of the Boards of 21 companies of the Wrist Ship Supply Holding A/S Group
ME Member of the Boards of five companies of the Wrist Ship Supply Holding A/S Group
ME SkawPilot ApS

Marie-Louise Aamund

Office	Member
Member since	2019
Up for re-election	Yes
Born	1969

Committee

Audit Committee	Member
Nomination Committee	-
Remuneration Committee	-

Skills and experience
- International tech management experience
- Digital transformation
- Management experience from Microsoft and IBM
- Sustainability
- Managing Director of Google Denmark ApS

Other Board positions
ME KIRKBI A/S
ME Navico Group AS
CM Environmental Technology Development and Demonstration Program

Beat R. Walti

Office	Member
Member since	2019
Up for re-election	Yes
Born	1968

Committee

Audit Committee	-
Nomination Committee	-
Remuneration Committee	-

Skills and experience
- Acquisition and sale of enterprises
- Corporate experience from serving on the boards of directors of major corporations
- General management experience

Other Board positions
ME EGS Beteiligungen Ltd, Rahn Inc., Wenger & Vieli Ltd
CM Ernst Göhner Foundation, RehaClinic AG

Executive Board

Jens Bjørn Andersen

Office	CEO
Member since	2008
Born	1966

Jens H. Lund

Office	CFO
Member since	2002
Born	1969

Other Board positions
ME Vestas Wind Systems A/S*

CM = Chairman DC = Deputy Chairman ME = Member * = Listed company

SHAREHOLDER INFORMATION

SHARE PRICE PERFORMANCE IN 2019

At year-end, the closing price of DSV Panalpina shares on Nasdaq Copenhagen was DKK 767.8, up 78.9% since year-end 2018.

During the same period, the Danish C25 Index increased by 26.0%.

The average daily trading volume of DSV Panalpina shares on Nasdaq Copenhagen was 517,496 shares in 2019 (0.2% of shares issued).

At year-end 2019, the market capitalisation of DSV Panalpina (excluding treasury shares) was DKK 176 billion against DKK 76 billion at the end of 2018. The increase was driven by both the increase in the share price and the capital increase in connection with the Panalpina transaction.

OWNERSHIP

On 31 December 2019, DSV Panalpina had 49,650 registered shareholders. The registered shares totalled 227 million, corresponding to 96.8% of the share capital. The largest 25 of these shareholders owned 55.7% of the free-floating share capital.

DSV Panalpina has no majority shareholders and a free-float of 100%.

Following the DSV Group's acquisition of Panalpina, the Ernst Göhner Foundation, CH, holds 10.7% of the DSV Panalpina shares. Additionally, the following other shareholders have informed the company that they hold more than 5% of the share capital:

- BlackRock, Inc., USA (7.8%)
- Morgan Stanley, USA (5.0%)
- Capital Group, USA (5.0%)

CASH DISTRIBUTION TO SHAREHOLDERS

Our capital allocation principles are described on page 15. The company has increased both share buybacks and dividend paid over the last five years. The only exception was 2016, after the acquisition of UTi Worldwide Inc.

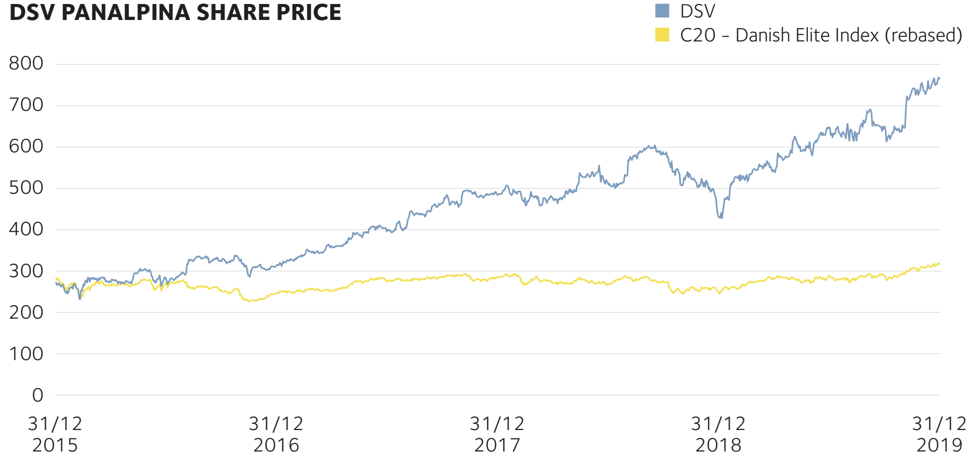
SHARE BUYBACK AND TREASURY SHARES

In 2019, the company acquired 7.4 million treasury shares at a total purchase price of DKK 4,888 million (average purchase price DKK 664.1 per share).

On 31 December 2019, the company held 6.1 million shares as treasury shares, corresponding to 2.6% of the share capital.

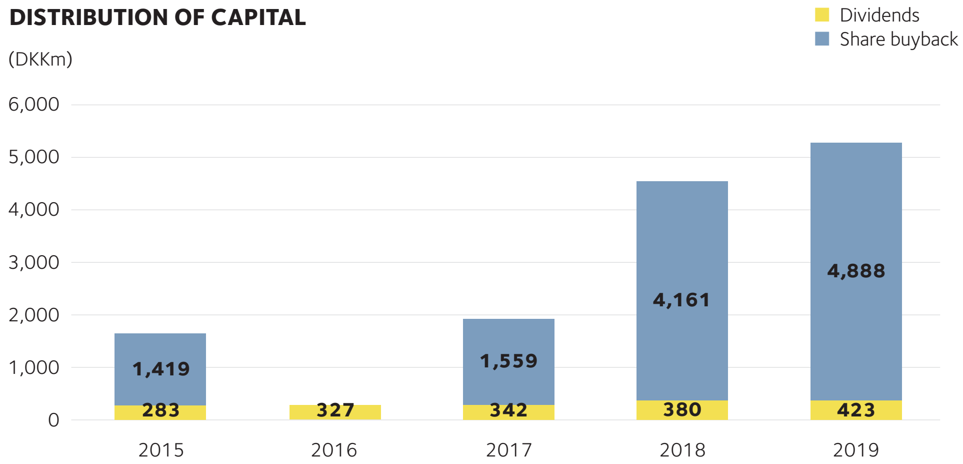
During 2019, 8,526,507 treasury shares were cancelled in connection with reductions of the registered share capital.

DSV PANALPINA SHARE PRICE



DISTRIBUTION OF CAPITAL

(DKKm)



SHARES ISSUED ('000)	2015	2016	2017	2018	2019
Number of shares issued	192,500	190,000	190,000	188,000	235,000
Average number of shares issued for the past 12 months	169,988	184,937	186,028	182,092	198,273
Average diluted number of shares for the past 12 months	172,003	187,097	189,112	185,287	201,405

On 6 February 2020, the company's portfolio of treasury shares amounted to 6.7 million shares.

The purpose of the share buyback programmes is to accommodate the exercise of share options under incentive schemes and adjust the capital structure in accordance with the financial targets.

The shares were acquired under the authority granted at the Annual General Meeting and in compliance with the Safe Harbour principles.

DIVIDENDS

The Board of Directors proposes ordinary dividends of DKK 2.50 per share for 2019 (2018: DKK 2.25).

AUTHORITIES GRANTED TO THE BOARD

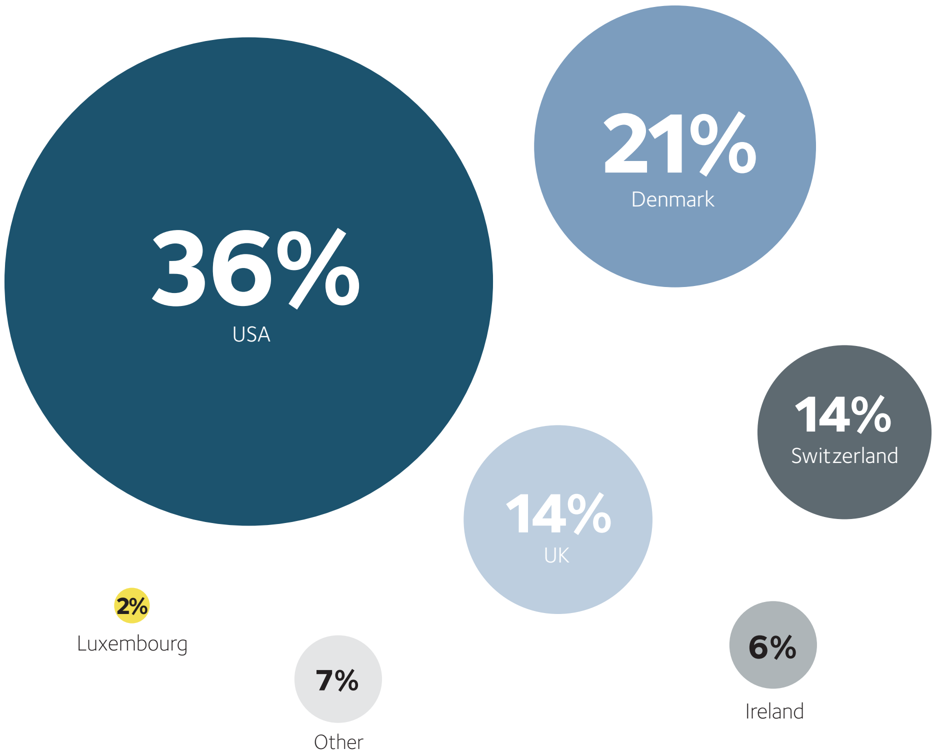
The following authorities have been granted to the Board of Directors:

- Increase the company's share capital by issuing up to 48.3 million shares with or without pre-emptive rights for existing shareholders. The authority remains valid until 24 September 2024;
- Acquire up to 18.6 million own shares, of which 8.8 million was utilised as per 6 February 2020. The authority remains valid until 15 March 2024. At the next Annual General Meeting, the Board of Directors intends to propose a renewal of this authority.

SHARE CAPITAL REDUCTION

Following the acquisition of treasury shares, the Board of Directors intends to propose to the 2020 Annual General Meeting that the Board be authorised to reduce the share capital by a nominal value of DKK 5 million.

SHAREHOLDER GEOGRAPHICAL DISTRIBUTION



COMMUNICATION WITH SHAREHOLDERS

Through open and proactive communication, we aim to provide the basis for fair and efficient pricing of the DSV Panalpina shares.

To keep investors updated, we host conference calls with Executive Management following the release of financial results. Executive Management and Investor Relations also travel extensively to enable both existing and potential investors to meet with the company.

We observe a four-week silent period prior to the publication of annual and interim reports.

DSV Panalpina is covered by 25 equity analysts. For more information about analyst coverage, please visit investor.dsv.com

DSV PANALPINA SHARE DATA

Number of shares of DKK 1 on 31 December 2019:	235,000,000
Share classes:	1
Restrictions on transferability and voting rights:	None
Listed	Nasdaq Copenhagen
Trading symbol:	DSV PANALPINA
ISIN code:	DK0060079531

COMPANY ANNOUNCEMENTS

DSV Panalpina published a total of 79 Company Announcements in 2019 (Nos. 731-809). The most important of these are listed below:

7 Feb.	No. 736	Annual Report 2018
15 Mar.	No. 740	Annual General Meeting
1 Apr.	No. 741	Panalpina and DSV agree to join forces
30 Apr.	No. 744	Interim Financial Report - Q1
31 Jul.	No. 767	Interim Financial Report - H1
19 Aug.	No. 778	DSV completes acquisition of Panalpina
24 Sep.	No. 789	Extraordinary general meeting of DSV A/S
1 Nov.	No. 799	Interim Financial Report - Q3

FINANCIAL CALENDAR

The financial calendar for 2020 is as follows:

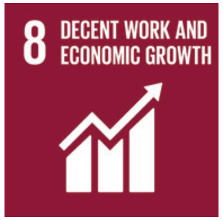
Activity	Date
Annual General Meeting	16 March
Q1 2020 Report	30 April
H1 2020 Report	31 July
Q3 2020 Report	29 October

CORPORATE RESPONSIBILITY AT DSV PANALPINA

DSV Panalpina is committed to being a responsible and reliable business partner and an active participant in the global community.

The acquisition of Panalpina has inspired us to improve our corporate responsibility efforts – both organisationally and in terms of setting more ambitious targets.

We contribute directly to the following Sustainable Development Goals:



We are currently taking the best initiatives and practices from the two organisations to increase our performance and to build an even stronger foundation for our continuous improvement within corporate responsibility. Looking beyond this transition period, we are going to present a new strategy for our corporate responsibility efforts.

Central to our efforts now and in the future is our commitment to the United Nations Global Compact. By working systematically within this framework and reporting publicly on our efforts we strive to improve our performance. At the same time, the UN Sustainable Development Goals (SDGs) play a big part in assessing where our activities have the greatest impact and in communicating to stakeholders how we seek to make a difference.

TOWARDS SCIENCE BASED TARGETS

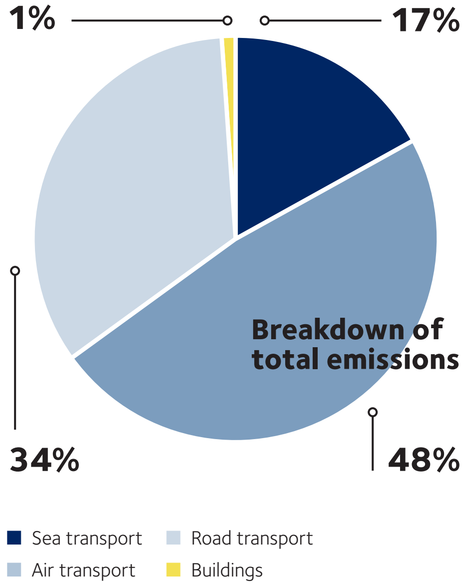
In the first half of 2020, we will present our new targets for our CO_2 emissions as part of the Science Based Targets initiative. The targets will specify how much and how quickly we need to reduce emissions, including both our own direct emissions and indirect emissions through suppliers. The targets will guide our sustainability efforts and give us a clear indication of whether we are living up to our ambitions.

TRANSPARENCY IN CARBON EMISSIONS

We measure our total carbon footprint for each transport mode for DSV Panalpina.

Because we use suppliers to carry out the transports booked by our customers, most of the chart on the right contains carbon emissions from transports performed by our suppliers.

Our emissions make up approximately 2% of total emissions. The majority of greenhouse gas emissions from our operations is attributable to air and road transports, constituting 48% and 34%, respectively, while 17% of our carbon emissions came from sea freight and 1% from DSV Panalpina's buildings.



By joining the Science Based Targets initiative, we ensure that our sustainability efforts are aligned with the necessary steps to meet the goals of the Paris Agreement according to climate science. The Paris Agreement requires limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

We constantly measure the energy efficiency of the transportation that we facilitate.

Our aim is to increase energy efficiency every year, which we did in 2019. Our data shows that we increased energy efficiency for road transport by 5% in 2019, 2% for air transports, and 8% for sea transports. Data for our buildings show that we emitted 108,000 tonnes of CO_2, compared to 101,000 tonnes in 2018. The increase in emissions was due to our expansion in 2019.

We believe that the best way for us to improve energy efficiency is through collaboration with customers and suppliers. For example, we work with our customers to optimise their supply chains and to make visible the impact that their supply chains have on the environment. Our efforts include CO_2 emissions reporting, consolidating freight, choosing the right transportation modes, and choosing the optimal location for warehouses. In addition to making sense from a commercial perspective for our customers, these aspects of supply chain optimisation and visibility can help reduce the environmental impact of transportation and logistics.

We are also working on various environmental projects. In a new innovation partnership, we are working with a number of Danish companies, to start an innovation project called H2RES, with funding from EUDP (Energy Technology Development and Demonstration Program) under the Danish Energy Agency. The purpose is to demonstrate how wind energy can be used to produce renewable hydrogen for certain heavy-duty transportation. The project aims to be the world's first integrated offshore wind and electrolyser setup to produce renewable hydrogen for transportation.

SETTING THE STANDARDS – AN UPDATED CODE OF CONDUCT

In June 2019, we launched a comprehensive update to the DSV Panalpina Code of Conduct, which guides people in DSV Panalpina to act safely and ethically. The update included clearer guidance on data privacy, social media, human rights and conflicts of interest, and it introduced a few new topics providing guidance for our many employees.

When the updated Code of Conduct was launched, we conducted local training to maximise awareness of what we expect of our employees. We also updated our Code of Conduct eLearning course, which is mandatory for all managers to ensure that they can successfully guide employees in pursuing safe and ethical work behaviour. Some 86% of all managers have completed the updated eLearning course, and in the beginning of 2020, we aim to reach 100%, as it is vital for us that everyone assigned to such education completes it. New employees also receive the DSV Panalpina Code of Conduct and must consent to adhering to it.

A FOCUS ON PEOPLE

Over 60,000 people in more than 80 countries across the world make up DSV Panalpina. The efforts and dedication of our employees in driving the company forward enable us to deliver the best possible service to all our stakeholders. Our employees bring unique skills, backgrounds and experiences to the table, and their diversity plays an important part in our continued growth and success. Therefore, we are committed to retaining our strong workforce by, among other things, offering development opportunities and a safe workplace. In 2019, our employee turnover was at 23.2% at year-end – compared to 20.1% the year before. We attribute part of this increase to the integration and restructuring activities. We expect a rise in employee turnover in 2020 as well and until the integration is fully completed.

The health and safety of our employees are another high priority. In 2019, the rate of occupational accidents in DSV Panalpina rose to 5.0 from 4.6. The result is still within the target that we set in 2018, which is below or equal to 5.0. To ensure as low a rate as possible in the coming years, the area will continue to have our focus. Absence due to illness decreased to 2.1 in 2019 from 2.4 in 2018.

In 2020, we will focus on establishing a stronger global framework for quality and safe working environment. The new framework will consist of a range of clearly defined mandatory measures and incident management procedures, which will help ensure that every location of the DSV Panalpina Group is a safe place to work. The global framework will also come to include a standardised set-up for obtaining and managing ISO certifications in the individual locations.

HELPING BY DOING WHAT WE DO BEST

For three years, DSV Panalpina has provided logistics services and financial support to Red Cross | Red Crescent. In Denmark, we sponsor 2,000 m² of warehouse space for disaster relief equipment.

DSV Panalpina has also assisted on several humanitarian aid projects, including when hurricane Dorian hit the coast of the Bahamas in September 2019, destroying infrastructure and means of transportation. DSV Panalpina helped Red Cross move equipment to the most affected areas, where an estimated 70,000 people lost their homes.

Read more about our corporate responsibility efforts in this area in the DSV Panalpina Responsibility Report 2019, available at: www.dsv.com/responsibility

Reporting on corporate social responsibility

Reporting on Corporate Social Responsibility cf. section 99a of the Danish Financial Statements Act

We report separately on corporate social responsibility in our Responsibility Report in accordance with section 99a of the Danish Financial Statements Act. The Report is our communication on progress (COP) under the United Nations Global Compact.

The Responsibility Report 2019 is available at www.dsv.com/about-dsv/csr/csr-reports

Reporting on management gender composition cf. section 99b of the Danish Financial Statements Act

We report separately on management gender composition in the annual report of the Danish entities.

QUARTERLY FINANCIAL HIGHLIGHTS

	2019					2018				
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Income statement (DKKm)										
Revenue	19,979	20,079	24,521	30,122	94,701	18,380	19,491	20,237	20,945	79,053
Gross profit	5,114	5,285	6,271	7,084	23,754	4,120	4,450	4,472	4,447	17,489
EBIT before special items	1,454	1,631	1,785	1,784	6,654	1,156	1,449	1,507	1,338	5,450
Operating margin (%)	7.3	8.1	7.3	5.9	7.0	6.3	7.4	7.4	6.4	6.9
Conversion ratio (%)	28.4	30.9	28.5	25.2	28.0	28.1	32.6	33.7	30.1	31.2
ROIC before tax (%)	n.a.	n.a.	n.a.	n.a.	13.4	n.a.	n.a.	n.a.	n.a.	26.7
Invested capital (YTD)	30,744	30,027	69,424	68,595	68,595	20,645	20,678	20,912	20,381	20,381
Segment information (DKKm)										
Air & Sea										
Revenue	9,411	9,682	13,981	18,077	51,151	8,414	9,095	9,625	9,838	36,972
Gross profit	2,424	2,529	3,443	4,121	12,517	2,145	2,387	2,359	2,302	9,193
EBIT before special items	998	1,093	1,220	1,195	4,506	795	988	1,013	897	3,693
Operating margin (%)	10.6	11.3	8.7	6.6	8.8	9.4	10.9	10.5	9.1	10.0
Conversion ratio (%)	41.2	43.2	35.4	29.0	36.0	37.1	41.4	42.9	39.0	40.2
Road										
Revenue	8,102	7,833	7,698	7,988	31,621	7,676	7,862	7,812	7,893	31,243
Gross profit	1,561	1,535	1,528	1,532	6,156	1,306	1,318	1,373	1,311	5,308
EBIT before special items	298	338	343	272	1,251	241	322	345	239	1,147
Operating margin (%)	3.7	4.3	4.5	3.4	4.0	3.1	4.1	4.4	3.0	3.7
Conversion ratio (%)	19.1	22.0	22.4	17.8	20.3	18.5	24.4	25.1	18.2	21.6
Solutions										
Revenue	3,049	3,147	3,465	4,729	14,390	2,848	3,111	3,417	3,853	13,229
Gross profit	1,126	1,186	1,256	1,401	4,969	699	741	758	837	3,035
EBIT before special items	193	241	239	340	1,013	127	175	184	223	709
Operating margin (%)	6.3	7.7	6.9	7.2	7.0	4.5	5.6	5.4	5.8	5.4
Conversion ratio (%)	17.1	20.3	19.0	24.3	20.4	18.2	23.6	24.3	26.6	23.4

For a definition of the financial highlights, please refer to page 83.

CONSOLIDATED FINANCIAL STATEMENTS 2019

Income statement

(DKKm)	Note	2019	2018
Revenue	2.2	94,701	79,053
Direct costs	2.3	70,947	61,564
Gross profit		**23,754**	**17,489**
Other external expenses	2.4	3,133	3,036
Staff costs	2.5	10,329	8,241
Operating profit before amortisation, depreciation and special items		**10,292**	**6,212**
Amortisation and depreciation	2.6	3,638	762
Operating profit before special items		**6,654**	**5,450**
Special items, costs	2.7	800	-
Financial income	2.8	131	130
Financial expenses	2.8	989	379
Profit before tax		**4,996**	**5,201**
Tax on profit for the year	5.2	1,290	1,213
Profit for the year		**3,706**	**3,988**
Profit for the year attributable to:			
Shareholders of DSV Panalpina A/S		3,700	4,000
Non-controlling interests		6	(12)
Earnings per share:	4.6		
Earnings per share of DKK 1		18.7	22.0
Diluted earnings per share of DKK 1		18.4	21.6

Statement of comprehensive income

(DKKm)	Note	2019	2018
Profit for the year		**3,706**	**3,988**
Items that will be reclassified to income statement when certain conditions are met:			
Net exchange differences recognised in OCI		416	(138)
Fair value adjustments relating to hedging instruments	4.5	13	(4)
Fair value adjustments relating to hedging instruments transferred to financial expenses	4.5	(1)	-
Tax on items reclassified to income statement	5.2	(1)	(2)
Items that will not be reclassified to income statement:			
Actuarial gains/(losses)	3.7	106	(70)
Tax relating to items that will not be reclassified	5.2	(11)	15
Other comprehensive income, net of tax		**522**	**(199)**
Total comprehensive income		**4,228**	**3,789**
Total comprehensive income attributable to:			
Shareholders of DSV Panalpina A/S		4,223	3,795
Non-controlling interests		5	(6)
Total		**4,228**	**3,789**

Cash flow statement

(DKKm)	Note	2019	2018
Operating profit before amortisation, depreciation and special items		**10,292**	**6,212**
Adjustments:			
Share-based payments	5.3	117	93
Change in provisions		(181)	(329)
Change in working capital etc.		(1,165)	(520)
Special items	2.7	(292)	-
Interest received		131	107
Interest paid		(556)	(411)
Interest paid on lease liabilities	3.6	(383)	-
Corporation tax, paid		(1,084)	(851)
Cash flow from operating activities		**6,879**	**4,301**
Purchase of intangible assets	3.2	(292)	(501)
Purchase of property, plant and equipment	3.3	(1,000)	(709)
Disposal of intangible assets, property, plant and equipment	3.3	623	859
Acquisition and disposal of subsidiaries and activities	5.1	2,101	(59)
Change in other financial assets		(61)	(34)
Cash flow from investing activities		**1,371**	**(444)**
Free cash flow		**8,250**	**3,857**
Proceeds from borrowings	4.3	2,445	855
Repayment of borrowings	4.3	(2,466)	(750)
Repayment of lease liabilities	3.6	(2,763)	-
Other financial liabilities incurred		(29)	48
Transactions with shareholders:			
Dividends distributed	4.2	(423)	(380)
Purchase of treasury shares	4.1	(4,888)	(4,161)
Sale of treasury shares	4.1	623	372
Other transactions with shareholders		17	16
Cash flow from financing activities		**(7,484)**	**(4,000)**
Cash flow for the year		**766**	**(143)**

(DKKm)	Note	2019	2018
Cash flow for the year – continued		**766**	**(143)**
Cash and cash equivalents 1 January		1,158	1,348
Cash flow for the year		766	(143)
Currency translation adjustments		119	(47)
Cash and cash equivalents 31 December	4.2	**2,043**	**1,158**

The cash flow statement cannot be directly derived from the balance sheet and income statement.

STATEMENT OF ADJUSTED FREE CASH FLOW

(DKKm)	Note	2019	2018
Free cash flow		8,250	3,857
Net acquisition of subsidiaries and activities	5.1	(2,101)	59
Special items (restructuring costs)	2.7	292	-
Repayment of lease liabilities (IFRS 16 reversed)		(2,763)	-
Adjusted free cash flow		**3,678**	**3,916**

ENTERPRISE VALUE OF ACQUIREES

(DKKm)		2019	2018
Net acquisition of subsidiaries and activities*	5.1	35,829	59
Interest-bearing debt		1,572	-
Enterprise value of acquirees		37,401	59

*Fair value of total consideration excluding cash and cash equivalents

Balance sheet

Assets

(DKKm)	Note	2019	2018
Intangible assets	3.2	51,988	16,742
Right-of-use assets	3.6	11,671	193
Property, plant and equipment	3.3	3,022	2,297
Other receivables		494	291
Deferred tax assets	5.2	2,164	851
Total non-current assets		**69,339**	**20,374**
Trade receivables	4.4	18,252	13,252
Contract assets	3.4	3,054	1,554
Inventories	3.5	1,324	718
Other receivables		3,410	1,662
Cash and cash equivalents		2,043	1,158
Assets held for sale	3.3	135	94
Total current assets		**28,218**	**18,438**
Total assets		**97,557**	**38,812**

Equity and liabilities

(DKKm)	Note	2019	2018
Share capital	4.1	235	188
Reserves and retained earnings	4.1	49,195	14,373
DSV Panalpina A/S shareholders' share of equity		**49,430**	**14,561**
Non-controlling interests		(111)	(29)
Total equity		**49,319**	**14,532**
Lease liabilities	3.6	9,227	132
Borrowings	4.3	6,464	6,461
Pensions and similar obligations	3.7	1,494	915
Provisions	3.8	1,282	627
Deferred tax liabilities	5.2	455	188
Total non-current liabilities		**18,922**	**8,323**
Lease liabilities	3.6	3,385	60
Borrowings	4.3	1,520	485
Trade payables	4.4	9,783	7,646
Accrued cost of services	3.4	5,330	2,813
Provisions	3.8	1,157	412
Other payables		7,201	4,087
Corporation tax		940	454
Total current liabilities		**29,316**	**15,957**
Total liabilities		**48,238**	**24,280**
Total equity and liabilities		**97,557**	**38,812**

Statement of changes in equity

	2019						2018					
	Attributable to shareholders of DSV Panalpina A/S						**Attributable to shareholders of DSV Panalpina A/S**					
(DKKm)	Share capital	Reserves*	Retained earnings	Total	Non-controlling interests	Total equity	Share capital	Reserves*	Retained earnings	Total	Non-controlling interests	Total equity
Equity 1 January as previously reported	188	(704)	15,077	14,561	(29)	14,532	190	4,195	10,450	14,835	(26)	14,809
Impact of accounting policy change **	-	-	(593)	(593)	(16)	(609)	-	-	-	-	-	-
Equity at 1 January	**188**	**(704)**	**14,484**	**13,968**	**(45)**	**13,923**	**190**	**4,195**	**10,450**	**14,835**	**(26)**	**14,809**
Profit for the year	-	-	3,700	3,700	6	3,706	-	-	4,000	4,000	(12)	3,988
Other comprehensive income, net of tax	-	435	88	523	(1)	522	-	(151)	(54)	(205)	6	(199)
Total comprehensive income for the year	**-**	**435**	**3,788**	**4,223**	**5**	**4,228**	**-**	**(151)**	**3,946**	**3,795**	**(6)**	**3,789**
Transactions with shareholders:												
Share-based payments	-	-	117	117	-	117	-	-	93	93	-	93
Tax on share-based payments	-	-	412	412	-	412	-	-	-	-	-	-
Dividends distributed	-	-	(423)	(423)	(1)	(424)	-	-	(380)	(380)	(2)	(382)
Purchase of treasury shares	-	(7)	(4,881)	(4,888)	-	(4,888)	-	(8)	(4,153)	(4,161)	-	(4,161)
Sale of treasury shares	-	2	768	770	-	770	-	2	370	372	-	372
Capital increase	56	-	35,202	35,258	-	35,258	-	-	-	-	-	-
Capital reduction	(9)	9	-	-	-	-	(2)	2	-	-	-	-
Addition/disposal of non-controlling interests	-	-	-	-	(124)	(124)	-	-	-	-	-	-
Dividends on treasury shares	-	-	22	22	-	22	-	-	14	14	-	14
Tax on transactions with owners	-	-	-	-	-	-	-	-	1	1	-	1
Other adjustments	-	-	(29)	(29)	54	25	-	-	(8)	(8)	5	(3)
Total transactions with shareholders	**47**	**4**	**31,188**	**31,239**	**(71)**	**31,168**	**(2)**	**(4)**	**(4,063)**	**(4,069)**	**3**	**(4,066)**
Other equity transactions:												
Transfer to retained earnings	-	-	-	-	-	-	-	(4,744)	4,744	-	-	-
Equity at 31 December	**235**	**(265)**	**49,460**	**49,430**	**(111)**	**49,319**	**188**	**(704)**	**15,077**	**14,561**	**(29)**	**14,532**

* For a specification of reserves, please see note 4.1
** Cumulative effect of applying IFRS 16 Leases

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Chapter 1

BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The 2019 Annual Report of DSV Panalpina A/S has been prepared in accordance with the International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') adopted by the European Union and further requirements of the Danish Financial Statements Act.

INTRODUCTION

The Annual Report of DSV Panalpina A/S comprises the consolidated financial statements of DSV Panalpina A/S and its subsidiaries.

The Board of Directors considered and approved the 2019 Annual Report of DSV Panalpina A/S on 7 February 2020. The Annual Report will be submitted to the shareholders of DSV Panalpina A/S for approval at the Annual General Meeting on 16 March 2020.

BASIS OF MEASUREMENT

All amounts in the Annual Report are stated in Danish kroner (DKK) and rounded to the nearest million. The Annual Report has been prepared under the historical cost convention with the exception of derivative financial instruments and acquisition opening balances, which are measured at fair value. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The accounting policies described in the notes have been applied consistently for the financial year and for the comparative figures except as described in the following.

CHANGES IN ACCOUNTING POLICIES

We have implemented the International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and amendments effective as of 1 January 2019 as adopted by the European Union.

Of the new standards and amendments implemented in 2019, 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 3.4% for assets classified as land and buildings and 2.6% 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 practical expedients 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 and the use of hindsight have not been applied.

Implementation impact

Implementation of the standard has impacted the 2019 opening balance as highlighted in the following:

IFRS 16 – OPENING BALANCE EFFECT (DKKm)	31 December 2018 (IAS 17)	Increase (+) Decrease (-)	Change
Right-of-use assets	193	+	9,991
Deferred tax asset	851	+	138
Other recievables	1,662	-	(26)
Reserves and retained earnings	14,373	-	(593)
Lease liabilities	192	+	10,704
Other payables	4,087	-	(8)
Reclassifications of financial lease assets (IAS 17):			
Property, plant and equipment	2,490	-	(193)
Borrowings	7,138	-	(192)

Differences between the operating lease commitments on 31 December 2018 and lease liabilities recognised in the opening balance on 1 January 2019 in accordance with IFRS 16 specify as follows:

LEASE LIABILITIES RECONCILIATION (DKKm)	1 January 2019
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 at 1 January 2019	**10,704**
Current/non-current classification:	
Non-current liabilities	8,135
Current liabilities	2,569
Lease liabilities recognised at 1 January 2019	**10,704**

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

RIGHT-OF-USE ASSET CLASSIFICATION (DKKm)	1 January 2019
Land and buildings	8,893
Other plant and operating equipment	1,098
Total right-of-use assets recognised	**9,991**

MANAGEMENT JUDGEMENTS AND ESTIMATES

In preparing the consolidated financial statements, Management makes various accounting judgements and estimates 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 nature, a degree of uncertainty is involved when carrying out these judgements and estimates, hence actual results may deviate from the assessments made at the reporting date. Judgements and estimates are continuously evaluated, and the effects of any changes are recognised in the relevant period.

Primary financial statements items in which more significant accounting estimates are applied are listed below:

- Contract assets and accrued cost of services (note 3.4)
- Leases (note 3.6)
- Provisions (note 3.8)
- Acquisition and disposal of entities (note 5.1)
- Tax (note 5.2)

Additional description of management judgements and estimates made are described in the relevant notes.

BASIS OF CONSOLIDATION

The consolidated financial statements include the Parent company (DSV Panalpina A/S) and all subsidiaries over which DSV Panalpina A/S exercises control. Entities in which the Group directly or indirectly controls at least 20%, but not more than 50%, of the share capital are accounted for as associates and measured using the equity method. Investments with negative net asset values are recognised at DKK 0.

The consolidated financial statements are prepared based on uniform accounting policies in all Group entities. Consolidation of Group entities is performed after elimination of all intra-Group transactions, balances, income and expenses.

Group Composition

The Group holds interest in 420 entities and was composed as follows at 31 December 2019:

ENTITIES (Number)	Region EMEA	Americas	APAC	Total
Subsidiaries	273	63	76	412
Associates	7	1	-	8

FOREIGN CURRENCY

Functional currency

A functional currency is determined for each Group entity. The functional currency is the currency used in the primary financial environment in which the individual Group entity operates.

Foreign currency translation

On initial recognition, foreign currency transactions are translated into the functional currency at the exchange rate ruling at the transaction dates. Foreign currency translation differences between the exchange rates at the transaction date and the date of payment are recognised in the income statement under financials.

Monetary items denominated in a foreign currency are translated at the exchange rate ruling at the reporting date. The difference between the exchange rates at the reporting date and the transaction date or the exchange rate used in the latest annual report is recognised in the income statement under financials.

Foreign currency translation differences arising on the translation of non-monetary items, such as investments in associates, are recognised directly in other comprehensive income.

Recognition in the consolidated financial statements

On preparation of the consolidated financial statements, the income statements of entities with a functional currency different from DKK are translated at the average exchange rate for the period, and balance sheet items are translated at the exchange rate ruling at the reporting date.

Foreign exchange differences arising on translation of the equity of foreign entities and on translation of receivables considered part of net investment are recognised directly in other comprehensive income.

Foreign exchange differences arising on the translation of income statements from the average exchange rate for the period to the exchange rate ruling at the reporting date are also recognised in other comprehensive income. Adjustments are presented under a separate translation reserve in equity.

PRESENTATION

Cash flow statement

The cash flow statement is prepared using the indirect method based on operating profit before amortisation, depreciation and special items. The cash flow statement cannot be derived directly from the balance sheet and income statement.

Materiality in financial reporting

In preparing the Annual Report, Management seeks to improve the information value of the consolidated financial statements, the notes to the statements and other measures disclosed by presenting the information in a way that supports the understanding of the Group's performance in the reporting period.

This objective is achieved by presenting fair transactional aggregation levels on line items and other financial information, emphasising information that is considered of material importance to the user and making relevant rather than generic descriptions throughout the Annual Report.

All disclosures are made in compliance with the International Financial Reporting Standards, the Danish Financial Statements Act and other relevant regulations, ensuring a true and fair view throughout the Annual Report.

Presentation of line items and subtotals

The presentation of line items and subtotals is based on separate classification of material groups of similar items. In the income statement, income and expense items are classified based on the nature of expense method in accordance with IAS 1. Furthermore, the use of special items is applied to improve the transparency and understanding of the Group's financial statements by separating the core performance of the Group from exceptional items. For a definition and reconciliation of Group results before and after special items, please see note 2.7 Special items.

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 consolidated financial statements. DSV expects to implement these standards when they take effect.

None of the new standards issued are currently expected to have any significant impact on the consolidated financial statements when implemented.

Chapter 2

PROFIT FOR THE YEAR

This chapter includes disclosures on components of consolidated profit for the year. The consolidated profit is based on the combined results of our three operating segments – Air & Sea, Road and Solutions as described in the following.

Reference is also made to the comments on the profit performance of the Group and the divisions in Management's commentary.

2.1 Segment information

ACCOUNTING POLICIES

Operating segments are defined by the operational and management structure of DSV Panalpina, which is derived from the types of services we deliver and our geographical presence on the world market. As such, our operating segments reflect our divisional and Group reporting used for management decision-making.

OPERATING SEGMENTS

Our business operations are carried out by three divisions, forming the basis of our segment reporting.

Air & Sea
The Air & Sea division provides air and sea freight services across the globe.

Road
The Road division provides road freight services across Europe, the US and South Africa.

Solutions
The Solutions division offers contract logistics services, incl. warehousing and inventory management, across the globe.

Measurement of earnings by segment
Our business segments are measured and reported until operating profit before special items. Segment results are accounted for in the same way as in the consolidated financial statements.

Segment income/expenses and assets/liabilities comprise the items directly attributable to the individual segment as well as the items that may be allocated to the individual segment on a reliable basis.

Income and expenses relating to Group functions, investing activities, etc. are managed at Group level. These items are not included in the statement of segment information, but are presented under "Non-allocated items and eliminations".

Financial position of business segments
Assets and liabilities are included in the segmental reporting to the extent they are used for the operation of the segment.

Assets and liabilities that cannot be attributed to any of the three segments on a reliable basis are presented under "Non-allocated items and eliminations".

GEOGRAPHICAL INFORMATION

DSV Panalpina operates in most parts of the world and has activities in more than 80 countries, which are divided into the following geographical regions:

- EMEA: Europe, Middle East and Africa
- Americas: North and South America
- APAC: Asia, Australia and the Pacific

Revenue and non-current assets are allocated to the geographical areas according to the country in which the individual consolidated entity is based. The corporate headquarter of DSV Panalpina is located in Denmark, which is included in the EMEA segment. DSV Panalpina business is based on transactions in our global network rather than in individual countries or regions. Therefore, goodwill is not allocated to regions.

Intersegment transactions are made on an arm's length basis.

MAJOR CUSTOMERS

DSV Panalpina is not reliant on any major customers, as no single external customer exceeds 5% of combined Group revenue.

2.1 Segment information — continued

SEGMENT INFORMATION – DIVISIONS (DKKm)	Air & Sea		Road		Solutions		Non-allocated items and eliminations		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Condensed income statement										
Revenue	50,527	36,350	30,042	29,688	14,046	12,879	86	136	94,701	79,053
Intercompany revenue	624	622	1,579	1,555	344	350	(2,547)	(2,527)	-	-
Divisional revenue	**51,151**	**36,972**	**31,621**	**31,243**	**14,390**	**13,229**	**(2,461)**	**(2,391)**	**94,701**	**79,053**
Direct costs	38,634	27,779	25,465	25,935	9,421	10,194	(2,573)	(2,344)	70,947	61,564
Gross profit	**12,517**	**9,193**	**6,156**	**5,308**	**4,969**	**3,035**	**112**	**(47)**	**23,754**	**17,489**
Other external expenses	2,267	1,854	1,060	1,326	1,088	955	(1,282)	(1,099)	3,133	3,036
Staff costs	5,093	3,560	2,864	2,706	1,306	1,141	1,066	834	10,329	8,241
Operating profit before amortisation, depreciation and special items	**5,157**	**3,779**	**2,232**	**1,276**	**2,575**	**939**	**328**	**218**	**10,292**	**6,212**
Amortisation and depreciation	651	86	981	129	1,562	230	444	317	3,638	762
Operating profit before special items	**4,506**	**3,693**	**1,251**	**1,147**	**1,013**	**709**	**(116)**	**(99)**	**6,654**	**5,450**
Condensed balance sheet										
Total gross investments	12,107	76	1,291	235	2,277	388	24,503	516	40,178	1,215
Total assets	45,429	21,990	20,508	15,478	13,771	8,127	17,849	(6,783)	97,557	38,812
Total liabilities	46,681	24,300	13,747	9,343	11,686	6,715	(23,876)	(16,078)	48,238	24,280

GEOGRAPHICAL INFORMATION – MAJOR COUNTRIES (DKKm)	Revenue		Non-current assets*	
	2019	2018	2019	2018
USA	14,534	12,181	947	275
Denmark	8,766	7,575	2,393	1,493
Germany	8,606	7,378	1,641	135
Sweden	4,695	4,697	934	160
Italy	4,504	4,400	875	245
Other	53,596	42,822	9,443	1,707
Total	**94,701**	**79,053**	**16,233**	**4,015**

GEOGRAPHICAL INFORMATION – REGIONS (DKKm)	Revenue		Non-current assets*	
	2019	2018	2019	2018
EMEA	63,854	56,078	13,069	3,396
Americas	20,687	15,315	1,778	434
APAC	10,160	7,660	1,386	185
Total	**94,701**	**79,053**	**16,233**	**4,015**

* Non-current assets less tax assets, customer relationships and goodwill

2.2 Revenue

ACCOUNTING POLICIES

Revenue comprises freight forwarding services, contract logistics and other related services delivered in the financial year.

Revenue from services delivered is recognised in accordance with the over-time recognition principle following the satisfaction of various milestones as the performance obligation is fulfilled towards the customer. Our main services comprise air, sea, road and solutions services as described in the following.

Air services
Air services comprise air freight logistics facilitating transportation of goods across the globe. Air services are reported within the Air & Sea reporting segment. Air services are characterised by short delivery times as most air transports are completed within a few days.

Sea services
Sea services comprise sea freight logistics facilitating transportation of goods across the globe. Sea services are reported within the Air & Sea reporting segment. Sea services are characterised by longer delivery times, averaging one month depending on destination.

Road services
Road services comprise road freight logistics facilitating transportation of goods by road networks mainly in Europe, the US and South Africa. Road services are reported within the Road reporting segment. Road services are characterised by short delivery times as most road transports are completed within a few days.

Solutions services
Solutions services comprise contract logistics, incl. warehousing and inventory management across the globe. Solutions services are reported within the Solutions reporting segment. Solutions services are characterised by very short delivery times, happening almost instantaneously as agreed actions under the customer contract are carried out.

General recognition principles
Revenue from services delivered are recognised based on the price specified in the contract with the customer. Revenue is measured excluding VAT and other tax collected on behalf of third parties, and any discounts are offset against the revenue. Incremental costs of obtaining a contract with a customer are not recognised as an asset but as an expense when incurred due to the short delivery times.

Trade receivables are recognised as services delivered are invoiced to the customer and are not adjusted for any financing components as credit terms are short – typically between 14 to 60 days – and the financing component therefore insignificant. Where services delivered have yet to be invoiced and invoices on services received from hauliers have still to be received, contract assets and accrued cost of services are recognised at the reporting date.

Revenue allocated to remaining performance obligations are not disclosed following the practical expedient of IFRS 15.

Revenue also comprises income from sale of property projects in the form of sale of land and buildings acquired, constructed and held for sale in the ordinary course of business.

Revenue from property projects is recognised at a point in time in the reporting segment to which it relates when control of and legal title to the property has been transferred to the customer. Revenue is recognised based on the price specified in the contract with the customer, and the consideration is due upon transfer of the legal title. Delivery times on property projects are typically 8-18 months.

If the property is leased back after completion, the right-of-use asset arising from the leaseback is recognised at the proportion of the previous carrying amount of the asset that relates to the right of use retained by DSV Panalpina. As such, any gain or loss recognised only corresponds to rights transferred to the buyer.

Sale of services and geographical segmentation specify as follows:

SERVICES AND GEOGRAPHICAL SEGMENTATION (DKKm)	EMEA		Americas		APAC		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Air services	12,554	8,447	8,393	5,946	6,187	4,499	27,134	18,892
Sea services	14,279	10,913	6,816	4,798	2,922	2,369	24,017	18,080
Road services	28,994	28,351	2,627	2,892	-	-	31,621	31,243
Solutions services	9,957	10,299	3,220	1,962	1,213	968	14,390	13,229
Total	**65,784**	**58,010**	**21,056**	**15,598**	**10,322**	**7,836**	**97,162**	**81,444**
Non-allocated items and eliminations							(2,461)	(2,391)
Total revenue							**94,701**	**79,053**

2.2 Revenue — continued

NET REVENUE
Net revenue specifies as follows:

REVENUE (DKKm)	2019	2018
Sale of services	94,187	78,630
Other operating income	514	423
Total revenue	**94,701**	**79,053**

Sale of services includes revenue from freight forwarding services, contract logistics, sale of property projects and other related services. Sale of services recognised at a point in time constitutes below 2% of total revenue. Other operating income includes income from insurance contracts, rental income from terminals and buildings leases, and gains from disposal of non-current assets.

2.3 Direct costs

ACCOUNTING POLICIES
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 staff costs relating to hourly workers used for fulfilling orders and other direct costs of operation, such as rental of logistics facilites and costs of property projects.

DIRECT COSTS (DKKm)	2019	2018
Cost of carriers	62,305	51,463
Staff costs, hourly workers	5,299	4,790
Other costs of operation	3,343	5,311
Direct costs	**70,947**	**61,564**

2.4 Other external expenses

ACCOUNTING POLICIES
Other external expenses include expenses relating to marketing, IT, other rent, training and education, office premises, travelling, communications as well as other selling costs and administrative expenses, less costs transferred to direct costs.

OTHER EXTERNAL EXPENSES (DKKm)	2019	2018
Other external expenses	6,476	8,347
Transferred to direct costs	(3,343)	(5,311)
Total other external expenses	**3,133**	**3,036**

2.5 Staff costs

ACCOUNTING POLICIES
Staff costs include wages and salaries, pensions, social security costs and other staff costs for salaried employees, but exclude staff costs for hourly workers, which are recognised as direct costs.

Staff costs are recognised in the financial year in which the employee renders the related service. Costs related to long-term employee benefits, e.g. share-based payments, are recognised in the periods in which they are earned.

Reference is made to note 3.7 for detailed information on pension plans, note 5.4 for detailed information on remuneration of Management and note 5.3 for detailed information on the Group's share option schemes and shares held by Management.

STAFF COSTS (DKKm)	2019	2018
Salaries and wages, etc.	13,136	10,927
Defined contribution pension plans	526	440
Defined benefit pension plans	22	19
Other social security costs	1,827	1,552
Share-based payments	117	93
Total staff costs	**15,628**	**13,031**
Staff costs are recognised within the following income statement line items:		
Hourly workers – recognised as direct costs	5,299	4,790
Salaried employees – recognised as staff costs	10,329	8,241
Total	**15,628**	**13,031**
Weighted average number of full-time employees	51,367	47,479
Number of full-time employees at year end	61,216	47,394

2.6 Amortisation and depreciation

ACCOUNTING POLICIES
Amortisation and depreciation for the year are recognised based on the amortisation and depreciation profiles of the underlying assets (see notes 3.2 and 3.3).

AMORTISATION AND DEPRECIATION (DKKm)	2019	2018
Customer relationships	102	28
Software and other intangible assets	320	286
Buildings	154	102
Other plant and operating equipment	328	316
ROU assets – Land and buildings	2,161	2
ROU assets – Other plant and operating equipment	573	28
Total amortisation and depreciation	**3,638**	**762**

2.7 Special items

ACCOUNTING POLICIES

Special items are used in connection with the presentation of profit or loss for the year to distinguish 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 comprise:

- Restructuring costs, impairment costs, etc. relating to fundamental structural, procedural and managerial reorganisations as well as any related gains or losses on disposals;
- Transaction and restructuring costs relating to acquisition and divestment of enterprises.

MANAGEMENT JUDGEMENTS AND ESTIMATES

In the classification of special items, judgement is applied in ensuring that only exceptional items not associated with the ordinary operations of the Group are included.

SPECIAL ITEMS (DKKm)	2019	2018
Restructuring costs relating to the acquisition of Panalpina	498	-
Impairment and other costs relating to reorganisations	198	-
Transaction costs relating to the acquisition of Panalpina	104	-
Special items, costs	**800**	**-**

Special items reconcile to the income statement line items as specified in the table below:

SPECIAL ITEMS BRIDGE (DKKm)	2019 Reported income statement	2019 Special items	2019 Adjusted income statement	2018 Reported income statement	2018 Special items	2018 Adjusted income statement
Revenue	94,701	28	94,729	79,053	-	79,053
Direct costs	70,947	5	70,952	61,564	-	61,564
Gross profit	**23,754**	**23**	**23,777**	**17,489**	**-**	**17,489**
Other external expenses	3,133	333	3,466	3,036	-	3,036
Staff costs	10,329	339	10,668	8,241	-	8,241
Operating profit before amortisation and depreciation	**10,292**	**(649)**	**9,643**	**6,212**	**-**	**6,212**
Amortisation and depreciation	3,638	153	3,791	762	-	762
Operating profit	**6,654**	**(802)**	**5,852**	**5,450**	**-**	**5,450**
Special items, costs	800	(800)	-	-	-	-
Financial income	131	-	131	130	-	130
Financial expenses	989	(2)	987	379	-	379
Profit before tax	**4,996**	**-**	**4,996**	**5,201**	**-**	**5,201**

2.8 Financial income and expenses

ACCOUNTING POLICIES

Financial income and expenses include interest, share of associates' profit/loss, foreign currency gains and losses and impairment of securities, payables and foreign currency transactions as well as amortisation of financial assets and liabilities, including finance lease obligations. Furthermore, realised and unrealised gains and losses on derivative financial instruments that cannot be classified as hedging contracts are included.

FINANCIAL INCOME (DKKm)	2019	2018
Interest income	129	68
Share of associates' profit, net of tax	2	2
Exchange differences recognised in PL	-	60
Total financial income	**131**	**130**

Interest income includes interest on financial assets measured at amortised cost of DKK 129 million (2018: DKK 68 million).

FINANCIAL EXPENSES (DKKm)	2019	2018
Interest expenses on lease liabilities	383	14
Other interest expenses	396	341
Calculated interest on pension obligations, see note 3.7	22	24
Exchange differences recognised in PL	188	-
Total financial expenses	**989**	**379**

Interest expenses include interest on financial liabilities measured at amortised cost of DKK 779 million (2018: DKK 355 million).

Chapter 3

OPERATING ASSETS AND LIABILITIES

This chapter includes notes disclosures on the Group's invested capital that forms the basis of our business activities. Invested capital represents the Group's property, plant and equipment, intangible assets and net working capital in the form of operating assets and liabilities.

Invested capital is structured based on our asset-light business model, including our focus on minimising funds tied up in working capital to optimise the generation of available free cash flow. Invested capital also comprises significant intangible assets mainly relating to acquired goodwill from business combinations carried out over the years.

3.1 Impairment testing

ACCOUNTING POLICIES

Goodwill

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

Impairment testing is performed for each cash-generating unit to which consolidated goodwill is allocated, as defined by our divisional management and operational structure. The cash-generating units thereby follow our divisional structure: Air & Sea, Road and Solutions.

Goodwill is written down to its recoverable amount through the income statement if lower than the carrying amount.

The recoverable amount is determined as the present value of the discounted future net cash flow from the cash-generating unit to which the goodwill relates. In calculating the present value, discount rates are applied reflecting the risk-free interest rate with the addition of risks relating to the individual cash-generating units, such as geographical and financial exposure.

OTHER NON-CURRENT INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT

The carrying amount of other non-current assets is tested for impairment at least once a year in connection with the impairment test of goodwill. If the tests show evidence of impairment, the asset is written down to the recoverable amount through the income statement if lower than the carrying amount. The recoverable amount is the higher of the fair value of the asset less the expected costs to sell and its value in use.

The value in use is calculated as the present value of expected future cash flows from the asset or the division of which the asset forms part.

MANAGEMENT JUDGEMENTS AND ESTIMATES

For goodwill impairment testing, a number of estimates are made on the development in revenues, gross profits, operating margins, future capital expenditures, discount rates and growth expectations in the terminal period. These are based on an assessment of current and future developments in the three cash-generating units and on historical data and assumptions of future expected market developments, including expected long-term average market growth rates.

Material value drivers affecting the future net cash flows of the three cash-generating units are as follows:

AIR & SEA

The Air & Sea division operates globally, so developments in the global economy and world trade therefore have a material impact on the division's future net cash flow. Developments in gross profit per shipment, cost management initiatives and development in internal productivity (number of shipments per employee) also affect the division's cash flow.

ROAD

The Road division mainly operates on the European market, which means that the division's future net cash flow is affected by the growth rate in this region. Developments in gross profit per shipment, including truck and terminal utilisation rates, cost management initiatives and development in internal productivity (number of shipments per employee) also affect the division's cash flow.

SOLUTIONS

The Solutions division operates globally, so developments in the global economy and world trade therefore have a material impact on the division's future net cash flow. Developments in warehouse lease costs and costs of related services, utilisation of warehouse facilities, cost management initiatives and development in internal productivity (number of order lines per employee) also affect the division's cash flows.

3.1 Impairment testing — continued

The expected future net cash flow is based on budgets and business plans approved by Management for the year 2020 and projections for subsequent years up to and including 2024. From 2024 onwards, DSV Panalpina expects the growth rate to remain in line with the expected long-term average growth rate for the industry.

IMPAIRMENT TEST

Goodwill

Goodwill has been tested for impairment at 31 December 2019. The tests did not result in any impairment of carrying amounts.

The assumptions used, including a sensitivity analysis, are stated in the following. The pre-tax discount rate is calculated in accordance with IAS 36.

The sensitivity analysis assesses the impact of changes in cash flows and discount rates on the impairment test results.

The analysis concluded that even negative changes remotely likely to occur will not result in impairment of goodwill in any of the three cash-generating units.

Sensitivity analysis

The sensitivity analysis shows the lowest possible growth rate or highest possible discount rate in percentage points by which the assumptions used can change before goodwill becomes impaired.

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

Other non-current assets have also been tested for impairment together with goodwill at 31 December 2019. Similar to goodwill, no indication of impairment was identified in connection with these tests.

GOODWILL IMPAIRMENT TEST AT 31 DECEMBER 2019 (DKKm)	2019			2018		
	Air & Sea	Road	Solutions	Air & Sea	Road	Solutions
Carrying amount of goodwill	38,841	6,092	5,317	8,929	4,112	2,467
Budget period						
Annual revenue growth	4.0%	3.0%	5.0%	4.0%	3.0%	5.0%
Operating margin	8.7%	4.3%	7.3%	10.0%	5.0%	6.0%
Terminal period						
Growth	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Pre-tax discount rate	7.2%	5.1%	7.0%	8.9%	6.7%	7.7%
Sensitivity analysis						
Growth in budget period- allowed decline %points	23.0%	35.4%	18.3%	26.3%	32.6%	17.3%
Discount rate - allowed increase %points	6.2%	8.2%	4.0%	10.8%	15.3%	8.4%

3.2 Intangible assets

ACCOUNTING POLICIES

Goodwill

Only goodwill arising from business combinations is recognised in the financial statements. Goodwill is measured as the difference between the total of the fair value of the consideration transferred, the value of non-controlling interests and any equity investments previously held in the acquiree, compared to the fair value of identifiable net assets on the date of acquisition.

Goodwill is not amortised, but is tested for impairment at least annually.

Customer relationships

On initial recognition, customer relationships identified from business combinations are recognised in the balance sheet at fair value. Subsequently, customer relationships are measured at fair value less accumulated amortisation and impairment losses.

Customer relationships are amortised over a period of 8 years using the diminishing balance method.

Computer software and software in progress

Computer software bought or developed for internal use is measured at the lower of cost less accumulated amortisation and impairment losses and the recoverable amount. Cost comprises payments for the software and other directly attributable expenses of preparing the software for its intended use.

After commissioning, software is amortised on a straight-line basis over its expected useful life. The amortisation period is 1-10 years.

	2019					2018				
INTANGIBLE ASSETS (DKKm)	Goodwill	Customer relationships	Software	Software in progress	Total	Goodwill	Customer relationships	Software	Software in progress	Total
Cost at 1 January	15,508	1,320	2,333	363	19,524	15,461	1,311	2,041	288	19,101
Additions from business combinations/previous period adjustments	34,529	732	7	-	35,268	-	-	-	-	-
Additions for the year	-	-	39	253	292	59	-	63	377	499
Disposals at cost	-	-	(485)	(1)	(486)	-	(3)	(69)	-	(72)
Reclassifications	-	-	420	(386)	34	-	-	299	(301)	(2)
Currency translation adjustments	213	7	2	1	223	(12)	12	(1)	(1)	(2)
Total cost at 31 December	**50,250**	**2,059**	**2,316**	**230**	**54,855**	**15,508**	**1,320**	**2,333**	**363**	**19,524**
Total amortisation and impairment at 1 January	-	1,259	1,523	-	2,782	2	1,226	1,300	-	2,528
Amortisation for the year	-	102	320	-	422	-	28	286	-	314
Amortisation of assets disposed of	-	(1)	(378)	-	(379)	-	(3)	(61)	-	(64)
Reclassification	-	1	36	-	37	-	-	(2)	-	(2)
Currency translation adjustments	-	7	(2)	-	5	(2)	8	-	-	6
Total amortisation and impairment at 31 December	**-**	**1,368**	**1,499**	**-**	**2,867**	**-**	**1,259**	**1,523**	**-**	**2,782**
Carrying amount at 31 December	**50,250**	**691**	**817**	**230**	**51,988**	**15,508**	**61**	**810**	**363**	**16,742**

3.3 Property, plant and equipment

ACCOUNTING POLICIES

Land and buildings and other plant and operating equipment are measured at cost less accumulated depreciation and impairment losses.

The cost comprises the acquisition price and other directly attributable expenses of preparing the asset for its intended use. The present value of estimated expenses for dismantling and disposing of the asset as well as restoration expenses are added to the cost if such expenses are recognised as a provision. Material borrowing costs directly attributable to the construction of the individual asset are also added to cost.

If the individual components of an asset have different useful lives, each component will be depreciated separately.

The cost of self-constructed assets comprises direct and indirect costs for materials, components, subcontractors, wages and salaries. Costs for self-constructed assets are recognised as property, plant and equipment in progress on an ongoing basis until the assets are ready for use.

Subsequent costs, such as partial replacement of property, plant and equipment, are included in the carrying amount of the asset in question when it is probable that such costs will result in future economic benefits.

The carrying amount of the replaced parts is derecognised from the balance sheet and recognised in the income statement.

	2019				2018			
PROPERTY, PLANT AND EQUIPMENT (DKKm)	Land and buildings	Other plant and operating equipment	Property, plant and equipment in progress	Total	Land and buildings	Other plant and operating equipment	Property, plant and equipment in progress	Total
Cost at 1 January*	2,041	2,254	116	4,411	2,199	2,338	65	4,602
Additions from business combinations/previous period adjustments	556	126	6	688	-	-	-	-
Additions for the year	345	577	78	1,000	172	459	89	720
Disposals at cost	(147)	(304)	(35)	(486)	(170)	(280)	(4)	(454)
Transferred to assets held for sale	(154)	-	-	(154)	(18)	-	(13)	(31)
Reclassification	(22)	79	(68)	(11)	(21)	6	(19)	(34)
Currency translation adjustments	44	40	2	86	(24)	(30)	(2)	(56)
Total cost at 31 December	**2,663**	**2,772**	**99**	**5,534**	**2,138**	**2,493**	**116**	**4,747**
Total depreciation and impairment at 1 January*	856	1,258	-	2,114	920	1,251	-	2,171
Depreciation for the year	154	337	-	491	103	345	-	448
Depreciation of assets disposed of	(4)	(103)	-	(107)	(99)	(232)	-	(331)
Transferred to assets held for sale	(19)	-	-	(19)	(1)	-	-	(1)
Reclassification	(27)	29	-	2	(18)	9	-	(9)
Currency translation adjustments	12	19	-	31	(7)	(14)	-	(21)
Total depreciation and impairment at 31 December	**972**	**1,540**	**-**	**2,512**	**898**	**1,359**	**-**	**2,257**
Carrying amount at 31 December	**1,691**	**1,232**	**99**	**3,022**	**1,240**	**1,134**	**116**	**2,490**

* Including opening balance reclassification of finance leases to right-of-use assets

3.3 Property, plant and equipment — continued

Depreciation is carried out on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

- Terminals and administration buildings 40-60 years
- Other buildings and building elements 10-25 years
- Technical plant and machinery 6-10 years
- Other plant and operating equipment 3-8 years
- Land is not depreciated

The basis of depreciation takes into account the residual value of assets and is reduced by any impairment losses. The residual value is calculated on the date of acquisition and reassessed once a year. Depreciation will be halted if the residual value exceeds the carrying amount of the asset.

Assets are transferred to assets held for sale if it is highly probable that their carrying amount will be recovered primarily through sale rather than through continuing use.

Assets held for sale, which amount to DKK 135 million at 31 December 2019 (2018: DKK 94 million), are measured at the lower of their carrying amount and fair value less costs to sell. The net gain is included in other operating income.

MANAGEMENT JUDGEMENTS AND ESTIMATES
Judgement is applied in determining the depreciation period and future residual value of the assets recognised and is generally based on historical experience. Reassessment is done annually to ascertain that the depreciation basis applied is still representative and reflects the expected life and future residual value of the assets.

3.4 Contract assets and accrued costs of services

ACCOUNTING POLICIES
Contract assets and accrued costs of services include accrued revenue and accrued costs from freight forwarding services, contract logistics and other related services in progress at 31 December 2019.

Contract assets are recognised when a sales transaction fulfils the criteria for revenue recognition, but no final invoice has yet been issued to the customer for the services delivered.

Accrued costs of services are estimated and recognised when supplier invoices relating to recognised revenue for the reporting period have yet to be received.

MANAGEMENT JUDGEMENTS AND ESTIMATES
At the close of accounting periods, significant estimates are applied in assessing services in progress, including accrual of income and pertaining direct costs. These estimates are based on experience and continuous follow-up on services in progress relative to subsequent invoicing.

3.5 Inventories

ACCOUNTING POLICIES
Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, processing and other costs incurred in bringing the inventories to their present condition. Write-downs of inventories to net realisable value are recognised as direct costs in the income statement.

INVENTORIES

(DKKm)	2019	2018
Stocks	55	44
Property projects under construction	1,269	674
Total	**1,324**	**718**

Inventories mainly consists of land and buildings under construction held for the purpose of sale in the ordinary course of business (property projects).

In total, DKK 1,255 million relating to property projects were recognised as an expense in 2019 (2018: DKK 1,525 million).

3.6 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 of the leasing period 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. In determining the lease period extension, options are only included if it is reasonably certain they will be utilised.

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.

Extension options are only included in the lease term if the lease is reasonably certain to be extended. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

MANAGEMENT JUDGEMENTS AND ESTIMATES

In accounting for lease contracts, various judgements are applied in determining right-of-use assets and lease liabilities. Judgements include assessment of lease periods, utilisation of extension options and applicable discount rates. In addition, significant estimates have been applied in determining these in relation to the implementation of IFRS 16.

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.

Right-of use assets specifies as highlighted in the following:

RIGHT-OF-USE ASSETS 2019 (DKKm)	Land and buildings	Other plant and operating equipment	Total
Cost at 1 January	14	179	193
Impact of accounting policy change	8,893	1,098	9,991
Additions from business combinations	1,750	467	2,217
Additions for the year	2,221	321	2,542
Disposals for the year	(458)	(150)	(608)
Depreciations for the year	(2,161)	(573)	(2,734)
Currency translation adjustments	54	16	70
Carrying amount at 31 December	**10,313**	**1,358**	**11,671**

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.

Land and buildings may include extension options with the intention of securing flexibility in the lease – however, any leasing period beyond the normal 10 years expected at the initiation of the lease will normally be reflected in the contractual lease term agreed.

Analysis of lease liabilities showing the remaining contractual maturities is provided in the following table:

CONTRACTUAL MATURITY OF LEASE LIABILITIES (DKKm)	2019
0-1 year	3,654
1-5 years	7,560
> 5 years	3,237
Total undiscounted lease liabilities at 31 December	**14,451**
Current/non-current classification (discounted):	
Current	3,385
Non-current	9,227

The profit or loss and cash flow impact of leases recognised for the year are specified below:

LEASE EFFECTS RECOGNISED IN PROFIT OR LOSS AND CASH FLOW (DKKm)	2019
Profit or loss:	
Interest expenses on lease liabilities	(383)
Expenses relating to short-term leases	(395)
Expenses relating to leases of low-value assets	(77)
Expenses relating to variable lease payments not included in the measurement of lease liabilities	(129)
Gains or losses from sale and leaseback transactions	258
Cash flow:	
Total cash outflow for leases	(3,133)

3.7 Pension obligations

ACCOUNTING POLICIES

Pension obligations relating to defined contribution plans, under which the Group pays regular pension contributions to independent pension funds, are recognised in the income statement for the period in which they are earned. Contributions payable are recognised in the balance sheet under other current liabilities.

In regards to defined benefit plans, an actuarial valuation of the present value of future benefits payable under the plan is made once a year. The present value is calculated based on various assumptions, including the future development in wage/salary levels, interest rates, inflation and mortality. The present value is only calculated for benefits to which the employees have become entitled during their employment with the Group. The actuarial calculation of the present value less the fair value of assets under the plan is recognised in the balance sheet under pension obligations. Pension costs for the year are recognised in the income statement based on actuarial estimates and the financial outlook at the beginning of the year.

Differences between the calculated development in pension plan assets and liabilities and the realised values are recognised in other comprehensive income as actuarial gains or losses.

Changes in benefits payable for employees' past services to the company result in an adjustment of the actuarial calculation of the present value, which is classified as past service costs. Past service costs are charged to the income statement immediately if the employees have already earned the right to the adjusted benefits. Otherwise, they will be recognised in the income statement over the period in which the employees earn the right to the adjusted benefits.

MANAGEMENT JUDGEMENTS AND ESTIMATES

In determining pension obligations, management makes use of external and independent actuaries as basis for the estimates applied in measuring the obligations. The actuarial assumptions used in the valuations vary from country to country owing to national, economic and social conditions.

Pension obligations

Net obligations at 31 December are specified as follows:

PENSION OBLIGATIONS (DKKm)	2019	2018
Present value of defined benefit plans	4,878	2,145
Fair value of pension plan assets	3,384	1,230
Pension obligations, net	**1,494**	**915**

Of these obligations, DKK 1,076 million relate to unfunded pension obligations (2018: DKK 548 million) and DKK 418 million relate to partly funded obligations (2018: DKK 367 million).

Total pension costs for the year

In 2019, net costs of DKK 569 million relating to the Group's pension plans were recognised in the income statement (2018: DKK 483 million) and break down as follows:

PENSION COST 2019 (DKKm)	Defined contribution plans	Defined benefit plans	Total
Staff costs	526	21	547
Financial expenses	-	22	22
Total costs recognised	**526**	**43**	**569**

PENSION COST 2018 (DKKm)	Defined contribution plans	Defined benefit plans	Total
Staff costs	440	19	459
Financial expenses	-	24	24
Total costs recognised	**440**	**43**	**483**

Defined benefit pension obligations

Development in the present value of defined benefit obligations break down as follows:

DEFINED BENEFIT PENSION OBLIGATIONS (DKKm)	2019	2018
Obligations at 1 January	2,145	2,234
Current service cost	73	36
Past service cost from plan amendments, curtailments and gains/losses on settlements	(64)	(6)
Calculated interest on obligations	51	52
Actuarial gains/losses arising from changes in financial assumptions	101	46
Actuarial gains/losses arising from changes in demographic assumptions	(30)	(4)
Actuarial gains/losses arising from experience adjustments	(66)	34
Payments from the plan	(207)	(217)
Additions from business combinations	2,807	-
Currency translation adjustments	68	(30)
Obligations at 31 December	**4,878**	**2,145**

The expected average duration of the obligations is 18 years.

EXPECTED MATURITY OF PENSION OBLIGATIONS (DKKm)	2019	2018
0-1 year	366	106
1-5 years	698	305
> 5 years	3,814	1,734
Total obligations recognised	**4,878**	**2,145**

3.7 Pension obligations — continued

PENSION PLAN ASSETS

Development in the fair value of pension plan assets break down as follows:

PENSION PLAN ASSETS (DKKm)	2019	2018
Pension plan assets at 1 January	1,230	1,110
Calculated interest on plan assets	33	29
Return on plan assets excluding calculated interest	111	6
Contributions to the plan	74	284
Payments from the plan	(209)	(187)
Additions from business combinations	2,050	-
Currency translation adjustments	95	(12)
Pension plan assets at 31 December	**3,384**	**1,230**

DSV Panalpina expects to contribute DKK 64 million to defined benefit plan assets in 2020 (2019: DKK 66 million).

COMPOSITION OF PENSION PLAN ASSETS (%)	2019	2018
Shares	69%	63%
Bonds	16%	2%
Insurance contracts	15%	35%
Total	**100%**	**100%**

Sensitivity analysis

The table below illustrates the change in the gross obligation relating to defined benefit plans from a change in the key actuarial assumptions. The analysis is based on fairly probable changes, provided that the other parameters remain unchanged.

SENSITIVITY ANALYSIS (DKKm)	2019	2018
Defined benefit obligation	4,878	2,145
Discount rate		
Increase of 0.5%point	4,371	1,981
Decrease of 0.5%point	5,165	2,333
Future wage/salary increase		
Increase of 0.5%point	4,877	2,165
Decrease of 0.5%point	4,629	2,066
Inflation		
Increase of 0.5%point	5,082	2,267
Decrease of 0.5%point	4,404	1,977
Life expectancy		
Life expectancy increase of 1 year	4,873	2,182
Life expectancy decrease of 1 year	4,561	2,044

SIGNIFICANT PENSION PLANS

The most significant defined benefit plans of the Group relate to Europe, with Sweden representing 19% (2018: 23%) and Germany 55% (2018: 40%) of the total net obligation of DKK 1,494 million (2018: DKK 915 million). No other countries have individual defined benefits plans of significance. The plan in Sweden is a final pay scheme, which covers all salaried employees born in or before 1978 and is based on a collective labour agreement. Salaried employees born in or after 1979 are covered by a defined contribution plan.

The plan in Germany covers both salaried and hourly workers. Under this plan, employees earn a fixed amount for each year in service. The plan has been closed for new employees since 1994.

We continuously work to change our defined benefit plans in DSV Panalpina into defined contribution plans for the benefit of the Group and the employees. In 2019, we have implemented changes in some large countries which have reduced the pension plan assets as well as liabilities. The cost of defined benefit plans was also impacted in 2019.

Key assumptions on the most significant pension plans are as follows:

KEY ASSUMPTIONS 2019	Discount rate	Future wage/salary increase	Future rate of inflation
Sweden	2.6%	2.0%	1.8%
Germany	1.8%	2.1%	1.6%
Other	0.9-8.1%	0.0-10.0%	0.0-2.1%
Weighted average	2.4%	2.3%	1.8%
Mortality prognosis table			
Sweden	DUS14 (w-c)		
Germany	RT Heubeck 2018 G		

KEY ASSUMPTION 2018	Discount rate	Future wage/salary increase	Future rate of inflation
Sweden	2.8%	2.0%	1.5%
Germany	1.8%	2.0%	1.5%
Other	1.0% - 6.8%	0.0% - 10.0%	0.0% - 2.1%
Weighted average	2.4%	2.2%	1.7%
Mortality prognosis table			
Sweden	DUS14 (w-c)		
Germany	RT Heubeck 2018 G		

3.8 Provisions

ACCOUNTING POLICIES

Provisions are recognised when, due to an event occurring on or before the reporting date, the Group has a legal or constructive obligation and it is probable that the Group will have to give up future economic benefits to meet the obligation.

Provisions are measured on the basis of Management's best estimate of the anticipated expenditure for settlement of the relevant obligation and are discounted if deemed material.

MANAGEMENT JUDGEMENTS AND ESTIMATES

Management continually assesses provisions, including contingencies and the likely outcome of pending and potential legal proceedings. The outcome of such proceedings depends on future events, which are, by nature, uncertain.

When considering provisions involving significant estimates, opinions and estimates by external legal experts and existing case law are applied in assessing the probable outcome of material legal proceedings, etc.

PROVISIONS

Provisions have not been discounted, as the effect thereof is immaterial. Provisions are expected to be settled within 2 years in all material respects.

RESTRUCTURING COSTS

Restructuring costs relate mainly to the integration of acquirees and the restructuring plans previously announced, which consist mainly of termination benefits and costs under terminated leases.

DISPUTES AND LEGAL ACTIONS

Provisions for disputes and legal actions relate mainly to probable liabilities taken over at the acquisition of enterprises.

OTHER PROVISIONS

Other provisions relate mainly to restoration obligations in connection with property leases and onerous contracts mainly relating to business combinations.

PROVISIONS (DKKm)	Restructuring costs	Disputes and legal actions	Other	Total
Provisions at 1 January 2019	67	303	669	1,039
Additions for the year	347	126	535	1,008
Additions from acquisitions	249	308	714	1,271
Used for the year	(156)	(111)	(572)	(839)
Adjustment of provisions made in previous years	1	(101)	31	(69)
Currency translation adjustments	(1)	3	27	29
Provisions at 31 December 2019	**507**	**528**	**1,404**	**2,439**
Current/non-current classification:				
Non-current liabilities	47	275	960	1,282
Current liabilities	460	253	444	1,157
Provisions at 31 December 2019	**507**	**528**	**1,404**	**2,439**

Chapter 4

CAPITAL STRUCTURE AND FINANCES

This chapter includes disclosures on the financial basis and exposures of the Group's activities as illustrated by our capital structure and net working capital.

The capital structure is linked to our long-term financial target of a gearing ratio below 2.0xEBITDA and the principles for capital allocation.

In order of priority, the free cash flow is used to reduce the Group's net interest-bearing debt in periods when the gearing ratio exceeds the target, for investments and business combinations, and for share buybacks or distribution to the Company's shareholders.

4.1 Equity

ACCOUNTING POLICIES

Share capital

At year-end, the share capital of DSV Panalpina A/S amounted to 235 million shares with a nominal value of DKK 1 each. In 2019, the share capital was increased by 55.5 million shares and used as consideration for acquiring Panalpina Welttransport (Holding) AG. For additional information on the acquisition please refer to note 5.1.

Shares consist of only one share class and include no special rights, preferences or restrictions. All shares are fully paid up.

RESERVES SPECIFICATION - 2019 (DKKm)	Treasury share reserve	Hedging reserve	Translation reserve	Total reserves
Reserves at 1 January	(10)	(42)	(652)	(704)
Profit for the year	-	-	-	-
Other comprehensive income, net of tax	-	18	417	435
Total comprehensive income for the year	-	18	417	435
Purchase of treasury shares	(7)	-	-	(7)
Sale of treasury shares	2	-	-	2
Capital reduction	9	-	-	9
Reserves at 31 December	**(6)**	**(24)**	**(235)**	**(265)**

RESERVES SPECIFICATION - 2018 (DKKm)	Share premium reserve	Treasury share reserve	Hedging reserve	Translation reserve	Total reserves
Reserves at 1 January	4,744	(6)	(35)	(508)	4,195
Profit for the year	-	-	-	-	-
Other comprehensive income, net of tax	-	-	(7)	(144)	(151)
Total comprehensive income for the year	-	-	(7)	(144)	(151)
Purchase of treasury shares	-	(8)	-	-	(8)
Sale of treasury shares	-	2	-	-	2
Capital reduction	-	2	-	-	2
Transfer to retained earnings	(4,744)	-	-	-	(4,744)
Reserves at 31 December	**-**	**(10)**	**(42)**	**(652)**	**(704)**

4.1 Equity — continued

Reserves
Reserves as presented in the statement of changes in equity comprise share premium reserve, treasury reserve, hedging reserve and translations reserve, and specifies as presented on the previous page.

Share premium reserve
The share premium represents positive differences between the nominal share capital and the amount paid by shareholders for newly issued shares.

The share premium is a distributable reserve.

In 2018, the share premium reserve was transferred to retained earnings.

Treasury share reserve
The reserve comprises the nominal value of treasury shares. The difference between the market price paid and the nominal value plus dividends on treasury shares is recognised directly as retained earnings in equity.

Treasury shares are bought back to meet obligations under the Company's incentive schemes and to adapt the capital structure.

The reserve is a distributable reserve.

Hedging reserve
The hedging reserve comprises the fair value of hedging instruments qualifying for hedge accounting.

Hedge accounting ceases when the hedging instrument matures or if a hedge is no longer effective.

Translation reserve
The reserve comprises foreign currency translation adjustments arising on the translation of net investments and related hedging in entities with a functional currency other than DKK.

The reserve is dissolved upon disposal of entities.

TREASURY SHARES	Market value (DKKm)	% of share capital 1 January	% of share capital 31 December	2019 Million shares of DKK 1 (Nominal value)	2018 Million shares of DKK 1 (Nominal value)
Portfolio, beginning of year	4,286	5.3%	4.2%	10.0	5.9
Cancellation of treasury shares	(4,528)	(4.5%)	(3.6%)	(8.5)	(2.0)
Portfolio of treasury shares less cancelled shares	(242)	0.8%	0.6%	1.5	3.9
Purchased during the year	4,888	3.9%	3.1%	7.0	8.0
Sold during the year	(1,330)	(1.4%)	(1.1%)	(2.4)	(1.9)
Value adjustment	931	-	-	-	-
Portfolio, end of year	**4,247**	**3.3%**	**2.6%**	**6.1**	**10.0**

4.2 Capital structure and capital allocation

CAPITAL STRUCTURE
The capital structure of DSV Panalpina is intended to ensure financial stability for the purpose of reducing the Company's cost of capital and maintaining sufficient financial stability to reach its strategic objectives.

The gearing ratio was 1.8 at 31 December 2019 (2018: 0.9), which was in line with target level. The revised target gearing ratio is below 2.0xEBITDA, but may deviate under extraordinary circumstances, e.g. as a consequence of acquisitions made.

CAPITAL ALLOCATION
The Group aims to spend its free cash flow in the following order of priority:
1. Repayment of net interest-bearing debt in periods when the financial gearing ratio is above target;
2. Value-adding investments in the form of acquisitions or development of the existing business;
3. Distribution to the Company's shareholders by means of share buybacks and dividends.

NET INTEREST-BEARING DEBT
The Group increased its net interest-bearing debt by DKK 12,524 million in 2019 (2018: increase of DKK 256 million).

ACQUISITIONS
The Group had a positive cash flow on acquisitions of DKK 2,101 million in 2019 (2018: DKK -59 million). The positive cash flow is mainly due to the Panalpina acquisition, where a net cash position of DKK 1,975 million was acquired.

DISTRIBUTION TO THE COMPANY'S SHAREHOLDERS
In 2019, the Group spent DKK 4,888 million on the purchase of treasury shares (2018: DKK 4,161 million). DSV Panalpina A/S paid DKK 423 million as dividends (including treasury

4.2 Capital structure and capital allocation — continued

shares) on 15 March 2019, corresponding to DKK 2.25 per share (2018: DKK 380 million, corresponding to DKK 2.00 per share). It is proposed to distribute a dividend of DKK 2.50 per share for 2019 (2018: DKK 2.25).

CASH AND CAPITAL RESTRICTIONS

Cash and cash equivalents comprise cash on hand and short-term liquid assets that are readily convertible to cash. Of total cash and cash equivalents, DKK 1,447 million (2018: DKK 883 million) are subject to restrictions implying that the cash may not be readily available for general use or distribution by the Group. Major types of cash and capital restrictions specify as follows:

CASH AND CAPITAL RESTRICTIONS (DKKm)	2019	2018
Exchange control restrictions	1,299	740
Insurance collaterals	141	136
Other collaterals	7	7
Total	**1,447**	**883**

Exchange control restrictions

Exchange control restrictions comprise cash balances in countries where various forms of foreign exchange controls or other legal restrictions apply. While the cash balances are available for the daily operations of the local entities, the balances cannot be immediately repatriated to the ultimate parent company in Denmark (DSV Panalpina A/S).

Insurance collaterals

Insurance collaterals constitutes security for outstanding insurance contracts sold to customers by DSV Insurance. The amount is regulated and measured in accordance with laws and regulations issued by the Danish Financial Supervisory Authority.

4.3 Financial liabilities

ACCOUNTING POLICIES

The financial liabilities of the Group are divided into four financing categories: bank loans and credit facilities, issued bonds, finance lease liabilities and other financial liabilities.

Bank loans and other borrowings and loans obtained through the issuance of bonds are initially recognised at fair value net of transaction expenses.

Subsequently, the financial liability is measured at amortised cost, corresponding to the capitalised value using the effective interest method, so that the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Lease obligations relating to finance leases are described in further detail in note 3.6.

Other liabilities are measured at amortised cost, which, in all essentials, corresponds to the net realisable value.

FINANCIAL LIABILITIES (DKKm)	2019	2018
Non-current liabilities	15,691	6,593
Current liabilities	4,905	545
Total	**20,596**	**7,138**

FINANCIAL LIABILITIES FINANCING ACTIVITIES 2019 (DKKm)	Beginning of year	Cash flow	Non-cash change: Acquisition	Non-cash change: Currency effects	Non-cash change: Other	End of year
Loans and credit facilities	2,895	(145)	69	48	-	2,867
Issued bonds	3,972	-	1,070	12	(8)	5,046
Lease liabilities*	10,896	(3,133)	2,217	(10)	2,642	12,612
Total liabilities from financing activities	**17,763**	**(3,278)**	**3,356**	**50**	**2,634**	**20,525**
Other non-current liabilities	79					71
Total financial liabilities	**17,842**					**20,596**

* Includes opening balance effect of DKKm 10,704 related to implementation of IFRS 16.

FINANCIAL LIABILITIES FINANCING ACTIVITIES 2018 (DKKm)	Beginning of year	Cash flow	Non-cash change: Acquisition	Non-cash change: Currency effects	Non-cash change: Other	End of year
Loans and credit facilities	2,027	855	-	13	-	2,895
Issued bonds	4,713	(750)	-	5	4	3,972
Lease liability	217	(25)	-	-	-	192
Total liabilities from financing activities	**6,957**	**80**	**-**	**18**	**4**	**7,059**
Other non-current liabilities	29					79
Total financial liabilities	**6,986**					**7,138**

4.4 Financial risks

LIQUIDITY RISK

The cash readiness of the Group is ensured through short and long-term credit facilities from the main banks of the Group and through the issuance of bonds. The purpose of issuing bond loans is to diversify the Group's long-term debt, making the Group less dependent on bank loans.

The Group's bank and bond loans are subject to standard clauses, according to which the Group's debt must be repaid in case of a change of control. The long-term credit facilities with banks are furthermore subject to one covenant. The covenant relates to the gearing ratio of the Group and is reported on every quarter. The covenant has not been breached in 2019.

The total duration of the Group's long-term loan commitments and the amounts drawn on its credit lines at 31 December 2019 are shown in the accompanying table. Furthermore, a maturity analysis has been provided based on contractual cash flows, including estimated interest payments. The amounts have not been discounted and as such do not reconcile directly to the balance sheet.

FOREIGN CURRENCY RISK

Due to its global activities, the Group is exposed to exchange rate fluctuations to a certain extent. DSV Panalpina seeks to eliminate foreign currency risks by hedging currency exposures centrally via the Group's Treasury department. The risk exposure is managed on a net basis, primarily by using foreign exchange forward contracts.

The Group's foreign subsidiaries are not affected where trading income and costs are denominated in the local functional currency. This applies to a large part of the Group's subsidiaries. Furthermore, a large proportion of the income and expenses of the Group are denominated in EUR, and the total foreign currency risk is therefore limited.

Commitments and amounts drawn on long-term credit facilities at 31 December 2019:

LOAN FACILITIES	Amount (EURm)	Amount (DKKm)	Expiry of commitments	Duration (years)	Undrawn
Long-term loan I	200	1,494	31-01-2023	3.1	984
Long-term loan II	180	1,345	31-12-2021	2.0	747
Long-term loan III	100	747	31-01-2023	3.1	747
Long-term loan IV	100	747	28-02-2022	2.2	583
Long-term loan V	125	934	28-02-2023	3.2	336
Long-term loan VI	75	560	18-12-2021	2.0	272
Bond loan I	100	750	18-03-2022	2.2	-
Bond loan II	100	750	18-03-2022	2.2	-
Bond loan III	200	1,494	20-09-2024	4.7	-
Bond loan IV	138	1,031	12-12-2022	3.0	-
Total and weighted duration	**1,318**	**9,852**		**2.9**	**3,669**

The Group's financial liabilities fall due as follows:

FINANCIAL LIABILITIES – MATURITY 2019 (DKKm)	Carrying amount	Total cash flow, including interest	0-1 year	1-5 years	> 5 years
Loans and credit facilities	2,867	2,950	566	2,384	-
Issued bonds	5,046	5,279	1,096	4,183	-
Lease liabilities	12,612	14,451	3,654	7,560	3,237
Trade payables	9,783	9,783	9,783	-	-
Interest rate derivatives	44	47	4	43	-
Total	**30,352**	**32,510**	**15,103**	**14,170**	**3,237**

FINANCIAL LIABILITIES – MATURITY 2018 (DKKm)	Carrying amount	Total cash flow, including interest	0-1 year	1-5 years	> 5 years
Loans and credit facilities	2,895	2,906	388	2,518	-
Issued bonds	3,972	4,371	155	2,705	1,511
Lease liabilities	192	220	69	151	-
Trade payables	7,646	7,646	7,646	-	-
Interest rate derivatives	44	48	5	43	-
Total	**14,749**	**15,191**	**8,263**	**5,417**	**1,511**

4.4 Financial risks — continued

The Group is also exposed to foreign currency risks, partly on the translation of debt denominated in foreign currency other than the functional currency and partly on the translation of net investments in enterprises with a functional currency other than DKK. The former risk affects profit before tax. However, where debt is classified as hedging of net investments in foreign subsidiaries, fair value adjustments are recognised directly in equity under other comprehensive income. On recognition of net investments in foreign subsidiaries, the Group is exposed to a translation risk when the profit or loss and equity of foreign subsidiaries are translated into DKK at the reporting date based on the average rates of exchange and the closing rates. The need to hedge the Parent's net investments in subsidiaries is assessed on a regular basis. It is DSV Panalpina Group policy to reduce net investments in Group subsidiaries on an ongoing basis by distributing the subsidiaries' profits as dividends.

The Group hedges booked external net currency positions and currencies with larger expected short-term operational cash flows for up to 9 months. At year-end 2019, 72% of expected 9-month cash flows in USD and 60% in CNY were hedged.

As hedge accounting is only applied to a limited extent, and we do not hedge currency exposure related to intra-group balances with no underlying cash flow impact, significant changes in currency rates, especially CHF/DKK and USD/DKK, will result in more fluctuations in reported financial items. Unhedged intra-group balances at 31 December are highlighted in the main currency exposures table to the right.

In general, the Group does not hedge EUR positions as it expects that the official Danish fixed exchange-rate policy against the EUR will continue.

The sensitivity analysis of foreign currency exposures below shows the effect of a 5% change in average exchange rates for the year on profit/loss (EBIT) and the effect of a 5% change in year-end closing rates on other comprehensive income. The calculation method applied in the sensitivity analysis is unchanged compared to previous years.

MAIN CURRENCY EXPOSURES

	Unhedged intra-group balances				Currency exposures – sensitivity analysis			
	2019		2018		2019		2018	
(DKKm)	Net position	Impact on profit/loss	Net position	Impact on profit/loss	Impact on profit/loss	Impact on OCI	Impact on profit/loss	Impact on OCI
EUR/DKK	(12,839)	(642)	(6,939)	347	77	522	80	465
CHF/DKK	(9,556)	(478)	(130)	(6)	18	600	2	6
USD/DKK	3,995	200	1,977	99	68	162	55	349
CNY/DKK	(879)	(44)	(922)	46	31	25	30	25
SEK/DKK	(315)	(16)	(423)	21	11	8	6	16
CAD/DKK	(307)	(15)	(290)	(14)	11	17	4	12
Total	**n.a.**	**(995)**	**n.a.**	**493**	**216**	**1,334**	**177**	**873**

LOAN AND CREDIT FACILITIES

	2019			2018		
(DKKm)	Carrying amount	Fixed/floating interest rate	Expiry	Carrying amount	Fixed/floating interest rate	Expiry
Bank loans	1,985	Fixed/floating	2020-2023	2,394	Floating	2020-2022
Bond loans	5,046	Fixed/floating	2020-2024	3,972	Fixed/floating	2020-2024
Convertible bonds	-	-	-	50	Fixed	2019
Overdraft facility	882	Floating	2020-2023	451	Floating	2019
Loans and credit facilities at 31 December	**7,913**			**6,867**		
Current/non-current classification:						
Non-current liabilities	6,393			6,416		
Current liabilities	1,520			451		

4.4 Financial risks — continued

INTEREST RATE RISK

The most significant interest rate risk relates to the long-term floating-rate loans raised by the Parent. These loans are converted to fixed-rate loans by using mainly interest rate swaps with a duration of up to 120 months.

The Group's loans and credit facilities break down as shown on the previous page.

It is DSV Panalpina Group policy that the average period of fixed interest rates on the Group's net borrowings must be at least 12 months, but not more than 36 months at any time.

At year-end 2019, 73% (2018: 49%) of Group borrowings were secured either through fixed rate loans or other hedge transactions. The duration of hedges relating to net borrowings of the Group was 34 months (2018: 31 months).

The weighted average interest rate on the Group's loans, credit facilities and interest rate hedging was 1.6% end of 2019 (2018: 1.8%).

A 1 percentage point increase in interest rates would reduce profit for the year by DKK 15 million (2018: DKK 21 million) and increase/reduce other comprehensive income by DKK 30 million (2018: DKK 40 million), based on average NIBD for 2019. The calculation method applied in the sensitivity analysis is unchanged compared to previous years.

CREDIT RISK

The Group's credit risks mainly relate to trade receivables. The Group is not dependent on particular customer segments or any specific customers, and all customers are subjected to individual credit assessments and credit limits in accordance with the Group Credit Policy. As a result, the credit risk of the Group is generally considered insignificant.

The Group mainly hedges credit risks through the use of credit insurance.

For a limited number of customers, the Group uses non-recourse factoring. At the end of 2019, non-recourse factoring amounted to DKK 1,402 million.

DSV Panalpina is exposed to counterparty credit risk when entering into derivative financial instruments. In order to reduce this risk, DSV Panalpina only enters into derivative financial instruments with the existing banks of the Group whose credit ratings from Standard & Poor's are long-term A or higher.

As a general rule, the Group only makes short-term deposits with banks rated short-term A-2 or higher by Standard & Poor's and/or as P-2 or higher by Moody's.

Impairment of trade receivables

Impairment of trade receivables are assessed on an ongoing basis and insurance policies taken out for the majority of these.

At 31 December 2019, credit insurances amounted to DKK 10,010 million, corresponding to 54.8% of total trade receivables (2018: DKK 10,360 million or 78.2%).

Loss allowances for impaired trade receivables are provided for following an expected credit loss model. The model includes uninsured trade receivables and also factors in any own risk on insured receivables.

Expected credit loss at 31 December 2019 is presented in the following table:

EXPECTED CREDIT LOSS (DKKm)	Carrying amount	Expected loss rate (%)	Loss allowance
Current	14,502	0.3%	44
Overdue 1-30 days	2,554	1.9%	49
Overdue 31-60 days	650	7.1%	46
Overdue 61-90 days	307	12.7%	39
Overdue 91-120 days	175	21.1%	37
Overdue >121 days	574	51.4%	295
Total	**18,762**		**510**

Current receivables are considered to have high creditworthiness with a low risk of loss.

The loss allowance provision for the year is specified below:

LOSS ALLOWANCE PROVISION (DKKm)	2019	2018
Provision at 1 January	240	227
Addition from acquisitions	289	-
Adjustments for the year	140	201
Losses recognised	(44)	(68)
Reversal of provisions from previous years	(115)	(119)
Currency translation adjustments	-	(1)
Provision at 31 December	**510**	**240**

Impairment losses on trade receivables for 2019 amounted to DKK 44 million, corresponding to 0.05% of consolidated revenue (2018: DKK 68 million, or 0.09%).

4.5 Derivative financial instruments

ACCOUNTING POLICIES

Derivative financial instruments are recognised on the trade date and are measured at fair value. Positive and negative fair values are included in other current receivables or other current payables in the balance sheet. Positive and negative fair values are only offset if the Group has a right and an intention to settle several financial instruments net (by means of settlement of differences). Fair value is determined based on generally accepted valuation methods using available observable market data.

When entering into contracts for financial instruments, an assessment is made of whether the instrument qualifies for hedge accounting, including whether the instrument hedges recognised assets and liabilities or net investments in foreign entities. The effectiveness of recognised financial instruments is assessed on a monthly basis, and any ineffectiveness is recognised in the income statement.

Fair value changes which are classified as and fulfil the criteria for recognition as a fair value hedge are recognised in the income statement together with changes in the value of the part of the asset or liability that has been hedged.

Fair value changes in the part of the derivative which is classified as and qualifies for recognition as a future cash flow hedge and which effectively hedges against changes in the value of the hedged item are recognised in other comprehensive income as a separate hedging reserve.

When the underlying hedged item is realised, any gain or loss on the hedging transaction is transferred from equity and recognised together with the hedged item.

Fair value changes that do not meet the criteria for treatment as hedging instruments are recognised on an ongoing basis in the income statement under financials.

FOREIGN CURRENCY RISK HEDGING

The Group mainly uses foreign exchange forward contracts to hedge foreign currency risks. The main currencies hedged are CNY and USD. The foreign exchange forward contracts are used as fair value hedges of currency exposures relating to external balance sheet assets and liabilities as well as expected short-term operational cash flows.

A loss on hedging instruments of DKK 78 million was recognised in the income statement for 2019 (2018: a gain of DKK 17 million). In the same period, a loss of DKK 110 million was recognised relating to assets and liabilities (2018: a gain of DKK 43 million). The net loss in 2019 primarily relates to unhedged intercompany positions.

INTEREST RATE RISK HEDGING

The Group has obtained long-term loans on a floating rate basis, implying that the Group is exposed to interest rate fluctuations.

The Group mainly uses interest rate swaps to hedge future cash flows relating to interest rate risks. Thereby, floating-rate loans are converted to fixed-rate financing.

The weighted average effective interest rate for existing interest rate instruments used as hedges of long-term loans was 0.9% at the reporting date (2018: 0.9%).

EXTERNAL HEDGING INSTRUMENTS (DKKm)	2019			2018		
	Currency instruments	Interest rate instruments	Total	Currency instruments	Interest rate instruments	Total
Contractual value	5,623	1,219	6,842	8,749	1,226	9,975
Maturity (year)	2020	2020-2023		2019-2020	2020-2023	
Fair value	26	(44)	(18)	32	(44)	(12)
Of which recognised in income statement	21	-	21	39	-	39
Of which recognised in OCI	5	(44)	(39)	(7)	(44)	(51)

4.6 Earnings per share

EARNINGS PER SHARE (DKKm)	2019 Carrying amount	2018 Carrying amount
Profit for the year	3,706	3,988
Non-controlling interests' share of consolidated profit for the year	6	(12)
DSV Panalpina A/S shareholders' share of profit for the year	**3,700**	**4,000**
Amortisation of customer relationships	102	28
Share-based payment	117	93
Special items, net	800	-
Related tax effect	(263)	(28)
Adjusted profit for the year	**4,456**	**4,093**
('000 shares)		
Total average number of shares	206,415	188,548
Average number of treasury shares	(8,142)	(6,456)
Average number of shares in circulation	198,273	182,092
Average dilutive effect of outstanding share options under incentive schemes	3,132	3,195
Diluted average number of shares in circulation	**201,405**	**185,287**
Earnings per share of DKK 1	18.7	22.0
Diluted earnings per share of DKK 1	18.4	21.6
Adjusted earnings per share of DKK 1	22.5	22.5
Diluted adjusted earnings per share of DKK 1	22.1	22.1

DILUTED AVERAGE NUMBER OF SHARES

Diluted earnings per share and diluted adjusted earnings per share have been calculated excluding out-of-the money share options. The number of out-of-the money share options was 0 in 2019 (2018: 0).

4.7 Financial instruments - fair value hierarchy

FAIR VALUE HIERARCHY BY CATEGORY

DSV Panalpina has no financial instruments measured at fair value based on level 1 input (quoted active market prices) or level 3 input (non-observable market data).

All financial instruments are measured based on level 2 input (input other than quoted prices that are observable either directly or indirectly).

Derivative financial instruments

The fair value of currency and interest rate derivatives is determined based on generally accepted valuation methods using available observable market data. Calculated fair values are verified against comparable external market quotes on a monthly basis.

Financial liabilities measured at amortised cost

The carrying value of financial liabilities measured at amortised cost is not considered to differ significantly from fair value.

Trade receivables, trade payables and other receivables

Receivables and payables pertaining to operating activities and with short churn ratios are considered to have a carrying value equal to fair value.

Financial instruments are categorised as follows:

FINANCIAL INSTRUMENTS BY CATEGORY (DKKm)	2019 Carrying amount	2018 Carrying amount
Financial assets:		
Currency derivatives	26	32
Trade receivables	18,252	13,252
Other receivables	3,904	1,953
Cash and cash equivalents	2,043	1,158
Financial assets measured at amortised cost	24,199	16,363
Financial liabilities:		
Interest rate derivatives	44	44
Issued bonds measured at amortised cost	5,046	3,972
Loans and credit facilities	2,867	2,895
Lease liabilities	12,612	192
Trade payables	9,783	7,646
Financial liabilities measured at amortised cost	30,308	14,705

Chapter 5

OTHER NOTES

This chapter includes disclosures on other statutory information not directly related to the operating activities of the Group.

The chapter describes the acquisition and disposal of entities during the year, tax on activities, contingent liabilities and security for debt, and transactions with Group Management, auditors and other related parties.

5.1 Acquisition and disposal of entities

ACCOUNTING POLICIES

When accounting for business combinations, the acquisition method is applied in accordance with IFRS 3.

Acquirees are recognised in the consolidated financial statements from the date of acquisition. The date of acquisition is the date on which DSV Panalpina obtains control of the company. Entities disposed of are recognised in the consolidated financial statements until the date of disposal. The date of disposal is the date on which DSV Panalpina surrenders control of the company.

The consideration transferred as payment for the acquiree consists of the fair value of assets transferred, liabilities incurred to former owners of the acquiree and equity instruments issued. Contingent considerations dependent on future events or the performance of contractual obligations are also recognised at fair value and form part of the total consideration transferred. Fair value changes in contingent considerations are recognised in the income statement until final settlement.

Identifiable assets, liabilities and contingent liabilities of the acquiree are measured at fair value at the date of acquisition by applying relevant valuation methods. Identifiable intangibles are recognised if they are separable or arise from a contractual right. Deferred tax is recognised for identifiable tax benefits existing at the date of acquisition and from the perspective of the new combined Group in compliance with local tax legislation.

The excess of the total consideration transferred, value of non-controlling interests and the fair value of any equity investments previously held in the acquiree over the total identifiable net assets measured at fair value are recognised as goodwill.

If measurement of the identifiable net assets is uncertain at the date of acquisition, initial recognition is done based on provisional amounts. Measurement period adjustments to the provisional amounts may be done for up to 12 months following the date of acquisition. The effects of cross-period measurement period adjustments are recognised in equity at the beginning of the financial year, and comparative figures are restated.

After the end of the measurement period, goodwill is no longer adjusted. Transaction costs inherent from the acquisition are recognised in the income statement when incurred.

Goodwill and fair value adjustments arising from the acquisition of an acquiree whose functional currency differs from the presentation currency of the Group are translated into the functional currency of the foreign entity using the exchange rate ruling at the date of acquisition.

Other than cross-period measurement period adjustments, comparative figures are not adjusted when acquiring or disposing of entities.

MANAGEMENT JUDGEMENTS AND ESTIMATES

In applying the acquisition method of accounting, estimates are an integral part of assessing fair values of several identifiable assets acquired and liabilities assumed, as observable market prices are typically not available.

Valuation techniques where estimates are applied typically relate to determining the present value of future uncertain cash flows or assessing other events in which the outcome is uncertain at the date of acquisition.

More significant estimates are typically applied in accounting for property, plant and equipment, customer relationships, trade receivables, deferred tax, debt and contingent liabilities. As a result of the uncertainties inherent in fair value estimation, measurement period adjustments may be applied.

5.1 Acquisition and disposal of entities — continued

BUSINESS COMBINATIONS IN 2019

On 19 August 2019, DSV acquired Panalpina Welttransport (Holding) AG (Panalpina) via a public exchange offer.

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 CHF 6 billion in 2018 and operated a global network with some 500 offices in more than 70 countries and 14,000 employees worldwide.

Strategic rationale and synergies

The combination with Panalpina is expected to increase the Group's annual revenue by close to 50%, which will rank the combined companies in the industry top four with a pro forma revenue of approximately DKK 120 billion, a combined workforce of more than 60,000 employees and own operations in more than 80 countries.

DSV and Panalpina is 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 (TEU's) and more than 1.7 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 meters. DSV's road network will be a strong addition to Panalpina's existing service offerings.

Furthermore, the combination will increase our activities in the APAC and the Americas region thereby further extending our geographical reach.

Consideration transferred

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

A total of 55,526,507 DSV shares have been exchanged at a fair value of DKK 35,270 million based on the acquisition date share closing price of DKK 635.20 on Nasdaq Copenhagen. Fractional DSV shares have been settled in cash.

The total consideration transferred amounts to DKK 35,829 million. Adjusted for the fair value of cash and cash equivalents acquired of DKK 1,975 million, the net consideration amounts to DKK 33,854 million.

Earnings impact

The Panalpina acquisition have contributed revenues of approximately DKK 13,806 million and operating profit before special items of approximately DKK 234 million to the Group for the period 19 August 2019 to 31 December 2019.

If the acquisition had occurred on 1 January 2019, consolidated pro forma revenue and operating profit before special items of the combined DSV Panalpina Group for the period ended 31 December 2019 would have been approximately DKK 120 billion and DKK 7.1 billion, respectively.

Transaction costs

Total transaction costs recognised amount to DKK 117 million, of which DKK 104 million have been recognised as special items cost in the income statement and DKK 13 million recognised in equity in relation to issuing 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 relates to valuation of IT systems, customer relationships and various other provisions. In addition, other smaller adjustments may be applied to the various net asset categories as full alignment to DSV Panalpina accounting policies is finalised.

5.1 Acquisition and disposal of entities — continued

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

NET ASSETS AND GOODWILL RECOGNISED (DKKm)	Fair value at date of acquisition
Customer relationships	732
Other intangible assets	7
Right-of-use assets	2,217
Property, plant and equipment	688
Trade receivables	6,665
Contract assets	1,146
Inventories	-
Deferred tax assets	853
Other receivables	622
Cash and cash equivalents	1,975
Total assets	**14,905**
Lease liabilities	2,217
Borrowings	1,109
Provisions	1,271
Pensions and similar obligations	757
Trade payables	2,591
Accrued cost of services	3,258
Deferred tax liabilities	230
Corporation tax	435
Other payables	1,731
Total liabilities	**13,599**
NCI share of acquired net assets	6
Acquired net assets	**1,300**
Fair value of total consideration transferred	35,829
Goodwill arising from the acquisition	**34,529**

The fair value of acquired trade receivables, contract assets and other receivables amounts to DKK 8,433 million. Collectability of receivables has been assessed based on credit assessment policies, and provisions have been made for expected credit losses on trade receivables of a total of DKK 289 million.

Contingent liabilities recognised are presented within the provisions line item and further described in note 3.8.

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 estimates have been applied in the fair value assessment have been 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 valuated using a peer-group WACC. In total, customer relationships amounting to DKK 732 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 have 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 Panalpina borrowing rate, unless the discount effect is insignificant. A DSV Panalpina borrowing rate has been applied as DSV Panalpina vouches for the acquired debt, and as such the credit enhancement of the Group has been applied in the valuation.

5.2 Tax

ACCOUNTING POLICIES

Current tax

Current tax payable and receivable is recognised in the balance sheet as tax calculated on the taxable income for the year adjusted for tax on taxable income for previous years and for prepaid tax.

Tax for the year

Tax for the year comprises current and deferred tax on profit or loss for the year, interest expenses related to pending tax disputes and adjustments to previous years, including adjustments due to tax rulings.

Tax for the year is recognised in the income statement, unless the tax expense relates directly to items included in other comprehensive income or equity.

Deferred tax

Deferred tax is recognised based on temporary differences between the carrying amount and the tax value of assets and liabilities. No recognition is made of deferred tax on temporary differences relating to amortisation or depreciation of goodwill, properties and other items if disallowed for tax purposes if, except at the acquisition of enterprises, such temporary differences arose on the date of acquisition without affecting the results or the taxable income. In cases where it is possible to calculate the tax value according to different taxation rules, deferred tax is measured on the basis of the planned use of the asset or the settlement of the liability.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised as other non-current assets at the expected value of their utilisation, either by elimination in tax on future earnings or by offsetting deferred tax liabilities within the same legal tax entity and jurisdiction.

Deferred tax assets and tax liabilities are offset if the enterprise has a legally enforceable right to set off current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets on a net basis or to realise the assets and liabilities simultaneously.

Deferred tax is adjusted for elimination of unrealised intra-group gains and losses. Deferred tax is measured on the basis of the tax rules and tax rates of the relevant countries that will be effective under current legislation at the reporting date on which the deferred tax is expected to crystallise as current tax.

MANAGEMENT JUDGEMENTS AND ESTIMATES

Management apply significant estimates when recognising and measuring deferred tax assets.

Deferred tax assets, including the tax base of tax loss carryforwards are recognised if it is assessed that there will be sufficient future taxable income against which the temporary differences and unutilised tax losses can be utilised. This assessment is based on budgets and business plans for the following years, including planned business initiatives.

TAX FOR THE YEAR

(DKKm)	2019	2018
Tax for the year is disaggregated as follows:		
Tax on profit for the year	1,290	1,213
Tax on other changes in equity	(412)	(1)
Tax on other comprehensive income	11	(13)
Total tax for the year	**889**	**1,199**
Tax on profit for the year is calculated as follows:		
Current tax	1,352	1,197
Deferred tax	9	46
Tax adjustment relating to previous years	(71)	(30)
Total tax on profit for the year	**1,290**	**1,213**
Tax on other comprehensive income specifies as follows:		
Fair value adjustment of hedging instruments	(1)	(2)
Actuarial gains/(losses)	(10)	15
Total	**(11)**	**13**

TAX RATE

(%)	2019	2018
Tax rate specifies as follows:		
Calculated tax on profit for the year before tax	22.0%	22.0%
Adjustment of calculated tax in foreign Group enterprises relative to 22.0%	0.6%	3.8%
Change in deferred tax from change in income tax rate	1.7%	0.6%
Tax effect of:		
Non-deductible expenses/ non-taxable income	2.2%	(2.0%)
Non-deductible losses/non-taxable gains on shares	(0.1%)	-
Tax adjustment relating to previous years	(1.4%)	(0.6%)
Tax asset valuation adjustments, net	(2.0%)	(2.8%)
Other taxes and adjustments	2.8%	2.3%
Effective tax rate	**25.8%**	**23.3%**

5.2 Tax — continued

Deferred tax assets are tested annually and are only recognised if likely to be utilised.

When considering tax and duties disputes, Management apply significant estimates of the likely outcome based on the knowledge available of the actual substance of the disputes, including opinions and estimates by external tax experts and case law, if available. The resolution of disputes may take several years, and the outcome is subject to considerable uncertainty.

DEFERRED TAX RECOGNISED IN THE BALANCE SHEET (DKKm)	2019	2018
Deferred tax at 1 January*	801	883
Deferred tax for the year	(9)	(46)
Tax adjustment relating to previous years	79	(52)
Tax on changes in equity	401	16
Additions from business combinations	623	-
Other adjustments	(186)	(138)
Deferred tax at 31 December	**1,709**	**663**

* Includes opening balance effect of DKKm 138 related to implementation of IFRS 16

DEFERRED TAX NOT RECOGNISED IN THE BALANCE SHEET (DKKm)	2019	2018
Temporary differences	37	10
Tax loss carryforwards	848	639
Total tax assets not recognised	**885**	**649**

Of tax loss carryforwards, DKK 848 million may be carried forward indefinitely.

The deferred tax assets and liabilities recognised are allocated to the following items:

DEFERRED TAX ALLOCATION 2019 (DKKm)	Intangible assets	PPE and ROU assets	Provisions	Other liabilities	Tax base of tax loss carry-forwards	Total
Deferred tax at 1 Januar*	(171)	(2,042)	546	1,983	485	801
Recognised in profit/loss	(35)	228	(360)	(4)	241	70
Recognised in equity	-	-	412	(11)	-	401
Additions from business combinations	(159)	43	386	31	322	623
Other adjustments	-	9	-	(14)	(199)	(204)
Currency translation adjustments	1	-	4	4	9	18
Deferred tax at 31 December	**(364)**	**(1,762)**	**988**	**1,989**	**858**	**1,709**
Balance sheet classification:						
Deferred tax assets	(190)	(1,437)	1,103	1,842	846	2,164
Deferred tax liabilities	(174)	(325)	(115)	147	12	(455)

* Includes opening balance effect of DKKm 138 related to implementation of IFRS 16

DEFERRED TAX ALLOCATION 2018 (DKKm)	Intangible assets	PPE and ROU assets	Provisions	Other liabilities	Tax base of tax loss carry-forwards	Total
Deferred tax at 1 January	(170)	(206)	699	25	535	883
Recognised in profit/loss	(1)	48	(160)	(67)	82	(98)
Recognised in equity	-	-	15	1	-	16
Other adjustments	-	-	-	-	(131)	(131)
Currency translation adjustments	-	1	(8)	1	(1)	(7)
Deferred tax at 31 December	**(171)**	**(157)**	**546**	**(40)**	**485**	**663**
Balance sheet classification:						
Deferred tax assets	(169)	27	460	67	466	851
Deferred tax liabilities	(2)	(184)	86	(107)	19	(188)

5.3 Share option schemes

ACCOUNTING POLICIES

The value of employee services received in exchange for share options granted corresponds to the fair value of the share options at the date of grant.

Share option schemes are equity settled, measured at the grant date and recognised in the income statement as staff costs over the vesting period. The offsetting item is recognised directly in equity.

The fair value of the options granted is determined based on the Black & Scholes valuation model. The assumptions used in the valuation takes into account the terms and conditions applicable to the options granted and Management's expectations of the various parameters on which the valuation model is based.

On initial recognition, an estimate is made of the number of share options that the employees are expected to earn. The estimated number of share options is adjusted subsequently to reflect the actual number of share options earned.

The estimated volatility is based on the historical volatility over the preceding three years adjusted for any unusual circumstances during the period.

The valuation of the share options granted in 2019 and 2018 is based on the assumptions disclosed in the following table:

ASSUMPTIONS	2019	2018
Share price	545.0	477.5
Volatility	16.0%	16.0%
Risk-free interest rate	0.0%	0.3%
Expected dividends	1.0%	1.0%
Expected remaining life (years)	3.5	3.5

CURRENT SHARE OPTION SCHEMES

Scheme	Options granted	Exercise period	Exercise price	Number of employees	Market value at date of grant (DKKm)
2015	2,168,000	03.04.2018 - 31.03.2020	215.0	1,164	39.7
2016	2,702,000	01.04.2019 - 31.03.2021	274.3	1,546	76.5
2017	2,723,500	01.04.2020 - 31.03.2022	357.0	1,574	101.8
2018	2,733,500	28.03.2021 - 28.03.2023	477.5	1,600	118.2
2019	2,735,000	29.03.2022 - 27.03.2024	545.0	1,624	141.7

SHARE OPTION SCHEMES AT 31 DECEMBER 2019

Scheme	Board of Directors	Executive Board	Senior staff	Total	Average exercise price per option
2015	-	-	162,700	162,700	215.0
2016	-	190,000	700,000	890,000	274.3
2017	-	190,000	2,396,000	2,586,000	357.0
2018	-	190,000	2,461,000	2,651,000	477.5
2019	-	190,000	2,509,000	2,699,000	545.0
Outstanding at 31 December 2019	**-**	**760,000**	**8,228,700**	**8,988,700**	**438.2**
Exercise period open at 31 December 2019	-	190,000	862,700	1,052,700	265.1
Life (years)	-	2.8	3.0	3.0	n.a.
Market value (DKKm)	-	262.2	2,607.3	2,869.5	n.a.

5.3 Share option schemes — continued

SHARE OPTION SCHEMES

DSV Panalpina has launched incentive share-based payment schemes with the purpose of motivating and retaining senior staff and members of the Executive Board.

Retention is motivated by requiring continued service for a period covering the vesting period as a minimum. The schemes are also intended to align the interests of employees and shareholders.

All active schemes entail a three-year vesting period and a two-year exercise period. In case of a change of control, all outstanding share options will vest. Exercise prices are set based on the quoted market prices leading up to the date of grant. The share options can be exercised by cash purchase of shares only. The obligation relating to the schemes is partly covered by the Company's treasury shares.

Share options are granted pursuant to the procedures laid down in the Group's Remuneration Policy applicable in the relevant year.

A total of 2,010 employees held share options at 31 December 2019 (2018: 1,951 employees).

Total costs recognised in 2019 for services received not recognised as an asset amounted to DKK 117 million (2018: DKK 93 million).

The average share price for options exercised in the financial year was DKK 619.1 per share at the date of exercise (2018: DKK 508.3 per share).

OUTSTANDING SHARE OPTIONS	Board of Directors [1]	Executive Board	Senior staff	Total	Average exercise price per option
Outstanding at 1 January 2018	32,000	720,000	7,421,200	8,173,200	274.1
Granted	-	190,000	2,543,500	2,733,500	477.5
Exercised	(32,000)	(170,000)	(1,705,000)	(1,907,000)	195.1
Options waived/expired	-	-	(131,500)	(131,500)	321.4
Outstanding at 31 December 2018	**-**	**740,000**	**8,128,200**	**8,868,200**	**353.1**
Outstanding at 1 January 2019	-	740,000	8,128,200	8,868,200	353.1
Granted	-	190,000	2,545,000	2,735,000	545.0
Exercised	-	(170,000)	(2,285,000)	(2,455,000)	250.7
Options waived/expired	-	-	(159,500)	(159,500)	420.7
Outstanding at 31 December 2019	**-**	**760,000**	**8,228,700**	**8,988,700**	**438.2**

1) A member of the Board of Directors has previously received share options in the Director's former capacity as senior staff member at DSV.

SHARES HELD BY MEMBERS OF THE EXECUTIVE BOARD AND THE BOARD OF DIRECTORS	Shares held at 1 January 2019	Shares purchased	Shares sold	Shares held at 31 December 2019	Market value (DKKm)
Jens Bjørn Andersen[1]	50,000	100,000	(100,000)	50,000	38.4
Jens H. Lund[2]	39,335	70,000	(70,000)	39,335	30.2
Thomas Plenborg	5,099	-	-	5,099	3.9
Annette Sadolin	9,503	-	-	9,503	7.3
Robert S. Kledal	2,000	-	-	2,000	1.5
Jørgen Møller	1,445	460	-	1,905	1.5
Birgit W. Nørgaard	1,150	-	-	1,150	0.9
Marie-Louise Aamund	-	800	-	800	0.6
Beat R. Walti[3]	-	741	-	741	0.6
Total	**108,532**	**172,001**	**(170,000)**	**110,533**	**84.9**

1) Of which 50,000 shares are held in a custody account in the name of a related party.
2) Of which 31,200 shares are held in a custody account in the name of a related party.
3) Shares purchased relate to the conversion of Panalpina shares to DSV shares under the Public Exchange Offer.

5.4 Remuneration of the Executive Board and the Board of Directors

EXECUTIVE BOARD

The members of the Executive Board are subject to a notice period of up to 24 months. Remuneration of the members of the Executive Board and the Board of Directors complies with the principles of the Company's Remuneration Policy.

The aggregate remuneration for the members of the Executive Board for 2019 was DKK 36.7 million (2018: DKK 32.9 million). The remuneration of the Executive Board breaks down as follows:

EXECUTIVE BOARD REMUNERATION (DKKm)	2019		
	Jens Bjørn Andersen	Jens H. Lund	Total
Fixed salary	11.9	8.8	20.7
Pension	4.3	3.7	8.0
Share-based payment	4.6	3.4	8.0
Total	**20.8**	**15.9**	**36.7**

EXECUTIVE BOARD REMUNERATION (DKKm)	2018		
	Jens Bjørn Andersen	Jens H. Lund	Total
Fixed salary	8.4	6.0	14.4
Pension	3.3	2.5	5.8
Bonus	3.5	2.7	6.2
Share-based payment	3.8	2.7	6.5
Total	**19.0**	**13.9**	**32.9**

BOARD OF DIRECTORS

The aggregate remuneration for the Board of Directors of DSV Panalpina A/S for 2019 was DKK 6.1 million (2018: DKK 5.6 million).

BOARD OF DIRECTORS REMUNERATION (DKK '000)	2019	2018
Thomas Plenborg, Chairman	1,434	1,238
Jørgen Møller, Deputy Chairman	647	563
Kurt K. Larsen (resigned in 2019)	1,519	2,028
Annette Sadolin	769	787
Birgit W. Nørgaard	563	563
Robert S. Kledal	525	450
Marie-Louise Aamund (elected 2019)	506	-
Beat R. Walti (elected 2019)	113	-
Total	**6,076**	**5,629**

5.5 Fees to auditors appointed at the Annual General Meeting

AUDIT FEES AND SERVICES (DKKm)	2019	2018
Statutory audit fees	35	22
Assurance engagements other than audits	6	-
Tax and VAT advisory services	1	1
Other services	1	1
Total fees to auditors appointed at the Annual General Meeting	**43**	**24**
Statutory audit fees	26	5
Tax and VAT advisory services	24	7
Other services	8	2
Other, total fees*	58	**14**
Total fees	**101**	**38**

* Includes fees to Deloitte amounting to DKK 23 million for statuatory audit fees, DKK 4 million for tax and VAT advisory services and DKK 2 million for other services.

Non-audit services provided by PwC Denmark amounts to DKK 2 million in 2019 relating to sundry tax advisory services and other advisory services.

5.6 Related-party transactions

DSV Panalpina has no related parties with control of the Group and no related parties with significant influence other than key management personnel – mainly in the form of the Board of Directors and the Executive Board.

RELATED-PARTY TRANSACTIONS

Board of Directors and Executive Board

No transactions were made in 2019 other than ordinary remuneration, as described in notes 5.3 and 5.4.

Associated companies

DSV Panalpina holds ownership interests in 8 associates (2018: 10 associates). The Group's share of associates' profit for the year amounted to DKK 2 million (2018: DKK 2 million).

The carrying amount of the investment was DKK 34 million at 31 December 2019 (2018: DKK 38 million).

The Group had the following transactions with associates:

ASSOCIATED COMPANIES TRANSACTIONS (DKKm)	2019	2018
Sale of services	217	202
Purchase of services	30	33

5.6 Related-party transactions — continued

The Group had the following balances with associates at 31 December 2019:

ASSOCIATED COMPANIES BALANCES (DKKm)	2019	2018
Receivables	44	45
Liabilities	2	2

5.7 Contingent liabilities and security for debt

CONTINGENT LIABILITIES

ACCOUNTING POLICIES

Contingent liabilities comprise possible obligations which have not yet been confirmed, are uncertain or cannot be measured reliably, but which, if realised, may result in a drain on the Group's resources. Obligations are recognised in the financial statements only to the extent that the criteria for recognising a provision is met.

MANAGEMENT JUDGEMENTS AND ESTIMATES

Management applies judgements in assessing the existence of contingent liabilities on an ongoing basis and in this regard considers if the criteria for recognising a provision is in effect.

These judgements may involve advice from external experts, legal advisors, etc.

Contingent liabilities 2019

As an international transport service provider, the Group is regularly involved in tax and VAT disputes, legal proceedings or inquiries from competition authorities. Management believes that current identified cases will have no material impact on the financial position of the Group.

A detailed disclosure of individual contingent liabilities is considered impracticable to disclose and has therefore not been included in the notes to the financial statements.

SECURITY FOR DEBT

Bank guarantees

As part of its ordinary operations, DSV Panalpina has provided bank guarantees to authorities, suppliers, etc.

The counterparties may claim appropriation of collateral if DSV Panalpina fails to pay any amount due.

At the reporting date, all liabilities relating to the bank guarantees provided were recognised in the balance sheet or described in note 3.6 as operating lease obligations.

Pledges

At 31 December 2019, property, plant and equipment and other financial assets with a carrying value of DKK 11 million were pledged as security (2018: DKK 193 million). The carrying amount of debt secured by pledges amounted to DKK 0 million (2018: DKK 192 million).

Contracts

DSV Panalpina has concluded IT service contracts. Costs related to these contracts are recognised as the services are provided.

DEFINITION OF FINANCIAL HIGHLIGHTS

Key figures and ratios are disclosed in accordance with 'Recommendations & Ratios' published by the Danish Finance Society, except for financial ratios marked with (*) as these are either derived or not included in the publication. Earnings per share and diluted earnings per share are disclosed in accordance with IAS 33. Non-financial key figures and ratios are defined in the DSV Panalpina Responsibility Report 2019 to which is referred.

Key figures

Net interest-bearing debt (NIBD)	=	Interest-bearing debt less interest-bearing assets and cash and cash equivalents
Net working capital (NWC)	=	Receivables and other current operating assets less trade payables and other payables and other current operating liabilities
Invested capital	=	NWC + property, plant and equipment, intangible assets including goodwill and customer relationships less long-term provisions
Adjusted earnings	=	The DSV Panalpina A/S shareholders' share of profit for the reporting period adjusted for amortisation and impairment of goodwill and customer relationships, costs related to share-based payments and special items. The tax effect of the adjustments has been taken into account
Adjusted free cash flow	=	Free cash flow adjusted for net acquisition of subsidiaries and activities, lease liability repayments, special items and normalisation of working capital in subsidiaries and activities acquired

Financial ratios

Gross margin	=	$\frac{\text{Gross profit * 100}}{\text{Revenue}}$
Operating margin	=	$\frac{\text{Operating profit before impairment of goodwill and special items * 100}}{\text{Revenue}}$
Conversion ratio	=	$\frac{\text{Operating profit before impairment of goodwill and special items * 100}}{\text{Gross profit}}$
Effective tax rate*	=	$\frac{\text{Tax on profit for the year}}{\text{Profit before tax}}$
ROIC before tax	=	$\frac{\text{Operating profit before impairment of goodwill and special items * 100}}{\text{Average invested capital}}$
Return on equity (ROE)	=	$\frac{\text{Profit attributable to the shareholders of DSV Panalpina A/S * 100}}{\text{Average equity excluding non-controlling interests}}$
Solvency ratio	=	$\frac{\text{Equity excluding non-controlling interests * 100}}{\text{Total assets}}$
Gearing ratio*	=	$\frac{\text{Net interest-bearing debt}}{\text{Operating profit before amortisation, depreciationl and special items}}$

Share ratios

Earnings per share	=	$\frac{\text{Profit attributable to the shareholders of DSV Panalpina A/S}}{\text{Average number of shares}}$
Earnings per share diluted	=	$\frac{\text{Profit attributable to the shareholders of DSV Panalpina A/S}}{\text{Average number of shares diluted}}$
Adjusted earnings per share diluted	=	$\frac{\text{Adjusted earnings}}{\text{Average number of shares diluted}}$
Number of shares	=	Total number of shares outstanding excluding treasury shares at the reporting date
Average number of shares	=	Average number of shares outstanding during the reporting period
Average number of shares diluted	=	Average number of shares outstanding during the reporting period including share options, but excluding out-of-the-money options measured relative to the average share price for the period

GROUP COMPANY OVERVIEW

The overview below is a list of companies in the DSV Panalpina Group at 31 December 2019 and shows the companies by segment and not by legal structure.

Company	Country	Ownership share	Air & Sea	Road	Solutions	Group activity
PARENT						
DSV Panalpina A/S	Denmark	0%				X
SUBSIDIARIES						
Europe						
Panalpina Welttransport GmbH	Austria	100%	X	X	X	
DSV Österreich Spedition GmbH	Austria	100%	X	X		
DSV Transport Ltd.	Belarus	100%	X	X		
DSV Air & Sea NV	Belgium	100%	X			
Maartens Art Packers and Shippers B.V.B.A.	Belgium	100%	X			
Panalpina World Transport N.V.	Belgium	100%	X	X	X	
AD Handling NV	Belgium	100%	X			
ABX Worldwide Holdings NV/SA	Belgium	100%				X
DSV Road Holding NV	Belgium	100%		X		X
DSV Air & Sea Belgium NV	Belgium	100%	X			
DSV Solutions N.V.	Belgium	100%			X	
DSV Logistics N.V.	Belgium	100%			X	
DSV Road N.V.	Belgium	100%		X		
MCI Brokers N.V.	Belgium	100%		X		
Panalpina GBS Bulgaria EOOD	Bulgaria	100%				X
DSV Air & Sea OOD	Bulgaria	100%	X			
DSV Road EOOD	Bulgaria	100%		X	X	
Panalpina Croatia d.o.o.	Croatia	100%	X			
DSV Hrvatska d.o.o.	Croatia	100%		X		
Europe (continued)						
Panalpina Business Services (Prague), s.r.o.	Czech republic	100%				X
DSV Air & Sea s.r.o.	Czech republic	100%	X			
Panalpina Czech S.R.O.	Czech republic	100%	X	X	X	
DSV Air & Sea Czech Republic s.r.o.	Czech republic	100%	X			
DSV Solutions s.r.o.	Czech republic	100%			X	
DSV Road a.s.	Czech republic	100%		X		
DSV Insurance A/S	Denmark	100%				X
DSV Group Services A/S	Denmark	100%				X
DSV Property ApS	Denmark	100%				X
DSV FS A/S	Denmark	100%				X
GP0615 ApS	Denmark	100%				X
Anpartselskabet af 25. januar 2017	Denmark	100%				X
DSV Real Estate Copenhagen A/S	Denmark	100%				X
DSV Air & Sea Holding A/S	Denmark	100%	X			
DSV Air & Sea A/S	Denmark	100%	X			
DSV Ocean Transport A/S	Denmark	100%	X			
DSV Real Estate Odense A/S	Denmark	100%	X			
DSV Air & Sea Denmark ApS	Denmark	100%	X			
Panalpina Carelog A/S	Denmark	100%	X			
DSV Solutions Holding A/S	Denmark	100%			X	
DSV Solutions A/S	Denmark	100%			X	
DSV Real Estate Duisburg A/S	Denmark	100%			X	
DSV Road Holding A/S	Denmark	100%		X		

Company	Country	Ownership share	Air & Sea	Road	Solutions	Group activity
Europe (continued)						
DSV Road A/S	Denmark	100%		X		
DSV Road Services A/S	Denmark	100%		X		
DSV Estonia AS	Estonia	100%	X	X		
DSV Air & Sea Oy	Finland	100%	X			
DSV Air & Sea Nordic AB – filial Finland	Finland	100%	X			
UTi Logistics (Finland) Oy	Finland	100%	X			
Panalpina CIS Helsinki OY	Finland	100%	X			
DSV Solutions Oy	Finland	100%			X	
DSV Road Oy	Finland	100%		X		
DSV Air & Sea SAS	France	100%	X			
Panalpina France Transports Internationaux S.A.S.	France	100%	X	X	X	
DSV International Air & Sea France	France	100%	X			
DSV Solutions SAS	France	100%			X	
DSV Road Holding S.A.	France	100%		X		
DSV Road SAS	France	100%		X		
ING REEIF WATTRELOS	France	100%		X		
DSV Air & Sea GmbH	Germany	100%	X			
Panalpina Welttransport (Deutschland) GmbH	Germany	100%	X	X	X	X
DSV Air & Sea Deutschland GmbH	Germany	100%	X			
UTi Logistik Deutschland GmbH - Hungary Branch	Germany	100%			X	
DSV Real Estate Duisburg A/S - German Branch	Germany	100%			X	
DSV Solutions Group GmbH	Germany	100%			X	
DSV Solutions GmbH	Germany	100%			X	
DSV Stuttgart GmbH & Co. KG	Germany	100%		X	X	
DSV Stuttgart Verwaltung GmbH	Germany	100%			X	
Administration & Accounting Service GmbH	Germany	100%		X		
DSV Road GmbH	Germany	100%		X		
DSV Real Estate Bochum ApS & Co. KG	Germany	100%		X		
DSV HELLAS S.A.	Greece	100%	X	X		

Company	Country	Ownership share	Air & Sea	Road	Solutions	Group activity
Europe (continued)						
UTi Networks Limited	Guernsey	100%	X			
Panalpina Magyarorszag Kft.	Hungary	100%	X	X		
DSV Solutions Hungary Kft.	Hungary	100%			X	
DSV Hungaria Kft.	Hungary	100%	X	X		
DSV Air & Sea Limited	Ireland	100%	X			
UTi Ireland Ltd.	Ireland	100%	X			
Panalpina World Transport (Ireland) Ltd.	Ireland	100%	X			
DSV Air & Sea (Ireland) Limited	Ireland	100%	X			
DSV Solutions Ltd.	Ireland	100%			X	
UTi Inventory Management Solutions Limited	Ireland	100%			X	
DSV Road Limited	Ireland	100%		X		
DSV S.p.A.	Italy	100%	X	X	X	
UTi Italy SrL	Italy	100%	X			
Panalpina Trasporti Mondiali S.p.A.	Italy	100%	X		X	
DSV Real Estate S.p.A.	Italy	88.5%	X	X	X	
DSV Air & Sea Italy S.r.l.	Italy	100%	X			
DSV Real Estate Novara S.r.l.	Italy	66%			X	
Saima Caspian LLC	Kazakhstan	100%	X			
UTi Kazakhstan LLP	Kazakhstan	100%	X			
Panalpina World Transport LLP	Kazakhstan	100%	X			
DSV Latvia SIA	Latvia	100%	X	X		
DSV Lithuania UAB	Lithuania	100%	X	X		
Panalpina Luxembourg S.A.	Luxembourg	100%	X		X	
XB Luxembourg Holdings 1 SA	Luxembourg	100%				X
XB Luxembourg Holdings 2 SARL	Luxembourg	100%				X
DSV Lead Logistics B.V.	Netherlands	100%				X
African Investments BV	Netherlands	100%	X			
UTi (Netherlands) Holdings BV	Netherlands	100%	X			
DSV Air & Sea Nederland B.V.	Netherlands	100%	X			

Company	Country	Ownership share	Air & Sea	Road	Solutions	Group activity
Europe (continued)						
DSV Shared Services B.V.	Netherlands	100%				X
Interfresh Airfreight Handling B.V.	Netherlands	100%	X			
Fresh Cargo Connection B.V.	Netherlands	100%	X			
Dutch Cargo Connection B.V.	Netherlands	100%	X			
Panalpina World Transport B.V.	Netherlands	100%	X	X	X	
Panalpina Airflo B.V.	Netherlands	75%	X			
DSV Solutions Holding B.V.	Netherlands	100%			X	
DSV Solutions Nederland B.V.	Netherlands	100%			X	
IMS Holdings BV	Netherlands	100%			X	
DSV Multi-Channel Fulfilment B.V.	Netherlands	100%			X	
VTS Beheer B.V.	Netherlands	100%			X	
DSV Solutions (Dordrecht) B.V.	Netherlands	100%			X	
DSV Solutions (Moerdijk) B.V.	Netherlands	100%			X	
DSV Real Estate Dallas Holding B.V.	Netherlands	100%			X	
DSV Real Estate Marconiweg Tholen B.V.	Netherlands	100%			X	
DSV Road Holding N.V.	Netherlands	100%				X
DSV Road B.V.	Netherlands	100%		X		
DSV ROAD DOOEL Skopje	North Macedonia	100%		X		
DSV Air & Sea AS	Norway	100%	X			
Panalpina AS	Norway	100%	X	X		
DSV Solutions AS	Norway	100%			X	
DSV Real Estate Vestby AS	Norway	100%			X	
DSV Road AS	Norway	100%		X		
DSV International Shared Services Sp. z o.o.	Poland	100%				X
DSV Real Estate Warsaw Sp. z o.o.	Poland	100%				X
DSV Air & Sea Sp. z o.o.	Poland	100%	X			
UTi Poland Sp. z o.o.	Poland	100%	X			
Panalpina Polska Sp. z o.o.	Poland	100%	X	X	X	

Company	Country	Ownership share	Air & Sea	Road	Solutions	Group activity
Europe (continued)						
DSV Air & Sea Poland Sp. z o.o.	Poland	100%	X			
DSV Services Sp. z o.o.	Poland	100%			X	
DSV Road Sp. z o.o.	Poland	100%		X		
DSV Solutions Sp. z o.o.	Poland	100%			X	
DSV Group Serviçes Unipessoal, Lda	Portugal	100%				X
DSV Air & Sea Portugal, LDA	Portugal	100%	X			
Panalpina Transportes Mundiais Lda	Portugal	100%	X			
DSV Solutions, Lda.	Portugal	100%		X		
DSV SGPS, Lda.	Portugal	100%		X		
DSV Transitarios, Lda.	Portugal	100%		X		
Panalpina Romania S.R.L.	Romania	100%	X			
DSV Solutions S.R.L.	Romania	100%	X	X	X	
Panalpina World Transport JSC	Russia	100%	X	X	X	
Panalpina Sakhalin Projects	Russia	100%	X	X	X	
Panalpina CIS Helsinki Oy - Russia Branch	Russia	100%	X			
DSV Solutions OOO	Russia	100%			X	
DSV Road OOO	Russia	100%	X	X		
OOO DSV Transport	Russia	100%		X		
DSV Road d.o.o.	Serbia	100%		X		
DSV Solutions Slovakia s. r. o.	Slovakia	100%			X	
Panalpina Slovakia S.R.O.	Slovakia	100%	X		X	
DSV Slovakia, s.r.o.	Slovakia	100%	X	X		
DSV Transport d.o.o.	Slovakia	100%	X	X		
Tacisa Transitaria S.L.	Spain	100%	X			
Panalpina Transportes Mundiales S.A.	Spain	100%	X		X	
DSV Air & Sea International, S.L.U.	Spain	100%	X			
DSV Solutions Spain S.A.U.	Spain	100%			X	
Servicios Logisticos Integrados SLI, S.A.	Spain	100%	X			
DSV Road Spain S.A.U.	Spain	100%		X		

Company	Country	Ownership share	Air & Sea	Road	Solutions	Group activity
Europe (continued)						
DSV Holding Spain S.L.	Spain	100%		X		
DSV Air & Sea, S.A.U.	Spain	100%	X			
DSV Air & Sea AB	Sweden	100%	X			
UTi Logistics AB	Sweden	100%	X			
DSV Air & Sea Nordic AB	Sweden	100%	X	X		
DSV Solutions AB	Sweden	100%			X	
DSV Group AB	Sweden	100%		X		
DSV Road AB	Sweden	100%		X		
Göinge Frakt EK	Sweden	100%		X		
DSV Road Property Holding AB	Sweden	100%		X		
Panalpina Welttransport (Holding) AG	Switzerland	100%	X	X	X	X
Panalpina Management AG	Switzerland	100%	X	X	X	X
Panalpina International AG	Switzerland	100%				X
Panalpina Global Employment Services AG	Switzerland	100%				X
Panalpina Air & Ocean AG in liquidation	Switzerland	100%	X			
Panalpina AG	Switzerland	100%	X	X	X	
Jacky Maeder AG für international Transporte in liquidation	Switzerland	100%	X			
DSV Logistics S.A.	Switzerland	100%	X	X	X	
DSV Air & Sea A.S.	Turkey	100%	X			
Panalpina World Transport Nakliyat Ltd. Srk.	Turkey	100%	X	X		
DSV International Hava ve Deniz Taşimaciliği Ltd.Şirketi	Turkey	100%	X			
DSV Road & Solutions A.S.	Turkey	100%		X		
Panalpina World Transport Ltd.	Ukraine	100%	X			
DSV Logistics LLC	Ukraine	100%	X	X		
DSV Air & Sea Limited	United Kingdom	100%	X			
UTi (UK) Holdings Ltd.	United Kingdom	100%	X			
UTi Worldwide (UK) Ltd.	United Kingdom	100%	X			
Panalpina World Transport Ltd.	United Kingdom	100%	X	X	X	

Company	Country	Ownership share	Air & Sea	Road	Solutions	Group activity
Europe (continued)						
SBS Worldwide (Holdings) Ltd.	United Kingdom	100%	X			
Virtualized Logistics Ltd.	United Kingdom	100%	X			
SBS Worldwide Ltd.	United Kingdom	100%	X			
S. Black Ltd.	United Kingdom	100%	X			
DSV Air & Sea 2018 (UK) Limited	United Kingdom	100%	X			
DSV Peterborough Real Estate Limited	United Kingdom	100%			X	
DSV Road Holding Ltd.	United Kingdom	100%		X		
DSV Commercials Ltd.	United Kingdom	100%		X		
DSV Road Ltd.	United Kingdom	100%		X		
DSV Pension Trustees Ltd.	United Kingdom	100%		X		
DSV Solutions Ltd.	United Kingdom	100%			X	
DFDS Transport Ltd.	United Kingdom	100%		X		
DSV Real Estate Tamworth Ltd.	United Kingdom	100%		X		
North America						
Mondi Reinsurance Ltd.	Bermuda	100%				X
DSV Air & Sea Inc.	Canada	100%	X			
Panalpina Inc.	Canada	100%	X	X	X	
DSV Solutions Inc.	Canada	100%			X	
DSV Road, Inc.	Canada	100%		X		
DSV Air & Sea, S.A. de C.V.	Mexico	100%	X			
UTi Services S.A. de C.V.	Mexico	100%	X			
Panalpina Transportes Mundiales, S.A. de C.V.	Mexico	100%	X	X	X	
Panalpina Servicios S.A. de C.V.	Mexico	100%	X			
DSV Solutions S.A. de C.V.	Mexico	100%			X	
DSV Road, S.A. de C.V.	Mexico	100%		X		
DSV 4PL Inc.	United States	100%				X
International Claims Handling Services, Inc.	United States	100%				X
DSV Air & Sea Holding Inc.	United States	100%	X			

Company	Country	Ownership share	Air & Sea	Road	Solutions	Group activity
North America (continued)						
DSV Air & Sea Inc.	United States	100%	X			
Panalpina FMS, Inc.	United States	100%	X			
DSV Air & Sea International Holding Inc.	United States	100%	X			
Panalpina, Inc.	United States	100%	X	X	X	X
DSV Solutions, LLC	United States	100%			X	
UTi Inventory Management Solutions Inc.	United States	100%			X	
Inventory Management Solutions Holding Inc.	United States	100%			X	
DSV Real Estate Dallas Inc.	United States	100%			X	
Market Industries LLC	United States	100%		X		
Sammons Transportation, Inc.	United States	100%		X		
DSV Road, Inc.	United States	100%		X		
South America						
DSV Air & Sea S.A.	Argentina	100%	X			
UTi Logistics Argentina S.A.	Argentina	100%	X			
Panalpina Transportes Mundiales S.A.	Argentina	100%	X			
DSV UTi Air & Sea Agenciamento de Transportes Ltda.	Brazil	100%	X			
Panalpina Ltda.	Brazil	100%	X		X	
UTi Worldwide Inc.	Brit.Virgin Islands	100%				X
Goddard Company Limited	Brit.Virgin Islands	100%				X
UTi International Inc.	Brit.Virgin Islands	100%				X
Pyramid Freight (Proprietary) Limited	Brit.Virgin Islands	100%				X
UTi Logistics (Proprietary) Limited	Brit.Virgin Islands	100%				X
Thomas International Freight Auditors Limited	Brit.Virgin Islands	100%				X
UTi Asia Pacific Limited	Brit.Virgin Islands	100%				X
UTi Kazakhstan Investments Ltd	Brit.Virgin Islands	100%				X
DSV Air & Sea (Latin America) S.A.	Chile	100%	X			
DSV Air & Sea S.A.	Chile	100%	X			
Panalpina Chile Transportes Mundiales Ltda.	Chile	100%	X			

Company	Country	Ownership share	Air & Sea	Road	Solutions	Group activity
South America (continued)						
DSV Air & Sea S.A.S.	Colombia	100%	X			
Panalpina S.A.	Colombia	100%	X			
DAPSA Depositos Aduaneros Panalpina S.A.	Colombia	100%			X	
DSV Air & Sea S.A.	Costa Rica	100%	X			
Panalpina Transportes Mundiales S.A.	Costa Rica	100%	X			
UTi (NA) Holdings NV	Curacao	100%				X
Panalpina Transportes Mundiales S.R.L.	Dominican Republic	100%	X			
Panalpina Ecuador S.A.	Ecuadore	100%	X			
Panalpina S.A. de C.V.	El Salvador	100%	X			
DSV Air & Sea PA Inc.	Panama	100%	X			
Panalpina SEM, S.A.	Panama	100%	X			
Panalpina S.A.	Panama	100%	X		X	
Almacenadora Mercantil S.A.	Panama	100%			X	
DSV Air & Sea S.A.	Peru	100%	X			
Panalpina Transportes Mundiales S.A.	Peru	100%	X			
DSV Air & Sea (PR) Inc.	Puerto Rico	100%	X			
Arabella Shipping Ltd	Saint Vincent and the Grenadines	100%	X			
UTi Uruguay SA	Uruguay	100%	X			
Panalpina Uruguay Transportes Mundiales S.A.	Uruguay	100%	X			
Panalpina Zona Franca S.A.	Uruguay	100%	X			
Inversiones Ortrac C.A.	Venezuela	100%	X			
Panalpina C.A.	Venezuela	100%	X			
Asia						
DSV Air & Sea Ltd.	Bangladesh	100%	X			
ABX LOGISTICS (Bangladesh) Ltd.	Bangladesh	100%	X			
UTi Pership (Pvt) Limited – Bangladesh Branch (BDT)	Bangladesh	100%	X			
Panalpina World Transport (Cambodia) Co., Ltd	Cambodia	100%	X			

Company	Country	Ownership share	Air & Sea	Road	Solutions	Group activity
Asia (continued)						
DSV Air & Sea Co., Ltd.	Cambodia	100%	X			
UTi Worldwide Co. Ltd. - Cambodia Branch (USD)	Cambodia	100%	X			
DSV Air & Sea Co., Ltd.	China	100%	X			
DSV Air & Sea Co., Ltd. (South East China)	China	100%	X			
Panalpina Logistics (Wuhan) Ltd.	China	100%	X			
DSV Air & Sea Co., Ltd. (China)	China	100%	X			
DSV Logistics Co., Ltd.	China	100%			X	
Panalpina World Transport (PRC) Ltd.	China	100%	X		X	
Panalpina Logistics (Shanghai) Ltd.	China	100%			X	
International Claims Handling Services Ltd.	Hong Kong	100%				X
DSV Air & Sea Ltd.	Hong Kong	100%	X			
S-CHP Investments (Hong Kong) Ltd.	Hong Kong	100%	X			
Pantainer (H.K.) Ltd.	Hong Kong	100%	X			
UTi (HK) Limited	Hong Kong	100%			X	
DSV Air & Sea (HK) Ltd.	Hong Kong	100%	X			
Panalpina World Transport Ltd.	Hong Kong	100%	X			
Panalpina China Ltd.	Hong Kong	100%	X		X	
Panalpina Global Business Services India Private Limited	India	100%				X
DSV Air & Sea Pvt. Ltd.	India	100%	X			
DSV Air & Sea International Private Limited	India	100%	X			
Swift Shipping and Freight Logistics Private Limited	India	100%	X			
DSV Coload & Clearance Pvt. Ltd.	India	100%	X			
UT Worldwide (India) Pvt. Limited	India	100%			X	
Panalpina World Transport (India) Pvt. Ltd.	India	100%	X			
PT. DSV Transport Indonesia	Indonesia	100%	X			
PT J.H. Bachmann (Indonesia)	Indonesia	100%	X			
PT Panalpina Nusajaya Transport	Indonesia	95%	X			
Panalpina World Transport (Japan) Ltd.	Japan	100%	X			

Company	Country	Ownership share	Air & Sea	Road	Solutions	Group activity
Asia (continued)						
DSV Air & Sea Co., Ltd.	Japan	100%	X		X	
DSV Air & Sea Ltd.	Korea	100%	X			
DSV Air & Sea International Ltd.	Korea	100%	X			
DSV Air and Sea Limited	Macao	100%	X			
DSV Air & Sea Sdn. Bhd.	Malaysia	100%	X			
Panalpina Customs Services (M) SDN BHD	Malaysia	100%	X			
DSV Logistics Sdn. Bhd.	Malaysia	100%	X			
DSV SOLUTIONS SDN. BHD.	Malaysia	100%			X	
Panalpina Transport (Malaysia) Sdn. Bhd.	Malaysia	100%	X		X	
UTi Inventory Management Solutions Sdn Bhd	Malaysia	100%			X	
Panalpina Myanmar Company Ltd	Myanmar	70%	X			
DSV Air & Sea Ltd.	Myanmar	100%	X			
DSV Air and Sea Pakistan (SMC-Private) Limited	Pakistan	100%	X			
Panalpina Global Business Services (GBS) - Philippines	Philippines	100%				X
DSV Air & Sea Inc.	Philippines	100%	X			
UTi (Global Logistics) Inc.	Philippines	100%			X	
DSV SHARED SERVICES MANILA (ROHQ)	Philippines	100%				X
Panalpina World Transport (Philippines) Inc.	Philippines	100%	X			
Panalpina Asia Pacific Management Pte. Ltd.	Singapore	100%				X
DSV Air & Sea Pte. Ltd.	Singapore	100%	X			
ABX LOGISTICS Singapore PTE LTD	Singapore	100%	X			
DSV Solutions Pte Ltd.	Singapore	100%			X	
Panalpina World Transport (Singapore) Pte. Ltd.	Singapore	100%	X		X	
Inventory Solutions (Singapore) Pte. Ltd	Singapore	98%			X	
UTi Pership (Pvt) Limited	Sri Lanka	51%	X			
DSV Pership (Private) Limited	Sri Lanka	40%	X			
Panalpina Taiwan Ltd.	Taiwan	100%	X			
DSV Air & Sea Co. Ltd.	Taiwan	100%	X			
UTi Holding Co., Ltd.	Taiwan	100%	X			

Company	Country	Ownership share	Air & Sea	Road	Solutions	Group activity
Asia (continued)						
DSV Air & Sea (Taiwan) Ltd.	Taiwan	100%	X			
DSV Solutions Co., Ltd.	Taiwan	100%			X	
Panalpina Asia-Pacific Services (Thailand) Ltd.	Thailand	100%				X
DSV Air & Sea Ltd.	Thailand	100%	X			
DSV Solutions Ltd.	Thailand	100%			X	
DSV Holding (Thailand) Co., Ltd.	Thailand	100%	X			
Panalpina World Transport (Thailand) Ltd.	Thailand	100%	X		X	
Panalpina World Transport (Vietnam) Co. Ltd.	Vietnam	99%	X		X	
DSV Air & Sea Co., Ltd.	Vietnam	100%	X			
DSV Air & Sea Vietnam Limited	Vietnam	100%	X			
UTi Worldwide Vietnam Co. Ltd.	Vietnam	100%	X			
Middle East						
Panalpina Central Asia EC - Azerbaijan Branch	Azerbaijan	100%	X			
Panalpina Azerbaijan LLC	Azerbaijan	100%	X			
Panalpina (Bahrain) WLL	Bahrain	100%	X			
Panalpina Central Asia EC	Bahrain	100%	X			
Panalpina Georgia LLC	Georgia	100%	X			
Al-Alb Co. for General Transportation (PLLC)	Iraq	100%	X		X	
Panalpina Jebel Ali Ltd. - Erbil Branch	Iraq	100%			X	
DSV Air & Sea Ltd.	Israel	100%	X			
DSV Marine Insurance Agency Ltd.	Israel	100%	X			
Hermes Exhibition & Projects Limited	Israel	50%	X			
Carma Conveying & Carriage Limited	Israel	50%	X			
DSV - E-COMMERCE LTD.	Israel	100%	X			
DSV Solutions Ltd	Israel	100%			X	
U.T.I.-Inventory Management Solutions Limited partnership	Israel	100%			X	
UTi IMS Ltd.	Israel	100%			X	
Middle East (continued)						
UTi Jordan Ltd.	Jordan	100%	X			
Panalpina World Transport (Kuwait) WLL	Kuwait	49%	X			
Panalpina Freight LLC	Oman	70%	X			
Panalpina Qatar WLL	Qatar	49%	X			
Panalpina World Transport (Saudi Arabia) Ltd.	Saudi Arabia	100%	X		X	
Panalpina Turkmenistan LLC	Turkmenistan	100%	X			
DSV Air & Sea (LLC)	United Arab Emirates	100%	X		X	
Panalpina World Transport (Dubai) DWC-LLC	United Arab Emirates	100%	X		X	X
Panalpina Jebel Ali Ltd.	United Arab Emirates	100%	X			
Panalpina Gulf LLC	United Arab Emirates	49%	X			
Oceania						
DSV Air & Sea Pty. Ltd.	Australia	100%	X		X	
Panalpina World Transport (Pty) Ltd.	Australia	100%	X		X	
DSV Air & Sea Limited	New Zealand	100%	X		X	
Panalpina World Transport (Pty) Ltd. - Auckland Branch	New Zealand	100%	X			
Africa						
Frans Maas Algerie S.a.r.l.	Algeria	100%		X		
Panalpina Transportes Mundiais Navegãçao e Trânsitos S.A.R.L.	Angola	49%	X			
DSV Air & Sea (PTY) Limited	Botswana	100%	X			
Swift Freight International Burundi SA	Burundi	100%	X			
Panalpina Transports Mondiaux Cameroun S.A.R.L.	Cameroon	90%	X			
DSV Swift SARL	DR Congo	100%	X			
DSV-UTi Egypt Ltd.	Egypt	100%	X		X	
Panalpina World Transport Egypt LLC	Egypt	100%	X			

Company	Country	Ownership share	Air & Sea	Road	Solutions	Group activity
Africa (continued)						
Panalpina Transports Mondiaux Gabon S.A.	Gabon	89.8%	X			
DSV Air & Sea Limited	Ghana	100%	X			
DSV Air & Sea Limited	Kenya	100%	X			
Panalpina Kenya Ltd.	Kenya	100%	X			
Panalpina Airflo Ltd.	Kenya	75%	X			
DSV Air & Sea LIMITED	Malawi	100%	X			
Panalpina Morocco S.A.R.L.	Morocco	100%	X			
DSV Transport Int'l S.A	Morocco	100%	X			
Terminal Handling Company	Morocco	100%	X			
DSV Air & Sea Limitada	Mozambique	100%	X			
Panalpina World Transport Mozambique, S.A.	Mozambique	100%	X			
Saima Nigeria Ltd.	Nigeria	40%	X			
Nationwide Clearing & Forwarding Ltd.	Nigeria	36.6%	X			
DSV Freight International Limited	Nigeria	100%	X			
DSV Air & Sea Ltd.	Rwanda	100%	X			
DSV Air and Sea (Proprietary) Limited	South Africa	100%	X			
Pyramid Freight (Pty) Limited	South Africa	100%	X			
DSV South Africa (Pty) Ltd.	South Africa	75%	X			
DSV Shared Services (Pty) Ltd.	South Africa	100%				X
UTi Logistics (Proprietary) Limited - SC OCS Division	South Africa	100%		X		
DSV AFRICA HOLDING (Pty) Ltd.	South Africa	100%	X			
Skyservices (Pty) Ltd	South Africa	100%	X			
Scorpion Share Block (Pty) Ltd.	South Africa	100%		X		
Marine Link (Pty) Ltd.	South Africa	100%	X			
DSV Real Estate Johannesburg (Pty) Ltd.	South Africa	100%	X			
Firefly Investments 337 Properties Proprietary Limited	South Africa	100%	X			
Linkit Investments (Pty) Ltd.	South Africa	80%	X			
DSV Healthcare (Pty) Ltd.	South Africa	100%			X	
Africa (continued)						
DSV Solutions (Pty) Ltd.	South Africa	100%			X	
DSV Assembly Services (Pty) Ltd.	South Africa	65.3%			X	
Chilli Pepper Investments (Pty) Ltd.	South Africa	100%			X	
Imithi Distributors (Pty) Ltd.	South Africa	100%			X	
DSV Mounties (Pty) Ltd.	South Africa	100%			X	
DSV Road (Pty) Ltd.	South Africa	100%		X		
DSV Air & Sea Limited	Tanzania	100%	X			
Panalpina World Transport Tanzania Limited	Tanzania	100%	X			
Swift Global Logistics	Togo	100%	X			
DSV Air & Sea Limited	Uganda	100%	X			
Panalpina Uganda Limited	Uganda	100%	X			
Swift Freight International (Zambia) Ltd.	Zambia	100%	X			
DSV Air & Sea Limited	Zambia	100%	X			
DSV Air & Sea (Private) Limited	Zimbabwe	100%	X			
Associates						
MGM Lines Srl	Italy	30%	X			
Sama Al Imad General Transport LLC	Iraq	30%	X			
GT Stevedores Oy	Finland	25.5%		X		
KM Logistik GmbH	Germany	35%		X		
IDS Logistik GmbH	Germany	28%		X		
Beavor Properties (Pty) Ltd.	South Africa	25%	X			
Key Logistics, Inc.	United States	49%			X	

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

The Board of Directors and Executive Board have today considered and adopted the Annual Report of DSV Panalpina A/S for the financial year 1 January to 31 December 2019.

The Annual Report has been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and in accordance with IFRS as endorsed by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Group and the Parent Company and of the results of the Group and Parent Company operations and cash flows for the financial year 1 January to 31 December 2019. In our opinion, Management's Commentary includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hedehusene, 7 February 2020

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 R. Walti

INDEPENDENT AUDITOR'S REPORT

To the shareholders of DSV Panalpina A/S

OUR OPINION

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2019 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2019 in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and in accordance with IFRS as endorsed by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements and Parent Company Financial Statements of DSV Panalpina A/S for the financial year 1 January to 31 December 2019 comprise income statement and statement of comprehensive income, cash flow statement, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies for the Group as well as for the Parent Company. Collectively referred to as the "Financial Statements".

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of DSV Panalpina A/S on 9 March 2017 for the financial year 2017. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 3 years including the financial year 2019.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2019. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Panalpina Purchase Price Allocation and Opening Balance sheet

Panalpina was acquired with accounting effect as at 19 August 2019. When acquiring Panalpina, Management prepared a purchase price allocation ('PPA') for the acquisition, resulting in assets and liabilities being separately recognised and valued in the opening balance sheet.

When performing the PPA, Management used the Group's valuation methodologies. In order to determine the fair value of the separately identified assets and liabilities in a business combination, the valuation methodologies require input based on assumptions about the applied discounted cash flow forecasts, including customer churn rates and estimation of a WACC. The significant judgements and estimates involved in the PPA and opening balance mainly relate to assessing the fair value of the acquired customer relations and other acquired assets and liabilities and assessing cut-off at the opening balance sheet date.

We focused on this area because the PPA, which includes identification of the acquired assets and liabilities and their respective fair values, requires complex judgements and significant estimates by Management.

Reference is made to note 5.1 in the Consolidated Financial Statements.

How our audit addressed the key audit matter
Our audit procedures included assessing whether the acquisitions met the criteria of a business combination.

We also verified the assets and liabilities recognised in the opening balance sheet, including the completeness thereof, by performing audit procedures in relation to the opening balance sheet comprising, amongst others, obtained statements of cash and bank balances acquired, agreed balances to fixed asset registers and other separate records, agreed the opening balance to the trial balance, and agreed trade receivable and trade payable balances on a sample basis to external statements.

Further, we involved our internal specialists in assessing the valuation methodologies used by Management and the fair valuation of the acquired assets and liabilities. We challenged the key assumptions used to determine the fair value of the acquired assets and liabilities in the business combination, including the fair value of the acquired customer relations.

Finally, we assessed the adequacy of disclosures relating to the business combination.

Revenue recognition, contract assets and accrued cost of services
The Group's revenue consists primarily of services, i.e. transportation of goods between destinations, which by nature is rendered over a period of time. The determination of timing of revenue recognition is dependent on the application of the Group's accounting policies and terms in the customer contracts.

We focused on this area because the process of accruing for services rendered around the balance sheet date (contract assets and accrued cost of services) is complex and dependent on Management estimates and relevant IT controls in certain operational systems.

In addition, we focused on this area because of the significance of revenue and as revenue comprise of a substantial number of transactions, including with different characteristics depending on which business segment the revenue relate to.

Reference is made to notes 2.2 and 3.4 in the Consolidated Financial Statements.

How our audit addressed the key audit matter
Our audit procedures included assessing the accounting policies for revenue recognition applied by Management and comparing these to applicable financial reporting standards.

Moreover, we tested relevant internal controls, including IT controls, concerning the timing of revenue recognition and evaluated whether these were designed in line with the Group's accounting policies and were operating effectively.

For revenue, contract assets and accrued cost of services, we examined reports concerning services in progress and challenged the estimates made by Management in this regard.

We also selected a sample of revenue transactions during the year and traced these to underlying evidence to ensure accuracy and existence.

In addition, we used data auditing tools to identify non-standard transactions and examined these.

Deferred tax assets and income tax positions
The Group operates in many territories and is, consequently, subject to local laws and cross-border transfer pricing legislation, which complicates the Group's tax matters.

The Group also carries significant deferred tax assets on the balance sheet that consist primarily of tax on provisions made at the balance sheet date and tax loss carry forwards. The utilisation of tax assets are, inherently, uncertain, as they are dependent on the financial development of business activities in certain countries and regions.

We focused on this area because the valuation of deferred tax assets and income tax positions involves significant Management estimates.

Reference is made to note 5.2 in the Consolidated Financial Statement.

How our audit addressed the key audit matter

Our audit procedures included assessing the Group's accounting policies and valuation models within the tax accounting area and comparing these to applicable financial reporting standards.

We also assessed Management's process for identifying and assessing complex income tax transactions as well as deferred tax assets that might not be recoverable.

We tested provisions made in the tax accounting. As part of this, we reviewed correspondence with tax authorities and discussed assumptions made by Management with our internal corporation tax specialists.

We tested Management's assessment of the recoverability of the carrying value of deferred tax assets arising from temporary differences and tax loss carry forwards on the basis of forecasts of future taxable income, and evaluated the assumptions made by Management in this connection.

STATEMENT ON MANAGEMENT'S COMMENTARY

Management is responsible for Management's commentary.
Our opinion on the Financial Statements does not cover Management's Commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Commentary and, in doing so, consider whether Management's Commentary is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Commentary includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Commentary is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Commentary.

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and in accordance with IFRS as endorsed by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

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

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

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Copenhagen, 7 February 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

Kim Füchsel
State Authorised
Public Accountant
mne9291

Lars Baungaard
State Authorised
Public Accountant
mne23331

PARENT COMPANY FINANCIAL STATEMENTS 2019

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Income statement

(DKKm)	Note	2019	2018
Revenue	5	1,664	1,737
Gross profit		**1,664**	**1,737**
Other external expenses	6	704	837
Staff costs	7	634	664
Operating profit before amortisation, depreciation and special items		**326**	**236**
Amortisation and depreciation		404	312
Operating profit before special items		**(78)**	**(76)**
Special items, costs	8	113	-
Financial income	9	2,032	1,716
Financial expenses	10	442	283
Profit before tax		**1,399**	**1,357**
Tax on profit for the year	11	(1)	93
Profit for the year		**1,398**	**1,264**
Proposed distribution of profit			
Proposed dividend per share is DKK 2.5 (2018: DKK 2.25 per share)		588	423
Transferred to equity reserves		810	841
Total distribution		**1,398**	**1,264**

Statement of comprehensive income

(DKKm)	2019	2018
Profit for the year	**1,398**	**1,264**
Items that will be reclassified to income statement when certain conditions are met:		
Fair value adjustments relating to hedging instruments	5	1
Fair value adjustments relating to hedging instruments transferred to financial expenses	(2)	8
Tax on items reclassified to income statement	(1)	(2)
Other comprehensive income, net of tax	**2**	**7**
Total comprehensive income	**1,400**	**1,271**

Cash flow statement

(DKKm)	Note	2019	2018
Operating profit before amortisation, depreciation and special items		**326**	**236**
Adjustments:			
Share-based payments		20	16
Change in working capital etc.		2,766	1,966
Special items		(12)	-
Dividend received		1,441	1,059
Interest received		591	574
Interest paid		(350)	(292)
Corporation tax paid		(29)	(16)
Cash flow from operating activities		**4,753**	**3,543**
Purchase of intangible assets	12	(251)	(406)
Disposal of intangible assets		-	4
Purchase of property, plant and equipment	13	(112)	(83)
Change in other financial assets		(982)	264
Cash flow from investing activities		**(1,345)**	**(221)**
Free cash flow		**3,408**	**3,322**
Proceeds from borrowings		7,870	1,020
Repayment of borrowings		(2,876)	(750)
Repayment of lease liabilities		(37)	-
Transactions with shareholders:			
Dividends distributed		(423)	(380)
Dividends on treasury shares		22	14
Purchase of treasury shares		(4,888)	(4,161)
Sale of treasury shares		1,511	876
Other transactions with shareholders		(12)	-
Cash flow from financing activities		**1,167**	**(3,381)**
Cash flow for the year		**4,575**	**(59)**

(DKKm)	Note	2019	2018
Cash flow for the year – continued		**4,575**	**(59)**
Cash and cash equivalents 1 January		46	107
Cash flow for the year		4,575	(59)
Currency translation adjustments		1	(2)
Cash and cash equivalents at 31 December		**4,622**	**46**

The cash flow statement cannot be directly derived from the balance sheet and income statement.

Balance sheet

Assets

(DKKm)	Note	2019	2018
Intangible assets	12	968	1,112
Right-of-use assets		19	-
Property, plant and equipment	13	156	113
Investments in Group entities	20	41,425	5,602
Receivables from Group entities and other receivables		15,555	14,573
Total non-current assets		**58,123**	**21,400**
Receivables from Group entities and other receivables	14	14,868	4,831
Cash and cash equivalents		4,622	46
Total current assets		**19,490**	**4,877**
Total assets		**77,613**	**26,277**

Equity and liabilities

(DKKm)	Note	2019	2018
Share capital		235	188
Reserves and retained earnings	15	40,420	7,530
Total equity		**40,655**	**7,718**
Lease liabilities	16	1	-
Borrowings	16	4,897	5,467
Deferred tax liabilities	18	128	128
Total non-current liabilities		**5,026**	**5,595**
Lease liabilities	16	18	-
Borrowings	16	5,802	219
Corporation tax		34	47
Payables to Group entities and other payables	17	26,078	12,698
Total current liabilities		**31,932**	**12,964**
Total liabilities		**36,958**	**18,559**
Total equity and liabilities		**77,613**	**26,277**

Statement of changes in equity

	2019				2018			
(DKKm)	Share capital	Reserves*	Retained earnings	Total equity	Share capital	Reserves*	Retained earnings	Total equity
Equity 1 January as previously reported	188	536	6,994	7,718	190	5,055	4,843	10,088
Impact of accounting policy change **	-	-	(2)	(2)	-	-	-	-
Equity at 1 January	**188**	**536**	**6,992**	**7,716**	**190**	**5,055**	**4,843**	**10,088**
Profit for the year	-	9	1,389	1,398	-	222	1,042	1,264
Other comprehensive income, net of tax	-	2	-	2	-	7	-	7
Total comprehensive income for the year	**-**	**11**	**1,389**	**1,400**	**-**	**229**	**1,042**	**1,271**
Transactions with shareholders:								
Share-based payments	-	-	20	20	-	-	16	16
Dividends distributed	-	-	(423)	(423)	-	-	(380)	(380)
Purchase of treasury shares	-	(7)	(4,881)	(4,888)	-	(8)	(4,153)	(4,161)
Sale of treasury shares	-	3	1,508	1,511	-	2	874	876
Capital increase	56	-	35,202	35,258	-	-	-	-
Capital reduction	(9)	9	-	-	(2)	2	-	-
Dividends on treasury shares	-	-	22	22	-	-	14	14
Other adjustments	-	-	(39)	(39)	-	-	(6)	(6)
Total transactions with owners	**47**	**5**	**31,487**	**31,539**	**(2)**	**(4)**	**(3,635)**	**(3,641)**
Other equity transactions:								
Transfer to retained earnings	-	-	-	-	-	(4,744)	4,744	-
Equity at 31 December	**235**	**552**	**39,868**	**40,655**	**188**	**536**	**6,994**	**7,718**

* For a specification of reserves, please refer to note 15
** Cumulative effect of applying IFRS 16 Leases

1. ACCOUNTING POLICIES

As Parent company of the DSV Panalpina Group, the financial statements of DSV Panalpina A/S are separate financial statements disclosed as required by the Danish Financial Statements Act. The separate financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') as endorsed by the EU and further requirements in the Danish Financial Statements Act. The accounting policies of the Parent are identical with the policies for the consolidated financial statements, except for the following:

Dividends from investments in subsidiaries
Dividends from investments in subsidiaries are recognised as income in the Parent's income statement under financial income in the financial year in which the dividends are declared.

Investments in subsidiaries in the Parent's financial statements
Investments in subsidiaries are measured at cost. If there is any indication of impairment, investments are tested for impairment as described in the accounting policies applied by the Group. If the cost exceeds the recoverable amount, the investment is written down to that lower value.

Currency translation
Foreign currency adjustments of balances considered part of the total net investment in enterprises which have a functional currency other than Danish kroner (DKK) are recognised in the income statement of the Parent under financials.

2. CHANGES IN ACCOUNTING POLICIES

The Parent has implemented the International Financial Reporting Standards ('IFRS') as issued by the International Ac counting Standards Board ('IASB') and amendments effective as of 1 January 2019 as adopted by the European Union. Implementation of these standards and amendments has had no material impact on the financial statements or notes to the financial statements of the Parent, or resulted in any changes to recognition, measurement or classifications. Reference is made to Chapter 1 of the consolidated financial statements for additional information.

3. MANAGEMENT JUDGEMENTS

For the preparation of the Annual Report of DSV Panalpina A/S, Management makes various accounting judgements that affect the reported amounts and disclosures in the statements and in the notes to the financial statements. These judgements are based on professional judgement, historical data and other factors available to Management. By their nature, judgements include a degree of uncertainty and actual results may therefore deviate from the judgements made at the reporting date. Judgements are continuously evaluated, and the effect of any changes is recognised in the relevant period.

Accounting judgements considered significant in the preparation and understanding of the financial statements of the Parent includes the following:

Investments in subsidiaries
Management assesses annually whether there is an indication of impairment of investments in subsidiaries. If so, the investments will be tested for impairment in the same way as Group goodwill, involving various estimates on future cashflows, growth, discount rates, etc. At 31 December 2019 no impairment indicators have been identified.

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 Parent company accounts. These standards are expected to be implemented when they take effect.

Of the new standards and amendments only IFRS 16 Leases is currently expected to have any noticeable impact on the Parent financial statements. The effect however is not expected to be material due to the limited number of leases applied by the Parent. Reference is made to Chapter 1 of the consolidated financial statements for additional information.

5. REVENUE

(DKKm)	2019	2018
Intra-Group charges	1,664	1,737
Total revenue	**1,664**	**1,737**

6. FEES TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

(DKKm)	2019	2018
Statutory audit	10	3
Assurance engagements other than audits	6	-
Tax and VAT advisory services	-	-
Other services	-	-
Total fees	**16**	**3**

7. STAFF COSTS

For information on remuneration of the Executive Board and the Board of Directors, please see notes 5.3 and 5.4 to the consolidated financial statements.

(DKKm)	2019	2018
Remuneration of the Board of Directors	6	6
Salaries etc.	600	632
Defined contribution pension plans	28	26
Total staff costs	**634**	**664**
Average number of full-time employees	431	426

8. SPECIAL ITEMS

(DKKm)	2019	2018
Impairment and other costs relating to reorganisations	9	-
Transaction cost relating to acquisition of Panalpina	104	-
Total special items, costs	**113**	**-**

9. FINANCIAL INCOME

(DKKm)	2019	2018
Interest income	73	31
Interest income from Group entities	518	543
Currency translation adjustments, net	-	83
Dividends from subsidiaries	1,441	1,059
Total financial income	**2,032**	**1,716**

Interest income includes interest on financial assets measured at amortised cost of DKK 73 million (2018: DKK 31 million).

10. FINANCIAL EXPENSES

(DKKm)	2019	2018
Interest expenses	214	211
Interest expenses for Group entities	82	72
Currency translation adjustments, net	146	-
Total financial expenses	**442**	**283**

Interest expenses include interest on financial liabilities measured at amortised cost of DKK 214 million (2018: DKK 211 million).

11. TAX FOR THE YEAR

Tax for the year is disaggregated as follows:

(DKKm)	2019	2018
Tax on profit for the year	1	93
Tax on other comprehensive income	1	2
Total tax for the year	**2**	**95**

Tax on profit for the year specifies as follows:

(DKKm)	2019	2018
Current tax	(3)	63
Deferred tax	3	23
Tax adjustment relating to previous years	(1)	7
Total tax on profit for the year	**(1)**	**93**

Tax rate specifies as follows:

(DKKm)	2019	2018
Calculated tax on profit for the year before tax	22.0%	22.0%
Tax effect of:		
Non-deductible expenses/ non-taxable income	(22.1%)	(15.6%)
Effective tax rate	0.1%	0.5%
Total tax on profit for the year	**0.0%**	**6.9%**

12. INTANGIBLE ASSETS

	2019		
(DKKm)	Software	Software in progress	Total
Cost at 1 January	2,022	385	2,407
Additions for the year	7	244	251
Disposals at cost	(362)	(39)	(401)
Reclassifications	381	(381)	-
Total cost at 31 December	**2,048**	**209**	**2,257**
Total amortisation and impairment at 1 January	1,256	39	1,295
Amortisation and impairment for the year	395	-	395
Amortisation of assets disposed of	(362)	(39)	(401)
Total amortisation and impairment at 31 December	**1,289**	**-**	**1,289**
Carrying amount at 31 December	**759**	**209**	**968**

(DKKm)	2018		
Cost at 1 January	1,716	321	2,037
Additions for the year	41	365	406
Disposals at cost	(31)	(5)	(36)
Reclassifications	296	(296)	-
Total cost at 31 December	**2,022**	**385**	**2,407**
Total amortisation and impairment at 1 January	1,020	44	1,064
Amortisation and impairment for the year	261	-	261
Amortisation of assets disposed of	(25)	(5)	(30)
Total amortisation and impairment at 31 December	**1,256**	**39**	**1,295**
Carrying amount at 31 December	**766**	**346**	**1,112**

Total value of financial lease assets amounted to DKK 0 million (2018: DKK 6.1 million).

13. PROPERTY, PLANT AND EQUIPMENT – OTHER PLANT AND OPERATING EQUIPMENT

(DKKm)	2019	2018
Cost at 1 January	279	200
Additions for the year	112	83
Disposals at cost	(33)	(4)
Total cost at 31 December	**358**	**279**
Total amortisation and impairment at 1 January	166	115
Amortisation and impairment for the year	69	51
Amortisation of assets disposed of	(33)	–
Total amortisation and impairment at 31 December	**202**	**166**
Carrying amount at 31 December	**156**	**113**

14. RECEIVABLES FROM GROUP ENTITIES AND OTHER RECEIVABLES

(DKKm)	2019	2018
Receivables from Group entities	14,632	4,617
Fair value of derivative financial instruments	31	41
Other receivables etc.	205	173
Receivables from Group entities and other receivables at 31 December	**14,868**	**4,831**

15. EQUITY RESERVES

Equity reserves are specified below.

	2019			
(DKKm)	Treasury share reserve	Hedging reserve	Development cost reserve	Total reserves
Reserves at 1 January	(10)	(32)	578	536
Profit for the year	-	-	9	9
Other comprehensive income, net of tax	-	2	-	2
Total comprehensive income for the year	(10)	(30)	587	547
Transactions with shareholders:				
Purchase of treasury shares	(7)	-	-	(7)
Sale of treasury shares	3	-	-	3
Capital reduction	9	-	-	9
Reserves at 31 December	**(5)**	**(30)**	**587**	**552**

	2018				
(DKKm)	Share premium reserve	Treasury share reserve	Hedging reserve	Development cost reserve	Total reserves
Reserves at 1 January	4,744	(6)	(39)	356	5,055
Profit for the year	-	-	-	222	222
Other comprehensive income, net of tax	-	-	7	-	7
Total comprehensive income for the year	-	-	7	222	229
Transactions with shareholders:					
Purchase of treasury shares	-	(8)	-	-	(8)
Sale of treasury shares	-	2	-	-	2
Capital reduction	-	2	-	-	2
Other equity transactions:					
Transfer to retained earnings	(4,744)	-	-	-	(4,744)
Reserves at 31 December	**-**	**(10)**	**(32)**	**578**	**536**

For a description of equity reserves, please see note 4.1 to the consolidated financial statements.

16. FINANCIAL LIABILITIES

(DKKm)	2019	2018
Loans and credit facilities	6,671	1,670
Issued bonds	3,975	3,972
Lease liabilities	19	-
Other financial liabilities	53	44
Total financial liabilities	**10,718**	**5,686**
Financial liabilities as recognised in the balance sheet:		
Non-current liabilities	4,898	5,467
Current liabilities	5,820	219
Financial liabilities at 31 December	**10,718**	**5,686**

Loans and credit facilities

			Carrying amount	
(DKKm)	Expiry	Fixed/ floating	2019	2018
Bank loans	2020-2023	Floating	1,198	1,452
Bond loans	2020-2024	Fixed/ floating	3,975	3,972
Lease liabilities	2020-2021	Floating	19	-
Cash facilities	2020-2023	Floating	5,473	218
Loans and credit facilities at 31 December			**10,665**	**5,642**

Bank loans are subject to standard trade covenants. All financial ratio covenants were observed during the year.

The weighted average interest rate was 1.7% (2018: 2.0%).

FINANCIAL LIABILITIES FINANCING ACTIVITIES 2019 (DKKm)	Beginning of year	Cash flow	Non-cash change: Acquisition	Non-cash change: Other	End of year
Loans and credit facilities	1,670	4,994	-	7	6,671
Issued bonds	3,972	-	-	3	3,975
Lease liabilities*	54	(37)	2	-	19
Total liabilities from financing activities	**5,696**	**4,957**	**2**	**10**	**10,665**
Other non-current liabilities	44				53
Total financial liabilities	**5,740**				**10,718**

* Includes opening balance effect of DKKm 54 related to implementation of IFRS 16

FINANCIAL LIABILITIES FINANCING ACTIVITIES 2018 (DKKm)	Beginning of year	Cash flow	Non-cash change: Foreign ex. movement	Non-cash change: Other	End of year
Loans and credit facilities	649	1,020	1	-	1,670
Issued bonds	4,713	(750)	5	4	3,972
Total liabilities from financing activities	**5,362**	**270**	**6**	**4**	**5,642**
Other non-current liabilities	59				44
Total financial liabilities	**5,421**				**5,686**

17. PAYABLES TO GROUP ENTITIES AND OTHER PAYABLES

(DKKm)	2019	2018
Payables to Group entities	25,129	12,231
Other payables	949	467
Payables to Group entities and other payables at 31 December	**26,078**	**12,698**

18. DEFERRED TAX

(DKKm)	2019	2018
Deferred tax at 1 January	128	91
Deferred tax for the year	3	23
Tax adjustments relating to previous years	3	-
Tax on changes in equity	(6)	14
Deferred tax at 31 December	**128**	**128**
Deferred tax as recognised in the balance sheet:		
Deferred tax liabilities	128	128
Deferred tax, net	**128**	**128**
Specification of deferred tax:		
Intangible assets	167	169
Current assets	(8)	(7)
Other liabilities	(31)	(34)
Deferred tax at 31 December	**128**	**128**

19. SHARE OPTION SCHEMES

DSV Panalpina A/S has issued share options to senior staff and members of the Executive Board of the Company. Please see note 5.3 to the consolidated financial statements for a list of current incentive share option schemes and a description of the assumptions used for the valuation of the share options granted in 2019.

Total costs recognised in 2019 for services received not recognised as an asset amounted to DKK 20 million (2018: DKK 16 million).

The average share price for options exercised in the financial year was DKK 624.2 per share at the date of exercise.

SHARE OPTIONS SCHEMES AT 31 DECEMBER 2019

Scheme	Exercise period	Board of Directors	Executive Board	Senior staff	Total	Average exercise price per option
2015	03.04.2018 - 31.03.2020	-	-	4,000	4,000	215.0
2016	01.04.2019 - 31.03.2021	-	190,000	38,000	228,000	274.3
2017	01.04.2020 - 31.03.2022	-	190,000	241,000	431,000	357.0
2018	28.03.2021 - 28.03.2023	-	190,000	263,500	453,500	477.5
2019	29.03.2022 - 27.03.2024	-	190,000	281,500	471,500	545.0
Outstanding		**-**	**760,000**	**828,000**	**1,588,000**	**435.0**
Exercise period open at 31 December 2019		-	190,000	42,000	232,000	273.2
Life (years)		-	2.8	3.2	3.0	n.a
Market value (DKKm)		-	262.2	250.1	512.3	n.a

OUTSTANDING SHARE OPTIONS

	Board of Directors*	Executive Board	Senior staff	Total	Average exercise price per option
Outstanding at 1 January 2018	32,000	720,000	639,500	1,391,500	270.0
Granted	-	190,000	276,000	466,000	477.5
Exercised	(32,000)	(170,000)	(131,000)	(333,000)	185.9
Options waived/expired	-	-	(11,500)	(11,500)	317.5
Outstanding at 31 December 2018	**-**	**740,000**	**773,000**	**1,513,000**	**352.1**
Outstanding at 1 January 2019	-	740,000	773,000	1,513,000	352.1
Granted	-	190,000	287,500	477,500	545.0
Exercised	-	(170,000)	(209,500)	(379,500)	241.4
Options waived/expired	-	-	(23,000)	(23,000)	458.8
Outstanding at 31 December 2019	**-**	**760,000**	**828,000**	**1,588,000**	**435.0**

* A member of the Board of Directors has previously received share options in the Director's former capacity as senior staff member at DSV.

20. INVESTMENTS IN GROUP ENTITIES

DSV Panalpina A/S owns the following subsidiaries, all of which are included in the consolidated financial statements:

	Ownership 2019	Ownership 2018	Registered office	Share capital (DKKm)
DSV Road Holding A/S	100%	100%	Hedehusene, Denmark	100
DSV Air & Sea Holding A/S	100%	100%	Hedehusene, Denmark	50
DSV Solutions Holding A/S	100%	100%	Hedehusene, Denmark	100
DSV Insurance A/S	100%	100%	Hedehusene, Denmark	25
DSV Group Services A/S	100%	100%	Hedehusene, Denmark	5
DSV FS A/S	100%	100%	Hedehusene, Denmark	0.5
Panalpina Welt-transport AG	98%	0%	Basel, Switzerland	16
UTi (NA) holdings NV	100%	100%	Willemstad, Curacao	0

21. DERIVATIVE FINANCIAL INSTRUMENTS

The weighted average effective interest rate for existing interest rate instruments was 0.9% at the reporting date (2018: 0.9%).

A loss on hedging instruments of DKK 61 million was recognised in the income statement for the financial year of 2019 (2018: gain of DKK 23 million).

In the same period, a loss of DKK 85 million was recognised relating to assets and liabilities (2018: gain of DKK 60 million).

For more information on foreign currency and interest rate risk hedging, please see notes 4.4 and 4.5 to the consolidated financial statements.

EXTERNAL HEDGING INSTRUMENTS (DKKm)	2019 Contractual value	Maturity	Fair value	Of which recognised in income statement	Of which recognised in OCI
Currency instruments	3,699	2020	25	19	6
Interest rate instruments	1,219	2020-2023	(44)	-	(44)
Total			**(19)**	**19**	**(38)**

(DKKm)	2018 Contractual value	Maturity	Fair value	Of which recognised in income statement	Of which recognised in OCI
Currency instruments	11,655	2019-2020	42	39	3
Interest rate instruments	1,226	2020-2023	(44)	-	(44)
Total			**(2)**	**39**	**(41)**

22. FINANCIAL RISKS

Financial risks of the parent are handled within the risk management processes and framework of the Group. Please see note 4.4 to the consolidated financial statements.

The liabilities of DSV Panalpina A/S fall due as listed in the adjacent table.

The analysis of expected maturity is based on contractual cash flows, including estimated interest payments. No amounts have been discounted, for which reason they cannot necessarily be reconciled to the related items of the balance sheet.

FINANCIAL RISKS (DKKm)	2019				2018			
	0-1 year	1-5 years	> 5 years	Total cash flows, incl. interest	0-1 year	1-5 years	> 5 years	Total cash flows, incl. interest
Loans, credit facilities and issued bonds	5,916	5,005	-	10,921	359	4,315	1,511	6,185
Lease liabilities	18	1	-	19	-	-	-	
Other payables	949	-	-	949	467	-	-	467
Payables to Group entities	25,129	-	-	25,129	12,231	-	-	12,231
Currency derivatives	(25)	-	-	(25)	(41)	(1)	-	(42)
Interest rate derivatives	4	43	-	47	5	43	-	48
Total	**31,991**	**5,049**	**-**	**37,040**	**13,021**	**4,357**	**1,511**	**18,889**

22. FINANCIAL RISKS – CONTINUED

Financial instruments by category

(DKKm)	2019 Carrying amount	2018 Carrying amount
Financial assets:		
Currency derivatives	31	42
Receivables	14,868	4,831
Other receivables	15,555	14,573
Cash and cash equivalents	4,622	46
Total cash and receivables	35,045	19,450
Financial liabilities:		
Interest rate derivatives	47	44
Currency derivatives	6	-
Issued bonds measured at amortised cost	3,975	3,972
Loans and credit facilities	6,671	1,670
Lease liabilities	19	-
Payables to Group entities etc.	26,078	12,698
Financial liabilities measured at amortised cost	36,743	18,340

The fair value of financial assets and liabilities does not differ significantly from the carrying amount.

The valuation of financial instruments measured at fair value is based on other observable input than prices quoted in active markets (level 2). Interest rate swaps and foreign exchange forward contracts are valued using generally accepted valuation techniques based on relevant observable data.

23. CONTINGENT LIABILITIES AND SECURITY FOR DEBT

Contingent liabilities

DSV Panalpina A/S and the other Danish Group entities are registered jointly for VAT purposes and are jointly and severally liable for the VAT liabilities.

DSV Panalpina A/S is assessed jointly for Danish tax purposes with the other domestic Group entities. DSV Panalpina A/S is the administration company of the joint taxation arrangement and is under an unlimited and joint liability regime for all Danish tax payments and withholding taxes on dividends, interest and royalties from the jointly taxed entities. Income tax and withholding tax payables under the joint taxation arrangement amounted to DKK 34 million (2018: income tax and withholding tax receivable of DKK 33 million), which is included in the financial statements of DSV A/S.

Parent Company guarantees

DSV Panalpina A/S has provided guarantees for subsidiaries' outstanding balances with banks and liabilities to leasing companies, suppliers and public authorities, etc., in the amount of DKK 5,938 million (2018: DKK 7,272 million).

Moreover, DSV Panalpina A/S has issued several declarations of intent relating to outstanding balances between subsidiaries and third parties.

24. RELATED PARTIES

DSV Panalpina A/S has no related parties with control of the Group and no related parties with significant influence other than key management personnel – mainly in the form of the Board of Directors and Executive Board.

RELATED PARTY TRANSACTIONS

Board of Directors and Executive Board

No transactions were made in the financial year of 2019 other than ordinary remuneration, as described in notes 5.3 and 5.4 to the consolidated financial statements.

Intra-Group transactions

No transactions were made in 2019 other than as stated in the income statement and notes.

25. GENDER REPRESENTATION CF. ARTICLE 99B OF THE DANISH FINANCIAL STATEMENTS ACT

The Danish financial Statements Act § 99b requires Danish companies of a certain size to set targets for and report on gender representation in the company's Board of Directors, and further inform about the company's policy on gender representation on lower management levels.

At present, DSV Panalpina A/S complies with the requirement of equal gender representation in the company's Board of Directors with a gender ratio of 43% women and 57% men, two of whom foreign nationals.

A similar ratio is not seen at lower management levels of DSV Panalpina A/S in 2019, but targets and initiatives are in place to increase the ratio. Policy for gender diversity takes its cue from the anti-discrimination paragraph in the DSV Panalpina Code of Conduct. The policy aims to ensure a balanced workforce as well as equal opportunities for all DSV Panalpina employees. This target has been pursued through a hiring and advancement practice and policy focused on equal advancement possibilities for all talented and dedicated employees, regardless of gender.

Global Transport and Logistics

Design and graphic production: °