DSV

Global Transport and Logistics

DSV Panalpina
Annual Report 2020

Keeping supply chains flowing

About 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 56,000 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 2020 – 44th financial year
Published 10 February 2021

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Keeping supply chains flowing

Despite the disrupting COVID-19 pandemic, 2020 was another strong year for DSV Panalpina. Our staff have delivered an extra-ordinary effort to keep supply chains flowing and have achieved excellent results. We have now completed the integration of Panalpina and have set new ambitious long-term targets, both for sustainability and financial performance.

In just 15 months, we succeeded in integrating Panalpina, a company half the size of DSV.

47.3% growth in EBIT before special items
For the Group, we achieved revenue of DKK 115,932 million (+26.0%), gross profit of DKK 28,534 million (+23.5%) and operating profit before special items of DKK 9,520 million (+47.3%). Adjusted free cash flow came to DKK 8,746 million, and we distributed DKK 5,619 million to shareholders in 2020 via share buybacks and dividend. The DSV Panalpina share price rose 33% in 2020.

2020 was a tough and unpredictable year, and it is a remarkable achievement that the financial results for 2020 are better than we anticipated before COVID-19 hit us. Across all our divisions and markets, we have delivered excellent results and, throughout the year, DSV Panalpina has played an important role in global society; when the world closed due to the pandemic, our employees found transport solutions to securing, e.g., food, household products and personal protection equipment on behalf of our customers. Despite grounded passenger aircrafts and disruption across all transport modes, we managed to keep supply chains flowing.

Panalpina successfully integrated
In just 15 months, we succeeded in integrating Panalpina, a company half the size of DSV and the biggest acquisition in the history of our company. It takes a lot of effort and attention to carry out a comprehensive integration in such short time, but the good results of joining forces are already showing. The skills, knowledge and capacity that Panalpina has brought to DSV have made us a stronger company and have clearly created value for our shareholders.

With the addition of Panalpina, the Group is now among the leading companies in the global transport and logistics industry, but our market share is less than 5% due to a very fragmented industry. Our acquisition ambition therefore remains a core part of our growth strategy along with our ambition to grow organically. In 2020, we announced two smaller bolt-on acquisitions, Prime Cargo and Globeflight, but large acquisitions remain our primary focus.

New ambitious sustainability targets
Earlier this year, we unveiled our ambitious targets for reducing greenhouse gas emissions. The combined DSV and Panalpina emissions amounted to 16 million tonnes CO_2 in 2019, of which the largest part was related to freight transport. We are committed to the Science Based Targets initiative, which enables us to credibly demonstrate that we do our fair share to pave the road for a greener future. Therefore, by 2030, we must reduce our carbon footprint by at least 30% from a 2019 base year.

In 2020, we already saw a reduction; however, this was mainly due to lower volumes following COVID-19. The long-term target can only be achieved if we work closely with our customers and suppliers and form partnerships with different stakeholders in and outside our industry. In 2020, we have partnered with other large companies to develop sustainable fuels, and in the coming years we will increase our focus on developing sustainable logistics services.

We went through a challenging 2020 without reducing focus on other corporate responsibility activities. We remain committed to the UN Global Compact, we support the Sustainable Development Goals, and we focus strongly on both business ethics, responsible procurement and, not least, a safe and secure working environment for our employees. The latter has been especially important in 2020, where the safety of employees has been a top priority during the pandemic.

Technology driving us forward
In DSV Panalpina, we take part in pushing the industry forward towards a more digitalised future. Technology helps us support our customers effectively and professionally with better products and value-added services. It is also an important tool for our employees in securing our company's productivity and efficiency.

In 2020, we have taken important steps forward in several areas: We have introduced new, advanced track-and-trace services creating visibility in supply chains. We have implemented new robotic storage and retrieval systems in our warehouses that are particularly suited for e-commerce operations. And we have tested our first autonomous drones, which help us manage inventory in warehouses.

New ambitious financial targets
We have already signed off on our old financial targets. We met our goals, ahead of schedule, and I am happy that we can now announce a new set of ambitious targets.

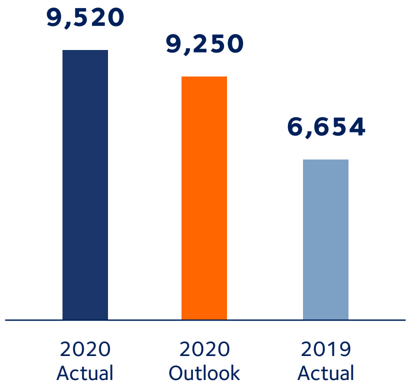
We are a top performer in our industry, but we see further potential to improve – driven by growth, scale, technology and our strong organisation. By 2025, we target a conversion ratio of 40.0% or higher for the Group (see more details about the targets on page 15).

We owe our employees a special thank you for their tireless and impressive effort in very difficult circumstances throughout the year. The COVID-19 crisis has shown us that freight forwarding is still a people's business, and the results that DSV Panalpina has achieved in 2020 are due to our people. 2021 will be another unpredictable and challenging year, but with our strong and flexible business model and the right people on board, we will make sure to keep our customers' supply chains flowing.

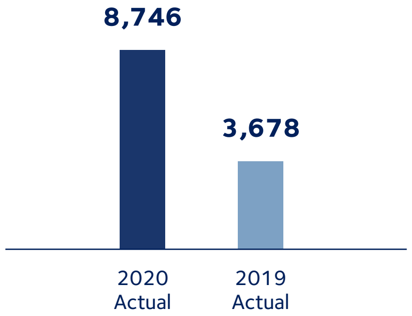
Jens Bjørn Andersen, CEO

Highlights 2020

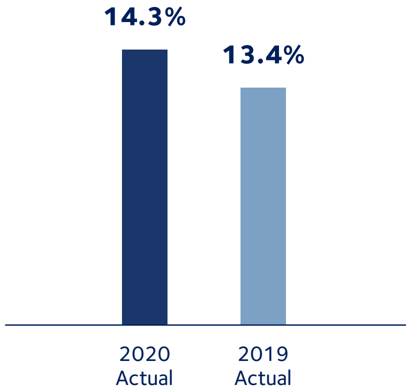
EBIT before special items
Slightly above our outlook for 2020, operating profit before special items came to DKK 9,520 million. Despite challenging market conditions and COVID-19, we delivered strong results.



Adjusted free cash flow
For 2020, adjusted free cash flow came to DKK 8,746 million. The positive development is mainly due to the higher EBIT before special items.

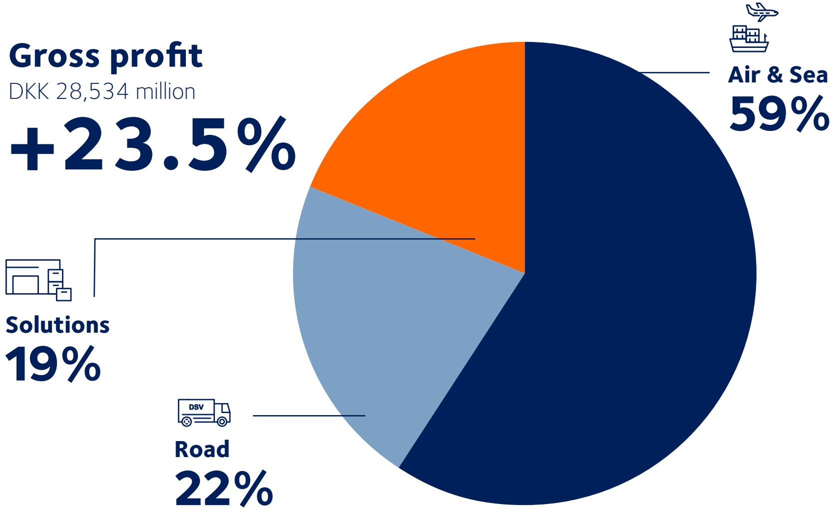


ROIC before tax
The return on invested capital came to 14.3% in 2020 against 13.4% for 2019. The increase can mainly be attributed to the growth in EBIT before special items.

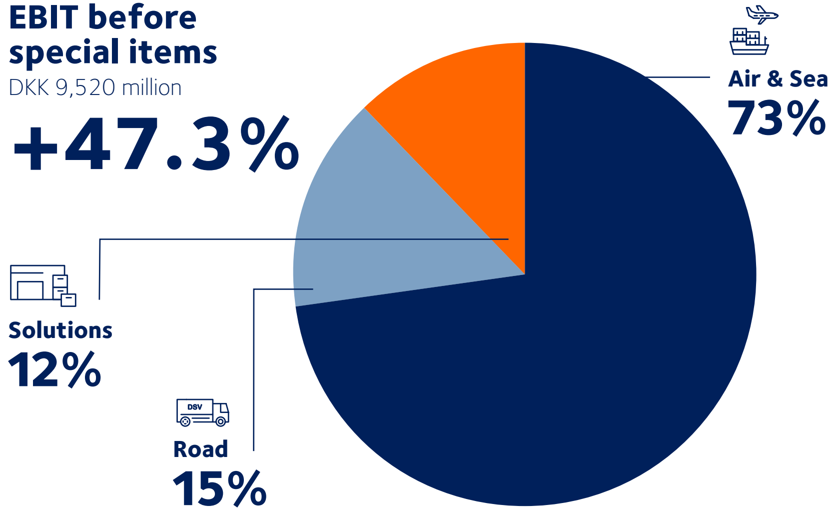


Group results

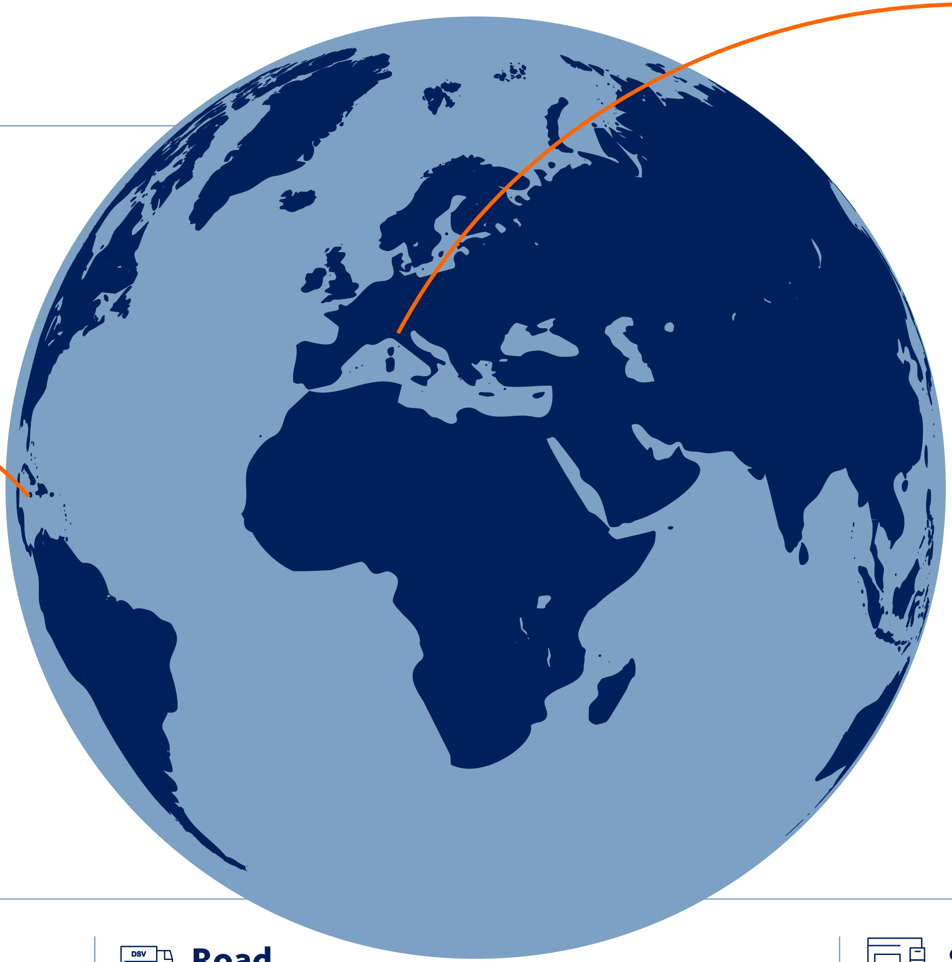
Gross profit
DKK 28,534 million
+23.5%



EBIT before special items
DKK 9,520 million
+47.3%



Global footprint



AMERICAS

Gross profit: DKK 5,931 million

21% of total

EBIT before special items: DKK 2,177 million

23% of total

EMEA

Gross profit: DKK 17,148 million

60% of total

EBIT before special items: DKK 4,484 million

47% of total

APAC

Gross profit: DKK 5,455 million

19% of total

EBIT before special items: DKK 2,859 million

30% of total

Air & Sea

The growth in EBIT before special items was primarily a result of the successful integration of Panalpina and strong cost management. Freight volumes were negatively impacted by the COVID-19 crisis, however, this was compensated by strong gross profit per shipment, especially in air freight.

EBIT before special items: DKK 7,026 million

+61.0%

Road

The Road market was negatively impacted by the COVID-19 crisis during 2020. The market recovered gradually in the second half of 2020, especially the domestic distribution activities picked up, whereas activity on most international transports remained low. The growth in EBIT before special items was driven by strong cost management (COVID-19 cost savings) and improved productivity.

EBIT before special items: DKK 1,390 million

+12.3%

Solutions

The Solutions market gradually recovered in the second half of the year, and especially e-commerce activities performed. The growth in EBIT before special items was driven by cost discipline, improved productivity, continued consolidation of warehouse capacity and the successful integration of Panalpina.

EBIT before special items: DKK 1,161 million

+18.8%

Five-year overview

Financials

	2020	2019	2018*	2017*	2016*
Results (DKKm)					
Revenue	115,932	94,701	79,053	74,901	67,747
Gross profit	28,534	23,754	17,489	16,605	15,838
Operating profit before amortisation, depreciation (EBITDA) before special items	13,559	10,292	6,212	5,664	4,250
Operating profit (EBIT) before special items	9,520	6,654	5,450	4,878	3,475
Special items, costs	2,164	800	-	525	1,002
Net financial expenses	1,729	858	249	556	184
Profit for the year	4,258	3,706	3,988	3,012	1,678
Adjusted earnings	6,146	4,456	4,093	3,484	2,506
Cash flow (DKKm)					
Operating activities	10,276	6,879	4,301	4,664	1,273
Investing activities	(556)	1,371	(444)	(325)	(4,953)
Free cash flow	9,720	8,250	3,857	4,339	(3,680)
Adjusted free cash flow	8,746	3,678	3,916	4,835	1,838
Share buyback	(5,031)	(4,888)	(4,161)	(1,559)	-
Dividends distributed	(588)	(423)	(380)	(342)	(327)
Cash flow for the year	2,721	766	(143)	(376)	(3,284)
Financial position (DKKm)					
DSV Panalpina A/S shareholders' share of equity	47,385	49,430	14,561	14,835	13,416
Non-controlling interests	(88)	(111)	(29)	(26)	(38)
Balance sheet total	96,250	97,557	38,812	38,388	40,367
Net working capital	2,701	3,125	1,767	1,410	1,809
Net interest-bearing debt (NIBD)	16,970	18,355	5,831	5,575	8,299
Invested capital	64,285	68,595	20,381	20,391	21,336
Gross investment in property, plant and equipment	1,121	1,000	720	620	728

* The implementation of IFRS 16 Leases as from 1 January 2019 had a material impact on the financial statements and key ratios for 2019 and onwards. Comparative figures for 2016-2018 have not been restated.

Ratios

	2020	2019	2018*	2017*	2016*
Financial ratios (%)					
Gross margin	24.6	25.1	22.1	22.2	23.4
Operating margin	8.2	7.0	6.9	6.5	5.1
Conversion ratio	33.4	28.0	31.2	29.4	21.9
Effective tax rate	24.3	25.8	23.3	20.7	26.7
ROIC before tax	14.3	13.4	26.7	23.4	21.5
Return on equity	8.8	11.6	27.2	21.1	13.2
Solvency ratio	49.2	50.7	37.5	38.6	33.2
Gearing ratio	1.3	1.8	0.9	1.0	2.0
Share ratios					
Earnings per share of DKK 1	18.7	18.7	22.0	16.0	9.0
Diluted adjusted earnings per share of DKK 1	26.5	22.1	22.1	18.4	13.4
Number of shares issued ('000)	230,000	235,000	188,000	190,000	190,000
Share price at year-end (DKK)	1,020.0	767.8	429.2	488.6	314.2
Proposed dividend per share (DKK)	4.00	2.50	2.25	2.00	1.80

Environmental and social data

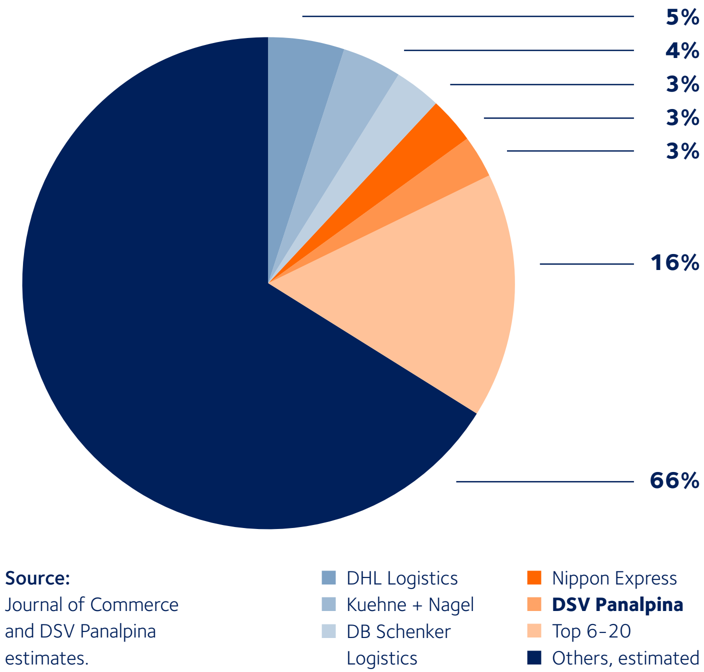
	2020	2019	2018	2017	2016
CO_2e Scope 3 – Air ('000 tonnes)	6,825	4,631	3,291	3,208	3,002
CO_2e Scope 3 – Sea ('000 tonnes)	1,366	1,553	820	855	867
CO_2e Scope 3 – Road ('000 tonnes)	4,233	3,682	3,899	3,864	3,569
Occupational accidents	6.7	5.0	4.6	4.2	4.6
Sickness absence (days per FTE)	6.4	6.0	5.9	4.7	5.1
Gender diversity (female/male)	38/62	39/61	38/62	39/61	38/62
Employee turnover ratio	32.5	23.6	20.1	18.0	26.6
Employees	56,621	61,216	47,394	45,636	44,779

For a definition of key figures and ratios, please refer to page 79.

Industry and markets

Market shares

Global top five freight forwarders and market share based on 2019 revenue.



Source:
Journal of Commerce and DSV Panalpina estimates.

The competitive landscape

DSV Panalpina is among the top five players in the global freight forwarding market and has an estimated market share of less than 5%. Together, the top 20 players have an estimated market share of 30-40% of the global freight forwarding market. The remaining market consists of a long tail of regional and local freight forwarders.

The fragmented industry and the standardised services mean that the pricing environment is competitive. Due to scale benefits, dense global networks and superior service levels, the largest freight forwarders are in a good position to gain market share from the smaller players, and we expect this trend to prevail in the coming years.

GDP sets the pace for market growth

In 2020, the transport and logistics markets were negatively impacted by COVID-19, and we expect that 2021 will be characterised by relatively high growth rates as the global economy gradually recovers. In recent years, growth in global trade has been in parallel with GDP growth, and we expect this correlation to continue. Air freight is the most volatile transport mode, and changes in economic growth or events like the COVID-19 crisis impact both demand and the available capacity.

Growth rates vary regionally, and several trends are impacting global trade flows; the economic growth in Asia is generally higher than that of the mature markets in Europe and North America. However, the historically-known export markets in Asia are gradually also becoming import markets as economies are shifting towards consumption. After years of outsourcing of production to China, we have in recent years seen a shift to other countries, mainly in East Asia. This outsourcing shift can create more robust supply chain opportunities by reducing dependency on single countries and single suppliers, but it also increases complexity, as more countries are involved. This creates business opportunities for freight forwarders, e.g. in relation to purchase order management and custom clearance.

Political trends impacting trade flows

In recent years, we have seen a political trend towards increased protectionism. The trade tensions between the US and China and the Brexit process are examples of such trends which may cause changes to supply chains if tariffs are implemented. However, we expect that the benefits of global supply chains will outweigh disadvantages of potential protectionist measures, and we can assist companies prepare for and adapt to the changes. International trade and transport of goods are impacted by other regulatory changes, and we see a steady increase in trade restrictions, trade embargoes and security measures. This means that a strong compliance setup is an important part of the value proposition of a freight forwarder.

New distribution channels

The growth in e-commerce has impacted consumer goods and last-mile distribution significantly, and this trend has accelerated following COVID-19. While distribution to physical shops has declined, the activity in distribution centres and last-mile distribution has increased. As freight forwarders, we must adapt to these changes and ensure that we can offer the relevant services to customers. This has created a new market and growth opportunities as we provide *e-fulfilment* to customers in our warehouses.

New market entrants

When digital start-ups emerge in our industry or if established carriers offer traditional freight forwarding services, we are potentially faced with new competition. Given our strong road map for continuous development of our services and digital platforms, we – along with other established freight forwarders with years of experience and pre-existing global networks – are in a strong position to hold on to and expand our market position.

Our business model

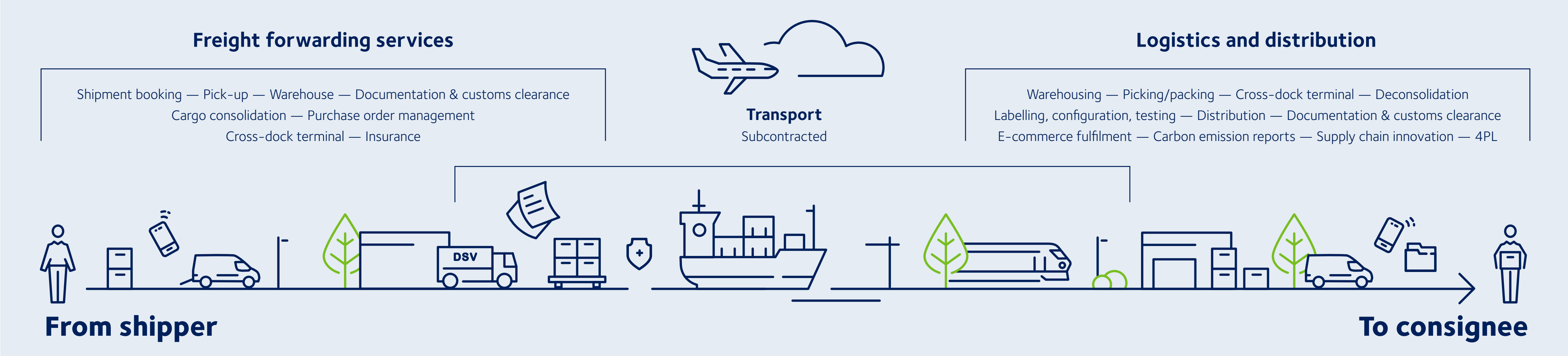
DSV Panalpina is one of the leading players in the global freight forwarding market. Through our network in more than 80 countries, we offer services within air and sea freight, overland transport (road and rail) as well as contract logistics (solutions).

We support our customers' entire supply chain – all the way from shipper to consignee. We organise the transportation of goods through our subcontractors (container carriers, airlines, road hauliers and railway operators). Our business model is asset-light, enabling us to scale activities to match changes in demand in the market and to choose the suppliers with the most appropriate service offering, e.g. related to sustainability.

Adding value to complex supply chains

In addition to organising transports, we offer our customers a full range of freight forwarding, logistics and distribution services. These value-added services, among others, include digital tools for purchase order management, booking and track-and-trace, as well as cargo consolidation, insurance, customs clearance and pick-and-pack.

Our workflows are highly digitalised and our IT systems are integrated with both customers and suppliers. This enables us to monitor the entire supply chain and provide supply chain visibility services and propose optimisation initiatives. The increasing complexity and time sensitivity of global supply chains have added Lead Logistics (4PL) and *Supply Chain Innovation* to our value proposition in recent years. Together with the increasing focus on sustainable logistics, this illustrates that the market and our services continuously develop.



Our key resources

People — IT systems — Industry know-how — Standardised global workflows — Carrier relations — Global network with local presence

Vision and strategy

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 is based on four strategic focus areas and has remained unchanged for years. Still, we must adapt to a dynamic market, and each element is evaluated and fine-tuned when relevant. Corporate Responsibility is a good example of an area which has become more deeply embedded in the strategic planning in recent years. We have been working with Corporate Responsibility for many years, but the topic is moving up on the agenda, driven by our own ambitions and influenced by important stakeholders: including customers, employees, investors and authorities.

Customers at the centre

We offer our customers global and competitive transport and logistics services of a consistently high quality that support their entire supply chain.

We have a strong foothold among both the large, global customers and in the SME segment (small and mid-sized customers). To cater for different needs and requirements, we offer industry-specific solutions for customers within Automotive, Industrial, Retail & Fashion, Healthcare, Technology and Renewable Energy.

We continually work with customers to find optimal solutions to their logistics challenges – and we proactively manage relations through our global customer success programme.

Above-market growth

We pursue profitable growth balanced between a solid, above-market growth and an active acquisition approach.

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

The Group has a strong track record of company integrations – with the recent acquisitions of UTi Worldwide and Panalpina as good examples.

Our main acquisition targets are large, global freight forwarders, preferably with high exposure to the air and sea market.

Operational excellence: transparency, productivity, scalability

Freight forwarding is a service industry characterised by high volumes and a low profit per shipment. Operational excellence is essential to achieving profitability above market level, and transparency, productivity and scalability are the key components.

We create transparency by measuring productivity and financial performance across the organisation to ensure that Management has the best possible basis for decision making.

Standardised workflows and efficient systems support productivity and ensure a high quality of the services we provide to customers.

Our international and regional shared service centres serve as administrative competency hubs, servicing our global organisation and driving up productivity.

Our four strategic focus areas

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.

DSV Property drives an ongoing consolidation of our physical infrastructure. Based on road maps for each country, we develop large and efficient warehouses, terminals and offices, replacing smaller and outdated facilities. In line with our asset-light business model, developed properties are sold to external investors and leased back.

People at the heart of operations

While we focus on IT and business process optimisation, our people are at the heart of our operations. We strive to ensure that they have the tools, training and conditions to perform their best. The COVID-19 crisis has demonstrated that the transport markets can quickly be disrupted and only the skills of an experienced freight forwarder can help solving the issues.

Our Group has experienced significant changes and growth over the years, but we still aim to maintain a flat organisation with a high degree of local empowerment. We want our staff to be close to the local market and to the customers, and we encourage decisions which are based on sound business acumen and supported by solid data. We work as one global company, we centralise back-office functions and we use standardised, global IT systems and workflows – but we always strive to maintain the local ownership and responsibility.

Recruitment and retention of talent remain key to the Group's success. We offer clear career-advancing opportunities to talented employees. Global HR initiatives, e.g. DSV Academy, e-learning, talent management and global mobility, are all in place to attract, motivate and retain the best people.

DSV Panalpina can only create value for the stakeholders, if we set a high standard and ambitious targets.

Corporate responsibility

We are committed to a responsible and sustainable way forward for transport and logistics. This is the overarching statement and ambition for our responsibility work, and this goes hand in hand with the vision and strategy described in the previous section. Our impact on the environment, our ethical behaviour and the working environment we offer to our employees are just some of the areas which are becoming increasingly important. Moreover, we can only create value for our stakeholders if we set a high standard and ambitious targets.

The combination of DSV and Panalpina has created a group with a strong profile within corporate responsibility. Based on the principles in the UN Global Compact, DSV had a strong foundation and governance in place, whereas Panalpina had been more active in entering into partnerships and communicating about corporate responsibility. With the combined strengths of the two legacy companies, we intend to lead the way in our industry, and in 2020 we updated our corporate responsibility strategy.

Corporate responsibility is anchored with the Board of Directors and Executive Management, but the plans can only be brought to life and targets achieved if the initiatives are driven and implemented by our central responsibility team and the local management teams across the organisation.

Our responsibility focus areas

Our corporate responsibility strategy focuses on five areas, which are all of high importance for the Group: business ethics, people, environment, community engagement and responsible procurement. Within each of these areas, we identify the most material topics and set targets for improvement. We measure the performance systematically and work with both global and local initiatives to ensure that we achieve the targets.

We are a signatory to the United Nations Global Compact, and we have pledged to adhere to the Compact's ten principles. We have also been supporting the UN's Sustainable Development Goals since 2015, and we have identified and work systematically with nine SDGs within the areas we affect the most through our business.

Ambitious environmental targets

DSV Panalpina is committed to the Science Based Targets initiative, and in 2020 we were one of the first logistics companies to set approved targets: Using 2019 as baseline, we aim to reduce carbon emissions from buildings and company cars (scope 1 and 2) by 40% and to reduce emissions from freight transports (scope 3) by 30% by 2030.

To achieve these ambitious targets, we need to collaborate with customers, suppliers and other key stakeholders. Via our CO_2 reporting platform, our customers can receive reports on greenhouse gas emissions which will enable us to identify areas for optimisation to ensure greener supply chains. Developing sustainable logistics services is a focus area for us – we wish to offer a range of standardised services, which give our customers a clear choice when it comes to optimising supply chains, also considering the environmental impact of the transport.

Partnerships with other stakeholders in our industry are key to achieve progress on the green agenda. During 2020, we have joined two partnerships with the purpose of exploring renewable hydrogen as an alternative to fossil-based fuels, which will be one of the key focus areas in the decarbonation of the transportation industry.

In 2020, we established a Sustainability Board, chaired by our CEO. The board sets the direction for our activities and approves global initiatives related to environmental sustainability.

Diversity and inclusion

We believe that having a diverse workforce where employees can realise their potential based on their different individual backgrounds is a significant business advantage. A diverse workforce situated in an inclusive culture fosters dynamic workplaces and ultimately better business decisions.

We recognise and support equal human rights and we are against discrimination, differential treatment and harassment of any kind. This and more is reflected in our Diversity and Inclusion Policy, which was updated in 2020.

Health and safety

We have more than 56,000 employees across the world performing a large variety of jobs – from office workers to warehouse operatives and truck drivers. Regardless of the job function, we are committed to providing a safe and healthy workplace worldwide and to nurture and develop our employees through mentorship, motivation and talent management. By setting and implementing health and safety standards, our employees and subcontractors are informed about hazards and required safety measures in their line of work.

Throughout the COVID-19 crisis, our priority has been the health and safety of our people, who have worked hard to keep global supply chains flowing. Due to lockdowns, a large part of our staff were working from home during the year. However, not all logistics can be handled from home, and for those who had to come to work we have prioritised a safe working environment by providing personal protection equipment and providing guidelines for all employees.

In 2020, we also implemented a new QHSE (Quality, Health, Safety, Environment) programme and moved forward on several other related initiatives. We continue to work systematically with our targets; to keep occupational accidents to a minimum, to reduce loss of working days and to completely avoid fatalities.

In this report, you will find a review of our performance within Corporate Responsibility during 2020 on page 20. More information can be found in our 2020 Corporate Responsibility Report.

We are committed to a responsible and sustainable way forward for transport and logistics.

Corporate responsibility Focus areas

Business ethics
We do business with integrity, respecting different cultures and the dignity and rights of individuals in all countries.

People
We provide safe and healthy workplaces, and we strive to attract, motivate and retain talented people by offering responsibility, empowerment and growth opportunities.

Environment
We have a responsibility to drive our own operations and the industry towards minimising the environmental impact of transport and logistics services.

Community engagement
We engage with and support communities in which we operate, and we use our expertise to support people in need.

Responsible procurement
We ensure our suppliers meet our high standards, service quality and price requirements and demonstrate an understanding of our Corporate Responsibility objectives.

Technology and digitalisation

Market trends driving technology

Technological development is a major driver for change in our industry, and we work with strategic road maps for each area of our operations to ensure that we stay on top of the development.

Customer integrations and real-time supply chain visibility

Digitalisation impacts our interaction with customers in several ways; this includes all steps of a shipment from quote, purchase order, booking, shipment tracking and status alerts to the final billing and KPI report to the customer.

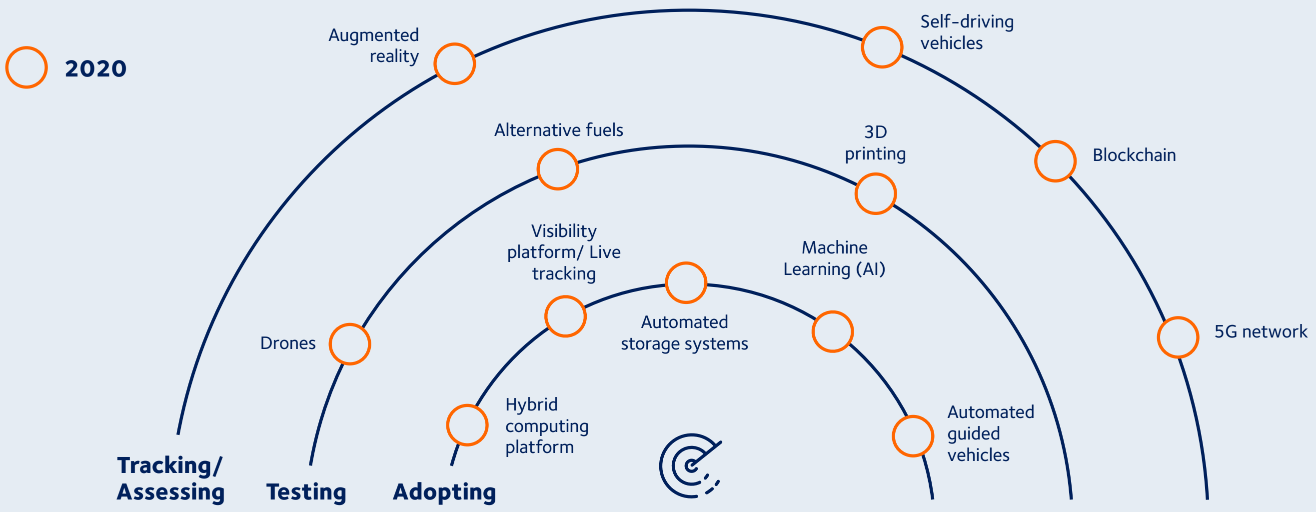
myDSV is our digital freight forwarding platform, and we continue to develop and add more customers to the platform. For large customers, we also work extensively with classic EDI integrations and more advanced API integrations.

Through our DSV Mobility Driver App and Last Mile Delivery App, we ensure that critical data are captured and the shipment can be tracked by our customers. DSV ETA is the latest addition to myDSV; through the use of GPS tracking and traffic data, customers can see the estimated time of arrival and receive alerts about delays.

Warehouse automation

Warehouse processes can be automated and optimised in several ways. Growth in e-commerce and increase in number of transactions lead to an increase in demand for efficient warehouse solutions. It is key for us that automation solutions are scalable and can be implemented across several warehouses.

DSV technology trend radar – selected examples



We have successfully implemented automated storage/retrieval systems and automated guided vehicles in several warehouses. This enables fast order fulfilment, improved productivity and efficient utilisation of warehouse spaces. Furthermore, in 2020 we have successfully tested drone technology for inventory management.

New and modern warehouses are a prerequisite for large-scale automation; the layout of the warehouse, quality of floors, fire safety measures and energy efficiency are examples of areas where DSV Property plays an important role, when we implement new technology.

A flexible IT landscape for the future

To support the requirements of a dynamic market and to fulfil our strategy, we operate a robust and flexible IT landscape. We are now implementing a hybrid computing platform to manage both on-premise and cloud-based infrastructure – operational systems, data and analytics, customer integrations and engagement services. The new architecture governance model enables us to combine our global network and physical infrastructure with a high level of digitalisation.

DSV Innovation Hub

In close cooperation with the operational units and the IT department, our Innovation Hub monitors and prioritises relevant trends and technologies. Several technologies are already in use, while others are tested or merely tracked.

Self-driving vehicles on public roads and blockchain are examples of technologies which do not yet have a significant commercial impact on our industry. We continue to monitor these and other technologies and if, at some point, we see a good business case, we will be ready to act.

Outlook 2021 and long-term financial targets

For 2021, we expect EBIT before special items of DKK 10,500-11,500 million, and we announce new ambitious 5-year targets.

Outlook 2021 (DKKm)	2020 actual	**Outlook 2021**
Operating profit (EBIT) before special items	9,520	10,500-11,500
Effective tax rate	24.3%	23.0%

Market assumptions
The 2021 outlook assumes stable development in the markets in which we operate and a continued gradual recovery of the global economy after the COVID-19 crisis. The OECD and IMF project global economic growth around 5% in 2021, 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 ambition is to gain market share in all the markets in which we operate.

Impact from integration synergies and COVID-19 cost savings
Synergies and savings were achieved faster than expected in 2020, and the remaining full-year impact in 2021 will be approximately DKK 1,200 million (previously expected DKK 1,300 million). This will bring total annual cost synergies and savings to DKK 3,700 million, in line with what we have previously communicated.

The outlook for 2021 assumes that the currency exchange rates, especially the US dollar against DKK, will remain at the current level.

Long-term financial targets
Following the integration of Panalpina in 2019-2020, new ambitious 2025 financial targets have now been set for the Group as a whole and for each division.

The targets are based on the assumption of stable global economic development during the period, with annual global GDP growth of approximately 3% and transport market growth in line with GDP. Based on our market position, we expect that we can take market share in all divisions and exceed the market growth in the five-year period.

The targets are based on organic growth and do not include the potential impact from larger acquisitions in the period.

The strategic objectives of the Group are translated into the following targets:

2025 targets (%)	2020 actual	**2025 targets**
DSV Panalpina Group		
Conversion ratio	33.4	>40.0
ROIC (before tax)	14.3	>20.0
Divisional targets for conversion ratio		
Air & Sea	41.6	>47.5
Road	22.6	>30.0
Solutions	21.6	>30.0

With growth in transport volumes and our continuous focus on operational excellence, we see opportunities to improve productivity. Our IT systems, infrastructure and back-office functions are scalable, providing operational leverage opportunities in all three divisions.

The Air & Sea division is expected to benefit from a strengthened market position after the Panalpina integration, and from further optimisation of work flows and improved utilisation of IT systems in the period.

The Road division is expected to continue the positive momentum from 2020, and the Road Way Forward project is expected to gradually improve productivity during the period.

The Solutions division will continue the work on automation, consolidation of existing infrastructure and addition of new warehouse capacity at key logistics locations.

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 2020 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.

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 2.0 x EBITDA before special items. The ratio may exceed this level following significant acquisitions.

Capital allocation policy
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 – the acquisition of Panalpina in 2019 being the newest, significant chapter in this story.

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

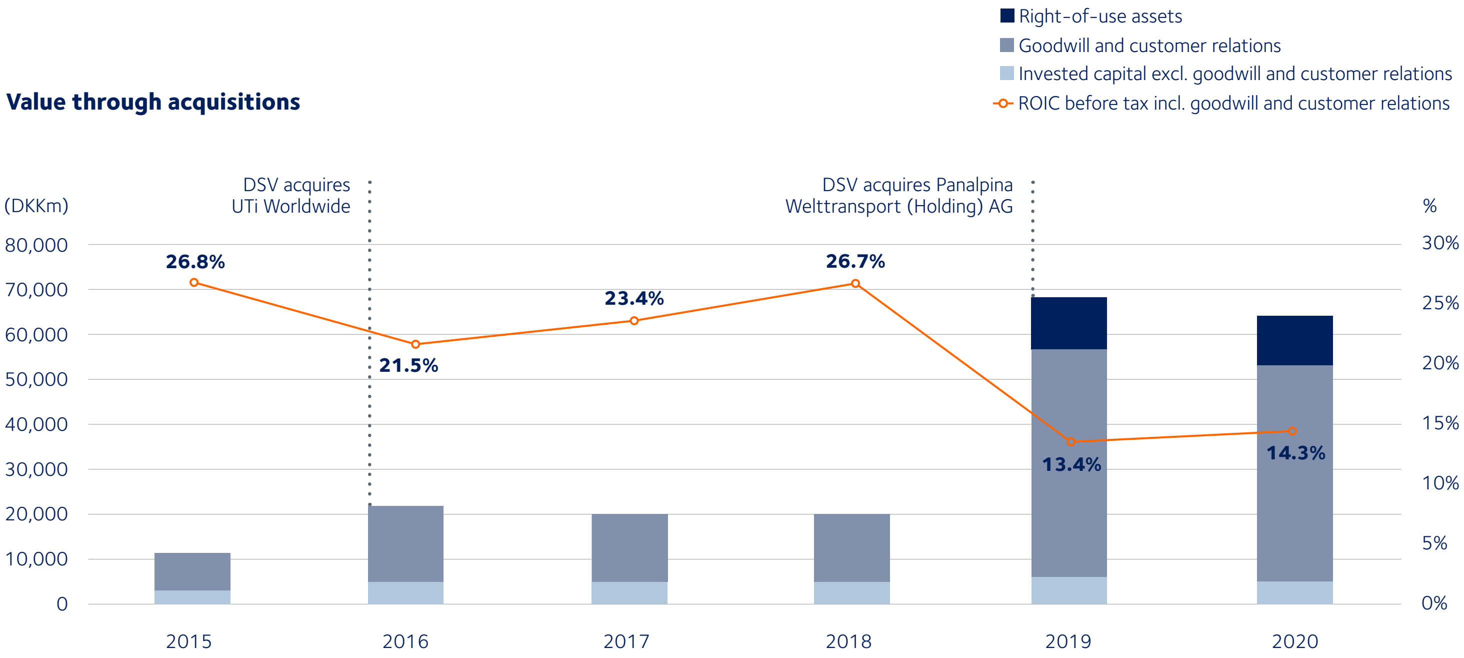
Group Management continuously monitors whether the capital structure is in line with the targets and excess capital is distributed to shareholders through share buybacks and dividends.

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 2020 amounts to DKK 4.00 per share (2019: 2.50 per share). The proposed dividend for 2020 is equivalent to 22% of net profit and 15% of adjusted earnings.

Value through acquisitions



Jens H. Lund, CFO

Financial review

For the Group, we achieved revenue of DKK 115,932 million, gross profit of DKK 28,534 million and operating profit of DKK 9,520 million.

Income statement (DKKm)	**2020**	2019	Growth*
Revenue	115,932	94,701	26.0%
Direct costs	87,398	70,947	
Gross profit	**28,534**	**23,754**	**23.5%**
Gross margin	*24.6%*	*25.1%*	
Other external expenses	3,291	3,133	
Staff costs	11,684	10,329	
Operating profit before amortisation and depreciation (EBITDA) before special items	**13,559**	**10,292**	
Amortisation and depreciation	4,039	3,638	
Operating profit (EBIT) before special items	**9,520**	**6,654**	**47.3%**
Conversion ratio	*33.4%*	*28.0%*	
Special items, costs	2,164	800	
Net financial expenses	1,729	858	
Profit before tax	**5,627**	**4,996**	
Tax on profit for the year	1,369	1,290	
Profit for the year	**4,258**	**3,706**	

*Growth including M&A and in constant currencies.

Performance

In 2020, all three divisions delivered strong results and achieved significant growth compared to 2019.

We completed the Panalpina integration in 2020, and this was accomplished in 15 months. The synergies were achieved faster than expected, and the successful integration is the main reason why the conversion ratio for the Group came to 33.4% for 2020 against 28.0% for 2019.

COVID-19 started to impact our markets and financial results in February and March 2020. As we saw volumes decline and uncertainty increase, we reacted by adjusting our capacity. Our COVID-19 cost savings initiatives reduced the cost base by approximately 10%, and the strict cost discipline was a main driver for the growth in earnings during the second half of 2020.

Adjusted free cash flow for the year was DKK 8,746 million (2019: DKK 3,678 million). When the COVID-19 crisis broke out, we suspended our ongoing share buyback programme, but based on the strong cash flow during the year a new programme was initiated in October 2020.

Return on invested capital (ROIC before tax) including goodwill and customer relationships was 14.3% for 2020, compared to 13.4% for the same period last year. The increase can be attributed to the growth in EBIT before special items, which was partly offset by higher average invested capital (+33%) due to the full-year impact of the Panalpina transaction.

Integration of Panalpina

The acquisition of Panalpina Welttransport (Holding) AG (Panalpina) was closed on 19 August 2019, as of which date Panalpina was included in the consolidated financial statements. The full-year effect of Panalpina had a significant impact on the consolidated income statement in 2020 compared to 2019.

Results

Revenue

The growth of 26.0% was driven by the acquisition of Panalpina, especially in Air & Sea. The transport volumes were negatively impacted by the COVID-19 crisis, but due to lack of capacity the freight rates reached record-highs during the year, both for air and for sea. Road and Solutions were also impacted by COVID-19, especially in Q2, but the markets recovered during the second half of the year, and Road achieved revenue which was close to the level of 2019 and Solutions above 2019.

(DKKm)	2020	2019	Growth*
Air & Sea	73,689	51,151	49.7%
Road	30,395	31,621	(2.6%)
Solutions	14,608	14,390	4.5%
Group and eliminations	(2,760)	(2,461)	
Total	**115,932**	**94,701**	**26.0%**

* Growth including M&A and in constant currencies.

Gross profit

Similar to revenue, gross profit was impacted positively by the acquisition of Panalpina and grew 23.5% in 2020. The decline in transport volumes following COVID-19 was compensated by improved gross profit per shipment across most business areas. As the pandemic disrupted supply chains and created capacity shortages, we did our best to find solutions for our customers, and, in some cases the extraordinary market conditions have led to temporarily improved yields, most significantly in air freight.

(DKKm)	2020	2019	Growth*
Air & Sea	16,909	12,517	39.7%
Road	6,138	6,156	1.0%
Solutions	5,369	4,969	11.5%
Group and eliminations	118	112	
Total	**28,534**	**23,754**	**23.5%**

* Growth including M&A and in constant currencies.

During 2020, gross profit was also positively impacted by benefits from the integration, where the combination of the two networks and consolidation of IT created scale benefits. Both Road and Solutions have also benefitted from the continuous focus on optimisation of workflows and consolidation of infrastructure.

EBIT before special items

The 47.3% growth in EBIT before special items was driven by the Air & Sea division, which benefitted from the Panalpina integration and cost discipline in 2020. After a challenging H1 2020, Road and Solutions achieved growth in earnings due to improving market conditions and strong cost discipline. EBIT before special items was negatively impacted by currency translation of DKK 192 million in 2020, mainly due to USD and currencies floating with the USD.

(DKKm)	2020	2019	Growth*
Air & Sea	7,026	4,506	61.0%
Road	1,390	1,251	12.3%
Solutions	1,161	1,013	18.8%
Group and eliminations	(57)	(116)	
Total	**9,520**	**6,654**	**47.3%**

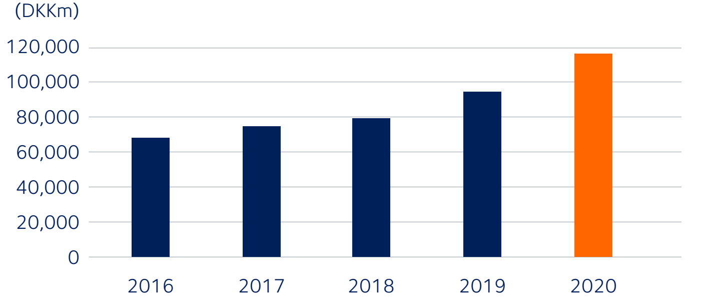
* Growth including M&A and in constant currencies.

Total staff costs (excluding hourly workers) was DKK 11,684 million for 2020 (2019: DKK 10,329 million). The increase was due to the inclusion of Panalpina, but the integration synergies and cost saving initiatives reduced the cost base during the year.

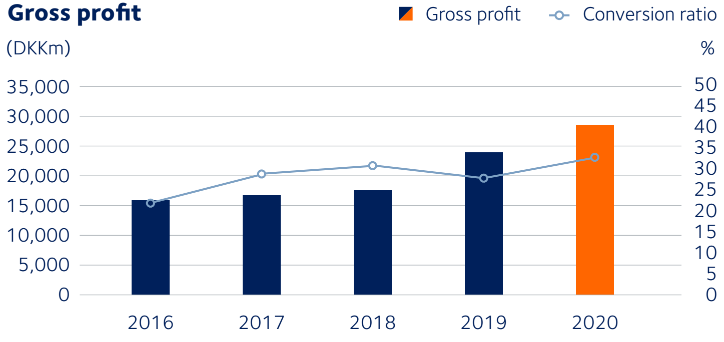
Other external expenses totalled DKK 3,291 million for 2020 (2019: DKK 3,133 million) and were impacted by the same factors as staff costs.

Integration synergies and COVID-19 savings amount to approximately DKK 3,700 million, of which approximately DKK 2,400 million impacted P&L in 2020 (2019: DKK 100 million). The synergies and savings were achieved faster than expected in 2020, and the remaining full-year im-

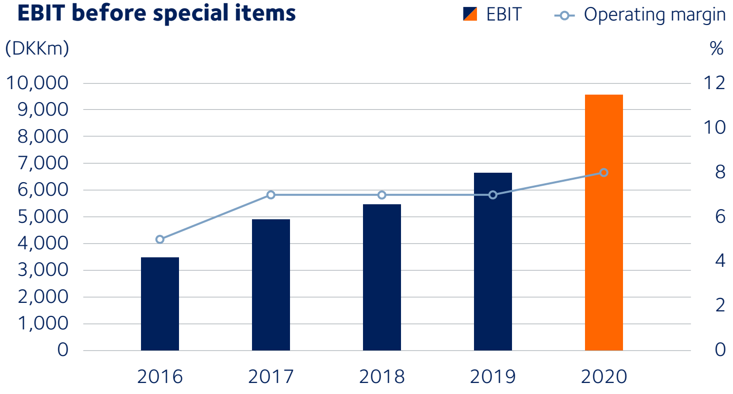
Revenue



Gross profit



EBIT before special items



pact in 2021 will be approximately DKK 1,200 million (previously expected DKK 1,300 million in 2021).

Temporary cost savings due to COVID-19 impacted both staff costs and other external cost, e.g. due to reduced travel activity and reduced working hours. We estimate that these temporary savings amounted to DKK 350 million in 2020.

Depreciations totalled DKK 4,039 million for 2020 (2019: DKK 3,638 million). The increase was mainly due to the integration of Panalpina and depreciations on new leased terminals and warehouses. Amortisation of customer relationships was DKK 208 million for 2020 (2019: DKK 102 million).

Special items totalled DKK 2,164 million for 2020 (2019: DKK 800 million) and are expenses derived from the combination of DSV and Panalpina and the COVID-19 cost saving initiatives. The acquisition of Prime Cargo in Q4 2020 was the main reason that total special items were slightly higher than previously guided for the year.

Net financial expenses totalled DKK 1,729 million for 2020 (2019: DKK 858 million). The increase was due to higher currency translation which amounted to an expense of DKK 1,055 million (2019: DKK 188 million). The currency translation primarily relates to non-cash exchange rate adjustments on intercompany loans in USD, CHF and other loans in currencies floating with the USD.

(DKKm)	**2020**	2019
Interest on lease liabilities	434	383
Other interest cost, net	224	265
Interest on pensions	16	22
Currency translation	1,055	188
Net financial expenses	**1,729**	**858**

Tax on profit for the year was 24.3%, compared to 25.8% in 2019. The effective tax rate for 2020 was impacted by restructuring costs and other one-offs during the year.

Diluted adjusted earnings

The diluted adjusted earnings per share for 2020 grew by 19.9% and came to DKK 26.5 (2019: DKK 22.1). The growth in adjusted earnings more than offsets the higher average number of shares issued. Please refer to note 4.6 for further details.

Cash flow statement

Cash flow from operating activities for 2020 increased by 49.4% and came to DKK 10,276 million. Cash flow was positively affected by higher EBIT before special items, although this was partly offset by the cash impact of special items.

Cash flow from investing activities was negative by DKK 556 million in 2020 (2019: positive by DKK 1,371 million). 2019 was impacted by a net cash position of DKK 1,975 million acquired from Panalpina.

Cash flow from financing activities was negative by DKK 6,999 million in 2020 (2019: DKK 7,484 million) and was mainly related to allocations to shareholders and repayments of lease liabilities.

Adjusted free cash flow (adjusted for M&A, IFRS 16 and special items) amounted to DKK 8,746 million and was significantly above the DKK 3,678 million for 2019, reflecting the improved EBIT before special items.

In accordance with the Group's capital allocation policy, the majority of the free cash flow for 2020 was distributed to shareholders, as the financial gearing ratio was below the target level throughout the year. Distributions to shareholders totalled DKK 5,619 million in 2020. It should be noted that, due to the uncertainty created by the pandemic, share buybacks were suspended from March to October 2020.

Capital structure

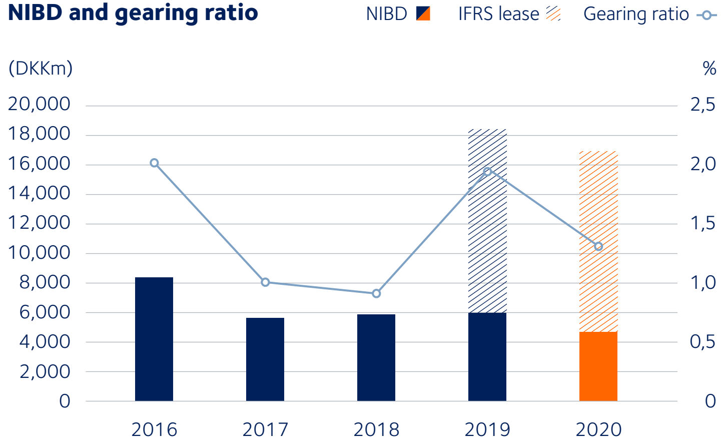
DSV Panalpina shareholders' share of equity was DKK 47,385 million on 31 December 2020 (2019: DKK 49,430 million). Equity was positively impacted by the result for the period, but reduced by distribution to shareholders and currency translation on goodwill.

Net interest-bearing debt came to DKK 16,970 million by the end of 2020 (2019: DKK 18,355 million). The financial gearing ratio was 1.3 x EBITDA before special items and in line with the target of below 2.0 x EBITDA before special items.

The weighted average duration of the Company's bonds, committed loans and credit facilities was 3.2 years on 31 December 2020, compared to 2.9 years on 31 December 2019. The Group issued new seven-year bonds of EUR 500 million (approx. DKK 3,730 million) in February 2020, which were used for repayment of other loans.

In February 2021, the Group received an A3 rating with a stable outlook from Moody's.

NIBD and gearing ratio



Net working capital (NWC) came to DKK 2,701 million on 31 December 2020 (2019: DKK 3,125 million). Relative to full-year revenue, funds tied up in NWC at year-end decreased to 2.3%, compared to 3.3% in 2019. We consider the level at year-end 2020 to be satisfactory, but we will continue to focus on optimisation of NWC.

Non-financial review

We raised our ambitions for corporate responsibility in 2020 and made good progress on our initiatives.

For the results of our Corporate Responsibility activities, the full set of data and reporting on progress, please refer to our Corporate Responsibility Report 2020

Environmental and social data

Indicator	Unit	Target 2021	2020	2019
CO_2e Scope 1*	'000 tonnes CO_2	-40% by 2030	80	83
CO_2e Scope 2*	'000 tonnes CO_2	-40% by 2030	98	107
CO_2e Scope 3*	'000 tonnes CO_2	-30% by 2030	12,564	15,927
Occupational accidents	Number per million working hours	<5.0	6.7	5.0
Lost workdays due to occupational injury	Number per million working hours	<100	78.8	97.5
Fatalities	Number	0	0	1
Code of Conduct e-learning**	Percentage	100%	100%	86%

* Comparative figures for 2019 have been restated.
** Percentage of white-collar employees trained (2020 and 2019 only white-collar managers).

Integration and revised strategy

A key activity in 2020 was the integration of employees from the Panalpina acquisition into our business ethics framework. Our organisation and geographical footprint have expanded, and it is important that we all share the corporate culture and comply with the same Code of Conduct. The process started in 2019, and in 2020 we continued onboarding our new colleagues and communicating the framework via newsletters, e-learning and other channels.

Equally important was integrating new entities and suppliers of Panalpina into our framework for responsible procurement. The DSV Panalpina Supplier Code of Conduct outlines the standards required to perform services on our behalf and is distributed to all suppliers with a yearly spend above EUR 25,000.

While managing the challenges of COVID-19 and finalising the integration of Panalpina in 2020, we also revised our strategy for corporate responsibility. Based on a reassessment of the topics that are most important to our stakeholders and to DSV Panalpina, the revised strategy includes new and more ambitious targets for short- and long-term improvements.

Progress towards our science-based targets

In 2020, we made progress towards our science-based targets, which are based on a 2019 baseline, which has been adjusted for the full-year impact of Panalpina.

The reduction in 2020 compared to our science-based targets was mainly due to the COVID-19 crisis, which caused reduced transport volumes and thus reduced CO_2 emissions from subcontracted transport. Other consequences of COVID-19 restrictions, such as less business travel, also affected total emissions. In 2021, we expect increased CO_2 emissions as shipping volumes and business activities rebound.

In 2020, we also saw reductions in CO_2 emissions resulting from energy efficiency improvements in our own facilities and through our partnerships with subcontractors. Through these partnerships, we encourage the use of more energy efficient vehicles. We will continue our focus on energy efficiency and green transport solutions in the coming years.

Employee developments

Unfortunately, we saw an increase in the rate of occupational accidents, mainly in our terminals and warehouses, in 2020. As the impact and severity of the accidents were low, we also experienced the lowest rate of lost workdays due to occupational injury since 2016.

We implemented a new health and safety programme in 2020 and moved forward on several other related initiatives aiming to reduce work accidents among our employees. After finalising the integration of Panalpina, we have reinstated targets for lost workdays and occupational accidents and included a target for eliminating fatalities.

We saw an increase in the employee turnover ratio in 2020, which was due to the integration of Panalpina and organisational adjustments as a response to the decline in global trade activity during COVID-19. As the integration is now complete, we expect the turnover ratio to decline in 2021 and revert to historical levels. Employee turnover is generally high among blue-collar workers in the transport and logistics industry due to seasonal fluctuation in the required workforce.

New diversity and inclusion policy

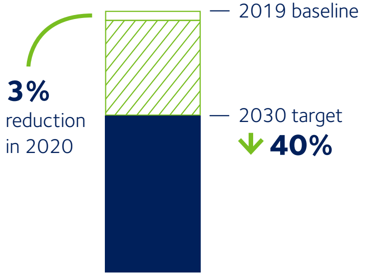
We revised our Diversity Policy in 2020, adding focus on inclusion and making it clear that we respect, recognise and value the uniqueness of each individual. To strengthen the development of a diverse and inclusive working environment, we started a number of initiatives all aiming to promote and increase general diversity and inclusion awareness. We have also accommodated for this in our recruitment and advancement practices, talent management processes and succession planning.

Guiding ethical behaviour

In 2020, we continued our journey of creating awareness about our business ethics framework and whistleblower programme. By the end of the year, we had reached a 100% completion rate among managers of our Code of Conduct e-learning. In 2021, our target is to ensure that 100% of our white-collar employees complete the e-learning course and to achieve a first-attempt pass rate of 90% or above. The course will be automatically assigned to all new managers as a mandatory, annual task.

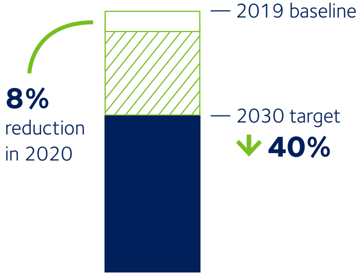
Scope 1 status

Direct emissions



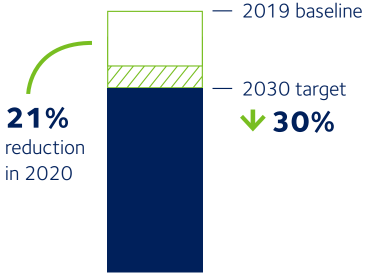
Scope 2 status

Indirect emissions



Scope 3 status

Other indirect emissions, incl. subcontracted transport



Our Corporate Responsibility Report 2020 is available at dsv.com/en/about-dsv/corporate-responsibility/governance/responsibility-reports

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 Corporate Responsibility Report in accordance with section 99a of the Danish Financial Statements Act.

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

We report separately on management gender composition in accordance with section 99b of the Danish Financial Statements Act in our Corporate Responsibility Report 2020.

Reporting on diversity cf. section 107d of the Danish Financial Statements Act

We report separately on diversity in accordance with section 107d of the Danish Financial Statements Act in our Corporate Responsibility Report 2020.

Air & Sea

The integration of Panalpina was completed in 2020, and DSV Air & Sea reported EBIT before special items of DKK 7,026 million against DKK 4,506 million in 2019. COVID-19 impacted volumes negatively, but this was compensated by strong yields and cost discipline.

Condensed income statement and key figures

(DKKm)	2020	2019	Growth*
Revenue	73,689	51,151	49.7%
Direct costs	56,780	38,634	
Gross profit	**16,909**	**12,517**	**39.7%**
Other external expenses	2,870	2,267	
Staff costs	6,048	5,093	
Operating profit before amortisation and depreciation (EBITDA) before special items	**7,991**	**5,157**	
Amortisation and depreciation	965	651	
Operating profit (EBIT) before special items	**7,026**	**4,506**	**61.0%**
Gross margin (%)	22.9	24.5	
Conversion ratio (%)	41.6	36.0	
Operating margin (%)	9.5	8.8	
Number of full-time employees at year-end	18,008	21,516	
Total invested capital	43,305	45,475	
Net working capital	3,215	2,433	
ROIC before tax (%)	15.8	15.5	

* Growth including M&A and in constant currencies.

Market development

The global air freight market was significantly impacted by the COVID-19 crisis during a volatile 2020 and we estimate that market volumes were 13-15% below 2019. As a large part of passenger planes were grounded, the belly-hold capacity was missing, and total available capacity was more than 20% below pre-COVID-19 levels. The demand for air freight exceeded available capacity on most trade lanes, leading to historical high rate levels. Geographically the demand was strongest for exports from Asia during the year, whereas European exports were weaker.

DSV achieved growth in air freight volumes of 19% for 2020. The positive development was driven by the full-year impact of Panalpina.

We expect that the air freight market will remain challenging in the foreseeable future. It may take two years before intercontinental passenger traffic is back at 2019 levels, and the market will continue to rely on freighter aircraft capacity.

The sea freight market was less impacted by the COVID-19 crisis than the air market, and we estimate that the market volumes declined 3-5% compared to 2019. The Trans-Pacific trade lane stood out with a growth of 4% in 2020 whereas the development on other major trade lanes was negative. Due to efficient capacity management by the carriers, rates were high during 2020, and during Q3 and Q4 the rates reached record levels on several trade lanes. COVID-19 restrictions also played a role as container ports were congested, and, in the last months of 2020, lack of capacity and empty containers caused severe challenges in the market.

DSV achieved sea freight volume growth of 16% for 2020, also impacted by the addition of Panalpina. We expect that the current situation with tight capacity and high rates in the sea freight market will persist for a good part of 2021.

Due to the Group's European footprint, DSV Air & Sea has a relatively high exposure to European imports and exports and less exposure to the Trans-Pacific and Intra-Asia traffics, which had the strongest development in 2020. DSV's volume performance in 2020 was also impacted by the discontinuation of certain Panalpina activities and customer contracts which had low profitability and did not fit into the network.

Results

Revenue totalled DKK 73,689 million for 2020 (2019: DKK 51,151 million). Growth for the year came to 49.7%.

The growth in revenue was mainly attributable to the acquisition of Panalpina. During the year, revenue was negatively impacted by lower volumes following COVID-19, but this was compensated by higher freight rates both for air and sea freight.

Gross profit totalled DKK 16,909 million for 2020 (2019: DKK 12,517 million). Growth for the year came to 39.7%.

The growth in gross profit was mainly driven by the full-year impact of Panalpina. The negative volume impact from COVID-19 was compensated by improved gross profit per unit (yields), especially for air freight in Q2 and Q3, driven by the high rates and improved profitability of the air charter network. The improved yields can also be contributed to the integration of Panalpina and the benefits from combining the volumes and optimising Panalpina's operations. Furthermore, the disposal of Airflo (perishables) in Q3 2020 and other discontinued low-yield contracts during the year led to a better activity mix and higher average yields.

In line with market trends, the division achieved the highest growth in gross profit in the APAC region, driven by export volumes growth, especially related to consumer goods and personal protection equipment.

The division's gross margin was 22.9% for 2020, compared to 24.5% in 2019. The decline was mainly due to the difference in activity mix between legacy DSV and Panalpina and, secondly, a negative impact from pass-through revenue where higher freight rates cause lower gross margin.

EBIT before special items totalled DKK 7,026 million for 2020 (2019: DKK 4,506 million). Growth for the year was 61.0%. The positive development was mainly a result of the inclusion of Panalpina, the realisation of synergies and the impact from the COVID-19 cost savings. All regions contributed to the EBIT growth, but the APAC region achieved the highest growth, driven by strong performance on gross profit.

Amortisation of customer relationships was DKK 181 million (2019: DKK 82 million) and EBIT before special items was negatively impacted by currency translation of DKK 142 million in 2020, mainly due to USD and currencies floating with the USD.

The conversion ratio came to 41.6% for 2020 against 36.0% for 2019. The conversion ratio improved during 2020 as integration synergies and cost savings were realised. The operating margin also increased during 2020 but was diluted by the high pass-through revenue.

Net working capital came to DKK 3,215 million at the end of 2020 against DKK 2,433 million at year-end 2019. The development was mainly due to increased activity with large key accounts with long credit terms.

Return on invested capital was 15.8% in 2020 against 15.5% in 2019. The increase is due to the increase in EBIT, however, partly offset by the full-year impact of the Panalpina transaction on invested capital.

Air freight (DKKm)	**2020**	2019
Revenue	44,756	27,134
Direct costs	34,481	20,540
Gross profit	**10,275**	**6,594**
Gross margin (%)	23.0	24.3
Volume (tonnes)	1,272,405	1,071,266
Gross profit per unit (DKK)	8,075	6,155

Sea freight (DKKm)	**2020**	2019
Revenue	28,933	24,017
Direct costs	22,299	18,094
Gross profit	**6,634**	**5,923**
Gross margin (%)	22.9	24.7
Volume (TEUs)	2,204,902	1,907,126
Gross profit per unit (DKK)	3,009	3,106

Geographic segmentation 2020

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

Strategic and operational highlights

2020 was very much about integration and COVID-19. With the integration of Panalpina completed, DSV has significantly strengthened the Air & Sea division, which holds a position as a top-three player in both markets. Our organisation and IT-systems have stood the test, and we have integrated more than 60 countries on time and in line with the integration plans, despite the COVID-19 impact. That is a remarkable achievement.

DSV and Panalpina are now one company, operating from the same offices and using one IT platform. However, there is still potential for improvement across the organisation and this is reflected in our new long-term financial targets. We will continue our focus on optimising processes and ensuring that we use our systems the right way across the organisation. This includes our integrations with customers (EDI, API, myDSV), and we will continue to promote these solutions to customers and ensure that the booking data we receive from customers has the right quality.

During 2020, we have made great efforts to secure the required freight capacity for our customers. We have benefitted from our strong market position and relationships with carriers, and, while our processes are highly digitalised, the classic craftsmanship of a freight forwarder has been important. The capacity issues will continue into 2021 and we are ready to assist, also when companies take a critical look at their supply chains.

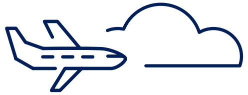
Our air charter network (a legacy from Panalpina) has proven its worth in 2020. It is a unique and strong value proposition to customers where we control air cargo capacity and the gateway, and we use alternative and less congested airports. In 2020, we have expanded capacity, now handling around 10% of the divisions air freight volumes. The capacity is based on more flexible charter contracts, compared to Panalpina's long-term leasing contracts, but the service offering is the same.

Focus areas 2021

In 2021, our focus will be on organic growth. We have a strong value proposition and relationships with both large, global customers and customers in the SME segment, and we will focus on profitable growth within both segments. Our target is growth above the market, and our ability to achieve this target will improve as 2021 progresses.

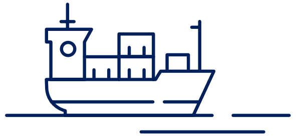
During the year we will also focus on our internal processes to ensure we all benefit from our digital tools.

Our systems have enabled us to work from home during lockdowns, but we hope for a normalisation soon. Winning new business and sharing best practices are easier when we can meet face to face.

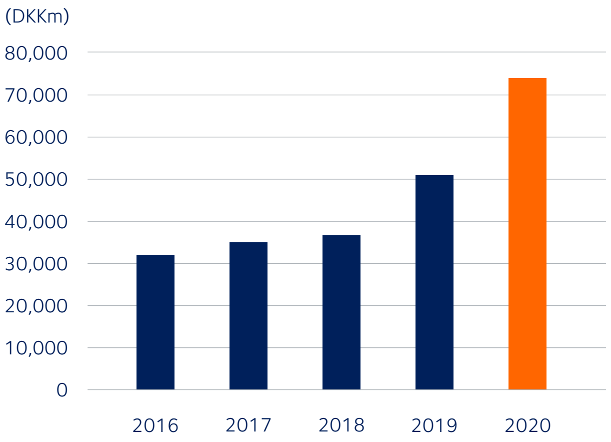


One of the leading freight forwarders

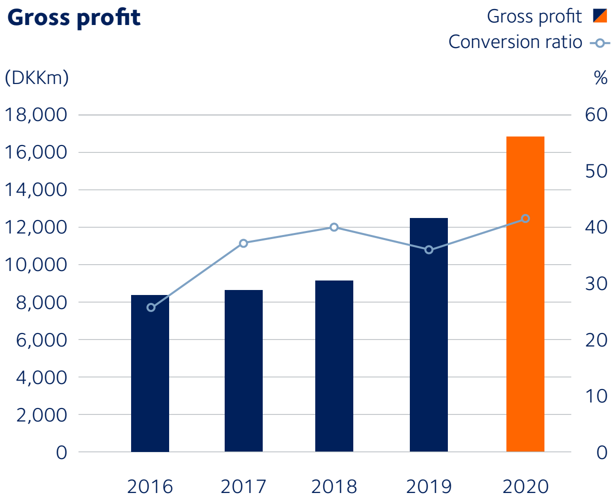
With the inclusion of Panalpina, we significantly strengthened the Air & Sea division and our market position within air freight and sea freight, become a global top three player in both markets. Our combined industry-specific solutions have been strengthened.



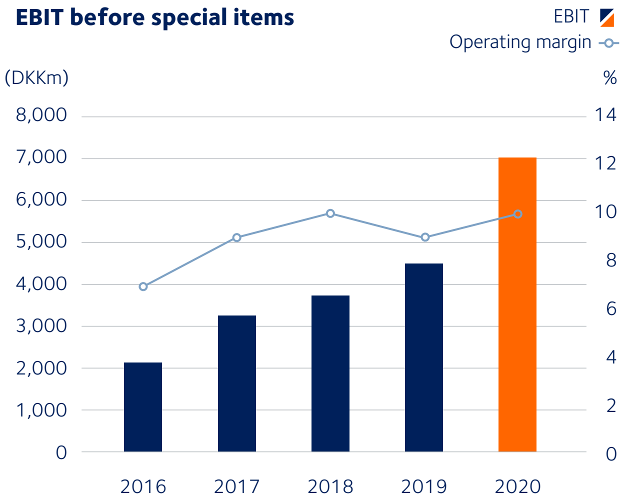
Revenue



Gross profit



EBIT before special items



Road

DSV Road achieved EBIT before special items of DKK 1,390 million for 2020, compared to DKK 1,251 million in 2019. The activity was negatively impacted by COVID-19, but strong cost discipline supported growth in earnings for the year.

Condensed income statement and key figures

(DKKm)	**2020**	2019	Growth*
Revenue	30,395	31,621	(2.6%)
Direct costs	24,257	25,465	
Gross profit	**6,138**	**6,156**	**1.0%**
Other external expenses	1,021	1,060	
Staff costs	2,799	2,864	
Operating profit before amortisation and depreciation (EBITDA) before special items	**2,318**	**2,232**	
Amortisation and depreciation	928	981	
Operating profit (EBIT) before special items	**1,390**	**1,251**	**12.3%**
Gross margin (%)	20.2	19.5	
Conversion ratio (%)	22.6	20.3	
Operating margin (%)	4.6	4.0	
Number of full-time employees at year-end	14,003	13,644	
Total invested capital	8,942	10,243	
Net working capital	(1,310)	(422)	
ROIC before tax (%)	14.5	13.6	

* Growth including M&A and in constant currencies.

Market situation and performance

We estimate that the demand for road freight was down by approximately 5-7% in 2020. In the second half of the year, the market gradually recovered and the domestic distribution markets showed year-on-year growth, whereas the market for international transports only partly recovered. Certain industries, especially in the automotive industry and capital goods, remained below normal activity levels.

Geographically, the Southern European and South African markets were more negatively impacted by the COVID-19 crisis than Northern/Eastern Europe and North America.

Results

Revenue totalled DKK 30,395 million for 2020 (2019: DKK 31,621 million). Growth for the year was negative 2.6% and was impacted by the COVID-19 crisis.

The activity picked up since the low point in Q2 2020, and, in line with the general market, our domestic distribution activities (e.g. distribution to supermarkets and do-it-your-self markets) achieved the strongest performance, whereas international transports remained below last year. In a chal-lenging market, DSV Road has benefitted from scale and strong network, enabling the division to offer a high service level to customers, also on trade lanes with lower-than-normal activity.

Gross profit totalled DKK 6,138 million in 2020 (2019: DKK 6,156 million). Growth for the year was 1.0%.

The division's gross margin for 2020 was 20.2%, compared to 19.5% for 2019. The improvement was mainly driven by lower rates from external hauliers, due to excess capacity on the market for international transports. Furthermore, the division achieved higher productivity and cost savings on cross-dock terminals.

EBIT before special items totalled DKK 1,390 million for 2020 (2019: DKK 1,251 million). Growth for the year was 12.3% and was mainly driven by the COVID-19 cost-saving initiatives implemented during Q2 2020. The growth in earnings was mainly driven by Northern Europe, where DSV Road has the strongest presence on the domestic markets.

The cost discipline and improved productivity was reflected in the conversion ratio, which came to 22.6% for 2020, against 20.3% for 2019. The operating margin saw a similar improvement.

Net working capital was negative by DKK 1,310 million at the end of 2020, compared to a negative DKK 422 million at year-end 2019. The development was mainly attributable to strong NWC management, changes in provision and lower funds tied up in inventories.

Return on invested capital was 14.5% in 2020 (2019: 13.6%). The improvement was driven by higher result and lower invested capital.

Strategic and operational highlights

On top of the challenges in handling the COVID-19 situation, the preparations for Brexit impacted our operations during 2020, both in the UK and the rest of the network. We added capacity for custom clearance and prepared as much as possible in close cooperation with customers.

In 2020 we continued to develop our digital services. We added the DSV ETA module, which allows customers to receive a pre-alert on the day of delivery.

While digital development is crucial, our physical infrastructure – cross-dock terminals – are the backbone of our groupage network, and during 2020 we added two new terminals.

The development of our new transport management system – now called Road Way Forward – progressed in 2020. The comprehensive project is taking shape, and after a final pilot planned during 2021 we expect to start the roll-out at the end of year. Road Way Forward comprises several modules and is expected to facilitate improved productivity in the coming years through standardisation and automation of processes.

Focus areas in 2021

Road Way Forward is at the top of our agenda for 2021, and we will maintain our focus on the project to ensure progress.

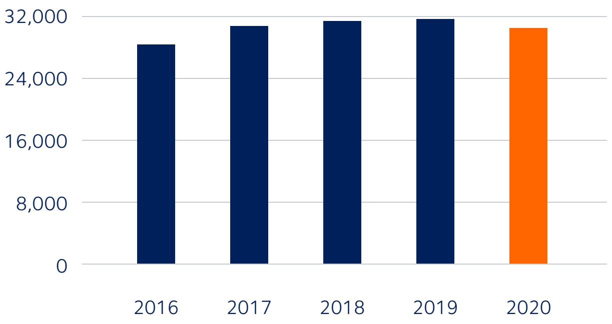
In 2021, we hope to see market growth returning and we are ready to service our customers. International groupage is an important part of our product catalogue, and this is an area we plan to prioritise and optimise in 2021.

We receive more than 90% of bookings from customers electronically, but the quality of the data is not optimal. We will in close cooperation with customers focus on improving the quality of booking data.

Finally, we look forward to working with our customers on sustainability. This involves both individual solutions for large customers and standardised green logistics services.

Revenue

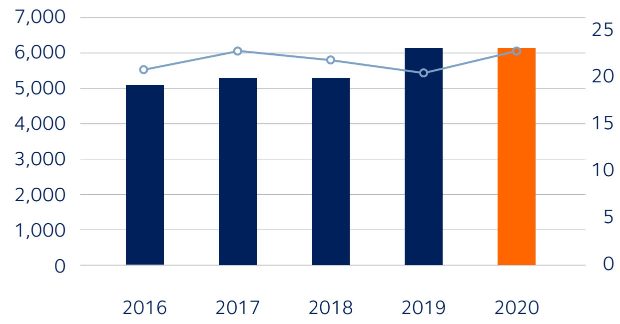
(DKKm)



Gross profit

Gross profit
Conversion ratio

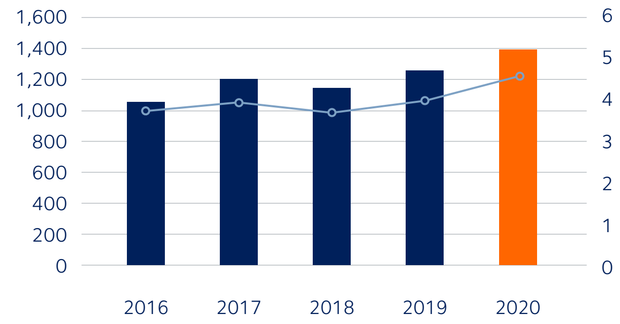
(DKKm) %



EBIT before special items

EBIT
Operating margin

(DKKm) %



Geographic segmentation 2020

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

Solutions

DSV Solutions reported EBIT before special items of DKK 1,161 million against DKK 1,013 million in 2019. The growth in earnings was driven by improved productivity, cost discipline and continued consolidation of warehouse capacity.

Condensed income statement and key figures

(DKKm)	**2020**	2019	Growth*
Revenue	14,608	14,390	4.5%
Direct costs	9,239	9,421	
Gross profit	**5,369**	**4,969**	**11.5%**
Other external expenses	1,089	1,088	
Staff costs	1,449	1,306	
Operating profit before amortisation and depreciation (EBITDA) before special items	**2,831**	**2,575**	
Amortisation and depreciation	1,670	1,562	
Operating profit (EBIT) before special items	**1,161**	**1,013**	**18.8%**
Gross margin (%)	36.8	34.5	
Conversion ratio (%)	21.6	20.4	
Operating margin (%)	7.9	7.0	
Number of full-time employees at year-end	21,478	22,777	
Total invested capital	11,370	11,768	
Net working capital	775	883	
ROIC before tax (%)	10.0	10.0	

* Growth including M&A and in constant currencies.

Market situation and performance

We estimate that the market for contract logistics was down by approximately 5% for 2020. The initial impact of the COVID-19 lockdowns led to a decline in activity of up to 20% in Q2 2020, but activity gradually picked up in the second half of the year.

Activity levels within the e-commerce segment, pharmaceuticals, essential retail and do-it-yourself stores have been growing following the crisis, whereas automotive and capital goods are examples of industries that remain below 2019 levels. Retail businesses with a high dependency on high street sales have been severely impacted during 2020, and these retailers have accelerated the process of moving as much business as possible to online sales.

Results

Revenue totalled DKK 14,608 million in 2020 (2019: DKK 14,390 million). Growth for the year was 4.5%. The development was positively impacted by the integration of Panalpina, which expanded the footprint of the division in Asia, the Middle East and South America.

The pandemic had an overall negative impact on the activity, especially the first half of 2020, but as mentioned, the impact was different from industry to industry.

Gross profit totalled DKK 5,369 million in 2020 (2019: DKK 4,969 million). Growth for the year was 11.5%.

The division achieved a gross margin of 36.8% in 2020 against 34.5% in 2019. The improvement reflects higher productivity in warehouses and higher utilisation of capacity. During 2020, the performance on certain low-margin contracts and sites improved or the contracts were terminated.

Geographic segmentation 2020

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

The improved gross margin is also a result of the ongoing consolidation, both of warehouses and IT infrastructure. In recent years, the division has inaugurated several new, large warehouses and vacated smaller and less efficient facilities. The new warehouses often involve automation of processes enabling higher productivity.

EBIT before special items totalled DKK 1,161 million in 2020 (2019: DKK 1,013 million), and growth came to 18.8%.

Growth in EBIT before special items was driven by the higher gross profit and lower cost base due to the COVID-19 cost-saving initiatives, which supported EBIT growth in the second half of 2020. The growth in earnings was highest in Europe, and the division also achieved improved results in APAC.

The conversion ratio was 21.6% in 2020 against 20.4% last year, and the operating margin saw a similar improvement. The improved margins reflect the division's cost discipline and continuous focus on consolidation and operational excellence.

Net working capital amounted to DKK 775 million at the end of 2020 and was on level with last year.

Return on invested capital was 10.0% for 2020, also on level with last year.

Strategic and operational highlights

The Panalpina integration was finalised in 2020, in line with plans. Panalpina strengthened the division's global footprint and contributed positively to the activity level in 2020.

The growth in e-commerce accelerated in 2020 and DSV Solutions has taken part in this development. Handling the large volumes and seasonal peaks in online sales require strong and standardised processes, and automation of warehouses often plays an important role. During 2020 we have progressed with several automation projects, including Autostore, automated ground vehicles and goods-to-man.

The acquisition of Prime Cargo at the end of 2020 will add to our e-commerce competences, initially in the Nordic region, and we will continue to focus on developing our competences in this market.

In 2020, we initiated or completed the construction of several new warehouses and continue to work with strategic road maps for all regions ensuring that we have a strong base for organic growth and can offer attractive solutions for our customers.

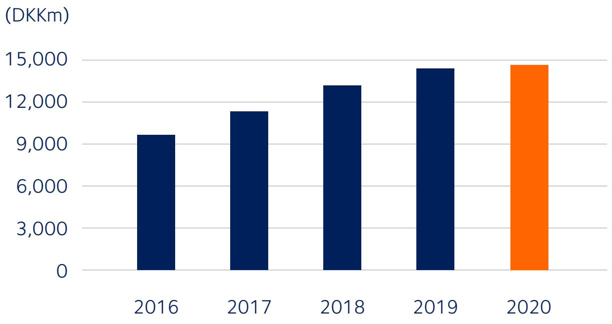
With our DSV Smarter Storage concept, we offer storage solutions to private customers. The project is still only a pilot in Denmark, but we plan to add new storage facilities in the coming years.

Focus areas in 2021

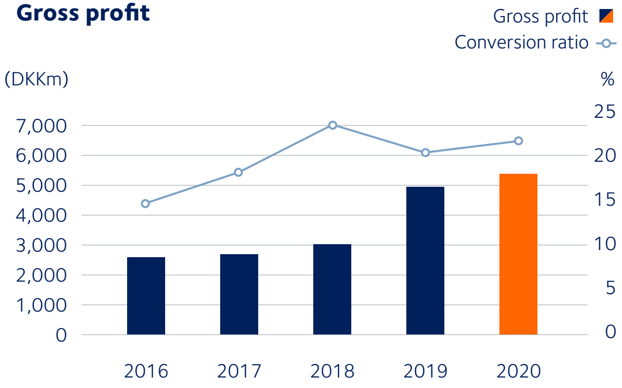
We expect a continued recovery of the markets in 2021 and hope to see an increase in activity levels among our customers.

We will continue several existing projects; new warehouses will be added, warehouse automation projects continue, and we will continue the work on our BI-platform (business intelligence), making the data we use for internal optimisation available for customers.

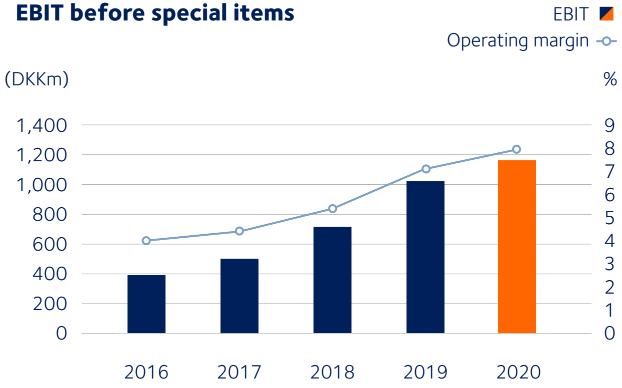
Revenue



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 to our business operations. Managing these risks is an integrated part of our management 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

Our risk management process is structured into two parallel tracks:

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.

Dynamic risk adaption

Risks are identified using the Group's risk reporting and analysis tools.

Identified risks are analysed to determine cause, impact and likelihood of the risk occurring.

Identified key risks are recorded and prioritised. Risk owners are allocated to identified key risks.

Risks are reported to the Board of Directors, the Audit Committee, the Executive Board and other stakeholders in the organisation.

Risks are monitored and preventive measures implemented in cooperation with the affected business units. When necessary, mitigation actions are initiated immediately after risk identification.

Operational risk management

Every week, the Executive Board and senior management receive reports on risks and other operational matters of importance from across the Group. The report includes information on risk mitigation actions undertaken.

The operational risk reporting forms the basis of the Executive Board's day-to-day risk management activities and serves as input for the regular reporting to the Board of Directors and the Audit Committee.

The consolidated weekly report is distributed to managers across the organisation to create awareness of risks and prevent potential incidents.

Strategic risk management

The operational risk management process is followed up annually by a strategic risk assessment, focusing on identifying and mapping the key risks of the Group.

The assessment is based on input from the operational risk management process, and from an extensive risk survey involving a large number of key employees across functions, departments and regions.

The key risks are addressed by the Executive Board and assigned to risk owners within the Group, ensuring that relevant preventive measures are implemented. In line with the established framework, the key risks are reported to the Audit Committee and the Board of Directors.

Key risk analysis 2020

The latest analysis of the Group's internal and external strategic risks was carried out in Q4 2020.

The analysis reconfirmed the existing 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.

In 2020, commercial risk – the risk of failure to execute on our organic growth strategy has been added to the list of key risks.

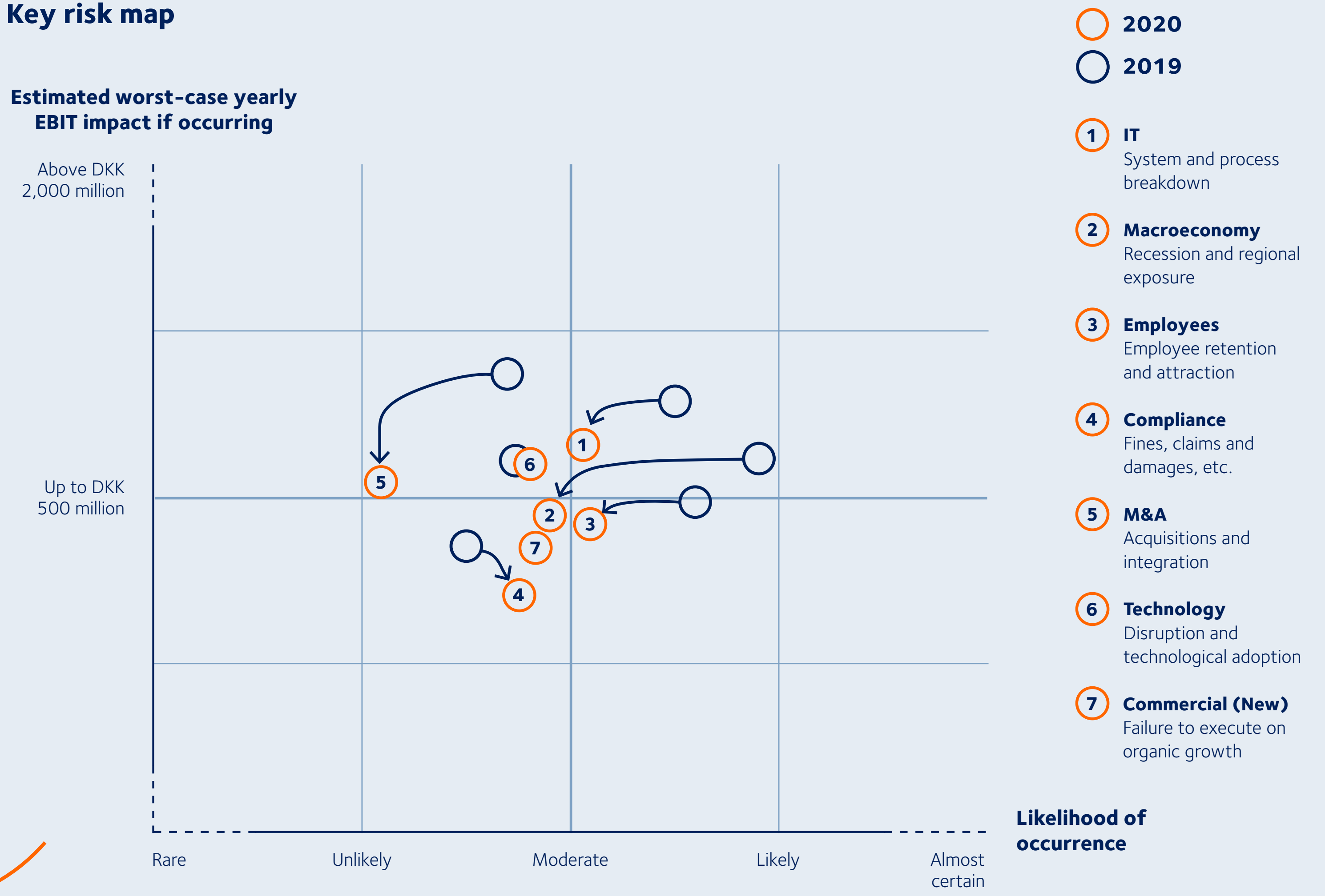
The results of the risk analysis are presented in the risk map and described on the following pages. The indicated likelihood of occurrence and worst-case yearly EBIT impact are based on our best estimates, after mitigating strategies, but are associated with uncertainty.

The risk from climate changes

Climate changes impact our industry and we monitor the potential impact closely, but currently do not consider this a key risk for the Group. Climate changes create a series of business risks – e.g. due to extreme weather events or increased costs for emitting greenhouse gases. Emission of greenhouse gases is a material factor in our industry and can lead to higher transport costs in the future.

An increase in the transport costs will ultimately be passed on to the shippers and may be negative for economic growth, but climate changes can also offer business opportunities; we have set ambitious targets for reducing emissions and we will offer a range of sustainable logistics services to our customers.

Key risk map



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. Our current Road Way Forward project is a good example of a strategic IT project.

Mitigation strategies

Consolidation, centralisation and standardisation of our systems and processes are cornerstones of our IT strategy. 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 additional 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.

The Executive Board always sponsors strategic IT projects, ensuring that relevant resources are allocated to the projects and that the projects are progressing as planned or relevant actions are taken.

Risk assessment 2020

The Panalpina acquisition in 2019 meant taking over a standalone business with separate data centres, IT systems and processes. Until Panalpina was fully moved to the DSV IT platform, this implied a period with two separate IT frameworks and an increased risk exposure in both operations and cybersecurity.

During 2020, the Panalpina operations have successfully been moved onto the DSV IT platform and the majority of the old Panalpina systems closed down, reducing last year's heightened exposure level.

Furthermore, we have experienced stable performance from our IT and security systems throughout 2020. This has been achieved whilst simultaneously handling the added challenges of setting up large parts of our organisation to work from home as a consequence of the COVID-19 pandemic.

By the end of 2020, the overall IT risk exposure of the Group is back at a pre-acquisition level.

Macro-economy recession and regional exposure

Risk description

An economic recession, e.g. triggered by geopolitical events or a pandemic, will directly impact our activity level and consequently our financial results.

Similarly, protectionist measures enacted by the major world economic powers will have a negative impact on overall economic growth, although restrictions may be counterbalanced to some extent by increasing domestic activities and demand for custom clearance and other logistics services.

Finally, changing industry and consumer patterns leading to lower global 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 asset-light business model and with a high attention to process and cost optimisation.

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 2020

The global economic recession triggered by the COVID-19 pandemic, continued frictions between the world's major economic powers and the Brexit process have been high on the agenda for 2020 and will likely remain so for some time to come.

Our Company has successfully navigated through the global economic downturn in 2020, and the full-year results were higher than expected when the year started. This confirms the strength of our scalable business model and our organisation's ability to react quickly to market changes.

Due to our more diversified regional exposure, larger scale and commercial opportunities gained with the Panalpina acquisition, we believe our business to be less vulnerable to macroeconomic risks now compared to before the acquisition.

Looking past the momentary effects of COVID-19 – the macroeconomic risk exposure of the Group has been reduced in the risk assessment for 2020.

Employees
retention and attraction failure

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.

Across the organisation, we aim to offer an attractive working environment to all employees. This includes a good and safe physical environment in offices and warehouses, user-friendly IT systems, and emphasis on a healthy psychological environment, through good leadership, transparency and mutual respect.

We have established 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 drive this strategy through several initiatives undertaken by both the local management teams and by our Group HR department. Examples include our updated Inclusion and Diversity Policy, employer branding activities and talent development programmes.

Risk assessment 2020
Factoring in the reorganisations related to the DSV and Panalpina integration, our overall employee turnover rate remained stable in 2020 and on par with previous years. Still, hiring and retaining the right people in certain parts and/or geographic areas of our business remains a challenge.

The Panalpina acquisition in 2019 led to concerns about key-employee retention as a consequence of the restructuring and reorganisation process. However, with the integration now behind us, we can conclude that we have been able to retain the required key employees from both organisations to a satisfactory degree.

At the end of 2020, exposure to employee-related risks is therefore less of a concern compared to the year before.

Compliance
fines, claims and damages, etc.

Risk description
At all levels of our organisation and in all the countries we do business, we are committed to honest and ethical business practices and complying with all relevant regulations.

As a result of our global operations, we are subject to extensive national and international regulatory requirements. In particular, regulation relating to tax, customs, VAT, data privacy and competition law continue to increase in scope and complexity. Trade embargoes impacting international transports is another area undergoing continuous changes.

Cases of non-compliance may carry a long-term impact on our public reputation, which may negatively impact relationships with our customers and other stakeholders. Additionally, cases of non-compliance may lead to fines, claims etc. for the Group, our Management and employees.

Mitigation strategies
The tone at the top in DSV Panalpina is very clear: "We do not deal in compliance" is a mantra which is well-known throughout the organisation. The high standards are set not only to safeguard the company and its employees, but simply because we believe it is the right thing to do as a global citizen.

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 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 relevant topics is high on our agenda, enacted through regular news updates, global newsletters, webcasts, and internal conferences.

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

Risk assessment 2020
Following the trend from previous years, regulatory requirements continue to expand in scope and complexity within areas such as international taxation and transfer pricing, GDPR (data privacy) and goods/country restrictions.

Last year's acquisition of Panalpina added further to this complexity as the acquisition implied taking over new business activities, which, until fully integrated, implied an increased risk of non-conformance with existing compliance processes.

With a structured effort across the organisation, we have managed to successfully integrate the Panalpina business into our compliance framework.

Therefore – while regulatory complexity remains high – the finalisation of the Panalpina integration implies that the compliance risk exposure is back at a low level.

M&A acquisitions and integration failure

Risk description

Growth through acquisitions is fundamental to our corporate strategy, and 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. During 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 acquired companies quickly.

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.

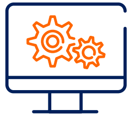
Risk assessment 2020

The acquisition of Panalpina in 2019 was the largest and most significant acquisition in the history of DSV, triggering a moderate increase in M&A risk reflecting the theoretical possibility of the acquisition failing.

The integration is now behind us, and both our systems and organisation have stood the test. The integration has been finalised according to plan and at lower cost than initially expected. The combined DSV Panalpina Group has successfully navigated through the first part of the COVID-19 pandemic whilst still delivering all-time high financial results.

For these reasons, the overall M&A risk exposure has been lowered in the Group risk assessment for 2020.

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. This development is driven by both existing players and new entrants to the market.

Currently, digitisation and automation of processes (quoting, booking, tracking, reporting and billing) are the most significant developments in the freight forwarding industry. 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 to 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 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 14), we see new technologies as opportunities, not threats, and we are open to new ideas.

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 enables us to remain price competitive. The aim of our IT strategy is to ensure that we can continue to benefit from our scale and global network in the future (as a classic freight forwarder), while increasing our digital competences and utilise the benefits of technology.

An indirect impact of new technologies and changes in the competitive landscape is that some of the basic freight forwarding services are becoming increasingly 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 2020

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.

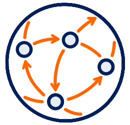
However, even though new technologies and related new ways of doing business continue to emerge, we are still to see new innovations that will have the potential to impact our core business in any significant way in the foreseeable future.

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 remain unchanged from last year.

Commercial

failure to execute on organic growth strategy



Risk description

With the acquisition of UTi Worldwide in 2016 and Panalpina in 2019, the Group has grown significantly in less than five years, increasing both revenue and number of employees by more than 100%.

Our network and market position have been strengthened, but the growth carries several challenges; retaining focus on customers and operational excellence and maintaining a strong commercial collaboration across the globe. In short, we must protect the 'DSV-DNA' as we grow.

If we fail to adapt to the changes, our ability to execute on our organic growth strategy will be impaired and the long-term financial results of the Group will be lower.

Mitigation strategies

Managing this risk is anchored with the Executive Board and the Group Executive Committee. In this forum, strategic initiatives are aligned and cross-selling opportunities are explored. It is also part of the agenda of the Executive Committee to discuss and resolve any cooperation issues across the organisation.

Through regular business reviews with all the operational companies, Top Management ensures that each country is aligned with the Group's strategy and policies. The business reviews include evaluation of financial performance, market situation, organisation, local strategic initiatives, etc.

While we hold on to a culture with local empowerment at country level, we have added strong central functions over the years to support growth, not least with large, global customers. This includes our Global Commercial Organisation, which focuses on key account management, competences within key industry verticals and our digital interaction with customers.

Risk assessment 2020

As expected, our ability to achieve organic growth was reduced in 2020, due to our focus on the integration of Panalpina, and we estimate that we have lost some market share in Air & Sea.

With the integration behind us, we are now in a good position to get back on the organic growth path in the coming years. This is in line with the development we saw after the integration of UTi Worldwide and previous transactions.

Management will continue to focus on the issue to ensure that our organisation is efficient, motivated and works closely together.

Corporate governance

Management structure

Together, the Board of Directors and the Executive Board form 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 vision, strategy and objectives of the Group's business activities.

The Executive Board is responsible for the execution of the strategy and objectives set, the overall day-to-day management of the Group 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 management of the operational activities of the divisions, supported by centralised group functions.

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, and new directors are elected according to the applicable rules of the Danish Companies Act.

In 2020, Robert S. Kledal retired from the Board, and Niels Smedegaard was elected new member. Niels Smedegaard joins the Board with extensive management experience from positions held within the shipping, logistics and airline industries.

Competencies of the Board

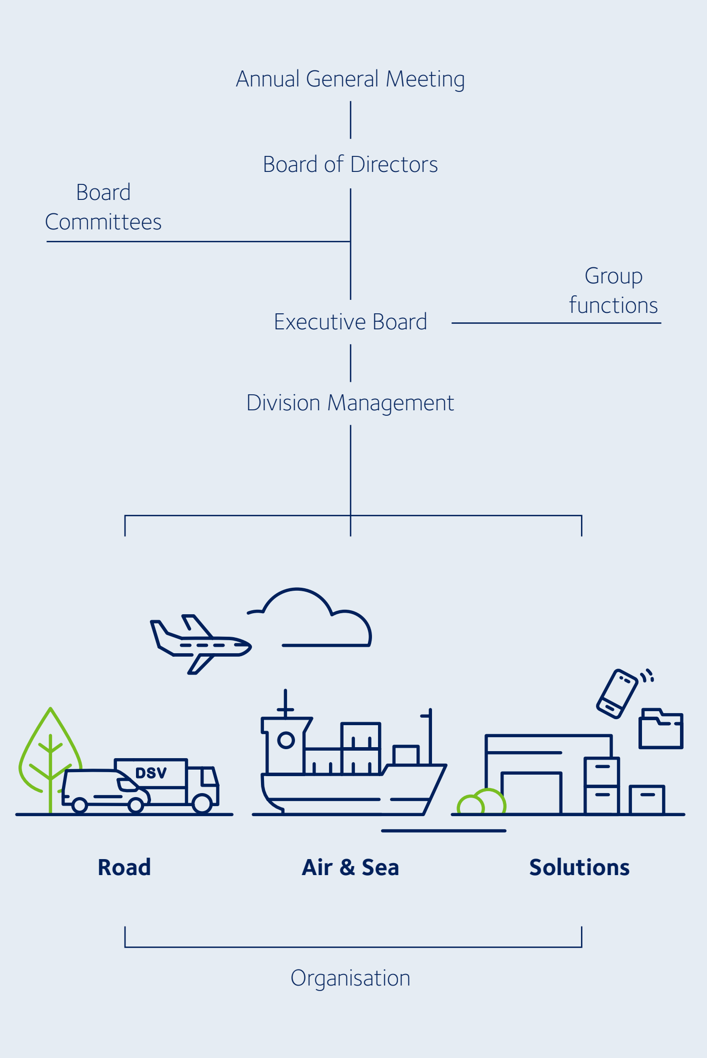
The composition of the Board of Directors is intended to ensure the diversity of the Board's competency profile and that the Board is able to perform its duties effectively. Overboarding is also taken into consideration when evaluating the Board composition.

Current competencies required of the Board include 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 Directors' competencies and experience.

Board of Directors self-evaluation

Once every year, the Board of Directors performs an overall self-evaluation focusing on the composition and competencies of the Board and the results achieved. 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 2020 did not give rise to any significant remarks and validated the appropriateness of the current Board composition. As such, the Board is considered to have the right competencies supporting the long-term value creation for our shareholders and is considered independent in accordance with the Danish Recommendations on Corporate Governance.

Board meetings

The Board of Directors held nine ordinary and two extraordinary board meetings in 2020. The meeting agenda is set according to the annual cycle of the Board, thus ensuring that the strategic and operational policy framework of the Group is reviewed and up to date.

Besides the work laid down in the annual cycle, the work of the Board in 2020 mainly focused on the integration of Panalpina and adapting the business to the consequences of the COVID-19 pandemic.

The meeting attendance of the Board members in 2020 is highlighted in the table below.

Meeting attendance 2020	Board of Directors	Audit Committee	Nomination Committee	Remuneration Committee
Thomas Plenborg	11/11	3/3	2/2	2/2
Jørgen Møller	11/11	-	2/2	2/2
Annette Sadolin	11/11	3/3	-	-
Birgit W. Nørgaard	11/11	-	2/2	-
Marie-Louise Aamund	11/11	3/3	-	-
Beat Walti	11/11	-	-	1/1
Niels Smedegaard	8/8	2/2	-	-

Board committees

The three committees assist the Board of Directors within each their area of responsibility and evaluate and assess the material used for decisions by the Board of Directors, thereby ensuring the best possible preparation and focus on each topic before decisions are made.

The rules of procedure of the three committees are available at dsv.com/en/about-dsv/corporate-responsibility/governance/board-committees

Remuneration of the Board of Directors and the Executive Board

Remuneration Policy

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 intention of the Remuneration Policy is to ensure that DSV Panalpina is always able to attract and retain a qualified management team, to align management and shareholder interests and to incentivise the long-term value creation of the Company.

At the 2020 annual general meeting, a revised Remuneration Policy was approved. The Remuneration Policy was updated to comply with new requirements of the Danish Companies Act and with the intention of simplifying the Company's existing remuneration practices.

The DSV Panalpina Remuneration Policy is available at dsv.com/en/about-dsv/corporate-responsibility/policies/remuneration-policy

Remuneration report

Remuneration of the Board of Directors and Executive Board is reported on separately in the DSV Panalpina Remuneration Report. The Report is prepared in accordance with section 139b of the Danish Companies Act and section 4.2.3 of the Danish Recommendations on Corporate Governance and is available at dsv.com/en/about-dsv/corporate-responsibility/governance/remuneration-reports

Report on Corporate Governance cf. section 107b of the Danish Financial Statements Act

In managing DSV Panalpina, the Board of Directors actively applies the latest Recommendations on Corporate Governance issued by the Danish Committee on Corporate Governance.

The Board applies the Recommendations as inspiration for setting up management structures, tasks and procedures and acting in accordance with the principal intentions of the Recommendations. The Board regularly assesses its procedures based on the Recommendations.

For 2020, DSV Panalpina has opted to partly derogate from one of the 47 Recommendations (3.5.1 regarding use of external assistance for the annual evaluation of the Board of Directors), but otherwise fully abides by the codex. The Board of Directors expects to be in full compliance with the recommendations during next year.

Adherence to the Recommendations, including reporting on internal controls and risk management systems applied as basis for the financial reporting process, is reported on in the Statutory Report on Corporate Governance available at dsv.com/en/about-dsv/corporate-responsibility/governance/governance-report

Board of Directors

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

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 international management experience
- Extensive experience in shipping and logistics
- 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

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

Beat Walti

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

Committee

Audit Committee	-
Nomination Committee	-
Remuneration Committee	Member

Skills and experience
- Professional board and general management experience
- Acquisition and divestment of enterprises
- Dr. jur. and legal experience serving as attorney at law

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

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
- General international management experience
- International tech leadership experience from Microsoft, IBM and Google
- Digital transformation and sustainability

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

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

Other Board positions
CM NO Invest A/S and two related subsidiaries
DC NNE A/S
DC The Danish Council for ICT
DC Dansk Vækstkapital I
ME Dansk Vækstkapital II
ME NCC AB*
ME ABP Asspcoated British Ports
ME WSP Global Inc.*
ME RGS Nordic A/S

Niels Smedegaard

Office	Member
Member since	2020
Up for re-election	Yes
Born	1962

Committee

Audit Committee	Member
Nomination Committee	-
Remuneration Committee	-

Skills and experience
- General international management experience
- Extensive experience in shipping, logistics and the airline industry
- Acquisition and divestment of enterprises

Other Board positions
CM Norwegian Air Shuttle ASA*
CM Bikubenfonden
CM Abacus Medicine A/S
ME Falck A/S
ME Royal Greenland A/S
ME UK P&I
ME TT Club

Executive Board

Jens Bjørn Andersen

Office	CEO
Member since	2008
Born	1966

Jens H. Lund

Office	CFO
Member since	2002
Born	1969

Shareholder information

Share price performance in 2020

At year-end, the closing price of DSV Panalpina shares on Nasdaq Copenhagen was DKK 1,020.0, up 32.8% since year-end 2019.

During the same period, the Danish C25 Index increased by 33.7%.

The average daily trading volume of DSV Panalpina shares on Nasdaq Copenhagen was 484,818 shares in 2020 (0.2% of shares issued).

At year-end 2020, the market capitalisation of DSV Panalpina (excluding treasury shares) was DKK 231 billion against DKK 176 billion at the end of 2019, driven by the increase in share price.

Ownership

On 31 December 2020, DSV Panalpina had 67,917 registered shareholders. The registered shares totalled 222 million, corresponding to 96.5% of the share capital. The largest 25 of these shareholders owned 53.3% of the free-floating share capital.

DSV Panalpina has no majority shareholders. The Ernst Göhner Foundation from Switzerland has informed DSV Panalpina that they hold 10.72% of the share capital.

The following shareholders have flagged that they hold more than 5% of the share capital:

- BlackRock, Inc., USA (7.82%)
- Capital Group Companies, USA (5.09%)
- Morgan Stanley, USA (5.02%)

Cash distribution to shareholders

Our capital allocation principles are described on page 16. 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 2020, the Company acquired 6.2 million treasury shares at a total purchase price of DKK 5,031 million (average purchase price DKK 818.5 per share).

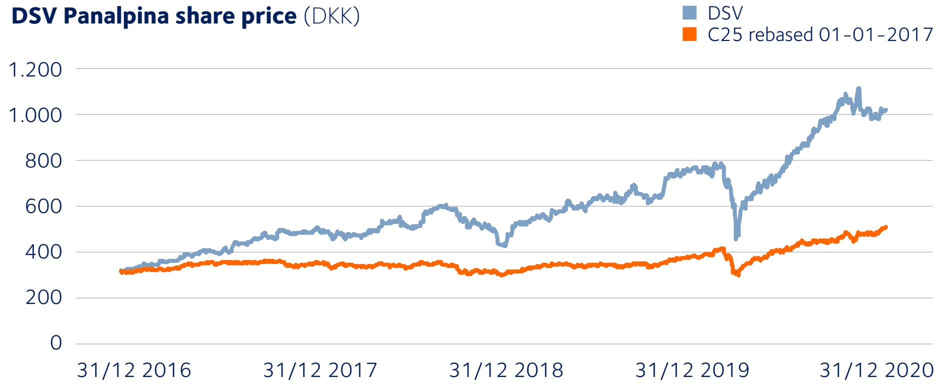
During 2020, 5,000,000 treasury shares were cancelled in connection with reduction of the registered share capital.

On 31 December 2020, the Company held 3.9 million shares as treasury shares, corresponding to 1.7% of the share capital.

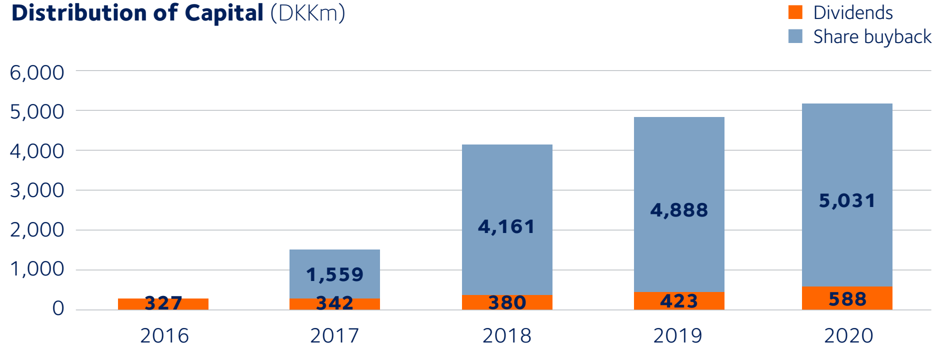
On 9 February 2021, the Company's portfolio of treasury shares amounted to 5.9 million shares.

Due to COVID-19, a share buyback programme was temporarily suspended on 16 March 2020. Following the strong financial results and cash flow of the Group, a new share buyback programme was launched on 29 October 2020. The purpose of the share buyback programmes is to accommodate the exercise of share options under incentive schemes and to adjust the capital structure in accordance with the financial targets.

DSV Panalpina share price (DKK)



Distribution of Capital (DKKm)



Shares issued ('000)	2016	2017	2018	2019	**2020**
Number of shares issued	190,000	190,000	188,000	235,000	230,000
Average number of shares issued for the past 12 months	184,937	186,028	182,092	198,273	227,246
Average diluted number of shares for the past 12 months	187,097	189,112	185,287	201,405	231,576

Financial calendar

The financial calendar for 2021 is as follows:

Annual General Meeting
15 March

Q1 2021 Report
27 April

H1 2021 Report
29 July

Q3 2021 Report
26 October

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

Dividends

The Board of Directors proposes an ordinary dividend of DKK 4.00 per share for 2020 (2019: DKK 2.50).

Authorities granted to the Board

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

- To 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;
- To acquire up to 23.0 million own shares of which 4.1 million was utilised as per 9 February 2021. The authority remains valid until 16 March 2025.

Share capital reduction

Following the acquisition of treasury shares, the Board of Directors intends to propose to the 2021 Annual General Meeting that the Board be authorised to reduce the share capital by a nominal value of DKK 6 million.

Communication with shareholders

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

To keep investors updated, we host conference calls with Executive Management following the release of financial results. Executive Management and Investor Relations preserved close contact with both existing and potential investors during 2020 by ensuring engagement with investors and analysts through virtual roadshows and participation in virtual conferences hosted by various brokers, as in-person meetings have been very limited due to COVID-19.

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

DSV Panalpina is covered by 27 equity analysts. For more information about analyst coverage, please visit investor.dsv

DSV Panalpina share data

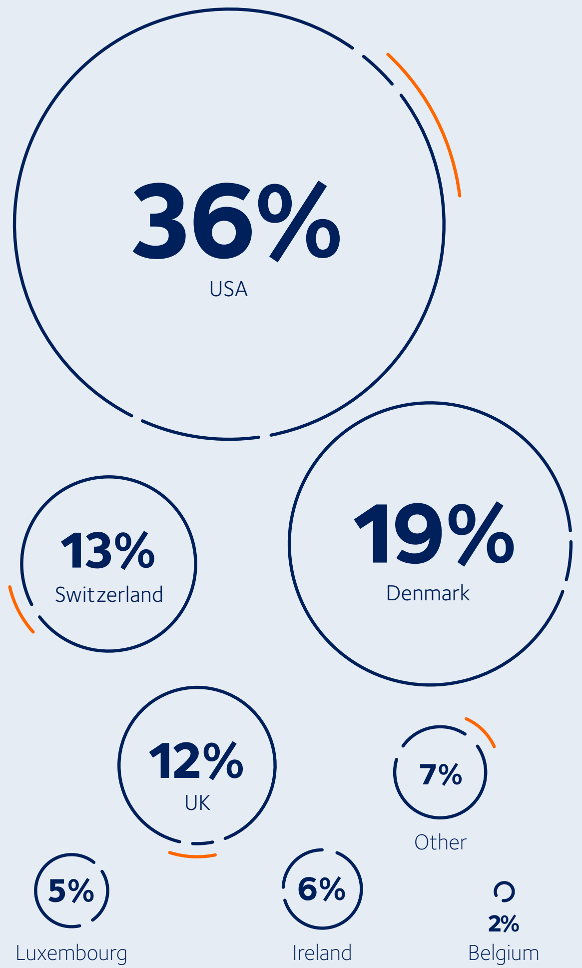
Number of shares of DKK 1 on 31 Dec. 2020	230,000,000
Share classes	1
Restrictions on transferability and voting rights	None
Listed	Nasdaq Copenhagen
Trading symbol	DSV
ISIN code:	DK0060079531

Company announcements

A total of 43 company announcements were published in 2020 (Nos. 810-852). The most important of these are listed below:

7 Feb.	No. 815	Annual Report 2019
16 Mar.	No. 825	Outlook for 2020 withdrawn and share buy-back suspended
16 Mar.	No. 826	Annual General Meeting
30 Apr.	No. 830	Interim Financial Report – Q1
22 Jun.	No. 833	Trading update for Q2
31 Jul.	No. 836	Interim Financial Report – H1
9 Oct.	No. 839	Trading update for Q3
29 Oct.	No. 841	Interim Financial Report – Q3

Shareholder geographical distribution



Quarterly financial highlights

	2020					2019				
	Q1	Q2	Q3	Q4	**Full year**	Q1	Q2	Q3	Q4	**Full year**
Income statement (DKKm)										
Revenue*	27,309	28,782	28,125	31,716	**115,932**	19,979	20,079	24,521	30,122	**94,701**
Gross profit*	6,684	7,386	7,252	7,212	**28,534**	5,114	5,285	6,271	7,084	**23,754**
EBIT before special items*	1,566	2,613	2,725	2,616	**9,520**	1,454	1,631	1,785	1,784	**6,654**
Operating margin (%)	5.7	9.1	9.7	8.2	**8.2**	7.3	8.1	7.3	5.9	**7.0**
Conversion ratio (%)	23.4	35.4	37.6	36.3	**33.4**	28.4	30.9	28.5	25.2	**28.0**
ROIC before tax (%) (trailing 12 months)	13.7	16.0	12.9	14.3	**14.3**	19.5	20.1	12.5	13.4	**13.4**
Invested capital (YTD)	67,868	66,546	65,018	64,285	**64,285**	30,744	30,027	69,424	68,595	**68,595**
Segment information (DKKm)										
Air & Sea										
Revenue	16,674	19,144	17,910	19,961	**73,689**	9,411	9,682	13,981	18,077	**51,151**
Gross profit	3,875	4,663	4,303	4,068	**16,909**	2,424	2,529	3,443	4,121	**12,517**
EBIT before special items	1,130	2,112	1,994	1,790	**7,026**	998	1,093	1,220	1,195	**4,506**
Operating margin (%)	6.8	11.0	11.1	9.0	**9.5**	10.6	11.3	8.7	6.6	**8.8**
Conversion ratio (%)	29.2	45.3	46.3	44.0	**41.6**	41.2	43.2	35.4	29.0	**36.0**
Road										
Revenue	7,921	6,987	7,521	7,966	**30,395**	8,102	7,833	7,698	7,988	**31,621**
Gross profit	1,535	1,431	1,585	1,587	**6,138**	1,561	1,535	1,528	1,532	**6,156**
EBIT before special items	259	263	448	420	**1,390**	298	338	343	272	**1,251**
Operating margin (%)	3.3	3.8	6.0	5.3	**4.6**	3.7	4.3	4.5	3.4	**4.0**
Conversion ratio (%)	16.9	18.4	28.3	26.5	**22.6**	19.1	22.0	22.4	17.8	**20.3**
Solutions										
Revenue	3,441	3,256	3,388	4,523	**14,608**	3,049	3,147	3,465	4,729	**14,390**
Gross profit	1,256	1,271	1,313	1,529	**5,369**	1,126	1,186	1,256	1,401	**4,969**
EBIT before special items	159	234	312	456	**1,161**	193	241	239	340	**1,013**
Operating margin (%)	4.6	7.2	9.2	10.1	**7.9**	6.3	7.7	6.9	7.2	**7.0**
Conversion ratio (%)	12.7	18.4	23.8	29.8	**21.6**	17.1	20.3	19.0	24.3	**20.4**

Please refer to page 79 for a definition and calculation of key figures and financial ratios.
* Reference is made to note 2.1 Segment information for a reconciliation of revenue, gross profit and EBIT before special items.

Consolidated financial statements 2020

Income statement

(DKKm)	Note	2020	2019
Revenue	2.2	115,932	94,701
Direct costs	2.3	87,398	70,947
Gross profit		**28,534**	**23,754**
Other external expenses	2.4	3,291	3,133
Staff costs	2.5	11,684	10,329
Operating profit before amortisation and depreciation (EBITDA) before special items		**13,559**	**10,292**
Amortisation and depreciation	2.6	4,039	3,638
Operating profit (EBIT) before special items		**9,520**	**6,654**
Special items, costs	2.7	2,164	800
Financial income	2.8	254	131
Financial expenses	2.8	1,983	989
Profit before tax		**5,627**	**4,996**
Tax on profit for the year	5.2	1,369	1,290
Profit for the year		**4,258**	**3,706**
Profit for the year attributable to:			
Shareholders of DSV Panalpina A/S		4,250	3,700
Non-controlling interests		8	6
Earnings per share:	4.6		
Earnings per share of DKK 1		18.7	18.7
Diluted earnings per share of DKK 1		18.4	18.4

Statement of comprehensive income

(DKKm)	Note	2020	2019
Profit for the year		**4,258**	**3,706**
Items that may be reclassified to the income statement when certain conditions are met:			
Net foreign exchange differences recognised in OCI		(2,577)	416
Fair value adjustments relating to hedging instruments	4.5	(1)	13
Fair value adjustments relating to hedging instruments transferred to financial expenses	4.5	18	(1)
Tax on items reclassified to the income statement	5.2	(3)	(1)
Items that will not be reclassified to the income statement:			
Actuarial gains/(losses)	3.7	18	106
Tax relating to items that will not be reclassified	5.2	(5)	(11)
Other comprehensive income, net of tax		**(2,550)**	**522**
Total comprehensive income		**1,708**	**4,228**
Total comprehensive income attributable to:			
Shareholders of DSV Panalpina A/S		1,691	4,223
Non-controlling interests		17	5
Total		**1,708**	**4,228**

Cash flow statement

(DKKm)	Note	2020	2019
Operating profit before amortisation and depreciation (EBITDA) before special items		**13,559**	**10,292**
Adjustments:			
Share-based payments	5.3	134	117
Change in provisions		93	(181)
Change in working capital etc.		209	(1,165)
Special items	2.7	(1,944)	(292)
Interest received		225	131
Interest paid, lease liability		(434)	(383)
Interest paid, other		(499)	(556)
Income tax paid		(1,067)	(1,084)
Cash flow from operating activities		**10,276**	**6,879**
Purchase of intangible assets	3.2	(220)	(292)
Purchase of property, plant and equipment	3.3	(1,121)	(1,000)
Disposal of intangible assets, property, plant and equipment	3.3	803	623
Acquisition and disposal of subsidiaries and activities	5.1	(140)	2,101
Change in other financial assets		122	(61)
Cash flow from investing activities		**(556)**	**1,371**
Free cash flow		**9,720**	**8,250**
Proceeds from borrowings	4.3	4,108	2,445
Repayment of borrowings	4.3	(3,243)	(2,466)
Repayment of lease liabilities	3.6	(3,058)	(2,763)
Other financial liabilities incurred		5	(29)

(DKKm)	Note	2020	2019
Transactions with shareholders:			
Dividends distributed	4.2	(588)	(423)
Purchase of treasury shares	4.1	(5,031)	(4,888)
Sale of treasury shares	4.1	818	623
Other transactions with shareholders		(10)	17
Cash flow from financing activities		**(6,999)**	**(7,484)**
Cash flow for the year		**2,721**	**766**
Cash and cash equivalents 1 January		2,043	1,158
Cash flow for the year		2,721	766
Currency translation		(704)	119
Cash and cash equivalents 31 December	4.2	**4,060**	**2,043**

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

Statement of adjusted free cash flow (DKKm)	Note	2020	2019
Free cash flow		9,720	8,250
Net acquisition of subsidiaries and activities	5.1	140	(2,101)
Special items (restructuring costs)	2.7	1,944	292
Repayment of lease liabilities (IFRS 16 reversed)		(3,058)	(2,763)
Adjusted free cash flow		**8,746**	**3,678**

Balance sheet

Assets (DKKm)	Note	**2020**	2019
Intangible assets	3.2	48,665	51,988
Right-of-use (ROU) assets	3.6	11,111	11,671
Property, plant and equipment	3.3	3,014	3,022
Other receivables		372	494
Deferred tax assets	5.2	2,536	2,164
Total non-current assets		**65,698**	**69,339**
Trade receivables	4.4	19,038	18,252
Contract assets	3.4	3,283	3,054
Inventories	3.5	1,426	1,324
Other receivables		2,635	3,410
Cash and cash equivalents		4,060	2,043
Assets held for sale	3.3	110	135
Total current assets		**30,552**	**28,218**
Total assets		**96,250**	**97,557**

Equity and liabilities (DKKm)	Note	**2020**	2019
Share capital	4.1	230	235
Reserves and retained earnings	4.1	47,155	49,195
DSV Panalpina A/S shareholders' share of equity		**47,385**	**49,430**
Non-controlling interests		(88)	(111)
Total equity		**47,297**	**49,319**
Lease liabilities	3.6	9,428	9,227
Borrowings	4.3	7,696	6,464
Pensions and similar obligations	3.7	1,219	1,494
Provisions	3.8	1,253	1,282
Deferred tax liabilities	5.2	243	455
Total non-current liabilities		**19,839**	**18,922**
Lease liabilities	3.6	2,850	3,385
Borrowings	4.3	1,185	1,520
Trade payables	4.4	9,926	9,783
Accrued cost of services	3.4	5,913	5,330
Provisions	3.8	1,525	1,157
Other payables		6,316	7,201
Tax payables		1,399	940
Total current liabilities		**29,114**	**29,316**
Total liabilities		**48,953**	**48,238**
Total equity and liabilities		**96,250**	**97,557**

Statement of changes in equity

	2020						2019					
	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 at 1 January as previously reported	235	(265)	49,460	49,430	(111)	49,319	188	(704)	15,077	14,561	(29)	14,532
Impact of accounting policy change **	-	-	-	-	-	-	-	-	(593)	(593)	(16)	(609)
Equity at 1 January	**235**	**(265)**	**49,460**	**49,430**	**(111)**	**49,319**	**188**	**(704)**	**14,484**	**13,968**	**(45)**	**13,923**
Profit for the year	-	-	4,250	4,250	8	4,258	-	-	3,700	3,700	6	3,706
Other comprehensive income, net of tax	-	(2,573)	14	(2,559)	9	(2,550)	-	435	88	523	(1)	522
Total comprehensive income for the year	**-**	**(2,573)**	**4,264**	**1,691**	**17**	**1,708**	**-**	**435**	**3,788**	**4,223**	**5**	**4,228**
Transactions with shareholders:												
Share-based payments	-	-	134	134	-	134	-	-	117	117	-	117
Tax on share-based payments	-	-	383	383	-	383	-	-	412	412	-	412
Dividends distributed	-	-	(588)	(588)	(3)	(591)	-	-	(423)	(423)	(1)	(424)
Purchase of treasury shares	-	(6)	(5,025)	(5,031)	-	(5,031)	-	(7)	(4,881)	(4,888)	-	(4,888)
Sale of treasury shares	-	3	1,367	1,370	-	1,370	-	2	768	770	-	770
Capital increase	-	-	-	-	-	-	56	-	35,202	35,258	-	35,258
Capital reduction	(5)	5	-	-	-	-	(9)	9	-	-	-	-
Addition/disposal of non-controlling interests	-	-	-	-	1	1	-	-	-	-	(124)	(124)
Dividends on treasury shares	-	-	23	23	-	23	-	-	22	22	-	22
Other adjustments	-	-	(27)	(27)	8	(19)	-	-	(29)	(29)	54	25
Total transactions with shareholders	**(5)**	**2**	**(3,733)**	**(3,736)**	**6**	**(3,730)**	**47**	**4**	**31,188**	**31,239**	**(71)**	**31,168**
Equity at 31 December	**230**	**(2,836)**	**49,991**	**47,385**	**(88)**	**47,297**	**235**	**(265)**	**49,460**	**49,430**	**(111)**	**49,319**

* For a specification of reserves, please see note 4.1. ** Cumulative effect of applying IFRS 16 Leases in 2019.

Notes to the consolidated financial statements

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Chapter 1

Basis of preparation

The 2020 Annual Report of DSV Panalpina A/S 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 European Union and further requirements in 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 2020 Annual Report of DSV Panalpina A/S on 10 February 2021. The Annual Report will be submitted to the shareholders of DSV Panalpina A/S for approval at the Annual General Meeting on 15 March 2021.

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.

Changes in accounting policies
All amendments to the International Financial Reporting Standards (IFRS) effective for the financial year 2020 have been implemented as basis for preparing the consolidated financial statements and notes to the statements.

None of the implementations has had any material impact on the statements or notes presented.

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 financial statements and notes to the 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.

The primary financial statements items for which more significant accounting estimates are applied are listed below:

- Contract assets and accrued cost of services (note 3.4)
- Provisions (note 3.8)
- 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 voting power 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 interests in 386 entities and was composed as follows at 31 December 2020:

Entities (Number)	Region			
	EMEA	Americas	APAC	Total
Subsidiaries	255	50	74	379
Associates	6	1	-	7

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 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 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 other than 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 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 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 items and subtotals
The presentation of 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 2020 consolidated financial statements. DSV Panalpina 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 Group's 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 financial 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, North America 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 down to 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 2020	Air & Sea 2019	Road 2020	Road 2019	Solutions 2020	Solutions 2019	Non-allocated items and eliminations 2020	Non-allocated items and eliminations 2019	Total 2020	Total 2019
Condensed income statement										
Revenue	73,032	50,527	28,410	30,042	13,747	14,046	743	86	115,932	94,701
Intercompany revenue	657	624	1,985	1,579	861	344	(3,503)	(2,547)	-	-
Divisional revenue	**73,689**	**51,151**	**30,395**	**31,621**	**14,608**	**14,390**	**(2,760)**	**(2,461)**	**115,932**	**94,701**
Direct costs	56,780	38,634	24,257	25,465	9,239	9,421	(2,878)	(2,573)	87,398	70,947
Gross profit	**16,909**	**12,517**	**6,138**	**6,156**	**5,369**	**4,969**	**118**	**112**	**28,534**	**23,754**
Other external expenses	2,870	2,267	1,021	1,060	1,089	1,088	(1,689)	(1,282)	3,291	3,133
Staff costs	6,048	5,093	2,799	2,864	1,449	1,306	1,388	1,066	11,684	10,329
Operating profit before amortisation, depreciation and special items	**7,991**	**5,157**	**2,318**	**2,232**	**2,831**	**2,575**	**419**	**328**	**13,559**	**10,292**
Amortisation and depreciation	965	651	928	981	1,670	1,562	476	444	4,039	3,638
Operating profit before special items*	**7,026**	**4,506**	**1,390**	**1,251**	**1,161**	**1,013**	**(57)**	**(116)**	**9,520**	**6,654**
Total gross investments	1,233	12,107	1,161	1,291	1,754	2,277	369	24,503	4,517	40,178
Total assets	51,047	45,429	22,123	20,508	16,024	13,771	7,056	17,849	96,250	97,557
Total liabilities	50,560	46,681	16,107	13,747	12,435	11,686	(30,149)	(23,876)	48,953	48,238

* Reference is made to the income statement for a reconciliation from operating profit before special items to profit for the year.

Geographical information – major countries (DKKm)	Revenue 2020	Revenue 2019	Non-current assets** 2020	Non-current assets** 2019
USA	19,386	14,534	882	947
Germany	10,727	8,606	1,609	1,641
Denmark	10,200	8,766	2,120	2,393
Netherlands	5,853	3,926	1,319	1,133
Sweden	4,769	4,695	960	934
Other	64,997	54,174	8,315	9,185
Total	**115,932**	**94,701**	**15,205**	**16,233**

Geographical information – regions (DKKm)	Revenue 2020	Revenue 2019	Non-current assets** 2020	Non-current assets** 2019
EMEA	72,639	63,854	12,294	13,069
Americas	28,191	20,687	1,632	1,778
APAC	15,102	10,160	1,279	1,386
Total	**115,932**	**94,701**	**15,205**	**16,233**

** 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 and 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	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Air services	18,187	12,554	11,405	8,393	15,163	6,187	44,755	27,134
Sea services	14,607	14,279	8,874	6,816	5,453	2,922	28,934	24,017
Road services	28,076	28,994	2,319	2,627	-	-	30,395	31,621
Solutions services	10,348	9,957	2,910	3,220	1,350	1,213	14,608	14,390
Total	**71,218**	**65,784**	**25,508**	**21,056**	**21,966**	**10,322**	**118,692**	**97,162**
Non-allocated items and eliminations							(2,760)	(2,461)
Total revenue							**115,932**	**94,701**

2.2 Revenue — continued

Revenue
Revenue is specified as follows:

Revenue (DKKm)	**2020**	2019
Sale of services	115,298	94,187
Other operating income	634	514
Total revenue	**115,932**	**94,701**

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 less than 2% of total revenue (2019: less than 2%). Other operating income includes rental income from terminal and building leases, gains from disposal of non-current assets and income from insurance contracts.

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 facilities and costs of property projects.

Direct costs (DKKm)	**2020**	2019
Cost of carriers	78,473	62,305
Staff costs, hourly workers	5,274	5,299
Other costs of operation	3,651	3,343
Direct costs	**87,398**	**70,947**

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)	**2020**	2019
Other external expenses	6,942	6,476
Transferred to direct costs	(3,651)	(3,343)
Total other external expenses	**3,291**	**3,133**

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)	**2020**	2019
Salaries and wages, etc.	14,137	13,136
Defined contribution pension plans	578	526
Defined benefit pension plans	27	22
Other social security costs	2,082	1,827
Share-based payments	134	117
Total staff costs	**16,958**	**15,628**
Recognised in the income statement items:		
Hourly workers – recognised as direct costs	5,274	5,299
Salaried employees – recognised as staff costs	11,684	10,329
Total	**16,958**	**15,628**
Weighted average number of full-time employees	56,079	51,367
Number of full-time employees at year-end	56,621	61,216

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)	**2020**	2019
Customer relationships	208	102
Software and other intangible assets	332	320
Buildings	154	154
Other operating equipment	355	328
ROU assets – Land and buildings	2,451	2,161
ROU assets – Other operating equipment	539	573
Total amortisation and depreciation	**4,039**	**3,638**

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 (incl. COVID-19 initiatives), 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 the acquisition and divestment of enterprises.

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

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)	**2020**	2019
Restructuring costs and COVID-19 initiatives	1,933	498
Impairment and other costs relating to reorganisations	228	198
Transaction costs relating to acquisitions	3	104
Special items, costs	**2,164**	**800**

Special items Bridge (DKKm)	**2020** Reported income statement	**2020** Special items	**2020** Adjusted income statement	2019 Reported income statement	2019 Special items	2019 Adjusted income statement
Revenue	115,932	58	115,990	94,701	28	94,729
Direct costs	87,398	118	87,516	70,947	5	70,952
Gross profit	**28,534**	**(60)**	**28,474**	**23,754**	**23**	**23,777**
Other external expenses	3,291	386	3,677	3,133	333	3,466
Staff costs	11,684	1,363	13,047	10,329	339	10,668
Operating profit before amortisation and depreciation	**13,559**	**(1,809)**	**11,750**	**10,292**	**(649)**	**9,643**
Amortisation and depreciation	4,039	360	4,399	3,638	153	3,791
Operating profit	**9,520**	**(2,169)**	**7,351**	**6,654**	**(802)**	**5,852**
Special items, costs	2,164	(2,164)	-	800	(800)	-
Financial income	254	-	254	131	-	131
Financial expenses	1,983	(5)	1,978	989	(2)	987
Profit before tax	**5,627**	**-**	**5,627**	**4,996**	**-**	**4,996**

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)	**2020**	2019
Interest income	248	129
Share of associates' profit, net of tax	6	2
Total financial income	**254**	**131**

Interest income includes interest on financial assets measured at amortised cost of DKK 248 million (2019: DKK 129 million).

Financial expenses (DKKm)	**2020**	2019
Interest expenses on lease liabilities	434	383
Other interest expenses	478	396
Calculated interest on pension obligations, see note 3.7	16	22
Currency translation recognised in the income statement	1,055	188
Total financial expenses	**1,983**	**989**

Interest expenses include interest on financial liabilities measured at amortised cost of DKK 912 million (2019: DKK 779 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:

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 2021 and projections for subsequent years up to and including 2025. From 2025 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 was tested for impairment at 31 December 2020. 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, which are unlikely 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 were also tested for impairment indications together with goodwill at 31 December 2020. No indication of impairment was identified in connection with these tests.

Goodwill impairment test at 31 December 2020 (DKKm)	**2020**			2019		
	Air & Sea	Road	Solutions	Air & Sea	Road	Solutions
Carrying amount of goodwill	36,883	6,006	4,587	38,841	6,092	5,317
Budget period						
Annual revenue growth	4.0%	4.0%	4.0%	4.0%	3.0%	5.0%
Operating margin	9.5%	4.6%	7.9%	8.7%	4.3%	7.3%
Terminal period						
Growth	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Pre-tax discount rate	7.2%	5.4%	6.5%	7.2%	5.1%	7.0%
Sensitivity analysis						
Growth in budget period – allowed decline (percentage points)	29.6%	42.7%	26.7%	23.0%	35.4%	18.3%
Discount rate – allowed increase (percentage points)	7.4%	5.2%	6.7%	6.2%	8.2%	4.0%

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 eight 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.

	2020					2019				
Intangible assets (DKKm)	Goodwill	Customer relationships	Software	Software in progress	Total	Goodwill	Customer relationships	Software	Software in progress	Total
Cost at 1 January	50,250	2,059	2,316	230	54,855	15,508	1,320	2,333	363	19,524
Additions from business combinations/previous period adjustments	(35)	-	-	-	(35)	34,529	732	7	-	35,268
Additions for the year	-	-	26	194	220	-	-	39	253	292
Disposals	-	-	(1,276)	-	(1,276)	-	-	(485)	(1)	(486)
Reclassifications	-	-	215	(215)	-	-	-	420	(386)	34
Currency translation	(2,739)	(27)	(16)	(3)	(2,785)	213	7	2	1	223
Total cost at 31 December	**47,476**	**2,032**	**1,265**	**206**	**50,979**	**50,250**	**2,059**	**2,316**	**230**	**54,855**
Total amortisation and impairment at 1 January	-	1,368	1,499	-	2,867	-	1,259	1,523	-	2,782
Amortisation and impairments for the year	-	208	332	-	540	-	102	320	-	422
Disposals	-		(1,056)	-	(1,056)	-	(1)	(378)	-	(379)
Reclassification	-			-	-	-	1	36	-	37
Currency translation	-	(25)	(12)	-	(37)	-	7	(2)	-	5
Total amortisation and impairment at 31 December	**-**	**1,551**	**763**	**-**	**2,314**	**-**	**1,368**	**1,499**	**-**	**2,867**
Carrying amount at 31 December	**47,476**	**481**	**502**	**206**	**48,665**	**50,250**	**691**	**817**	**230**	**51,988**

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.

Property, plant and equipment (DKKm)	**2020** Land and buildings	Other plant and operating equipment	Property, plant and equipment in progress	Total	2019 Land and buildings	Other plant and operating equipment	Property, plant and equipment in progress	Total
Cost at 1 January	2,663	2,772	99	5,534	2,041	2,254	116	4,411
Additions from business combinations/previous period adjustments	11	-	-	11	556	126	6	688
Additions for the year	276	403	442	1,121	345	577	78	1,000
Disposals	(528)	(388)	(19)	(935)	(147)	(304)	(35)	(486)
Transferred to assets held for sale	-	-	-	-	(154)	-	-	(154)
Reclassification	59	(22)	(37)	-	(22)	79	(68)	(11)
Currency translation	(126)	(116)	(12)	(254)	44	40	2	86
Total cost at 31 December	**2,355**	**2,649**	**473**	**5,477**	**2,663**	**2,772**	**99**	**5,534**
Total depreciation and impairment at 1 January	972	1,540	-	2,512	856	1,258	-	2,114
Depreciation for the year	154	355	-	509	154	337	-	491
Disposals	(137)	(317)	-	(454)	(4)	(103)	-	(107)
Transferred to assets held for sale	-	-	-	-	(19)	-	-	(19)
Reclassification	15	(15)	-	-	(27)	29	-	2
Currency translation	(37)	(67)	-	(104)	12	19	-	31
Total depreciation and impairment at 31 December	**967**	**1,496**	**-**	**2,463**	**972**	**1,540**	**-**	**2,512**
Carrying amount at 31 December	**1,388**	**1,153**	**473**	**3,014**	**1,691**	**1,232**	**99**	**3,022**

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 on the overall asset categories 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 amounted to DKK 110 million at 31 December 2020 (2019: DKK 135 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 2020.

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)	**2020**	2019
Stocks	57	55
Property projects under construction	1,369	1,269
Total	**1,426**	**1,324**

Inventories mainly consist of land and buildings under construction held for the purpose of sale in the ordinary course of business (property projects). In total, DKK 1,169 million relating to property projects was recognised as an expense in 2020 (2019: DKK 1,255 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 depreciation and impairment losses and adjusted for any remeasurements of the lease liability.

Depreciation is carried out following the straight-line method over the lease term or the useful life of the right-of-use asset, whichever is

3.6 Leases — continued

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 the same principle.

Extension options are only included in the lease term if extension of the lease is reasonably certain. 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.

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

Land and building leases normally have a lease term of up to ten years, whereas leases of other plant and operating equipment normally have a lease term of up to five years.

Land and buildings may include extension options with the intention of securing flexibility in the lease – however, any leasing period beyond the normal ten 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:

Right-of-use assets 2020 (DKKm)	**2020** Land and buildings	**2020** Other plant and operating equipment	**2020** Total	2019 Land and buildings	2019 Other plant and operating equipment	2019 Total
Carrying amount at 1 January	10,313	1,358	11,671	14	179	193
Impact of accounting policy change	-	-	-	8,893	1,098	9,991
Additions from business combinations	51	-	51	1,750	467	2,217
Additions for the year	2,739	472	3,211	2,221	321	2,542
Disposals for the year	(121)	(297)	(418)	(458)	(150)	(608)
Depreciation for the year	(2,451)	(539)	(2,990)	(2,161)	(573)	(2,734)
Currency translation	(385)	(29)	(414)	54	16	70
Carrying amount at 31 December	**10,146**	**965**	**11,111**	**10,313**	**1,358**	**11,671**

Contractual maturity of lease liabilities (DKKm)	**2020**	2019
0-1 year	3,122	3,654
1-5 years	7,299	7,560
> 5 years	3,499	3,237
Total undiscounted lease liabilities at 31 December	**13,920**	**14,451**
Current/non-current classification (discounted):		
Current	2,850	3,385
Non-current	9,428	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)	**2020**	2019
Profit or loss:		
Interest expenses on lease liabilities	(434)	(383)
Expenses relating to short-term leases	(334)	(395)
Expenses relating to leases of low-value assets	(135)	(77)
Expenses relating to variable lease payments not included in the measurement of lease liabilities	(81)	(129)
Gains or losses from sale and leaseback transactions	56	32
Cash flow:		
Total cash outflow for leases	(3,492)	(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

Pension obligations (DKKm)	**2020**	2019
Present value of defined benefit plans	4,218	4,878
Fair value of pension plan assets	2,999	3,384
Pension obligations, net	**1,219**	**1,494**

Of these obligations, DKK 863 million relates to unfunded pension obligations (2019: DKK 1,076 million) and DKK 356 million relates to partly funded obligations (2019: DKK 418 million).

Total pension costs for the year

In 2020, net costs of DKK 621 million relating to the Group's pension plans were recognised in the income statement (2019: DKK 569 million) and break down as follows:

Pension cost 2020 (DKKm)	Defined contribution plans	Defined benefit plans	Total
Staff costs	578	27	605
Financial expenses	-	16	16
Total costs recognised	**578**	**43**	**621**

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**

Defined benefit pension obligations

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

Defined benefit pension obligations (DKKm)	**2020**	2019
Obligations at 1 January	4,878	2,145
Current service cost	131	73
Past service cost from plan amendments, curtailments and gains/losses on settlements	(104)	(64)
Calculated interest on obligations	43	51
Actuarial gains/losses arising from changes in financial assumptions	22	101
Actuarial gains/losses arising from changes in demographic assumptions	21	(30)
Actuarial gains/losses arising from experience adjustments	(9)	(66)
Payments from the plan	(552)	(207)
Additions from business combinations	-	2,807
Currency translation	(212)	68
Obligations at 31 December	**4,218**	**4,878**

The expected average duration of the obligations is 16 years.

Expected maturity of pension obligations (DKKm)	**2020**	2019
0-1 year	208	366
1-5 years	589	698
> 5 years	3,421	3,814
Total obligations recognised	**4,218**	**4,878**

3.7 Pension obligations — continued

Pension plan assets

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

Pension plan assets (DKKm)	**2020**	2019
Pension plan assets at 1 January	3,384	1,230
Calculated interest on plan assets	27	33
Return on plan assets excluding calculated interest	52	111
Contributions to the plan	108	74
Payments from the plan	(527)	(209)
Additions from business combinations	0	2,050
Currency translation	(45)	95
Pension plan assets at 31 December	**2,999**	**3,384**

DSV Panalpina expects to contribute DKK 55 million to defined benefit plan assets in 2021 (2020: DKK 64 million). The composition of the pension plan assets is as follows:

Composition of pension plan assets (%)	**2020**	2019
Shares	50%	69%
Bonds	37%	16%
Insurance contracts	13%	15%
Total	**100%**	**100%**

Sensitivity analysis

The following table 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)	**2020**	2019
Defined benefit pension obligation	4,218	4,878
Discount rate		
Increase of 0.5 percentage point	3,891	4,371
Decrease of 0.5 percentage point	4,570	5,165
Future wage/salary increase		
Increase of 0.5 percentage point	4,282	4,877
Decrease of 0.5 percentage point	4,129	4,629
Inflation		
Increase of 0.5 percentage point	4,396	5,082
Decrease of 0.5 percentage point	4,026	4,404
Life expectancy		
Life expectancy increase of 1 year	4,296	4,873
Life expectancy decrease of 1 year	4,100	4,561

Significant pension plans

The most significant defined benefit plans of the Group relate to Europe, with Germany representing 59% (2019: 55%) and Sweden 27% (2019: 19%) of the total net obligation of DKK 1,219 million (2019: DKK 1,494 million). No other countries have individual defined benefit 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.

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

Key assumptions 2020	Discount rate	Future wage/salary increase	Future rate of inflation
Sweden	1.9%	2.3%	1.8%
Germany	0.8%	2.0%	1.5%
Other	0.1-6.8%	0-10.0%	0-2.0%
Weighted average	1.6%	2.9%	1.0%
Mortality prognosis table			
Sweden	DUS14 (w-c)		
Germany	RT Heubeck 2018 G		

Key assumption 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		

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 as well as 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 two 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 relating to business combinations.

Provisions (DKKm)	Restructuring costs	Disputes and legal actions	Other	Total
Provisions at 1 January 2020	507	528	1,404	2,439
Additions for the year	1,107	221	1,200	2,528
Additions from acquisitions	20	-	-	20
Used for the year	(847)	(224)	(939)	(2,010)
Adjustment of provisions made in previous years	-	(54)	(53)	(107)
Currency translation	(6)	(28)	(58)	(92)
Provisions at 31 December 2020	**781**	**443**	**1,554**	**2,778**
Current/non-current classification:				
Non-current liabilities	199	195	859	1,253
Current liabilities	582	248	695	1,525
Provisions at 31 December 2020	**781**	**443**	**1,554**	**2,778**

Chapter 4

Capital structure and finances

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

The capital structure is linked to our long-term financial target of a gearing ratio below 2.0 x EBITDA before special items 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 230 million shares with a nominal value of DKK 1 each.

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

Reserves specification – 2020 (DKKm)	Treasury share reserve	Hedging reserve	Translation reserve	Total reserves
Reserves at 1 January	(6)	(24)	(235)	(265)
Other comprehensive income, net of tax	-	13	(2,586)	(2,573)
Total comprehensive income for the year	-	13	(2,586)	(2,573)
Transactions with owners:				
Purchase of treasury shares	(6)	-	-	(6)
Sale of treasury shares	3	-	-	3
Capital reduction	5	-	-	5
Reserves at 31 December	**(4)**	**(11)**	**(2,821)**	**(2,836)**

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

4.1 Equity — continued

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

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 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.

	2020			2019		
Treasury shares	Market value (DKKm)	% of share capital at 31 December	Nominal value (DKKm)	Market value (DKKm)	% of share capital at 31 December	Nominal value (DKKm)
Portfolio, beginning of year	4,247	2.7%	6.1	4,286	4.2%	10.0
Cancellation of treasury shares	(3,317)	(2.2%)	(5.0)	(4,528)	(3.6%)	(8.5)
Portfolio of treasury shares less cancelled shares	930	0.5%	1.1	(242)	0.6%	1.5
Purchased during the year	5,031	2.7%	6.2	4,888	3.1%	7.0
Sold during the year	(1,370)	(1.5%)	(3.4)	(770)	(1.1%)	(2.4)
Value adjustment	(619)	-	-	371	-	-
Portfolio, end of year	**3,972**	**1.7%**	**3.9**	**4,247**	**2.6%**	**6.1**

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 1.3 at 31 December 2020 (2019: 1.8). The target gearing ratio is below 2.0 x EBITDA, but may exceed this level following significant acquisitions.

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 reduced its net interest-bearing debt by DKK 1,385 million in 2020. Net interest-bearing debt can be specified as follows:

Net interest-bearing debt (DKKm)	**2020**	2019
Lease liabilities	12,278	12,612
Borrowings	8,881	7,984
Other receivables	(129)	(198)
Cash and cash equivalents	(4,060)	(2,043)
Net interest-bearing debt	**16,970**	**18,355**

Value-adding investments
No material investments/acquisitions were made in 2020.

4.2 Capital structure and capital allocation — continued

Distribution to the Company's shareholders

In 2020, the Group spent DKK 5,031 million on share buyback and DKK 588 million on dividends distributed (2019: DKK 4,888 million and DKK 423 million, respectively). It is proposed to distribute a dividend of DKK 4.00 per share for 2020 (2019: DKK 2.50).

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 930 million (2019: DKK 1,447 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)	**2020**	2019
Exchange control restrictions	736	1,299
Insurance collaterals	187	141
Other collaterals	7	7
Total	**930**	**1,447**

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, 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 liabilities 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)	**2020**	2019
Non-current liabilities	17,124	15,691
Current liabilities	4,035	4,905
Total	**21,159**	**20,596**

			Non-cash change			
Financing activities 2020 (DKKm)	Beginning of year	Cash flow	Acquisition	Currency effects	Other*	End of year
Loans and credit facilities	2,867	(1,791)	10	3	-	1,089
Issued bonds	5,046	2,697	-	(25)	12	7,730
Lease liabilities	12,612	(3,058)	51	(368)	3,041	12,278
Total liabilities from financing activities	**20,525**	**(2,152)**	**61**	**(390)**	**3,053**	**21,097**
Other non-current liabilities	71					62
Total financial liabilities	**20,596**					**21,159**

Financing activities 2019 (DKKm)						
Loans and credit facilities	2,895	(145)	69	48	-	2,867
Issued bonds	3,972	-	1,070	12	(8)	5,046
Lease liability	10,896	(2,750)	2,217	(10)	2,259	12,612
Total liabilities from financing activities	**17,763**	**(2,895)**	**3,356**	**50**	**2,251**	**20,525**
Other non-current liabilities	79					71
Total financial liabilities	**17,842**					**20,596**

* Other includes additions and remeasurement of financial liabilities.

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 2020.

The total duration of the Group's long-term loan commitments and the amounts drawn on its credit lines at 31 December 2020 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 2020:

Loan facilities	Amount (EURm)	Amount (DKKm)	Expiry of commitments	Duration (years)	Undrawn
Long-term loan I	200	1,488	31-01-2023	2.1	1,488
Long-term loan II	180	1,339	31-12-2022	2.0	1,339
Long-term loan III	100	744	31-01-2023	2.1	744
Long-term loan IV	100	744	28-02-2022	1.2	744
Long-term loan V	125	930	28-02-2023	2.2	930
Long-term loan VI	75	558	15-01-2023	2.0	558
Bond loan I	100	750	18-03-2022	1.2	-
Bond loan II	100	750	18-03-2022	1.2	-
Bond loan III	200	1,488	20-09-2024	3.7	-
Bond loan IV	138	1,027	12-12-2022	1.9	-
Bond loan V	500	3,720	26-02-2027	6.2	-
Total and weighted duration	**1,818**	**13,538**		**3.2**	**5,803**

The Group's financial liabilities fall due as follows:

Financial liabilities – maturity 2020 (DKKm)	Carrying amount	Total cash flow, including interest	0-1 year	1-5 years	> 5 years
Loans and credit facilities	1,089	1,096	1,096	-	-
Issued bonds	7,730	7,985	89	4,160	3,736
Lease liabilities	12,278	13,920	3,122	7,299	3,499
Trade payables	9,926	9,926	9,926	-	-
Interest rate derivatives	17	20	3	17	-
Total	**31,040**	**32,947**	**14,236**	**11,476**	**7,235**

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**

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 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 six months. At year-end 2020, 80% of expected six-month cash flows in USD 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 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.

	Unhedged intra-group balances				Currency exposures – sensitivity analysis			
	2020		2019		**2020**		2019	
Main currency exposures (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
USD/DKK	5,540	277	3,995	200	86	180	68	162
CHF/DKK	(5,478)	(274)	(9,556)	(478)	9	310	18	600
EUR/DKK	(3,378)	(169)	(12,839)	(642)	104	229	77	522
CNY/DKK	(1,167)	(58)	(879)	(44)	68	44	31	25
Total	**n.a.**	**(224)**	**n.a.**	**(964)**	**267**	**763**	**194**	**1,309**

	2020			2019		
Loan and credit facilities (DKKm)	Carrying amount	Fixed/floating interest rate	Expiry	Carrying amount	Fixed/floating interest rate	Expiry
Bank loans	444	Fixed/floating	2021	1,985	Fixed/floating	2020-2023
Bond loans	7,730	Fixed/floating	2022-2027	5,046	Fixed/floating	2020-2024
Overdraft facility	645	Floating	2021	882	Floating	2020-2023
Loans and credit facilities at 31 December	8,819			7,913		
Current/non-current classification:						
Non-current liabilities	7,730			6,393		
Current liabilities	1,089			1,520		

4.4 Financial risks — continued

Interest rate risk

The Group's interest rate risk relates to the long-term floating-rate loans raised by the Parent. These loans are partly converted to fixed rate loans by using 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.

At year-end 2020, 81% (2019: 73%) 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 88 months (2019: 34 months).

The weighted average interest rate on the Group's loans, credit facilities and interest rate hedging was 1.3% at the end of 2020 (2019: 1.6%).

A 1 percentage point increase in interest rates would reduce profit for the year by DKK 9 million (2019: DKK 15 million) and increase/reduce other comprehensive income by DKK 12 million (2019: DKK 30 million), based on average net interest-bearing debt for 2020. The calculation method applied in the sensitivity analysis is unchanged compared to previous years.

Credit risk

The Group's credit risk mainly relates 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's 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 2020, non-recourse factoring amounted to DKK 1,407 million (2019: 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 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 2020, credit insurances amounted to DKK 15,163 million, corresponding to 78% of total trade receivables (2019: DKK 10,010 million or 55%).

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 2020 is presented in the following table:

Expected credit loss 2020 (DKKm)	Carrying amount	Expected loss rate (%)	Loss allowance
Current	15,901	0.3%	40
Overdue 1-30 days	2,204	2.0%	45
Overdue 31-60 days	530	7.1%	37
Overdue 61-90 days	230	15.2%	35
Overdue 91-120 days	137	21.9%	30
Overdue >121 days	459	51.4%	236
Total	**19,461**		**423**

Expected credit loss 2019 (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)	**2020**	2019
Provision at 1 January	510	240
Additions from acquisitions	-	289
Additions for the year	251	140
Losses recognised	(94)	(44)
Reversal of provisions from previous years	(211)	(115)
Currency translation	(33)	-
Provision at 31 December	**423**	**510**

Impairment losses on trade receivables for 2020 amounted to DKK 94 million, corresponding to 0.08% of consolidated revenue (2019: DKK 44 million, or 0.05%).

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 gain on hedging instruments of DKK 76 million was recognised in the income statement for 2020 (2019: a loss of DKK 78 million). In the same period, a loss of DKK 1,131 million was recognised relating to assets and liabilities (2019: a loss of DKK 110 million). The net loss in 2020 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 0.8% at the reporting date (2019: 0.9%).

	2020			2019		
External hedging instruments (DKKm)	Currency instruments	Interest rate instruments	Total	Currency instruments	Interest rate instruments	Total
Contractual value	6,447	744	7,191	5,623	1,219	6,842
Maturity (year)	2021	2021-2022		2020	2020-2023	
Fair value	50	(17)	33	26	(44)	(18)
Of which recognised in income statement	51	-	51	21	-	21
Of which recognised in OCI	(1)	(17)	(18)	5	(44)	(39)

4.6 Earnings per share

Earnings per share (DKKm)	2020	2019
Profit for the year	4,258	3,706
Non-controlling interests' share of consolidated profit for the year	8	6
DSV Panalpina A/S shareholders' share of profit for the year	**4,250**	**3,700**
Amortisation of customer relationships	208	102
Share-based payment	134	117
Special items, costs	2,164	800
Related tax effect	(610)	(263)
Adjusted profit for the year	**6,146**	**4,456**
('000 shares)		
Total average number of shares	231,462	206,415
Average number of treasury shares	(4,216)	(8,142)
Average number of shares in circulation	227,246	198,273
Average dilutive effect of outstanding share options under incentive schemes	4,330	3,132
Diluted average number of shares in circulation	**231,576**	**201,405**
Earnings per share of DKK 1	18.7	18.7
Diluted earnings per share of DKK 1	18.4	18.4
Adjusted earnings per share of DKK 1	27.0	22.5
Diluted adjusted earnings per share of DKK 1	26.5	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 2020 (2019: 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 by category (DKKm)	2020 Carrying amount	2019 Carrying amount
Financial assets:		
Currency derivatives	50	26
Trade receivables	19,038	18,252
Other receivables	3,007	3,904
Cash and cash equivalents	4,060	2,043
Financial assets measured at amortised cost	26,105	24,199
Financial liabilities:		
Interest rate derivatives	17	44
Issued bonds measured at amortised cost	7,730	5,046
Loans and credit facilities	1,089	2,867
Lease liabilities	12,278	12,612
Trade payables	9,926	9,783
Financial liabilities measured at amortised cost	31,023	30,308

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 as well as 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 intangible assets 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.

Acquisitions and disposals

No material enterprises, non-controlling interests or activities were acquired or divested in 2020.

5.1 Acquisition and disposal of entities — continued

In 2019, DSV acquired Panalpina Welttransport (Holding) AG (Panalpina) via a public exchange offer. No other material acquisitions or divestments were made in 2019.

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. The acquisition substantially strengthened the Air & Sea division, which became one of the largest providers globally with close to 3 million containers (TEUs) and more than 1.7 million tonnes of air freight transported yearly.

Consideration transferred
The consideration transferred for the shares in Panalpina was made in DSV equity instruments by offering 2.375 ordinary DSV shares for one Panalpina share. A total of 55,526,507 DSV shares were 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.

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

In 2020, DKK 118 million was recognised as measurement period adjustments to the acquisitional opening balance. For further details, please refer to note 5.1 in the DSV Panalpina Annual Report 2019.

The fair value of identified net assets and goodwill recognised from the acquisition comprises as highlighted in the following table:

(DKKm)	Fair value at date of acquisition
Customer relationships	732
Other intangible assets	7
Right-of-use (ROU) assets	2,217
Property, plant and equipment	688
Trade receivables	6,669
Contract assets	1,146
Deferred tax assets	956
Other receivables	613
Cash and cash equivalents	1,975
Total assets	**15,003**
Lease liabilities	2,217
Borrowings	1,109
Provisions	1,320
Pensions and similar obligations	757
Trade payables	2,591
Accrued cost of services	3,214
Deferred tax liabilities	201
Tax payables	435
Other payables	1,735
Total liabilities	**13,579**
NCI share of acquired net assets	6
Acquired net assets	**1,418**
Fair value of total consideration transferred	35,829
Goodwill arising from the acquisition	**34,411**

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, except at the acquisition of enterprises, if 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 carryforwards, 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.

5.2 Tax — continued

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 materialise as current tax.

Management judgements and estimates

Management applies 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.

Deferred tax assets are tested annually and are only recognised if likely to be utilised.

When considering tax and duties disputes, Management applies 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.

Tax for the year (DKKm)	**2020**	2019
Tax for the year is disaggregated as follows:		
Tax on profit for the year	1,369	1,290
Tax on other changes in equity	(383)	(412)
Tax on other comprehensive income	8	11
Total tax for the year	**994**	**889**
Tax on profit for the year is calculated as follows:		
Current tax	1,905	1,352
Deferred tax	(621)	9
Tax adjustment relating to previous years	85	(71)
Total tax on profit for the year	**1,369**	**1,290**
Tax on other comprehensive income specifies as follows:		
Fair value adjustment of hedging instruments	(3)	(1)
Actuarial gains/(losses)	(5)	(10)
Total	**(8)**	**(11)**

Tax rate (%)	**2020**	2019
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%	3.3%	0.6%
Change in deferred tax based on change in income tax rate	0.0%	1.7%
Tax effect of:		
Non-deductible expenses/non-taxable income	(2.5%)	2.2%
Non-deductible losses/non-taxable gains on shares	0.2%	(0.1%)
Tax adjustment relating to previous years	1.5%	(1.4%)
Tax asset valuation adjustments, net	(1.7%)	(2.0%)
Other taxes and adjustments	1.5%	2.8%
Effective tax rate	**24.3%**	**25.8%**

Deferred tax recognised in the balance sheet (DKKm)	**2020**	2019
Deferred tax at 1 January	1,709	801
Deferred tax for the year	621	(9)
Tax adjustment relating to previous years	(162)	79
Tax on changes in equity	383	401
Additions from business combinations	-	623
Other adjustments	(258)	(186)
Deferred tax at 31 December	**2,293**	**1,709**

Deferred tax not recognised in the balance sheet (DKKm)	**2020**	2019
Temporary differences	(27)	37
Tax loss carryforwards	982	848
Total tax assets not recognised	**955**	**885**

Of tax loss carryforwards, DKK 982 million may be carried forward indefinitely.

5.2 Tax — continued

The deferred tax assets and liabilities recognised are allocated to the following items:

Deferred tax allocation 2020 (DKKm)	Intangible assets	PPE and ROU assets	Provisions	Other liabilities	Tax base of tax loss carry-forwards	Total
Deferred tax at 1 January	(364)	(1,762)	988	1,989	858	1,709
Recognised in profit/loss	111	(61)	(103)	310	202	459
Recognised in equity	-	-	380	3	-	383
Additions from business combinations	-	-	-	-	-	-
Other adjustments	-	(3)	(2)	-	(131)	(136)
Currency translation	-	48	(38)	(74)	(58)	(122)
Deferred tax at 31 December	**(253)**	**(1,778)**	**1,225**	**2,228**	**871**	**2,293**
Balance sheet classification:						
Deferred tax assets	(129)	(1,576)	1,310	2,071	860	2,536
Deferred tax liabilities	(124)	(202)	(85)	157	11	(243)

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 January	(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	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)

5.3 Share option schemes

Accounting policies

DSV Panalpina's 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 value of employee services received during the vesting period in exchange for share options granted corresponds to the fair value of the share options at the date of granting.

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 historical data over the preceding three years adjusted for any unusual circumstances during the period. The valuation of the share options granted in 2020 and 2019 is based on the assumptions disclosed in the following table:

Assumptions	**2020**	2019
Share price	560.0	545.0
Volatility	16.0%	16.0%
Risk-free interest rate	0.0%	0.0%
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 granting (DKKm)
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
2020	3,080,750	31.03.2023 - 31.03.2025	560.0	2,000	155.5

Share option schemes at 31 December 2020

Scheme	Executive Board	Senior staff	Total	Average exercise price per option
2016*	-	182,000	182,000	274.3
2017*	190,000	738,629	928,629	357.0
2018	190,000	2,433,000	2,623,000	477.5
2019	190,000	2,472,000	2,662,000	545.0
2020	190,000	2,820,500	3,010,500	560.0
Outstanding at 31 December 2020	**760,000**	**8,646,129**	**9,406,129**	**507.2**
Exercise period open at 31 December 2020	190,000	920,629	1,110,629	343.4
Life (years)	2.7	3.1	3.0	n.a.
Market value (DKKm)	394.9	4,262.9	4,657.8	n.a.

* Share options granted in 2016 and 2017 are currently exercisable.

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 granting. 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 2,378 employees held share options at 31 December 2020 (2019: 2,010 employees).

Total costs recognised in 2020 for services received, but not recognised as an asset amounted to DKK 134 million (2019: DKK 117 million).

The average share price for options exercised in the financial year was DKK 795.3 per share at the date of exercise (2019: DKK 619.1 per share).

Outstanding share options	Executive Board	Senior staff	Total	Average exercise price per option
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**
Outstanding at 1 January 2020	760,000	8,228,700	8,988,700	438.2
Granted	190,000	2,890,750	3,080,750	560.0
Exercised	(190,000)	(2,326,071)	(2,516,071)	325.0
Options waived/expired	-	(147,250)	(147,250)	515.2
Outstanding at 31 December 2020	**760,000**	**8,646,129**	**9,406,129**	**507.2**

Shares held by members of the Executive Board and the Board of Directors	Shares held at 1 January 2020	Shares purchased	Shares sold	Shares held at 31 December 2020	Market value (DKKm)
Jens Bjørn Andersen[1]	50,000	110,000	(110,000)	50,000	51.0
Jens H. Lund[2]	39,335	80,000	(80,000)	39,335	40.1
Thomas Plenborg	5,099	-	-	5,099	5.2
Jørgen Møller	1,905	280	-	2,185	2.2
Annette Sadolin	9,503	-	-	9,503	9.7
Birgit W. Nørgaard	1,150	443	-	1,593	1.6
Marie-Louise Aamund	800	-	-	800	0.8
Beat Walti	741	-	-	741	0.8
Niels Smedegaard	-	1,490	-	1,490	1.5
Total	**108,533**	**192,213**	**(190,000)**	**110,746**	**112.9**

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.

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 2020 was DKK 37.6 million (2019: DKK 36.7 million). The remuneration of the Executive Board breaks down as follows:

Executive Board's remuneration (DKKm)	2020		
	Jens Bjørn Andersen	Jens H. Lund	Total
Fixed salary	15.2	11.3	26.5
Pension	1.2	0.9	2.1
Share-based payment	5.2	3.8	9.0
Total	**21.6**	**16.0**	**37.6**

Executive Board's 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**

Board of Directors

The aggregate remuneration for the Board of Directors of DSV Panalpina A/S for 2020 was DKK 6.9 million (2019: DKK 6.1 million).

Board of Directors' remuneration (DKK '000)	**2020**	2019
Thomas Plenborg, Chairman	2,250	1,434
Jørgen Møller, Deputy Chairman	1,000	647
Annette Sadolin	1,000	769
Birgit W. Nørgaard	625	563
Marie-Louise Aamund (elected in 2019)	750	506
Beat Walti (elected in 2019)	584	113
Niels Smedegaard (elected in 2020)	565	-
Robert S. Kledal (resigned in 2020)	130	525
Kurt K. Larsen (resigned in 2019)	-	1,519
Total	**6,904**	**6,076**

5.5 Fees to auditors appointed at the Annual General Meeting

Audit fees and services (DKKm)	**2020**	2019
Statutory audit fees	33	35
Assurance engagements other than audits	1	6
Tax and VAT advisory services	1	1
Other services	4	1
Total fees to auditors appointed at the Annual General Meeting	**39**	**43**
Statutory audit fees	5	26
Tax and VAT advisory services	13	24
Other services	8	8
Total fees, other*	**26**	**58**
Total fees	**65**	**101**

* 2019 includes fees to Deloitte amounting to DKK 23 million for statutory audit, DKK 4 million for tax and VAT advisory services and DKK 2 million for other services.

Non-audit services provided by PwC Denmark amounted to DKK 4 million in 2020 relating to data AI solution advisory services, various tax advisory services and other advisory services. Non-audit services provided by PwC Denmark did not exceed 70% of the audit fees in accordance with EU audit legislation.

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 with related parties were made in 2020 other than ordinary remuneration, as described in notes 5.3 and 5.4.

Associated companies
DSV Panalpina holds ownership interests in seven associates (2019: eight associates). The Group's share of associates' profit for the year amounted to DKK 6 million (2019: DKK 2 million).

The carrying amount of the investment was DKK 37 million at 31 December 2020 (2019: DKK 34 million).

The Group had the following transactions with associates:

Associated companies transactions

(DKKm)	**2020**	2019
Sale of services	193	217
Purchase of services	19	30

The Group had the following balances with associates at 31 December:

Associated companies balances

(DKKm)	**2020**	2019
Receivables	29	44
Payables	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 met.

These judgements may involve advice from external experts, legal advisors, etc.

Contingent liabilities 2020
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 the cases currently identified will have no material impact on the financial position of the Group.

A detailed disclosure of individual contingent liabilities is considered impracticable 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 2020, property, plant and equipment and other financial assets with a carrying value of DKK 9.8 million were pledged as security (2019: DKK 11 million). The carrying amount of debt secured by pledges amounted to DKK 0 million (2019: DKK 0 million).

Contracts
DSV Panalpina has concluded IT service contracts. Costs related to these contracts are recognised as the services are provided.

Definition of key figures and ratios

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. Environmental and social key figures and ratios are defined in the DSV Panalpina Responsibility Report 2020 to which reference is made.

Key figures

Net interest-bearing debt = Interest-bearing debt less interest-bearing assets and cash and cash equivalents

Net working capital = Receivables and other current operating assets less trade payables and other payables and other current operating liabilities

Invested capital = NWC + property, plant and equipment, right-of-use (ROU) assets, 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 = $\frac{\text{Operating profit (EBIT) before special items * 100}}{\text{Revenue}}$

Conversion ratio = $\frac{\text{Operating profit (EBIT) before special items * 100}}{\text{Gross profit}}$

Effective tax rate* = $\frac{\text{Tax on profit for the year}}{\text{Profit before tax}}$

Return on invested capital before tax = $\frac{\text{Operating profit (EBIT) before special items * 100}}{\text{Average invested capital}}$

Return on equity = $\frac{\text{Profit attributable to the shareholders of DSV Panalpina A/S * 100}}{\text{Average equity excluding non-controlling interests}}$

Solvency ratio = $\frac{\text{Equity excluding non-controlling interests * 100}}{\text{Total assets}}$

Gearing ratio* = $\frac{\text{Net interest-bearing debt}}{\text{Operating profit before amortisation, depreciation (EBITDA) before special items}}$

Share ratios

Earnings per share = $\frac{\text{Profit attributable to the shareholders of DSV Panalpina A/S}}{\text{Average number of shares}}$

Diluted earnings per share = $\frac{\text{Profit attributable to the shareholders of DSV Panalpina A/S}}{\text{Average number of shares diluted}}$

Diluted adjusted earnings per share = $\frac{\text{Adjusted earnings}}{\text{Average number of shares diluted}}$

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 2020 showing the companies by segment and not by legal structure.

Activity: ● Air & Sea ● Road ● Solutions ● Group

Company	Country	Ownership share	Activity
Parent			
DSV Panalpina A/S	Denmark		Group
Subsidiaries			
Europe			
DSV Air & Sea GmbH	Austria	100.0%	Air & Sea
DSV Road GmbH	Austria	100.0%	Road
DSV Transport Ltd.	Belarus	100.0%	Air & Sea, Road
DSV Air & Sea NV	Belgium	100.0%	Air & Sea
Maartens Art Packers and Shippers B.V.B.A.	Belgium	100.0%	Air & Sea
Panalpina World Transport N.V.	Belgium	100.0%	Air & Sea
AD Handling NV	Belgium	100.0%	Air & Sea
ABX Worldwide Holdings NV/SA	Belgium	100.0%	Group
DSV Road Holding NV	Belgium	100.0%	Road, Group
Europe (continued)			
DSV Air & Sea Belgium NV	Belgium	100.0%	Air & Sea
DSV Solutions N.V.	Belgium	100.0%	Solutions
DSV Logistics N.V.	Belgium	100.0%	Solutions
DSV Road N.V.	Belgium	100.0%	Road
MCI Brokers N.V.	Belgium	100.0%	Road
Panalpina GBS Bulgaria EOOD	Bulgaria	100.0%	Group
DSV Air & Sea EOOD	Bulgaria	100.0%	Air & Sea
DSV Road EOOD	Bulgaria	100.0%	Road, Solutions
DSV Hrvatska d.o.o.	Croatia	100.0%	Air & Sea, Road
Panalpina Business Services (Prague), s.r.o.	Czech Republic	100.0%	Group
DSV Air & Sea s.r.o.	Czech Republic	100.0%	Air & Sea
Panalpina Czech S.R.O.	Czech Republic	100.0%	Air & Sea
DSV Air & Sea Czech Republic s.r.o.	Czech Republic	100.0%	Air & Sea
DSV Solutions s.r.o.	Czech Republic	100.0%	Solutions
DSV Road a.s.	Czech Republic	100.0%	Road
DSV Insurance A/S	Denmark	100.0%	Group
DSV Group Services A/S	Denmark	100.0%	Group
DSV Property ApS	Denmark	100.0%	Group
DSV FS A/S	Denmark	100.0%	Group
GP0615 ApS	Denmark	100.0%	Group
Anpartselskabet af 25. januar 2017	Denmark	100.0%	Group
DSV Real Estate Valby A/S	Denmark	100.0%	Group
DSV Smarter Storage A/S	Denmark	100.0%	Group
DSV Real Estate Glostrup A/S	Denmark	100.0%	Group
DSV Air & Sea Holding A/S	Denmark	100.0%	Air & Sea
DSV Air & Sea A/S	Denmark	100.0%	Air & Sea
DSV Ocean Transport A/S	Denmark	100.0%	Air & Sea
PC KH ApS	Denmark	100.0%	Air & Sea
DSV Air & Sea Denmark ApS	Denmark	100.0%	Air & Sea
DSV Solutions Holding A/S	Denmark	100.0%	Solutions
Europe (continued)			
DSV Solutions A/S	Denmark	100.0%	Solutions
DSV Real Estate Duisburg A/S	Denmark	100.0%	Solutions
Prime Cargo A/S	Denmark	100.0%	Air & Sea, Solutions
DSV Road Holding A/S	Denmark	100.0%	Road
DSV Road A/S	Denmark	100.0%	Road
DSV Real Estate Horsens A/S	Denmark	100.0%	Road
DSV Road Services A/S	Denmark	100.0%	Road
DSV Estonia AS	Estonia	100.0%	Air & Sea, Road
DSV Air & Sea Oy	Finland	100.0%	Air & Sea
DSV Air & Sea Nordic AB – filial Finland	Finland	100.0%	Air & Sea
UTi Logistics (Finland) Oy	Finland	100.0%	Air & Sea
Panalpina CIS Helsinki OY	Finland	100.0%	Air & Sea
DSV Solutions Oy	Finland	100.0%	Solutions
DSV Road Oy	Finland	100.0%	Road
DSV Air & Sea SAS	France	100.0%	Air & Sea
DSV International Air & Sea France	France	100.0%	Air & Sea
DSV Solutions SAS	France	100.0%	Solutions
DSV Road Holding S.A.	France	100.0%	Road
DSV Road SAS	France	100.0%	Road
ING REEIF WATTRELOS	France	100.0%	Road
DSV Air & Sea Germany GmbH	Germany	100.0%	Air & Sea, Solutions
DSV Air & Sea Deutschland GmbH	Germany	100.0%	Air & Sea
DSV Real Estate Duisburg A/S – German Branch	Germany	100.0%	Solutions
DSV Solutions Group GmbH	Germany	100.0%	Solutions
DSV Solutions GmbH	Germany	100.0%	Solutions
DSV Stuttgart GmbH & Co. KG	Germany	100.0%	Road, Solutions
DSV Stuttgart Verwaltung GmbH	Germany	100.0%	Solutions
Administration & Accounting Service GmbH	Germany	100.0%	Road
DSV Road GmbH	Germany	100.0%	Road

Company	Country	Ownership share	Activity
Europe (continued)			
DSV HELLAS S.A.	Greece	100.0%	● ●
UTi Networks Limited	Guernsey	100.0%	●
DSV Air & Sea Hungary Kft.	Hungary	100.0%	●
DSV Solutions Hungary Kft.	Hungary	100.0%	●
DSV Hungaria Kft.	Hungary	100.0%	●
DSV Air & Sea Limited	Ireland	100.0%	●
UTi Ireland Ltd.	Ireland	100.0%	●
Panalpina World Transport (Ireland) Ltd.	Ireland	100.0%	●
DSV Air & Sea (Ireland) Limited	Ireland	100.0%	●
DSV Solutions Ltd.	Ireland	100.0%	●
UTI Inventory Management Solutions Limited	Ireland	100.0%	●
DSV Road Limited	Ireland	100.0%	●
DSV S.p.A.	Italy	100.0%	● ● ●
UTi Italy SrL	Italy	100.0%	●
Panalpina Trasporti Mondiali S.p.A.	Italy	100.0%	● ●
DSV Real Estate S.p.A.	Italy	89.3%	● ● ●
DSV Air & Sea Italy S.r.l.	Italy	100.0%	●
DSV Real Estate Novara S.r.l.	Italy	66.0%	●
Saima Caspian LLC	Kazakhstan	100.0%	●
UTi Kazakhstan LLP	Kazakhstan	100.0%	●
Panalpina World Transport LLP	Kazakhstan	100.0%	●
DSV Latvia SIA	Latvia	100.0%	● ●
DSV Lithuania UAB	Lithuania	100.0%	● ●
DSV Air & Sea S.A.	Luxembourg	100.0%	● ●
XB Luxembourg Holdings 1 SA	Luxembourg	100.0%	●
XB Luxembourg Holdings 2 SARL	Luxembourg	100.0%	●
DSV Lead Logistics B.V.	Netherlands	100.0%	●
African Investments BV	Netherlands	100.0%	●
UTi (Netherlands) Holdings BV	Netherlands	100.0%	●
DSV Air & Sea Nederland B.V.	Netherlands	100.0%	●

Company	Country	Ownership share	Activity
Europe (continued)			
DSV Shared Services B.V.	Netherlands	100.0%	●
DSV Solutions Holding B.V.	Netherlands	100.0%	●
DSV Solutions Nederland B.V.	Netherlands	100.0%	●
IMS Holdings BV	Netherlands	100.0%	●
DSV Multi-Channel Fulfilment B.V.	Netherlands	100.0%	●
VTS Beheer B.V.	Netherlands	100.0%	●
DSV Solutions (Dordrecht) B.V.	Netherlands	100.0%	●
DSV Solutions (Moerdijk) B.V.	Netherlands	100.0%	●
DSV Real Estate Dallas Holding B.V.	Netherlands	100.0%	●
DSV Road Holding N.V.	Netherlands	100.0%	●
DSV Road B.V.	Netherlands	100.0%	●
DSV ROAD DOOEL Skopje	North Macedonia	100.0%	●
DSV Air & Sea AS	Norway	100.0%	●
Panalpina AS	Norway	100.0%	●
DSV Solutions AS	Norway	100.0%	●
DSV Road AS	Norway	100.0%	●
DSV International Shared Services Sp. z o.o.	Poland	100.0%	●
DSV Real Estate Warsaw Sp. z o.o.	Poland	100.0%	●
DSV Air & Sea Sp. z o.o.	Poland	100.0%	●
UTi Poland Sp. z o.o.	Poland	100.0%	●
Panalpina Polska Sp. z o.o.	Poland	100.0%	●
DSV Air & Sea Poland Sp. z o.o.	Poland	100.0%	●
DSV Services Sp. z o.o.	Poland	100.0%	●
Prime Cargo Poland Sp. z o.o.	Poland	100.0%	● ● ●
DSV Road Sp. z o.o.	Poland	100.0%	●
DSV Solutions Sp. z o.o.	Poland	100.0%	●
DSV Group Services Unipessoal, Lda	Portugal	100.0%	●
DSV Air & Sea Portugal, LDA	Portugal	100.0%	●
DSV Solutions, Lda.	Portugal	100.0%	●
DSV SGPS, Lda.	Portugal	100.0%	●

Company	Country	Ownership share	Activity
Europe (continued)			
DSV Transitarios, Lda.	Portugal	100.0%	●
DSV Air & Sea SRL	Romania	100.0%	●
DSV Solutions S.R.L.	Romania	100.0%	● ● ●
DSV Air & Sea JSC	Russia	100.0%	● ●
DSV Sakhalin, OOO	Russia	100.0%	● ● ●
Panalpina CIS Helsinki Oy – Russia Branch	Russia	100.0%	●
DSV Solutions OOO	Russia	100.0%	●
DSV Road OOO	Russia	100.0%	● ●
OOO DSV Transport	Russia	100.0%	● ●
DSV Road d.o.o.	Serbia	100.0%	●
DSV Solutions Slovakia s. r. o.	Slovakia	100.0%	●
DSV Air & Sea Slovakia s.r.o.	Slovakia	100.0%	●
DSV Slovakia, s.r.o.	Slovakia	100.0%	●
DSV Transport d.o.o.	Slovenia	100.0%	● ●
Tacisa Transitaria S.L.	Spain	100.0%	●
DSV Air & Sea International, S.L.U.	Spain	100.0%	●
DSV Solutions Spain S.A.U.	Spain	100.0%	●
Servicios Logisticos Integrados SLI, S.A.	Spain	100.0%	●
DSV Road Spain S.A.U.	Spain	100.0%	●
DSV Holding Spain S.L.	Spain	100.0%	●
DSV Air & Sea, S.A.U.	Spain	100.0%	●
DSV Air & Sea AB	Sweden	100.0%	●
UTi Logistics AB	Sweden	100.0%	●
DSV Air & Sea Nordic AB	Sweden	100.0%	● ●
DSV Solutions AB	Sweden	100.0%	●
DSV Group AB	Sweden	100.0%	●
DSV Road AB	Sweden	100.0%	●
Göinge Frakt EK	Sweden	100.0%	●
DSV Road Property Holding AB	Sweden	100.0%	●
Panalpina Welttransport Holding AG	Switzerland	100.0%	●

Company	Country	Ownership share	Activity
Europe (continued)			
Panalpina Management AG	Switzerland	100.0%	■
Panalpina International AG	Switzerland	100.0%	■
Panalpina Global Employment Services AG	Switzerland	100.0%	■
Panalpina Air & Ocean AG in liquidation	Switzerland	100.0%	●
DSV Air & Sea AG	Switzerland	100.0%	●
DSV Logistics S.A.	Switzerland	100.0%	◉ ◆
DSV Air & Sea A.S.	Turkey	100.0%	●
DSV International Hava ve Deniz Taşimaciliği Ltd.Şirketi	Turkey	100.0%	●
DSV Road & Solutions A.S.	Turkey	100.0%	◉
Panalpina World Transport Ltd.	Ukraine	100.0%	●
DSV Logistics LLC	Ukraine	100.0%	● ◉
DSV Air & Sea Limited	United Kingdom	100.0%	●
UTi (UK) Holdings Ltd.	United Kingdom	100.0%	●
UTi Worldwide (UK) Ltd.	United Kingdom	100.0%	●
Panalpina World Transport Ltd.	United Kingdom	100.0%	●
DSV Air & Sea 2018 (UK) Limited	United Kingdom	100.0%	●
DSV Peterborough Real Estate Limited	United Kingdom	100.0%	◆
DSV Road Holding Ltd.	United Kingdom	100.0%	◉
DSV Commercials Ltd.	United Kingdom	100.0%	◉
DSV Road Ltd.	United Kingdom	100.0%	◉
DSV Pension Trustees Ltd.	United Kingdom	100.0%	◉
DSV Solutions Ltd.	United Kingdom	100.0%	◆
DFDS Transport Ltd.	United Kingdom	100.0%	◉
DSV Real Estate Tamworth Ltd.	United Kingdom	100.0%	◉
North America			
DSV Air & Sea Inc.	Canada	100.0%	●
DSV Solutions Inc.	Canada	100.0%	◆
DSV Road, Inc.	Canada	100.0%	◉

Company	Country	Ownership share	Activity
North America (continued)			
DSV Air & Sea, S.A. de C.V.	Mexico	100.0%	●
UTi Services S.A. de C.V.	Mexico	100.0%	●
Panalpina Servicios S.A. de C.V.	Mexico	100.0%	●
DSV Solutions S.A. de C.V.	Mexico	100.0%	◆
DSV Road, S.A. de C.V.	Mexico	100.0%	◉
DSV 4PL Inc.	United States	100.0%	■
DSV Air & Sea Holding Inc.	United States	100.0%	●
DSV Air & Sea Inc.	United States	100.0%	●
DSV Air & Sea International Holding Inc.	United States	100.0%	●
DSV Solutions, LLC	United States	100.0%	◆
UTi Inventory Management Solutions Inc.	United States	100.0%	◆
DSV Real Estate Dallas Inc.	United States	100.0%	◆
Market Industries LLC	United States	100.0%	◉
Sammons Transportation, Inc.	United States	100.0%	◉
DSV Road, Inc.	United States	100.0%	◉
South America			
DSV Air & Sea S.A.	Argentina	100.0%	●
UTi Logistics Argentina S.A.	Argentina	100.0%	●
Panalpina Transportes Mundiales S.A.	Argentina	100.0%	●
DSV Solutions Brasil Serviços de Logística Ltda.	Brazil	100.0%	●
Panalpina Ltda.	Brazil	100.0%	● ◆
UTi Worldwide Inc.	Brit. Virgin Islands	100.0%	■
Goddard Company Limited	Brit. Virgin Islands	100.0%	■
UTi International Inc.	Brit. Virgin Islands	100.0%	■
Pyramid Freight (Proprietary) Limited	Brit. Virgin Islands	100.0%	■
UTi Logistics (Proprietary) Limited	Brit. Virgin Islands	100.0%	■
Thomas International Freight Auditors Limited	Brit. Virgin Islands	100.0%	■
UTi Asia Pacific Limited	Brit. Virgin Islands	100.0%	■

Company	Country	Ownership share	Activity
South America (continued)			
UTi Kazakhstan Investments Ltd	Brit. Virgin Islands	100.0%	■
DSV Air & Sea (Latin America) S.A.	Chile	100.0%	●
DSV Air & Sea S.A.	Chile	100.0%	●
Panalpina Chile Transportes Mundiales Ltda.	Chile	100.0%	●
DSV Air & Sea S.A.S.	Colombia	100.0%	●
DSV Solutions S.A.S.	Colombia	100.0%	◆
DSV Air & Sea S.A.	Costa Rica	100.0%	●
DSV Air & Sea Dominicana, S.R.L.	Dominican Republic	100.0%	●
Panalpina Ecuador S.A.	Ecuador	100.0%	●
DSV Air & Sea, S.A. de C.V.	El Salvador	100.0%	●
DSV Air & Sea PA Inc.	Panama	100.0%	●
Panalpina SEM, S.A.	Panama	100.0%	●
Panalpina S.A.	Panama	100.0%	◆
Almacenadora Mercantil S.A.	Panama	100.0%	◆
DSV Air & Sea S.A.	Peru	100.0%	● ◆
DSV Air & Sea (PR) Inc.	Puerto Rico	100.0%	●
Arabella Shipping Ltd	Saint Vincent And The Grenadines	100.0%	●
UTi Uruguay SA	Uruguay	100.0%	●
Panalpina Uruguay Transportes Mundiales S.A.	Uruguay	100.0%	●
Panalpina Zona Franca S.A.	Uruguay	100.0%	●
Asia			
DSV Air & Sea Ltd.	Bangladesh	100.0%	●
ABX LOGISTICS (Bangladesh) Ltd.	Bangladesh	100.0%	●
UTI Pership (Pvt) Limited – Bangladesh Branch (BDT)	Bangladesh	100.0%	●
Panalpina World Transport (Cambodia) Co., Ltd	Cambodia	100.0%	● ■

Company	Country	Ownership share	Activity		
Asia (continued)					
Prime Cargo (Cambodia) Co., Ltd.	Cambodia	100.0%	●		
DSV Air & Sea Co., Ltd.	Cambodia	100.0%	●		
UTi Worldwide Co. Ltd. – Cambodia Branch (USD)	Cambodia	100.0%	●		
DSV Air & Sea Co., Ltd.	China	100.0%	●		●
DSV Air & Sea Co., Ltd. (South East China)	China	100.0%	●		●
Prime Cargo Shanghai Ltd.	China	100.0%	●		
DSV Air & Sea Co., Ltd. (China)	China	100.0%	●		
DSV Logistics Co., Ltd.	China	100.0%		●	
Panalpina World Transport (PRC) Ltd.	China	100.0%	●	●	
International Claims Handling Services Ltd.	Hong Kong	100.0%			●
DSV Air & Sea Ltd.	Hong Kong	100.0%	●		
S-CHP Investments (Hong Kong) Ltd.	Hong Kong	100.0%	●		
Pantainer (H.K.) Ltd.	Hong Kong	100.0%	●		
Prime Cargo (H.K.) Ltd.	Hong Kong	100.0%	●		
DSV Solutions Limited	Hong Kong	100.0%		●	
DSV Air & Sea (HK) Ltd.	Hong Kong	100.0%	●		
Panalpina World Transport Ltd.	Hong Kong	100.0%	●		
Panalpina China Ltd.	Hong Kong	100.0%	●	●	
DSV Air & Sea Pvt. Ltd.	India	100.0%	●		
DSV Air & Sea International Private Limited	India	100.0%	●		
Swift Shipping and Freight Logistics Private Limited	India	100.0%	●		
DSV Coload & Clearance Pvt. Ltd.	India	100.0%	●		
DSV Solutions Private Limited	India	100.0%		●	
PT. DSV Transport Indonesia	Indonesia	92.7%	●		●
PT J.H. Bachmann (Indonesia)	Indonesia	100.0%	●		
DSV Air & Sea Japan GK	Japan	100.0%	●		
DSV Air & Sea Co., Ltd.	Japan	100.0%	●		
DSV Solutions Co., Ltd.	Japan	100.0%		●	
DSV Air & Sea Ltd.	Korea	100.0%	●		
DSV Air & Sea International Ltd.	Korea	100.0%	●		
DSV Air and Sea Limited	Macao	100.0%	●		
DSV Air & Sea Sdn. Bhd.	Malaysia	100.0%	●		
Panalpina Customs Services (M) SDN BHD	Malaysia	100.0%	●		
DSV Logistics Sdn. Bhd.	Malaysia	100.0%	●		
DSV SOLUTIONS SDN. BHD.	Malaysia	100.0%		●	
Panalpina Transport (Malaysia) Sdn. Bhd.	Malaysia	100.0%	●	●	
UTi Inventory Management Solutions Sdn Bhd	Malaysia	100.0%		●	
DSV Air & Sea (Myanmar) Limited	Myanmar	100.0%	●		
DSV Air & Sea Ltd.	Myanmar	100.0%	●		
DSV Air and Sea Pakistan (SMC-Private) Limited	Pakistan	100.0%	●		
Panalpina Global Business Services (GBS) – Philippines	Philippines	100.0%			●
DSV International Shared Services Inc.	Philippines	100.0%			●
DSV Air & Sea Inc.	Philippines	100.0%	●		
UTi (Global Logistics) Inc.	Philippines	100.0%		●	
DSV Shared Services Manila (ROHQ)	Philippines	100.0%			●
Panalpina World Transport (Philippines) Inc.	Philippines	100.0%	●		
DSV Lead Logistics Pte. Ltd.	Singapore	100.0%			●
DSV Air & Sea Pte. Ltd.	Singapore	100.0%	●		
ABX LOGISTICS Singapore PTE LTD	Singapore	100.0%	●		
DSV Solutions Pte Ltd.	Singapore	100.0%		●	
DSV Air & Sea Singapore Pte. Ltd.	Singapore	100.0%	●	●	●
Inventory Solutions (Singapore) Pte. Ltd	Singapore	98.0%		●	
UTi Pership (Pvt) Limited	Sri Lanka	51.0%	●		
DSV Pership (Private) Limited	Sri Lanka	40.0%	●		
DSV Air & Sea Co., Ltd.	Taiwan	100.0%	●		
UTi Holding Co., Ltd.	Taiwan	100.0%	●		
DSV Air & Sea (Taiwan) Ltd.	Taiwan	100.0%	●		
DSV Solutions Co., Ltd.	Taiwan	100.0%		●	
Panalpina Asia-Pacific Services (Thailand) Ltd.	Thailand	100.0%			●
DSV Air & Sea Ltd.	Thailand	100.0%	●		
DSV Solutions Ltd.	Thailand	100.0%		●	
DSV Holding (Thailand) Co., Ltd.	Thailand	100.0%	●		
Panalpina World Transport (Thailand) Ltd.	Thailand	100.0%	●	●	
Panalpina World Transport (Vietnam) Co. Ltd.	Vietnam	99.0%	●	●	●
DSV Solutions Co., Ltd	Vietnam	100.0%	●		
DSV Air & Sea Vietnam Limited	Vietnam	100.0%	●		
UTi Worldwide Vietnam Co. Ltd.	Vietnam	100.0%	●		
Middle East					
Panalpina Central Asia EC – Azerbaijan Branch	Azerbaijan	100.0%	●		
Panalpina Azerbaijan LLC	Azerbaijan	100.0%	●		
DSV W.L.L.	Bahrain	100.0%	●		
Panalpina Central Asia EC	Bahrain	100.0%	●		
Panalpina Georgia LLC	Georgia	100.0%	●		
Al-Alb Co. for General Transportation (PLLC)	Iraq	100.0%	●	●	
Panalpina Jebel Ali Ltd. – Erbil Branch	Iraq	100.0%		●	
DSV Air & Sea Ltd.	Israel	100.0%	●		
DSV Marine Insurance Agency Ltd.	Israel	100.0%	●		
Hermes Exhibition & Projects Limited	Israel	100.0%	●		
DSV – E-Commerce LTD.	Israel	100.0%	●		

Company	Country	Ownership share	Activity
Middle East (continued)			
DSV Solutions Ltd	Israel	100.0%	●
U.T.I.-Inventory Management Solutions Limited partnership	Israel	100.0%	●
UTI IMS Ltd.	Israel	100.0%	●
UTi Egypt/Jordan Ltd.	Jordan	100.0%	●
Panalpina World Transport (Kuwait) WLL	Kuwait	49.0%	●
Panalpina Freight LLC	Oman	70.0%	●
Panalpina Qatar WLL	Qatar	49.0%	●
DSV Panalpina Marine Shipping W.L.L.	Qatar	100.0%	●
Panalpina World Transport (Saudi Arabia) Ltd.	Saudi Arabia	100.0%	● ●
DSV Air & Sea (LLC)	United Arab Emirates	100.0%	● ●
Panalpina World Transport (Dubai) DWC-LLC	United Arab Emirates	100.0%	● ● ●
Panalpina Jebel Ali Ltd.	United Arab Emirates	100.0%	●
Panalpina Gulf LLC	United Arab Emirates	49.0%	●
DSV Air and Sea DWC-LLC	United Arab Emirates	100.0%	●
DSV Air and Sea Middle East DWC-LLC	United Arab Emirates	100.0%	●
Oceania			
DSV Air & Sea Pty. Ltd.	Australia	100.0%	●
DSV Solutions Pty. Ltd.	Australia	100.0%	●
DSV Air & Sea Limited	New Zealand	100.0%	●
Africa			
Frans Maas Algerie S.a.r.l.	Algeria	100.0%	●
Panalpina Transportes Mundiais Navegaçao e Trânsitos S.A.R.L.	Angola	49.0%	●
Africa (continued)			
DSV Air & Sea (PTY) Limited	Botswana	100.0%	●
Swift Freight International Burundi SA	Burundi	100.0%	●
Panalpina Transports Mondiaux Cameroun S.A.R.L.	Cameroon	90.0%	●
DSV Swift SARL	DR Congo	100.0%	●
DSV-UTI Egypt Ltd.	Egypt	100.0%	● ●
Panalpina World Transport Egypt LLC	Egypt	100.0%	●
Panalpina Transports Mondiaux Gabon S.A.	Gabon	89.8%	●
DSV Air & Sea Limited	Ghana	100.0%	●
DSV Air & Sea Limited	Kenya	100.0%	●
Panalpina Kenya Ltd.	Kenya	100.0%	●
DSV Air & Sea LIMITED	Malawi	100.0%	●
Panalpina Morocco S.A.R.L.	Morocco	100.0%	●
DSV Transport Int'l S.A	Morocco	100.0%	●
Terminal Handling Company	Morocco	100.0%	●
DSV Air & Sea Limitada	Mozambique	100.0%	●
Saima Nigeria Ltd.	Nigeria	40.0%	●
Nationwide Clearing & Forwarding Ltd.	Nigeria	36.6%	●
DSV Freight International Limited	Nigeria	100.0%	●
DSV Air & Sea Ltd.	Rwanda	100.0%	●
DSV Air and Sea (Proprietary) Limited	South Africa	100.0%	●
Pyramid Freight (Pty) Limited	South Africa	100.0%	●
DSV South Africa (Pty) Ltd.	South Africa	75.0%	●
DSV Shared Services (Pty) Ltd.	South Africa	100.0%	●
UTi Logistics (Proprietary) Limited – SC OCS Division	South Africa	100.0%	●
DSV AFRICA HOLDING (Pty) Ltd.	South Africa	100.0%	●
DSV Skyservices (Pty) Ltd	South Africa	100.0%	●
Scorpion Share Block (Pty) Ltd.	South Africa	100.0%	●
Marine Link (Pty) Ltd.	South Africa	100.0%	●
DSV Real Estate Johannesburg (Pty) Ltd.	South Africa	100.0%	●
Africa (continued)			
Firefly Investments 337 Properties Proprietary Limited	South Africa	100.0%	●
Linkit Investments (Pty) Ltd.	South Africa	80.0%	●
DSV Healthcare (Pty) Ltd.	South Africa	100.0%	●
DSV Solutions (Pty) Ltd.	South Africa	100.0%	●
DSV Assembly Services (Pty) Ltd.	South Africa	65.3%	●
DSV Mounties (Pty) Ltd.	South Africa	100.0%	●
DSV Road (Pty) Ltd.	South Africa	100.0%	●
DSV Air & Sea Limited	Tanzania	100.0%	●
Panalpina World Transport Tanzania Limited	Tanzania	100.0%	●
Swift Global Logistics	Togo	100.0%	●
DSV Air & Sea Limited	Uganda	100.0%	●
Panalpina Uganda Limited	Uganda	100.0%	●
Swift Freight International (Zambia) Ltd.	Zambia	100.0%	●
DSV Air & Sea Limited	Zambia	100.0%	●
DSV Air & Sea (Private) Limited	Zimbabwe	100.0%	●
Associates			
MGM Lines Srl	Italy	30.0%	●
Sama Al Imad General Transport LLC	Iraq	30.0%	●
GT Stevedores Oy	Finland	25.5%	●
KM Logistik GmbH	Germany	35.0%	●
IDS Logistik GmbH	Germany	28.0%	●
Beavor Properties (Pty) Ltd.	South Africa	25.0%	●
Key Logistics, Inc.	United States	49.0%	●

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 2020.

The Annual Report has been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standard 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 2020 of the Group and the Parent Company and of the results of the Group and Parent Company operations and cash flows for 2020.

In our opinion, the annual report of DSV Panalpina A/S for the financial year 1 January to 31 December 2020 with the file name DSVP-2020-12-31 is prepared, in all material respects, in compliance with the ESEF Regulation.

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, 10 February 2021

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

Marie-Louise Aamund

Beat Walti

Niels Smedegaard

Independent Auditor's reports

To the shareholders of DSV Panalpina A/S
Report on the audit of the Financial Statements

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 2020 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 2020 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 2020 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 four years including the financial year 2020.

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 2020. 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.

Revenue recognition, contract assets and accrued cost of services

The Group's revenue consists primarily of services, i.e. shipments 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 relevant IT controls in certain operational systems as well as Management estimates, including methods and data applied and assumptions made by Management. In addition, we focused on this area because of the significance of revenue and as revenue comprises a substantial number of transactions, including with different characteristics depending on which business segment the revenue relates 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 considering the appropriateness of the accounting policies for revenue recognition applied by Management and assessing compliance with applicable financial reporting standards.

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 assumptions made by Management in this regard.

Moreover, we selected a sample of revenue transactions during the year and traced these to underlying evidence to ensure accuracy and existence.

In addition, we applied data analysis in our testing of revenue transactions in order to identify and assess transactions outside the ordinary transaction flow.

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 carryforwards. 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 is complex and dependent on Management estimates, including Management's applied model, data and assumptions.

Reference is made to note 5.2 to the Consolidated Financial Statements.

How our audit addressed the key audit matter:
Our audit procedures included considering the appropriateness of the Group's accounting policies and valuation models within the tax accounting area and assessing compliance with 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 methods and data applied as well as assumptions made by Management. In doing so, we used our internal corporate tax specialists.

Moreover, we tested Management's assessment of the recoverability of the carrying value of deferred tax assets arising from temporary differences and tax loss carryforwards on the basis of internal 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 conclu-

sions 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.

Report on compliance with the ESEF regulation

As part of our audit of the Financial Statements, we performed procedures to express an opinion on whether the annual report of DSV Panalpina A/S for the financial year 1 January to 31 December 2020 with the filename DSVP-2020-12-31 is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:
- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:
- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of DSV Panalpina A/S for the financial year 1 January to 31 December 2020 with the file name DSVP-2020-12-31 is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 10 February 2021

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

Lars Baungaard
State Authorised
Public Accountant
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Parent Company financial statements 2020

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Income statement

(DKKm)	Note	2020	2019
Revenue	5	2,290	1,664
Gross profit		**2,290**	**1,664**
Other external expenses	6	964	704
Staff costs	7	995	634
Operating profit before amortisation and depreciation (EBITDA) before special items		**331**	**326**
Amortisation and depreciation		395	404
Operating profit (EBIT) before special items		**(64)**	**(78)**
Special items, costs	8	235	113
Financial income	9	2,167	2,032
Financial expenses	10	865	442
Profit before tax		**1,003**	**1,399**
Tax on profit for the year	11	(97)	1
Profit for the year		**1,100**	**1,398**
Proposed distribution of profit:			
Proposed dividend per share is DKK 4.0 (2019: DKK 2.5 per share)		920	588
Transferred to equity reserves		180	810
Total distribution		**1,100**	**1,398**

Statement of comprehensive income

(DKKm)	2020	2019
Profit for the year	**1,100**	**1,398**
Items that may be reclassified to the income statement when certain conditions are met:		
Fair value adjustments relating to hedging instruments	(1)	5
Fair value adjustments relating to hedging instruments transferred to financial expenses	21	(2)
Tax on items reclassified to the income statement	(1)	(1)
Other comprehensive income, net of tax	**19**	**2**
Total comprehensive income	**1,119**	**1,400**

Cash flow statement

(DKKm)	Note	2020	2019
Operating profit before amortisation and depreciation (EBITDA) before special items		**331**	**326**
Adjustments:			
Share-based payments		23	20
Change in working capital etc.		(10,083)	2,766
Special items		(14)	(12)
Dividend received		1,630	1,441
Interest received		537	591
Interest paid, other		(228)	(350)
Income tax paid		(34)	(29)
Cash flow from operating activities		**(7,838)**	**4,753**
Purchase of intangible assets	12	(172)	(251)
Purchase of property, plant and equipment	13	(65)	(112)
Acquisition and disposal of subsidiaries and activities		14,511	-
Change in other financial assets		(1,729)	(982)
Cash flow from investing activities		**12,545**	**(1,345)**
Free cash flow		**4,707**	**3,408**

(DKKm)	Note	2020	2019
Proceeds from borrowings		6,756	7,870
Repayment of borrowings		(6,666)	(2,876)
Repayment of lease liabilities		(18)	(37)
Transactions with shareholders:			
Dividends distributed		(588)	(423)
Dividends on treasury shares		23	22
Purchase of treasury shares		(5,031)	(4,888)
Sale of treasury shares		2,357	1,511
Other transactions with shareholders		-	(12)
Cash flow from financing activities		**(3,167)**	**1,167**
Cash flow for the year		**1,540**	**4,575**
Cash and cash equivalents 1 January		4,622	46
Cash flow for the year		1,540	4,575
Currency translation		(2)	1
Cash and cash equivalents at 31 December		**6,160**	**4,622**

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

Balance sheet

Assets (DKKm)	Note	**2020**	2019
Intangible assets	12	616	968
Right-of-use (ROU) assets		1	19
Property, plant and equipment	13	146	156
Investments in Group entities	20	26,914	41,425
Receivables from Group entities and other receivables		17,284	15,555
Total non-current assets		**44,961**	**58,123**
Receivables from Group entities and other receivables	14	20,501	14,868
Cash and cash equivalents		6,160	4,622
Total current assets		**26,661**	**19,490**
Total assets		**71,622**	**77,613**

Equity and liabilities (DKKm)	Note	**2020**	2019
Share capital		230	235
Reserves and retained earnings	15	38,345	40,420
Total equity		**38,575**	**40,655**
Lease liabilities	16	-	1
Borrowings	16	6,674	4,897
Deferred tax liabilities	18	29	128
Total non-current liabilities		**6,703**	**5,026**
Lease liabilities	16	1	18
Borrowings	16	4,135	5,802
Tax payables		75	34
Payables to Group entities and other payables	17	22,133	26,078
Total current liabilities		**26,344**	**31,932**
Total liabilities		**33,047**	**36,958**
Total equity and liabilities		**71,622**	**77,613**

Statement of changes in equity

	2020				2019			
(DKKm)	Share capital	Reserves*	Retained earnings	Total equity	Share capital	Reserves*	Retained earnings	Total equity
Equity at 1 January as previously reported	235	552	39,868	40,655	188	536	6,994	7,718
Impact of accounting policy change **	-	-	-	-	-	-	(2)	(2)
Equity at 1 January	**235**	**552**	**39,868**	**40,655**	**188**	**536**	**6,992**	**7,716**
Profit for the year	-	(148)	1,248	1,100	-	9	1,389	1,398
Other comprehensive income, net of tax	-	19	-	19	-	2	-	2
Total comprehensive income for the year	**-**	**(129)**	**1,248**	**1,119**	**-**	**11**	**1,389**	**1,400**
Transactions with shareholders:								
Share-based payments	-	-	23	23	-	-	20	20
Dividends distributed	-	-	(588)	(588)	-	-	(423)	(423)
Purchase of treasury shares	-	(6)	(5,025)	(5,031)	-	(7)	(4,881)	(4,888)
Sale of treasury shares	-	3	2,354	2,357	-	3	1,508	1,511
Capital increase	-	-	-	-	56	-	35,202	35,258
Capital reduction	(5)	5	-	-	(9)	9	-	-
Dividends on treasury shares	-	-	23	23	-	-	22	22
Other adjustments	-	-	17	17	-	-	39	39
Total transactions with owners	**(5)**	**2**	**(3,196)**	**(3,199)**	**47**	**5**	**31,487**	**31,539**
Equity at 31 December	**230**	**425**	**37,920**	**38,575**	**235**	**552**	**39,868**	**40,655**

* For a specification of reserves, please refer to note 15.
** Cumulative effect of applying IFRS 16 Leases in 2019.

1. Accounting policies

As the 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) and in accordance with IFRS as endorsed by the EU and further requirements of the Danish Financial Statements Act. The accounting policies of the Parent Company are identical with the accounting 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 Company's income statement under financial income in the financial year in which the dividends are declared.

Investments in subsidiaries in the Parent Company'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 this 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 Company under financials.

2. Changes in accounting policies

All amendments to the International Financial Reporting Standards (IFRS) effective for the financial year 2020 have been implemented as basis for preparing the Parent Company financial statements and notes to the statements.

None of the implementations has had any material impact on the statements or notes presented.

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 Company 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 2020 and 2019, no impairment indicators were 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 2020 Parent Company financial statements. These standards and amendments are expected to be implemented when they take effect.

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

5. Revenue

(DKKm)	**2020**	2019
Intra-group charges	2,290	1,664
Total revenue	**2,290**	**1,664**

6. Fees to auditors appointed at the Annual General Meeting

(DKKm)	**2020**	2019
Statutory audit	5	10
Assurance engagements other than audits	-	6
Tax and VAT advisory services	1	-
Other services	4	-
Total fees	**10**	**16**

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)	**2020**	2019
Remuneration of the Board of Directors	6	6
Salaries etc.	202	220
Intra-group salary charges etc.	758	380
Defined contribution pension plans	29	28
Total staff costs	**995**	**634**
Average number of full-time employees	437	431

8. Special items

(DKKm)	**2020**	2019
Impairment and other costs relating to reorganisations	235	9
Transaction cost relating to acquisition of Panalpina	-	104
Total special items, costs	**235**	**113**

9. Financial income

(DKKm)	**2020**	2019
Interest income	156	73
Interest income from Group entities	381	518
Currency translation	-	-
Dividends from subsidiaries	1,630	1,441
Total financial income	**2,167**	**2,032**

Interest income includes interest on financial assets measured at amortised cost of DKK 156 million (2019: DKK 73 million).

10. Financial expenses

(DKKm)	**2020**	2019
Interest expenses	209	214
Interest expenses for Group entities	19	82
Currency translation	637	146
Total financial expenses	**865**	**442**

Interest expenses include interest on financial liabilities measured at amortised cost of DKK 209 million (2019: DKK 214 million).

11. Tax for the year

Tax for the year is disaggregated as follows:

(DKKm)	**2020**	2019
Tax on profit for the year	(97)	1
Tax on other comprehensive income	1	1
Total tax for the year	**(96)**	**2**

Tax on profit for the year specifies as follows:

(DKKm)	**2020**	2019
Current tax	(12)	(3)
Deferred tax	109	3
Tax adjustment relating to previous years	-	(1)
Total tax on profit for the year	**97**	**(1)**

Tax rate specifies as follows:

(DKKm)	**2020**	2019
Calculated tax on profit for the year before tax	22.0%	22.0%
Tax effect of:		
Non-deductible expenses/non-taxable income	(31.7%)	(22.1%)
Tax adjustment relating to previous years	0.0%	0.1%
Total tax on profit for the year	**(9.7%)**	**0.0%**

12. Intangible assets

	2020			2019		
(DKKm)	Software	Software in progress	Total	Software	Software in progress	Total
Cost at 1 January	2,048	209	2,257	2,022	385	2,407
Additions for the year	-	172	172	7	244	251
Disposals	(1,259)	-	(1,259)	(362)	(39)	(401)
Reclassifications	215	(215)	-	381	(381)	-
Total cost at 31 December	**1,004**	**166**	**1,170**	**2,048**	**209**	**2,257**
Total amortisation and impairment at 1 January	1,289	-	1,289	1,256	39	1,295
Amortisation and impairment for the year	232	-	232	395	-	395
Disposals	(967)	-	(967)	(362)	(39)	(401)
Total amortisation and impairment at 31 December	**554**	**-**	**554**	**1,289**	**-**	**1,289**
Carrying amount at 31 December	**450**	**166**	**616**	**759**	**209**	**968**

13. Property, plant and equipment

(DKKm)	**2020**	2019
Cost at 1 January	358	279
Additions for the year	65	112
Disposals	(73)	(33)
Total cost at 31 December	**350**	**358**
Total amortisation and impairment at 1 January	202	166
Amortisation and impairment for the year	75	69
Disposals	(73)	(33)
Total amortisation and impairment at 31 December	**204**	**202**
Carrying amount at 31 December	**146**	**156**

14. Receivables from Group entities and other receivables

(DKKm)	**2020**	2019
Receivables from Group entities	20,177	14,632
Fair value of derivative financial instruments	-	31
Other receivables etc.	324	205
Receivables from Group entities and other receivables at 31 December	**20,501**	**14,868**

15. Equity reserves

Equity reserves are specified below.

	2020			
(DKKm)	Treasury share reserve	Hedging reserve	Development cost reserve	Total reserves
Reserves at 1 January	(5)	(30)	587	552
Profit for the year	-	-	(148)	(148)
Other comprehensive income, net of tax	-	19	-	19
Total comprehensive income for the year	(5)	(11)	439	423
Transactions with shareholders:				
Purchase of treasury shares	(6)	-	-	(6)
Sale of treasury shares	2	1	-	3
Capital reduction	5	-	-	5
Reserves at 31 December	**(4)**	**(10)**	**439**	**425**

	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**

For a description of equity reserves, please see note 4.1 to the consolidated financial statements.

16. Financial liabilities

(DKKm)	2020	2019
Loans and credit facilities	4,045	6,671
Issued bonds	6,674	3,975
Lease liabilities	1	19
Other financial liabilities	90	53
Total financial liabilities	**10,810**	**10,718**
Financial liabilities as recognised in the balance sheet:		
Non-current liabilities	6,674	4,898
Current liabilities	4,136	5,820
Financial liabilities at 31 December	**10,810**	**10,718**

Loans and credit facilities

			Carrying amount	
(DKKm)	Expiry	Fixed/floating	2020	2019
Bank loans	2020	Floating	-	1,198
Bond loans	2022-2027	Fixed/floating	6,674	3,975
Lease liabilities	2021	Floating	1	19
Cash facilities	2021-2023	Floating	4,045	5,473
Loans and credit facilities at 31 December			**10,720**	**10,665**

Bank loans are subject to standard trade covenants. All financial ratio covenants were observed during the year. The weighted average interest rate was 1.1% (2019: 1.7%).

	2020					2019				
			Non-cash change					Non-cash change		
Financing activities (DKKm)	Beginning of year	Cash flow	Acqui-sition	Other	End of year	Beginning of year	Cash flow	Acqui-sition	Other	End of year
Loans and credit facilities	6,671	(2,647)	-	21	4,045	1,670	4,994	-	7	6,671
Issued bonds	3,975	2,736	-	(37)	6,674	3,972	-	-	3	3,975
Lease liabilities	19	(17)	-	(1)	1	54	(37)	2	-	19
Total liabilities from financing activities	**10,665**	**72**	**-**	**(17)**	**10,720**	**5,696**	**4,957**	**2**	**10**	**10,665**
Other non-current liabilities	53				90	44				53
Total financial liabilities	**10,718**				**10,810**	**5,740**				**10,718**

17. Payables to Group entities and other payables

(DKKm)	2020	2019
Payables to Group entities	21,552	25,129
Other payables	581	949
Payables to Group entities and other payables at 31 December	**22,133**	**26,078**

18. Deferred tax

(DKKm)	2020	2019
Deferred tax at 1 January	128	128
Deferred tax for the year	(109)	3
Tax adjustments relating to previous years	(2)	3
Tax on changes in equity	12	(6)
Deferred tax at 31 December	**29**	**128**
Deferred tax as recognised in the balance sheet:		
Deferred tax liabilities	29	128
Deferred tax, net	**29**	**128**
Specification of deferred tax:		
Intangible assets	99	167
Current assets	11	(8)
Other liabilities	(81)	(31)
Deferred tax at 31 December	**29**	**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 2020.

Total costs recognised in 2020 for services received, but not recognised as an asset amounted to DKK 23 million (2019: DKK 20 million).

The average share price for options exercised in the financial year was DKK 780.2 per share at the date of exercise.

20. Investments in Group entities

DSV Panalpina A/S owns the following subsidiaries, all of which are included in the consolidated financial statements:

	Ownership 2020	Ownership 2019	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 Welttransport AG	100%	100%	Basel, Switzerland	16
UTi (NA) holdings NV	-	100%	Willemstad, Curacao	0

Share option schemes at 31 December 2020

Scheme	Exercise period	Executive Board	Senior staff	Total	Average exercise price per option
2016*	01.04.2019 - 31.03.2021	-	12,000	12,000	274.3
2017*	01.04.2020 - 31.03.2022	190,000	62,129	252,129	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	276,500	466,500	545.0
2020	31.03.2023 - 31.03.2025	190,000	312,000	502,000	560.0
Outstanding		**760,000**	**926,129**	**1,686,129**	**501.3**
Exercise period open at 31 December 2020		190,000	74,129	264,129	353.2
Life (years)		2.7	3.1	3.0	n/a
Market value (DKKm)		394.9	451.0	845.9	n/a

*Share options granted in 2016 and 2017 are currently exercisable.

Outstanding share options

	Executive Board	Senior staff	Total	Average exercise price per option
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**
Outstanding at 1 January 2020	760,000	828,000	1,588,000	435.0
Granted	190,000	312,000	502,000	560.0
Exercised	(190,000)	(207,871)	(397,871)	310.6
Options waived/expired	-	(6,000)	(6,000)	513.7
Outstanding at 31 December 2020	**760,000**	**926,129**	**1,686,129**	**501.3**

21. Derivative financial instruments

The weighted average effective interest rate for existing interest rate instruments was 0.8% at the reporting date (2019: 0.9%).

A gain on hedging instruments of DKK 57 million was recognised in the income statement for the 2020 financial year (2019: loss of DKK 61 million).

In the same period, a loss of DKK 694 million was recognised relating to assets and liabilities (2019: loss of DKK 85 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.

22. Financial risks

Financial risks of the Parent Company 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.

External hedging instruments (DKKm)	2020 Contractual value	Maturity	Fair value	Of which recognised in income statement	Of which recognised in OCI
Currency instruments	6,353	2021	26	-	(2)
Interest rate instruments	744	2021-2022	(17)	-	(17)
Total	**7,097**		**9**	**-**	**(19)**

(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	**4,918**		**(19)**	**19**	**(38)**

Financial risks (DKKm)	2020				2019			
	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	5,922	3,123	3,736	12,781	5,916	5,005	-	10,921
Lease liabilities	1	-	-	1	18	1	-	19
Other payables	581	-	-	581	949	-	-	949
Payables to Group entities	21,552	-	-	21,552	25,129	-	-	25,129
Currency derivatives	(26)	-	-	(26)	(25)	-	-	(25)
Interest rate derivatives	3	17	-	20	4	43	-	47
Total	**28,033**	**3,140**	**3,736**	**34,909**	**31,991**	**5,049**	**-**	**37,040**

22. Financial risks – continued

Financial instruments by category

Carrying amount (DKKm)	**2020**	2019
Financial assets:		
Currency derivatives	49	31
Receivables	20,501	14,868
Other receivables	17,284	15,555
Cash and cash equivalents	6,160	4,622
Total cash and receivables	43,945	35,045
Financial liabilities:		
Interest rate derivatives	19	47
Currency derivatives	23	6
Issued bonds measured at amortised cost	6,674	3,975
Loans and credit facilities	4,045	6,671
Lease liabilities	1	19
Payables to Group entities etc.	22,133	26,078
Financial liabilities measured at amortised cost	32,853	36,743

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 74 million (2019: DKK 34 million), which is included in the financial statements of DSV Panalpina 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 4,408 million (2019: DKK 5,938 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 with related parties were made in the 2020 financial year other than ordinary remuneration, as described in notes 5.3 and 5.4 to the consolidated financial statements.

Intra-group transactions
No intra-group transactions were made in 2020 other than as stated in the income statement and notes.

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