



# INTERIM FINANCIAL REPORT

## H1 2020

Company Announcement No. 836

31 July 2020

### Selected key figures and ratios for the period 1 January - 30 June 2020

(DKKm)	Q2 2020	Q2 2019	YTD 2020	YTD 2019
<b>Key figures and ratios</b>				
Revenue	28,782	20,079	56,091	40,058
Gross profit	7,386	5,285	14,070	10,399
Operating profit (EBIT) before special items	2,613	1,631	4,179	3,085
Special items, costs	515	19	1,026	19
Profit after tax	1,390	1,149	1,721	2,112
Adjusted earnings for the period	1,838	1,196	2,593	2,189
Adjusted free cash flow			3,356	1,802
Operating margin	9.1%	8.1%	7.5%	7.7%
Conversion ratio	35.4%	30.9%	29.7%	29.7%
Diluted adjusted earnings per share of DKK 1 for the last 12 months			20.8	23.5

Jens Bjørn Andersen, Group CEO: "Recent months have developed better than we anticipated when the COVID-19 crisis started, and we are pleased to report 63% growth in EBIT before special items for Q2 2020 and 37% growth for the first half of the year. Strong cost management and the continued successful integration of Panalpina have been important drivers for our results. COVID-19 has created an extraordinary market situation in air freight, and here we have been able to help our customers and have benefitted from the legacy Panalpina freighter network. The uncertainty remains higher than normal, but based on a strong first half of 2020 we are now able to reinstate guidance for the full year. We now expect EBIT before special items on level with the guidance we gave to the market before this crisis started."

### Outlook for 2020

Based on the financial performance in the first half of 2020, guidance for full-year 2020 is reinstated as follows:

- Operating profit before special items is expected to be in the range of DKK 8,200-8,700 million
- Special items, costs for 2020 are expected in the level of DKK 2,300 million (previously DKK 2,500 million)
- The effective tax rate is expected in the level of 25%

The guidance is based on assumptions of a gradual improvement of the global freight markets over the third and fourth quarters as markets reopen and with no material disruptions of global supply chains. We expect that transport volumes will remain below last year, but the negative run rate will lessen. Furthermore, we expect that the integration of Panalpina and implementation of cost saving initiatives will continue as planned.

Due to the COVID-19 situation, it must be stressed that the basic assumptions behind the guidance are more uncertain than normal.

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#### 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. 55,000 employees in more than 80 countries work passionately to deliver great customer experiences and high-quality services. Read more at [www.dsv.com](http://www.dsv.com)

## Financial highlights

	Q2 2020	Q2 2019	YTD 2020	YTD 2019
<b>Results (DKKm)</b>				
Revenue	28,782	20,079	56,091	40,058
Gross profit	7,386	5,285	14,070	10,399
Operating profit before amortisation and depreciation (EBITDA) before special items	3,666	2,441	6,270	4,704
Operating profit (EBIT) before special items	2,613	1,631	4,179	3,085
Special items, costs	515	19	1,026	19
Net financial expenses	222	149	819	322
Profit for the period	1,390	1,149	1,721	2,112
Adjusted earnings for the period	1,838	1,196	2,593	2,189
<b>Cash flows (DKKm)</b>				
Operating activities			4,373	3,517
Investing activities			(417)	(296)
Free cash flow			3,956	3,221
Adjusted free cash flow			3,356	1,802
Financing activities			(3,764)	(3,025)
Share buyback			(3,030)	(923)
Dividends distributed			(588)	(423)
Cash flow for the period			192	196
<b>Financial position (DKKm)</b>				
DSV Panalpina A/S shareholders' share of equity			47,326	15,549
Non-controlling interests			(97)	(61)
Balance sheet total			95,013	49,721
Net working capital			3,367	2,012
Net interest-bearing debt			18,874	14,778
Invested capital			66,546	30,027
Gross investment in property, plant and equipment			383	389
<b>Financial ratios (%)*</b>				
Gross margin	25.7	26.3	25.1	26.0
Operating margin	9.1	8.1	7.5	7.7
Conversion ratio	35.4	30.9	29.7	29.7
Effective tax rate	25.9	21.5	26.3	23.0
ROIC before tax**			16.0	20.1
Return on equity (ROE)			10.5	27.0
Solvency ratio			49.8	31.3
Gearing ratio**			1.6	1.6
<b>Share ratios*</b>				
Earnings per share of DKK 1 for the last 12 months			14.8	23.2
Diluted adjusted earnings per share of DKK 1 for the last 12 months			20.8	23.5
Number of shares issued ('000)			230,000	186,000
Number of treasury shares ('000)			2,738	7,707
Average number of shares issued ('000) for the last 12 months			222,381	179,638
Average diluted number of shares ('000) for the last 12 months			225,623	182,062
Share price end of period (DKK)			809.8	644.6
<b>Non-Financials</b>				
Number of full-time employees at 30 June			53,399	47,552

\*For a definition of key figures and ratios, please refer to page 83 of the 2019 DSV Panalpina Annual Report.

\*\*For the calculation of financial ratios for H1 2019, certain pro forma adjustments have been made, please refer to note 2.

# Management's commentary

Operating profit before special items for H1 2020 increased by 36.5% to DKK 4,179 million. The COVID-19 crisis impacted activity levels across all divisions and geographies, but the decline in activity was compensated by improved profit per shipment, especially in air freight.

The ongoing Panalpina integration combined with the COVID-19 cost saving initiatives reduced the cost base. This led to strong earnings momentum, especially in the second quarter of 2020.

Adjusted free cash flow for H1 2020 came to DKK 3,356 million and increased by 86.2% compared to the same period last year.

## FINANCIAL DEVELOPMENT 2019 - 2020

(DKKkm)	Q2 2019	Currency translation adjustments	Growth including M&A	Growth %*	Q2 2020
Revenue	20,079	(364)	9,067	46.0%	28,782
Gross profit	5,285	(99)	2,200	42.4%	7,386
EBIT before special items	1,631	(25)	1,007	62.7%	2,613
Gross margin (%)	26.3				25.7
Operating margin (%)	8.1				9.1
Conversion ratio (%)	30.9				35.4

(DKKkm)	YTD 2019	Currency translation adjustments	Growth including M&A	Growth %*	YTD 2020
Revenue	40,058	(352)	16,385	41.3%	56,091
Gross profit	10,399	(96)	3,767	36.6%	14,070
EBIT before special items	3,085	(24)	1,118	36.5%	4,179
Gross margin (%)	26.0				25.1
Operating margin (%)	7.7				7.5
Conversion ratio (%)	29.7				29.7

\* Growth in constant currencies

## COVID-19

The COVID-19 crisis continues to impact the global transport and logistics markets negatively, and in recent months we estimate that transport volumes have declined between 15% and 30%, depending on transport mode. The declines were most significant in March and April. Since early May, we have seen a gradual recovery, but activity remains below pre-pandemic levels in most markets.

All our business units have been able to operate through the lockdowns, supporting critical supply chains, and, so far, the financial impact from the crisis has been less severe than we anticipated when the crisis started. As lockdowns are now gradually easing in many countries, we continue to follow local public health procedures and guidelines to protect the health of employees and ensure safe and reliable operations.

Due to the increased credit risk on customers, we maintain our tight authorisation policies for approval of changes to payment terms and our close monitoring of trade receivables and overdue

balances. In H1 2020, we have not had any material credit losses, and, as part of our normal credit policy, trade receivables are covered by credit insurance unless the customer is classified as a blue-chip company with low credit risk.

DSV Panalpina has a solid financial position and is ready to meet any challenges that may arise from the COVID-19 situation. At the end H1 2020, the Group had undrawn committed credit facilities of more than DKK 9 billion as well as cash and cash equivalents of DKK 2 billion.

## Integration of Panalpina

The acquisition of Panalpina Weltransport (Holding) AG (Panalpina) was closed on 19 August 2019, as of which date Panalpina was included in the consolidated financial statements. The combination had a significant impact on the consolidated balance sheet and income statement for the Group in H1 2020 compared to the same period of 2019.

The operational and legal integration of Panalpina is progressing slightly ahead of plan, and more than 90% of the Panalpina volumes have been transferred to DSV's IT platforms.

The Panalpina acquisition has the largest impact on the Air & Sea division and only limited impact on Road and Solutions.

Due to the progress of the integration it is not possible to separate organic growth from acquired growth. Therefore, all growth numbers in this report include the impact from M&A.

## Integration synergies and cost savings

In line with previous announcements, we expect to achieve annual cost synergies of around DKK 2,300 million from the Panalpina integration.

Furthermore, we have announced plans to reduce our capacity and cost base due to lower activity levels following COVID-19. With this initiative we expect to reduce the cost base by approximately DKK 1,400 million on an annual basis.

The total cost savings of DKK 3,700 million are expected to have full-year impact in 2021. Around DKK 100 million were realised in 2019, and we expect an additional around DKK 2,100 million to materialise in 2020 and the remaining DKK 1,500 million in 2021.

Total transaction, integration and restructuring costs are expected in the level of DKK 3,100 million (previously DKK 3,300 million). These costs will all be reported as special items.

Of the total DKK 3,100 million restructuring costs, etc., DKK 800 million materialised in 2019, and we expect that the remaining DKK 2,300 million will materialise in 2020 (DKK 1,026 million in H1 2020).

## Results for the period

### Revenue

For the first six months of 2020, revenue amounted to DKK 56,091 million against DKK 40,058 million last year. Revenue growth by division breaks down as follows:

(DKKm)	Q2 2020	Growth*	YTD 2020	Growth*
Air & Sea	19,144	102.0%	35,818	89.4%
Road	6,987	(9.6%)	14,908	(5.7%)
Solutions	3,256	5.7%	6,697	9.1%
Group and eliminations	(605)		(1,332)	
<b>Total</b>	<b>28,782</b>	<b>46.0%</b>	<b>56,091</b>	<b>41.3%</b>

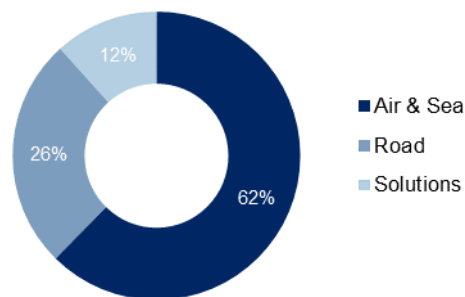
*\*) Growth including M&A and adjusted for exchange rate fluctuations (constant currencies)*

The growth was driven by the acquisition of Panalpina, especially in Air & Sea.

Activity levels during the period were impacted by the COVID-19 crisis, which led to a significant drop in freight volumes and order lines, most significantly during March and April.

The decline in activity was partly compensated by higher freight rates, especially in air freight.

Revenue by division, H1 2020



### Gross profit

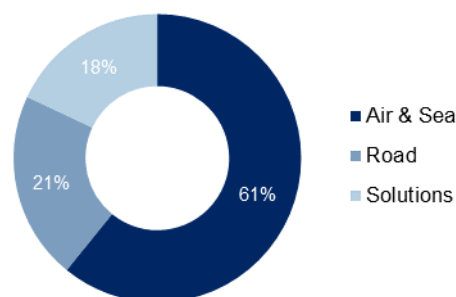
For the first six months of 2020, gross profit amounted to DKK 14,070 million against DKK 10,399 million last year. Gross profit growth by division breaks down as follows:

(DKKm)	Q2 2020	Growth*	YTD 2020	Growth*
Air & Sea	4,663	87.6%	8,538	73.5%
Road	1,431	(5.5%)	2,966	(3.4%)
Solutions	1,271	10.2%	2,527	10.9%
Group and eliminations	21		39	
<b>Total</b>	<b>7,386</b>	<b>42.4%</b>	<b>14,070</b>	<b>36.6%</b>

*\*) Growth including M&A and adjusted for exchange rate fluctuations (constant currencies)*

Similar to the development in revenue, the acquisition of Panalpina was the main reason for the increase in gross profit for H1 2020 in Air & Sea. The decline in transport volumes following the COVID-19 situation had a negative impact on gross profit; however, this was offset by an increase in gross profit per shipment, especially in air freight. The extraordinary high air freight yields in Q2 2020 are temporary, and we expect a gradual normalisation during the second half of 2020.

Gross profit by division, H1 2020



The consolidated gross margin was 25.1% for H1 2020, compared to 26.0% for H1 2019.

## EBIT before special items

For the first six months of 2020, EBIT before special items amounted to DKK 4,179 million against DKK 3,085 million last year. EBIT growth by division breaks down as follows:

(DKKm)	Q2 2020	Growth*	YTD 2020	Growth*
Air & Sea	2,112	96.5%	3,242	56.2%
Road	263	(22.2%)	522	(17.8%)
Solutions	234	0.0%	393	(7.5%)
Group and eliminations	4		22	
<b>Total</b>	<b>2,613</b>	<b>62.7%</b>	<b>4,179</b>	<b>36.5%</b>

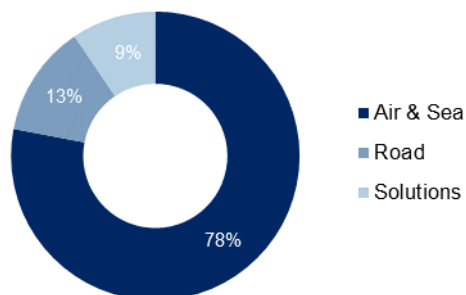
*\*) Growth including M&A and adjusted for exchange rate fluctuations (constant currencies)*

The growth in Air & Sea was driven by the Panalpina integration, cost synergies and COVID-19 savings. Furthermore, the division benefitted from the strong gross profit in air freight, especially during Q2 2020.

The decline in earnings for Road and Solutions was mainly a consequence of lower activity following COVID-19. The cost saving initiatives implemented during Q2 2020 did not compensate for the decline in gross profit.

Q2 2020 was positively impacted by certain temporary cost savings on travel costs, etc., of approximately DKK 150 million.

EBIT by division, H1 2020



Despite the COVID-19 crisis and the ongoing Panalpina integration, which initially has an adverse effect on the margins of the Group, the conversion ratio was 29.7% for H1 2020 and on level with last year (pre Panalpina integration). This is a significant achievement and illustrates that the integration is progressing as planned and that the higher-margin air and sea activities now represent a larger share of the Group EBIT.

For H1 2020, amortisation of customer relationships was DKK 103 million (H1 2019: DKK 10 million).

## Special items, costs

Special items, costs totalled DKK 1,026 million for the first six months of 2020 (H1 2019: DKK 19 million) and are costs derived from the ongoing integration of Panalpina and the COVID-19 cost saving initiatives.

## Financial items

Financial items totalled a net expense of DKK 819 million for H1 2020, compared to DKK 322 million for the same period last year. Exchange rate adjustments amounted to DKK 487 million

(H1 2019: income of DKK 4 million) and primarily relate to exchange rate adjustments on intercompany loans.

(DKKm)	YTD 2020	YTD 2019
Interest on lease liabilities	209	180
Other interest cost, net	114	137
Interest on pensions	9	9
Exchange rate adjustments	487	(4)
<b>Financial expenses</b>	<b>819</b>	<b>322</b>

## Tax on profit for the period

The effective tax rate was 26.3% for H1 2020, compared to 23.0% for H1 2019. The effective tax rate is impacted by the ongoing integration of Panalpina and restructuring costs.

## Profit for the period

Profit for the first six months of 2020 was DKK 1,721 million, compared to DKK 2,112 million for the same period of 2019. The decrease in profit for the period was driven by special items and higher net financial costs.

## Diluted adjusted earnings per share

The 12-month figure to the end of June 2020 was DKK 20.8 per share, compared to DKK 23.5 for the same period last year, corresponding to a decrease of 11.5%.

The decline was due to the higher number of shares issued.

## Cash flow

### CASH FLOW STATEMENT

(DKKm)	YTD 2020	YTD 2019
Cash flow from operating activities	4,373	3,517
Cash flow from investing activities	(417)	(296)
<b>Free cash flow</b>	<b>3,956</b>	<b>3,221</b>
<b>Cash flow from financing activities</b>	<b>(3,764)</b>	<b>(3,025)</b>
<b>Cash flow for the period</b>	<b>192</b>	<b>196</b>
Free cash flow	3,956	3,221
Repayment of lease liabilities (IFRS 16 impact reversed)	(1,564)	(1,301)
Special items (restructuring costs)	964	8
<b>Adjusted free cash flow</b>	<b>3,356</b>	<b>1,802</b>

Cash flow from operating activities was positively affected by higher EBIT before special items, but this effect was partly offset by integration costs incurred during H1 2020.

Cash flow from financing activities was impacted by proceeds from the issuance of new bonds of EUR 500 million (approx. DKK 3,730 million) in February 2020 for repayment of other loans, and distributions to shareholders of DKK 3,618 million.

Adjusted free cash flow for the period was DKK 3,356 million and significantly above DKK 1,802 million for the same period last year, reflecting the improved EBIT before special items.

## Net working capital

On 30 June 2020, the Group's net working capital was DKK 3,367 million, compared to DKK 2,012 million on 30 June 2019. The increase is mainly due to the integration of Panalpina, which added scale and increased the relative exposure to Air & Sea activities, which normally involve a higher consumption of working capital.

Optimisation of net working capital remains a priority; however, we continue to see pressure on trade receivables, and this is likely to continue due to COVID-19.

Relative to full-year revenue, the net working capital amounted to 3.0% on 30 June 2020 (30 June 2019: 2.5%).

## Capital structure and finances

### DSV Panalpina A/S shareholders' share of equity

DSV Panalpina shareholders' share of equity was DKK 47,326 million on 30 June 2020 (DKK 49,430 million on 31 December 2019). The development was primarily due to distributions to shareholders in the form of share buyback and dividend. On 30 June 2020, the Company's portfolio of treasury shares was 2,737,577 shares. On 30 July 2020, the portfolio of treasury shares was 2,579,706 shares.

On 16 April 2020, the share capital was reduced to DKK 230 million through the cancellation of 5 million treasury shares of DKK 1.

The solvency ratio excluding non-controlling interests was 49.8% on 30 June 2020 (30 June 2019: 31.3%). The increase was primarily due to the capital increase in connection with the Panalpina transaction.

### DEVELOPMENT IN EQUITY

(DKKm)	YTD 2020	YTD 2019
<b>Equity at 1 January</b>	<b>49,430</b>	<b>14,561</b>
Impact of accounting policy change	-	(593)
<b>Equity at 1 January</b>	<b>49,430</b>	<b>13,968</b>
Profit for the period	1,713	2,124
Currency translation adjustments, foreign enterprises	(1,347)	129
Allocated to shareholders	(3,618)	(1,346)
Sale of treasury shares	1,098	446
Other equity movements	50	228
<b>Equity end of period</b>	<b>47,326</b>	<b>15,549</b>

### Net interest-bearing debt

Net interest-bearing debt amounted to DKK 18,874 million on 30 June 2020, compared to a total net interest-bearing debt of DKK 14,778 million on 30 June 2019.

The financial gearing ratio (NIBD/EBITDA) was 1.6x on 30 June 2020 and has gradually been reduced since the acquisition of Panalpina. Our target for the financial gearing ratio is unchanged, and we aim to keep the ratio below 2x.

The weighted average duration of the Company's bonds, committed loans and credit facilities was 5.4 years on 30 June 2020, compared to 2.8 years on 30 June 2019.

### Invested capital and ROIC

The Group's invested capital including goodwill and customer relationships amounted to DKK 66,546 million on 30 June 2020, compared to DKK 30,027 million on 30 June 2019. The increase relates to goodwill following the inclusion of Panalpina.

Return on invested capital including goodwill and customer relationships was 16.0% for the 12-month period ended 30 June 2020, compared to 20.1% for the same period last year. The decline can be attributed to an increase in invested capital due to the Panalpina transaction.

Return on invested capital excluding goodwill and customer relationships was 49.4% for the 12-month period ended 30 June 2020, compared to 41.3% for the same period last year.

### Outlook

On 16 March the financial guidance for 2020 was suspended due to the outbreak of COVID-19. Based on the financial performance in the first half of 2020 guidance for full-year 2020 is reinstated as follows:

- Operating profit before special items is expected to be in the range of DKK 8,200-8,700 million
- Special items, costs for 2020 are expected in the level of DKK 2,300 million (previously DKK 2,500 million)
- The effective tax rate for 2020 is impacted by the integration of Panalpina and is expected in the level of 25%

The guidance is based on assumptions of a gradual improvement of the global freight markets over the third and fourth quarters as markets reopen and with no material disruptions of global supply chains. We expect that transport volumes will remain below last year, but the negative run rate will lessen.

We expect that the integration of Panalpina and implementation of cost saving initiatives will continue as planned.

The outlook for 2020 is based on the assumption that currency exchange rates, especially USD against DKK, will remain at the current level.

Due to the COVID-19 situation, it must be stressed that the basic assumptions behind the guidance are more uncertain than normal.

# DSV Air & Sea

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

The division's performance in H1 2020 was positively impacted by the integration of Panalpina, which is progressing according to plan, but freight volumes were negatively impacted by the COVID-19 situation. The division achieved 73.5% growth in gross profit for the first six months. EBIT before special items was DKK 3,242 million for H1 2020 (2019: DKK 2,091 million). The strong performance, especially in the second quarter of 2020, was partly due to temporary high yields in air freight and high profitability of the air charter network. The profitability of the air freight activities is expected to normalise during the second half of the year.

Since the low point in April, the markets have gradually recovered, but total volumes remain below pre-pandemic levels.

## INCOME STATEMENT

(DKKm)	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Divisional revenue	19,144	9,682	35,818	19,093
Direct costs	14,481	7,153	27,280	14,140
<b>Gross profit</b>	<b>4,663</b>	<b>2,529</b>	<b>8,538</b>	<b>4,953</b>
Other external expenses	736	424	1,533	810
Staff costs	1,530	935	3,209	1,878
<b>EBITDA before special items</b>	<b>2,397</b>	<b>1,170</b>	<b>3,796</b>	<b>2,265</b>
Amortisation and depreciation	285	77	554	174
<b>EBIT before special items</b>	<b>2,112</b>	<b>1,093</b>	<b>3,242</b>	<b>2,091</b>

## KEY FIGURES AND RATIOS

	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Gross margin (%)	24.4	26.1	23.8	25.9
Operating margin (%)	11.0	11.3	9.1	11.0
Conversion ratio (%)	45.3	43.2	38.0	42.2
Number of full-time employees			18,723	12,103
Total invested capital (DKKm)			45,364	12,427
Net working capital (DKKm)			3,864	1,602
ROIC before tax (%)			19.6	32.3

## Market development

### Freight volume growth

	DSV Q2 2020	Market Q2 2020	DSV YTD 2020	Market YTD 2020
Sea freight – TEUs	31%	(15-20%)	45%	(10-15%)
Air freight – tonnes	69%	(25-30%)	90%	(15-20%)

Market growth rates are based on DSV estimates.

DSV's volume growth in H1 2020 was driven by the acquisition of Panalpina. The integration entails a gradual move of

Panalpina volumes to the DSV transport management system. By the end of Q2 2020, more than 90% of Panalpina's volumes had been transferred and we are no longer able to separate organic growth from acquired growth.

The air freight market was significantly impacted by the COVID-19 crisis during H1 2020. As most passenger planes were grounded, the belly-hold capacity has been missing and total available capacity has been reduced by more than 30%. The demand for air freight has also been negatively impacted by the crisis. However, a surge in the demand for certain higher yielding goods has led to significant lack of capacity and rate increases, most significantly for exports from China.

In the second half of Q2 2020, the air freight rates have partly fallen back. Still, capacity remains tight and, as activity levels in other industries pick up, the market remains challenging. Most air cargo is still moved on cargo planes, and charters of full cargo planes represent a large part of the market.

The sea freight market has also been impacted by COVID-19, but, compared to air, the sea freight market has been less volatile. Demand has been down by 15-20% across most industries, but efficient capacity management by the carriers (blanked sailings) has led to a situation of tight capacity and, as a consequence, freight rates remained resilient.

Geographically, activity levels in Asia have been least impacted by COVID-19, whereas Americas and Europe have been more severely impacted. The Asia-Europe and Trans-Atlantic trade lanes have been among the worst hit, and the division has a relatively high exposure to these trades.

## Divisional revenue

The division's revenue amounted to DKK 35,818 million for the first six months of 2020, compared to DKK 19,093 million for the same period last year. In constant currencies, the growth in revenue for the first six months was 89.4%.

For Q2 2020, revenue amounted to DKK 19,144 million, compared to DKK 9,682 million for the same period last year, corresponding to a growth in constant currencies of 102.0%.

The increase in revenue was mainly attributable to the acquisition of Panalpina. However, the increase was offset by the negative volume impact from COVID-19.

As mentioned, the effect of reduced activity levels following COVID-19 in Q1 2020 was partly offset by record high air freight rates, especially on export volumes out of China.

## Gross profit

Gross profit was DKK 8,538 million for H1 2020, compared to DKK 4,953 million for the same period in 2019. This corresponds to a growth in constant currencies of 73.5% for the period.

For Q2 2020, gross profit amounted to DKK 4,663 million, compared to DKK 2,529 million for the same period last year, which corresponds to a growth of 87.6%.

Similar to revenue, the growth in gross profit for H1 2020 was mainly driven by the acquisition of Panalpina.

The negative volume impact from COVID-19 was compensated by strong air freight yields (gross profit per shipment). This development can be partly attributed to a temporary improvement in the profitability of our air charter network and to a better activity mix with less perishables volumes.

The legacy Panalpina air charter network consists of long-term charters of air freight capacity. In the first part of 2020, DSV

Panalpina has increased the number of destinations in the air charter network. The network carries a minor proportion of the total volume of the division, but due to the rate development, particularly in the second quarter of 2020, the network had a positive impact on average yields for the quarter.

The reported gross profit per unit for sea freight (TEU) for H1 2020 declined compared to the same period last year, primarily because Panalpina had a different activity mix with lower average gross profit per TEU.

As the integration of Panalpina progresses, yields for both air and sea have gradually improved. This is due to scale benefits, optimised planning and better combinations of cargo.

The division's gross margin was 23.8% for H1 2020, compared to 25.9% last year. The decline is due mainly to the difference in activity mix between DSV and Panalpina and, secondly, a negative impact from pass-through revenue where higher air freight rates cause lower gross margin.

## EBIT before special items

EBIT before special items was DKK 3,242 million for the first six months of 2020, compared to DKK 2,091 million for the same period last year. This corresponds to a growth for the period of 56.2%.

For Q2 2020, EBIT before special items was DKK 2,112 million, compared to DKK 1,093 million for the same period last year, which corresponds to a growth of 96.5%.

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.

Furthermore, the strong gross profit in air freight in Q2 2020 had a direct impact on EBIT before special items.

The conversion ratio was 38.0% for H1 2020 (H1 2019: 42.2%) and the operating margin was 9.1% (H1 2019: 11.0%).

For Q2 2020, the conversion ratio was 45.3% (Q2 2019: 43.2%) and the operating margin was 11.0% (Q2 2019: 11.3%).

The conversion ratio was initially negatively impacted by the acquisition of Panalpina. As the integration progresses and the synergies and cost savings are realised, margins are expected to increase.

For H1 2020, amortisation of customer relationships was DKK 89.2 million (H1 2019: DKK 5.6 million).

## Net working capital

The Air & Sea division's net working capital came to DKK 3,864 million on 30 June 2020, compared to DKK 1,602 million on 30 June 2019. The increase is mainly due to the inclusion of Panalpina.



## FINANCIAL DEVELOPMENT 2019 - 2020

(DKKm)	Q2 2019	Currency translation adjustments	Growth including M&A	Growth %*	Q2 2020
Divisional revenue	9,682	(206)	9,668	102.0%	19,144
Gross profit	2,529	(44)	2,178	87.6%	4,663
EBIT before special items	1,093	(18)	1,037	96.5%	2,112
Gross margin (%)	26.1				24.4
Operating margin (%)	11.3				11.0
Conversion ratio (%)	43.2				45.3

(DKKm)	YTD 2019	Currency translation adjustments	Growth including M&A	Growth %*	YTD 2020
Divisional revenue	19,093	(178)	16,903	89.4%	35,818
Gross profit	4,953	(33)	3,618	73.5%	8,538
EBIT before special items	2,091	(15)	1,166	56.2%	3,242
Gross margin (%)	25.9				23.8
Operating margin (%)	11.0				9.1
Conversion ratio (%)	42.2				38.0

\* Growth in constant currencies

## AIR AND SEA SPLIT

(DKKm)	Sea freight				Air freight			
	Q2 2020	Q2 2019	YTD 2020	YTD 2019	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Divisional revenue	7,087	5,118	14,231	9,932	12,057	4,564	21,587	9,161
Direct costs	5,439	3,813	10,861	7,433	9,042	3,340	16,419	6,707
<b>Gross profit</b>	<b>1,648</b>	<b>1,305</b>	<b>3,370</b>	<b>2,499</b>	<b>3,015</b>	<b>1,224</b>	<b>5,168</b>	<b>2,454</b>
Gross margin (%)	23.3	25.5	23.7	25.2	25.0	26.8	23.9	26.8
Volume (TEUs/tonnes)	512,138	391,333	1,087,952	751,258	287,452	170,301	647,427	340,404
Gross profit per unit (DKK)	3,218	3,335	3,098	3,326	10,489	7,187	7,982	7,209

# DSV Road

The Road division is among the market leaders in Europe and furthermore has operations in North America and South Africa. The division offers full load, part load and groupage services through a network of more than 200 terminals and operates approximately 20,000 trucks.

For H1 2020, the division reported a decline in revenue of 5.7% and a decline in gross profit of 3.4% compared to last year. EBIT before special items was DKK 522 million – a decline of 17.8% compared to the same period last year. Activity levels, especially for international transports, were significantly impacted by COVID-19, but have seen a gradual improvement since the low point in April.

## INCOME STATEMENT

(DKKm)	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Divisional revenue	6,987	7,833	14,908	15,935
Direct costs	5,556	6,298	11,942	12,839
<b>Gross profit</b>	<b>1,431</b>	<b>1,535</b>	<b>2,966</b>	<b>3,096</b>
Other external expenses	242	232	529	532
Staff costs	686	725	1,443	1,444
<b>EBITDA before special items</b>	<b>503</b>	<b>578</b>	<b>994</b>	<b>1,120</b>
Amortisation and depreciation	240	240	472	484
<b>EBIT before special items</b>	<b>263</b>	<b>338</b>	<b>522</b>	<b>636</b>

## KEY FIGURES AND RATIOS

	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Gross margin (%)	20.5	19.6	19.9	19.4
Operating margin (%)	3.8	4.3	3.5	4.0
Conversion ratio (%)	18.4	22.0	17.6	20.5
Number of full-time employees			13,408	13,134
Total invested capital (DKKm)			9,250	7,842
Net working capital (DKKm)			(941)	(800)
ROIC before tax (%)			13.3	15.8

## Market development

We estimate that the demand for road freight was down by approximately 15% in Q2 2020 and by 10% for H1 2020. The market for domestic distribution held up well and, in some cases, was above the same period last year. International transports were negatively impacted by COVID-19, especially in the automotive industry and retail sector.

Geographically, the Southern European and South African markets have been more impacted by the crisis than Northern Europe.

The overall decline in demand has led to overcapacity in some parts of the market, mainly for international transports. However, the changes in demand have also led to imbalances in the market and, as a result, freight rates only changed marginally.

## Divisional revenue

The division's revenue amounted to DKK 14,908 million for the first six months of 2020, compared to DKK 15,935 million for the same period last year, corresponding to a decline of 5.7%.

For Q2 2020, revenue amounted to DKK 6,987 million, compared to DKK 7,833 million for the same period last year, corresponding to a decline of 9.6%.

Activity levels saw a low point in April and improved gradually in May and June as lockdowns eased. In line with the general market, we have seen that domestic distribution has held up well (e.g. distribution to supermarkets and do-it-yourself markets), whereas the demand for international transports in general has been lower, especially within retail, industrials and automotive.

## Gross profit

For the first six months of 2020, gross profit totalled DKK 2,966 million, compared to DKK 3,096 million for the same period last year. This corresponds to a decline of 3.4%.

For Q2 2020, gross profit amounted to DKK 1,431 million, compared to DKK 1,535 million in Q2 2019, which is a decline of 5.5%.

The division's gross margin was 19.9% for H1 2020, compared to 19.4% for H1 2019. The increase in the gross margin is partly due to a change in activity mix and decrease in average shipment size following COVID-19.

## EBIT before special items

EBIT before special items was DKK 522 million for the first six months of 2020, compared to DKK 636 million for the same period last year, corresponding to a decline of 17.8%. The decrease is due to the decline in gross profit following COVID-19.

For Q2 2020, EBIT before special items totalled DKK 263 million, compared to DKK 338 million for the same period last year, which corresponds to a decline of 22.2%.

EBIT before special items was negatively impacted by lower activity following COVID-19. The decline in gross profit was partly compensated by COVID-19 cost savings.

The conversion ratio was 17.6% for H1 2020 (H1 2019: 20.5%) and the operating margin was 3.5% (H1 2019: 4.0%).

For Q2 2020, the conversion ratio was 18.4% (Q2 2019: 22.0%) and the operating margin 3.8% (Q2 2019: 4.3%).

## Net working capital

The Road division's net working capital was negative by DKK 941 million on 30 June 2020, compared to a negative DKK 800 million on 30 June 2019.

### FINANCIAL DEVELOPMENT 2019 - 2020

(DKKm)	Q2 2019	Currency translation adjustments	Growth including M&A	Growth %*	Q2 2020
Divisional revenue	7,833	(102)	(744)	(9.6%)	6,987
Gross profit	1,535	(20)	(84)	(5.5%)	1,431
EBIT before special items	338	-	(75)	(22.2%)	263
Gross margin (%)	19.6				20.5
Operating margin (%)	4.3				3.8
Conversion ratio (%)	22.0				18.4

(DKKm)	YTD 2019	Currency translation adjustments	Growth including M&A	Growth %*	YTD 2020
Divisional revenue	15,935	(123)	(904)	(5.7%)	14,908
Gross profit	3,096	(25)	(105)	(3.4%)	2,966
EBIT before special items	636	(1)	(113)	(17.8%)	522
Gross margin (%)	19.4				19.9
Operating margin (%)	4.0				3.5
Conversion ratio (%)	20.5				17.6

\* Growth in constant currencies

# DSV Solutions

The Solutions division offers warehousing and logistics services globally and controls more than 400 logistics facilities. The service portfolio includes freight management, customs clearance, order management and e-commerce solutions.

For the first six months of 2020, the division reported a 9.1% growth in revenue and 10.9% growth in gross profit. EBIT before special items was DKK 393 million for the first six months of 2020 – a decline of 7.5% compared to the same period last year. Activity in e-commerce has been strong following COVID-19, whereas activity levels in the more traditional industries have been severely impacted. Since the low point in April, activity has gradually improved.

## INCOME STATEMENT

(DKKm)	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Divisional revenue	3,256	3,147	6,697	6,196
Direct costs	1,985	1,961	4,170	3,884
<b>Gross profit</b>	<b>1,271</b>	<b>1,186</b>	<b>2,527</b>	<b>2,312</b>
Other external expenses	244	254	533	518
Staff costs	365	304	750	610
<b>EBITDA before special items</b>	<b>662</b>	<b>628</b>	<b>1,244</b>	<b>1,184</b>
Amortisation and depreciation	428	387	851	750
<b>EBIT before special items</b>	<b>234</b>	<b>241</b>	<b>393</b>	<b>434</b>

## KEY FIGURES AND RATIOS

	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Gross margin (%)	39.0	37.7	37.7	37.3
Operating margin (%)	7.2	7.7	5.9	7.0
Conversion ratio (%)	18.4	20.3	15.6	18.8
Number of full-time employees			18,428	20,146
Total invested capital (DKKm)			11,560	8,489
Net working capital (DKKm)			807	1,105
ROIC before tax (%)			9.7	10.8

## Market development

We estimate that the market for contract logistics was down by approximately 15% in Q2 2020 and by 10% for H1 2020. Activity levels within the e-commerce segment have been growing following COVID-19, whereas activity in more traditional industries has been negatively impacted, most significantly in automotive and retail.

Inventory levels are high in several industries, as distribution channels have been partially or fully shut down. This has led to high utilisation of warehouses, but also fewer order lines, as inventory sits idle.

## Divisional revenue

The division's revenue was DKK 6,697 million for H1 2020, compared to DKK 6,196 million for the same period of 2019. Growth for the period was 9.1%.

For Q2 2020, revenue amounted to DKK 3,256 million, compared to DKK 3,147 million for the same period last year. Growth for the quarter was 5.7%.

The development in revenue was positively impacted by the integration of Panalpina, but negatively impacted by COVID-19.

During H1 2020, we saw an increase in activity for our e-commerce customers as well as pharma/healthcare customers, whereas the automotive industry continued to be impacted as production was shut down in several locations. After the low point in April, we have seen gradual improvement in activity levels across most industries.

## Gross profit

Gross profit was DKK 2,527 million for the first six months of 2020, compared to DKK 2,312 million for the same period of 2019. In constant currencies growth for the period was 10.9%.

For Q2 2020, gross profit amounted to DKK 1,271 million, compared to DKK 1,186 million for the same period last year, which corresponds to a growth in constant currencies of 10.2%.

The division's gross margin was 37.7% for H1 2020, which was on level with the same period last year. The gross margin for Q2 2020 was 39.0%, compared to 37.7% for Q2 2019.

## EBIT before special items

EBIT before special items was DKK 393 million for the first six months of 2020, compared to DKK 434 million for the same period of 2019, corresponding to a decline in constant currencies of 7.5%.

For Q2 2020, EBIT before special items totalled DKK 234

million, compared to DKK 241 million for the same period last year.

EBIT for the quarter was negatively impacted by the COVID-19 crisis, but positively impacted by COVID-19 cost savings.

The conversion ratio was 15.6% for H1 2020, compared to 18.8% for the same period last year. The division's operating margin was 5.9% for H1 2020, compared to 7.0% for the same period last year.

For Q2 2020, the conversion ratio was 18.4%, compared to 20.3% for the same period last year. The operating margin was 7.2%, compared to 7.7% for Q2 2019.

## Net working capital

The division's net working capital came to DKK 807 million on 30 June 2020, compared to DKK 1,105 million on 30 June 2019.

## FINANCIAL DEVELOPMENT 2019 - 2020

(DKKm)	Q2 2019	Currency translation adjustments	Growth including M&A	Growth %*	Q2 2020
Divisional revenue	3,147	(66)	175	5.7%	3,256
Gross profit	1,186	(33)	118	10.2%	1,271
EBIT before special items	241	(7)	-	0.0%	234
Gross margin (%)	37.7				39.0
Operating margin (%)	7.7				7.2
Conversion ratio (%)	20.3				18.4

(DKKm)	YTD 2019	Currency translation adjustments	Growth including M&A	Growth %*	YTD 2020
Divisional revenue	6,196	(60)	561	9.1%	6,697
Gross profit	2,312	(34)	249	10.9%	2,527
EBIT before special items	434	(9)	(32)	(7.5%)	393
Gross margin (%)	37.3				37.7
Operating margin (%)	7.0				5.9
Conversion ratio (%)	18.8				15.6

\* Growth in constant currencies

# Interim financial statements

## Income statement

(DKKm)	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Revenue	28,782	20,079	56,091	40,058
Direct costs	21,396	14,794	42,021	29,659
<b>Gross profit</b>	<b>7,386</b>	<b>5,285</b>	<b>14,070</b>	<b>10,399</b>
Other external expenses	795	642	1,662	1,298
Staff costs	2,925	2,202	6,138	4,397
<b>Operating profit before amortisation and depreciation (EBITDA) before special items</b>	<b>3,666</b>	<b>2,441</b>	<b>6,270</b>	<b>4,704</b>
Amortisation and depreciation	1,053	810	2,091	1,619
<b>Operating profit (EBIT) before special items</b>	<b>2,613</b>	<b>1,631</b>	<b>4,179</b>	<b>3,085</b>
Special items, costs	515	19	1,026	19
Net financial expenses	222	149	819	322
<b>Profit before tax</b>	<b>1,876</b>	<b>1,463</b>	<b>2,334</b>	<b>2,744</b>
Tax on profit for the period	486	314	613	632
<b>Profit for the period</b>	<b>1,390</b>	<b>1,149</b>	<b>1,721</b>	<b>2,112</b>
<i>Profit for the period attributable to:</i>				
Shareholders of DSV Panalpina A/S	1,385	1,153	1,713	2,124
Non-controlling interests	5	(4)	8	(12)
<i>Earnings per share:</i>				
Earnings per share of DKK 1 for the period	6.1	6.4	7.5	11.9
Diluted earnings per share of DKK 1 for the period	6.0	6.3	7.4	11.7

## Statement of comprehensive income

(DKKm)	Q2 2020	Q2 2019	YTD 2020	YTD 2019
<b>Profit for the period</b>	<b>1,390</b>	<b>1,149</b>	<b>1,721</b>	<b>2,112</b>
<i>Items that will be reclassified to income statement when certain conditions are met:</i>				
Net exchange differences recognised in OCI	(879)	(93)	(1,349)	128
Fair value adjustments relating to hedging instruments	1	(10)	(5)	(7)
Fair value adjustments relating to hedging instruments transferred to financial expenses	6	(1)	-	-
Tax on items reclassified to income statement	1	2	1	2
<i>Items that will not be reclassified to income statement:</i>				
Actuarial gains/(losses)	(56)	(49)	(92)	(124)
Tax relating to items that will not be reclassified	15	12	26	30
<b>Other comprehensive income, net of tax</b>	<b>(912)</b>	<b>(139)</b>	<b>(1,419)</b>	<b>29</b>
<b>Total comprehensive income</b>	<b>478</b>	<b>1,010</b>	<b>302</b>	<b>2,141</b>
<i>Total comprehensive income attributable to:</i>				
Shareholders of DSV Panalpina A/S	472	1,015	296	2,154
Non-controlling interests	6	(5)	6	(13)
<b>Total</b>	<b>478</b>	<b>1,010</b>	<b>302</b>	<b>2,141</b>

## Cash flow statement

(DKKkm)	YTD 2020	YTD 2019
<b>Operating profit before amortisation and depreciation (EBITDA) before special items</b>	6,270	4,704
<i>Adjustments:</i>		
Share-based payments	65	55
Change in provisions	(88)	(111)
Change in working capital, etc.	(227)	(134)
Special items	(964)	(8)
Interest received	126	47
Interest paid	(470)	(385)
Corporation tax, paid	(339)	(651)
<b>Cash flow from operating activities</b>	<b>4,373</b>	<b>3,517</b>
Purchase of intangible assets	(119)	(148)
Purchase of property, plant and equipment	(535)	(389)
Disposal of intangible assets, property, plant and equipment	203	164
Acquisition and disposal of subsidiaries and activities	-	126
Change in other financial assets	34	(49)
<b>Cash flow from investing activities</b>	<b>(417)</b>	<b>(296)</b>
<b>Free cash flow</b>	<b>3,956</b>	<b>3,221</b>
Proceeds from borrowings	3,527	790
Repayment of borrowings	(2,610)	(1,630)
Repayment of lease liabilities	(1,564)	(1,301)
Other financial liabilities incurred	(39)	(4)
<i>Transactions with shareholders:</i>		
Dividends distributed	(588)	(423)
Purchase of treasury shares	(3,030)	(923)
Sale of treasury shares	545	446
Other transactions with shareholders	(5)	20
<b>Cash flow from financing activities</b>	<b>(3,764)</b>	<b>(3,025)</b>
<b>Cash flow for the period</b>	<b>192</b>	<b>196</b>
Cash and cash equivalents 1 January	2,043	1,158
Cash flow for the period	192	196
Currency translation adjustments	(284)	30
<b>Cash and cash equivalents end of period</b>	<b>1,951</b>	<b>1,384</b>

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

	YTD 2020	YTD 2019
<b>Statement of adjusted free cash flow</b>		
Free cash flow	3,956	3,221
Net acquisition of subsidiaries and activities	-	(126)
Special items (restructuring costs)	964	8
Repayment of lease liabilities (IFRS 16 impact reversed)	(1,564)	(1,301)
<b>Adjusted free cash flow</b>	<b>3,356</b>	<b>1,802</b>



## Balance sheet – Assets

(DKKm)	30.06.2020	31.12.2019	30.06.2019
Intangible assets	50,469	51,988	16,795
Right-of-use assets	10,858	11,671	9,461
Property, plant and equipment	3,091	3,022	2,368
Other receivables	461	494	341
Deferred tax assets	2,099	2,164	1,178
<b>Total non-current assets</b>	<b>66,978</b>	<b>69,339</b>	<b>30,143</b>
Trade receivables	19,087	18,252	13,455
Contract assets	3,247	3,054	1,900
Inventories	1,276	1,324	1,147
Other receivables	2,369	3,410	1,628
Cash and cash equivalents	1,951	2,043	1,384
Assets held for sale	105	135	64
<b>Total current assets</b>	<b>28,035</b>	<b>28,218</b>	<b>19,578</b>
<b>Total assets</b>	<b>95,013</b>	<b>97,557</b>	<b>49,721</b>

## Balance sheet – Equity and liabilities

(DKKm)	30.06.2020	31.12.2019	30.06.2019
Share capital	230	235	186
Reserves and retained earnings	47,096	49,195	15,363
<b>DSV Panalpina A/S shareholders' share of equity</b>	<b>47,326</b>	<b>49,430</b>	<b>15,549</b>
Non-controlling interests	(97)	(111)	(61)
<b>Total equity</b>	<b>47,229</b>	<b>49,319</b>	<b>15,488</b>
Lease liabilities	8,836	9,227	7,709
Borrowings	8,801	6,464	5,742
Pensions and similar obligations	1,390	1,494	1,028
Provisions	1,283	1,282	601
Deferred tax liabilities	364	455	141
<b>Total non-current liabilities</b>	<b>20,674</b>	<b>18,922</b>	<b>15,221</b>
Lease liabilities	3,065	3,385	2,570
Borrowings	295	1,520	322
Trade payables	8,710	9,783	7,600
Accrued cost of services	5,800	5,330	3,048
Provisions	1,169	1,157	352
Other payables	6,933	7,201	4,757
Corporation tax	1,138	940	363
<b>Total current liabilities</b>	<b>27,110</b>	<b>29,316</b>	<b>19,012</b>
<b>Total liabilities</b>	<b>47,784</b>	<b>48,238</b>	<b>34,233</b>
<b>Total equity and liabilities</b>	<b>95,013</b>	<b>97,557</b>	<b>49,721</b>

## Statement of changes in equity at 30 June 2020

### Attributable to shareholders of DSV Panalpina A/S

(DKK m)	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 1 January 2020	235	(265)	49,460	49,430	(111)	49,319
Profit for the period	-	-	1,713	1,713	8	1,721
Other comprehensive income, net of tax	-	(1,356)	(61)	(1,417)	(2)	(1,419)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(1,356)</b>	<b>1,652</b>	<b>296</b>	<b>6</b>	<b>302</b>
<i>Transactions with shareholders:</i>						
Share-based payments	-	-	65	65	-	65
Dividends distributed	-	-	(588)	(588)	(1)	(589)
Purchase of treasury shares	-	(5)	(3,025)	(3,030)	-	(3,030)
Sale of treasury shares	-	3	1,095	1,098	-	1,098
Capital reduction	(5)	5	-	-	-	-
Dividends on treasury shares	-	-	23	23	-	23
Tax on other transactions with owners	-	-	76	76	-	76
Other adjustments	-	-	(44)	(44)	9	(35)
<b>Total transactions with shareholders</b>	<b>(5)</b>	<b>3</b>	<b>(2,398)</b>	<b>(2,400)</b>	<b>8</b>	<b>(2,392)</b>
<b>Equity at 30 June 2020</b>	<b>230</b>	<b>(1,618)</b>	<b>48,714</b>	<b>47,326</b>	<b>(97)</b>	<b>47,229</b>

## Statement of changes in equity at 30 June 2019

### Attributable to shareholders of DSV Panalpina A/S

(DKK m)	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 1 January 2019 as previously reported	188	(704)	15,077	14,561	(29)	14,532
Impact of accounting policy change*	-	-	(593)	(593)	(16)	(609)
<b>Equity at 1 January 2019</b>	<b>188</b>	<b>(704)</b>	<b>14,484</b>	<b>13,968</b>	<b>(45)</b>	<b>13,923</b>
Profit for the period	-	-	2,124	2,124	(12)	2,112
Other comprehensive income, net of tax	-	132	(102)	30	(1)	29
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>132</b>	<b>2,022</b>	<b>2,154</b>	<b>(13)</b>	<b>2,141</b>
<i>Transactions with shareholders:</i>						
Share-based payments	-	-	55	55	-	55
Dividends distributed	-	-	(423)	(423)	(1)	(424)
Purchase of treasury shares	-	(2)	(921)	(923)	-	(923)
Sale of treasury shares	-	2	444	446	-	446
Capital reduction	(2)	2	-	-	-	-
Dividends on treasury shares	-	-	22	22	-	22
Tax on other transactions with owners	-	-	253	253	-	253
Other adjustments	-	-	(3)	(3)	(2)	(5)
<b>Total transactions with shareholders</b>	<b>(2)</b>	<b>2</b>	<b>(573)</b>	<b>(573)</b>	<b>(3)</b>	<b>(576)</b>
<b>Equity at 30 June 2019</b>	<b>186</b>	<b>(570)</b>	<b>15,933</b>	<b>15,549</b>	<b>(61)</b>	<b>15,488</b>

\*Cumulative effect of applying IFRS 16 Leases.

# Notes

## 1 Accounting policies

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

Except as stated below, accounting policies applied in preparing the Interim Financial Report are consistent with those applied in preparing the 2019 DSV Panalpina Annual Report. The 2019 DSV Panalpina Annual Report provides a full description of the Group's accounting policies.

### Changes in accounting policies

The DSV Panalpina Group has implemented the latest amendments to the International Financial Reporting Standards (IFRS) effective as of 1 January 2020 as adopted by the European Union.

None of the amendments implemented have had any material impact on the Group's financial statements, nor are they expected to have so in the foreseeable future.

## 2 Adjusted financial ratios H1 2019

Due to the impact of IFRS 16, the following financial ratios for H1 2019 have been adjusted on a pro forma basis:

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

Gearing ratio: EBITDA for 6 months of 2018 has been raised by DKK 1,430 million (corresponding to a full-year pro forma EBITDA impact of DKK 2,860 million).

## 5 Segment information

(DKKm)	Air & Sea		Road		Solutions		Non-allocated items and eliminations		Total	
	YTD 2020	YTD 2019	YTD 2020	YTD 2019	YTD 2020	YTD 2019	YTD 2020	YTD 2019	YTD 2020	YTD 2019
<b>Condensed income statement</b>										
Revenue	35,457	18,781	13,899	15,182	6,581	6,027	154	68	56,091	40,058
Intercompany revenue	361	312	1,009	753	116	169	(1,486)	(1,234)	-	-
<b>Divisional revenue</b>	<b>35,818</b>	<b>19,093</b>	<b>14,908</b>	<b>15,935</b>	<b>6,697</b>	<b>6,196</b>	<b>(1,332)</b>	<b>(1,166)</b>	<b>56,091</b>	<b>40,058</b>
Direct costs	27,280	14,140	11,942	12,839	4,170	3,884	(1,371)	(1,204)	42,021	29,659
<b>Gross profit</b>	<b>8,538</b>	<b>4,953</b>	<b>2,966</b>	<b>3,096</b>	<b>2,527</b>	<b>2,312</b>	<b>39</b>	<b>38</b>	<b>14,070</b>	<b>10,399</b>
Other external expenses	1,533	810	529	532	533	518	(933)	(562)	1,662	1,298
Staff costs	3,209	1,878	1,443	1,444	750	610	736	465	6,138	4,397
<b>Operating profit before amortisation, depreciation (EBITDA) before special items</b>	<b>3,796</b>	<b>2,265</b>	<b>994</b>	<b>1,120</b>	<b>1,244</b>	<b>1,184</b>	<b>236</b>	<b>135</b>	<b>6,270</b>	<b>4,704</b>
Amortisation and depreciation	554	174	472	484	851	750	214	211	2,091	1,619
<b>Operating profit (EBIT) before special items</b>	<b>3,242</b>	<b>2,091</b>	<b>522</b>	<b>636</b>	<b>393</b>	<b>434</b>	<b>22</b>	<b>(76)</b>	<b>4,179</b>	<b>3,085</b>
<b>Condensed balance sheet</b>										
Total assets	51,942	24,004	21,186	18,348	14,605	12,782	7,280	(5,413)	95,013	49,721
Total liabilities	51,784	26,017	15,133	13,721	12,487	11,671	(31,620)	(17,176)	47,784	34,233

## 3 Management judgements and estimates

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

By nature, a degree of uncertainty is involved when carrying out these judgements and estimates, hence actual results may deviate from the assessments made at the reporting date. Judgements and estimates are continuously evaluated, and the effects of any changes are recognised in the relevant period.

Primary financial statement line items in which more significant accounting estimates are applied are listed in Chapter 1 of the Notes to the 2019 DSV Panalpina Financial Statements to which is referred.

## 4 New accounting regulations

The IASB has issued several new standards and amendments not yet in effect or endorsed by the EU and therefore not relevant for the preparation of the H1 2020 Interim Financial Report.

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

## 6 Revenue

Sale of services and geographical segmentation are specified as follows:

(DKKm)	EMEA		Americas		APAC		Total	
	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019
Air services	4,135	1,619	2,649	1,503	5,273	1,442	12,057	4,564
Sea services	2,856	2,435	1,805	1,367	2,426	1,316	7,087	5,118
Road services	6,440	7,200	547	633	-	-	6,987	7,833
Solutions services	2,258	2,286	659	575	339	286	3,256	3,147
<b>Total</b>	<b>15,689</b>	<b>13,540</b>	<b>5,660</b>	<b>4,078</b>	<b>8,038</b>	<b>3,044</b>	<b>29,387</b>	<b>20,662</b>
Non-allocated items and eliminations							(605)	(583)
<b>Total revenue</b>							<b>28,782</b>	<b>20,079</b>

(DKKm)	EMEA		Americas		APAC		Total	
	YTD 2020	YTD 2019	YTD 2020	YTD 2019	YTD 2020	YTD 2019	YTD 2020	YTD 2019
Air services	8,268	3,646	5,742	3,087	7,577	2,428	21,587	9,161
Sea services	7,357	5,403	4,042	2,672	2,832	1,857	14,231	9,932
Road services	13,746	14,587	1,162	1,348	-	-	14,908	15,935
Solutions services	4,613	4,539	1,416	1,114	668	543	6,697	6,196
<b>Total</b>	<b>33,984</b>	<b>28,175</b>	<b>12,362</b>	<b>8,221</b>	<b>11,077</b>	<b>4,828</b>	<b>57,423</b>	<b>41,224</b>
Non-allocated items and eliminations							(1,332)	(1,166)
<b>Total revenue</b>							<b>56,091</b>	<b>40,058</b>

## 7 Special items

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 nature are not related to the Group's ordinary operations or investments in future activities.

Special items YTD 2020 totalled DKK 1,026 million comprising integration and restructuring costs related to the acquisition of Panalpina and COVID-19 initiatives.

Restructuring costs related to the two programmes are expected to be approximately DKK 2,300 million in 2020.

# Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today considered and adopted the Interim Financial Report of DSV Panalpina A/S for the six-month period ended 30 June 2020.

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

In our opinion, the Interim Financial Statements give a true and fair view of the Group's assets, equity, liabilities and financial position on 30 June 2020 and of the results of the Group's activities and the cash flow for the six-month period ended 30 June 2020.

We also find that the Management's commentary provides a fair statement of developments in the activities and financial situation of the Group, financial results for the period, the general financial position of the Group and a description of the major risks and elements of uncertainty faced by the Group. Over and above the disclosures in the Interim Financial Report, no changes in the Group's most significant risks and uncertainties have occurred relative to the disclosures in the annual report for 2019.

Hedehusene, 31 July 2020

## Executive Board:

Jens Bjørn Andersen  
CEO

Jens H. Lund  
CFO

## Board of Directors:

Thomas Plenborg  
Chairman

Jørgen Møller  
Deputy Chairman

Anette Sadolin

Birgit W. Nørgaard

Marie-Louise Aamund

Beat R. Walti

Niels Smedegaard