7. februar 2019

ÅRSRAPPORT 2018
Selskabsmeddelelse nr. 736

"*Vi har leveret et stærkt resultat for 2018. 4. kvartal levede op til vores forventninger, og vi kan rapportere et EBIT på 5.450 millioner kroner for 2018 – en vækst på 15% i forhold til 2017. Vi er godt på vej til at nå vores mål for 2020, og resultaterne for 2018 vidner om vores store fokus på at levere høj kvalitet til vores kunder og opnå organisk vækst. I tråd med vores strategi kigger vi fortsat aktivt efter egnede opkøbsmuligheder, og vi er af den opfattelse, at de rette transaktioner kan skabe værdi for alle interessenter,"* udtaler administrerende direktør Jens Bjørn Andersen.

Væsentlige hovedtal for 2018 (1. januar - 31. december 2018)

(DKK mio.)	4. kvt. 2018	4. kvt. 2017	ÅTD 2018	ÅTD 2017
Nettoomsætning	20.945	19.019	79.053	74.901
Bruttofortjeneste	4.447	4.054	17.489	16.605
Resultat af primær drift før særlige poster	1.338	1.196	5.450	4.878
Overskudsgrad	*6,4%*	*6,3%*	*6,9%*	*6,5%*
Conversion ratio	*30,1%*	*29,5%*	*31,2%*	*29,4%*
Justeret resultat			4.093	3.484
Regulerede frie pengestrømme			3.916	4.835
Udvandet justeret resultat pr. aktie a 1 kr.			22,1	18,4
Udbytte pr. aktie (foreslået)			2,25	2,00
Resultat af primær drift før særlige poster				
Air & Sea	897	789	3.693	3.225
Road	239	231	1.147	1.201
Solutions	223	185	709	494

Resultat af 4. kvartal 2018
I 4. kvartal af 2018 voksede nettoomsætningen med 10,6% reguleret for effekten af valutaomregning og udgjorde 20.945 millioner kroner (4. kvartal 2017: 19.019 millioner kroner).

Vækst i fragtmængderne i kvartalet udgjorde 5% for luftfragt, 4% for søfragt og 2% for vejtransport.

Bruttofortjenesten udgjorde 4.447 millioner kroner for 4. kvartal 2018 (4. kvartal 2017: 4.054 millioner kroner). Korrigeret for valutaeffekt steg koncernens bruttofortjeneste med 9,9%. Air & Sea divisionen realiserede en vækst på 10,4% og Road divisionen en vækst på 4,6% – begge som følge af stigning i fragtmængderne og forbedret indtjening pr. forsendelse i forhold til 4. kvartal 2017. Solutions divisionen oplevede også stigende aktivitet og opnåede en vækst i bruttofortjenesten på 15,6% for 4. kvartal.

Resultat af primær drift før særlige poster steg med 11,9% (korrigeret for valutaeffekt) til 1,338 millioner kroner i 4. kvartal 2018 (4. kvartal 2017: 1.196 millioner kroner). Væksten var især drevet af Air & Sea og Solutions divisionerne.

Regulerede frie pengestrømme udgjorde 3.916 millioner kroner for 2018. Pengestrømmene var påvirket af en ekstraordinær indbetaling til pensionsordninger på 250 millioner kroner i 4. kvartal 2018 og var udover dette på niveau med vores forventninger.

Udbytte
Bestyrelsen indstiller til, at der udbetales ordinært udbytte for 2018 på 2,25 kroner pr. aktie (2017: 2,00 kroner).

Forventninger til 2019
- Resultat af primær drift før særlige poster forventes i niveauet 5.900-6.300 millioner kroner. Det forventes, at implementeringen af IFRS 16 vil have en positiv effekt på resultat af primær drift før særlige poster for 2019 på 300-350 millioner kroner.
- Finansielle omkostninger, netto forventes i niveauet 620-650 millioner kroner (reguleret for eventuelle gevinster eller tab som følge af valutakursregulering). Der forventes en stigning på 350-370 millioner kroner i forhold til 2018 som følge af implementeringen af IFRS 16.
- Koncernens effektive skattesats forventes i niveauet 23%.
- Regulerede frie pengestrømme forventes i niveauet 4.300 millioner kroner.

Investor-telekonference
Der afholdes investor-telekonference den 7. februar 2019, kl. 11.00. Yderligere oplysninger kan findes på investor.dsv.com.

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Med venlig hilsen
DSV A/S

ANNUAL REPORT 2018

DSV

Global Transport and Logistics

CONTENTS

DSV – Global Transport and Logistics

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. 47,394 employees in more than 75 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 2018 - 42nd financial year

Published 7 February 2019

Management's commentary

Financial statements

FIVE-YEAR OVERVIEW

Financials

Financials	2018	2017	2016	2015	2014
Profit (DKKm)					
Revenue	79,053	74,901	67,747	50,869	48,582
Gross profit	17,489	16,605	15,838	11,201	10,297
Operating profit before amortisation, depreciation and special items (EBITDA)	6,212	5,664	4,250	3,575	3,145
Operating profit before special items (EBIT)	5,450	4,878	3,475	3,050	2,624
Special items, costs	-	525	1,002	58	304
Net financial expenses	249	556	184	303	306
Profit for the year	3,988	3,012	1,678	2,058	1,491
Adjusted earnings	4,093	3,484	2,506	2,211	1,835
Cash flow (DKKm)					
Operating activities	4,301	4,664	1,273	3,160	1,919
Investing activities	(444)	(325)	(4,953)	(431)	(461)
Free cash flow	3,857	4,339	(3,680)	2,729	1,458
Adjusted free cash flow	3,916	4,835	1,838	2,837	1,472
Financing activities	(4,000)	(4,715)	396	1,855	(1,569)
Share buyback	(4,161)	(1,559)	-	(1,419)	(1,183)
Dividends distributed	(380)	(342)	(327)	(283)	(270)
Cash flow for the year	(143)	(376)	(3,284)	4,584	(111)
Financial position (DKKm)					
DSV A/S shareholders' share of equity	14,561	14,835	13,416	11,809	6,052
Non-controlling interests	(29)	(26)	(38)	32	29
Balance sheet total	38,812	38,388	40,367	27,725	23,680
Net working capital	1,767	1,410	1,809	22	305
Net interest-bearing debt	5,831	5,575	8,299	(546)	5,859
Invested capital	20,381	20,391	21,336	10,977	11,797
Gross investment in property, plant and equipment	720	620	728	660	651

Ratios

Ratios	2018	2017	2016	2015	2014
Financial ratios (%)					
Gross margin	22.1	22.2	23.4	22.0	21.2
Operating margin	6.9	6.5	5.1	6.0	5.4
Conversion ratio	31.2	29.4	21.9	27.2	25.5
Effective tax rate	23.3	20.7	26.7	23.5	26.0
ROIC before tax	26.7	23.4	21.5	26.8	21.8
Return on equity (ROE)	27.2	21.1	13.2	23.0	24.3
Solvency ratio	37.5	38.6	33.2	42.6	25.6
Gearing ratio	0.9	1.0	2.0	(0.2)	1.9
Share ratios					
Earnings per share of DKK 1	22.0	16.0	9.0	12.1	8.6
Diluted earnings per share of DKK 1	21.6	15.8	8.9	12.0	8.6
Diluted adjusted earnings per share of DKK 1	22.1	18.4	13.4	12.9	10.5
Number of shares issued ('000)	188,000	190,000	190,000	192,500	177,000
Number of treasury shares ('000)	9,985	5,917	4,509	8,606	7,156
Share price at year-end (DKK)	429.2	488.6	314.2	271.7	188.2
Proposed dividend per share (DKK)	2.25	2.00	1.80	1.70	1.60

Non-Financials

Non-Financials	2018	2017	2016	2015	2014
Number of full-time employees at year-end	47,394	45,636	44,779	22,783	22,874
Rate of occupational accidents (per million working hours)	4.6	4.2	4.6	5.9	5.9
CO_2e (g/ton-km) – Sea transport	6.1	6.3	6.9	6.6	7.9
CO_2e (g/ton-km) – Air transport	588.5	607.0	601.9	622.0	666.9
CO_2e (g/ton-km) – Road transport	71.5	72.3	73.9	72.0	70.9

For a definition of the financial highlights, please refer to page 81

DELIVERING ON GROWTH

2018 was yet another record year for DSV. We performed according to our own expectations and achieved strong organic growth across all business areas.

For the Group, we achieved revenue of DKK 79,053 million (+8.1%), gross profit of DKK 17,489 million (+7.9%) and operating profit before special items of DKK 5,450 million (+14.5%).

Adjusted free cash flow came to DKK 3,916 million, and in line with our capital allocation policy we have distributed DKK 4,541 million to shareholders in 2018 via share buyback and dividend.

In 2018, we received a BBB+ credit rating from S&P. This is a testament to DSV's financial strength.

A YEAR OF GEOPOLITICAL CONCERNS

During 2018, several geopolitical issues caused uncertainty in the logistics markets – most notably the implementation of trade tariffs between the US and China and the ongoing Brexit negotiations.

The direct impact on our activities and financial results in 2018 was limited. We are working closely with our customers to make sure that we will be prepared – as best we can – for the different Brexit and "trade war" scenarios. We hope that the contending parties will reach good, sustainable agreements.

In DSV, we are great believers in free trade and globalisation, and our base assumption is that global trade will grow in line with GDP in the coming years. In any case, we are flexible and will adapt to changing market conditions if necessary.

A DISCIPLINED APPROACH TO M&A

In 2018, we continued to benefit commercially from the strong market position and scale benefits we gained through the successful integration of UTi.

While M&A remains an important part of our strategy, we are also a disciplined and patient buyer. We pursue M&A opportunities when we see a strong business case and value for DSV's shareholders. But M&A is not a must – we already have a strong platform for organic growth and a clear target of outgrowing the underlying market.

In 2018, we delivered on this target and took market share across all business areas.

We constantly focus on our customer relationships, looking for ways to improve our value proposition.

Our financial performance is proof of high productivity and a strong performance culture. For our customers this translates into high quality services.

THE DURABILITY OF THE FREIGHT FORWARDER

Digitalisation and new technology remain hot topics in our industry, and the freight forwarder has been declared an endangered species for decades.

In 2018, DSV performed better than ever and our strategy has stood the test of time; the asset-light business model combined with focus on growth, operational excellence and people is a winning recipe. For this reason, we hold on to our vision and strategy.

We will continue to develop our IT infrastructure and our digital services, and we strongly believe that we will benefit from further digitalisation and new technology. In 2018, our staff increased by 3.9%. In spite of our continued efforts to rationalise through digital workflows, IT systems and automation, we still need the right people to support our growth.

Further steps towards ensuring a talent pipeline and structured people development were taken in 2018 with the expansion of DSV Academy and implementation of a global talent management programme.

TARGETING FURTHER GROWTH

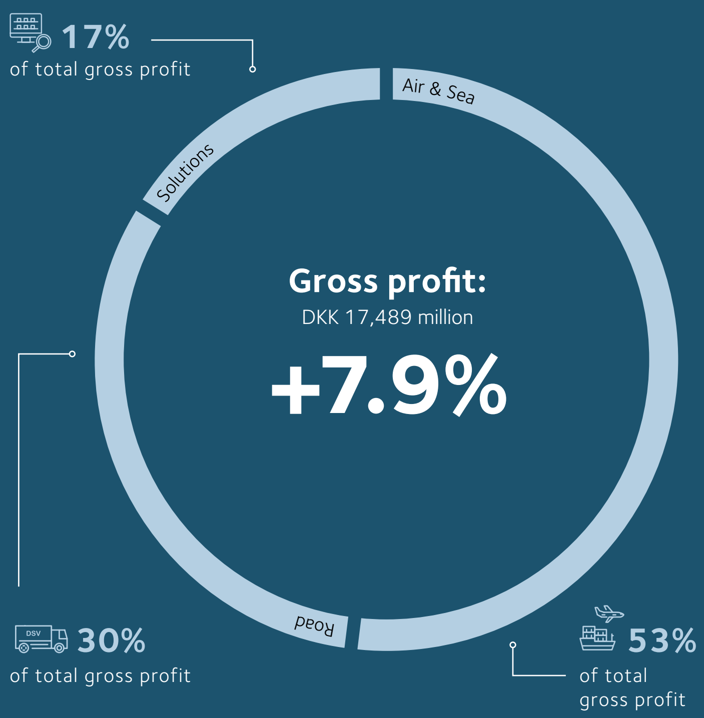
The plan for 2019 is further growth – both organic and inorganic. We assume that the transport markets will grow around 3% and expect that we can take market share.

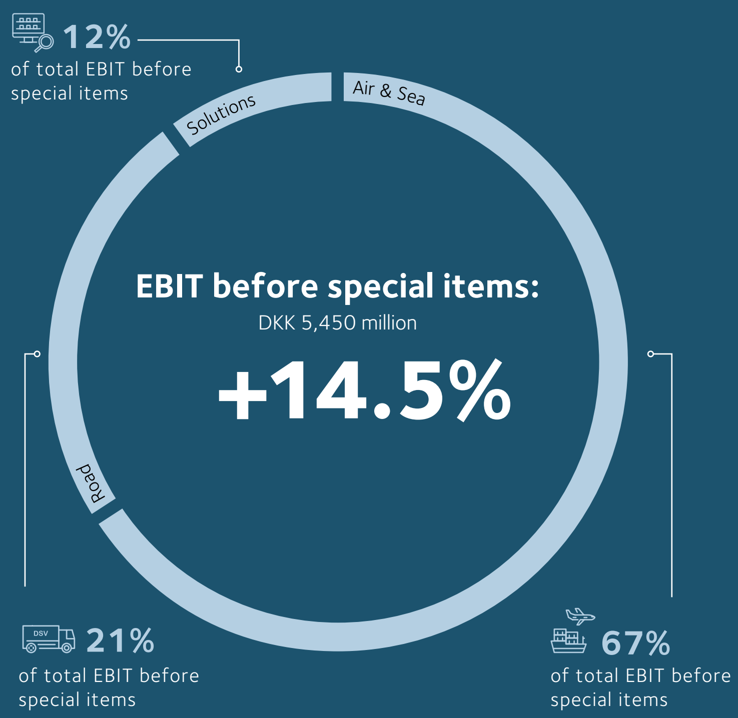
We will continue to look for suitable M&A candidates to accelerate growth, but we will also keep a strong focus on delivering high-quality services to customers so we can grow with them.

Jens Bjørn Andersen
CEO

HIGHLIGHTS 2018

TOTAL GROUP RESULTS*





* Growth% is presented in constant currencies

TARGET FULFILLMENT

OPERATING PROFIT BEFORE SPECIAL ITEMS

In line with outlook for 2018, operating profit before special items came to DKK 5,450 million for 2018. Concurrently, the conversion ratio driven by improved productivity came to 31.2% for 2018 against 29.4% for 2017.

2018 Actual	5,450
2018 Outlook	5,400-5,600

ADJUSTED FREE CASH FLOW

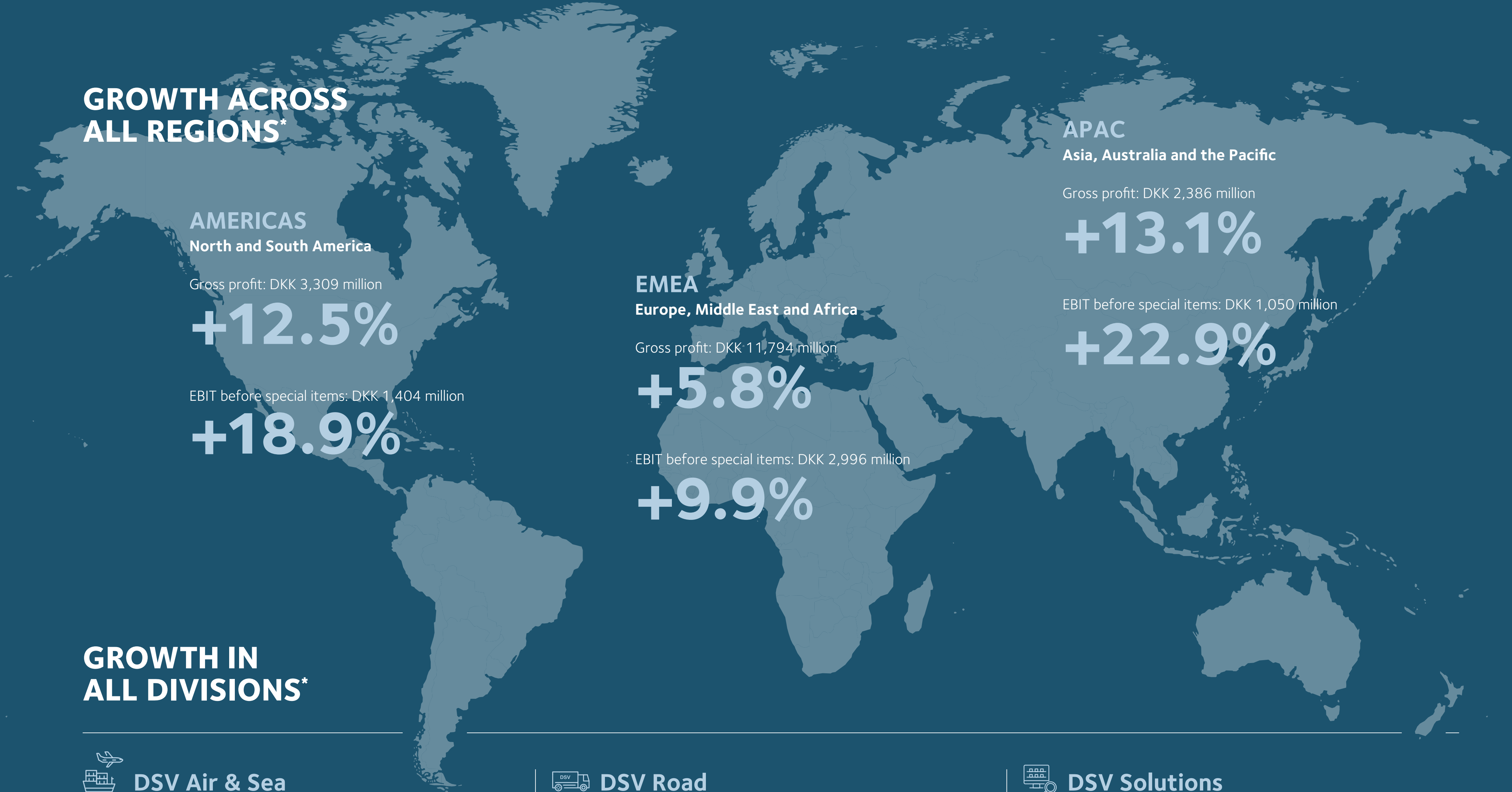
For 2018, adjusted free cash flow (excluding the Impact from M&A and special items) decreased to DKK 3,916 million impacted positively by higher EBITDA before special items and absence of integration costs, but negatively by higher working capital and extraordinary contributions to pension plans.

2018 Actual	3,916
2018 Outlook	4,200

ROIC

The return on invested capital came to 26.7% in 2018, up from 23.4% in 2017. The increase was mainly a result of improved earnings. Invested capital amounted to DKK 20,381 million.

2018 Actual	26.7%
2020 Target	> 25%



GROWTH ACROSS ALL REGIONS*

AMERICAS
North and South America

Gross profit: DKK 3,309 million

+12.5%

EBIT before special items: DKK 1,404 million

+18.9%

EMEA
Europe, Middle East and Africa

Gross profit: DKK 11,794 million

+5.8%

EBIT before special items: DKK 2,996 million

+9.9%

APAC
Asia, Australia and the Pacific

Gross profit: DKK 2,386 million

+13.1%

EBIT before special items: DKK 1,050 million

+22.9%

GROWTH IN ALL DIVISIONS*

DSV Air & Sea

Driven by a strong focus on sales and increasing productivity, DSV Air & Sea achieved 10.1% growth in gross profit in 2018 – and 18.2% growth in EBIT before special items. DSV performed well in the market, securing an 8.4% growth in air freight volumes and 3.8% growth in sea freight volumes.

EBIT before special items:
DKK 3,693 million

+18.2%

DSV Road

Focus on better pricing and turn-around of low margin activities led to DSV Road achieving growth in gross profit of 2.0% (adjusted growth 4.5%) in 2018 – whereas EBIT before special items decreased 3.2% (adjusted growth 8.2%). The adjustment relates to the property transaction of approximately DKK 125 million in Q1 2017. DSV Road gained market share across our network, which led to volume growth of 3% in 2018.

EBIT before special items:
DKK 1,147 million

+8.2%

DSV Solutions

In 2018, DSV Solutions' markets, contract logistics markets and omnichannel, continued the upward movement carried on from 2017. This led the division to achieve a 13.2% growth in gross profit – and a growth of 44.1% in EBIT before special items. 2018 was also impacted positively from long-term focus on consolidation of infrastructure and improved customer integration.

EBIT before special items:
DKK 709 million

+44.1%

* Growth% is presented in constant currencies

VISION AND STRATEGY

OUR VISION
DSV is one among many players in a large, fragmented and competitive freight forwarding market. Our vision is simple, yet ambitious:

"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".

With a few modifications of the wording, our vision has been the same for years. Global supply chains and technology change and this impacts the way we work, but the fundamentals of freight forwarding do not change overnight.

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

We have a strong foothold among small and mid-sized customers, and we will continue to focus on this segment. In recent years, we have also achieved growth with large, multinational customers and we are increasingly offering industry-specific solutions, e.g. within automotive and pharma logistics.

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

OUR FOUR STRATEGIC FOCUS AREAS

ABOVE MARKET GROWTH
DSV actively pursues profitable growth – organically and via M&A.

Measured by revenue and profit margins, we are 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.

DSV has a track record of company integrations – and having successfully completed the integration of UTi Worldwide, we are ready for new M&A opportunities. Our main acquisition targets are large, global freight forwarders, preferably with high exposure to the air and sea market.

OPERATIONAL EXCELLENCE THROUGHOUT
Freight forwarding is a service industry characterised by high volumes and relatively low profit per shipment/unit. This means that high productivity – operational excellence – is essential to profitability above market level.

We constantly strive to do things better than yesterday and to optimise quality, delivery times and prices to the benefit of our customers.

Based on the principle of one main system per business area, we operate a consolidated, standardised and scalable IT landscape. We work systematically to ensure high data quality and security. When available, we prefer standard, off-the-shelf IT systems.

We measure productivity and financial performance methodically across the organisation to ensure that management has the best possible basis for decision making.

Our international and regional shared service centres continue to develop and grow as administrative competency hubs, servicing our global organisation.

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

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

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

Recruitment and retainment of talent remain key to DSV'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 very best people.

INDUSTRY AND MARKETS

THE FREIGHT FORWARDING INDUSTRY
As an international freight forwarder we operate in the transport and logistics market, supporting our customers' entire supply chain – all the way from shipper to consignee.

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

The key resources of a freight forwarding company are skilled people with logistics knowhow, efficient IT systems, global networks of offices and warehouses, as well as buying power and strong relations with transport companies/carriers.

Our global network covers more than 75 countries and consists of approximately 500 warehouses and cross-dock terminals and 600 office locations. In countries where we do not have our own network, we work with agents.

MORE THAN A BROKER
In addition to organising transports, we offer our customers a full range of services necessary for processing goods in different parts of the supply chain. These value-added services include purchase order management, cargo consolidation, insurance, customs clearance, pick-and-pack, etc.

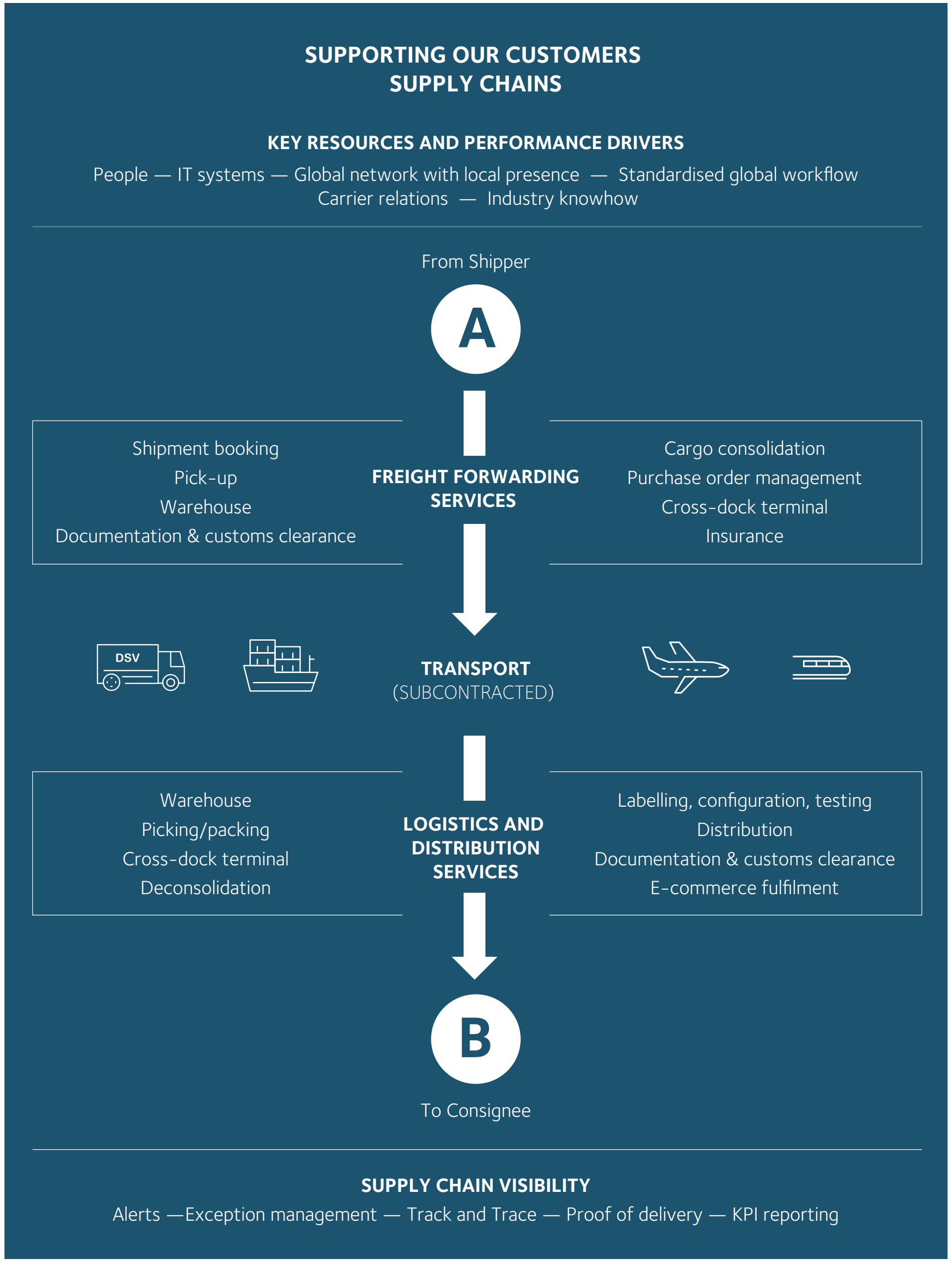
Value-added services are a vital part of modern supply chains and they require a high level of industry knowhow. It is secure and convenient for our customers to procure these services from us, and allows us to monitor the entire supply chain and provide supply chain visibility services (e.g. exception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

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

ONE OF THE BIG FIVE
DSV is among the top five global freight forwarders with an estimated 2% market share. Together, the top 5 players have a market share of approximately 15% of the global freight forwarding market, and the top 20 players approximately 30% of the market.

Because the freight forwarding market is fragmented it is highly competitive, making price one of the main competitive factors.

In recent years, several of the large freight forwarding players have systematically gained market share.



This is a trend we expect will continue, and DSV is committed to taking an active part in the industry consolidation by growing both organically and via M&A.

GDP SETS THE PACE FOR MARKET GROWTH

The global economy sets the pace for the transport and logistics market, and in recent years growth in global trade has been on par with global GDP-growth. This is also DSV's expectation for market growth in the coming years.

The growth varies regionally, and several global trends impact global trade flows – most significantly, the gradual change to consumption-driven economy, which is taking place in several developing countries. This means that classic export markets, mainly in Asia, are becoming more balanced as import grows.

PREVALENT MARKET TRENDS

Trade tariffs and Brexit

During 2018, we saw introduction of trade tariffs and a general increase in protectionist measures with the US and China as the main campaigners.

Transports between China and US represent approximately 10% of DSV's air and sea volumes and, so far, we have seen a limited impact from the tariffs on our volumes.

Following the implementation of the first tariffs during 2018, some companies have been able to find alternative suppliers in alternative countries and there have been examples of inventory build-up ahead of the tariffs. However, large scale changes to established supply chains will take years.

UK's planned exit from the EU is another example of a change to international trade conditions. The UK represents approximately 5% of DSV's activities, and 2018 saw preparations for various Brexit scenarios, e.g. by adding extra capacity to handle customs clearance formalities.

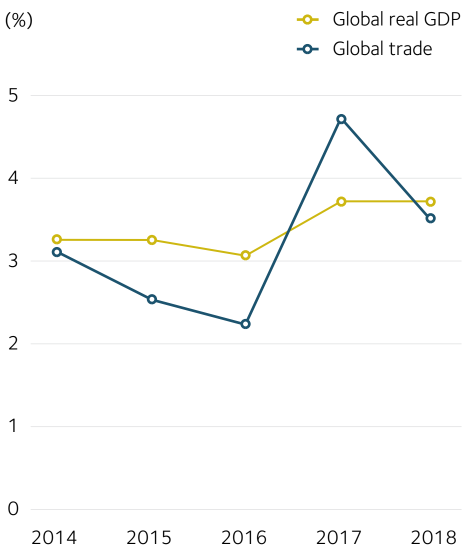
New or increasing customs formalities will add complexity to supply chains and can lead to higher demand for value-added services.

We do not believe that the current geopolitical trends are "the end of globalisation" as we know it. Global supply chains are complex and production is highly specialised in different regions. This is likely to drive growth in global trade, also in the coming years.

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

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

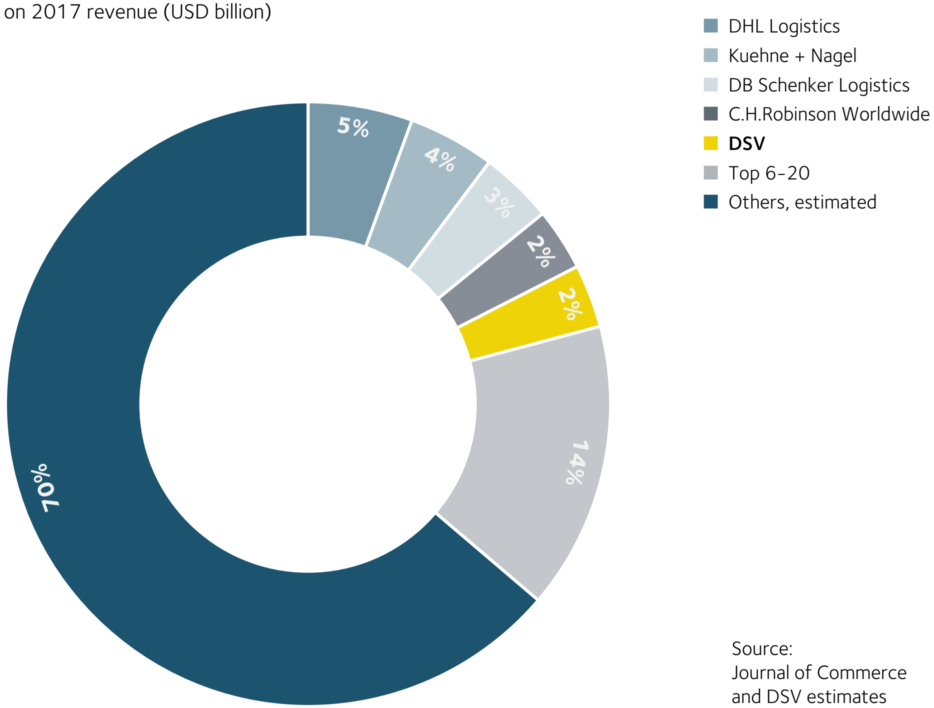
GROWTH IN GLOBAL GDP AND TRADE



Source:
Morgan Stanley Research

MARKET SHARES

Global top 5 freight forwarders and market share based on 2017 revenue (USD billion)



Source:
Journal of Commerce and DSV estimates

From supply to demand chains

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

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

Supply chains are increasingly becoming demand chains where customer demand dictates purchase orders and flow of goods. Consequently, companies are keeping stocks low to minimise inventory and risk.

This is driving demand for efficient logistics solutions where real-time tracking, alerts and punctual delivery are crucial elements.

Against the same background, e-commerce and omni-channel logistics (allowing consumers multiple options of shopping and delivery) continued to grow in 2018.

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

Sustainability continued to be on the agenda of DSV and our customers in 2018. The focus of the transport and logistics industry is on reducing impact on the environment and the maturing of greener transportation technologies.

New market entrants

When start-ups, established carriers and online retailers develop smart digital customer interfaces and start offering traditional freight forwarding services we are potentially faced with new competition. However, DSV believes that the established freight forwarders with years of experience, large freight volumes and pre-existing global networks are in a strong position to hold on to and expand their market position.

PREVALENT TECHNOLOGICAL TRENDS

DSV's Innovation Lab was established to ensure that we systematically monitor and prioritise relevant trends and technologies. Several technologies are already in use, while others are tested or merely monitored.

In the following, some of the most important trends impacting DSV are described.

Digital interaction with customers and subcontractors

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

The rollout and continued development of our digital freight platform, myDSV, continued in 2018. We have made significant progress and DSV Road in Europe has successfully moved all online digital bookings to myDSV.com.

Mobile apps for scanning of shipment status (DSV Driver App, Last Mile Delivery App) were implemented in Road and Air & Sea.

Our Quote tool for road freight has been implemented over the last two years and provides an efficient and standardised process for quotes to customers.

Further development of digital interactions progressed in 2018 with work being done on eDC (purchase order management) as well as EDI and API integrations with customers.

Predictive analytics and AI

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

Robotics

The DSV Robotics Centre of Excellence is the hub of Robotic Process Automation (RPA) used to handle repetitive, data intensive and rules-based business processes in DSV. The use of RPA helps achieve cost reductions, quality improvements and shorter transaction times. By the end of 2018, there were more than 100 software robots "employed" in DSV.

Warehouse automation

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

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

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

Technologies on the horizon

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

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

OUTLOOK AND FINANCIAL TARGETS

OUTLOOK FOR 2019

For 2019, we expect an operating profit before special items of DKK 5,900-6,300 million. Adjusted free cash flow is expected at the level of DKK 4,300 million.

The operating profit before special items is estimated to be positively impacted by DKK 300-350 million by the change of accounting policies following the implementing of IFRS 16. Adjusted free cash flow is not impacted by IFRS 16.

Adjusted for IFRS 16 impact the expected organic growth in operating profit before special items is 2-9%.

IFRS 16 will cause an estimated increase in financial expenses of DKK 350 - 370 million. This means that net financial expenses for 2019 are expected in the level of DKK 620-650 million.

This outlook assumes stable developments in the markets in which we operate.

The OECD and IMF project global economic growth around 3% in 2019, 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 and that DSV will be able to gain market share in all the markets, in which we operate.

Our expectations are based on the assumption that currency exchange rates, especially the USD, against the DKK will remain at the current level (6 February 2019).

OUTLOOK FOR 2019 (DKKm)	Actual 2018	IFRS 16 impact	**Outlook 2019**
Operating profit before special items	5,450	+ 300 - 350	5,900 - 6,300
Adjusted free cash flow	3,916	-	4,300
Effective tax rate	23.3%	-	23%

2020 FINANCIAL TARGETS

The 2020 financial targets are adjusted for the impact of the changed accounting policies following the implementing IFRS 16, but are otherwise unchanged from last year and are expected to be achieved by 2020.

The targets are based on the assumption of stable global economic developments during the period, with global annual GDP growth of approx. 3% (with regional differences) and freight market growth in line with GDP growth.

The main drivers for reaching the targets are above-market volume growth in all divisions.

With growth in transport volumes and continuous focus on operational excellence, we see opportunities to improve productivity in all divisions.

NEW ACCOUNTING POLICY FOR LEASES

The IFRS 16 accounting standard for leases will be applied from 1 January 2019 onwards. The standard will have a material impact on DSV's financial statements, as off-balance operating leases will be capitalized.

The estimated impact is described in note 1 (page 51).

2020 TARGETS	**Previous 2020 Target**	IFRS 16 impact	**Revised 2020 Targets**
DSV – total			
Operating margin	7.5%	0.0% - +0.5%	> 7.5%
Conversion ratio	32.5%	-1.5% - -2.5%	> 30.0%
ROIC (before tax)	> 25.0%	-7.0% - -8.0%	> 20.0%
Air & Sea			
Operating margin	10.0%	0.0% - +0.5%	10%
Conversion ratio	42.5%	0.0% - +0.5%	42.5%
Road			
Operating margin	5.0%	0.0% - +0.5%	5.0%
Conversion ratio	25.0%	-1.0% - -2.0%	22.5%
Solutions			
Operating margin	6.0%	+1.0% - +2.0%	7%
Conversion ratio	25.0%	-2.5% - -3.5%	22.5%

CAPITAL STRUCTURE AND ALLOCATION

CAPITAL STRUCTURE
Our capital structure is designed to ensure:

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

After the implementeation of IFRS 16 our targeted financial gearing ratio is below 2.0xEBITDA (previously 1.0-1.5x). The ratio may exceed this range following significant acquisitions.

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

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

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

DSV has a track record of successful company integrations – and having successfully completed the integration of UTi Worldwide, DSV is ready for new M&A opportunities, provided a solid business case can be established.

As shown below DSV have been able to create an increasing return on invested capital over time. The value creation comes from joining our platforms and scale effects (stronger buying power, cross-selling from enhanced network and clientele, operational efficiencies in terms of freight capacity).

This value is distributed to shareholders through share buybacks and dividends. Group Management continuously monitors whether the realised and expected capital structure meets the targets set. Any adjustments to the capital structure are determined in connection with the release of quarterly financial reports and are made primarily through share buybacks.

DSV aims to ensure that the dividend per share develops in line with the earnings per share. Proposed dividends for 2018 amount to DKK 2.25 per share, equivalent to an increase of 12.5% on 2017.

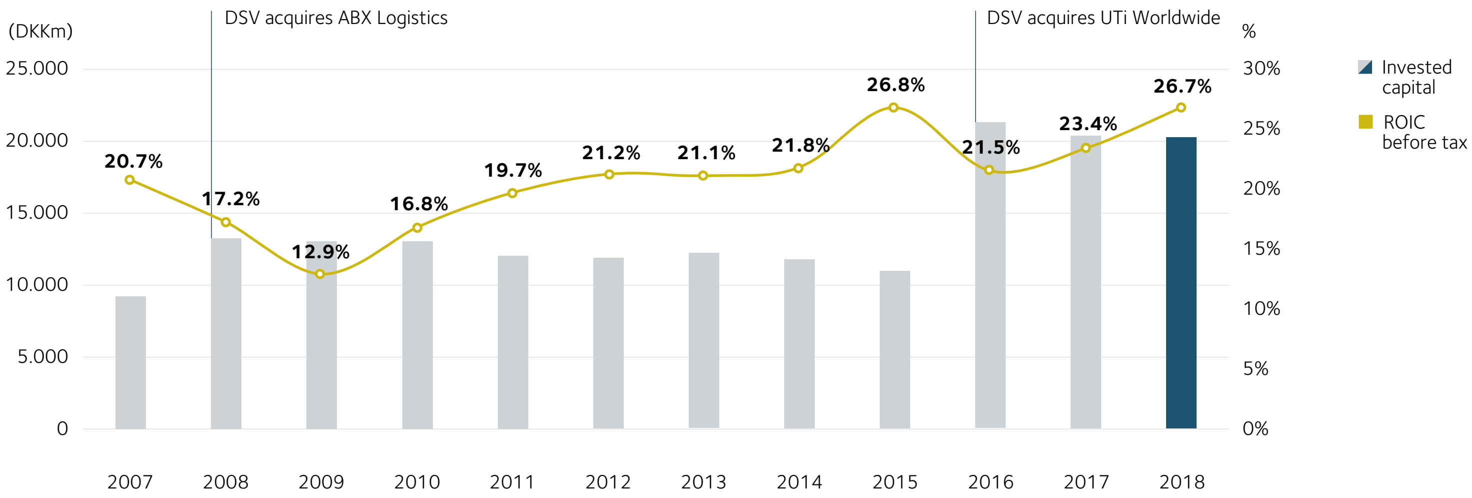
FORWARD-LOOKING STATEMENTS

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 DSV's control, may result in actual developments differing considerably from the expectations set out in the 2018 Annual Report.

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

VALUE THROUGH ACQUISITIONS



FINANCIAL REVIEW

CLOSING IN ON 2020 FINANCIAL TARGETS
The group achieved 7.9% growth in gross profit, driven by above-market growth in all divisions. Operating profit grew 14.5%, and the conversion ratio came to 31.2% and is closing in on the current 2020 target of 32.5%.

Adjusted free cash flow came to DKK 3,916 and we have distributed DKK 4,541 to shareholders via share buyback and dividend, in line with our the capital allocation policy.

Diluted adjusted earnings per share grew a solid 20.1% in 2018.

RESULTS
Revenue totalled DKK 79,053 million for 2018 (2017: DKK 74,901 million). Adjusted for exchange rate fluctuations (constant currencies), growth for the period was 8.1%.

The Air & Sea division achieved revenue growth of 8.5%, Road 3.8% and Solutions 18.3% (constant currencies). The global transport and logistics markets saw a volume growth of approx. 3% in 2018, which is estimated to be in line with growth in global economy. Market growth was slightly lower in the second half of 2018 as the general economy slowed down.

DSV's growth in revenue was driven by higher activity levels in all three divisions as well as market share gains, in particular within air freight and in Solutions. Furthermore, average freigth rates were higher in 2018.

Revenue – primarily in Air & Sea – was negatively impacted by a DKK 1,786 million currency translation effect in 2018. This was mainly due to USD.

Gross profit totalled DKK 17,489 million for 2018 (2017: DKK 16,605 million), corresponding to an increase of 7.9% (constant currencies).

The growth was driven by higher activity level and higher average gross profit per shipment.

The Air & Sea division achieved growth in gross profit of 10.1%, Road achieved 2.0% and Solutions 13.2% (constant currencies). The gross margin was 22.1% for 2018, which was on level with 2017.

Regionally, the highest growth rates were achieved in the APAC region with 13.1% and in the Americas with 12.5%. In EMEA, growth in gross profit was 5.8% (constant currencies).

Gross profit – primarily in Air & Sea – was negatively impacted by a DKK 404 million currency translation effect in 2018.

Operating profit before special items (EBIT) totalled DKK 5,450 million for 2018 (2017: DKK 4,878 million), up 14.5% (constant currencies).

CONDENSED INCOME STATEMENT

(DKKm)	2018	2017
Revenue	79,053	74,901
Direct costs	61,564	58,296
Gross profit	**17,489**	**16,605**
Other external expenses	3,036	3,110
Staff costs	8,241	7,831
EBITDA before special items	**6,212**	**5,664**
Amortisation and depreciation	762	786
EBIT before special items	**5,450**	**4,878**

FULL-YEAR GROWTH	2017 full-year	Currency translation adjustments	Growth incl. Acquisitions	2018 full-year
Revenue				
Growth		-2.6%	8.1%	5.5%
DKKm	74,901	(1,786)	5,938	79,053
Gross profit				
Growth		-2.6%	7,9%	5.3%
DKKm	16,605	(404)	1,288	17,489
EBIT before special items				
Growth		-2.8%	14.5%	11.7%
DKKm	4,878	(116)	688	5,450

The Air & Sea division reported EBIT before special items of DKK 3,693 million (2017: DKK 3,225 million).

The Road division reported EBIT before special items of DKK 1,147 million (2017: DKK 1,201 million).

The Solutions division reported EBIT before special items of DKK 709 million (2017: DKK 494 million).

Regionally, the Americas recorded EBIT growth of 18.9%, APAC grew 22.9% and EMEA 9.9% (constant currencies).

The negative currency translation impact of DKK 116 million was primarily related to Air & Sea.

Total staff costs (excluding hourly workers) came to DKK 8,241 million for 2018 (2017: DKK 7,831 million). The development was impacted by inflationary adjustments of salaries, and despite a general improvement in productivity the higher activity level led to a slight increase in headcount in certain areas. The increase was partly offset by currency translation adjustments.

Other external expenses totalled DKK 3,036 million for 2018 (2017: DKK 3,110 million).

The conversion ratio was 31.2% for 2018 against 29.4% for 2017.

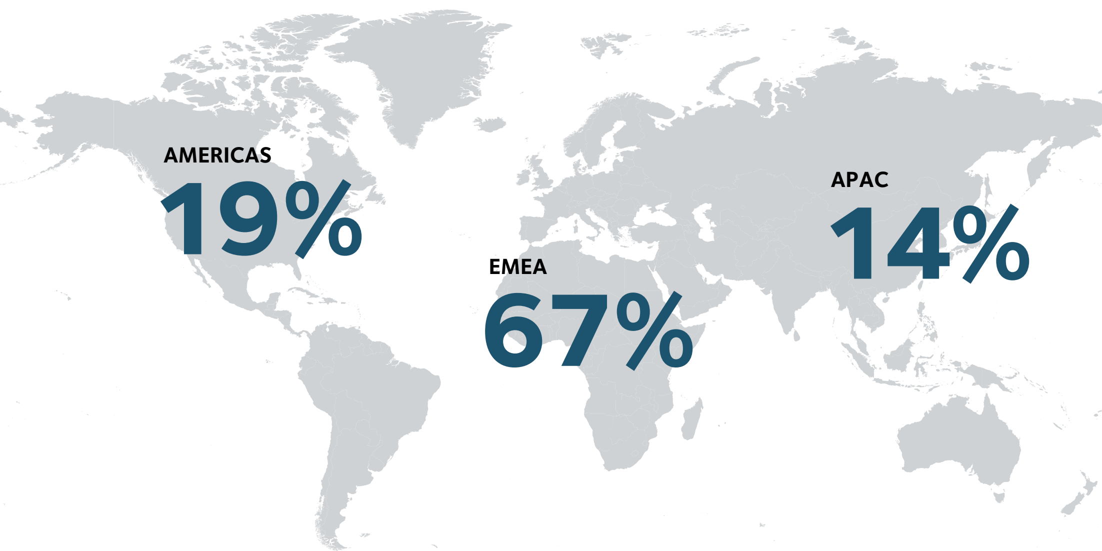
The improvement is attributable to improved productivity, especially in Air & Sea and Solutions, driven by a consolidated infrastructure and improved efficiency. Furthermore, the remaining synergies from the UTi integration were realised in 2018.

The operating margin was 6.9% for 2018 against 6.5% for 2017 and was impacted by the same factors as the conversion ratio.

There were no **special items** in 2018 (2017: DKK 525 million).

GEOGRAPHIC SEGMENTATION 2018

Gross profit can be broken down by the following geographical areas:



Net financial expenses totalled DKK 249 million for 2018 (2017: DKK 556 million).

Excluding the impact from exchange rate adjustments, net financial expenses were at the same level as last year, amounting to DKK 309 million in 2018 (2017: DKK 296 million).

The average interest rate payable on DSV's long-term loans, credit facilities and interest rate hedging was 2.2% in 2018 (2.2% in 2017).

Net exchange rate adjustments came to a net gain of DKK 60 million in 2018 (2017: a net loss of DKK 260 million). The exchange rate adjustments mainly related to intra-group loans and had no cash flow impact.

Tax on profit for the year totalled DKK 1,213 million for 2018 (2017: DKK 785 million). The effective tax rate was 23.3% versus 20.7% in 2017.

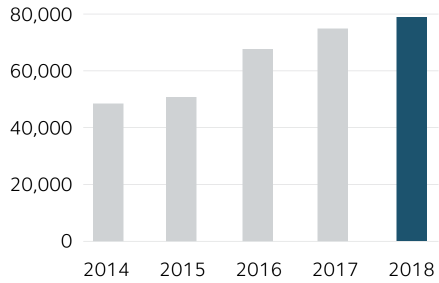
The effective tax rate for 2018 was at the expected level. For 2017, the effective tax rate was lower than normal, impacted by restructuring of UTi activities.

Profit for the year totalled DKK 3,988 million for 2018 against DKK 3,012 million for 2017. The growth was driven by higher operating profit, lower net financial expenses – and the absence of integration costs (special items) in 2018.

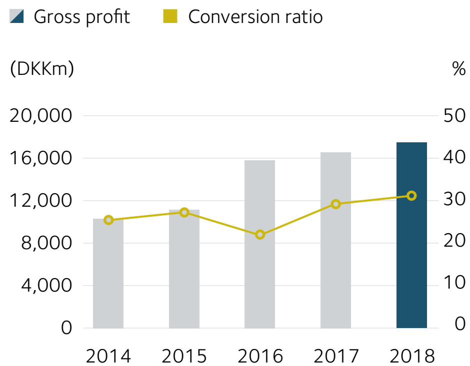
Diluted, adjusted earnings per share increased by 20.1% to DKK 22.1 for 2018 driven by the higher earnings.

REVENUE

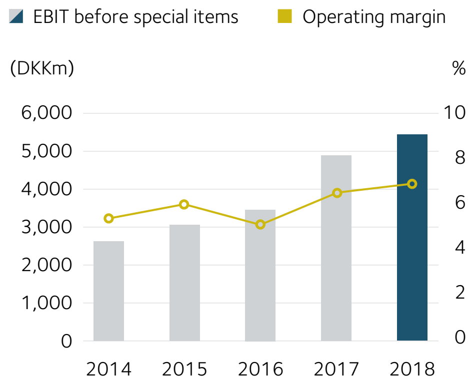
(DKKm)



GROSS PROFIT



EBIT BEFORE SPECIAL ITEMS



CASH FLOW STATEMENT

Cash flow from operating activities was DKK 4,301 million for 2018 versus DKK 4,664 million for 2017. Cash flow was impacted by higher EBITDA before special items and absence of integration costs, but negatively impacted by higher net working capital.

In Q4 2018, extraordinary contributions to pension plans had a negative impact of aproximately DKK 250 million on cash flow.

Net working capital (NWC) came to DKK 1,767 million on 31 December 2018 (2017: DKK 1,410 million).

Relative to full-year revenue, funds tied up in NWC increased to 2.2% on 31 December 2018 versus 1.9% at year-end 2017.

Increased Air & Sea activities have led to higher NWC for the Group, compared to historical levels.

Cash flow from investing activities was a cash outflow of DKK 444 million in 2018 (2017: DKK 325 million).

Free cash flow came to DKK 3,857 million for 2018 against DKK 4,339 million for 2017.

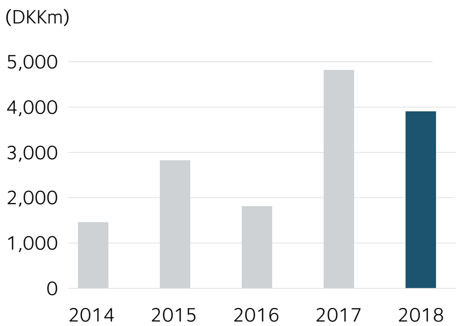
Adjusted free cash flow (excluding the impact from M&A and special items) amounted to DKK 3,916 million in 2018 versus DKK 4,835 million in 2017.

In accordance with DSV's capital allocation policy, the free cash flows for 2018 were distributed to shareholders as the financial gearing ratio has been within the target range throughout the year.

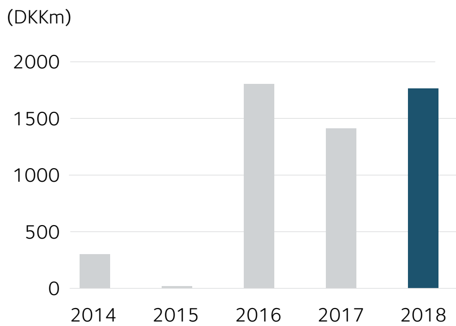
DILUTED ADJUSTED EARNINGS PER SHARE (DKKm)	2018	2017
Profit for the year	3,988	3,012
Non-controlling interests' share of consolidated profit for the year	(12)	31
DSV A/S shareholders' share of profit for the year	**4,000**	**2,981**
Amortisation of customer relationships	28	41
Share-based payments	93	68
Special items, net	-	525
Related tax effect	(28)	(131)
Adjusted profit for the year	**4,093**	**3,484**
Diluted average number of shares in circulation ('000)	185,287	189,112
Diluted adjusted earnings per share of DKK 1	22.1	18.4

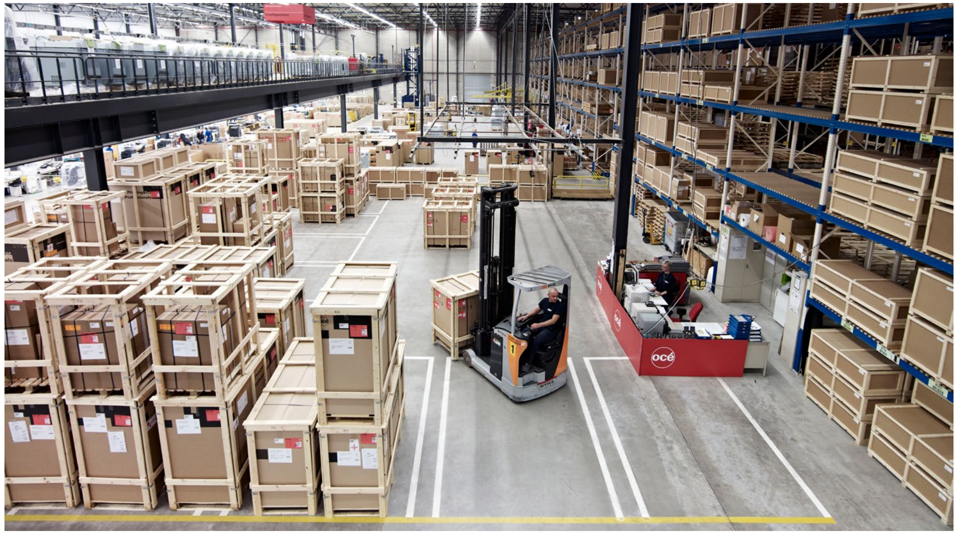
CASH FLOW STATEMENT (DKKm)	2018	2017
Cash flow from operating activities	4,301	4,664
Cash flow from investing activities	(444)	(325)
Free cash flow	**3,857**	**4,339**
Cash flow from financing activities	(4,000)	(4,715)
Cash flow for the period	**(143)**	**(376)**
Adjusted free cash flow	**3,916**	**4,835**

ADJUSTED FREE CASH FLOW



NET WORKING CAPITAL





CAPITAL STRUCTURE AND FINANCES

DSV shareholders' equity share came to DKK 14,561 million on 31 December 2018 (2017: DKK 14,835 million). The solvency ratio was 37.5% at the end of 2018 (2017: 38.6%).

Movements in equity mainly relate to net profit for the year, purchase and sale of treasury shares, distribution of dividends, and currency translation adjustments for foreign enterprises.

Net interest-bearing debt amounted to DKK 5,831 million on 31 December 2018 against DKK 5,575 million on 31 December 2017.

The financial gearing ratio (net interest-bearing debt to EBITDA before special items) was 0.9 at year-end 2018 (2017: 1.0).

On 31 December 2018, the total duration of DSV's bond, loan and credit facilities was 3.2 years (2017: 3.2 years).

Credit rating: In September 2018, S&P Global Ratings assigned a BBB+ long-term issuer credit rating to DSV A/S with a stable outlook.

Invested capital amounted to DKK 20,381 million on 31 December 2018 (2017: DKK 20,391).

Return on invested capital (ROIC before tax) was 26.7% in 2018 versus 23.4% in 2017. The increase was mainly driven by higher operating profit (EBIT before special items).

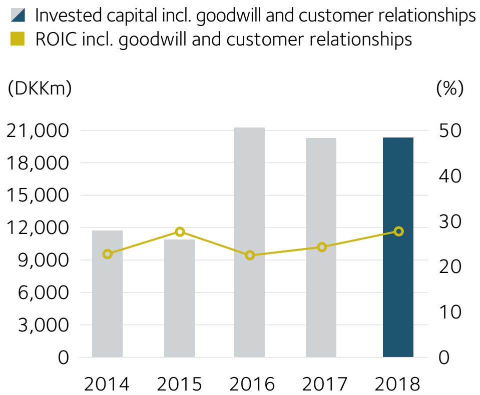
SUBSEQUENT EVENTS

In Company Announcement no. 734 from 16 January 2019, we informed that we had made a private proposal to acquire Panalpina Welttransport Holding AG. Please refer to note 5.8 page 80 for further details.

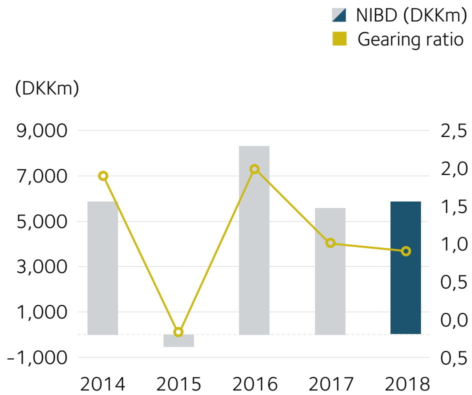
DEVELOPMENT IN EQUITY (DKKm)	2018	2017
Equity at 1 January	14,835	13,416
Net profit for the period	4,000	2,981
Dividends distributed	(380)	(342)
Purchase of treasury shares	(4,161)	(1,559)
Sale of treasury shares	372	303
Net exchange differences recognised in OCI	(144)	(429)
Other adjustments, net	39	465
Equity at 31 December	**14,561**	**14,835**

DEVELOPMENT IN NET INTEREST-BEARING DEBT (DKKm)	2018	2017
Loans and credit facilities	2,895	2,027
Issued bonds	3,972	4,713
Finance leases	192	217
Other non-current liabilities	79	29
Total financial liabilities	**7,138**	**6,986**
Other interest-bearing receivables	149	63
Cash and cash equivalents	1,158	1,348
Total financial assets	**1,307**	**1,411**
Net interest-bearing debt	**5,831**	**5,575**

ROIC AND INVESTED CAPITAL INCLUDING GOODWILL AND CUSTOMER RELATIONSHIPS



NET INTEREST-BEARING DEBT AND GEARING RATIO



(Growth% is presented in constant currencies)

Driven by our strong focus on sales and increasing productivity, DSV Air & Sea achieved 10.1% growth in gross profit and 18.2% growth in EBIT before special items in 2018.

MARKET SITUATION AND PERFORMANCE

After a strong start to 2018, growth in the air freight market dropped to a level of 4% for the year. Compared to the growth level of 8-9% in 2017, when the air freight market experienced the strongest volume growth in nine years, we consider the market growth in 2018 to be on a more normal level, closer to the growth rate in the underlying economy.

DSV performed well in this market, securing an increase in air freight tonnes of 8%. As was the case for the market, our growth rates were highest in the first half of 2018 and throughout the year we achieved the highest growth in exports from Europe and North America.

The sea freight market grew 3%, in line with the underlying economy.

DSV achieved sea freight volume growth of 4%, which was slightly above market level. DSV's performance was impacted by the fact that our largest trade lane, Asia-Europe with approx. one third of total volume, saw a modest market growth during 2018. On the positive side, Europe-North America developed strongly.

The implementation of trade tariffs between the US and China has had limited impact on DSV's performance in 2018. The trade lane represents approx. 10% of our total volume.

GROWTH IN FREIGHT VOLUMES 2018	DSV	Market
Sea freight – TEUs	4%	3%
Air freight – tonnes	8%	4%

Market growth rates are based on DSV estimates

RESULTS

Revenue totalled DKK 36,972 million for 2018 (2017: DKK 35,204 million). In constant currencies, growth for the year was 8.5%.

The increase in revenue was mainly driven by growth in both air and sea freight volumes. Furthermore, the average freight rates – mainly for sea freight – were higher in 2018 than in 2017.

Revenue was negatively impacted by a DKK 1,126 million currency translation effect in 2018.

Gross profit totalled DKK 9,193 million for 2018 (2017: DKK 8,624 million). In constant currencies, growth for the year was 10.1%.

The increase in gross profit was driven by higher freight volumes. The development in gross profit per shipment was satisfactory in 2018 and improved for both air and sea.

The division's gross margin was 24.9% for 2018 against 24.5% for 2017.

EBIT before special items totalled DKK 3,693 million for 2018 (2017: DKK 3,225 million). In constant currencies, growth for the year was 18.2%.

The earnings growth in constant currencies was driven by all regions with a strong performance across EMEA (11.8%), the Americas (19.0%) and APAC (23.7%).

The conversion ratio was 40.2% for 2018 against 37.4% for 2017. The operating margin was 10.0% for 2018 compared to 9.2% last year.

The profit margin improvement was driven by continued production effciency improvements across the organisation. The division has successfully leveraged on the global network, efficient IT infrastructure and back-office functions.

CONDENSED INCOME STATEMENT AND KEY FIGURES (DKKm)	2018	2017
Revenue	36,972	35,204
Direct costs	27,779	26,580
Gross profit	**9,193**	**8,624**
Other external expenses	1,854	1,798
Staff costs	3,560	3,490
EBITDA before special items	**3,779**	**3,336**
Amortisation and depreciation	70	88
Amortisation of customer relationships	16	23
EBIT before special items	**3,693**	**3,225**
Gross margin (%)	24.9	24.5
Conversion ratio (%)	40.2	37.4
Operating margin (%)	10.0	9.2
Total invested capital	11,144	11,377
Net working capital	1,808	1,539
ROIC (%)	32.8	27.8
Number of full-time employees at year-end	12,130	12,041
AIR FREIGHT		
Revenue	18,892	17,579
Direct costs	14,265	13,361
Gross profit	**4,627**	**4,218**
Gross margin (%)	24.5	24.0
Volume (tonnes)	689,045	635,655
Gross profit per unit (DKK)	6,715	6,635
SEA FREIGHT		
Revenue	18,080	17,625
Direct costs	13,514	13,219
Gross profit	**4,566**	**4,406**
Gross margin (%)	25.3	25.0
Volume (TEUs)	1,442,348	1,389,611
Gross profit per unit (DKK)	3,166	3,171

Exchange rate fluctuations had a negative impact on EBIT before special items of DKK 102 million in 2018.

Net working capital came to DKK 1,808 million at the end of 2018 against DKK 1,539 million at year-end 2017. The increase was mainly attributable to higher activity levels in 2018.

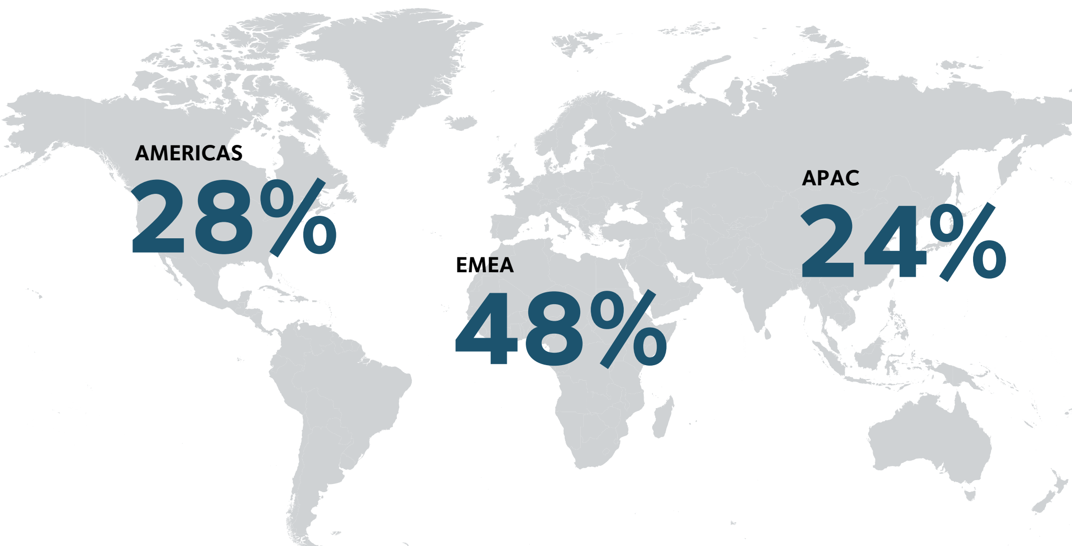
Return on invested capital was 32.8% in 2018 against 27.8% in 2017. The increase was mainly due to an increase in operating profit.

STRATEGIC AND OPERATIONAL HIGHLIGHTS
In 2018, we concentrated on organic growth, sales and on increasing both individual and team productivity.

Our employees have done an impressive job, improving productivity, which was already among the highest in our industry.

While a significant part of our sales organisation is focused on local sales and the SME segment, our global sales organisation was successful in landing new, large accounts as well as developing existing accounts.

GEOGRAPHIC SEGMENTATION 2018
Division gross profit can be broken down by the following geographical areas:



In our local sales teams we strove to become even more customer centric, and our operational teams aimed to provide even better services. We worked on defining clear sales targets and, not least, focused on the face time with our customers.

On the digital front, we made progress on KPI reporting to customers. We now have an automated setup, operated from our shared services centre, where standardised reports are produced with the help of software robots (robotics).

On the supplier side, we have also made progress on digital integrations. This enables us to provide improved status information to customers.

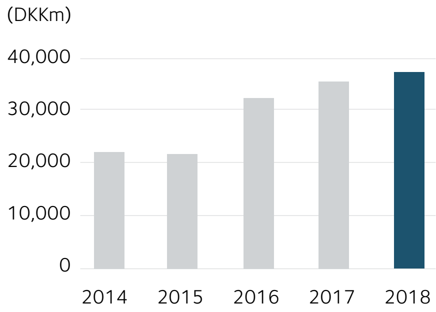
For 2019, we are planning to onboard more customers to our digital customer interface, myDSV, with options for shipment booking, tracking, alerts and reports.

To optimise our global network we have restructured our Sub-Saharan activities in 2018. Futhermore, with our new office in Panama, we believe we are well positioned for further growth in the Central American market.

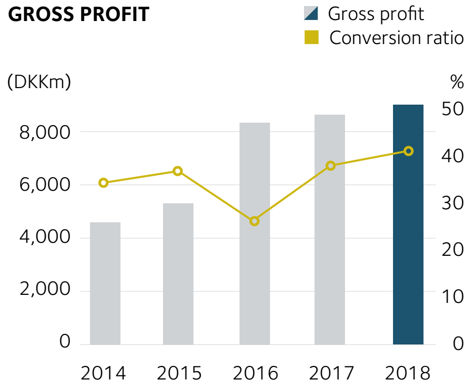
FOCUS AREAS IN 2019
In 2019, we will continue to focus on winning market share and grow earnings.

We are confident that we have the best people in the business to drive the progress towards securing more large accounts, and our global sales organisation is gaining momentum.

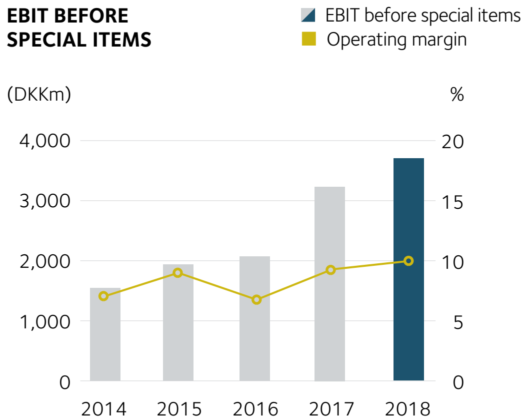
REVENUE



GROSS PROFIT



EBIT BEFORE SPECIAL ITEMS

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ROAD

GROSS PROFIT
+4.5%
to DKK 5,308 million

EBIT
+8.2%
to DKK 1,147 million

CONVERSION RATIO
21.6%
(2017: 22.7%)

(Growth% is presented in constant currencies and adjusted for DKK 125 million one-off in 2017)

In 2018, DSV Road focused on organic growth and improvement of productivity. As a result, DSV Road could report a 3% increase in number of shipments and an EBIT before special items of DKK 1,147 million against DKK 1,201 million in 2017. Adjusted for one-off gain in 2017, growth in EBIT before special items came to 8.2%.

MARKET SITUATION AND PERFORMANCE

Europe is the main market for DSV Road, representing almost 90% of revenue. North America is the largest DSV Road market outside Europe.

We estimate that the European road freight market grew 2-3% in 2018, in line with the underlying economic growth rate.

DSV Road achieved 3% growth in shipments in 2018, thus modestly outgrowing the market.

In Europe, the balance between supply and demand for haulage capacity was better in 2018 compared to a tough 2017. During 2018, the haulage capacity was tight in the busiest months. In general, we have been able to secure the necessary capacity, but the situation led to increasing freight rates. In North America, the capacity situation remains challenging due to structural shortage of drivers.

GROWTH IN ROAD SHIPMENTS 2018	DSV	Market (Europe)
Shipments	3%	2-3%

Market growth rate is based on DSV estimates

RESULTS

Revenue totalled DKK 31,243 million for 2018 (2017: DKK 30,627 million). In constant currencies, growth for the year was 3.8%.

The increase was mainly attributable to the growth in number of shipments.

We saw the strongest growth areas for DSV Road in Benelux, Scandinavia and Eastern Europe. North America also saw positive development.

Gross profit totalled DKK 5,308 million in 2018 (2017: DKK 5,287 million). In constant currencies, growth for the year was 2.0%. When adjusted for a DKK 125 million property gain in Q1 2017, growth in constant currencies was 4.5% for the year.

The increase in gross profit was mainly driven by growth in volumes.

The division's gross margin for 2018 was 17.0% (2017: 17.3%). The market remains highly competitive, leading to pressure on the gross margin. The gross margin was also impacted by a slight change in product mix as the division has grown in the domestic distribution market, which normally carries a lower GP margin than cross-border traffics.

EBIT before special items totalled DKK 1,147 million for 2018 (2017: DKK 1,201 million).

The decline in EBIT was due to the property transaction in Q1 2017. Adjusted for this the underlying growth was 8.2% in constant currencies.

Both North America and several European countries performed well and achieved growth in earnings in 2018.

2018 was also impacted by the successful turn-around of certain underperforming countries and activities.

The conversion ratio was 21.6% for 2018 (2017: 22.7%).

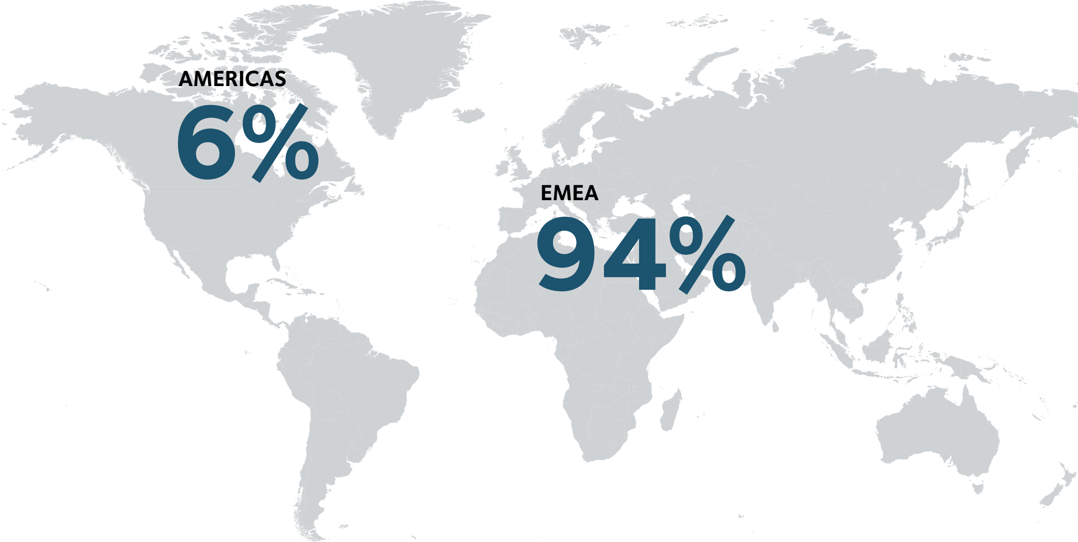
The division's operating margin for 2018 was 3.7% (2017: 3.9%).

Net working capital came to DKK -708 million at the end of 2018 against DKK -921 million at year-end 2017. The development was mainly attributable to a higher activity level. Return on invested capital was 26.8% in 2018 against 32.0% in 2017. Though lower than previous years, the level of return on invested capital is still very satisfying for the division.

CONDENSED INCOME STATEMENT AND KEY FIGURES (DKKm)	2018	2017
Revenue	31,243	30,627
Direct costs	25,935	25,340
Gross profit	**5,308**	**5,287**
Other external expenses	1,326	1,269
Staff costs	2,706	2,672
EBITDA before special items	**1,276**	**1,346**
Amortisation and depreciation	125	139
Amortisation of customer relationships	4	6
EBIT before special items	**1,147**	**1,201**
Gross margin (%)	17.0	17.3
Conversion ratio (%)	21.6	22.7
Operating margin (%)	3.7	3.9
Number of full-time employees at year-end	12,850	12,998
Total invested capital	4,342	4,215
Net working capital	(708)	(921)
ROIC (%)	26.8	32.0

GEOGRAPHIC SEGMENTATION 2018

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



STRATEGIC AND OPERATIONAL HIGHLIGHTS

Our focus in 2018 was organic growth and improved financial performance. Adjusted for property gain we managed to improve the financial results and to turn around underperforming activities.

Financial performance is of course strongly linked to operational performance, and 2018 was very much the year of the customer: meeting customer demand and focusing on customer relations.

The customer demand for more digital services and real-time tracking of shipments continued in 2018, prompting us to speed up and complete the onboarding of all European Road countries to our digital portal, myDSV.

At present, the self-service portal allows customers to easily book and track shipments as well as access standard reports online – while still having the option of contacting a freight forwarder.

Further developments, e.g. the addition of online quotes, are planned for 2019.

Another digital project carried over from 2017 was the implementation of the DSV Driver app used by European drivers to scan pick-ups and deliveries. The app became available for download in April and by the end of 2018 close to 4,000 drivers were using the app, which feeds delivery status information into myDSV. Another initiative to improve real-time shipment tracking.

The development of a new transport management system (CWF) for our Road activities continued in 2018. In September, Austria became the second country to start using CWF as a pilot.

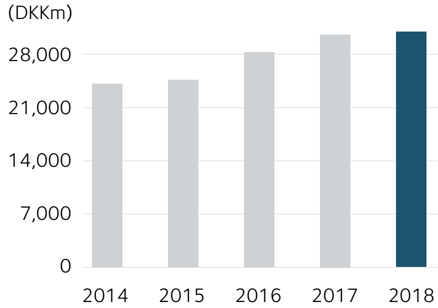
As in previous years, we added new and more efficient terminals to our roadmap in 2018: new terminals opened in Paris, Jönköping and Helsinki; and in the UK and Germany, we made improvements to existing terminals to increase productivity.

FOCUS AREAS IN 2019

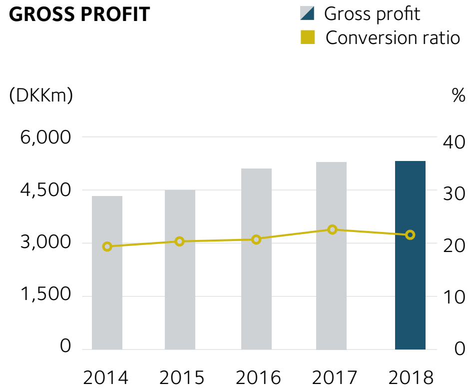
The above-mentioned projects will all run into 2019 and continue to demand focus from the organisation.

We will continue to develop our activities and strive to take market share in all regions, not least in Europe and North America, and are confident that we can take advantage of the momentum created in 2018. Focus will be on optimisation and automation and providing quality and excellent customer service through dedicated customer services centres.

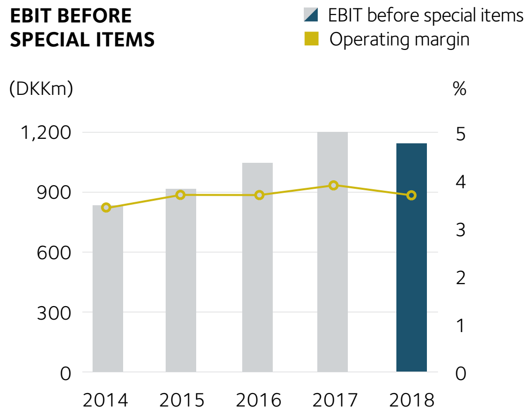
REVENUE



GROSS PROFIT



EBIT BEFORE SPECIAL ITEMS



SOLUTIONS

GROSS PROFIT

+13.2%

to DKK 3,035 million

EBIT

+44.1%

to DKK 709 million

CONVERSION RATIO

23.4%

(2017: 18.1%)

(Growth% is presented in constant currencies)

In 2018, the contract logistics and omni-channel markets continued the upward movement from 2017. This led the division to achieve 13.2% growth in gross profit and 44.1% growth in EBIT before special items.

MARKET SITUATION AND PERFORMANCE

Activity levels in the global market for contract logistics were up in 2018. The estimated market growth was 3-4%, affording great opportunity to grow with the market.

While the growth applied to most industries, e-commerce once again took the lead with significant hype around the major online retail players.

As a result, warehouse occupancy rates went up and the demand for new warehouse capacity rose. DSV also took part in the general expansion of warehouse capacity in the market in 2018 by adding approximately 6% new warehouse capacity and replacement of existing, small and less efficient sites.

RESULTS

Revenue totalled DKK 13,229 million in 2018 (2017: DKK 11,362 million). In constant currencies, growth for the year was 18.3%.

The division achieved growth with both new and existing customers, mainly in the industrial, automotive and retail segments. This increase was handled both via new warehouses and through better utilization of existing capacity.

Gross profit totalled DKK 3,035 million in 2018 (2017: DKK 2,730 million). In constant currencies, growth for the year was 13.2%.

The increase in gross profit for the period was mainly attributable to higher activity levels. In 2018, we added approximately 9% new staff – mainly warehouse workers - to handle the increase in activity.

The division's gross margin was 22.9% in 2018 against 24.0% in 2017.

EBIT before special items totalled DKK 709 million in 2018 (2017: DKK 494 million). In constant currencies, growth came to 44.1%.

The conversion ratio was 23.4% in 2018 against 18.1% last year. The division's operating margin was 5.4% in 2018 against 4.3% in 2017.

Growth in earnings was mainly driven by strong performance in the EMEA region. The margin improvement was driven by a higher gross profit and improved performance in several locations.

Net working capital amounted to DKK 818 million on 31 December 2018 (2017: DKK 905 million). The improvement was achieved as a result of the division's focus on optimising NWC.

Return on invested capital was 17.9% in 2018 versus 12.4% last year. The increase was mainly due to higher operating profit.

STRATEGIC AND OPERATIONAL HIGHLIGHTS

With an occupancy rate of approximately 93%, DSV Solutions was able to report close to "full house" in 2018. This was the result of new customer wins and more business with existing customers.

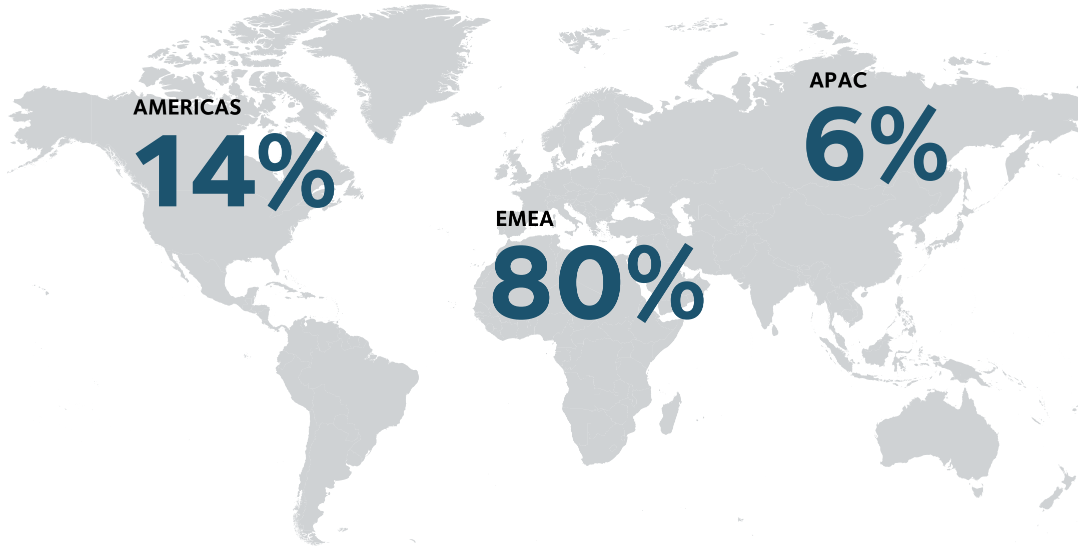
The retail (including e-commerce), automotive and pharma industries were our most successful industries.

For several years, we have focused on optimising and consolidating our warehouse

CONDENSED INCOME STATEMENT AND KEY FIGURES (DKKm)	2018	2017
Revenue	13,229	11,362
Direct costs	10,194	8,632
Gross profit	**3,035**	**2,730**
Other external expenses	955	884
Staff costs	1,141	1,087
EBITDA before special items	**939**	**759**
Amortisation and depreciation	222	253
Amortisation of customer relationships	8	12
EBIT before special items	**709**	**494**
Gross margin (%)	22.9	24.0
Conversion ratio (%)	23.4	18.1
Operating margin (%)	5.4	4.3
Number of full-time employees at year-end	20,025	18,382
Total invested capital	3,947	3,992
Net working capital	818	905
ROIC (%)	17.9	12.4

GEOGRAPHIC SEGMENTATION 2018

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



capacity, and we now see the positive impact of this consolidation. The construction of new warehouse capacity will continue in the coming years with several ongoing and planned projects.

We continue to focus on increasing productivity, through warehouse automation, standardised operating processes and implementation of planning tools.

The roll-out of our global WMS platform continues, and the platform is now used for more than 60% of the division's activity.

The preparation for a possible hard Brexit has impacted the activities of and planning for several customers during 2018.

Among other things, we have assisted in establishing continental European dispatch warehouses, replacing UK-based distribution centres.

Strengthening our multi-channel fulfilment capabilities

In September, we acquired S&H Product Fulfilment. The company was rebranded DSV Multi-channel Fulfilment and continues as a stand-alone company in the DSV Group.

With this addition, DSV Solutions can now offer all services related to e-fulfilment in Europe – from webshop design to fulfilment of orders, payment and returns handling. The plan is to expand these standardised services globally.

FOCUS AREAS IN 2019

We expect the positive market trend driving demand for more warehouse capacity and related logistics capabilities to continue into 2019.

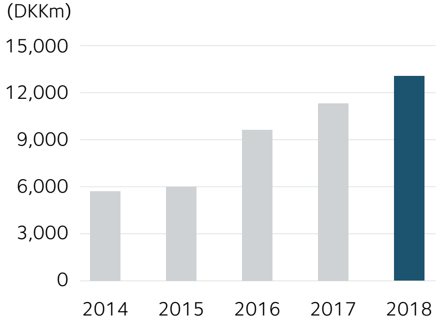
Our focus will yet again be on winning more contracts and on expanding our business activities with existing customers. This is likely to result in more warehouse construction projects in 2019.

At the same time, we will continue to work on the consolidation and optimisation of existing warehouses, systems and processes to further optimise productivity.

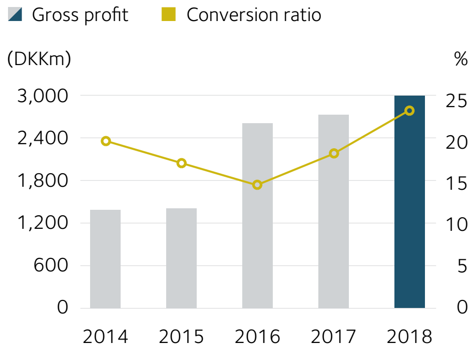
We will also target growth in the pharma and healthcare industries. We already have multiple specialised pharma warehouses around the world, all of which are certified according to relevant ISO and GDP standards.

We maintain our goal of gaining market share, especially in the omni-channel market.

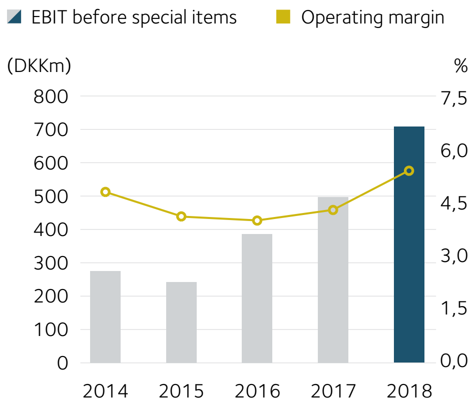
REVENUE



GROSS PROFIT



EBIT BEFORE SPECIAL ITEMS



RISK MANAGEMENT

RISK GOVERNANCE STRUCTURE

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

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

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

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

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

RISK MANAGEMENT PROCESS

As illustrated, our risk management process consists of two parallel processes within the organisation:

1. Operational risk management – comprising ongoing handling of various identified risks resulting from our normal day-to-day operations;

2. Strategic risk management – addressing key risks and the more strategic risk scenario in which DSV operates.

OPERATIONAL RISK MANAGEMENT

Every week, the Executive Board receives consolidated reports on risks and other operational matters of importance from across the Group, including risk mitigation actions undertaken by the relevant risk owners.

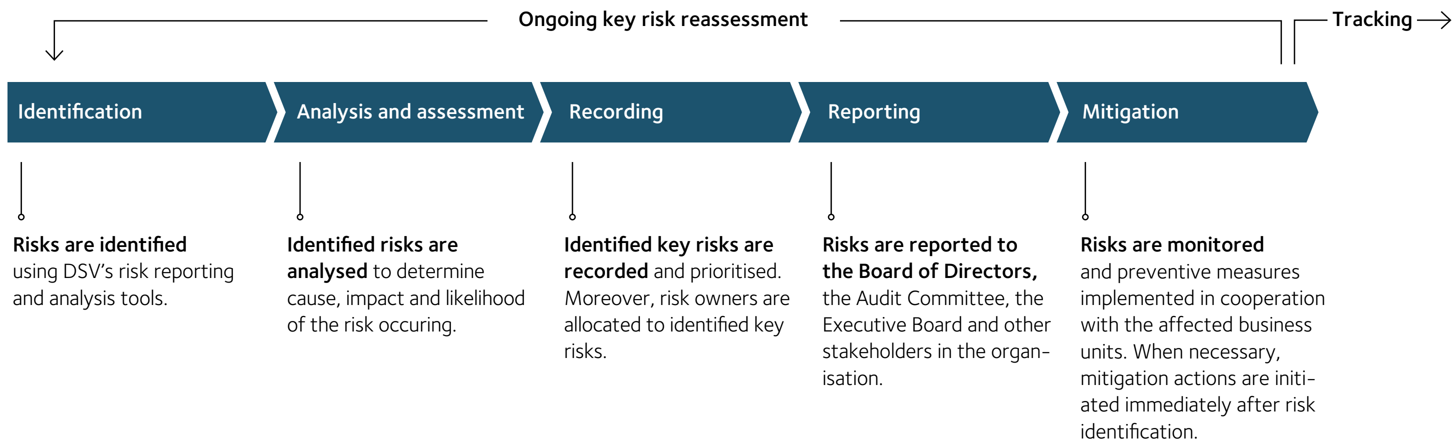
These reports form the basis of the Executive Board's day-to-day risk management activities and also serve as input for the ongoing reporting to the Board of Directors and the Audit Committee.

In addition, the reporting is used in the ongoing monitoring and reassessment of identified key risks as described in the following.

STRATEGIC RISK MANAGEMENT

The ongoing operational risk management process is followed up on a yearly basis by an extensive Group-wide risk analysis, in which the risks observed by key employees across the Group are analysed and consolidated into a key risk map. These key risks are addressed by the Executive Board, the

Dynamic risk adaption



Audit Committee and the Board of Directors as part of the strategic decision-making of the Group.

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

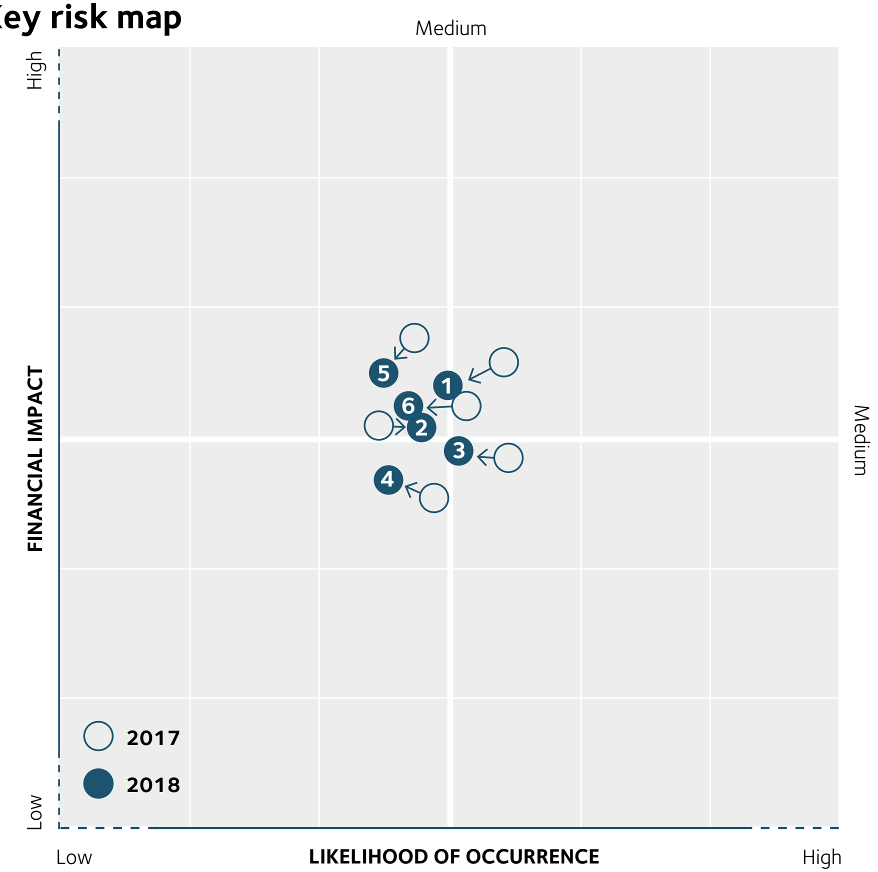
The status of key risks is reported to the Audit Committee and formalised at year-end by presentation to and approval by the Audit Committee and the Board of Directors.

KEY RISK ANALYSIS
The latest analysis of the Group's internal and external strategic risks was carried out in the last quarter of 2018.

The analysis confirmed six overall key risk categories that may have a significant impact on the Group's earnings, financial position and achievement of other strategic objectives. The results of the risk analysis, including developments in the risk assessment since last year, are presented in the risk map to the right.

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

Key risk map



1 **IT**
System and process breakdown

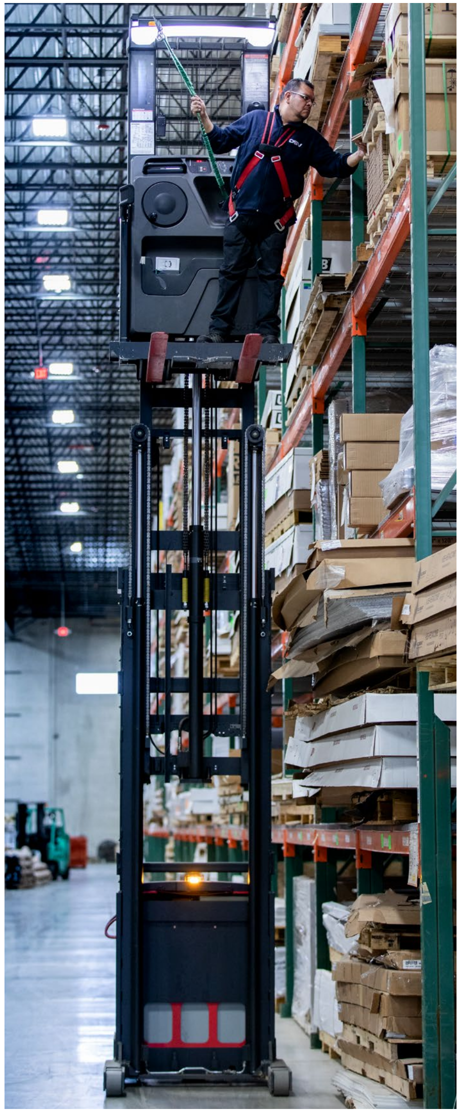
2 **Macroeconomy**
Recession and regional exposure

3 **Employees**
Employee retention and attraction

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

5 **M&A**
Acquisitions for integration

6 **Technology**
Disruption and technological adoption



IT system and process breakdowns

RISK DESCRIPTION

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

This makes us vulnerable to system outages, cyber-attacks and failed IT implementation.

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

MITIGATION STRATEGIES

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

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

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

RISK ASSESSMENT 2018

In 2018, we experienced stable performance of our IT infrastructure - both in terms of operational stability and successful mitigation of cyber-attacks.

We have invested further in IT infrastructure following the trend from previous years, mainly focusing on upgrades to our server platforms, continued worldwide rollout of centralised operational, financial and reporting systems, and the implementation of additional cyber-attack mitigation measures.

The mitigation of security risks has been further strengthened through updates to our server platforms, backup systems and by additional investments in dedicated IT security staff functions.

Based on the investments made and the reliable track record of our systems, the probability of negative IT incidents occurring has been slightly reduced in the Group risk assessment for 2018.

Employees retention and attraction

RISK DESCRIPTION

Employees are a vital resource to DSV. 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 DSV.

MITIGATION STRATEGIES

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

We have done this by establishing a performance culture where our employees are empowered and have the ability to influence their everyday work life. Additionally, we offer clear career advancing opportunities to talented employees.

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

RISK ASSESSMENT 2018

Because of the economic upturn in recent years, hiring and retaining the right people still present challenges in certain parts and/or geographic areas of our business.

To counter this we have continued to focus on various HR initiatives, including succession planning and talent management programmes. Additionally, extended resources have been assigned to our HR departments across the organisation.

Based on these continued efforts, the probability of failed employee retention/attraction occurring has been slightly reduced in the Group risk assessment for 2018.

Macroeconomy recession and regional exposure

RISK DESCRIPTION

The supply of logistics services and solutions, mainly in the business-to-business market, is our core activity. An economic recession leading to stagnation or declining economic growth will therefore directly impact our activity level and consequently our financial results.

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

MITIGATION STRATEGIES

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

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

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

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

RISK ASSESSMENT 2018

Following the trend from previous years, 2018 generally saw stable economic growth in most of the markets in which we operate.

We have seen the contribution from the Americas and APAC regions steadily increasing for more than a decade now, implying that close to 50% of our earnings today are generated outside of Europe.

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

In 2018, we saw mixed signals and rising concerns about protectionist measures enacted by some of the major world economic powers. These have yet to manifest themselves in any measurable negative effect on our financial results, however the uncertainty is there and is something we are following closely. Hence, the likelihood of negative macroeconomic risks occurring has been increased in the Group risk assessment for 2018.

M&A acquisitions and integration

RISK DESCRIPTION

Growth through acquisitions is fundamental to our corporate strategy. As such, the current DSV 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 achieved.

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

DSV has a history of successful integration of acquired companies and realisation of expected synergies.

This success rests on several factors. First of all, we stress the importance of potential acquirees matching DSV's existing business model. Secondly, all acquisitions are based on a thorough due diligence process including all vital aspects (financial, operational, IT, legal and tax). In addition, our IT, reporting and operational systems are designed to be scalable to accommodate the effective integration of new entities into the Group.

The integration work in each country is based on clear ownership, where the local management team heads the integration based on guidelines from Group Management. Furthermore, our focus on centralisation of administrative processes and systems means that we are able to integrate, adapt and support a range of services for the acquired companies from an early stage of the integration process.

RISK ASSESSMENT 2018

2018 marked the completion of the UTi integration. The acquisition was initiated three years ago and has been the largest and most complex in the history of DSV. The integration was completed according to plan.

The successful completion of the UTi integration has removed any remaining uncertainties and reaffirmed the capabilities of the DSV organisation to successfully carry out acquisitions and integrate businesses.

For this reason, the potential financial impact of failed M&A activities and the likelihood of occurrence has been lowered in the Group risk assessment for 2018.

Technology disruption and technological adaption

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 existing players and new entrants to the market.

In this regard, digitisation and automation of processes (quoting, booking, tracking, reporting and billing) are the most important developments we are seeing impacting the freight forwarding market.

These developments represent an opportunity to optimise workflows and increase productivity, but also imply higher service levels expected by our customers. Failure to adapt to this will lead to a gradual long-term loss of market share and earnings.

MITIGATION STRATEGIES

Our overall mitigation approach is centred on constant monitoring of the logistics market, technologies, customer offerings and other processes that could potentially impact the way we do business. We see new technologies as opportunities not threats, and we are always open to new ideas.

Based on this we focus on developing our services, systems and operational procedures to ensure that DSV has a strong and competitive product offering that fulfils our customers' requirements and expectations.

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

RISK ASSESSMENT 2018

Failure to adapt the existing DSV 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 the DSV 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 probability of occurrence has been slightly reduced in the Group risk assessment for 2018.

Compliance fines, claims for damages, etc.

RISK DESCRIPTION

Because of our global operations, we are subject to extensive national and international legislation and regulations. Statutory regulations relating to tax, customs, VAT and competition law are increasing in scope and complexity.

DSV, including Management and staff, may risk fines, prison sentences and claims for damages in case of non-compliance. Non-compliance may also have a long-term negative impact on DSV's reputation.

MITIGATION STRATEGIES

Compliance has high priority in DSV and our internal procedures and IT systems are designed to ensure compliance with relevant legislation and the DSV Code of Conduct.

This is embedded in our manuals and business processes, which are adopted throughout the organisation and contain clear guidelines on how employees should act in relation to particularly risky issues or situations.

At group level we monitor and manage areas of risk in close cooperation with all business units.

RISK ASSESSMENT 2018

The transfer of UTi activities to DSV operational systems and compliance framework has strengthened the combined organisation and reduced the risk of non-compliance.

However, we still face increasing requirements and regulations from authorities and organisations. Additionally, the fines issued by the authorities in cases of non-compliance are also increasing. This puts pressure on our organisation, systems and procedures to mitigate the risk of non-compliance.

With the completion of the UTi integration, the probability of compliance risks occurring has been slightly reduced, whereas the potential financial impact of non-compliance has been slightly increased in the Group risk assessment for 2018.


INVENTORY
CONTROL
IC
TOYS

CORPORATE GOVERNANCE

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

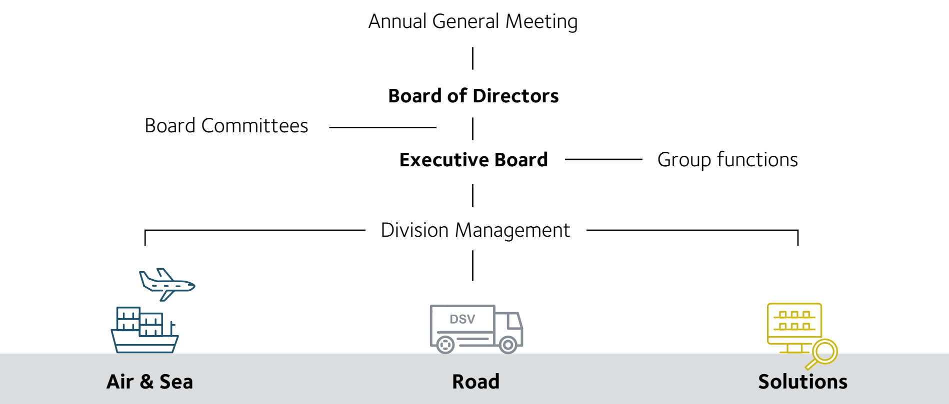
The Board of Directors supervises and outlines the overall visions, strategies and objectives for the development of the Group's business activities.

The Executive Board is responsible for the day-to-day management and the execution of the strategy, 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 work.

The allocation of responsibilities between the Board of Directors and the Executive Board is laid down in the relevant Rules of Procedure.

The individual Division Managers are responsible for the day-to-day operations of the divisions supported by centralised Group functions.



Organisation

BOARD OF DIRECTORS

Composition
The Board of Directors of DSV currently has six members. According to the Company's Articles of Association, the Board of Directors must comprise at least five and not more than nine Directors. Directors are elected for a term of one year at a time, and new Directors are elected according to the applicable rules of the Danish Companies Act.

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

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

In instances where specialised knowledge or insight is required in supporting the work of the Board, services may be obtained from external advisors or specialists.

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

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

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

The result of the self-evaluation conducted in 2018 did not give rise to any significant considerations and supports the current composition of the Board.

On this basis, the Board is considered to have the right competencies supporting the long-term value creation for our shareholders.

Independence of Board members
According to the Danish Recommendations on Corporate Governance, four of the six members of the Board of Directors are regarded as independent. Kurt K. Larsen (Chairman) and Jørgen Møller were members of the Executive Board and Division Management, respectively, until joining the Board of Directors and are therefore not regarded as independent Board members as defined in the Recommendations.

Board meetings
The Board of Directors held eight ordinary and three extraordinary board meetings in 2018. The content of the meetings is determined by the annual cycle of the Board, thus ensuring that all important policies are reviewed.

The Board of Directors and the Executive Board of DSV.
Standing (from left): Jens Bjørn Andersen, Kurt K. Larsen, Jørgen Møller, Thomas Plenborg, Robert Steen Kledal, Jens H. Lund.
Sitting (from left): Annette Sadolin, Birgit W. Nørgaard.

Besides the work laid down in the annual cycle, in 2018 the Board also focused on other ad hoc tasks such as merger and acquisition proposals and updated Recommendations on Corporate Governance.

The Board meeting attendance for 2018 is highlighted in the following:

Meeting attendance 2018	Board of Directors	Audit Committe	Nomination Committee	Remuneration Committee
Kurt K. Larsen	11/11	3/4	2/2	2/2
Thomas Plenborg	11/11	4/4	-	2/2
Jørgen Møller	10/11	-	2/2	-
Annette Sadolin	10/11	3/4	2/2	-
Birgit W. Nørgaard	11/11	-	2/2	-
Robert Steen Kledal	11/11	-	-	-

BOARD COMMITTEES

Audit Committee

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

The overall tasks of the Audit Committee are:

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

The Committee held three ordinary and one extraordinary meetings in 2018. Furthermore, the Committee maintains a close dialogue with relevant management levels during the year, both formal and informal. Besides the work laid down in the annual cycle, the adoption of new IFRS standards, with the main focus being on IFRS 16, various structural matters and other specific accounting matters were the focus areas of 2018.

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

Nomination Committee

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

The overall tasks of the Nomination Committee are:

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

The Committee held two meetings in 2018, mainly focusing on the composition of the Board of Directors besides the talent management, diversity and succession planning processes of DSV.

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

Remuneration Committee

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

The overall tasks of the Remuneration Committee are:

- to make recommendations on DSV remuneration policies;
- to make proposals for the remuneration of members of the Board of Directors and the Executive Board;
- to ensure compliance with DSV remuneration policies for members of the Board of Directors and the Executive Board;
- to ensure preparation of the annual remuneration report.

The Committee held two meetings in 2018, focusing among other issues on the updated Recommendations on Corporate Governance in respect of remuneration recommendations and the implications of the European Union Shareholders Rights Directive for the DSV remuneration policies and reporting.

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

REMUNERATION OF THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

The Remuneration of the Board of Directors and the Executive Board is carried out in accordance with the DSV Remuneration Policy and guidelines for incentive pay as adopted by the Annual General Meeting.

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

At the 2019 Annual General Meeting, the Board of Directors plans to propose a revised Remuneration Policy. The revised Policy is intended to reduce the cash bonus element of the Executive Board remuneration package, and instead increase the fixed salary.

Additionally, an upper limit on share-based payments has been introduced. These adjustments are intended to provide a tighter connection between the remuneration of the Executive Board and the value creation for the shareholders.

The current DSV Remuneration Policy and guidelines for incentive pay are available at **investor.dsv.com/policies.cfm**

REPORTING ON CORPORATE GOVERNANCE

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

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

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

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

The statutory report on Corporate Governance 2018 is available at investor.dsv.com/corporate-governance

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

For details on payments made in 2018 and the DSV share option schemes, please refer to notes 5.3 and 5.4 of the consolidated financial statements.

Board of Directors

Kurt K. Larsen

Office	Chairman
Member since	2008
Up for re-election	Yes
Born	1945
Audit Committee	Member
Nomination Committee	Chairman
Remuneration Committee	Chairman

Skills and experience
- General management experience
- Group CEO of DSV A/S 2005-2008
- Managing Director of DSV A/S 1991-2005

Other Board positions
CM Polaris III Invest Fonden
ME Wrist Ship Supply Holding A/S and one affiliated company

Thomas Plenborg

Office	Deputy Chairman
Member since	2011
Up for re-election	Yes
Born	1967
Audit Committee	Chairman
Nomination Committee	-
Remuneration Committee	Member

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	Member
Member since	2015
Up for re-election	Yes
Born	1950
Audit Committee	-
Nomination Committee	Member
Remuneration Committee	-

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

Annette Sadolin

Office	Member
Member since	2009
Up for re-election	Yes
Born	1947
Audit Committee	Member
Nomination Committee	Member
Remuneration Committee	-

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

Other Board positions
DC DSB
ME Topdanmark A/S and one affiliated company*
ME Ratos AB*
ME Blue Square Re N.V.
ME KNI A/S

Birgit W. Nørgaard

Office	Member
Member since	2010
Up for re-election	Yes
Born	1958
Audit Committee	-
Nomination Committee	Member
Remuneration Committee	-

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

Other Board positions
CM Chairman of the board of directors of three companies in NO Invest A/S
DC NNE A/S
DC Dansk Vækstkapital I
ME Dansk Vækstkapital II
ME NCC AB*
ME IMI Plc.*
ME WSP Global Inc.*
ME RGS Nordic A/S

Robert Steen Kledal

Office	Member
Member since	2014
Up for re-election	Yes
Born	1969
Audit Committee	-
Nomination Committee	-
Remuneration Committee	-

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

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

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

Executive Board

Jens Bjørn Andersen

Office	CEO
Member since	2008
Born	1966

Jens H. Lund

Office	CFO
Member since	2002
Born	1969

Other Board positions
ME Vestas Wind Systems A/S*

SHAREHOLDER INFORMATION

SHARE PRICE PERFORMANCE IN 2018
At year-end, the closing price of DSV shares on Nasdaq Copenhagen was DKK 429.20, down 12.2% since year-end 2017.

During the same period, the C20 Index decreased by 13.0%.

The average daily trading volume on Nasdaq Copenhagen was 460,961 DSV shares in 2018 (0.3% of shares issued).

At year-end 2018, the market capitalisation of DSV (excluding treasury shares) was DKK 76 billion against DKK 90 billion at the end of 2017.

OWNERSHIP
On 31 December 2018, DSV had 48,237 registered shareholders. The registered shares totalled 167 million, corresponding to 89.1% of the share capital. The largest 25 of these shareholders owned 35.6% of the free floating share capital.

DSV has no majority shareholders and a 100% free float of the shares outstanding. The following shareholders have informed DSV that they hold more than 5% of the share capital:

- BlackRock, Inc. (5.4%)
- Morgan Stanley (5.0%)
- DSV A/S (5.3%)

CASH DISTRIBUTION TO SHAREHOLDERS
In line with our principle for capital allocation, DSV 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 2018, DSV acquired 8.0 million treasury shares at a total purchase price of DKKm 4,161.

On 31 December 2018, the company held 10 million shares as treasury shares, corresponding to 5.3% of the share capital.

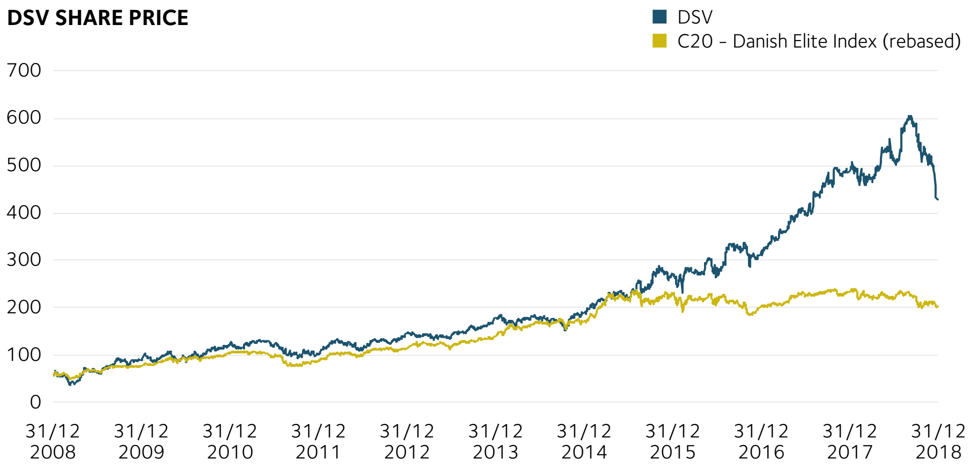
On 6 February 2019, the company's portfolio of treasury shares amounted to 10 million shares.

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

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

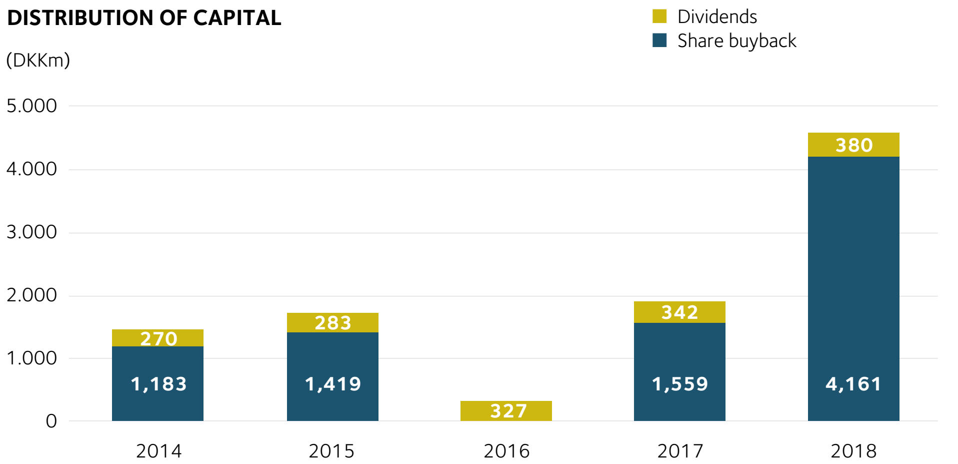
DIVIDENDS
The Board of Directors proposes ordinary dividends of DKK 2.25 per share for 2018 (2017: DKK 2.00).

DSV SHARE PRICE



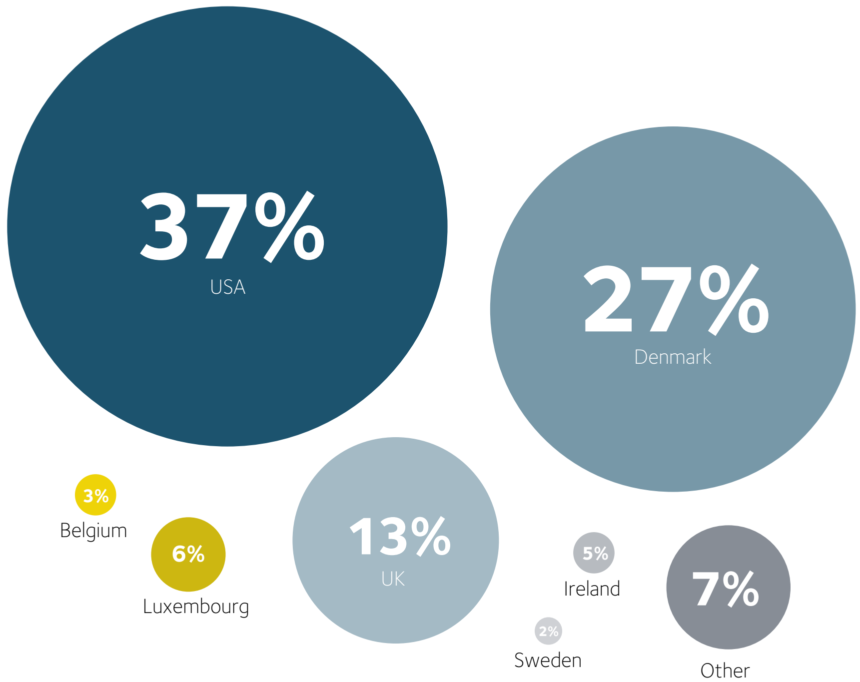
DISTRIBUTION OF CAPITAL

(DKKm)



SHARES ISSUED ('000)	2014	2015	2016	2017	2018
Number of shares issued	177,000	192,500	190,000	190,000	188,000
Average number of shares issued for the past 12 months	173,113	169,988	184,937	186,028	182,092
Average diluted number of shares for the past 12 months	174,274	172,003	187,097	189,112	185,287

SHAREHOLDER GEOGRAPHICAL DISTRIBUTION



AGM RELATED MATTERS

SHARE CAPITAL REDUCTION

Following the acquisition of treasury shares the Board of Directors plans to propose a reduction of the share capital by a nominal value of DKK 2 million at the next General Meeting.

INCENTIVE SCHEMES

At the scheduled meeting on 15 March 2019, the Board of Directors plans to authorise the Executive Board to distribute up to 3 million share options to senior staff members in accordance with the general guidelines for incentive pay for employees of DSV. Share options are granted at the average quoted share price over the five business days preceding 31 March 2019.

AUTHORITIES GRANTED TO THE BOARD

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

- Increase the company's share capital by issuing up to 38 million shares with or without pre-emptive rights for existing shareholders. The authority remains valid until 10 March 2021;
- Issue convertible debt instruments and warrants up to a total nominal value of DKK 25 million with no pre-emptive rights for existing shareholders. The authority remains valid until 12 March 2020;
- Acquire up to 18.8 million own shares, of which 6.7 million was utilised as per 7 February 2019. The authority remains valid until 10 March 2021. At the coming General Meeting, the Board of Directors plans to propose a new five-year authority to acquire up to 18.6 million treasury shares. The purchase price of treasury shares acquired under the authority may not deviate by more than 5% from the most recently quoted market price of the shares on the date of acquisition.

COMMUNICATION WITH SHAREHOLDERS

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

To keep investors updated we host conference calls with Executive Management following the release of financial results. Executive Management and Investor Relations also travel extensively to ensure that both existing and potential investors can get access to the company.

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

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

DSV SHARE DATA

Number of shares of DKK 1 on 31 December 2018:	188,000,000
Share classes:	1
Restrictions on transferability and voting rights:	None
Listed	Nasdaq Copenhagen
Trading symbol:	DSV
ISIN code:	DK0060079531

COMPANY ANNOUNCEMENTS

DSV made a total of 58 Company Announcements in 2018 (Nos. 673-730). The most important announcements in 2018 are listed below:

8 February	No. 679	2017 Annual Report
8 March	No. 685	DSV A/S Annual General Meeting 2018
1 May	No. 690	Interim Financial Report First Quarter 2018
1 August	No. 704	Interim Financial Report H1 2018
11 October	No. 718	Contact with CEVA Logistics AG
23 October	No. 719	Contact with CEVA Logistics AG
26 October	No. 720	Interim Financial Report Third Quarter 2018

FINANCIAL CALENDAR

The financial calendar for 2019 is as follows:

Activity	Date
Annual General Meeting	15 March
Q1 2019 Report	30 April
H1 2019 Report	31 July
Q3 2019 Report	25 October

RESPONSIBILITY IN DSV

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

By working systemically within the framework of the United Nations Global Compact and supporting the Sustainable Development Goals, we report and improve on a wide range of related responsibility matters. This chapter is a summary of our Communication on Progress (COP) under the United Nations Global Compact. The summary highlights our responsibility focus areas and achievements in 2018.

OUR RESPONSIBILITY FOCUS AREAS

1. **Business ethics**
2. **Suppliers**
3. **Employees and working environment**
4. **Environment and climate**
5. **Community engagement**

A CLEAR SET OF RULES FOR ACCEPTABLE BUSINESS CONDUCT

As a global company, it is essential that all DSV employees act according to the same ethical standards. The standards are defined in the DSV Code of Conduct, which outlines the fundamental principles for acceptable behaviour and business conduct.

To ensure that DSV always acts as a responsible and trustworthy business partner, we make all employees aware of the Code of Conduct through an introduction in the global onboarding programme and with special training for managers.

In 2018, we reviewed and updated the DSV Code of Conduct. We will increase the amount of Code of Conduct training and introduce an e-learning module in 2019. The goal is to ensure that all employees act safely and understand the scope of their responsibility as part of DSV.

SETTING REQUIREMENTS FOR SUPPLIERS

DSV performs services for customers worldwide, and because of our asset-light business model, we rely on a large supplier network. We expect every supplier to share and live up to the same ethical standards that we hold ourselves to.

In our Supplier Code of Conduct, our standards and requirements are specified and targeted for the suppliers to make it clear what we consider appropriate business conduct by suppliers when performing services on behalf of DSV.

In addition, we have processes in place for supplier selections on both a global and a local level. In 2018, we started developing more customised supplier screening processes matching the different types of suppliers. We will continue this effort in 2019 to make sure our standards are met throughout our supplier network and to emphasise the importance of a responsible and ethical business conduct from our suppliers.

INCREASING TRANSPARENCY IN CARBON EMISSIONS

As a freight forwarder, DSV is not in a position to directly influence and reduce the carbon footprint of the transports we organise. Our transports are mostly performed by suppliers who operate their equipment on market terms.

What we can do is to facilitate three kinds of environmental improvements:

1) We collaborate with customers to optimise supply chains by e.g. consolidating freight and choosing the right mode of transport to increase carbon efficiency;

2) We engage with our suppliers and customers to make use of innovative solutions and technology developments that can reduce the use of fossil fuels;

3) We focus on responsible use of resources in DSV's buildings and offices. We e.g. build energy efficient buildings, recycle and sort waste, and reduce paper consumption.

Initiatives that take place in collaboration with customers can be based on a carbon emission report prepared by DSV for the customers to provide complete transparency in carbon emissions. In 2018, we provided 75% more carbon reports to customers than in 2017. In 2019, we will develop our set-up for producing carbon emission reports to ensure good, transparent starting points for our dialogue about environmentally optimised transports.

PROVIDING GOOD AND SAFE WORKING ENVIRONMENTS

DSV must be a good and safe place to work and we are fully committed to providing positive, productive and supportive working environments where we all feel valued and safe.

We contribute most directly to the following Sustainable Development Goals:

We provide development opportunities for all employees. Ranging from leadership and sales training to literacy courses, the programmes all serve to equip employees with the skills they need to excel in their role and to maintain employee turnover at an acceptable level.

To us, a good working environment is a safe working environment, and that is a DSV top priority. Both at Group and local levels, our health and safety departments and staff assess risks and make sure procedures for safe conduct are in place. If incidents or accidents happen, we register them and examine the cause, and we assess the need for adjustments to existing procedures.

The level of occupational accidents and illness remained at an satisfactory level in 2018.

In 2019, we will continue our efforts to secure the safety of all employees at DSV through an even better process for health and safety globally.

MEANINGFUL COMMUNITY ENGAGEMENT

We make it a priority to engage in and support communities where we operate. We believe that long-term relations and transparent partnerships are paramount to achieving global, lasting results for improvement.

2018 was the second year with Red Cross | Red Crescent as DSV's international human aid partner. In the partnership, DSV provides support for transport and warehousing space for disaster preparedness, and we support Red Cross' efforts in Malawi and Cox's Bazar, Bangladesh. In addition, DSV made a donation to support Red Cross' emergency relief efforts in Indonesia following an earthquake and tsunami.

In addition, the local DSV countries interact with their communities to make a difference. The local engagements take many different shapes, from engaging with local Red Cross | Red Crescent associations, to sponsoring the transport of different items that serve a good cause, supporting local sports clubs or teaching safe conduct on the road.

COLLABORATING TO CREATE SUSTAINED CHANGE

In all areas of our responsibility efforts, we have and will continue to focus on engaging and collaborating with customers, suppliers and local communities. Because we believe that we can do more and make lasting improvements when we work together.

In DSV's Responsibility Report 2018, you can read more about:

- our responsibility outlook;
- our collaboration with supplier and customers;
- 2018 results and achievements.

The report is available at **www.dsv.com/responsibility**

REPORTING ON CORPORATE SOCIAL RESPONSIBILITY

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

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

The DSV Responsibility Report 2018 is available at www.dsv.com/about-dsv/csr/csr-reports

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

The current composition of the Board of Directors satisfies the statutory gender distribution requirement under section 99b of the Danish Financial Statements Act on target figures for the under-represented gender.

We report separately on gender composition and related policies in the DSV Responsibility Report in accordance with section 99b of the Danish Financial Statements Act, to which reference is made.

The DSV Responsibility Report 2018 is available at www.dsv.com/about-dsv/csr/csr-reports

QUARTERLY FINANCIAL HIGHLIGHTS

	2018					2017				
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Income statement (DKKm)										
Revenue	18,380	19,491	20,237	20,945	79,053	18,223	18,924	18,735	19,019	74,901
Gross profit	4,120	4,450	4,472	4,447	17,489	4,220	4,217	4,114	4,054	16,605
EBIT before special items	1,156	1,449	1,507	1,338	5,450	1,129	1,240	1,313	1,196	4,878
Special items (net costs)	-	-	-	-	-	160	88	123	154	525
Financial items (net costs)	155	(120)	94	120	249	94	182	149	131	556
Profit before tax	1,001	1,569	1,413	1,218	5,201	875	970	1,041	911	3,797
Profit for the period	769	1,187	1,104	928	3,988	669	742	826	775	3,012
Ratios (%)										
Operating margin	6.3	7.4	7.4	6.4	6.9	6.2	6.6	7.0	6.3	6.5
Conversion ratio	28.1	32.6	33.7	30.1	31.2	26.8	29.4	31.9	29.5	29.4
Segment information (DKKm)										
Air & Sea										
Revenue	8,414	9,095	9,625	9,838	36,972	8,470	8,873	9,044	8,817	35,204
Gross profit	2,145	2,387	2,359	2,302	9,193	2,116	2,217	2,199	2,092	8,624
EBIT before special items	795	988	1,013	897	3,693	690	843	903	789	3,225
Road										
Revenue	7,676	7,862	7,812	7,893	31,243	7,633	7,684	7,514	7,796	30,627
Gross profit	1,306	1,318	1,373	1,311	5,308	1,433	1,316	1,279	1,259	5,287
EBIT before special items	241	322	345	239	1,147	378	281	311	231	1,201
Solutions										
Revenue	2,848	3,111	3,417	3,853	13,229	2,678	2,913	2,757	3,014	11,362
Gross profit	699	741	758	837	3,035	671	690	646	723	2,730
EBIT before special items	127	175	184	223	709	66	128	115	185	494

For a definition of the financial highlights, please refer to page 81

CONSOLIDATED FINANCIAL STATEMENTS 2018

Income statement

(DKKm)	Note	2018	2017
Revenue	2.2	79,053	74,901
Direct costs	2.3	61,564	58,296
Gross profit		**17,489**	**16,605**
Other external expenses	2.4	3,036	3,110
Staff costs	2.5	8,241	7,831
Operating profit before amortisation, depreciation and special items		**6,212**	**5,664**
Amortisation and depreciation	2.6	762	786
Operating profit before special items		**5,450**	**4,878**
Special items, costs	2.7	-	525
Financial income	2.8	130	94
Financial expenses	2.8	379	650
Profit before tax		**5,201**	**3,797**
Tax on profit for the year	5.2	1,213	785
Profit for the year		**3,988**	**3,012**
Profit for the year attributable to:			
Shareholders of DSV A/S		4,000	2,981
Non-controlling interests		(12)	31
Earnings per share:	4.6		
Earnings per share of DKK 1		22.0	16.0
Diluted earnings per share of DKK 1		21.6	15.8

Statement of comprehensive income

(DKKm)	Note	2018	2017
Profit for the year		**3,988**	**3,012**
Items that will be reclassified to income statement when certain conditions are met:			
Net exchange differences recognised in OCI		(138)	(430)
Fair value adjustments relating to hedging instruments	4.5	(4)	28
Fair value adjustments relating to hedging instruments transferred to financial expenses		-	3
Tax on items reclassified to income statement	5.2	(2)	6
Items that will not be reclassified to income statement:			
Actuarial gains/(losses)	3.7	(70)	179
Tax relating to items that will not be reclassified	5.2	15	(42)
Other comprehensive income, net of tax		**(199)**	**(256)**
Total comprehensive income		**3,789**	**2,756**
Total comprehensive income attributable to:			
Shareholders of DSV A/S		3,795	2,726
Non-controlling interests		(6)	30
Total		**3,789**	**2,756**

Cash flow statement

(DKKm)	Note	2018	2017
Operating profit before amortisation, depreciation and special items		**6,212**	**5,664**
Adjustments:			
Share-based payments		93	68
Change in provisions		(329)	(279)
Change in working capital etc.		(520)	944
Special items		-	(488)
Interest received		107	110
Interest paid		(411)	(386)
Corporation tax, paid		(851)	(969)
Cash flow from operating activities		**4,301**	**4,664**
Purchase of intangible assets		(501)	(393)
Purchase of property, plant and equipment		(709)	(620)
Disposal of property, plant and equipment		859	636
Acquisition and disposal of subsidiaries and activities	5.1	(59)	(8)
Change in other financial assets		(34)	60
Cash flow from investing activities		**(444)**	**(325)**
Free cash flow		**3,857**	**4,339**
Proceeds from borrowings		855	1,488
Repayment of borrowings		(750)	(4,517)
Other financial liabilities incurred		48	(69)
Shareholders:			
Dividends distributed	4.2	(380)	(342)
Purchase of treasury shares	4.2	(4,161)	(1,559)
Sale of treasury shares		372	303
Other transactions with shareholders		16	(19)
Cash flow from financing activities		**(4,000)**	**(4,715)**
Cash flow for the year		**(143)**	**(376)**

(DKKm)	Note	2018	2017
Cash flow for the year – continued		**(143)**	**(376)**
Cash and cash equivalents 1 January		1,348	1,714
Cash flow for the year		(143)	(376)
Currency translation adjustments		(47)	10
Cash and cash equivalents 31 December	**4.2**	**1,158**	**1,348**

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

STATEMENT OF ADJUSTED FREE CASH FLOW

(DKKm)	Note	2018	2017
Free cash flow		3,857	4,339
Net acquisition of subsidiaries and activities		59	8
Special items (restructuring costs)		-	488
Adjusted free cash flow		**3,916**	**4,835**

Balance sheet

ASSETS

(DKKm)	Note	2018	2017
Intangible assets	3.2	16,742	16,573
Property, plant and equipment	3.3	2,490	2,431
Other receivables		291	257
Deferred tax assets	5.2	851	965
Total non-current assets		**20,374**	**20,226**
Trade receivables	4.4	13,252	12,557
Contract assets	3.4	1,554	1,300
Inventories	3.5	718	462
Other receivables		1,662	1,778
Cash and cash equivalents		1,158	1,348
Assets held for sale	3.3	94	717
Total current assets		**18,438**	**18,162**
Total assets		**38,812**	**38,388**

EQUITY AND LIABILITIES

(DKKm)	Note	2018	2017
Share capital	4.1	188	190
Reserves and retained earnings	4.1	14,373	14,645
DSV A/S shareholders' share of equity		**14,561**	**14,835**
Non-controlling interests		(29)	(26)
Total equity		**14,532**	**14,809**
Deferred tax liabilities	5.2	188	82
Pensions and similar obligations	3.7	915	1,124
Provisions	3.8	627	706
Financial liabilities	4.3	6,593	6,491
Total non-current liabilities		**8,323**	**8,403**
Provisions	3.8	412	383
Financial liabilities	4.3	545	495
Trade payables	4.4	7,646	7,477
Accrued cost of services	3.4	2,813	2,539
Other payables		4,087	3,953
Corporation tax		454	329
Total current liabilities		**15,957**	**15,176**
Total liabilities		**24,280**	**23,579**
Total equity and liabilities		**38,812**	**38,388**

Statement of changes in equity

	2018						2017					
(DKKm)	Share capital	Reserves*	Retained earnings	DSV A/S share-holders' share of equity	Non-controlling interests	Total equity	Share capital	Reserves*	Retained earnings	DSV A/S share-holders' share of equity	Non-controlling interests	Total equity
Equity at 1 January	190	4,195	10,450	14,835	(26)	14,809	190	4,642	8,584	13,416	(38)	13,378
Profit for the year	-	-	4,000	4,000	(12)	3,988	-	-	2,981	2,981	31	3,012
Other comprehensive income, net of tax	-	(151)	(54)	(205)	6	(199)	-	(446)	191	(255)	(1)	(256)
Total comprehensive income for the year	**-**	**(151)**	**3,946**	**3,795**	**(6)**	**3,789**	**-**	**(446)**	**3,172**	**2,726**	**30**	**2,756**
Transactions with owners:												
Share-based payments	-	-	93	93	-	93	-	-	68	68	-	68
Dividends distributed	-	-	(380)	(380)	(2)	(382)	-	-	(342)	(342)	(13)	(355)
Purchase of treasury shares	-	(8)	(4,153)	(4,161)	-	(4,161)	-	(3)	(1,556)	(1,559)	-	(1,559)
Sale of treasury shares	-	2	370	372	-	372	-	2	301	303	-	303
Capital reduction	(2)	2	-	-	-	-	-	-	-	-	-	-
Addition/disposal of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(14)	(14)
Dividends on treasury shares	-	-	14	14	-	14	-	-	7	7	-	7
Tax on transactions with owners	-	-	1	1	-	1	-	-	220	220	-	220
Other adjustments	-	-	(8)	(8)	5	(3)	-	-	(4)	(4)	9	5
Total transactions with owners	**(2)**	**(4)**	**(4,063)**	**(4,069)**	**3**	**(4,066)**	**-**	**(1)**	**(1,306)**	**(1,307)**	**(18)**	**(1,325)**
Other equity transactions:												
Transfer to retained earnings	-	(4,744)	4,744	-	-	-	-	-	-	-	-	-
Equity at 31 December	**188**	**(704)**	**15,077**	**14,561**	**(29)**	**14,532**	**190**	**4,195**	**10,450**	**14,835**	**(26)**	**14,809**

* For a specification of reserves, please see note 4.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Table of Content

Chapter 1

BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The 2018 Annual Report of DSV A/S has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and further requirements in the Danish Financial Statements Act.

INTRODUCTION

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

The Board of Directors considered and approved the 2018 Annual Report of DSV A/S on 7 February 2019. The Annual Report will be submitted to the shareholders of DSV A/S for approval at the Annual General Meeting on 15 March 2019.

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

We have implemented the International Financial Reporting Standards (IFRS) and amendments effective as of 1 January 2018 as adopted by the European Union.

Implementation of these standards and amendments has had immaterial impact on the Group's financial statements and are not expected to have any significant future impact.

Of the new standards and amendments implemented in 2018 the most significant are as follows:

IFRS 9 Financial instruments

IFRS 9 introduces several changes to IAS 39 - including a new impairment framework, new rules for hedge accounting and new requirements and guidance on classifications, measurement and disclosure of financial assets and liabilities.

IFRS 9 has been adopted applying the standard retrospective approach, with the practical expedients permitted under the standard and with no restatement of comparatives.

Implementation of the standard has resulted in only minor changes to existing accounting practices. The most significant change has been applied to impairment assessments of trade receivables as these are now considered based on the IFRS 9 expected credit loss model, where previously an incurred loss model was applied. The revised approach has had immaterial impact on the impairment assessment of trade receivables compared to prior practices, and no retrospective adjustment to equity has been made. Additionally, the new standard has not resulted in any material changes to classifications of financial assets or financial liabilities.

IFRS 15 Revenue from contracts with customers

IFRS 15 introduces a new framework for revenue recognition and measurement.

IFRS 15 has been applied following the modified retrospective approach with any cumulative effects recognised in equity as of 1 January 2018 and with no restatement of comparatives.

Implementation of the standard has resulted in only minor changes to existing accounting practices, mainly relating to extended external disclosure requirements. The implementation has not resulted in any changes to existing revenue recognition practices applied by the Group and accordingly no retrospective adjustment to equity has been made.

MANAGEMENT JUDGEMENTS

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

By their nature, these include a degree of uncertainty and actual results may therefore deviate from the judgements and estimates at the reporting date. Judgements and estimates are continuously evaluated, and the effects of any changes are recognised in the relevant period.

Accounting judgements and estimates considered significant in the preparation and understanding of the consolidated financial statements are listed below and described in more detail in the relevant notes:

- Revenue (note 2.2)
- Special items (note 2.7)
- Impairment testing (note 3.1)
- Leases (note 3.6)
- Pension obligations (note 3.7)
- Provisions (note 3.8)
- Derivative financial instruments (note 4.5)
- Acquisition and disposal of entities (note 5.1)
- Tax (note 5.2)
- Contingent liabilities and security for debt (note 5.7)

Basis of consolidation

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

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

Group composition

The Group holds interests in 300 entities and was composed as follows at 31 December 2018:

ENTITIES (Number)	Region EMEA	Americas	APAC	Total
Subsidiaries	201	40	49	290
Associates	9	1	-	10

FOREIGN CURRENCY

Functional currency

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

Foreign currency translation

On initial recognition, foreign currency transactions are translated into the functional currency at the exchange rate ruling at the transaction dates. Foreign currency translation differences between the exchange rates at the transaction date and the date of payment are recognised in the income statement under financials. Monetary items denominated in a foreign currency are translated at the exchange rate ruling at the reporting date. The difference between the exchange rates at the reporting date and the transaction date or the exchange rate used in the latest annual report is recognised in the income statement under financials. Foreign currency translation differences arising on the translation of non-monetary items, such as investments in associates, are recognised directly in other comprehensive income.

Recognition in the consolidated financial statements

On preparation of the consolidated financial statements, the income statements of entities with a functional currency different from DKK are translated at the average exchange rate for the period, and balance sheet items are translated at the exchange rate ruling at the reporting date. Foreign exchange differences arising on translation of the equity of foreign entities and on translation of receivables considered part of net investment are recognised directly in other comprehensive income. Foreign exchange differences arising on the translation of income statements from the average exchange rate for the period to the exchange rate ruling at the reporting date are also recognised in other comprehensive income. The adjustments are presented under a separate translation reserve in equity.

Cash flow statement

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

Materiality in financial reporting

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

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

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

Presentation of line items and subtotals

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

NEW ACCOUNTING REGULATIONS

The IASB has issued a number of new standards and amendments not yet in effect or endorsed by the EU and therefore not relevant for the preparation of the 2018 consolidated financial statements. DSV expects to implement these standards when they take effect.

Of these new standards, only IFRS 16 Leases is currently expected to have a significant impact on the consolidated financial statements when implemented.

IFRS 16 Leases

IFRS 16 Leases will take effect on 1 January 2019 and will be implemented on this date following the modified retrospective approach with the cumulative effect of applying the standard recognised in the opening balance of retained earnings. The retrospective approach with full restatement of comparative figures will not be applied as disclosed in the 2017 Annual Report. Right-of-use assets will be measured as if IFRS 16 had been applied since the commencement date, discounted using an applicable incremental borrowing rate at the date of initial application. Comparatives are not restated.

IFRS 16 broadens the criteria for recognition of right-of-use assets and lease liabilities and will have a material impact on DSV's financial statements, as off-balance operating leases will be capitalised and accounted for similar to finance leases.

Reported operating profits will increase, as operating lease expenses will be replaced by depreciation and interest expenses. The impact on profit for the year will be neutral over time, but a timing effect will occur due to frontloading of interest expenses.

Reported cash flow from operating activities will increase, but will be offset by an increased cash outflow from financing activities, and, accordingly, there will be no change in total cash flow for the year.

The implementation of IFRS 16 will have no impact on DSV's agreement and terms with banks regarding long term funding.

Assuming that the 2018 year-end lease portfolio remains unchanged for 2019, implementation of the standard is estimated to impact the 2019 opening balance and full-year income statement as outlined below.

Based on the estimates, Group invested capital - which was DKK 21.4 billion at year-end 2018 - will increase by 9.2-9.6 billion. The net interest-bearing debt of DKK 5.8 billion will increase by DKK 9.9-10.3 billion.

Major accounting policy choices made in implementing the standard includes:

- only to apply IFRS 16 to contracts previously identified as containing a lease;
- not to recognise right-of-use assets and lease liabilities for leases with a lease term of 12 months or less;
- not to recognise right-of-use assets and lease liabilities for low-value lease assets;
- not to include non-lease components – e.g. service elements – as part of the right-of-use assets and lease liabilities recognised. These are accounted for separately;
- not to apply hindsight when assessing the lease term – e.g. when considering extension or termination options;
- to recognise right-of-use assets and lease liabilities for long-term lease contracts where the lease term ends within 12 months from 1 January 2019 (e.g. the short-term lease exemption is not applied).

IFRS 16 - 2019 OPENING BALANCE AND ESTIMATED FULL-YEAR EFFECT (DKKm)	31 December 2018 (IAS 17)	Increase (+) decrease (-)	Change
Balance sheet - 2019 opening balance effect:			
Right-of-use assets	193	+	9,200 - 9,600
Deferred tax asset	851	+	100 - 200
Reserves and retained earnings	14,373	-	450 - 650
Lease liabilities	192	+	9,900 - 10,300
Income statement - 2019 estimated full-year effects:			
Direct cost		-	2,150 - 2,340
Gross profit		+	**2,150 - 2,340**
Other external expenses		-	580 - 650
Operating profit before amortisation, depreciation and special items		+	**2,730 - 2,990**
Amortisation and depreciation		+	2,430 - 2,640
Operating profit before special items		+	**300 - 350**
Financial expenses		+	350 - 370
Profit before tax		-	**20 - 50**

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.

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

2.1 Segment information

ACCOUNTING POLICIES

Operating segments are defined by the operational and management structure of DSV, 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 for our segment reporting.

Air & Sea

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

Road

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

Solutions

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

Measurement of earnings by segment

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

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

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

Financial position of business segments

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

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

GEOGRAPHICAL INFORMATION

DSV operates in most parts of the world and has activities in more than 75 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 headquarters of DSV is located in Denmark, which is included in the EMEA segment. DSV 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 is not reliant on any major customers as no single external customer exceeds 5% of combined Group revenue.

2.1 Segment information — continued

SEGMENT INFORMATION – DIVISIONS (DKKm)	Air & Sea		Road		Solutions		Non-allocated items and eliminations		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Condensed income statement										
Revenue	36,350	34,587	29,688	29,232	12,879	10,968	136	114	79,053	74,901
Intercompany revenue	622	617	1,555	1,395	350	394	(2,527)	(2,406)	-	-
Divisional revenue	**36,972**	**35,204**	**31,243**	**30,627**	**13,229**	**11,362**	**(2,391)**	**(2,292)**	**79,053**	**74,901**
Direct costs	27,779	26,580	25,935	25,340	10,194	8,632	(2,344)	(2,256)	61,564	58,296
Gross profit	**9,193**	**8,624**	**5,308**	**5,287**	**3,035**	**2,730**	**(47)**	**(36)**	**17,489**	**16,605**
Other external expenses	1,854	1,798	1,326	1,269	955	884	(1,099)	(841)	3,036	3,110
Staff costs	3,560	3,490	2,706	2,672	1,141	1,087	834	582	8,241	7,831
Operating profit before amortisation, depreciation and special items	**3,779**	**3,336**	**1,276**	**1,346**	**939**	**759**	**218**	**223**	**6,212**	**5,664**
Amortisation and depreciation	86	111	129	145	230	265	317	265	762	786
Operating profit before special items	**3,693**	**3,225**	**1,147**	**1,201**	**709**	**494**	**(99)**	**(42)**	**5,450**	**4,878**
Condensed balance sheet										
Total gross investments	76	111	235	167	388	299	516	432	1,215	1,009
Total assets	21,990	21,132	15,478	15,971	8,127	6,751	(6,783)	(5,466)	38,812	38,388
Total liabilities	24,300	24,396	9,343	9,296	6,715	6,752	(16,078)	(16,865)	24,280	23,579

GEOGRAPHICAL INFORMATION – MAJOR COUNTRIES (DKKm)	Revenue		Non-current assets*	
	2018	2017	2018	2017
USA	12,181	10,899	275	235
Denmark	7,575	7,052	1,493	1,201
Germany	7,378	7,608	135	155
Sweden	4,697	5,037	160	172
Italy	4,400	4,314	245	314
Other	42,822	39,991	1,706	1,725
Total	**79,053**	**74,901**	**4,014**	**3,802**

GEOGRAPHICAL INFORMATION – REGIONS (DKKm)	Revenue		Non-current assets*	
	2018	2017	2018	2017
EMEA	56,078	53,392	3,396	3,241
Americas	15,315	13,790	434	396
APAC	7,660	7,719	185	165
Total	**79,053**	**74,901**	**4,015**	**3,802**

* Non-current assets less tax assets 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 within 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.

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 the short delivery times.

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

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

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

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

MANAGEMENT JUDGEMENTS

At the close of accounting periods, judgements are made regarding services in progress, including accrual of income and pertaining direct costs. These judgements are based on experience and continuous follow-up on services in progress relative to subsequent invoicing.

Sale of services and geographical segmentation specifies as highlighted in the table below.

SERVICES AND GEOGRAPHICAL SEGMENTATION (DKKm)	EMEA		Americas		APAC		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Air services	8,447	7,971	5,946	5,132	4,499	4,476	18,892	17,579
Sea services	10,913	10,660	4,798	4,398	2,369	2,567	18,080	17,625
Road services	28,351	27,849	2,892	2,778	-	-	31,243	30,627
Solutions services	10,299	8,749	1,962	1,751	968	862	13,229	11,362
Total	**58,010**	**55,229**	**15,598**	**14,059**	**7,836**	**7,905**	**81,444**	**77,193**
Non-allocated items and eliminations							(2,391)	(2,292)
Total revenue							**79,053**	**74,901**

2.2 Revenue — continued

REVENUE
Revenue specifies as follows:

REVENUE (DKKm)	2018	2017
Sale of services	78,630	74,460
Other operating income	423	441
Total revenue	**79,053**	**74,901**

Sale of services includes revenue from freight forwarding services, contract logistics, sale of property projects and other related services. Sale of services recognised at a point in time constitutes below 3% of total revenue. Other operating income includes income from insurance contracts, rental income from terminals and buildings leases, and gains from disposal of non-current assets.

2.3 Direct costs

ACCOUNTING POLICIES
Direct costs comprise costs paid to generate the revenue for the year. Direct costs include settlement of accounts with haulage contractors, shipping companies, airlines, etc. Direct costs also include staff costs relating to hourly workers used for fulfilling orders and other direct costs of operation such as rental of logistics facilites and costs of property projects.

DIRECT COSTS (DKKm)	2018	2017
Cost of carriers	51,463	48,948
Staff costs, hourly workers	4,790	4,456
Other costs of operation	5,311	4,892
Direct costs	**61,564**	**58,296**

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)	2018	2017
Other external expenses	8,347	8,002
Transferred to direct costs	(5,311)	(4,892)
Total other external expenses	**3,036**	**3,110**

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)	2018	2017
Salaries and wages, etc.	10,927	10,408
Defined contribution pension plans	440	399
Defined benefit pension plans	19	(82)
Other social security costs	1,552	1,494
Share-based payments	93	68
Total staff costs	**13,031**	**12,287**
Staff costs are recognised within the following Income statement line items:		
Hourly workers - recognised as Direct costs	4,790	4,456
Salaried employees - recognised as Staff costs	8,241	7,831
Total	**13,031**	**12,287**
Weighted average number of full-time employees	47,479	45,154
Number of full-time employees at year-end	47,394	45,636

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)	2018	2017
Customer relationships	28	41
Software and other intangible assets	286	243
Buildings	103	163
Other plant and operating equipment	345	339
Total amortisation and depreciation	**762**	**786**

2.7 Special items

ACCOUNTING POLICIES

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

Special items comprise:

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

MANAGEMENT JUDGEMENTS

In the classification of special items, a Management judgement is applied to ensure that only exceptional items not associated with the ordinary operations of the Group are included.

SPECIAL ITEMS (DKKm)	2018	2017
Restructuring costs relating to the acquisition of UTi	-	447
Impairment and other costs relating to reorganisations	-	78
Special items, costs	**-**	**525**

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

SPECIAL ITEMS RECONCILIATION (DKKm)	2018			2017		
	Reported income statement	Special items	Adjusted income statement	Reported income statement	Special items	Adjusted income statement
Revenue	79,053	-	79,053	74,901	-	74,901
Direct costs	61,564	-	61,564	58,296	24	58,320
Gross profit	**17,489**	**-**	**17,489**	**16,605**	**(24)**	**16,581**
Other external expenses	3,036	-	3,036	3,110	256	3,366
Staff costs	8,241	-	8,241	7,831	170	8,001
Operating profit before amortisation and depreciation	**6,212**	**-**	**6,212**	**5,664**	**(450)**	**5,214**
Amortisation and depreciation	762	-	762	786	75	861
Operating profit	**5,450**	**-**	**5,450**	**4,878**	**(525)**	**4,353**
Special items, costs	-	-	-	525	(525)	-
Financial income	130	-	130	94	-	94
Financial expenses	379	-	379	650	-	650
Profit before tax	**5,201**	**-**	**5,201**	**3,797**	**-**	**3,797**

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)	2018	2017
Interest income	68	91
Share of associates' profit, net of tax	2	3
Exchange differences recognised in PL	60	-
Total financial income	**130**	**94**

Interest income includes interest on financial assets measured at amortised cost of DKK 68 million (2017: DKK 91 million).

FINANCIAL EXPENSES (DKKm)	2018	2017
Interest expenses	355	358
Calculated interest on pension obligations, see note 3.6	24	32
Exchange differences recognised in PL	-	260
Total financial expenses	**379**	**650**

Interest expenses include interest on financial liabilities measured at amortised cost of DKK 355 million (2017: DKK 358 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 once a year 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

For goodwill impairment testing, a number of judgements and 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 judgements are based on an assessment of current and future developments in the three cash-generating units and on historical data and assumptions of future expected market developments, including expected long-term average market growth rates.

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

AIR & SEA

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

ROAD

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

SOLUTIONS

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

3.1 Impairment testing — continued

The expected future net cash flow is based on budgets and business plans approved by Management for the year 2019 and projections for subsequent years up to and including 2023. From 2023 onwards, DSV expects the growth rate to remain in line with the expected long-term average growth rate for the industry.

IMPAIRMENT TEST

Goodwill

Goodwill has been tested for impairment at 31 December 2018. The tests did not result in any impairment of the 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 that are remotely likely to occur will not result in impairment of goodwill in any of the three cash-generating units.

Goodwill impairment test

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

Other non-current intangible assets, property plant and equipment

Other non-current assets have also been tested for impairment together with goodwill at 31 December 2018. Similar to goodwill, no indication of impairment was identified in connection with these tests.

GOODWILL IMPAIRMENT TEST AT 31 DECEMBER 2018 (DKKm)	2018			2017		
	Air & Sea	Road	Solutions	Air & Sea	Road	Solutions
Carrying amount of goodwill	8,929	4,112	2,467	8,987	4,053	2,419
Budget period						
Annual revenue growth	4.0%	3.0%	5.0%	4.0%	3.0%	5.0%
Operating margin	10.0%	5.0%	6.0%	9.0%	5.0%	6.0%
Terminal period						
Growth	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Pre-tax discount rate	8.9%	6.7%	7.7%	8.9%	7.0%	8.9%
Sensitivity analysis						
Growth in budget period- allowed decline %points	26.3%	32.6%	17.3%	25.8%	35.7%	18.7%
Discount rate - allowed increase %points	10.8%	15.3%	8.4%	10.2%	18.8%	9.8%

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 on a regular basis.

Customer relationships

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

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

Computer software and software in progress

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

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

	2018					2017				
INTANGIBLE ASSETS (DKKm)	Goodwill	Customer relationships	Software	Software in progress	Total	Goodwill	Customer relationships	Software	Software in progress	Total
Cost at 1 January	15,461	1,311	2,041	288	19,101	16,125	1,346	1,585	506	19,562
Additions from business combinations/previous period adjustments	-	-	-	-	-	(43)	-	128	(128)	(43)
Additions for the year	59	-	63	377	499	-	-	177	216	393
Disposals at cost	-	(3)	(69)	-	(72)	-	-	(95)	(67)	(162)
Reclassifications	-	-	299	(301)	(2)	-	-	258	(240)	18
Currency translation adjustments	(12)	12	(1)	(1)	(2)	(621)	(35)	(12)	1	(667)
Total cost at 31 December	**15,508**	**1,320**	**2,333**	**363**	**19,524**	**15,461**	**1,311**	**2,041**	**288**	**19,101**
Total amortisation and impairment at 1 January	2	1,226	1,300	-	2,528	8	1,207	1,100	-	2,315
Amortisation for the year	-	28	286	-	314	-	41	243	-	284
Amortisation of assets disposed of	-	(3)	(61)	-	(64)	-	-	(52)	-	(52)
Reclassification	-	-	(2)	-	(2)	-	-	15	-	15
Currency translation adjustments	(2)	8	-	-	6	(6)	(22)	(6)	-	(34)
Total amortisation and impairment at 31 December	**-**	**1,259**	**1,523**	**-**	**2,782**	**2**	**1,226**	**1,300**	**-**	**2,528**
Carrying amount at 31 December	**15,508**	**61**	**810**	**363**	**16,742**	**15,459**	**85**	**741**	**288**	**16,573**

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 production 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.

The cost of assets under finance leases is determined as the lower of the fair value of the assets and the present value of the future minimum lease payments. The internal rate of return of the lease, or an alternative borrowing rate, is used as the discount rate for the calculation of present value.

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.

	2018				2017			
PROPERTY, PLANT AND EQUIPMENT (DKKm)	Land and buildings	Other plant and operating equipment	Property, plant and equipment in progress	Total	Land and buildings	Other plant and operating equipment	Property, plant and equipment in progress	Total
Cost at 1 January	2,199	2,338	65	4,602	3,229	2,389	68	5,686
Additions for the year	172	459	89	720	144	419	57	620
Disposals at cost	(170)	(280)	(4)	(454)	(200)	(318)	-	(518)
Transferred to assets held for sale	(18)	-	(13)	(31)	(819)	-	-	(819)
Reclassification	(21)	6	(19)	(34)	(93)	(70)	(58)	(221)
Currency translation adjustments	(24)	(30)	(2)	(56)	(62)	(82)	(2)	(146)
Total cost at 31 December	**2,138**	**2,493**	**116**	**4,747**	**2,199**	**2,338**	**65**	**4,602**
Total depreciation and impairment at 1 January	920	1,251	-	2,171	1,070	1,282	-	2,352
Depreciation for the year	103	345	-	448	155	339	-	494
Depreciation of assets disposed of	(99)	(232)	-	(331)	(109)	(247)	-	(356)
Transferred to assets held for sale	(1)	-	-	(1)	(145)	-	-	(145)
Reclassification	(18)	9	-	(9)	(21)	(84)	-	(105)
Currency translation adjustments	(7)	(14)	-	(21)	(30)	(39)	-	(69)
Total depreciation and impairment at 31 December	**898**	**1,359**	**-**	**2,257**	**920**	**1,251**	**-**	**2,171**
Carrying amount at 31 December	**1,240**	**1,134**	**116**	**2,490**	**1,279**	**1,087**	**65**	**2,431**
Of which finance leased assets	56	137	-	193	98	153	-	251

3.3 Property, plant and equipment — continued

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

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

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

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

Assets held for sale, which amount to DKK 94 million at 31 December 2018 (2017: DKK 717 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

The depreciation period is determined based on estimates of the expected life and future residual value of the assets. The estimates are based on historical experience. A reassessment is made once a year to ascertain that the depreciation basis 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 includes accrued revenue and accrued costs from freight forwarding services, contract logistics and other related services in progress at 31 December 2018.

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.

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)	2018	2017
Stocks	44	52
Property projects in progress	674	410
Total	**718**	**462**

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

In total, DKK 1,525 million relating to property projects has been recognised as an expense in 2018 (2017: DKK 890 million).

3.6 Leases

ACCOUNTING POLICIES

Leases are classified as either operating or finance leases. Leases where the significant risk and rewards of ownership are retained by DSV are classified as finance leases. Otherwise leases are classified as operating leases.

Finance leases are recognised at inception as lease assets and lease liabilities in the balance sheet at the lower of fair value or present value of the future minimum lease payments calculated using the interest rate implicit in the lease. Subsequently, the capitalised residual lease liability is measured at amortised cost and the lease asset less accumulated depreciations.

Lease payments on operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

MANAGEMENT JUDGEMENTS

The Group has entered into leases on mainly terminals, warehouses and other operating equipment. Judgement is applied in determining the classification of these contracts as either finance or operating leases.

LEASES 2018

Land and buildings normally have a lease term of up to 10 years. Other plant and operating equipment normally have a lease term of up to 5 years.

In 2018, operating lease costs of DKK 2,093 million relating to land and buildings were recognised in the income statement (2017: DKK 1,997 million).

In 2018, operating lease costs of DKK 783 million relating to other plant and operating equipment were recognised in the income statement (2017: DKK 905 million).

FINANCE LEASES

LAND AND BUILDINGS

	2018			2017		
Maturity (DKKm)	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
0-1 year	14	1	13	5	1	4
1-5 years	4	3	1	31	-	31
> 5 years	-	-	-	-	-	-
Total	**18**	**4**	**14**	**36**	**1**	**35**

OTHER PLANT AND OPERATING EQUIPMENT

	2018			2017		
Maturity (DKKm)	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
0-1 year	57	9	48	62	12	50
1-5 years	148	18	130	156	24	132
> 5 years	-	-	-	-	-	-
Total	**205**	**27**	**178**	**218**	**36**	**182**

OPERATING LEASES

LAND AND BUILDINGS AND OTHER PLANT AND OPERATING EQUIPMENT

	2018		2017	
Maturity (DKKm)	Land and buildings	Other plant and operating equipment	Land and buildings	Other plant and operating equipment
0-1 year	2,162	615	1,847	685
1-5 years	5,816	936	4,791	922
> 5 years	2,482	9	2,141	12
Total	**10,460**	**1,560**	**8,779**	**1,619**

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

In determining the pension obligation, the Group makes use of external and independent actuaries. The actuarial assumptions used in calculations and valuations vary from country to country owing to national economic and social conditions.

Pension obligations

Net obligations at 31 December are specified as follows:

PENSION OBLIGATIONS (DKKm)	2018	2017
Present value of defined benefit plans	2,145	2,234
Fair value of pension plan assets	1,230	1,110
Pension obligations, net	**915**	**1,124**

Of these obligations, DKK 548 million relate to unfunded pension obligations (2017: DKK 961 million) and DKK 367 million relate to partly funded obligations (2017: DKK 163 million).

Total pension costs for the year

In 2018, net costs of DKK 483 million relating to the Group's pension plans were recognised in the income statement (2017: DKK 349 million) and break down as follows:

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

2017 (DKKm)	Defined contribution plans	Defined benefit plans	Total
Staff costs	399	(82)	317
Financial expenses	-	32	32
Total costs recognised	**399**	**(50)**	**349**

Defined benefit pension obligations

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

DEFINED BENEFIT PENSION OBLIGATIONS (DKKm)	2018	2017
Obligations at 1 January	2,234	4,008
Current service cost	36	61
Past service cost from plan amendments, curtailments and gains/losses on settlements	(6)	(143)
Calculated interest on obligations	52	94
Actuarial gains/losses arising from changes in financial assumptions	46	(52)
Actuarial gains/losses arising from changes in demographic assumptions	(4)	(6)
Actuarial gains/losses arising from experience adjustments	34	(185)
Payments from the plan	(217)	(1,493)
Currency translation adjustments	(30)	(50)
Obligations at 31 December	**2,145**	**2,234**

The expected average duration of the obligations is 18 years.

EXPECTED MATURITY OF PENSION OBLIGATIONS (DKKm)	2018	2017
0-1 year	106	140
1-5 years	305	348
> 5 years	1,734	1,746
Total obligations recognised	**2,145**	**2,234**

3.7 Pension obligations — continued

PENSION PLAN ASSETS

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

PENSION PLAN ASSETS (DKKm)	2018	2017
Pension plan assets at 1 January	1,110	2,520
Calculated interest on plan assets	29	62
Return on plan assets excluding calculated interest	6	(64)
Contributions to the plan	284	91
Payments from the plan	(187)	(1,468)
Currency translation adjustments	(12)	(31)
Pension plan assets at 31 December	**1,230**	**1,110**

DSV expects to contribute DKK 66 million to defined benefit plan assets in 2019 (2018: DKK 73 million).

COMPOSITION OF PENSION PLAN ASSETS (%)	2018	2017
Shares	63%	53%
Bonds	2%	2%
Insurance contracts	35%	45%
Total	**100%**	**100%**

Sensitivity analysis

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

SENSITIVITY ANALYSIS (DKKm)	2018	2017
Defined benefit obligation	2,145	2,234
Discount rate		
Increase of 0.5%point	1,981	2,061
Decrease of 0.5%point	2,333	2,424
Future wage/salary increase		
Increase of 0.5%point	2,165	2,287
Decrease of 0.5%point	2,066	2,186
Inflation		
Increase of 0.5%point	2,267	2,410
Decrease of 0.5%point	1,977	2,074
Life expectancy		
Life expectancy increase of 1 year	2,182	2,304
Life expectancy decrease of 1 year	2,044	2,170

SIGNIFICANT PENSION PLANS

The most significant defined benefit plans of the Group relate to Europe, with Sweden representing 23% (2017: 37%) and Germany 40% (2017: 32%) of the total net obligation of DKK 915 million (2017: DKK 1,124 million).

The most significant individual defined benefit plans of the Group are present in Sweden and Germany. No other countries have individual defined benefits plans of significance.

The plan in Sweden is a final pay scheme, which covers all salaried employees born in or before 1978 and is based on a collective labour agreement. Salaried employees born in or after 1979 are covered by a defined contribution plan. The plan in Germany covers both salaried and hourly workers employees. 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 into defined contribution plans for the benefit of the Group and the employees. In 2018, we have implemented changes in some large countries which have reduced the pension plan assets as well as liabilities. The cost of defined benefit plans was also impacted in 2018.

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

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

KEY ASSUMPTION 2017	Discount rate	Future wage/salary increase	Future rate of inflation
Sweden	2.8%	2.0%	1.5%
Germany	1.8%	2.0%	1.5%
Other	1.0% - 6.8%	1.0% - 9.0%	1.0% - 2.5%
Weighted average	2.4%	2.2%	1.8%
Mortality prognosis table			
Sweden	DUS14 (w-c)		
Germany	Heubeck 2005G		

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

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.

Management includes judgements by external legal experts and existing case law in assessing the probable outcome of material legal proceedings, etc.

PROVISIONS

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

RESTRUCTURING COSTS

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

DISPUTES AND LEGAL ACTIONS

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

OTHER PROVISIONS

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

PROVISIONS (DKKm)	Restructuring costs	Disputes and legal actions	Other	Total
Provisions at 1 January 2018	136	342	611	1,089
Additions for the year	42	130	383	555
Additions from acquisitions	-	-	1	1
Used for the year	(106)	(114)	(307)	(527)
Adjustment of provisions made in previous years	(5)	(54)	(9)	(68)
Currency translation adjustments	-	(1)	(10)	(11)
Provisions at 31 December 2018	**67**	**303**	**669**	**1,039**
Provisions as recognised in the balance sheet:				
Non-current liabilities	22	207	398	627
Current liabilities	45	96	271	412
Provisions at 31 December 2018	**67**	**303**	**669**	**1,039**

Chapter 4

CAPITAL STRUCTURE AND FINANCES

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

The capital structure is linked to our long-term financial target of a gearing ratio below 2.0xEBITDA (previously 1.0 -1.5x) 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 2018, the share capital of DSV A/S amounted to 188 million shares with a nominal value of DKK 1 each.

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

Reserves

Reserves as presented in the statement of changes in equity comprise share premium reserve, treasury reserve, hedging reserve and translations reserve, and specifies as follows:

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

RESERVES SPECIFICATION – 2017 (DKKm)	Share premium reserve	Treasury share reserve	Hedging reserve	Translation reserve	Total reserves
Reserves at 1 January	4,744	(5)	(18)	(79)	4,642
Profit for the year	-	-	-	-	-
Other comprehensive income, net of tax	-	-	(17)	(429)	(446)
Total comprehensive income for the year	-	-	(17)	(429)	(446)
Transactions with owners:					
Purchase of treasury shares	-	(3)	-	-	(3)
Sale of treasury shares	-	2	-	-	2
Reserves at 31 December	**4,744**	**(6)**	**(35)**	**(508)**	**4,195**

4.1 Equity — continued

Share premium reserve

The share premium represents positive differences between the nominal share capital and the amount paid by share-holders for newly issued shares.

The share premium is a distributable reserve.

In 2018 share premium reserve has been transferred to retained earnings.

Treasury share reserve

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

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

The reserve is a distributable reserve.

Hedging reserve

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

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

Translation reserve

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

The reserve is dissolved upon disposal of entities.

				2018	2017
TREASURY SHARES	Market value (DKKm)	% of share capital 1 January	% of share capital 31 December	Million shares of DKK 1 (Nominal value)	Million shares of DKK 1 (Nominal value)
Portfolio, beginning of year	2,891	3.1%	3.1%	5.9	4.5
Cancellation of treasury shares	(753)	(1.0%)	(1.0%)	(2.0)	-
Portfolio of treasury shares less cancelled shares	2,138	2.1%	2.1%	3.9	4.5
Purchased during the year	4,161	4.2%	4.2%	8.0	3.3
Sold during the year	(738)	(1.0%)	(1.0%)	(1.9)	(1.9)
Value adjustment	(1,275)	-	-	-	-
Portfolio, end of year	**4,286**	**5.3%**	**5.3%**	**10.0**	**5.9**

4.2 Capital structure and capital allocation

CAPITAL STRUCTURE

The capital structure of DSV 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 0.9 at 31 December 2018 (2017: 1.0), which was in line with target level. The revised target gearing ratio is below 2.0xEBITDA but may deviate under extraordinary circumstances, e.g. as a consequence of acquisitions made.

CAPITAL ALLOCATION

The Group aims to spend its free cash flow in the following order of priority:

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

REPAYMENT OF NET INTEREST-BEARING DEBT

The Group increased its net interest-bearing debt by DKK 256 million in 2018 (2017: reduction of DKK 2,724 million).

ACQUISITIONS

DSV spent DKK 59 million on business combinations in the financial year 2018 (2017: DKK 8 million).

DISTRIBUTION TO THE COMPANY'S SHAREHOLDERS

In 2018, the Group spent DKK 4,161 million on the pur-chase of treasury shares (2017: DKK 1,559 million). DSV A/S paid DKK 380 million as dividends (including treasury shares) on 8 March 2018, corresponding to DKK 2.00 per share (2017: DKK 342 million, corresponding to DKK 1.80 per share). It is proposed to distribute a dividend of DKK 2.25 per share for 2018 (2017: DKK 2.00).

4.2 Capital structure and capital allocation — continued

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 883 million (2017: DKK 1,017 million) are subjected 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 specifies as follows:

CASH AND CAPITAL RESTRICTIONS (DKKm)	2018	2017
Exchange control restrictions	740	826
Insurance collaterals	136	183
Other collaterals	7	8
Total	**883**	**1,017**

Exchange control restrictions

Exchange control restrictions comprise cash balances located 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 A/S).

Insurance collaterals

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

4.3 Financial liabilities

ACCOUNTING POLICIES

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

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

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

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

FINANCIAL LIABILITIES (DKKm)	2018	2017
Non-current liabilities	6,593	6,491
Current liabilities	545	495
Total	**7,138**	**6,986**

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

FINANCIAL LIABILITIES FINANCING ACTIVITIES 2017 (DKKm)	Beginning of year	Cash flow	Non-cash change Foreign ex. movement	Non-cash change Fair value change	End of year
Loans and credit facilities	6,529	(4,517)	15	-	2,027
Issued bonds	3,234	1,488	1	(10)	4,713
Finance leases	294	(77)	-	-	217
Total liabilities from financing activities	**10,057**	**(3,106)**	**16**	**(10)**	**6,957**
Other non-current liabilities	26				29
Total financial liabilities	**10,083**				**6,986**

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 2018. During 2018 the Group also successfully refinanced and extended part of its long term committed bank credit facilities resulting in longer duration on commitment and reduced credit margins.

The total duration of the Group's long-term loan commitments and the amounts drawn on its credit lines at 31 December 2018 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 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 2018:

LOAN FACILITIES	Amount (EURm)	Amount (DKKm)	Expiry of commitments	Duration (years)	Undrawn
Long-term loan I	250	1,867	31-01-2022	3.1	775
Long-term loan II	180	1,344	31-12-2020	2.0	75
Bond loan I	134	1,000	24-06-2020	1.5	-
Bond loan II	100	750	18-03-2022	3.2	-
Bond loan III	100	750	18-03-2022	3.2	-
Bond loan IV	200	1,494	20-09-2024	5.7	-
Long-term credit facility	50	373	31-01-2022	3.1	223
Total and weighted duration	**1,014**	**7,578**		**3.2**	**1,073**

The Group's financial liabilities fall due as follows:

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

FINANCIAL LIABILITIES – MATURITY 2017 (DKKm)	Carrying amount	Total cash flow, including interest	0-1 year	1-5 years	> 5 years
Loans and credit facilities	2,027	2,051	463	1,588	-
Issued bonds	4,713	5,265	133	3,598	1,534
Finance leases	217	254	67	187	-
Trade payables	7,477	7,477	7,477	-	-
Interest rate derivatives	37	41	8	30	3
Total	**14,471**	**15,088**	**8,148**	**5,403**	**1,537**

4.4 Financial risks — continued

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

The Group hedges booked external net currency positions and currencies with larger expected short-term operational cash flows for up to 9 months. At year-end 2018 85% of USD and 65% of CNY of expected 9 months cash flows 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 USD/DKK, will result in more fluctuations in reported financial items. Unhedged intra group balances at 31 December are highlighted in the main currency exposures table to the right.

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

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

MAIN CURRENCY EXPOSURES

	Unhedged intra-group balances				Currency exposures - sensitivity analysis			
	2018		2017		2018		2017	
(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
CNY/DKK	(922)	46	(647)	32	30	25	21	17
EUR/DKK	(6,939)	347	(566)	29	80	465	21	417
GBP/DKK	290	15	229	11	15	5	11	3
SEK/DKK	(423)	21	(743)	37	6	16	18	31
USD/DKK	1,977	99	3,151	158	55	349	50	285
Total	**n.a.**	**528**	**n.a.**	**267**	**186**	**860**	**121**	**753**

LOAN AND CREDIT FACILITIES

	2018			2017		
(DKKm)	Carrying amount	Fixed/floating interest rate	Expiry	Carrying amount	Fixed/floating interest rate	Expiry
Bank loans EUR	2,394	Floating	2020-2022	1,532	Floating	2019
Bond loans	3,972	Fixed/floating	2020-2024	4,713	Fixed/floating	2020-24
Convertible bonds	50	Fixed	2019	47	Fixed	2019
Overdraft facility	451	Floating	2019	448	Floating	2018
Loans and credit facilities at 31 December	**6,867**			**6,740**		
Current/non-current classification:						
Non-current liabilities	6,416			6,292		
Current liabilities	451			448		

4.4 Financial risks — continued

INTEREST RATE RISK

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

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

The Group is also exposed to interest rate risks on leases. The interest rates on the majority of the leases are fixed on an ongoing basis for periods of 24 to 48 months.

It is DSV Group policy that the average period of fixed interest rates on the Group's net borrowings must be at least 8 months, but not more than 45 months at any time.

At year-end 2018, 49% (2017: 78%) 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 31 months (2017: 38 months).

The weighted average interest rate on the Group's loans, credit facilities and interest rate hedging was 1.8% end of 2018 (2017: 2.2%).

A 1 percentage point increase in interest rates would reduce profit for the year by DKK 21 million (2017: DKK 18 million) and increase/reduce other comprehensive income by DKK 40 million (2017: DKK 56 million), based on average NIBD for 2018. The calculation method applied in the sensitivity analysis is unchanged compared to previous years.

CREDIT RISK

The Group's credit risks mainly relate to trade receivables.

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

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

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

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

Impairment of trade receivables

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

At 31 December 2018, credit insurances amounted to DKK 10,360 million, corresponding to 78% of total trade receivables (2017: DKK 9,398 million or 75%).

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 2018 is presented in the following table:

EXPECTED CREDIT-LOSS (DKKm)	Carrying amount	Expected loss rate (%)	Loss allowance
Current	10,145	0.2%	20
Overdue 1-30 days	2,280	1.3%	29
Overdue 31-60 days	452	5.3%	24
Overdue 61-90 days	203	12.8%	26
Overdue 91-120 days	100	21.0%	21
Overdue >121 days	312	38.5%	120
Total	**13,492**		**240**

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)	2018	2017
Provision at 1 January	227	365
Adjustments for the year	201	194
Losses recognised	(68)	(112)
Reversal of provisions from previous years	(119)	(201)
Currency translation adjustments	(1)	(19)
Provision at 31 December	**240**	**227**

Impairment losses on trade receivables for 2018 amounted to DKK 68 million, corresponding to 0.1% of consolidated revenue (2017: DKK 112 million, or 0.2%).

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. 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 17 million was recognised in the income statement for 2018 (2017: a gain of DKK 354 million). In the same period, a gain of DKK 43 million was recognised relating to assets and liabilities (2017: a loss of DKK 614 million). The net gain in 2018 primarily relates to unhedged intercompany positions.

INTEREST RATE RISK HEDGING

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

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

The weighted average effective interest rate for existing interest rate instruments used as hedges of long-term loans was 0.9% at the reporting date (2017: 0.6%).

MANAGEMENT JUDGEMENTS

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.

EXTERNAL HEDGING INSTRUMENTS (DKKm)	2018			2017		
	Currency instruments	Interest rate instruments	Total	Currency instruments	Interest rate instruments	Total
Contractual value	8,749	1,226	9,975	21,707	2,347	24,054
Maturity (year)	2019-2020	2020-2023		2018-2020	2018-2023	
Fair value	32	(44)	(12)	24	(37)	(13)
Of which recognised in income statement	39	-	39	30	(2)	28
Of which recognised in OCI	(7)	(44)	(51)	(6)	(35)	(41)

4.6 Earnings per share

EARNINGS PER SHARE (DKKm)	2018 Carrying amount	2017 Carrying amount
Profit for the year	3,988	3,012
Non-controlling interests' share of consolidated profit for the year	(12)	31
DSV A/S shareholders' share of profit for the year	**4,000**	**2,981**
Amortisation of customer relationships	28	41
Share-based payment	93	68
Special items, net	-	525
Related tax effect	(28)	(131)
Adjusted profit for the year	**4,093**	**3,484**
('000 shares)		
Total average number of shares	188,548	190,000
Average number of treasury shares	(6,456)	(3,972)
Average number of shares in circulation	182,092	186,028
Average dilutive effect of outstanding share options under incentive schemes	3,195	3,084
Diluted average number of shares in circulation	**185,287**	**189,112**
Earnings per share of DKK 1	22.0	16.0
Diluted earnings per share of DKK 1	21.6	15.8
Adjusted earnings per share of DKK 1	22.5	18.7
Diluted adjusted earnings per share of DKK 1	22.1	18.4

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 2018 (2017: 0).

4.7 Financial instruments – fair value hierarchy

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

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

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

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

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

Financial instruments are classified by category as follows:

FINANCIAL INSTRUMENTS BY CATEGORY (DKKm)	2018 Carrying amount	2017 Carrying amount
Financial assets:		
Currency derivatives	32	24
Trade receivables	13,252	12,557
Other receivables	1,662	1,778
Cash and cash equivalents	1,158	1,348
Financial assets measured at amortised cost	16,072	15,683
Financial liabilities:		
Interest rate derivatives	44	37
Issued bonds measured at amortised cost	3,972	4,713
Loans and credit facilities	2,895	2,027
Finance lease liabilities	192	217
Trade payables	7,646	7,477
Financial liabilities measured at amortised cost	14,705	14,434

Chapter 5

OTHER NOTES

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

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

5.1 Acquisition and disposal of entities

ACCOUNTING POLICIES

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

Acquirees are recognised in the consolidated financial statements from the date of acquisition. The date of acquisition is the date on which DSV 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 surrenders control of the company.

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

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

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

If measurement of the identifiable net assets is uncertain at the date of acquisition, initial recognition is done based on provisional amounts. Measurement period adjustments to the provisional amounts may be done for up to 12 months following the date of acquisition. The effects of cross-period measurement period adjustments are recognised in equity at the beginning of the financial year, and comparative figures are restated. After the end of the measurement period, goodwill is no longer adjusted. Transaction costs inherent from the acquisition are recognised in the income statement when incurred.

Goodwill and fair value adjustments arising from the acquisition of an acquiree whose functional currency differs from the presentation currency of the DSV 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

In applying the acquisition method of accounting, judgements 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 judgements 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.

Acquisition and disposal of subsidiaries, non-controlling interests and activities in 2018 and 2017

No material enterprises, non-controlling interests or activities were acquired or sold in 2018 or 2017.

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 liabilties. 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, such temporary differences arose on the date of acquisition without affecting the results or the taxable income. In cases where it is possible to calculate the tax value according to different taxation rules, deferred tax is measured on the basis of the planned use of the asset or the settlement of the liability.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised as other non-current assets at the expected value of their utilisation, either by elimination in tax on future earnings or by offsetting deferred tax liabilities within the same legal tax entity and jurisdiction.

Deferred tax assets and tax liabilities are offset if the enterprise has a legally enforceable right to set off current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets on a net basis or to realise the assets and liabilities simultaneously.

Deferred tax is adjusted for elimination of unrealised intra-group gains and losses. Deferred tax is measured on the basis of the tax rules and tax rates of the relevant countries that will be effective under current legislation at the reporting date on which the deferred tax is expected to crystallise as current tax.

MANAGEMENT JUDGEMENTS

The Group recognises deferred tax assets, including the tax base of tax loss carryforwards, if it is estimated 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 they are likely to be utilised.

TAX FOR THE YEAR

(DKKm)	2018	2017
Tax for the year is disaggregated as follows:		
Tax on profit for the year	1,213	785
Tax on other changes in equity	(1)	(220)
Tax on other comprehensive income	(13)	36
Total tax for the year	**1,199**	**601**
Tax on profit for the year is calculated as follows:		
Current tax	1,197	946
Deferred tax	46	(57)
Tax adjustment relating to previous years	(30)	(104)
Total tax on profit for the year	**1,213**	**785**
Tax on other comprehensive income specifies as follows:		
Fair value adjustment of hedging instruments	(2)	6
Actuarial gains/(losses)	15	(42)
Total	**13**	**(36)**

TAX RATE

(DKKm)	2018	2017
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%	3.8%	3.4%
Change in deferred tax from change in income tax rate	0.6%	6.8%
Tax effect of:		
Non-deductible expenses/ non-taxable income	(2.0%)	(2.8%)
Tax adjustment relating to previous years	(0.6%)	(2.8%)
Tax asset valuation adjustments, net	(2.8%)	(8.2%)
Other taxes and adjustments	2.3%	2.3%
Effective tax rate	**23.3%**	**20.7%**

5.2 Tax — continued

Management's estimates of the likely outcome of disputes on taxes and duties are based on the knowledge available of the actual substance of the disputes and legal assessments, if available. The resolution of disputes can take several years and the outcome is subject to considerable uncertainty.

DEFERRED TAX RECOGNISED IN THE BALANCE SHEET (DKKm)	2018	2017
Deferred tax at 1 January	883	744
Deferred tax for the year	(46)	57
Tax adjustment relating to previous years	(52)	179
Tax on changes in equity	16	178
Other adjustments	(138)	(275)
Deferred tax at 31 December	**663**	**883**

DEFERRED TAX NOT RECOGNISED IN THE BALANCE SHEET (DKKm)	2018	2017
Temporary differences	10	138
Tax loss carryforwards	639	803
Total tax assets not recognised	**649**	**941**

Of tax loss carryforwards, DKK 639 million may be carried forward indefinitely.

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

DEFERRED TAX ALLOCATION 2018 (DKKm)	Intangible assets	Property, plant and equipment	Provisions	Other liabilities	Tax base of tax loss carry-forwards	Total
Deferred tax at 1 January	(170)	(206)	699	25	535	883
Recognised in profit/loss	(1)	48	(160)	(67)	82	(98)
Recognised in equity	-	-	15	1	-	16
Other adjustments	-	-	-	-	(131)	(131)
Currency translation adjustments	-	1	(8)	1	(1)	(7)
Deferred tax at 31 December	**(171)**	**(157)**	**546**	**(40)**	**485**	**663**
Balance sheet classification:						
Deferred tax assets	(169)	27	460	67	466	851
Deferred tax liabilities	(2)	(184)	86	(107)	19	(188)

DEFERRED TAX ALLOCATION 2017 (DKKm)	Intangible assets	Property, plant and equipment	Provisions	Other liabilities	Tax base of tax loss carry-forwards	Total
Deferred tax at 1 January	(148)	(234)	575	63	488	744
Recognised in profit/loss	(9)	15	135	(230)	325	236
Recognised in equity	-	-	(42)	220	-	178
Other adjustments	(12)	12	38	(16)	(260)	(238)
Currency translation adjustments	(1)	1	(7)	(12)	(18)	(37)
Deferred tax at 31 December	**(170)**	**(206)**	**699**	**25**	**535**	**883**
Balance sheet classification:						
Deferred tax assets	(165)	10	493	122	505	965
Deferred tax liabilities	(5)	(216)	206	(97)	30	(82)

5.3 Share option schemes

ACCOUNTING POLICIES

The value of employee services received in exchange for share options granted corresponds to the fair value of the share options at the date of grant. The fair value of equity-settled share-based payment schemes is measured at the grant date and recognised in the income statement as staff costs over the period until the share options vest. The offsetting item is recognised directly in equity.

The fair value of the options granted is estimated on the basis of the Black & Scholes valuation model. The estimate takes into account the terms and conditions applicable to the grant of share options and Management's expectations of the development in the elements 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.

MANAGEMENT JUDGEMENTS

The fair value of each equity-settled share-based payment scheme is calculated based on the Black & Scholes valuation model. The assumptions used are based on Management's estimates. The estimated volatility is based on the historical volatility over the preceding 3 years adjusted for any unusual circumstances during the period.

The valuation of the share options granted in 2018 and 2017 is based on the assumptions disclosed in the following table:

ASSUMPTIONS	2018	2017
Share price	477.5	357.0
Volatility	16.0%	17.0%
Risk-free interest rate	0.3%	0.2%
Expected dividends	1.0%	1.0%
Expected remaining life (years)	3.5	3.5

CURRENT SHARE OPTION SCHEMES

Scheme	Options granted	Exercise period	Exercise price	Number of employees	Market value at date of grant (DKKm)
2014	2,119,500	31.03.2017 - 29.03.2019	166.8	1,128	39.9
2015	2,168,000	03.04.2018 - 31.03.2020	215.0	1,164	39.7
2016	2,702,000	01.04.2019 - 31.03.2021	274.3	1,546	76.5
2017	2,723,500	01.04.2020 - 31.03.2022	357.0	1,574	101.8
2018	2,733,500	28.03.2021 - 28.03.2023	477.5	1,600	118.2

SHARE OPTION SCHEMES AT 31 DECEMBER 2018

Scheme	Board of Directors	Executive Board	Senior staff	Total	Average exercise price per option
2014	-	-	195,500	195,500	166.8
2015	-	170,000	644,200	814,200	215.0
2016	-	190,000	2,331,000	2,521,000	274.3
2017	-	190,000	2,438,500	2,628,500	357.0
2018	-	190,000	2,519,000	2,709,000	477.5
Outstanding at 31 December 2018	**-**	**740,000**	**8,128,200**	**8,868,200**	**353.1**
Exercise period open at 31 December 2018	-	170,000	839,700	1,009,700	205.7
Life (years)	-	2.9	3.2	3.2	n.a.
Market value (DKKm)	-	83.5	782.2	865.7	n.a.

5.3 Share option schemes — continued

SHARE OPTION SCHEMES

DSV has launched incentive share-based payment schemes with the purpose of motivating and retaining senior staff and members of the Executive Board.

Retention is motivated by requiring continued service for a period covering the vesting period as a minimum. The schemes are also intended to align the interests of employees and shareholders.

All active schemes entail a three-year vesting period and a two-year exercise period. In case of a change of control, all outstanding share options will vest. Exercise prices are set based on the quoted market prices leading up to the date of grant. The share options can be exercised by cash purchase of shares only. The obligation relating to the schemes is partly covered by the Company's treasury shares.

Share options are granted pursuant to the procedures laid down in the Group's Remuneration Policy applicable in the relevant year.

A total of 1,951 employees held share options at 31 December 2018 (2017: 1,847 employees).

Total costs recognised in 2018 for services received not recognised as an asset amounted to DKK 93 million (2017: DKK 68 million).

The average share price for options exercised in the financial year was DKK 508.3 per share at the date of exercise (2017: DKK 383.3 per share).

Outstanding share options for Executive Board members were granted to Jens Bjørn Andersen (430,000 options) and Jens H. Lund (310,000 options).

OUTSTANDING SHARE OPTIONS	Board of Directors [1]	Executive Board	Senior staff	Total	Average exercise price per option
Outstanding at 1 January 2017	64,000	700,000	6,807,000	7,571,000	214.4
Granted	-	190,000	2,533,500	2,723,500	357.0
Exercised	(32,000)	(170,000)	(1,732,000)	(1,934,000)	156.8
Options waived/expired	-	-	(187,300)	(187,300)	280.6
Outstanding at 31 December 2017	**32,000**	**720,000**	**7,421,200**	**8,173,200**	**274.1**
Outstanding at 1 January 2018	32,000	720,000	7,421,200	8,173,200	274.1
Granted	-	190,000	2,543,500	2,733,500	477.5
Exercised	(32,000)	(170,000)	(1,705,000)	(1,907,000)	195.1
Options waived/expired	-	-	(131,500)	(131,500)	321.4
Outstanding at 31 December 2018	**-**	**740,000**	**8,128,200**	**8,868,200**	**353.1**

1) A member of the Board of Directors has previously received share options in the Director's former capacity as senior staff member at DSV.

SHARES HELD BY MEMBERS OF THE EXECUTIVE BOARD AND THE BOARD OF DIRECTORS	Shares held at 1 January 2018	Shares purchased	Shares sold	Shares held at 31 December 2018	Market value (DKKm)
Jens Bjørn Andersen[1]	50,000	100,000	(100,000)	50,000	21.5
Jens H. Lund[2]	39,335	70,000	(70,000)	39,335	16.9
Kurt K. Larsen[3]	172,310	-	(32,720)	139,590	59.9
Thomas Plenborg	5,099	-	-	5,099	2.2
Annette Sadolin	9,503	-	-	9,503	4.1
Robert S. Kledal	2,000	-	-	2,000	0.9
Jørgen Møller	-	32,000	(30,555)	1,445	0.6
Birgit W. Nørgaard	1,150	-	-	1,150	0.5
Total	**279,397**	**202,000**	**(233,275)**	**248,122**	**106.6**

1) Of which 50,000 shares are held in a custody account in the name of a related party.
2) Of which 31,200 shares are held in a custody account in the name of a related party.
3) Of which 52,500 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 2018 was DKK 32.9 million (2017: DKK 29.4 million).

The remuneration of the Executive Board breaks down as follows:

EXECUTIVE BOARD REMUNERATION (DKKm)	2018		
	Jens Bjørn Andersen	Jens H. Lund	Total
Fixed salary	8.4	6.0	14.4
Pension	3.3	2.5	5.8
Bonus	3.5	2.7	6.2
Share-based payment	3.8	2.7	6.5
Total	**19.0**	**13.9**	**32.9**

EXECUTIVE BOARD REMUNERATION (DKKm)	2017		
	Jens Bjørn Andersen	Jens H. Lund	Total
Fixed salary	8.2	6.0	14.2
Pension	2.4	1.8	4.2
Bonus	3.5	2.7	6.2
Share-based payment	2.8	2.0	4.8
Total	**16.9**	**12.5**	**29.4**

BOARD OF DIRECTORS
The aggregate remuneration for the Board of Directors of DSV A/S for 2018 was DKK 5.6 million (2017: DKK 5.6 million).

BOARD OF DIRECTORS REMUNERATION (DKK '000)	2018	2017
Kurt K. Larsen, Chairman	2,028	2,028
Thomas Plenborg, Deputy Chairman	1,238	1,238
Annette Sadolin	787	787
Birgit W. Nørgaard	563	563
Robert S. Kledal	450	450
Jørgen Møller	563	534
Total	**5,629**	**5,600**

5.5 Fees to auditors appointed at the Annual General Meeting

(DKKm)	2018	2017
Statutory audit	22	21
Tax and VAT advisory services	1	1
Other services	1	1
Total fees to auditors appointed at the Annual General Meeting	**24**	**23**
Statutory audit	5	4
Tax and VAT advisory services	7	7
Other services	2	2
Others, total fees	**14**	**13**
Total fees	**38**	**36**

Fee for other services than statutory audit services rendered by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the Group amounts to DKK 0 million and consists mainly of sundry tax and advisory services.

5.6 Related-party transactions

DSV has no related parties with control of the Group and no related parties with significant influence other than key management personnel – mainly in the form of the Board of Directors and the Executive Board.

RELATED PARTY TRANSACTIONS

Board of Directors and Executive Board
No transactions were made in 2018 other than ordinary remuneration, as described in notes 5.3 and 5.4.

Associated companies
DSV holds ownership interests in 10 associates (2017: 9 associates). The Group's share of associates' profit for the year amounted to DKK 2 million (2017: DKK 2 million).

The carrying amount of the investment was DKK 38 million at 31 December 2018 (2017: DKK 35 million).

The Group had the following transactions with associates:

ASSOCIATED COMPANIES TRANSACTIONS (DKKm)	2018	2017
Sale of services	202	221
Purchase of services	33	32

The Group had the following balances with associates at 31 December 2018:

ASSOCIATED COMPANIES BALANCES (DKKm)	2018	2017
Receivables	45	50
Liabilities	2	2

5.7 Contingent liabilities and security for debt

CONTINGENT LIABILITIES

ACCOUNTING POLICIES

Contingent liabilities comprise possible obligations which have not yet been confirmed, are uncertain or cannot be measured reliably, but which may if realised 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

Management assesses the existence of contingent liabilities on an ongoing basis and in this regard considers if the criteria for recognising a provision is in effect.

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

Contingent liabilities 2018

As an international transport service provider, DSV is regularly involved in tax and VAT disputes, legal proceedings or inquiries from competition authorities. Management believes that current identified cases will have no material impact on the financial position of the Group.

A detailed disclosure of individual contingent liabilities is considered impracticable to disclose and has therefore not been included in the notes to the financial statements.

SECURITY FOR DEBT

Bank guarantees

As part of its ordinary operations, DSV has provided bank guarantees to authorities, suppliers, etc.

The counterparties may claim appropriation of collateral if DSV 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 2018, property, plant and equipment with a carrying value of DKK 193 million were pledged as security (2017: DKK 251 million).

The carrying amount of debt secured by pledges amounted to DKK 192 million (2017: DKK 217 million).

Contracts

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

5.8 Events after the reporting date

OFFER TO ACQUIRE PANALPINA WELTTRANSPORT HOLDING AG

DSV has made a private and indicative proposal to acquire Panalpina Welttransport Holding AG ("Panalpina"). The consideration offered per share in Panalpina consists of 1.58 shares in DSV and CHF 55 in cash. Based on the closing share price at 11 January 2019, the value of the offer was CHF 170 per share.

For additional information on the offer made and the contact with Panalpina Welttransport Holding AG, please see Company Announcement no. 734 and no. 735.

DEFINITION OF FINANCIAL HIGHLIGHTS

Key figures, financial and share ratios are calculated in accordance with 'Recommendations & Financial Ratios 2015' published by the Danish Finance Society, except for financial ratios marked with * as these are either derived or not included in the Recommendations. Earnings per share and diluted earnings per share are calculated in accordance with IAS 33.

Key figures

Net interest-bearing debt (NIBD)	=	Interest-bearing debt less interest-bearing assets and cash and cash equivalents
Net working capital (NWC)	=	Receivables and other current operating assets less trade payables and other payables and other current operating liabilities
Invested capital	=	NWC + property, plant and equipment, intangible assets including goodwill and customer relationships less long-term provisions
Adjusted earnings	=	The DSV 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 $= \dfrac{\text{Gross profit * 100}}{\text{Revenue}}$

Operating margin $= \dfrac{\text{Operating profit before impairment of goodwill and special items * 100}}{\text{Revenue}}$

Conversion ratio $= \dfrac{\text{Operating profit before impairment of goodwill and special items * 100}}{\text{Gross profit}}$

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

ROIC before tax $= \dfrac{\text{Operating profit before impairment of goodwill and special items * 100}}{\text{Average invested capital}}$

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

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

Gearing ratio* $= \dfrac{\text{Net interest-bearing debt}}{\text{Operating profit before amortisation, impairment of goodwill and special items}}$

Share ratios

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

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

Adjusted earnings per share diluted $= \dfrac{\text{Adjusted earnings}}{\text{Average number of shares diluted}}$

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 active companies of the DSV Group at 31 December 2018 and shows the companies by segment and not by legal structure.

Company	Country	Ownership share	Air & Sea	Road	Solutions	Group activity
PARENT						
DSV A/S	Denmark	-				X
SUBSIDIARIES						
Europe						
DSV Österreich Spedition GmbH	Austria	100%	X	X		
DSV Transport Ltd.	Belarus	100%	X	X		
DSV Air & Sea NV	Belgium	100%	X			
Maartens Art Packers and Shippers B.V.B.A.	Belgium	100%	X			
ABX Worldwide Holdings NV/SA	Belgium	100%				X
DSV Road Holding NV	Belgium	100%		X		X
DSV Air & Sea Belgium NV	Belgium	100%	X			
DSV Solutions N.V.	Belgium	100%			X	
DSV Logistics N.V.	Belgium	100%			X	
DSV Road N.V.	Belgium	100%		X		
Marine Cargo Insurance (MCI) Agents N.V.	Belgium	100%		X		
DSV Air & Sea OOD	Bulgaria	100%	X			
DSV Road EOOD	Bulgaria	100%		X	X	
DSV Hrvatska d.o.o.	Croatia	100%		X		
DSV Air & Sea s.r.o.	Czech Republic	100%	X			
DSV Solutions s.r.o.	Czech Republic	100%			X	
DSV Road a.s.	Czech Republic	100%		X		
DSV Insurance A/S	Denmark	100%				X
Europe (continued)						
DSV Group Services A/S	Denmark	100%				X
DSV Property ApS	Denmark	100%				X
DSV FS A/S	Denmark	100%				X
GP0615 ApS	Denmark	100%				X
Anpartselskabet af 25. januar 2017	Denmark	100%				X
DSV Real Estate Copenhagen A/S	Denmark	100%				X
DSV Air & Sea Holding A/S	Denmark	100%	X			
DSV Air & Sea A/S	Denmark	100%	X			
DSV Ocean Transport A/S	Denmark	100%	X			
DSV Real Estate Odense A/S	Denmark	100%	X			
DSV Air & Sea Denmark ApS	Denmark	100%	X			
DSV Solutions Holding A/S	Denmark	100%			X	
DSV Solutions A/S	Denmark	100%			X	
DSV Road Holding A/S	Denmark	100%		X		
DSV Road A/S	Denmark	100%		X		
DSV Road Services A/S	Denmark	100%		X		
DSV Transport AS	Estonia	100%	X	X		
DSV Air & Sea Oy	Finland	100%	X			
UTi Logistics (Finland) Oy	Finland	100%	X			
DSV Solutions Oy	Finland	100%			X	
DSV Road Oy	Finland	100%		X		
DSV Air & Sea SAS	France	100%	X			

Company	Country	Ownership share	Air & Sea	Road	Solutions	Group activity
Europe (continued)						
DSV Solutions SAS	France	100%			X	
DSV Road Holding S.A.	France	100%		X		
DSV Road SAS	France	100%		X		
ING REEIF WATTRELOS	France	100%		X		
PORTIMMO	France	100%		X		
DSV Air & Sea GmbH	Germany	100%	X			
DSV Air & Sea Deutschland GmbH	Germany	100%	X			
UTi Logistik Deutschland GmbH – Hungary Branch	Germany	100%			X	
DSV Solutions Group GmbH	Germany	100%			X	
DSV Solutions GmbH	Germany	100%			X	
DSV Stuttgart GmbH & Co. KG	Germany	100%		X	X	
DSV Stuttgart Verwaltung GmbH	Germany	100%			X	
Administration & Accounting Service GmbH	Germany	100%		X		
DSV Road GmbH	Germany	100%		X		
DSV Immobilien GmbH	Germany	100%		X		
GP0615 ApS & Co. Am Zunderbaum KG	Germany	100%		X	X	
DSV Real Estate Bochum ApS & Co. KG	Germany	100%		X		
DSV Real Estate Peine ApS & Co. KG	Germany	100%		X		
DSV HELLAS S.A.	Greece	100%	X	X		
UTi Networks Limited	Guernsey	100%	X			
DSV Solutions Hungary Kft.	Hungary	100%			X	
DSV Hungaria Kft.	Hungary	100%	X	X		
DSV Air & Sea Limited	Ireland	100%	X			
UTi Ireland Ltd.	Ireland	100%	X			
DSV Solutions Ltd.	Ireland	100%			X	
UTI Inventory Management Solutions Limited	Ireland	100%			X	
DSV Road Limited	Ireland	100%		X		
DSV S.p.A.	Italy	99.1%	X	X	X	

Company	Country	Ownership share	Air & Sea	Road	Solutions	Group activity
Europe (continued)						
UTi Italy SrL	Italy	100%	X			
DSV Real Estate Novara S.r.l.	Italy	66%			X	
DSV Road S.p.A.	Italy	100%		X		
Saima Caspian LLC	Kazakhstan	100%	X			
UTi Kazakhstan LLP	Kazakhstan	100%	X			
DSV SIA	Latvia	100%	X	X		
DSV Transport UAB	Lithuania	100%	X	X		
XB Luxembourg Holdings 1 SA	Luxembourg	100%				X
XB Luxembourg Holdings 2 SARL	Luxembourg	100%				X
DSV ROAD DOOEL Skopje	Macedonia	100%		X		
African Investments BV	Netherlands	100%	X			
UTi (Netherlands) Holdings BV	Netherlands	100%	X			
DSV Air & Sea Nederland B.V.	Netherlands	100%	X			
DSV Shared Services B.V.	Netherlands	100%				X
UTi International Networks BV	Netherlands	100%	X			
Russia Logistics B.V.	Netherlands	100%	X			
DSV Solutions Holding B.V.	Netherlands	100%			X	
DSV Solutions Nederland B.V.	Netherlands	100%			X	
IMS Holdings BV	Netherlands	100%			X	
DSV Multi-Channel Fulfilment B.V.	Netherlands	100%			X	
S&H Fulfilment B.V.	Netherlands	100%			X	
VTS Beheer B.V.	Netherlands	100%			X	
DSV Solutions (Dordrecht) B.V.	Netherlands	100%			X	
DSV Solutions (Moerdijk) B.V.	Netherlands	100%			X	
DSV Road Holding N.V.	Netherlands	100%				X
DSV Road B.V.	Netherlands	100%		X		
DSV Air & Sea AS	Norway	100%	X			
DSV Solutions AS	Norway	100%			X	

Company	Country	Owner-ship share	Air & Sea	Road	Solu-tions	Group activity
Europe (continued)						
DSV Road AS	Norway	100%		X		
DSV International Shared Services Sp. z o.o.	Poland	100%				X
DSV Real Estate Warsaw Sp. z o.o.	Poland	100%				X
DSV Real Estate Warsaw Sp. z o.o.	Poland	100%				X
DSV Air & Sea Sp. z o.o.	Poland	100%	X			
UTi Poland Sp. Zo. o.	Poland	100%	X			
DSV Services Sp. z.o.o.	Poland	100%			X	
DSV Road Sp. z.o.o.	Poland	100%		X		
DSV Solutions Sp. z.o.o.	Poland	100%			X	
DSV Air & Sea Portugal, LDA	Portugal	100%	X			
DSV Solutions, Lda.	Portugal	100%		X		
DSV SGPS, Lda.	Portugal	100%		X		
DSV Transitarios, Lda.	Portugal	100%		X		
DSV Solutions S.R.L.	Romania	100%	X	X	X	
DSV Solutions OOO	Russia	100%			X	
DSV Road OOO	Russia	100%	X	X		
OOO DSV Transport	Russia	100%		X		
DSV Road d.o.o.	Serbia	100%		X		
UTi Slovakia s.r.o.	Slovakia	100%	X			
DSV Solutions Slovakia s.r.o.	Slovakia	100%			X	
DSV Slovakia S.R.O.	Slovakia	100%	X	X		
DSV Transport d.o.o.	Slovenia	100%	X	X		
Tacisa Transitaria S.L.	Spain	100%	X			
DSV Solutions Spain S.A.U.	Spain	100%			X	
Servicios Logisticos Integrados SLI, S.A.	Spain	100%	X			
DSV Road Spain S.A.U.	Spain	100%		X		
DSV Holding Spain S.L.	Spain	100%		X		
DSV Air & Sea, S.A.U.	Spain	100%	X			

Company	Country	Owner-ship share	Air & Sea	Road	Solu-tions	Group activity
Europe (continued)						
DSV Air & Sea AB	Sweden	100%	X			
UTi Logistics AB	Sweden	100%	X			
DSV Solutions AB	Sweden	100%			X	
DSV Group AB	Sweden	100%		X		
DSV Road AB	Sweden	100%		X		
Sverige Ontime Logistics AB	Sweden	100%		X		
DSV Road Property 1:31 AB	Sweden	100%		X		
Göinge Frakt EK	Sweden	100%		X		
DSV Road Property Holding AB	Sweden	100%		X		
DSV Logistics S.A.	Switzerland	100%	X	X	X	
DSV Air & Sea A.S.	Turkey	100%	X			
DSV Road & Solutions A.S.	Turkey	100%		X		
DSV Logistics LLC	Ukraine	100%	X	X		
DSV Air & Sea Limited	UK	100%	X			
UTi (UK) Holdings Ltd.	UK	100%	X			
UTi Worldwide (UK) Ltd.	UK	100%	X			
SBS Worldwide (Holdings) Ltd.	UK	100%	X			
Virtualized Logistics Ltd.	UK	100%	X			
SBS Worldwide Ltd.	UK	100%	X			
S. Black Ltd.	UK	100%	X			
DSV Air & Sea 2018 (UK) Limited	UK	100%	X			
DSV Peterborough Real Estate Limited	UK	100%			X	
DSV Road Holding Ltd.	UK	100%		X		
DSV Commercials Ltd.	UK	100%		X		
DSV Road Ltd.	UK	100%		X		
DSV Pension Trustees Ltd.	UK	100%		X		
DSV Solutions Ltd.	UK	100%			X	
DFDS Transport Ltd.	UK	100%		X		

Company	Country	Ownership share	Air & Sea	Road	Solutions	Group activity
North America						
DSV Air & Sea Inc.	Canada	100%	X			
DSV Solutions Inc.	Canada	100%			X	
DSV Road, Inc.	Canada	100%		X		
DSV Air & Sea, S.A. de C.V.	Mexico	100%	X			
UTi Services S.A. de C.V.	Mexico	100%	X			
DSV Solutions S.A. de C.V.	Mexico	100%			X	
DSV 4PL Inc.	United States	100%				X
DSV Air & Sea Holding Inc.	United States	100%	X			
DSV Air & Sea Inc.	United States	100%	X			
DSV Air & Sea International Holding Inc.	United States	100%	X			
DSV Solutions, LLC	United States	100%			X	
UTi Inventory Management Solutions Inc.	United States	100%			X	
Market Industries LLC	United States	100%		X		
Market Transport, Ltd.	United States	100%		X		
Sammons Transportation, Inc.	United States	100%		X		
DSV Road, Inc.	United States	100%		X		X
Market Logistics Services, Ltd.	United States	100%		X		
South America						
DSV Air & Sea S.A.	Argentina	100%	X			
UTi Logistics Argentina S.A.	Argentina	100%	X			
DSV UTI Air & Sea Agenciamento de Transportes Ltda.	Brazil	100%	X			
UTi Worldwide Inc.	Brit.virgin Is.	100%				X
Goddard Company Limited	Brit.virgin Is.	100%				X
UTi International Inc.	Brit.virgin Is.	100%				X
Pyramid Freight (Proprietary) Limited	Brit.virgin Is.	100%				X
UTi Africa Services Limited	Brit.virgin Is.	100%	X			

Company	Country	Ownership share	Air & Sea	Road	Solutions	Group activity
South America (continued)						
UTi Logistics (Proprietary) Limited	Brit.virgin Is.	100%				X
Thomas International Freight Auditors Limited	Brit.virgin Is.	100%				X
UTi Asia Pacific Limited	Brit.virgin Is.	100%				X
UTi Kazakhstan Investments Ltd	Brit.virgin Is.	100%				X
DSV Air & Sea (Latin America) S.A.	Chile	100%	X			
DSV Air & Sea S.A.	Chile	100%	X			
UTi Chile S.A.	Chile	100%	X			
DSV Air & Sea S.A.S.	Colombia	100%	X			
UTi Colombia S.A. SIA	Colombia	100%	X			
DSV Air & Sea S.A.	Costa Rica	100%	X			
UTi (NA) Holdings NV	Curacao	100%				X
DSV Air & Sea PA Inc.	Panama	100%	X			
DSV Air & Sea S.A.	Peru	100%	X			
DSV Air & Sea Inc.	Puerto Rico	100%	X			
UTi Uruguay SA	Uruguay	100%	X			
Asia						
DSV Air & Sea Ltd.	Bangladesh	100%	X			
ABX LOGISTICS (Bangladesh) Ltd.	Bangladesh	100%	X			
UTI Pership (Pvt) Limited – Bangladesh Branch (BDT)	Bangladesh	100%	X			
DSV Air & Sea Co., Ltd.	Cambodia	100%	X			
UTi Worldwide Co. Ltd. – Cambodia Branch (USD)	Cambodia	100%	X			
DSV Air & Sea Co., Ltd.	China	100%	X			
DSV Air & Sea Co., Ltd. (South East China)	China	100%	X			
DSV Logistics Co., Ltd.	China	100%			X	
UTi (China) Limited	China	100%	X			
DSV Air & Sea Ltd.	Hong Kong	100%	X			
S-CHP Investments (Hong Kong) Ltd.	Hong Kong	100%	X			

Company	Country	Ownership share	Air & Sea	Road	Solutions	Group activity
Asia (continued)						
UTi (HK) Limited	Hong Kong	100%			X	
Air and Sea Union Holdings Ltd.	Hong Kong	100%	X			
DSV Air & Sea Pvt. Ltd.	India	100%	X			
DSV Air & Sea International Private Limited	India	100%	X			
Swift Shipping and Freight Logistics Private Limited	India	100%	X			
IndAir Carriers Pvt. Ltd.	India	100%	X			
UT Worldwide (India) Pvt. Limited	India	100%	X		X	
PT. DSV Transport Indonesia	Indonesia	100%	X			
PT J.H. Bachmann (Indonesia)	Indonesia	100%	X			
PT ABX LOGISTICS (Indonesia)	Indonesia	100%	X			
DSV Air & Sea Co., Ltd.	Japan	100%	X		X	
DSV Air & Sea Ltd.	Korea	100%	X			
DSV Air & Sea Sdn. Bhd.	Malaysia	100%	X			
DSV Logistics Sdn. Bhd.	Malaysia	100%	X			
UTi Worldwide (M) Sdn Bhd	Malaysia	100%	X			
UTi Inventory Management Solutions Sdn Bhd	Malaysia	100%			X	
UTi Pakistan (SMC-Private) Limited	Pakistan	100%	X			
DSV Air & Sea Inc.	Philippines	100%	X			
UTi (Global Logistics) Inc.	Philippines	100%			X	
DSV SHARED SERVICES MANILA (ROHQ)	Philippines	100%				X
DSV Air & Sea Pte. Ltd.	Singapore	100%	X			
ABX LOGISTICS Singapore PTE LTD	Singapore	100%	X			
DSV Solutions Pte Ltd.	Singapore	100%			X	
Inventory Solutions (Singapore) Pte. Ltd	Singapore	98%			X	
UTi Pership (Pvt) Limited	Sri Lanka	51%	X			
DSV Pership (Private) Limited	Sri Lanka	40%	X			
DSV Air & Sea Co. Ltd.	Taiwan	100%	X			

Company	Country	Ownership share	Air & Sea	Road	Solutions	Group activity
Asia (continued)						
UTi Holding Co., Ltd.	Taiwan	100%	X			
DSV Solutions Co., Ltd.	Taiwan	100%			X	
DSV Air & Sea Ltd.	Thailand	100%	X			
DSV Solutions Ltd.	Thailand	100%			X	
DSV Holding (Thailand) Co., Ltd.	Thailand	100%	X			
DSV Air & Sea Co., Ltd.	Vietnam	100%	X			
UTi Worldwide Vietnam Co. Ltd.	Vietnam	100%	X			
Middle East						
DSV Air & Sea Ltd.	Israel	100%	X			
DSV Marine Insurance Agency Ltd.	Israel	100%	X			
Hermes Exhibition & Projects Limited	Israel	50%	X			
Carma Conveying & Carriage Limited	Israel	50%	X			
DSV - E-COMMERCE LTD.	Israel	100%	X			
DSV Solutions Ltd	Israel	100%			X	
U.T.I.-Inventory Management Solutions Limited partnership	Israel	100%			X	
UTI IMS Ltd.	Israel	100%			X	
UTi Jordan Ltd.	Jordan	100%	X			
DSV Air & Sea (LLC)	UAE	100%	X		X	
Oceania						
DSV Air & Sea Pty. Ltd.	Australia	100%	X		X	
UTi (Aust) Pty Limited	Australia	100%	X			
DSV Air & Sea Limited	New Zealand	100%	X		X	
UTi New Zealand Ltd.	New Zealand	100%	X			

Company	Country	Ownership share	Air & Sea	Road	Solutions	Group activity
Africa						
Frans Maas Algerie S.a.r.l.	Algeria	100%		X		
DSV Air & Sea (PTY) Limited	Botswana	100%	X			
Swift Freight International Burundi SA	Burundi	100%	X			
DSV Swift SARL	Dr Congo	100%	X			
DSV-UTI Egypt Ltd.	Egypt	100%	X		X	
DSV Air & Sea Limited	Ghana	100%	X			
DSV Air & Sea Limited	Kenya	100%	X			
DSV Air & Sea LIMITED	Malawi	100%	X			
DSV Air & Sea Limited	Mauritius	100%	X			
DSV Transport Int'l S.A	Morocco	100%	X			
Terminal Handling Company	Morocco	100%	X			
DSV Air & Sea Limitada	Mozambique	100%	X			
Saima Nigeria Ltd.	Nigeria	40%	X			
Nationwide Clearing & Forwarding Ltd.	Nigeria	36.6%	X			
DSV Freight International Limited	Nigeria	100%	X			
DSV Air & Sea Ltd.	Rwanda	100%	X			
DSV Air and Sea (Proprietary) Limited	South Africa	100%	X			
Pyramid Freight (Pty) Limited	South Africa	100%	X			
DSV South Africa (Pty) Ltd.	South Africa	75%	X			
DSV Shared Services (Pty) Ltd.	South Africa	100%				X
UTi Logistics (Proprietary) Limited - SC OCS Division	South Africa	100%		X		
DSV AFRICA HOLDING (Pty) Ltd.	South Africa	100%	X			
Scorpion Share Block (Pty) Ltd.	South Africa	100%		X		
Marine Link (Pty) Ltd.	South Africa	100%	X			
DSV Real Estate Johannesburg (Pty) Ltd.	South Africa	100%	X			
Sisonke Partnership	South Africa	100%			X	
DSV Solutions (Pty) Ltd.	South Africa	100%			X	

Company	Country	Ownership share	Air & Sea	Road	Solutions	Group activity
Africa (continued)						
DSV Assembly Services (Pty) Ltd.	South Africa	65.3%			X	
Chilli Pepper Investments (Pty) Ltd.	South Africa	100%			X	
Imithi Distributors (Pty) Ltd.	South Africa	100%			X	
Chronic Medicine Dispensary (Pty) Ltd.	South Africa	100%			X	
DSV Mounties (Pty) Ltd.	South Africa	100%			X	
DSV Road (Pty) Ltd.	South Africa	100%		X		
DSV Air & Sea Limited	Tanzania	100%	X			
Swift Global Logistics	Togo	100%	X			
DSV Air & Sea Limited	Uganda	100%	X			
Swift Freight International (Zambia) Ltd.	Zambia	100%	X			
DSV Air & Sea Limited	Zambia	100%	X			
DSV Air & Sea (Private) Limited	Zimbabwe	100%	X			
Associates						
DSV Air & Sea LLC	Egypt	20%	X			
MGM Lines Srl	Italy	30%	X			
Sama Al Imad General Transport LLC	Iraq	30%	X			
GT Stevedores Oy	Finland	25.5%		X		
KM Logistik GmbH	Germany	35%		X		
IDS Logistik GmbH	Germany	28%		X		
Beavor Properties (Pty) Ltd.	South Africa	25%	X			
Key Logistics, Inc.	United States	49%			X	
Union Temporal de Empres as LEY 18/1982	Spain	15.3%			X	
T2O Egebjerg A/S	Denmark	24.9%		X		

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

The Board of Directors and the Executive Board have today discussed and approved the Annual Report of DSV A/S for the financial year 2018.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and further requirements in the Danish Financial Statements Act.

It is our opinion that 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 2018 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January - 31 December 2018.

In our opinion, the Management's commentary includes a fair review of the development in the Group's and the Parent Company's operations and financial conditions, the results for the year, cash flow and financial position as well as a description of the significant risks and uncertainty factors that the Parent Company and the Group face.

We recommend that the Annual Report be approved at the Annual General Meeting.

Hedehusene, 7 February 2019

EXECUTIVE BOARD:

Jens Bjørn Andersen
CEO

Jens H. Lund
CFO

BOARD OF DIRECTORS:

Kurt K. Larsen
Chairman

Thomas Plenborg
Deputy Chairman

Birgit W. Nørgaard

Robert S. Kledal

Annette Sadolin

Jørgen Møller

INDEPENDENT AUDITOR'S REPORT

To the shareholders of DSV A/S

OUR OPINION

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2018 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 2018 in accordance with International Financial Reporting Standards as adopted 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 A/S for the financial year 1 January to 31 December 2018 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement 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 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 2 years including the financial year 2018.

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 2018. 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

DSV has adopted IFRS 15 at 1 January 2018 using the modified retrospective application with any cumulative effects recognised in equity at 1 January 2018 and with no restatement of comparatives. The Group's revenue consists primarily of services, i.e. transportation of goods between destinations, which by nature is rendered over a period of time. The determination of timing of revenue recognition is dependent on the application of the Group's accounting policies and terms in customer contracts.

We focused on this area because the process of accruing for services rendered around the balance sheet date (contract assets and accrued cost of services) is complex and dependent on Management estimates and relevant IT controls in certain operational systems.

Reference is made to notes 2.2 and 3.4 to the Consolidated Financial Statements.

How our audit addressed the key audit matter

Our audit procedures included assessing the accounting policies for revenue recognition applied by Management and comparing these to IFRS 15. We reviewed and discussed Managements assessment of implementing IFRS 15, including the impact on the opening equity, the income statement, the balance sheet and disclosures.

Moreover, we tested relevant internal controls, including IT controls, concerning the timing of revenue recognition and evaluated whether these were designed in line with the Group's accounting policies and were operating effectively.

We also selected a sample of revenue transactions during the year and traced these to underlying evidence.

In addition, we used data auditing tools to identify non-standard transactions and examined these.

For revenue, contract assets and accrued cost of services, we examined reports concerning services in progress and challenged the estimates made by Management in this regard.

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 tax matters of the Group as a whole.

The Group also carries significant deferred tax assets that consist primarily of tax on provisions made at the balance sheet date and tax loss carry forwards. The utilisation of tax losses and tax amortisation balances is, inherently, uncertain, as it is dependent on the financial development of business activities in certain countries and regions.

We focused on this area because the valuation of deferred tax assets and income tax positions involves significant Management estimates.

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

How our audit addressed the key audit matter

Our audit procedures included assessing the Group's accounting policies and valuation models within the tax accounting area and comparing these to applicable financial reporting standards.

We also assessed Management's process for identifying and assessing complex income tax transactions as well as deferred tax assets that might not be recoverable.

We tested provisions made in the tax accounting. As part of this, we reviewed correspondence with tax authorities and discussed assumptions made by Management with internal corporation tax specialists.

We tested management assessment of the recoverability over the carrying value of deferred tax assets arising from temporary differences and tax loss carry forwards 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 as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit.
We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 7 February 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

Kim Füchsel
State Authorised
Public Accountant
mne9291

Lars Baungaard
State Authorised
Public Accountant
mne23331

PARENT COMPANY FINANCIAL STATEMENTS 2018

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Income statement

(DKKm)	Note	2018	2017
Revenue	5	1,737	1,473
Gross profit		**1,737**	**1,473**
Other external expenses	6	837	745
Staff costs	7	664	543
Operating profit before amortisation, depreciation and special items		**236**	**185**
Amortisation and depreciation		312	257
Operating profit before special items		**(76)**	**(72)**
Special items, costs	8	-	70
Financial income	9	1,716	2,045
Financial expenses	10	283	270
Profit before tax		**1,357**	**1,633**
Tax on profit for the year	11	93	43
Profit for the year		**1,264**	**1,590**
Proposed distribution of profit			
Proposed dividend per share is DKK 2.25 (2017: DKK 2.0 per share)		423	380
Transferred to equity reserves		841	1,210
Total distribution		**1,264**	**1,590**

Statement of comprehensive income

(DKKm)	2018	2017
Profit for the year	**1,264**	**1,590**
Items that will be reclassified to income statement when certain conditions are met:		
Fair value adjustments relating to hedging instruments	1	2
Fair value adjustments relating to hedging instruments transferred to financial expenses	8	24
Tax on items reclassified to income statemnet	(2)	(6)
Other comprehensive income, net of tax	**7**	**20**
Total comprehensive income	**1,271**	**1,610**

Cash flow statement

(DKKm)	Note	2018	2017
Operating profit before amortisation, depreciation and special items		**236**	**185**
Adjustments:			
Share-based payments		16	11
Change in working capital etc.		1,966	1,918
Special items		-	41
Dividend received		1,059	1,481
Interest received		574	542
Interest paid		(292)	(265)
Income tax paid		(16)	(34)
Cash flow from operating activities		**3,543**	**3,879**
Purchase of intangible assets	12	(406)	(365)
Sale of intangible assets		4	-
Purchase of property, plant and equipment		(83)	(69)
Acquisition of subsidiaries and activities		-	(2)
Change in other financial assets		264	349
Cash flow from investing activities		**(221)**	**(87)**
Free cash flow		**3,322**	**3,792**
Non-current liabilities incurred		1,020	1,488
Repayment of non-current liabilities		(750)	(3,956)
Shareholders:			
Dividends distributed		(380)	(342)
Dividends on treasury shares		14	7
Purchase of treasury shares		(4,161)	(1,559)
Sale of treasury shares		876	674
Cash flow from financing activities		**(3,381)**	**(3,688)**
Cash flow for the year		**(59)**	**104**

(DKKm)	Note	2018	2017
Cash flow for the year – continued		**(59)**	**104**
Cash and cash equivalents 1 January		107	1
Cash flow for the year		(59)	104
Currency translation adjustments		(2)	2
Cash and cash equivalents at 31 December		**46**	**107**

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

Balance sheet

ASSETS

(DKKm)	Note	2018	2017
Intangible assets	12	1,112	973
Property, plant and equipment		113	84
Investments in Group entities	13	5,602	5,602
Non-current receivables from Group entities and other non-current receivables		14,573	14,837
Total non-current assets		**21,400**	**21,496**
Receivables from Group entities and other receivables	14	4,831	4,498
Income tax		-	23
Cash and cash equivalents		46	107
Total current assets		**4,877**	**4,628**
Total assets		**26,277**	**26,124**

EQUITY AND LIABILITIES

(DKKm)	Note	2018	2017
Share capital		188	190
Reserves and retained earnings	15	7,530	9,898
Total equity		**7,718**	**10,088**
Deferred tax	18	128	91
Financial liabilities	16	5,467	5,350
Total non-current liabilities		**5,595**	**5,441**
Financial liabilities	16	219	71
Income tax		47	-
Payables to Group entities and other payables	17	12,698	10,524
Total current liabilities		**12,964**	**10,595**
Total liabilities		**18,559**	**16,036**
Total equity and liabilities		**26,277**	**26,124**

Statement of changes in equity

(DKKm)	2018 Share capital	2018 Reserves*	2018 Retained earnings	2018 Total equity	2017 Share capital	2017 Reserves*	2017 Retained earnings	2017 Total equity
Equity at 1 January	190	5,055	4,843	10,088	190	5,030	4,402	9,622
Profit for the year	-	222	1,042	1,264	-	111	1,479	1,590
Other comprehensive income, net of tax	-	7	-	7	-	(85)	105	20
Total comprehensive income for the year	**-**	**229**	**1,042**	**1,271**	**-**	**26**	**1,584**	**1,610**
Transactions with owners:								
Share-based payments	-	-	16	16	-	-	11	11
Dividends distributed	-	-	(380)	(380)	-	-	(342)	(342)
Purchase of treasury shares	-	(8)	(4,153)	(4,161)	-	(3)	(1,556)	(1,559)
Sale of treasury shares	-	2	874	876	-	2	672	674
Dividends on treasury shares	-	-	14	14	-	-	7	7
Capital reduction	(2)	2	-	-	-	-	-	-
Other adjustments	-	-	(6)	(6)	-	-	65	65
Total transactions with owners	**(2)**	**(4)**	**(3,635)**	**(3,641)**	**-**	**(1)**	**(1,143)**	**(1,144)**
Other equity transactions:								
Transfer to retained earnings	-	(4,744)	4,744	-	-	-	-	-
Equity at 31 December	**188**	**536**	**6,994**	**7,718**	**190**	**5,055**	**4,843**	**10,088**

* For a specification of reserves, please refer to note 15

1. ACCOUNTING POLICIES

As Parent company of the DSV Group, the financial statements of DSV 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 the International Financial Reporting Standards (IFRS) as adopted by the European Union and further requirements in the Danish Financial Statements Act.

The accounting policies of the Parent are identical with the policies for the consolidated financial statements, except for the following:

Dividends from investments in subsidiaries

Dividends from investments in subsidiaries are recognised as income in the Parent's income statement under financial income in the financial year in which the dividends are declared.

Investments in subsidiaries in the Parent's financial statements

Investments in subsidiaries are measured at cost. If there is any indication of impairment, investments are tested for impairment as described in the accounting policies applied by the Group. If the cost exceeds the recoverable amount, the investment is written down to that lower value.

Currency translation

Foreign currency adjustments of balances considered part of the total net investment in enterprises which have a functional currency other than Danish kroner (DKK) are recognised in the income statement of the Parent under financials.

2. CHANGES IN ACCOUNTING POLICIES

The Parent has implemented the International Financial Reporting Standards (IFRS) and amendments effective as of 1 January 2018 as adopted by the European Union. Implementation of these standards and amendments has had no material impact on the financial statements or notes to the financial statements of the Parent, or resulted in any changes to recognition, measurement or classifications. Reference is made to Chapter 1 of the consolidated financial statements for additional information.

3. MANAGEMENT JUDGEMENTS

For the preparation of the Annual Report of DSV A/S, Management makes various accounting judgements that affect the reported amounts and disclosures in the statements and in the notes to the financial statements. These judgements are based on professional judgement, historical data and other factors available to Management. By their nature, judgements include a degree of uncertainty and actual results may therefore deviate from the judgements made at the reporting date. Judgements are continuously evaluated, and the effect of any changes is recognised in the relevant period.

Accounting judgements considered significant in the preparation and understanding of the financial statements of the Parent includes the following:

Investments in subsidiaries

Management assesses annually whether there is an indication of impairment of investments in subsidiaries. If so, the investments will be tested for impairment in the same way as Group goodwill. At 31 December 2018 no impairment indicators have been identified.

4. NEW ACCOUNTING REGULATIONS

The IASB has issued a number of new standards and amendments not yet in effect or endorsed by the EU and therefore not relevant for the preparation of the 2018 Parent company accounts. These standards are expected to be implemented when they take effect.

Of the new standards and amendments only IFRS 16 Leases is currently expected to have any noticeable impact on the Parent financial statements. The effect however is not expected to be material due to the limited number of leases applied by the Parent. Reference is made to Chapter 1 of the consolidated financial statements for additional information.

5. REVENUE

(DKKm)	2018	2017
Intra-Group charges	1,737	1,473
Total revenue	**1,737**	**1,473**

6. FEES TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

(DKKm)	2018	2017
Statutory audit	3	3
Tax and VAT advisory services	-	-
Other services	-	-
Total fees	**3**	**3**

7. STAFF COSTS

For information on remuneration of the Executive Board and the Board of Directors, please see notes 5.3 and 5.4 to the consolidated financial statements.

(DKKm)	2018	2017
Remuneration of the Board of Directors	6	6
Salaries etc.	632	514
Defined contribution pension plans	26	23
Total staff costs	**664**	**543**
Average number of full-time employees	426	380

8. SPECIAL ITEMS

(DKKm)	2018	2017
Impairment and other costs relating to reorganisations	-	70
Special items, costs	**-**	**70**

9. FINANCIAL INCOME

(DKKm)	2018	2017
Interest income	31	28
Interest income from Group entities	543	514
Currency translation adjustments, net	83	22
Dividends from subsidiaries	1,059	1,481
Total financial income	**1,716**	**2,045**

Interest income includes interest on financial assets measured at amortised cost of DKK 31 million (2017: DKK 28 million).

10. FINANCIAL EXPENSES

(DKKm)	2018	2017
Interest expenses	211	227
Interest expenses for Group entities	72	43
Total financial expenses	**283**	**270**

Interest expenses include interest on financial liabilities measured at amortised cost of DKK 211 million (2017: DKK 227 million).

11. TAX FOR THE YEAR

Tax for the year is disaggregated as follows:

(DKKm)	2018	2017
Tax on profit for the year	93	43
Tax on other comprehensive income	2	6
Total tax for the year	**95**	**49**

Tax on profit for the year specifies as follows:

(DKKm)	2018	2017
Current tax	63	23
Deferred tax	23	21
Tax adjustment relating to previous years	7	(1)
Total tax on profit for the year	**93**	**43**

Tax rate specifies as follows:

(DKKm)	2018	2017
Calculated tax on profit for the year before tax	22.0%	22.0%
Tax effect of:		
Non-deductible expenses/ non-taxable income	(15.6%)	(19.4%)
Effective tax rate	0.5%	-
Total tax on profit for the year	**6.9%**	**2.6%**

12. INTANGIBLE ASSETS

	2018		
(DKKm)	Software	Software in progress	Total
Cost at 1 January	1,716	321	2,037
Additions for the year	41	365	406
Disposals at cost	(31)	(5)	(36)
Reclassifications	296	(296)	-
Total cost at 31 December	**2,022**	**385**	**2,407**
Total amortisation and impairment at 1 January	1,020	44	1,064
Amortisation and impairment for the year	261	-	261
Amortisation of assets disposed of	(25)	(5)	(30)
Total amortisation and impairment at 31 December	**1,256**	**39**	**1,295**
Carrying amount at 31 December	**766**	**346**	**1,112**

(DKKm)	2017		
Cost at 1 January	1,372	437	1,809
Additions for the year	156	209	365
Disposals at cost	(70)	(67)	(137)
Reclassifications	258	(258)	-
Total cost at 31 December	**1,716**	**321**	**2,037**
Total amortisation and impairment at 1 January	826	44	870
Amortisation and impairment for the year	225	-	225
Amortisation of assets disposed of	(31)	-	(31)
Total amortisation and impairment at 31 December	**1,020**	**44**	**1,064**
Carrying amount at 31 December	**696**	**277**	**973**

Total value of financial lease assets amounted to DKK 0 million (2017: DKK 6.1 million).

13. INVESTMENTS IN GROUP ENTITIES

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

	Ownership 2018	Ownership 2017	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
UTi (NA) holdings NV	100%	100%	Willemstad, Curacao	0

14. RECEIVABLES FROM GROUP ENTITIES AND OTHER RECEIVABLES

(DKKm)	2018	2017
Receivables from Group entities	4,617	4,310
Fair value of derivative financial instruments	41	31
Other receivables etc.	173	157
Receivables from Group entities and other receivables at 31 December	**4,831**	**4,498**

Receivables from Group entities has been determined to be of low credit risk and any expected credit losses within the next 12 months immaterial.

15. EQUITY RESERVES

Equity reserves are specified below.

(DKKm) 2018	Share premium reserve	Treasury share reserve	Hedging reserve	Development cost reserve	Total reserves
Reserves at 1 January	4,744	(6)	(39)	356	5,055
Profit for the year	-	-	-	222	222
Other comprehensive income, net of tax	-	-	7	-	7
Total comprehensive income for the year	-	-	7	222	229
Transactions with owners:					
Purchase of treasury shares	-	(8)	-	-	(8)
Sale of treasury shares	-	2	-	-	2
Capital reduction	-	2	-	-	2
Other equity transactions:					
Transfer to retained earnings	(4,744)	-	-	-	(4,744)
Reserves at 31 December	**-**	**(10)**	**(32)**	**578**	**536**

(DKKm) 2017	Share premium reserve	Treasury share reserve	Hedging reserve	Development cost reserve	Total reserves
Reserves at 1 January	4,744	(5)	46	245	5,030
Profit for the year	-	-	-	111	111
Other comprehensive income, net of tax	-	-	(85)	-	(85)
Total comprehensive income for the year	-	-	(85)	111	26
Transactions with owners:					
Purchase of treasury shares	-	(3)	-	-	(3)
Sale of treasury shares	-	2	-	-	2
Reserves at 31 December	**4,744**	**(6)**	**(39)**	**356**	**5,055**

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

16. FINANCIAL LIABILITIES

(DKKm)	2018	2017
Loans and credit facilities	1,670	649
Issued bonds	3,972	4,713
Other financial liabilities	44	59
Total financial liabilities	**5,686**	**5,421**
Financial liabilities as recognised in the balance sheet:		
Non-current liabilities	5,467	5,350
Current liabilities	219	71
Financial liabilities at 31 December	**5,686**	**5,421**

Loans and credit facilities

			Carrying amount	
(DKKm)	Expiry	Fixed/ floating	2018	2017
Bank loans	2020-2022	Floating	1,452	596
Bond loans	2020-2024	Fixed/ floating	3,972	4,713
Cash	2019	Floating	218	53
Loans and credit facilities at 31 December			**5,642**	**5,362**

Bank loans are subject to standard trade covenants. All financial ratio covenants were observed during the year.

The weighted average interest rate was 2.0% (2017: 2.5%).

FINANCIAL LIABILITIES FINANCING ACTIVITIES 2018 (DKKm)	Beginning of year	Cash flow	Non-cash change: Foreign ex. movement	Non-cash change: Fair value change	End of year
Loans and credit facilities	649	1,020	1	-	1,670
Issued bonds	4.713	(750)	5	4	3,972
Total liabilities from financing activities	**5,362**	**270**	**6**	**4**	**5,642**
Other non-current liabilities	59				44
Total financial liabilities	**5,421**				**5,686**

FINANCIAL LIABILITIES FINANCING ACTIVITIES 2017 (DKKm)	Beginning of year	Cash flow	Non-cash change: Foreign ex. movement	Non-cash change: Fair value change	End of year
Loans and credit facilities	4,586	(3,956)	4	15	649
Issued bonds	3,234	1,488	1	(10)	4,713
Total liabilities from financing activities	**7,820**	**(2,468)**	**5**	**5**	**5,362**
Other non-current liabilities	61				59
Total financial liabilities	**7,881**				**5,421**

17. PAYABLES TO GROUP ENTITIES AND OTHER PAYABLES

(DKKm)	2018	2017
Payables to Group entities	12,231	10,076
Other payables	467	448
Payables to Group entities and other payables at 31 December	**12,698**	**10,524**

18. DEFERRED TAX

(DKKm)	2018	2017
Deferred tax at 1 January	91	112
Deferred tax for the year	23	26
Tax adjustments relating to previous years	-	(4)
Tax on changes in equity	14	(43)
Deferred tax at 31 December	**128**	**91**
Deferred tax as recognised in the balance sheet:		
Deferred tax liabilities	128	91
Deferred tax, net	**128**	**91**
Specification of deferred tax:		
Intangible assets	169	153
Current assets	(7)	(5)
Other liabilities	12	-
Provisions	(46)	(57)
Deferred tax at 31 December	**128**	**91**

19. SHARE OPTION SCHEMES

DSV 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 2018.

Total costs recognised in 2018 for services received not recognised as an asset amounted to DKK 16 million (2017: DKK 11 million).

The average share price for options exercised in the financial year was DKK 499.5 per share at the date of exercise.

20. OPERATING LEASE OBLIGATIONS

(DKKm)	2018	2017
Operating lease obligations relating to operating equipment fall due:		
0-1 year	45	70
1-5 years	20	65
> 5 years	-	-
Total	**65**	**135**

DSV A/S has concluded leases with an average term of 3 years (2017: 3 years).

Operating lease costs of DKK 67 million relating to other plant and operating equipment were recognised in the income statement for 2018 (2017: DKK 68 million).

SHARE OPTIONS SCHEMES AT 31 DECEMBER 2018

Scheme	Exercise period	Board of Directors	Executive Board	Senior staff	Total	Average exercise price per option
2014	31.03.2017 - 29.03.2019	-	-	5,500	5,500	166.8
2015	03.04.2018 - 31.03.2020	-	170,000	36,500	206,500	215.0
2016	01.04.2019 - 31.03.2021	-	190,000	211,000	401,000	274.3
2017	01.04.2020 - 31.03.2022	-	190,000	244,500	434,500	357.0
2018	28.03.2021 - 28.03.2023	-	190,000	275,500	465,500	477.5
Outstanding		**-**	**740,000**	**773,000**	**1,513,000**	**352.1**
Exercise period open at 31 December 2018		-	170,000	42,000	212,000	213.7
Life (years)		-	2.9	3.4	3.2	n.a.
Market value (DKKm)		-	83.5	65.9	149.4	n.a.

OUTSTANDING SHARE OPTIONS	Board of Directors[1]	Executive Board	Senior staff	Total	Average exercise price per option
Outstanding at 1 January 2017	64,000	700,000	567,500	1,331,500	209.9
Granted	-	190,000	263,000	453,000	357.0
Exercised	(32,000)	(170,000)	(145,000)	(347,000)	151.6
Options waived/expired	-	-	(46,000)	(46,000)	279.0
Outstanding at 31 December 2017	**32,000**	**720,000**	**639,500**	**1,391,500**	**270.0**
Outstanding at 1 January 2018	32,000	720,000	639,500	1,391,500	270.0
Granted	-	190,000	276,000	466,000	477.5
Exercised	(32,000)	(170,000)	(131,000)	(333,000)	185.9
Options waived/expired	-	-	(11,500)	(11,500)	317.5
Outstanding at 31 December 2018	**-**	**740,000**	**773,000**	**1,513,000**	**352.1**

1) A member of the Board of Directors has previously received share options in the Director's former capacity as senior staff member at DSV.

21. DERIVATIVE FINANCIAL INSTRUMENTS

The weighted average effective interest rate for existing interest rate instruments was 0.9% at the reporting date (2017: 0.6%).

A gain on hedging instruments of DKK 23 million was recognised in the income statement for the financial year of 2018 (2017: a gain of DKK 231 million).

For the same period, hedged risks were recognised in the income statement by a gain of DKK 60 million (2017: a loss of DKK 209 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 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 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)	2018				
	Contractual value	Maturity	Fair value	Of which recognised in income statement	Of which recognised in OCI
Currency instruments	11,655	2019-2020	42	39	3
Interest rate instruments	1,226	2020-2023	(44)	-	(44)
Total			**(2)**	**39**	**(41)**

(DKKm)	2017				
	Contractual value	Maturity	Fair value	Of which recognised in income statement	Of which recognised in OCI
Currency instruments	24,607	2018-2020	9	23	(14)
Interest rate instruments	2,347	2018-2023	(37)	(2)	(35)
Total			**(28)**	**21**	**(49)**

FINANCIAL RISKS (DKKm)	2018				2017			
	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	359	4,315	1,511	6,185	189	4,201	1,534	5,924
Other payables	467	-	-	467	448	-	-	448
Payables to Group entities	12,231	-	-	12,231	10,076	-	-	10,076
Currency derivatives	(41)	(1)	-	(42)	(17)	8	-	(9)
Interest rate derivatives	5	43	-	48	8	30	3	41
Total	**13,021**	**4,357**	**1,511**	**18,889**	**10,704**	**4,239**	**1,537**	**16,480**

22. FINANCIAL RISKS - CONTINUED

Financial instruments by category

(DKKm)	2018	2017
Financial assets:		
Derivative financial instruments	42	31
Receivables	4,831	4,498
Other receivables	14,573	14,837
Cash and cash equivalents	46	107
Total cash and receivables	19,450	19,442
Financial liabilities:		
Interest rate derivatives	44	37
Currency derivatives	-	22
Issued bonds measured at amortised cost	3,972	4,713
Loans and credit facilities	1,670	649
Payables to Group entities etc.	12,698	10,524
Financial liabilities measured at amortised cost	18,340	15,886

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 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 A/S is assessed jointly for Danish tax purposes with the other domestic Group entities. DSV 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 receivables under the joint taxation arrangement amounted to DKK 33 million (2017: income tax and withholding tax receivable of DKK 23 million), which is included in the financial statements of DSV A/S.

Parent Company guarantees

DSV 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 7,272 million (2017: DKK 6,999 million).

Moreover, DSV A/S has issued several declarations of intent relating to outstanding balances between subsidiaries and third parties.

24. RELATED PARTIES

DSV has no related parties with control of the Group and no related parties with significant influence other than key management personnel – mainly in the form of the Board of Directors and Executive Board.

RELATED PARTY TRANSACTIONS

Board of Directors and Executive Board

No transactions were made in the financial year of 2018 other than ordinary remuneration, as described in notes 5.3 and 5.4 to the consolidated financial statements.

Intra-Group transactions

No transactions were made in 2018 other than as stated in the income statement and notes.

25. GENDER REPRESENTATION CF. ARTICLE 99B OF THE DANISH FINANCIAL STATEMENTS ACT

The Danish financial Statements Act § 99b requires Danish companies of a certain size to set targets for and report on gender representation in the company's top management, and further inform about policy about gender representation on lower management level.

At present, DSV A/S comply with the requirement of equal gender representation in the company's top management with a gender ratio of 33% women and 67% men.

Policy for gender diversity takes its cue from the antidiscrimination paragraph in the DSV Code of Conduct. The policy aims to ensure a balanced workforce as well as equal opportunity for all DSV employees. DSV A/S aims to reach a gender ratio of at least 22% women on lower management levels in 2020. The current level in 2018 Is 21%. This target has been pursued through a hiring and advancement practice and policy, focused on equal advancement possibilities for all talented and dedicated employees regardless of gender.

Global Transport and Logistics

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