

DSV Prime Cargo A/S

Profilvej 4
6000 Kolding

CVR no. 20 60 11 08

Annual report for the period 1 April – 31 December 2020

The annual report was presented and approved at the
Company's annual general meeting on

19 April 2021

Brian Eising
chairman

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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 Prime Cargo A/S for the financial period 1 April – 31 December 2020.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Company's operations for the financial period 1 April – 31 December 2020.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the period and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Kolding, 19 April 2021
Executive Board:

Jesper Harrild Eriksen

Board of Directors:

Brian Skovgård Ejning
Chairman

Marcel Blomjous

Jens Hesselberg Lund

Independent auditor's report

To the shareholders of DSV Prime Cargo A/S

Opinion

We have audited the financial statements of DSV Prime Cargo A/S for the financial period 1 April – 31 December 2020 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Company's operations for the financial period 1 April – 31 December 2020 in accordance with the Danish Financial Statements Act.

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 are independent of the Company 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, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that 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 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 in preparing the financial statements unless Management either intends to liquidate the 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 as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

Independent auditor's report

- identify and assess the risks of material misstatement of the company 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 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 in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.



Independent auditor's report

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, 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 the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Kolding, 19 April 2021

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Nikolaj Møller Hansen
State Authorised
Public Accountant
mne33220

DSV Prime Cargo A/S
Annual report 2020
CVR no. 20 60 11 08

Management's review

Company details

DSV Prime Cargo A/S
Profilvej 4
6000 Kolding

CVR no.: 20 60 11 08
Financial period: 1 April – 31 December

Board of Directors

Brian Skovgård Ejning, Chairman
Marcel Blomjous
Jens Hesselberg Lund

Executive Board

Jesper Harrild Eriksen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Jupitervej 4
DK-6000 Kolding
CVR no. 25 57 81 98

Management's review

Financial highlights

DKK	2020 9 months	2019/20	2018/19	2017/18	2016/17
Key figures					
Revenue	370,274,212	491,285,212	577,907,719	530,833,544	323,960,167
Gross profit/loss	35,724,299	27,459,670	26,726,333	34,613,410	31,423,584
Operating profit/loss	8,853,599	-13,919,792	-9,280,348	4,361,524	8,880,491
Profit/loss from financial income and expenses	-401,799	-292,099	1,191,154	-284,647	-140,077
Profit/loss for the year	7,919,264	-11,152,960	-5,773,839	4,994,076	9,284,298
Total assets	217,593,319	214,947,310	162,771,052	170,557,216	150,318,376
Equity	51,617,305	43,736,612	55,174,474	60,903,256	58,577,691
Investment in property, plant and equipment	10,631,932	66,359,794	4,744,542	13,059,187	8,855,357
Ratios					
Gross margin	9.65%	5.59%	4.62%	6.52%	9.70%
Return on equity	16.61%	-22.55%	-4.97%	8.35%	15.84%
Solvency ratio	23.72%	20.35%	33.90%	35.71%	38.97%

The accounting policies for financial years 2017/18 and 2016/17 have been changed, and the figures have been restated.

The financial ratios have been calculated as follows:

The Company was acquired by DSV during 2020 and therefore changed its financial year to follow that of the Group. As a result, the annual report only comprises nine months covering the period from 1 April to 31 December 2020. Accordingly, the prior year figures does not provide a reasonable basis for comparison.

Gross margin
$$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

Return on equity
$$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Solvency ratio
$$\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

Management's review

Operating review

Principal activities

The primary activities of the Company comprise shipping and transportation activities, storage hotel and distribution and related services.

Development in activities and financial position

Prime Cargo A/S was acquired by DSV A/S as of 23 December 2020. To align with the DSV A/S financial year, this financial year of Prime Cargo A/S covers nine months ending on 31 December 2020. The Company's income statement for 2020 – 9 months - shows a profit of DKK 7,919,264 as against a loss of DKK 11,152,960 at 31 March 2020. Equity in the Company's balance sheet as of 31 December 2020 stood at DKK 51,617,305 as against DKK 43,736,612 as of 31 March 2020.

Outlook

As a consequence of the DSV acquisition, the freight business is moved to DSV for consolidation in 2021. Going forward, the Company is named DSV Prime Cargo A/S and will focus solely on the Logistic solutions.

The activity level on Logistics is expected to continue at the current level, but COVID-19 which had a significant impact on the 2020 business, is expected still to have significant impact on the activity and performance in 2021. Depending on how the situation develops, there is a risk of impact in 2021. We have put measures in place to help support the business and its stakeholders during this outbreak.

Due to the restructuring process as part of the acquisition by DSV, Management does not have a reasonable estimate of financial performance for 2021.

Particular risks

— Business risks

The major business risks of the Company are attributable to holding a strong position in the markets on which the Company has activities.

— Financial exposure

As a result of its operations, its investments and, its financing, the Company is exposed to changes in exchange rates and interest rate level. The Company's use of derivative financial instruments is solely made with a view to hedge risks.

Intellectual capital resources

The employees of the Company have great insight into the logistics and warehousing services markets, which are the Company's primary markets. The employees' detailed knowledge of logistics services are of vital importance to the Company's position on the market and future earnings.

General statement about CSR

DSV Prime Cargo A/S takes its social responsibility seriously and has adopted and adheres to various policies in accordance with section 99a of the Danish Financial Statements Act.

The following describes the policies and how they are translated into action. In 2021, DSV Prime Cargo A/S will be integrated into the existing DSV structure and policies upon CSR in accordance with sections 99 a and 99b of the Danish Financial Statements Act.

Management's review

Operating review

Business model

DSV Prime Cargo A/S' principal activities lie within two business areas of approximately the same size; Going forward the freight forwarder business, where we, through our network of agents worldwide and our foreign subsidiaries arrange both import and export transportation of our customers' goods, will be moved to DSV.

Our focus going forward will be warehouse logistic services. We take care of the total handling of finished goods from receiving, storing, picking, packing and distribution to the customers' stores or end consumers. Both business areas comply with our CSR statement.

Human rights and employee relations

DSV Prime Cargo A/S respects and supports human rights, as described in the Universal Declaration of Human Rights. DSV Prime Cargo A/S is a part of DSV Group, and the Group's Corporate Code of Conduct states that human rights are to be respected. Furthermore, there must be no discrimination based on age, religion, nationality, race, gender, sexual orientation, disability, pregnancy or political conviction. No violations of the Code of Conduct have been found during the year.

The Company has an employee handbook which contain the Company's operation procedures, and it is a guideline for employees. The employee handbook must be signed before new employees can begin their work at DSV Prime Cargo A/S. The handbook was electronically signed as of primo 2018.

Along with the signing of the employee handbook, new employees need to sign the Company's safety rules before taking up work. When the new employee takes up employment, there is on-the-job training, and in the warehouses the employee will either be part of a team or work in pairs (Buddy system).

In 2019 the Company signed and implemented an agreement with a union covering all employees in the warehouses.

DSV Prime Cargo A/S has policies that ensure the safety and health of employees. The policies concern health and safety policy, alcohol and abuse policy and smoking policy. They all describe guidelines applying to the different areas.

For DSV Prime Cargo A/S, it is important that the employees are part of a safe workplace. In 2016 the Company had 18 work-related injuries, in 2017 there were only five work-related injuries and in 2019 the number was 12 injuries. In 2020, the number was 10. None of them were permanent injuries.

The Company focuses on the individual employee and offers individual terms to ensure a healthy work life balance. Employees are covered by health insurance and for a symbolic self-payment they can have extended coverage just as the employees' children can be included.

In addition, the Company has an employee retention policy. This includes seniors who wish to stay on the labor market on special terms, and employees affected by illness are offered light jobs.

The overall sickness absence rate was 4.8% in 2018, in 2019 the rate was 4.3% and in 2020 it was 4%, and sickness absence has thus remained at a satisfactory low level.

In DSV Prime Cargo A/S, we see a limited risk for violation of the individual human right. Also, the nature of the work and the environment around our production impose limited risk on our employees' health and safety.

Management's review

Operating review

Climate and environment

In DSV Prime Cargo A/S, the environment is also an important factor. Therefore, we constantly think about new environmental friendly product improvements and take responsibility and make a difference wherever we can.

As a freight forwarder, DSV Prime Cargo A/S is not able to directly influence and reduce CO2 emissions from the transport we organise. The transports are for the most part carried out by subcontractors whose equipment is operated on market terms. We do, however, acknowledge our global responsibility for reducing the risk of unnecessary negative impact on climate and environment from our transports.

In 2020, we increased the business based on train for imports from China to Europa and thereby contributed to the global reduction of CO2 emission as the majority of the products moving via this new train would otherwise have been moved on freight aircraft.

The Company's focus is on two types of significant environmental improvements:

- To consolidate goods and routes to achieve a higher degree of efficiency, and
- to offer our customers transport from China to Denmark via rail where CO2 emissions are far less than both by aircraft and road transport.

In the employees' handbook, the importance of recycling is stated. At the Company's warehouses, large amounts of cardboard and plastic film are handled every day, and any leftovers are collected for recycling. In 2020, 500 ton cardboard was sent to recycling together with more than 50 ton plastic film. In addition, all other waste is sorted for recycling, including paper, metal and flammable materials.

DSV Prime Cargo A/S works to continuously reduce the consumption of electricity and heat. This is done to reduce the climate impact of the Company's activities. Targeted efforts are made to reduce the Company's electric and heating consumption, although for some years, there may be an increase due to higher activity and interannual weather differences. The Company's warehouses are in general not heated. Heating occurs rarely and solely to prevent damage to the customer's materials. Instead, investments have been made in electric gates that quickly shut to keep the heat inside.

Investments are made in low-energy equipment to reduce electricity consumption. In 2015, LED luminaires have been installed in most of the warehouses. On electricity, the Company achieved a 20.7% saving of the annual CO2 emissions level from 2015 to 2016. However, in 2017 and 2018 there was a slight 1.5% increase in the annual CO2 emissions level due to a higher activity level.* In 2018 we changed heating source to CO2 neutral natural gas and thereby achieved a saving in the emission from heating of 10%.

*The Co2 calculation is based on the Building Agency's Co2 calculator. In 2020, we changed the last lightening devices in the administration areas from conventional to LED-based technology.

Anti-corruption and bribery

DSV Prime Cargo A/S wishes to be part of a professional, sound and trustworthy business environment. Therefore, The Company does not accept corruption or bribery. The risk of corruption and bribery from our employees is estimated to be low due to our procedures and the internal control function headed by DSV. In addition to the moral aspects, corruption is a major obstacle to sound economic development in many countries.

The DSV Group's Corporate Code of Conduct describes in detail that corruption and associated activities are not allowed and must be counteracted. All employees are instructed about our code of conduct on employment. No cases of corruption have been identified in 2020.

Management's review

Operating review

Social and staff matter

We continuously work to reduce the risk on safety, injuries, sickness and general health and wellbeing of our employees.

DSV Prime Cargo A/S has several policies that ensure the safety and health of our employees. The policies concern health and safety policy, alcohol and abuse policy and smoking policy. They all describe guidelines applying to the different areas

For DSV Prime Cargo A/S, it is important that the employees are part of a safe workplace. In 2016 the Company had 18 work-related injuries, in 2017 there were only 5 work-related injuries and in 2019 the number was 12 injuries and 10 in 2020. None of them were permanent injuries.

The Company focuses on the individual employee and offers individual terms to ensure a healthy work life balance. Employees are covered by both health and teeth insurance, and for a symbolic self-payment they can have extended coverage just as the employees' children can be included. In addition, the Company has an employee retention policy. This includes seniors who wish to stay on the labor market on special terms and employees affected by illness are offered light jobs.

During the COVID-19 crisis, employees have, to the extent possible, either worked from home or with highest possible restrictions in order to protect their health and wellbeing.

Gender balance

In accordance with section 99b of the Danish Financial Statements Act, the Board of Directors of DSV Prime Cargo A/S wants to give both sexes equal access to leadership positions and believes that board members should be chosen based on their overall competencies.

The male/female balance on the Company's Board of Directors is at present 100%/0%. With the entry of DSV as owner, DSV Prime Cargo A/S will adopt the DSV policy upon Diversity and inclusion. The aim is to increase the share of women on the Board of Directors to 1/3 by 2023. This accounts for one female member out of the three elected members by the annual general meeting. The measures initiated did not pay off in 2020, but the goal was reconfirmed by the new Board of Directors. The risk of not fulfilling the above target exist in the case board members are purely appointed by our owner based on the board members' qualifications and not gender.

The Executive Board consists of one person, and DSV Prime Cargo A/S' management team consists of seven people, of which four are men and three are female. On management level and further down in the organization, DSV Prime Cargo A/S strives to have a natural balance between gender. As a result of our focus on diversity in our recruitment and training programs, now two out of five terminal managers in our warehouses are female.

This year, we did not execute the internal education program due to COVID-19, but when it is executed, it is mandatory with a mix of gender that reflect the entire organisation.

Financial statements 1 April – 31 December

Income statement

DKK	Note	2020 9 months	2019/20 12 months
Revenue	2	370,274,212	491,285,212
Production costs		<u>-334,549,913</u>	<u>-463,825,542</u>
Gross profit		35,724,299	27,459,670
Distribution costs	3, 4	-945,168	-2,874,935
Administrative expenses	3, 4	<u>-25,925,532</u>	<u>-38,504,527</u>
Profit/loss before financial income and expenses		8,853,599	-13,919,792
Income from equity investments in group entities		1,362,860	152,841
Other financial income	5	1,397,888	2,540,499
Other financial expenses	6	<u>-1,799,687</u>	<u>-2,832,598</u>
Profit/loss before tax		9,814,660	-14,059,050
Tax on profit/loss for the year	7	<u>-1,895,396</u>	<u>2,906,090</u>
Profit/loss for the year	8	<u><u>7,919,264</u></u>	<u><u>-11,152,960</u></u>

Financial statements 1 April – 31 December

Balance sheet

DKK	Note	31/12 2020	31/3/2020
ASSETS			
Fixed assets			
Intangible assets	9		
Goodwill		0	98,081
Property, plant and equipment	10		
Plant and machinery		62,984,920	61,158,414
Fixtures and fittings, tools and equipment		2,416,281	3,963,074
Leasehold improvements		4,208,698	5,486,257
		69,609,899	70,607,745
Investments	11		
Equity investments in group entities		13,815,957	7,623,358
Investments in associates		0	5,376,548
Receivables from group entities		11,130,054	12,504,041
Other securities and equity investments		2,100	2,100
Deposits		35,425,490	35,911,720
		60,373,601	61,417,767
Total fixed assets		129,983,500	132,123,593
Current assets			
Receivables			
Trade receivables		78,397,694	64,238,934
Receivables from group entities		1,172,808	957,907
Other receivables		59,302	817,370
Deferred tax asset	12	3,283,368	5,178,764
Corporation tax		322,000	0
Prepayments	13	3,785,053	3,366,257
		87,020,225	74,559,232
Cash at bank and in hand		589,594	8,264,485
Total current assets		87,609,819	82,823,717
TOTAL ASSETS		217,593,319	214,947,310

Financial statements 1 April – 31 December

Balance sheet

DKK	Note	31/12 2020	31/3/2020
EQUITY AND LIABILITIES			
Equity			
Contributed capital		1,800,000	1,800,000
Reserve for net revaluation under equity method		3,896,518	0
Retained earnings		<u>45,920,787</u>	<u>41,936,612</u>
Total equity		<u>51,617,305</u>	<u>43,736,612</u>
Liabilities			
Non-current liabilities			
	14		
Lease obligations		43,040,756	48,635,101
Payables to group entities		0	14,936,904
Other payables		<u>230,763</u>	<u>15,000</u>
		<u>43,271,519</u>	<u>63,587,005</u>
Current liabilities			
	14		
Current portion of non-current liabilities		7,466,376	7,414,259
Banks, current liabilities		12,715,894	23,603,051
Trade payables		44,652,164	32,352,521
Payables to group entities		16,118,881	22,611,331
Other payables		<u>41,751,180</u>	<u>21,642,531</u>
		<u>122,704,495</u>	<u>107,623,693</u>
Total liabilities		<u>165,976,014</u>	<u>171,210,698</u>
TOTAL EQUITY AND LIABILITIES		<u>217,593,319</u>	<u>214,947,310</u>
Contractual obligations, contingencies, etc.			
	15		
Mortgages and collateral	16		
Related party disclosures	17		
Disclosure of events after the balance sheet date	18		

Financial statements 1 April – 31 December

Statement of changes in equity

DKK	Contributed capital	Reserve for net revaluation under equity method	Retained earnings	Total
Equity at 1 April 2020	1,800,000	0	41,936,612	43,736,612
Exchange adjustment	0	0	-38,571	-38,571
Transferred over the profit appropriation	0	3,896,518	4,022,746	7,919,264
Equity at 31 December 2020	1,800,000	3,896,518	45,920,787	51,617,305

Financial statements 1 April – 31 December

Notes

1 Accounting policies

The annual report of DSV Prime Cargo A/S for 2020 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

The Company was acquired by DSV during 2020 and therefore changed its financial year to follow that of the Group. As a result, the annual report only comprises nine months covering the period from 1 April to 31 December 2020. Accordingly, the prior year figures do not provide a reasonable basis for comparison.

Omission of consolidated financial statements

Pursuant to section 112(i) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of DSV Prime Cargo A/S, is part of the consolidated financial statements of DSV Panalpina A/S.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of DSV Panalpina A/S.

Omission of audit fee

Pursuant to section 96(3) of the Danish Financial Statements Act, no note on audit fee has been prepared. Audit fee is recognised in the consolidated financial statements of DSV Panalpina A/S.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Upon recognition of foreign subsidiaries and associates that are independent entities, the income statements are translated into Danish kroner at average exchange rates for the month, and balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising upon translation of foreign subsidiaries' opening equity and results at the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with independent foreign subsidiaries considered part of the total investment in the subsidiary are recognised directly in equity. Similarly, foreign exchange gains and losses on loans and derivative financial instruments taken out for the purpose of hedging investments in foreign subsidiaries are recognised directly in equity.

Financial statements 1 April – 31 December

Notes

1 Accounting policies (continued)

Upon recognition of foreign subsidiaries that are integrated entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the date of acquisition or the date of subsequent revaluations of the asset. Income statement items are translated at the exchange rates at the transaction date, whereas items derived from non-monetary items are translated at historical exchange rates for the non-monetary item.

Income statement

Revenue

Revenue from the sale of transportation services are recognised in the income statement when commenced.

Other services are recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Production costs

Production costs comprise cost of sale for the financial year, including wages and salaries as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sale staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Income from equity investments in group entities

Income from equity investments in group entities comprises the pro rata share of individual entities' profit/loss after full elimination of internal profits or losses.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Group, including expenses for administrative staff, Management, office premises, office expenses and depreciation.

Income from equity investments in associates

Dividends are recognised in the Company's income statement at cost.

Financial statements 1 April – 31 December

Notes

1 Accounting policies (continued)

Financial income

Financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group entities, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under Danish on-account tax scheme, etc. .

Financial expenses

Financial expenses comprise interest expenses, including interest expenses on payables to group entities, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

Goodwill

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is usually five years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Financial statements 1 April – 31 December

Notes

1 Accounting policies (continued)

Plant and machinery	3-10 years
Fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5-10 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Equity investments in group entities

Investments in group entities are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the entity's equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group entities with negative equity are measured at DKK 0, and any receivables from these entities are written down by the Parent Company's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent Company has a legal or constructive obligation to cover the liabilities of the relevant entity.

Upon distribution of profit or loss, net revaluation of investments in group entities is transferred to reserve for net revaluation according to the equity method under equity.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the entities are strategically acquired entities with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 5 years.

Investments in group entities are written down to the lower of recoverable amount and carrying amount.

Equity investments in associates

Equity investments in associates are measured at cost. If cost exceeds the net realisable value, write-down is made to this lower value.

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1 Accounting policies (continued)

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad doubtful debts.

Other investments

Other investments under current assets comprise investments which in principle are measured at fair value (market price) at the balance sheet date. As the fair value may not be established and an adjusted sales price may not be calculated, other investments are measured at cost.

Other investments are written down to the lower of recoverable amount and carrying amount.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax value of assets and liabilities, for which the tax value of assets is calculated based on the planned use of each asset

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

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1 Accounting policies (continued)

Equity

Dividends

Dividends are recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

Leases

Finance lease liabilities:

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases:

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

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Segment information

Segment information is provided on business segments and geographical markets. The segment information is in line with the Group's accounting policies, risks and internal financial management.

Assets in the segment comprise assets used directly in revenue-generating activities.

Segment liabilities comprise liabilities derived from the operations of the segment, including trade payables and other payables.

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2 Segment information

Activities – primary segment

DKK	Freight	Warehouse	Total
2020 (9 months)	133,955,250	236,318,962	370,274,212
2019/2020 (12 months)	194,383,206	296,902,006	491,285,212

Geographical – secondary segment

DKK	Scandinavia	Rest of Europe	Rest of the world	Total
2020 (9 months)	351,597,892	2,594,429	16,081,891	370,274,212
2019/2020 (12 months)	469,388,140	3,610,497	18,286,575	491,285,212

DKK	2020 9 months	2019/20 12 months
Wages and salaries	80,806,550	112,543,589
Pensions	3,081,262	3,891,315
Other social security costs	47,705	2,314,490
Other staff costs	259,453	153,467
	84,194,970	118,902,861
Average number of employees	269	308

In accordance with section 98 B (3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed.

4 Depreciation, amortisation and impairment losses

Amortisation of intangible assets	98,081	588,486
Depreciation of property, plant and equipment	11,629,779	12,976,301
Gain from sale of intangible assets and property, plant and equipment	0	-8,000
	11,727,860	13,556,787

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DKK	2020	2020/19
5 Other financial income		
Interest income from group entities	439,205	656,045
Other financial income	297,516	668,393
Exchange adjustments	661,167	1,216,061
	<u>1,397,888</u>	<u>2,540,499</u>
6 Other financial expenses		
Interest expense to group entities	0	481,184
Other financial costs	1,799,687	2,351,414
	<u>1,799,687</u>	<u>2,832,598</u>
7 Tax on profit/loss for the year		
Deferred tax for the year	1,895,396	-2,910,600
Adjustment of tax concerning previous years	0	4,510
	<u>1,895,396</u>	<u>-2,906,090</u>
8 Proposed profit appropriation/distribution of loss		
Reserve for net revaluation under equity method	3,896,518	0
Retained earnings	4,022,746	-11,152,960
	<u>7,919,264</u>	<u>-11,152,960</u>
9 Intangible assets		
DKK		<u>Goodwill</u>
Cost at 1 April 2020		5,029,728
Cost at 31 December 2020		5,029,728
Amortisation and impairment losses at 1 April 2020		-4,931,647
Amortisation for the year		-98,081
Amortisation and impairment losses at 31 December 2020		-5,029,728
Carrying amount at 31 December 2020		<u>0</u>

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10 Property, plant and equipment

DKK	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improve- ments	Total
Cost at 1 April 2020	139,571,553	39,013,838	21,868,658	200,454,049
Additions for the year	10,346,020	285,912	0	10,631,932
Disposals for the year	-562,478	0	0	-562,478
Cost at 31 December 2020	149,355,095	39,299,750	21,868,658	210,523,503
Change in intercompany profit on inventories	-78,413,139	-35,050,764	-16,382,401	-129,846,304
	-8,519,513	-1,832,706	-1,277,559	-11,629,778
	562,478	0	0	562,478
Depreciation and impairment losses at 31 December 2020	-86,370,174	-36,883,470	-17,659,960	-140,913,604
Carrying amount at 31 December 2020	62,984,921	2,416,280	4,208,698	69,609,899

Recognised assets not owned by the Company represent DKK 41,036 thousand.

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11 Investments

	Receivables from group entities	Other securities and equity investments	Deposits
DKK			
Cost at 1 April 2020	12,504,041	2,100	35,911,720
Additions for the year	0	0	0
Disposals for the year	-1,373,988	0	-486,230
Cost at 31 December 2020	11,130,053	2,100	35,425,490
Carrying amount at 31 December 2020	11,130,053	2,100	35,425,490

Name	Registered office	Voting rights and ownership interest
PC KH ApS	Kolding	100%
Prime Cargo Poland Sp. Z o.o.	Lozienica	100%
Prime Cargo USA LLC	Tampa	100%
Uniforce Logistics Ltd	Hong Kong	20%
Prime Cargo (Cambodia) Co., Ltd.	Phnom Penh	100%

12 Deferred tax asset

DKK	31/12 2020	31/3/2020
Deferred tax asset	3,283,368	2,268,164
Adjustment, deferred tax asset	0	2,910,600
	3,283,368	5,178,764

13 Prepayments

Prepayments comprised prepaid operating expenses. Prepayments are measured at cost.

14 Non-current liabilities

DKK	12/31 2020	3/31 2020	Total debt at 3/31 2020	Repayment first year	Outstanding debt after five years
Lease obligations	43,040,756	56,049,360	50,507,132	7,466,376	15,435,066
Deposits	230,763	15,000	230,763	0	0
Payables to group entities	0	14,936,904	0	0	0
	43,271,519	71,001,264	50,737,895	7,466,376	15,435,066

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15 Contractual obligations, contingencies, etc.

Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which the Company serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore ultimately liable from the financial year from 30 May 2015 for income taxes, etc for the jointly taxed entities, but only for the share by which the Company is included in the Group.

Operating lease obligations

The Company has undertaken rental and lease commitments, which at the balance sheet date amount to DKK 231.812 thousand during the non-cancellable period. The non-cancellable period of the rental and lease contracts is up to 10 years.

Remaining operating lease obligations at the balance sheet date fall due at DKK 1.367 thousand within two years (2019/20: DKK 5,527 thousand).

16 Mortgages and collateral

The following assets have been provided as collateral for bank debt (company charge):

Land, buildings, plant, machinery, goodwill, domain names, goods, goods of intermediate products and motor vehicle not previously registered and trade receivables.

At the balance sheet date, the collateral amounts to a maximum of DKK 20,000 thousand.

17 Related party disclosures

DSV Prime Cargo A/S is part of the consolidated financial statements of DSV Panalpina A/S, 2640 Hedehusene, which is the smallest and largest groups, respectively, in which the Company is included as a subsidiary.

:

The consolidated financial statements of DSV Panalpina A/S can be obtained by contacting the company at the following address

Hovedgaden 630, 2640 Hedehusene, Denmark.

Related party transactions

DKK	2020
Purchase of services from group entities	2,269,734
Sale of services to group entities	33,068,648
	<u>35,338,382</u>

Payables to group entities are disclosed in the balance sheet, and interest expenses are disclosed in note 6.

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18 Disclosure of events after the balance sheet date

No significant events have occurred subsequent to the financial year end.