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# ***DHL Express (Denmark)*** ***A/S***

Jydekrogen 14, DK-2625 Vallensbæk

## **Annual Report for 1 January - 31 December 2016**

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CVR No 10 15 45 96

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
14/6 2017

Charlotte Schubart  
Chairman

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# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of DHL Express (Denmark) A/S for the financial year 1 January - 31 December 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company operations for 2016.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Vallensbæk, 14 June 2017

## Executive Board

Atli Freyr Einarsson  
Executive Officer

Ole Høxbro Mørk

Charlotte Schubart  
CFO

## Board of Directors

Alastair Shaun McCambridge  
Chairman

Henrik Hänche

Atli Freyr Einarsson

# **Independent Auditor's Report**

To the Shareholder of DHL Express (Denmark) A/S

## **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of DHL Express (Denmark) A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Statement on Management's Review**

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the 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 Review.

## **Management's responsibilities 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 as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

# Independent Auditor's Report

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 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 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:

- 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 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

# Independent Auditor's Report

scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 14 June 2017

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Bo Schou-Jacobsen  
State Authorised Public Accountant

Anders Røjleskov  
State Authorised Public Accountant

## **Company Information**

### **The Company**

DHL Express (Denmark) A/S  
Jydekrogen 14  
DK-2625 Vallensbæk

Telephone: +45 70 345 345  
Facsimile: +45 70 131 133

CVR No: 10 15 45 96  
Financial period: 1 January - 31 December  
Municipality of reg. office: Vallensbæk

### **Board of Directors**

Alastair Shaun McCambridge, Chairman  
Henrik Hånche  
Atli Freyr Einarsson

### **Executive Board**

Atli Freyr Einarsson  
Ole Høxbro Mørk  
Charlotte Schubart

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

# Group Chart

## Parent Company

DHL Express (Denmark) A/S,  
Vallensbæk, Denmark  
Nom. DKK 76,100,000

## Subsidiaries

100% DHL Supply Chain (Denmark)  
A/S,  
Hvidovre, Denmark  
Nom. DKK 13,100,000

100% DHL Global Forwarding  
(Denmark) A/S,  
Kastrup, Denmark  
Nom. DKK 3,000,000

100%

Fact Denmark A/S,  
Kastrup, Denmark  
Nom. DKK 500,000



## Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2016	2015	2014	2013	2012
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	1,518,072	1,437,792	1,356,920	1,264,847	1,377,857
Gross profit/loss	264,678	257,497	239,295	244,327	275,158
Operating profit/loss	-5,527	13,198	8,517	12,764	33,338
Profit/loss before financial income and expenses	11,991	16,422	11,486	15,435	37,048
Net financials	2,721	7,156	12,468	6,108	5,571
Net profit/loss for the year	15,797	27,503	26,392	21,543	47,424
<b>Balance sheet</b>					
Balance sheet total	439,483	640,382	609,757	575,893	527,183
Equity	182,049	401,252	373,749	347,357	325,814
Investment in property, plant and equipment	-2,548	-6,646	-10,121	-4,086	0
Number of employees	478	458	448	416	436
<b>Ratios</b>					
Gross margin	17.4%	17.9%	17.6%	19.3%	20.0%
Profit margin	0.8%	1.1%	0.8%	1.2%	2.7%
Return on assets	2.7%	2.6%	1.9%	2.7%	7.0%
Solvency ratio	41.4%	62.7%	61.3%	60.3%	61.8%
Return on equity	5.4%	7.1%	7.3%	6.4%	15.7%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

# Management's Review

## Key activities

The Company's activities are transport, shipping and logistics solutions. DHL holds a leading position in the global market and is part of Deutsche Post DHL.

DHL is an important player on the transport and logistics market in Denmark and expects to further expand and manifest its position on the market to the benefit of the customers.

## Development in the year

The income statement of the Company for 2016 shows a profit of DKK'000 15,797, and at 31 December 2016 the balance sheet of the Company shows equity of DKK'000 182,049.

The revenue for the year has compared to 2015, been satisfying overall.

Management considers the result to be satisfactory.

## The past year and follow-up on development expectations from last year

The Express division's expectations for 2016 are considered fully met and as expected with a minor increase in revenue as expected.

The Express business' focus on becoming Employer of Choice, deliver great service quality and as an outcome improving our customer's life has continuously led to an increased market share and even higher customer satisfaction.

The Freight division has performed well in a highly competitive road market with prices still under pressure. In this challenging environment the Freight division once again managed to grow revenue above market level.

The Freight division is dedicated to deliver high-value products to customers through dedicated employees and customer experience focus. Main focus in 2016 has been on optimizing cost and at the same time investing in employee development and satisfaction.

## Special risks - operating risks and financial risks

### *Operating risks*

Like other industrial enterprises in Denmark DHL is affected by changes seen in the Danish economy in 2016.

DHL will continue to focus on strong positioning within global imports and exports.

# Management's Review

## *Foreign exchange risks*

DHL invoices its mail sales in DKK, whereas parts of direct costs are dominated in EUR. DHL is partly exposed to exchange risks in relation to EUR as regards to day-to-day operation.

## *Interest rate risks*

Due to its ownership, DHL has limited exposure to interest level changes.

## *Credit risks*

DHL has no material risks relating to individual customers or business partners.

## **Expectations for the year ahead**

The Express division will through Focus 2017 strategy's core areas work to maintain and improve profitable networks and loyal customers driven by motivated employees and high service quality.

The Freight division will continue to focus on customer satisfaction and to further develop employee engagement.

DHL expects the Express and Freight divisions to further strengthen customer satisfaction through development of innovative tools, increasing market shares and as a result hereof continuously improvement of the financial performance.

## **External environment**

The Company has obtained environmental certification under ISO 14001 and in that connection an environmental policy focusing on continuous environmental improvements has been implemented.

Every year a report detailing the Group's CSR commitments is prepared. This report also contains an account of the most substantial environmental impacts resulting from the environmental impacts resulting from the Group's worldwide activities. The report can be found on [http://www.dpdhl.com/en/investors/financial\\_reports/corporate\\_responsibility\\_report.html](http://www.dpdhl.com/en/investors/financial_reports/corporate_responsibility_report.html).

The goal of this strategy is to improve the Group's carbon efficiency by 30% before 2020. Furthermore, DHL has joined and supports UN's Global Compact, being a part of Deutsche Post DHL.

## **Intellectual capital resources**

DHL has the required intellectual capital resources to operate on a completely sound basis.

# **Management's Review**

## **Statement of corporate social responsibility**

According to section 99a (6) of the Danish Financial Statements Act, no description of corporate social responsibility has been prepared. We refer to Deutsche Post DHL for a CSR report, which can be found on [http://www.dpdhl.com/en/investors/financial\\_reports/corporate\\_responsibility\\_report.html](http://www.dpdhl.com/en/investors/financial_reports/corporate_responsibility_report.html).

## **Statement on gender composition**

The Company sees it as a strength to have both men and women represented knowing that it adds value to the business and its development. The Company prioritizes a fairly balanced composition of men and women on the Board and will therefore seek to achieve that neither men nor women are represented by less than 40 percent, within four years, i.e. at the latest by the time of the ordinary general meeting in 2017.

The company has quantified 33 percentages of the least represented gender to be a minimum, which isn't fulfilled by the current composition of the Board by three persons.

Furthermore DHL has a policy to offer the same possibilities for every employee, and aims towards a more equal composition of both genders among employees in management positions.

The Executive Board considers recruitment as an important pipeline to promote gender equality in the company, which is a requisite for gender equality in the management positions.

Due to the short period of these initiatives, it has not yet been possible to measure the effect here.

## **Uncertainty relating to recognition and measurement**

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

## **Unusual events**

The financial position at 31 December 2016 of the Company and the results of the activities of the Company for the financial year for 2016 have not been affected by any unusual events.

## Income Statement 1 January - 31 December

	Note	2016 DKK'000	2015 DKK'000
<b>Revenue</b>	1	<b>1,518,072</b>	<b>1,437,792</b>
Other operating income		18,068	3,211
Freight and other transportation expenses, etc.		-1,195,892	-1,114,259
Other external expenses		-75,570	-69,247
<b>Gross profit/loss</b>		<b>264,678</b>	<b>257,497</b>
Staff expenses	2	-244,511	-232,963
Depreciation of property, plant and equipment	3	-7,626	-8,125
Other operating expenses		-550	13
<b>Profit/loss before financial income and expenses</b>		<b>11,991</b>	<b>16,422</b>
Income from investments in subsidiaries		3,322	7,612
Financial income		702	682
Financial expenses	5	-1,303	-1,138
<b>Profit/loss before tax</b>		<b>14,712</b>	<b>23,578</b>
Tax on profit/loss for the year	6	1,085	3,925
<b>Net profit/loss for the year</b>		<b>15,797</b>	<b>27,503</b>

## Balance Sheet 31 December

### Assets

	Note	2016 DKK'000	2015 DKK'000
Land and buildings		36,359	37,561
Other fixtures and fittings, tools and equipment		20,692	23,903
Leasehold improvements		4,287	5,599
<b>Property, plant and equipment</b>	7	<b>61,338</b>	<b>67,063</b>
Investments in subsidiaries	8	89,432	86,110
Other investments	9	0	50
Deposits	9	1,063	5,846
<b>Fixed asset investments</b>		<b>90,495</b>	<b>92,006</b>
<b>Fixed assets</b>		<b>151,833</b>	<b>159,069</b>
Trade receivables		200,499	177,726
Receivables from group enterprises		74,200	286,535
Other receivables		12,379	12,777
Prepayments	10	240	2,575
<b>Receivables</b>		<b>287,318</b>	<b>479,613</b>
<b>Cash at bank and in hand</b>		<b>332</b>	<b>1,700</b>
<b>Currents assets</b>		<b>287,650</b>	<b>481,313</b>
<b>Assets</b>		<b>439,483</b>	<b>640,382</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2016 DKK'000	2015 DKK'000
Share capital		76,100	76,100
Retained earnings		105,949	90,152
Proposed dividend for the year		0	235,000
<b>Equity</b>	11	<b>182,049</b>	<b>401,252</b>
Provisions for restructuring	12	3,477	7,481
<b>Provisions</b>		<b>3,477</b>	<b>7,481</b>
Trade payables		164,063	145,759
Payables to group enterprises		15,315	16,119
Other payables		74,579	69,771
<b>Short-term debt</b>		<b>253,957</b>	<b>231,649</b>
<b>Debt</b>		<b>253,957</b>	<b>231,649</b>
<b>Liabilities and equity</b>		<b>439,483</b>	<b>640,382</b>
Distribution of profit	4		
Contingent assets, liabilities and other financial obligations	13		
Related parties and group relation	14		
Fee to auditors appointed at the general meeting	15		
Accounting Policies	16		

## Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK'000	DKK'000	DKK'000	DKK'000
Equity at 1 January	76,100	90,152	235,000	401,252
Ordinary dividend paid	0	0	-235,000	-235,000
Net profit/loss for the year	0	15,797	0	15,797
<b>Equity at 31 December</b>	<b>76,100</b>	<b>105,949</b>	<b>0</b>	<b>182,049</b>



# Notes to the Financial Statements

	2016 <u>DKK'000</u>	2015 <u>DKK'000</u>
<b>1 Revenue</b>		
<b>Geographical segments</b>		
Revenue, Denmark	81,742	91,861
Revenue, exports	<u>1,436,330</u>	<u>1,345,931</u>
	<b><u>1,518,072</u></b>	<b><u>1,437,792</u></b>
<b>Business segments</b>		
Freight	924,166	906,718
Day Definite	97,784	86,004
Time Definite	477,248	428,084
Domestic	<u>18,874</u>	<u>16,986</u>
	<b><u>1,518,072</u></b>	<b><u>1,437,792</u></b>
<b>2 Staff expenses</b>		
Wages and salaries	218,271	204,550
Pensions	14,986	14,416
Other social security expenses	1,045	2,657
Other staff expenses	<u>10,209</u>	<u>11,340</u>
	<b><u>244,511</u></b>	<b><u>232,963</u></b>
<b>Including remuneration to the Executive Board</b>	<b><u>6,464</u></b>	<b><u>5,981</u></b>
<b>Average number of employees</b>	<b><u>478</u></b>	<b><u>458</u></b>
<b>3 Depreciation of property, plant and equipment</b>		
Depreciation of property, plant and equipment	<u>7,626</u>	<u>8,125</u>
	<b><u>7,626</u></b>	<b><u>8,125</u></b>
Which is specified as follows:		
Buildings	1,202	1,202
Other fixtures and fittings, tools and equipment	5,266	5,683
Leasehold improvements	<u>1,158</u>	<u>1,240</u>
	<b><u>7,626</u></b>	<b><u>8,125</u></b>

## Notes to the Financial Statements

	2016 DKK'000	2015 DKK'000
<b>4 Distribution of profit</b>		
Proposed dividend for the year	0	235,000
Retained earnings	15,797	-207,497
	<u>15,797</u>	<u>27,503</u>

	2016 DKK'000	2015 DKK'000
<b>5 Financial expenses</b>		
Interest paid to group enterprises	299	228
Other financial expenses	157	216
Exchange loss	847	694
	<u>1,303</u>	<u>1,138</u>

<b>6 Tax on profit/loss for the year</b>		
Current tax for the year	0	0
Adjustment of tax concerning tax group previous years	-1,085	-3,925
	<u>-1,085</u>	<u>-3,925</u>

At 31 December 2016 the Company has an estimated deferred tax asset of DKK 39.6 million (2015: DKK 46.6 million). Due to uncertainty related to utilization of tax losses carried forward and recoverability of other tax assets the company has chosen to recognise the deferred tax asset to a value of DKK 0.

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000
<b>7 Property, plant and equipment</b>			
Cost at 1 January	73,191	49,562	14,544
Additions for the year	0	2,467	81
Disposals for the year	0	-3,762	-589
Cost at 31 December	<u>73,191</u>	<u>48,267</u>	<u>14,036</u>

## Notes to the Financial Statements

### 7 Property, plant and equipment (continued)

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK'000	DKK'000	DKK'000
Impairment losses and depreciation at 1 January	35,630	25,659	8,945
Impairment losses for the year	1,202	0	0
Depreciation for the year	0	5,266	1,158
Reversal of impairment and depreciation of sold assets	0	-3,350	-354
Impairment losses and depreciation at 31 December	<u>36,832</u>	<u>27,575</u>	<u>9,749</u>
<b>Carrying amount at 31 December</b>	<b><u>36,359</u></b>	<b><u>20,692</u></b>	<b><u>4,287</u></b>

## Notes to the Financial Statements

	2016 DKK'000	2015 DKK'000
<b>8 Investments in subsidiaries</b>		
Cost at 1 January	340,268	340,268
Cost at 31 December	340,268	340,268
Value adjustments at 1 January	-254,158	-261,770
Net profit/loss for the year	3,322	7,612
Value adjustments at 31 December	-250,836	-254,158
<b>Carrying amount at 31 December</b>	<b>89,432</b>	<b>86,110</b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
DHL Supply Chain (Denmark) A/S	Denmark	DKK 13.100k	100%	0	0
DHL Global Forwarding (Denmark) A/S	Denmark	DKK 3.000k	100%	89,660	3,550

### 9 Other fixed asset investments

	Other investments DKK'000	Deposits DKK'000
Cost at 1 January	50	5,846
Disposals for the year	-50	-4,783
Cost at 31 December	0	1,063
<b>Carrying amount at 31 December</b>	<b>0</b>	<b>1,063</b>

### 10 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

# Notes to the Financial Statements

## 11 Equity

The share capital consists of 761,000 shares of a nominal value of DKK'000 100. No shares carry any special rights.

## 12 Provisions for restructuring

Provisions for restructuring comprise of provisions for closing of terminals.

Other provisions	3,477	7,481
	<u>3,477</u>	<u>7,481</u>

## 13 Contingent assets, liabilities and other financial obligations

### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	19,088	23,213
Between 1 and 5 years	29,074	24,303
After 5 years	10,999	19,855
	<u>59,161</u>	<u>67,371</u>

### Other contingent liabilities

The Company is jointly taxed with other Danish companies and branches of the DPDHL Group. The Company and the other companies and branches subject to joint taxation have unlimited, joint and several liability for Danish corporation taxes.

# Notes to the Financial Statements

## 14 Related parties and group relation

	<u>Basis</u>
<b>Controlling interest</b>	
Deutsche Post Beteiligungen Holding GmbH DE 53113 Bonn Germany	Controlling shareholder
Deutsche Post AG DE 53105 Bonn Germany	Ultimate controlling shareholder

### Transactions

The Company's intercompany transactions and normal management remuneration has during the year been entered into at arm's length.

### Consolidated Financial Statements

The Company does not prepare consolidated financial statements pursuant to section 112(1) of the Danish Financial Statements Act.

<u>Name</u>	<u>Place of registered office</u>
Deutsche Post AG, ultimate parent	DE 53105 Bonn, Germany
Deutsche Post Beteiligungen Holdings GmbH, direct parent	DE 53105 Bonn, Germany

The Company's direct parent does not prepare consolidated financial statements. The Company's ultimate parent, which prepares consolidated financial statements into which the company is incorporated as a subsidiary, is Deutsche Post AG,

The Group Annual Report may be obtained at the following address:

Deutsche Post AG, DE 53105 Bonn, Germany

## Notes to the Financial Statements

### 15 Fee to auditors appointed at the general meeting

Audit fee to PricewaterhouseCoopers	799	734
Other assurance engagements	275	275
Tax advisory services	115	56
Non-Audit services	75	274
	<hr/>	<hr/>
	<b>1,264</b>	<b>1,339</b>
	<hr/>	<hr/>

# Notes to the Financial Statements

## 16 Accounting Policies

The Annual Report of DHL Express (Denmark) A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2016 are presented in DKK'000.

### Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Deutsche Post AG, the Company has not prepared consolidated financial statements.

### Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Deutsche Post AG, the Company has not prepared a cash flow statement.

### Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.



# Notes to the Financial Statements

## 16 Accounting Policies (continued)

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

### Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an approximated value as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

### Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

### Segment information on revenue

Information on business segments and geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Income Statement

#### Revenue

Revenue from logistics services is recognised in the income statement when the sale is considered effected based on the following criteria:

- the services are rendered
- a binding sales agreement has been made;
- the amount of revenue and income can be reliably measured; and
- payment has been received or may with reasonable certainty be expected to be received.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

#### Freight and other transportation expenses, etc.

Freight and other transportation expenses, etc. includes costs for carriers, and other costs used in generating the year's revenue.

#### Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

#### Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

#### Depreciation and impairment losses

Depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment as well as gains and losses from current replacement of fixed assets.

#### Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprise.

#### Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity. The tax recognised in the income statement is classified as tax on ordinary activities and tax on extraordinary items, respectively.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with Danish group enterprises. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

DHL Express (Denmark) A/S acts as the management company. Provision for and payment of the aggregate Danish tax of the taxable income of the Danish subsidiaries are made by DHL Express (Denmark) A/S.

## Balance Sheet

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other buildings	20-50 years
Other fixtures and fittings, tools and equipment	4-10 years
Leasehold improvements	10 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 12,900 are expensed in the year of acquisition.

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

### Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The items "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

### Other fixed asset investments

Other fixed asset investments consist of deposits.

### Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

### Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

### Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

### Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

## Financial Highlights

Explanation of financial ratios

Gross margin

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

Profit margin

$$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$$

## Notes to the Financial Statements

### 16 Accounting Policies (continued)

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$