DHL Express (Denmark) A/S

Jydekrogen 14, DK-2625 Vallensbæk

Annual Report for 1 January - 31 December 2018

CVR No 10 15 45 96

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 24/6 2019

Charlotte Schubart
Chairman of the General Meeting

Contents

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 2018.

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 2018 of the Company and of the results of the Company operations for 2018.

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, 24 June 2019

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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 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 2018, 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, 24 June 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Bo Schou-Jacobsen	Anders Røjleskov
State Authorised Public Accountant	State Authorised Public Accountant
mne28703	mne28699

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 Hänche 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,
  Greve, 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
- 100% DHL Copenhagen Hub 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:

	2018	2017*	2016*	2015*	2014*
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Profit/loss					
Revenue	1,759,178	1,682,456	1,518,072	1,437,792	1,356,920
Gross profit/loss	361,456	298,046	264,678	257,497	239,295
Operating profit/loss	16,155	-777	-5,527	13,198	8,517
Profit/loss before financial income and expenses	28,311	11,657	11,991	16,422	11,486
Net financials	-26,667	-18,296	2,721	7,156	12,468
Net profit/loss for the year	25,255	-6,585	15,797	27,503	26,392
Balance sheet					
Balance sheet total	562,464	440,966	439,483	640,382	609,757
Equity	197,169	175,464	182,049	401,252	373,749
Investment in property, plant and equipment	-4,626	-8,987	-2,548	-6,646	-10,121
Number of employees	573	519	478	458	448
Ratios					
Gross margin	20.5%	17.7%	17.4%	17.9%	17.6%
Profit margin	1.6%	0.7%	0.8%	1.1%	0.8%
Return on assets	5.0%	2.6%	2.7%	2.6%	1.9%
Solvency ratio	35.1%	39.8%	41.4%	62.7%	61.3%
Return on equity	13.6%	-3.7%	5.4%	7.1%	7.3%

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.

*) The Company has applied the acconting methods of IFRS 9, 15 and 16 within the framework of the Danish Financial Statements Act as of 1 January 2018. The comparative figures for 2014-2017 have not been restated.

Management's Review

The Financial Statements of DHL Express (Denmark) A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

At group level, IFRS 9, 15 and 16 have been implemented as of January 1, 2018. According to the Danish Financial Statements Act, it is possible to apply the principles in those IFRS Standards without being required to prepare financial statements in accordance with IFRS. The principles from these standards have all been applied in accordance with the modified retrospective approach, referring to section "Change in accounting policies" in note 19 for further description.

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 2018 shows a profit of DKK'000 25,255, and at 31 December 2018 the balance sheet of the Company shows equity of DKK'000 197,169.

The revenue for the year has compared to 2017, 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 2018 are considered fully met.

The Express business' focus of 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.

Our focus of becoming employer of choice led to Express Denmark won 1st place in Great Place to Work 2018.

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

The Freight division is dedicated to deliver high-value products to customers through dedicated employees and customer experience focus. Main focus in 2018 has been on optimizing cost and at the same time investing in employee development and customer satisfaction.

Management's Review

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 2018.

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

Foreign exchange risks

DHL invoices its main 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 the Focus 2019 strategy's core areas work to maintain and improve profitable networks and loyal customers driven by motivated employees and high service quality.

The Express division is focusing on Insanely Customer Centric Culture (ICCC), where the customer is in focus in everything the Company do. Throughout training courses from CIS module, the Company strives to motivate the employees to keep the customer in focus.

Similar, the Freight division will continue to focus on customer satisfaction and to further develop employee engagement via the DHL global Certified Freight specialist programme.

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.

Management’s Review

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.

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.

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.

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 2019.

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. In 2018, there have been no changes in the Board of Directors, whereby the representation of the underrepresented gender has not increased during the year.

The Company has a policy of offering equal opportunities to all employees and aims at a more balanced gender representation at other management levels. This will be carried out through Management’s initiative to stimulate the number of candidates among the underrepresented gender when recruiting for management positions. To ensure talents, we have changed focus in 2018 to more external hiring to ensure a wider talent potential and have a special emphasis on growing female talents from lower level or entry roles up through to the other management level roles. The prerequisites of extensive management programs, as well as flexibility in working hours and place are already in place, but the process is expected to take 2-4 years. During 2018 we have been satisfied with our work and performance towards the underrepresented gender. The initiatives have not led to any further reduction or increase in the

Management’s Review

underrepresented gender during the year.

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.

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 2018 of the Company and the results of the activities of the Company for the financial year for 2018 have not been affected by any unusual events.

Income Statement 1 January - 31 December

	Note	2018	2017
		DKK'000	DKK'000
Revenue	1	**1,759,178**	**1,682,456**
Other operating income		12,156	12,821
Freight and other transportation expenses, etc.		-1,343,696	-1,317,334
Other external expenses		-66,182	-79,897
Gross profit/loss		**361,456**	**298,046**
Staff expenses	2	-299,739	-278,563
Depreciation of property, plant and equipment	3	-33,406	-7,439
Other operating expenses		0	-387
Profit/loss before financial income and expenses		**28,311**	**11,657**
Loss from investments in subsidiaries		-22,975	-17,480
Financial income		2,572	98
Financial expenses	4	-6,264	-914
Profit/loss before tax		**1,644**	**-6,639**
Tax on profit/loss for the year	5	23,611	54
Net profit/loss for the year		**25,255**	**-6,585**

Balance Sheet 31 December

Assets

	Note	2018	2017
		DKK'000	DKK'000
Land and buildings		90,143	35,156
Other fixtures and fittings, tools and equipment		72,734	24,405
Leasehold improvements		3,316	4,811
Tangible Assets	6	**166,193**	**64,372**
Investments in subsidiaries	7	48,964	71,952
Deposits	8	1,062	1,050
Fixed asset investments		**50,026**	**73,002**
Fixed assets		**216,219**	**137,374**
Trade receivables		286,158	273,117
Receivables from group enterprises		33,544	24,462
Other receivables		1,298	859
Deferred tax asset	9	23,611	0
Prepayments	10	215	544
Receivables		**344,826**	**298,982**
Cash at bank and in hand		**1,419**	**4,610**
Currents assets		**346,245**	**303,592**
Assets		**562,464**	**440,966**

Balance Sheet 31 December

Liabilities and equity

	Note	2018	2017
		DKK'000	DKK'000
Share capital		76,100	76,100
Retained earnings		121,069	99,364
Equity	11	**197,169**	**175,464**
Provisions for restructuring	13	3,639	6,635
Provisions		**3,639**	**6,635**
Lease obligations		82,044	0
Long-term debt	14	**82,044**	**0**
Lease obligations	14	26,408	0
Trade payables		162,312	161,291
Payables to group enterprises		23,597	30,376
Other payables		67,295	67,200
Short-term debt		**279,612**	**258,867**
Debt		**361,656**	**258,867**
Liabilities and equity		**562,464**	**440,966**
Distribution of profit	12		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
Fee to auditors appointed at the general meeting	17		
Subsequent events	18		
Accounting Policies	19		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK'000	DKK'000	DKK'000
Equity at 1 January	76,100	99,364	175,464
Net effect from change of accounting policy	0	-3,550	-3,550
Adjusted equity at 1 January	76,100	95,814	171,914
Net profit/loss for the year	0	25,255	25,255
Equity at 31 December	**76,100**	**121,069**	**197,169**

Notes to the Financial Statements

		2018	2017
		DKK'000	DKK'000
1	**Revenue**		
	Geographical segments		
	Revenue, Denmark	161,669	160,183
	Revenue, exports	1,597,509	1,522,273
		1,759,178	**1,682,456**
	Business segments		
	Time Definite	714,765	661,501
	Terminal Based Operations	572,787	558,858
	Non Terminal Based Operations	262,210	249,847
	Other Operations	209,416	212,250
		1,759,178	**1,682,456**
2	**Staff expenses**		
	Wages and salaries	267,034	245,233
	Pensions	19,416	21,595
	Other social security expenses	1,890	2,152
	Other staff expenses	11,399	9,583
		299,739	**278,563**
	Including remuneration to the Executive Board of:		
	Executive Board	5,833	4,819
		5,833	**4,819**
	Average number of employees	**573**	**519**

Notes to the Financial Statements

		2018	2017
		DKK'000	DKK'000
3	**Depreciation of property, plant and equipment**		
	Depreciation of property, plant and equipment	33,406	7,439
		33,406	**7,439**
	Which is specified as follows:		
	Buildings	13,071	1,202
	Other fixtures and fittings, tools and equipment	19,003	4,899
	Leasehold improvements	1,332	1,338
		33,406	**7,439**

		2018	2017
4	**Financial expenses**		
	Interest paid to group enterprises	385	371
	Other financial expenses	3,310	201
	Exchange loss	2,569	342
		6,264	**914**

		2018	2017
5	**Tax on profit/loss for the year**		
	Current tax for the year	0	0
	Deferred tax for the year	-23,611	0
	Adjustment of tax concerning tax group previous years	0	-54
		-23,611	**-54**

Notes to the Financial Statements

6 Tangible Assets

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK'000	DKK'000	DKK'000
Cost at 1 January	73,191	56,341	15,898
Additions for the year	68,058	66,962	206
Disposals for the year	0	-117	0
Transfers for the year	0	1,374	-1,374
Cost at 31 December	141,249	124,560	14,730
Impairment losses and depreciation at 1 January	38,035	31,935	11,087
Depreciation for the year	13,071	19,003	1,332
Impairment and depreciation of sold assets for the year	0	-117	0
Transfers for the year	0	1,005	-1,005
Impairment losses and depreciation at 31 December	51,106	51,826	11,414
Carrying amount at 31 December	**90,143**	**72,734**	**3,316**
Including right-of-use assets amounting to	56,189	49,320	0

Notes to the Financial Statements

7 Investments in subsidiaries

	2018	2017
	DKK'000	DKK'000
Cost at 1 January	340,268	340,268
Additions for the year	500	0
Cost at 31 December	340,768	340,268
Value adjustments at 1 January	-268,316	-250,836
Net effect from change of accounting policy	-512	0
Net profit/loss for the year	-22,976	-17,480
Value adjustments at 31 December	-291,804	-268,316
Carrying amount at 31 December	**48,964**	**71,952**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
DHL Supply Chain (Denmark) A/S	Denmark	DKK 13.100k	100%
DHL Global Forwarding (Denmark) A/S	Denmark	DKK 3.000k	100%
DHL Copenhagen Hub Denmark A/S	Denmark	DKK 500k	100%

8 Other fixed asset investments

	Deposits
	DKK'000
Cost at 1 January	1,050
Additions for the year	12
Cost at 31 December	1,062
Carrying amount at 31 December	**1,062**

Notes to the Financial Statements

		2018	2017
		DKK'000	DKK'000
9	**Deferred tax asset**		
	Deferred tax asset at 1 January	0	0
	Amounts recognised in the income statement for the year	23,611	0
	Deferred tax asset at 31 December	**23,611**	**0**

At 31 December 2018 the Company has an estimated deferred tax asset of DKK 31.6 million (2017: DKK 37.2 million). Management estimates that the recognised tax asset of DKK 23,6 million will be utilised within the coming 3 years against future taxable income. The recognition of the deferred tax asset is based on Management's expectations according to budgets and forecasts of the results of future operations and is subject to uncertainty.

10 Prepayments

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

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 Distribution of profit

	2018	2017
Retained earnings	25,255	-6,585
	25,255	**-6,585**

13 Provisions for restructuring

Provisions for restructuring comprise of provisions for closing of terminals and restoration obligations in connetion with property and equipment leases.

	2018	2017
Other provisions	3,639	6,635
	3,639	**6,635**

Notes to the Financial Statements

14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2018	2017
	DKK'000	DKK'000
Lease obligations		
Between 1 and 5 years	82,044	0
Long-term part	82,044	0
Within 1 year	26,408	0
	108,452	**0**

15 Contingent assets, liabilities and other financial obligations

The note is affected by the change in accounting policies. Most lease obligations have been capitalized and are therefore not included in the note. Thus included in the note would be "Short-term"-leases and "Low-value"-assets.

Rental and lease obligations

	2018	2017
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	22,524	30,661
Between 1 and 5 years	686	81,424
After 5 years	0	21,597
	23,210	**133,682**

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

16 Related parties

	Basis
Controlling interest	
Deutsche Post Beteilgungen 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 Stetaments Act.

Name	Place of registered office
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 finacial 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

17 Fee to auditors appointed at the general meeting

	2018	2017
	DKK'000	DKK'000
Audit fee to PricewaterhouseCoopers	809	809
Other assurance engagements	275	275
Tax advisory services	207	506
Non-Audit services	5	5
	1,296	**1,595**

18 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of DHL Express (Denmark) A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Financial Statements for 2018 are presented in DKK'000.

Changes in accounting policies

Changes due to application of IFRS 9, IFRS 15, and IFRS 16

Within the framework of the Danish Financial Statements Act, the Company has as of 1 January 2018 changed accounting policies in respect of applying the accounting methods of IFRS 15 regarding recognition of revenue and IFRS 16 regarding leasing . Furthermore, the Company has applied the expected credit loss method from IFRS 9 when recogniting impairment of financial assets. The principles from these standards have all been applied in accordance with the modified retrospective approach and the effect is recognised at 1 January 2018.

The changes of accounting policy are made due to changes in Group accounting policies and a wish to apply the same policies for Group reporting and local Financial Statements.

The prior-period amounts have not been adjusted due to the below mentioned changes to accounting policies.

Effects of IFRS 15, Revenue from Contracts with Customers

The timing of revenue recognition has changed to an insignificant extent due to IFRS 15. Revenue is recognised when control over the services transfers to the customer, i.e. when the customer has the ability to control the use of services provided. The revenue corresponds to the transaction price to, which the Company is expected to be entitled. Revenue for provision of transport services is generally recognised according to the straight-line method over a specified period. Revenue generated by providing other logistics services is recognised in the reporting period in which the service was rendered.

Effects of IFRS 16, Leases

In the context of the transition to IFRS 16, right-of-use assets and lease liabilities of DKK 130,598k were recognized as at 1 January 2018. The income statement for 2018 has been adjusted with Other external expenses reduced with DKK 25,465k, depreciations of property, plant and equipment has been increased with DKK 25,091k, Financial expenses has been increased with DKK 3,088k and income taxes reduced with DKK 647k. Net effect on profit for 2018 amounts to expense of DKK 2,293k.

The Company applied the principles of IFRS 16 in accordance with the modified retrospective approach. The prior-year figures were not adjusted. In addition, DHL Express (Denmark) A/S has decided to apply the new guidance to leases whose term will end within twelve months of the date of initial application. In such cases, the leases are accounted for as short-term leases and the lease payments associated with them are recognized as an expense from short-term leases.

Notes to the Financial Statements

19 Accounting Policies (continued)

Effects of IFRS 9, Valuation of trade receivables

The Company applies the simplified approach provided for in IFRS 9 to determine the credit risk from the Group's operating activities applicable to trade receivables. Trade receivables are generally short-term in nature and contain no significant financing components. According to the simplified impairment approach, a loss allowance in an amount equal to the lifetime expected credit losses must be recognized for all instruments, regardless of the credit quality.

The Company calculates the expected loss using impairment tables for the individual business segments. The loss estimate, documented by way of loss rates, encompasses all of the available information, including historical data, current economic conditions and reliable forecasts of future economic conditions (macroeconomic factors).

The effects of the transition has at 1 January 2018 resulted in decrease of trade receivables of DKK 3,038k recognised directly in equity as retained earnings. Net effect on profit for 2018 has been evaluated to be insignificant.

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, amotisation, 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

Notes to the Financial Statements

19 Accounting Policies (continued)

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.

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.

Leases

Leases are recognised at present value of the right of use received and liabilities for the payment obligations entered into for all leases in the balance sheet.

Lease payments are discounted at the implicit interest rate underlying the lease to the extent that this can be determined. Otherwise, discounting is at the incremental borrowing rate.

Right-of-use assets are measured at cost, which comprises the following:
• lease liability;
• lease payments made at or prior to delivery, less lease incentives received;
• initial direct costs and
• restoration obligations.

Right-of-use assets are depreciated over the term of the lease using the straightline method, normally a depreciation period of 3 - 10 years.

The Company has used the relief options provided for leases of low-value assets and short-term leases (shorter than twelve months) and expense the payments in the income statement according to the straight-line method.

Extension and termination options exist for a number of leases, particularly for real estate. Such contract terms offer the Company the greatest possible flexibility in doing business. In determining lease terms, all facts and circumstances offering economic incentives for exercising extension options or not exercising termination options are taken into account. Changes due to the exercise or non-exercise of such options are considered in determining the lease term only if they are sufficiently probable.

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.

Notes to the Financial Statements

19 Accounting Policies (continued)

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 Companys risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue is recognised when control over the services transfers to the customer, i.e. when the customer has the ability to control the use of services provided. The revenue corresponds to the transaction price to which the Company is expected to be entitled.

Revenue for provision of transport services is generally recognised according to the straight-line method over the transport period. Revenue generated by providing other logistics services is recognised in the reporting period in which the service was rendered.

For each performance obligation, revenue is either recognised at a certain time or over a certain period of time.

Freight and other transportation expenses, etc.

Freight and other transportation expenses, etc. comprise costs for carriers, and other costs used to achieve revenue for the year.

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.

Notes to the Financial Statements

19 Accounting Policies (continued)

Depreciation and impairment losses

Depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

Other operating income and expenses

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

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.

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 year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

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 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 in the Tax Group. Provision for and payment of the aggregate Danish tax of the taxable income of the Danish subsidaries are made by DHL Express (Denmark) A/S.

Balance Sheet

Tangible Assets

Tangible Assets 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

Notes to the Financial Statements

19 Accounting Policies (continued)

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:

Right-of-use assets	3-10	years
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 13,500 are expensed in the year of acquisition.

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 item"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 the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

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 the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation

Notes to the Financial Statements

19 Accounting Policies (continued)

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 lease 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 priciples in the expected credit loss impairment model IFRS 9 meaning an estimate of credit loss over the expected lifetime, weighted for the probability of default. Expected credit loss is generally measured at the level of individual items.

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 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 or in equity if the deferred tax relates to items recognised in equity.

Notes to the Financial Statements

19 Accounting Policies (continued)

Financial debts

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

Financial Highlights

Explanation of financial ratios

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