
DHL Express (Denmark) A/S

Jydekrogen 14, DK-2625 Vallensbæk

Annual Report for 1 January - 31 December 2017

CVR No 10 15 45 96

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
15/6 2018

Charlotte Schubart
Chairman of the General
Meeting

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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 2017.

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 2017 of the Company and of the results of the Company operations for 2017.

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, 15 June 2018

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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 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 2017, 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, 15 June 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Bo Schou-Jacobsen
State Authorised Public Accountant
mne28703

Anders Røjleskov
State Authorised Public Accountant
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 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:

	2017	2016	2015	2014	2013
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Profit/loss					
Revenue	1,682,456	1,518,072	1,437,792	1,356,920	1,264,847
Gross profit/loss	298,046	264,678	257,497	239,295	244,327
Operating profit/loss	-777	-5,527	13,198	8,517	12,764
Profit/loss before financial income and expenses	11,657	11,991	16,422	11,486	15,435
Net financials	-18,296	2,721	7,156	12,468	6,108
Net profit/loss for the year	-6,585	15,797	27,503	26,392	21,543
Balance sheet					
Balance sheet total	440,966	439,483	640,382	609,757	575,893
Equity	175,464	182,049	401,252	373,749	347,357
Investment in property, plant and equipment	8,987	-2,548	-6,646	-10,121	-4,086
Number of employees	519	478	458	448	416
Ratios					
Gross margin	17.7%	17.4%	17.9%	17.6%	19.3%
Profit margin	0.7%	0.8%	1.1%	0.8%	1.2%
Return on assets	2.6%	2.7%	2.6%	1.9%	2.7%
Solvency ratio	39.8%	41.4%	62.7%	61.3%	60.3%
Return on equity	-3.7%	5.4%	7.1%	7.3%	6.4%

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 2017 shows a loss of DKK'000 6,585, and at 31 December 2017 the balance sheet of the Company shows equity of DKK'000 175,464.

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 2017 are considered fully met.

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 again managed to grow revenue – now above 1.000 MDKK.

The Freight division is dedicated to deliver high-value products to customers through dedicated employees and customer experience focus. Main focus in 2017 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 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 Focus 2018 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. In March 2017 the Freight division also obtained ISO 50001 (Energy Management System) certification.

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.

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.

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 2017 of the Company and the results of the activities of the Company for the financial year for 2017 have not been affected by any unusual events.

Income Statement 1 January - 31 December

	Note	2017 DKK'000	2016 DKK'000
Revenue	1	1,682,456	1,518,072
Other operating income		12,821	18,068
Freight and other transportation expenses, etc.		-1,317,334	-1,195,892
Other external expenses		-79,897	-75,570
Gross profit/loss		298,046	264,678
Staff expenses	2	-278,563	-244,511
Depreciation of property, plant and equipment	3	-7,439	-7,626
Other operating expenses		-387	-550
Profit/loss before financial income and expenses		11,657	11,991
Income/loss from investments in subsidiaries		-17,480	3,322
Financial income		98	702
Financial expenses	4	-914	-1,303
Profit/loss before tax		-6,639	14,712
Tax on profit/loss for the year	5	54	1,085
Net profit/loss for the year		-6,585	15,797

Balance Sheet 31 December

Assets

	Note	2017 DKK'000	2016 DKK'000
Land and buildings		35,156	36,359
Other fixtures and fittings, tools and equipment		24,405	20,692
Leasehold improvements		4,811	4,287
Property, plant and equipment	6	64,372	61,338
Investments in subsidiaries	7	71,952	89,432
Deposits	8	1,050	1,063
Fixed asset investments		73,002	90,495
Fixed assets		137,374	151,833
Trade receivables		273,117	200,499
Receivables from group enterprises		24,462	74,200
Other receivables		859	12,379
Prepayments	9	544	240
Receivables		298,982	287,318
Cash at bank and in hand		4,610	332
Currents assets		303,592	287,650
Assets		440,966	439,483

Balance Sheet 31 December

Liabilities and equity

	Note	2017 DKK'000	2016 DKK'000
Share capital		76,100	76,100
Retained earnings		99,364	105,949
Equity	10	175,464	182,049
Provisions for restructuring	12	6,635	3,477
Provisions		6,635	3,477
Trade payables		161,291	164,063
Payables to group enterprises		30,376	15,315
Other payables		67,200	74,579
Short-term debt		258,867	253,957
Debt		258,867	253,957
Liabilities and equity		440,966	439,483
Distribution of profit	11		
Contingent assets, liabilities and other financial obligations	13		
Related parties	14		
Fee to auditors appointed at the general meeting	15		
Accounting Policies	16		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK'000	DKK'000	DKK'000
Equity at 1 January	76,100	105,949	182,049
Net profit/loss for the year	0	-6,585	-6,585
Equity at 31 December	76,100	99,364	175,464

Notes to the Financial Statements

	2017 <u>DKK'000</u>	2016 <u>DKK'000</u>
1 Revenue		
Geographical segments		
Revenue, Denmark	160,183	81,742
Revenue, exports	<u>1,522,273</u>	<u>1,436,330</u>
	<u>1,682,456</u>	<u>1,518,072</u>
Business segments		
Freight	860,773	924,166
Day Definite	113,645	97,784
Time Definite	547,856	477,248
Domestic	<u>160,182</u>	<u>18,874</u>
	<u>1,682,456</u>	<u>1,518,072</u>
2 Staff expenses		
Wages and salaries	241,682	218,271
Pensions	21,840	14,986
Other social security expenses	2,152	1,045
Other staff expenses	<u>12,889</u>	<u>10,209</u>
	<u>278,563</u>	<u>244,511</u>
Including remuneration to the Executive Board of: Executive Board	<u>4,819</u>	<u>6,464</u>
	<u>4,819</u>	<u>6,464</u>
Average number of employees	<u>519</u>	<u>478</u>
3 Depreciaion of property, plant and equipment		
Depreciation of property, plant and equipment	<u>7,439</u>	<u>7,626</u>
	<u>7,439</u>	<u>7,626</u>

Notes to the Financial Statements

	2017 DKK'000	2016 DKK'000
4 Financial expenses		
Interest paid to group enterprises	371	299
Other financial expenses	201	157
Exchange loss	342	847
	914	1,303

5 Tax on profit/loss for the year

Current tax for the year	0	0
Adjustment of tax concerning tax group previous years	-54	-1,085
	-54	-1,085

At 31 December 2017 the Company has an estimated deferred tax asset of DKK 37.2 million (2016: DKK 39,3 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.

6 Property, plant and equipment

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000
Cost at 1 January	73,191	48,267	14,036
Additions for the year	0	8,987	1,862
Disposals for the year	0	-913	0
Cost at 31 December	73,191	56,341	15,898
Impairment losses and depreciation at 1 January	36,833	27,575	9,749
Impairment losses for the year	1,202	4,898	1,338
Impairment and depreciation of sold assets for the year	0	-537	0
Impairment losses and depreciation at 31 December	38,035	31,936	11,087
Carrying amount at 31 December	35,156	24,405	4,811

Notes to the Financial Statements

	2017 DKK'000	2016 DKK'000
7 Investments in subsidiaries		
Cost at 1 January	340,268	340,268
Cost at 31 December	340,268	340,268
Value adjustments at 1 January	-250,836	-254,158
Net profit/loss for the year	-17,480	3,322
Value adjustments at 31 December	-268,316	-250,836
Carrying amount at 31 December	71,952	89,432

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%

8 Other fixed asset investments

	Deposits DKK'000
Cost at 1 January	1,063
Disposals for the year	-13
Cost at 31 December	1,050
Carrying amount at 31 December	1,050

9 Prepayments

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

Notes to the Financial Statements

10 Equity

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

	<u>2017</u> DKK'000	<u>2016</u> DKK'000
11 Distribution of profit		
Retained earnings	-6,585	15,797
	<u>-6,585</u>	<u>15,797</u>

12 Provisions for restructuring

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

13 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	30,661	19,088
Between 1 and 5 years	81,424	29,074
After 5 years	21,597	10,999
	<u>133,682</u>	<u>59,161</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

	<u>Basis</u>
Controlling interest	
Deutsche Post Beteiligungen Holding GmbH DE 53113 Bonn Germany	Controlling shareholder

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

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

	<u>2017</u> DKK'000	<u>2016</u> DKK'000
15 Fee to auditors appointed at the general meeting		
Audit fee to PricewaterhouseCoopers	809	799
Other assurance engagements	275	275
Tax advisory services	506	115
Non-Audit services	<u>5</u>	<u>75</u>
	<u>1,595</u>	<u>1,264</u>

Notes to the Financial Statements

16 Accounting Policies

The Annual Report of DHL Express (Denmark) A/S for 2017 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 2017 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.

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

Notes to the Financial Statements

16 Accounting Policies (continued)

balance sheet date.

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 alternative borrowing rate 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.

Income Statement

Revenue

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

Notes to the Financial Statements

16 Accounting Policies (continued)

- 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. 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.

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.

Notes to the Financial Statements

16 Accounting Policies (continued)

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 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 13,200 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.

Notes to the Financial Statements

16 Accounting Policies (continued)

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 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.

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.

Notes to the Financial Statements

16 Accounting Policies (continued)

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.

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	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$