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

Jydekrogen 14, DK-2625 Vallensbæk

Annual Report for 1 January - 31 December 2019

CVR No 10 15 45 96

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
17/9 2020

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 2019.

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 2019 of the Company and of the results of the Company operations for 2019.

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, 17 September 2020

Executive Board

Atli Freyr Einarsson
CEO

Ole Høxbro Mørk
Executive Officer

Charlotte Schubart
CFO

Board of Directors

Alastair Shaun McCambridge
Chairman

Henrik Hånche

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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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 2019, 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.

Independent Auditor's Report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 17 September 2020

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,
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:

	2019	2018	2017*	2016*	2015*
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Profit/loss					
Revenue	1,783,366	1,759,178	1,682,456	1,518,072	1,437,792
Gross profit/loss	393,555	361,456	298,046	264,678	257,497
Operating profit/loss	17,973	16,155	-777	-5,527	13,198
Profit/loss before financial income and expenses	36,053	28,311	11,657	11,991	16,422
Net financials	-11,050	-26,667	-18,296	2,721	7,156
Net profit/loss for the year	13,646	25,255	-6,585	15,797	27,503
Balance sheet					
Balance sheet total	648,862	562,464	440,966	439,483	640,382
Equity	210,815	197,169	175,464	182,049	401,252
Investment in property, plant and equipment	-59,677	-4,626	-8,987	-2,548	-6,646
Number of employees	608	573	519	478	458
Ratios					
Gross margin	22.1%	20.5%	17.7%	17.4%	17.9%
Profit margin	2.0%	1.6%	0.7%	0.8%	1.1%
Return on assets	5.6%	5.0%	2.6%	2.7%	2.6%
Solvency ratio	32.5%	35.1%	39.8%	41.4%	62.7%
Return on equity	6.7%	13.6%	-3.7%	5.4%	7.1%

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 accounting 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 2015-2017 have not been restated.

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 2019 shows a profit of DKK'000 13,646, and at 31 December 2019 the balance sheet of the Company shows equity of DKK'000 210,815.

The Express division has had a strategic and targeted approach to staff qualifications and have spent a total of 9.060 hours on classroom trainings and 461 hours of online trainings in 2019, for the employees to understand the company, the customer and the business. DHL Express has embedded customer centricity into the heart of the business strategy with extra emphasis on open and effective customer feedback channels feeding into the organization. A structured approach to Continuous Improvement using LEAN and SixSigma tools – in DHL called First Choice – is firmly embedded into the organization. An integral part of the company's FOCUS strategy - in terms of loyal customers - is our ability to demonstrate the right behaviors from our staff to drive satisfaction and ultimately loyalty from the customers. To exceed customer expectations the Express division has therefore introduced a concept called "3-8-10" which is a behavioral change program emphasizing employee behaviors that drive customer loyalty.

The revenue for the year has compared to 2018, 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 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 3rd. place in Great Place to Work 2019.

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

The Freight division is dedicated to deliver high-value products to customers through dedicated employees and customer experience focus. Main focus in 2019 has been to deliver excellent services to the customers and at the same time investing in employee development and 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 2019 and we have seen an overall slowdown in the market.

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 and subsequent events

The Express division will through Focus 2020 strategy's core areas work to maintain and improve profitable networks and loyal customers driven by motivated employees and high service quality.

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 various CIS modules, the company strives to motivate the employees to keep the customer in focus. Express division will use technology to optimize the core business and modernize the IT infrastructure to enhance the Customer and employee experience and to gain operational efficiency.

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

To maintain a profitable network the Express division has invested in a new terminal in Fredericia in 2019/2020. To support the initiatives to lower CO2 emission the company has opened a flagship store in central Copenhagen operating as a Hub for bicycle couriers.

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.

The Company's outlook for the future will be affected by the COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak, see also subsequent events

Management's Review

disclosures in note 1.

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 the end of 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:

<https://www.dpdhl.com/content/dam/dpdhl/en/media-center/responsibility/dpdhl-sustainability-report-2019.pdf>

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 2024.

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 2019, 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 2019 to more external hiring to ensure a wider talent potential and have a special emphasis on growing female talents from lower level

Management's Review

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 2019 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 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 2019 of the Company and the results of the activities of the Company for the financial year for 2019 have not been affected by any unusual events.

Income Statement 1 January - 31 December

	Note	2019 DKK'000	2018 DKK'000
Revenue	2	1,783,366	1,759,178
Other operating income		18,080	12,156
Freight and other transportation expenses, etc.		-1,339,276	-1,343,696
Other external expenses		<u>-68,615</u>	<u>-66,182</u>
Gross profit/loss		393,555	361,456
Staff expenses	3	-319,438	-299,739
Depreciation of property, plant and equipment	4	<u>-38,064</u>	<u>-33,406</u>
Profit/loss before financial income and expenses		36,053	28,311
Loss from investments in subsidiaries	8	-6,808	-22,975
Financial income		2,639	2,572
Financial expenses	5	<u>-6,881</u>	<u>-6,264</u>
Profit/loss before tax		25,003	1,644
Tax on profit/loss for the year	6	<u>-11,357</u>	<u>23,611</u>
Net profit/loss for the year		<u>13,646</u>	<u>25,255</u>

Balance Sheet 31 December

Assets

	Note	2019 DKK'000	2018 DKK'000
Land and buildings		121,152	90,143
Other fixtures and fittings, tools and equipment		67,889	72,734
Leasehold improvements		2,269	3,316
Property, plant and equipment in progress		51,406	0
Tangible Assets	7	242,716	166,193
Investments in subsidiaries	8	42,156	48,964
Deposits	9	1,193	1,062
Fixed asset investments		43,349	50,026
Fixed assets		286,065	216,219
Trade receivables		262,530	286,158
Receivables from group enterprises		83,533	33,544
Other receivables		1,684	1,298
Deferred tax asset	13	14,000	23,611
Prepayments	10	298	215
Receivables		362,045	344,826
Cash at bank and in hand		752	1,419
Currents assets		362,797	346,245
Assets		648,862	562,464

Balance Sheet 31 December

Liabilities and equity

	Note	2019 DKK'000	2018 DKK'000
Share capital		76,100	76,100
Retained earnings		134,715	121,069
Equity	11	210,815	197,169
Provisions for restructuring	14	3,924	3,639
Provisions		3,924	3,639
Lease obligations		106,974	82,044
Other payables		11,343	0
Long-term debt	15	118,317	82,044
Lease obligations	15	30,141	26,408
Trade payables		187,188	162,312
Payables to group enterprises		28,983	23,597
Corporation tax		8,511	0
Other payables	15	60,983	67,295
Short-term debt		315,806	279,612
Debt		434,123	361,656
Liabilities and equity		648,862	562,464
Subsequent events	1		
Distribution of profit	12		
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
Fee to auditors appointed at the general meeting	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	121,069	197,169
Net profit/loss for the year	0	13,646	13,646
Equity at 31 December	76,100	134,715	210,815

Notes to the Financial Statements

1 Subsequent events

Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company. Management has not subsequently identified any material re-measurements of assets and liabilities.

The Company acknowledges that the outbreak of COVID-19 will have a great impact on the global economy. At present, Management have not observed any material impact on the Company's revenue and earnings. However, it is too early to conclude whether COVID-19 will have an impact on the rest of the financial year. Management assesses that Covid-19 will not have any material impact on the Company's revenue and earnings, and assesses that the capital resources of the Company are sufficient.

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

	2019 DKK'000	2018 DKK'000
2 Revenue		
Geographical segments		
Revenue, Denmark	187,658	183,205
Revenue, exports	1,595,708	1,575,973
	1,783,366	1,759,178
Business segments		
Time Definite	728,019	714,765
Non Terminal Based Operations	608,604	578,874
Terminal Based Operations	278,023	262,220
Other Operations	168,720	203,319
	1,783,366	1,759,178

Notes to the Financial Statements

	2019	2018
	DKK'000	DKK'000
3 Staff expenses		
Wages and salaries	289,631	267,034
Pensions	20,713	19,416
Other social security expenses	36	1,890
Other staff expenses	9,058	11,399
	319,438	299,739
Including remuneration to the Executive Board of: Executive Board	4,811	5,833
	4,811	5,833
Average number of employees	608	573
4 Depreciation of property, plant and equipment		
Depreciation of property, plant and equipment	38,064	33,406
	38,064	33,406
Which is specified as follows:		
Buildings	13,910	13,071
Other fixtures and fittings, tools and equipment	22,802	19,003
Leasehold improvements	1,352	1,332
	38,064	33,406
5 Financial expenses		
Interest paid to group enterprises	337	385
Other financial expenses	3,881	3,310
Exchange loss	2,663	2,569
	6,881	6,264

Notes to the Financial Statements

	2019 DKK'000	2018 DKK'000
6 Tax on profit/loss for the year		
Current tax for the year	1,746	0
Deferred tax for the year	9,611	-23,611
	11,357	-23,611

7 Tangible Assets

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000	Property, plant and equipment in progress DKK'000
Cost at 1 January	141,249	124,560	14,730	0
Additions for the year	44,919	18,678	305	51,406
Disposals for the year	-1	-6,349	-642	0
Cost at 31 December	186,167	136,889	14,393	51,406
Impairment losses and depreciation at 1 January	51,106	51,826	11,414	0
Depreciation for the year	13,909	22,246	1,352	0
Reversal of impairment and depreciation of sold assets	0	-5,072	-642	0
Impairment losses and depreciation at 31 December	65,015	69,000	12,124	0
Carrying amount at 31 December	121,152	67,889	2,269	51,406
Including right-of-use assets amounting to	88,401	43,289	0	0

Notes to the Financial Statements

	2019 DKK'000	2018 DKK'000
8 Investments in subsidiaries		
Cost at 1 January	340,768	340,268
Additions for the year	0	500
Cost at 31 December	<u>340,768</u>	<u>340,768</u>
Value adjustments at 1 January	-291,804	-268,316
Net effect from change of accounting policy	0	-512
Net profit/loss for the year	<u>-6,808</u>	<u>-22,976</u>
Value adjustments at 31 December	<u>-298,612</u>	<u>-291,804</u>
Carrying amount at 31 December	<u>42,156</u>	<u>48,964</u>

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%

9 Other fixed asset investments

	Deposits DKK'000
Cost at 1 January	<u>1,193</u>
Cost at 31 December	<u>1,193</u>
Carrying amount at 31 December	<u>1,193</u>

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.

	<u>2019</u> DKK'000	<u>2018</u> DKK'000
12 Distribution of profit		
Retained earnings	13,646	25,255
	<u>13,646</u>	<u>25,255</u>

13 Deferred tax asset

Deferred tax asset at 1 January	23,611	0
Amounts recognised in the income statement for the year	<u>-9,611</u>	<u>23,611</u>
Deferred tax asset at 31 December	<u>14,000</u>	<u>23,611</u>

At 31 December 2019 the Company has an estimated deferred tax asset of DKK 27.0 million (2018: DKK 32.2 million). Management estimates that the recognised tax asset of DKK 14 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.

14 Provisions for restructuring

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

Other provisions	<u>3,924</u>	<u>3,639</u>
	<u>3,924</u>	<u>3,639</u>

Notes to the Financial Statements

15 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:

	2019 DKK'000	2018 DKK'000
Lease obligations		
Between 1 and 5 years	106,974	82,044
Long-term part	106,974	82,044
Within 1 year	30,141	26,408
	137,115	108,452
Other payables		
Between 1 and 5 years	11,343	0
Long-term part	11,343	0
Other short-term payables	60,983	67,295
	72,326	67,295

16 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

Lease obligations under operating leases. Total future lease payments:

Within 1 year	21,570	22,524
Between 1 and 5 years	343	686
	21,913	23,210

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

17 Related parties

	<u>Basis</u>
Controlling interest	
Deutsche Post Beteiligungen Holding GmbH Charles-de-Gaulle-Strasse 20 DE-53113 Bonn Germany	Controlling shareholder
Deutsche Post AG Charles-de-Gaulle-Strasse 20 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

	<u>2019</u> DKK'000	<u>2018</u> DKK'000
18 Fee to auditors appointed at the general meeting		
Audit fee to PricewaterhouseCoopers	809	809
Other assurance engagements	275	275
Tax advisory services	180	207
Non-Audit services	<u>5</u>	<u>5</u>
	<u>1,269</u>	<u>1,296</u>

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of DHL Express (Denmark) A/S for 2019 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 2019 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

Notes to the Financial Statements

19 Accounting Policies (continued)

presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Leases

The Company uses IFRS 16 when measuring and recognizing 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. 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

Notes to the Financial Statements

19 Accounting Policies (continued)

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 is 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

The Company uses IFRS 15 when measuring and recognizing 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 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.

Notes to the Financial Statements

19 Accounting Policies (continued)

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, including gains and losses on PPE.

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 subsidiaries 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 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
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Notes to the Financial Statements

19 Accounting Policies (continued)

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 13,800 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 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.

Notes to the Financial Statements

19 Accounting Policies (continued)

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 principles 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.

Equity

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)

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$