

UPS Danmark A/S

Naverland 7

2600 Glostrup

Central Business Registration No

14553800

Annual report 2017

The Annual General Meeting adopted the annual report on 30.05.2018

Chairman of the General Meeting

Name: Frank Jørgensen

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Entity details

Entity

UPS Danmark A/S
Naverland 7
2600 Glostrup

Central Business Registration No: 14553800
Registered in: Albertslund
Financial year: 01.01.2017 - 31.12.2017

Board of Directors

Louis Anthony Rivieccio Jr
Jennifer Herkt
Peter Raoul Stewardson
Frank Jørgensen

Executive Board

Frank Jørgensen, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of UPS Danmark A/S for the financial year 01.01.2017 - 31.12.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Glostrup, 30.05.2018

Executive Board

Frank Jørgensen
Chief Executive Officer

Board of Directors

Louis Anthony Riviuccio Jr

Jennifer Herkt

Peter Raoul Stewardson

Frank Jørgensen

Independent auditor's report

To the shareholder of UPS Danmark A/S

Opinion

We have audited the financial statements of UPS Danmark A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

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.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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:

Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary 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 of the management commentary.

Copenhagen, 30.05.2018

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Max Damborg

State Authorised Public Accountant

Identification number (MNE) mne33772

Management commentary

	2017	2016	2015	2014	2013
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Revenue	1.031.256	1.065.705	993.092	942.467	902.701
Gross profit/loss	248.216	224.316	218.104	193.666	182.714
Operating profit/loss	29.702	25.245	26.188	17.008	18.561
Net financials	(15.763)	1.385	(438)	(344)	(540)
Profit/loss for the year	10.718	20.679	19.637	12.290	13.250
Total assets	478.324	516.112	344.437	314.099	322.516
Investments in property, plant and equipment	9.426	129.239	12.349	39.710	6.088
Equity	103.608	92.890	72.211	52.574	40.286
Average invested capital incl goodwill	253.658	184.387	115.088	98.686	93.175
Interest bearing debt, net	155.150	155.644	48.014	57.371	47.140
Employees in average	565	545	531	507	503
Ratios					
Gross margin (%)	24,1	21,0	22,0	20,5	20,2
Net margin (%)	1,0	1,9	2,0	1,3	1,5
Return on invested capital incl goodwill (%)	11,7	13,7	22,8	17,2	19,9
Revenue invested capital incl goodwill	4,1	5,8	8,6	9,6	9,7
Financial gearing (%)	1,5	1,7	0,7	1,1	1,2
Return on equity (%)	10,9	25,1	31,5	26,5	39,4
Equity ratio (%)	21,7	18,0	21,0	16,7	12,5

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Management commentary

Ratios	Calculation formula	Ratios
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on invested capital incl goodwill (%)	$\frac{\text{EBITA} \times 100}{\text{Average invested capital incl goodwill}}$	The return generated by the entity on the investors' funds.
Revenue/Invested capital incl goodwill	$\frac{\text{Revenue}}{\text{Average invested capital incl goodwill}}$	Turnover rate of capital employed by the entity.
Financial gearing	$\frac{\text{Interest bearing debt, net}}{\text{Equity}}$	The entity's financial gearing.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

EBITA (Earnings Before Interest, Tax and Amortisation) is defined as operating profit plus the year's amortisation of and impairment losses relating to intangible assets including goodwill.

Invested capital including goodwill is defined as net working capital plus the carrying amount of property, plant and equipment as well as other provisions.

Net working capital is defined as receivables and other operating current assets net of trade payables and other short-term operating liabilities. Income taxes receivable and payable as well as cash are not included in net working capital.

Net interest-bearing debt is defined as interest-bearing liabilities, including income tax payable, net of interest-bearing assets, including cash.

Management commentary

Primary activities

The Company's primary activity is distribution of international packages.

Development in activities and finances

The performance for 2017 has been satisfactory. The total package volume experienced high single digit growth versus prior year.

Uncertainty relating to recognition and measurement

The valuation of assets and liabilities is made in accordance with current accounting policies, and Management is of the opinion that no uncertainty is related to recognition and measurement.

Unusual circumstances affecting recognition and measurement

There have been no unusual circumstances affecting recognition and measurement in the financial year 2017.

Outlook

The Company expects to increase its growth rate in 2018, exceeding the level attained in 2017, and will continue to operate a targeted approach to revenue management with a view to protecting margins. Exports are projected to pick up over the next two years, supported by increased growth in key Danish export markets and improved competitiveness. The Company has proven abilities to grow faster than the market and will seek to reaffirm its market presence through its wide portfolio of worldwide logistics services and further capacity investments as exports grow stronger.

Particular risks

The Company's most significant operating risk is related to the ability to maintain a strong position on the market.

The Company's financial transactions are predominantly in DKK, meaning that only a limited exposure to changes in foreign exchange rates exists.

Credit risks related to financial assets correspond to the values recognised in the balance sheet. The Company has no significant risks related to single customers or cooperative partners.

Intellectual capital resources

Appropriate descriptions of the UPS activities are maintained at group level by United Parcel Service of America, Inc., including descriptions of environmental performance, intellectual property rights as well as research and development activities. Please refer to the Ultimate Parent's latest published annual report.

Management commentary

Statutory report on corporate social responsibility

Environment

We are committed to conducting our business in a manner that protects the environment. Our commitment to the environment goes beyond complying with environmental laws and includes a commitment to advancing programmes that promote a reduction of our carbon footprint while improving the environment. Everyone who is part of the UPS organisation is expected to support our effort to maintain a leadership role in protecting the environment.

Through the Corporate Environmental Affairs Department, we have established site-specific and activity-specific environmental compliance and pollution prevention programmes to address our environmental responsibilities. We continually evaluate improved technology and seek opportunities to improve the environmental performance.

Our environmental responsibilities include:

- Properly storing, handling, and disposing of hazardous and other waste
- Managing wastewater and storm water in compliance with applicable regulations
- Monitoring and maintaining the integrity of storage tanks
- Complying with laws regarding clean air and noise pollution
- Seeking ways to minimise waste, conserve resources, and prevent pollution
- Working with manufacturers to develop alternative fuel and hybrid vehicles in an effort to reduce our carbon footprint

Climate

Addressing climate change is a huge challenge. At UPS, we tackle major issues by combining global strategies with everyday actions that collectively add up to a big difference.

For example, our drivers carefully avoided millions of miles of driving in 2017, which saved energy and avoided greenhouse gas emissions. We filled trucks, planes, railcars, and ships for maximum efficiency, so we would not waste fuel. And our pilots used a range of advanced techniques to span the globe as quietly and cleanly as possible. Behind the scenes, we invested in vehicles that use low-emission fuels, in information technology that cuts down the miles we drive and fly, and in societal efforts to develop more sustainable fuels. We understand the environmental challenges facing our society, and we are committed to finding more and better solutions wherever we can.

Working environment

The well-being of our people is of utmost importance to UPS. We are committed to protecting the health, wellness, and safety of each UPS employee. We strive to protect our people, customers, and the public from injury and illness through our health and safety programmes. Government regulatory standards and employee input are used to develop comprehensive programmes for understanding and complying with UPS health and safety processes, procedures, and guidelines, as well as those issued by applicable regulatory authorities.

Management commentary

Anti-corruption

As a U.S.-based corporation, UPS, its employees, and its representatives, are subject to the U.S. anti-bribery laws that are enforceable worldwide and cover all UPS operations, including all businesses, joint ventures, agents, and third-party representatives (such as independent contractors, general sales agents, customs brokers, immigration agents, and tax agents, among others). Anti-bribery laws include the U.S. Foreign Corrupt Practices Act (FCPA) and all such laws of the countries in which we operate.

Broadly speaking, the FCPA and other anti-bribery laws prohibit UPS (or any of its worldwide businesses, affiliates, employees, or representatives) from bribing - or offering, promising, or authorising anything of value to - a foreign government official or employee in order to obtain or retain business in an improper manner. We must be aware of these strict prohibitions even when considering such hospitality as meals, entertainment, gifts, or sponsorships involving a foreign government official or employee. We conduct our business in accordance with the FCPA and all applicable anti-bribery laws, and everyone of us, regardless of the country in which we work, must adhere to its requirements.

Human rights

UPS supports the protection of basic human rights throughout its worldwide operations.

As a global company, UPS recognises that it plays a role in acknowledging basic human rights in accordance with our high standards for the treatment of people. Basic human rights address areas such as equality among people, employee well-being and security, personal freedom from persecution, and economic, social, and cultural freedom.

For further information on the Company's corporate social responsibility, please refer to the sustainability report 2016 published on the Ultimate Parent's website (<http://www.sustainability.ups.com/>).

The sustainability report 2016 can be downloaded using the following link:

<https://sustainability.ups.com/sustainability-reporting/>

Statutory report on the underrepresented gender

Gender policy

The share of women on the Board of Directors of UPS Danmark A/S constitutes 25%, corresponding to one out of four board members. Based on a specific assessment of the Company's situation, including the competences to be present on the Board of Directors, the target is to keep the minimum share of women on the Board of Directors at 25% until 2018. This is considered an achievable and ambitious target figure. In relation to other management levels, the share of women in management positions within UPS Danmark A/S is currently 17%. Whilst there is no legal requirement in relation to the specific quotas of female representation in corporate management, UPS Danmark A/S is currently above its target of 15%.

UPS is an equal opportunity employer and diversity and inclusion are at the core of its recruitment and promotion policies and practices. The Company generally fills management positions from within the organisation through an impartial process open to all employees. It may, however, fill a vacancy with an external candidate if there is a need for additional professional or technical skills and other work experience.

Management commentary

We believe that impartiality is the foundation of a loyal, motivated workgroup. We make decisions that affect our employees in a fair and consistent manner, without actual or perceived special treatment to any individual.

The UPS European Diversity and Inclusion Council works actively to build upon existing recruitment and personnel development practices in order to improve gender balance across the organisation. In order to drive improvement to the gender balance in locations where a certain gender may be under-represented, the Company's Human Resources group uses reporting and visibility tools actively to track and draw attention to the gender gap and measure progress. Representatives from this group participate actively along with a panel of senior management in the candidate identification and selection process for management promotions.

The Company launched a Nordic chapter of the UPS Women Leadership Development Business Resource Group in November 2015. The objective of the group is to provide a supportive environment that encourages and enables the attraction, development, and retention of women through networking, mentoring, education, and community-based involvement. In 2018, the group will actively drive community as well as internal and external networking activities in all Nordic countries, including Denmark.

In the financial year 2017, there were no significant changes to the gender composition of the management team.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would impact the results presented in these financial statements.

Income statement for 2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Revenue	1	1.031.256	1.065.705
Production costs	3, 4	<u>(783.040)</u>	<u>(841.389)</u>
Gross profit/loss		248.216	224.316
Administrative costs	2, 3, 4	<u>(218.514)</u>	<u>(199.071)</u>
Operating profit/loss		29.702	25.245
Other financial income		137	1.897
Other financial expenses		<u>(15.900)</u>	<u>(512)</u>
Profit/loss before tax		13.939	26.630
Tax on profit/loss for the year	5	<u>(3.221)</u>	<u>(5.951)</u>
Profit/loss for the year	6	<u>10.718</u>	<u>20.679</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Land and buildings		111.498	0
Other fixtures and fittings, tools and equipment		47.905	48.888
Leasehold improvements		16.910	18.966
Property, plant and equipment in progress		237	113.752
Property, plant and equipment	7	<u>176.550</u>	<u>181.606</u>
Deposits		1.486	1.428
Fixed asset investments	8	<u>1.486</u>	<u>1.428</u>
Fixed assets		<u>178.036</u>	<u>183.034</u>
Trade receivables		139.232	132.167
Receivables from group enterprises		150.935	164.018
Other receivables		1.928	1.571
Income tax receivable		1.482	0
Prepayments	9	6.577	5.084
Receivables		<u>300.154</u>	<u>302.840</u>
Cash		<u>134</u>	<u>30.238</u>
Current assets		<u>300.288</u>	<u>333.078</u>
Assets		<u>478.324</u>	<u>516.112</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Contributed capital	10	1.000	1.000
Retained earnings		102.608	91.890
Equity		103.608	92.890
Deferred tax	11	4.840	2.643
Provisions		4.840	2.643
Debt to other credit institutions		0	110.000
Non-current liabilities other than provisions	12	0	110.000
Bank loans		7.661	0
Trade payables		5.207	10.777
Payables to group enterprises		300.040	237.863
Income tax payable		1	2.037
Other payables	13	56.967	59.902
Current liabilities other than provisions		369.876	310.579
Liabilities other than provisions		369.876	420.579
Equity and liabilities		478.324	516.112
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Related parties with controlling interest	16		
Transactions with related parties	17		
Group relations	18		

Statement of changes in equity for 2017

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	1.000	91.890	92.890
Profit/loss for the year	0	10.718	10.718
Equity end of year	1.000	102.608	103.608

Notes

1. Revenue

The Company is engaged solely within the business segment "distribution of international package delivery in Denmark".

	2017	2016
	DKK'000	DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	71	71
Tax services	41	41
Other services	45	45
	157	157

	2017	2016
	DKK'000	DKK'000
3. Staff costs		
Wages and salaries	229.744	211.750
Pension costs	21.441	20.418
Other social security costs	4.378	3.753
	255.563	235.921
Number of employees at balance sheet date	565	545

Staff costs have been recognised in the income statement as follows:

	2017	2016
	DKK'000	DKK'000
Production costs	124.968	94.905
Administrative costs	130.595	141.016
	255.563	235.921

Remuneration for members of Management

No remuneration has been paid to the Executive Board or other executives, and no remuneration has been paid to the Company's Board of Directors.

Notes

	2017	2016
	DKK'000	DKK'000
4. Depreciation, amortisation and impairment losses		
Depreciation on property, plant and equipment	13.598	12.241
Profit/loss from sale of intangible assets and property, plant and equipment	64	(69)
	13.662	12.172

Depreciation and impairment losses have been recognised in the income statement as follows:

	2017	2016
	DKK'000	DKK'000
Production costs	6.294	6.143
Administrative costs	7.368	6.029
	13.662	12.172

	2017	2016
	DKK'000	DKK'000
5. Tax on profit/loss for the year		
Tax on current year taxable income	1.001	4.705
Change in deferred tax for the year	2.197	1.249
Adjustment concerning previous years	23	(3)
	3.221	5.951

	2017	2016
	DKK'000	DKK'000
6. Proposed distribution of profit/loss		
Retained earnings	10.718	20.679
	10.718	20.679

Notes

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000	Property, plant and equipment in progress DKK'000
7. Property, plant and equipment				
Cost beginning of year	0	128.515	24.422	113.752
Transfers	112.434	0	0	(112.433)
Additions	0	9.269	158	(1)
Disposals	0	(2.991)	0	(1.081)
Cost end of year	112.434	134.793	24.580	237
Depreciation and impairment losses beginning of the year	0	(79.627)	(5.456)	0
Depreciation for the year	(936)	(10.448)	(2.214)	0
Reversal regarding disposals	0	3.187	0	0
Depreciation and impairment losses end of the year	(936)	(86.888)	(7.670)	0
Carrying amount end of year	111.498	47.905	16.910	237
				Deposits DKK'000
8. Fixed asset investments				
Cost beginning of year				1.428
Additions				58
Cost end of year				1.486
Carrying amount end of year				1.486
9. Prepayments				
Prepayments recognised as current assets relate to prepaid expenses.				

Notes

	<u>Number</u>	<u>Par value DKK'000</u>	<u>Nominal value DKK'000</u>
10. Contributed capital			
Ordinary shares	1.000	1000	1.000
	1.000		1.000

The ordinary shares have not been divided into classes.

There have been no changes in the share capital in the past five years.

	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
11. Deferred tax		
Property, plant and equipment	5.362	3.772
Receivables	(522)	(1.129)
	4.840	2.643
Changes during the year		
Beginning of year	2.643	
Recognised in the income statement	2.197	
End of year	4.840	

Deferred tax has been recognised as a deferred tax liability of DKK 4,840 thousand at 31.12.2017, which includes a tax asset of DKK 522 thousand. The recognised tax asset is incumbent on provision for bad and doubtful debts and trade receivables, and will be utilised concurrently with its realisation by which the criteria for recognition and measurement are considered met.

12. Liabilities other than provisions

Long-term debt comprises the purchase price that has been deposited in connection with the purchase of property.

	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
13. Other payables		
VAT and duties	996	9.101
Wages and salaries, personal income taxes, social security costs, etc payable	9.271	3.889
Holiday pay obligation	30.219	28.006
Other costs payable	16.481	18.906
	56.967	59.902

Notes

	2017	2016
	DKK'000	DKK'000
14. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	30.105	23.891
	2017	2016
	DKK'000	DKK'000
15. Contingent liabilities		
Recourse and non-recourse guarantee commitments	33.145	33.145
Contingent liabilities in total	33.145	33.145

The Company serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc for the jointly taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these companies.

16. Related parties with controlling interest

The following shareholder is registered as holding more than 5% of the voting share capital, or more than 5% of the nominal value of share capital:

UPS Corporate Finance S.á.r.l., Contern, Luxembourg

As part of the UPS Group, sale and purchase of consignments take place among the UPS entities. In addition, a considerable part of the marketing and administrative routines in the Danish UPS entity is carried out primarily in cooperation with the other European UPS entities. The amounts of outstanding intra-group balances at the balance sheet date are disclosed in the balance sheet.

17. Transactions with related parties

Receivables from and payables to group enterprises carry interest at an annual rate of 0% considering they are trade accounts settled on an arm's length basis.

18. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

United Parcel Services of America, Inc., Atlanta, Georgia, USA

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

United Parcel Services of America, Inc., Atlanta, Georgia, USA

The consolidated financial statements can be obtained at:

<http://www.investors.ups.com/phoenix.zhtml?c=62900&p=irol-irhome>

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

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

Liabilities are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Fixed assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made and risk has passed to the buyer i.e. when invoiced. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs of parcel post, including costs for wages and salaries, rent and lease as well as depreciation and impairment losses relating to property, plant and equipment.

Accounting policies

Administrative costs

Administrative costs comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as depreciation and impairment losses relating to property, plant and equipment.

Other financial income

Other financial income comprises interest income, net capital gains on securities, payables and transactions in foreign currencies, cash discounts, etc as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, net capital losses on securities, payables and transactions in foreign currencies, cash discounts, etc as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with its Danish sister subsidiary. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Property, plant and equipment

Land and buildings, other fixtures and fittings, tools and equipment as well as leasehold improvements are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	40 years
Tools and equipment	8-8 1/3 years
Computer hardware	5 years
Operating equipment	8-9 years
Leasehold improvements	8 years

Depreciation is recognised in the income statement under production costs and administrative costs, respectively.

Accounting policies

Individual assets costing less than DKK 13,200 per unit are recognised as costs in the income statement at the time of acquisition.

Estimated useful lives and residual values are reassessed annually.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price less selling costs and carrying amount at the time of sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less write-downs for bad and doubtful debts.

Income tax payable or receivable

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

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

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Operating leases

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

Other financial liabilities

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

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, the Company has not prepared any cash flow statement as such statement is prepared by the higher-level group.