

**U.P.S. Danmark A/S**  
Naverland 7  
2600 Glostrup  
Business Registration No  
14553800

## **Annual report 2018**

The Annual General Meeting adopted the annual report on 17.06.2019

**Chairman of the General Meeting**

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Name: Frank Jørgensen

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## Entity details

### Entity

U.P.S. Danmark A/S  
Naverland 7  
2600 Glostrup

Central Business Registration No (CVR): 14553800  
Registered in: Albertslund  
Financial year: 01.01.2018 - 31.12.2018

### Board of Directors

Louis Anthony Rivieccio Jr  
Jennifer Herkt  
Peter Raoul Stewardson  
Frank Jørgensen

### Executive Board

Frank Jørgensen, CEO

### 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 U.P.S. Danmark A/S for the financial year 01.01.2018 - 31.12.2018.

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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

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, 17.06.2019

### Executive Board

Frank Jørgensen  
CEO

### Board of Directors

Louis Anthony Riviuccio Jr

Jennifer Herkt

Peter Raoul Stewardson

Frank Jørgensen

# Independent auditor's report

## To the shareholder of U.P.S. Danmark A/S

### Opinion

We have audited the financial statements of U.P.S. Danmark A/S for the financial year 01.01.2018 - 31.12.2018, 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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 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, 17.06.2019

### **Deloitte**

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556

Max Damborg

State Authorised Public Accountant

Identification No (MNE) mne33772

## Management commentary

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>
<b>Financial highlights</b>					
<b>Key figures</b>					
Revenue	998.477	1.031.256	1.065.705	993.092	942.467
Gross profit/loss	221.071	248.216	224.316	218.104	193.666
Operating profit/loss	50.338	29.702	25.245	26.188	17.008
Net financials	(1.877)	(15.763)	1.385	(438)	(344)
Profit/loss for the year	37.646	10.718	20.679	19.637	12.290
Total assets	509.793	478.324	516.112	344.437	314.099
Investments in property, plant and equipment	12.500	9.426	129.239	12.349	39.710
Equity	141.254	103.608	92.890	72.211	52.574
Average invested capital incl goodwill	253.658	184.387	115.088	98.686	93.175
Net interest-bearing debt	155.150	155.644	48.014	57.371	47.140
Average numbers of employees	577	565	545	531	507
<b>Ratios</b>					
Gross margin (%)	22,1	24,1	21,0	22,0	20,5
Net margin (%)	3,8	1,0	1,9	2,0	1,3
Return on invested capital incl goodwill (%)	19,8	16,1	21,9	26,5	18,3
Revenue/Invested capital incl goodwill	3,9	5,6	9,3	10,1	10,1
Financial gearing (%)	1,1	1,5	0,5	0,8	0,9
Return on equity (%)	30,7	10,9	25,1	31,5	26,5
Equity ratio (%)	27,7	21,7	18,0	21,0	16,7

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	Calculation formula reflects
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	$\frac{\text{Net interest-bearing debt}}{\text{Equity}}$	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 2018 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 2018.

### Outlook

The Company expects to increase its growth rate in 2019, exceeding the level attained in 2018, 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 2018, 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 2017 published on the Ultimate Parent's website (<http://www.sustainability.ups.com/>).

The sustainability report 2017 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 2019. 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 2019, the group will actively drive community as well as internal and external networking activities in all Nordic countries, including Denmark.

In the financial year 2018, 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 2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Revenue	1	998.477	1.031.256
Production costs	3, 4	<u>(777.406)</u>	<u>(783.040)</u>
<b>Gross profit/loss</b>		<b>221.071</b>	<b>248.216</b>
Administrative expenses	2, 3, 4	<u>(170.733)</u>	<u>(218.514)</u>
<b>Operating profit/loss</b>		<b>50.338</b>	<b>29.702</b>
Other financial income		1.549	137
Other financial expenses		<u>(3.426)</u>	<u>(15.900)</u>
<b>Profit/loss before tax</b>		<b>48.461</b>	<b>13.939</b>
Tax on profit/loss for the year	5	<u>(10.815)</u>	<u>(3.221)</u>
<b>Profit/loss for the year</b>	6	<b><u>37.646</u></b>	<b><u>10.718</u></b>

## Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Other fixtures and fittings, tools and equipment		48.927	47.905
Leasehold improvements		14.696	16.910
Property, plant and equipment in progress		<u>115.931</u>	<u>111.735</u>
<b>Property, plant and equipment</b>	7	<b><u>179.554</u></b>	<b><u>176.550</u></b>
Deposits		1.511	1.486
Other receivables		<u>695</u>	<u>0</u>
<b>Fixed asset investments</b>	8	<b><u>2.206</u></b>	<b><u>1.486</u></b>
<b>Fixed assets</b>		<b><u>181.760</u></b>	<b><u>178.036</u></b>
Trade receivables		130.893	139.232
Receivables from group enterprises		173.417	150.935
Other receivables		22.249	1.928
Income tax receivable		0	1.482
Prepayments	9	<u>1.394</u>	<u>6.577</u>
<b>Receivables</b>		<b><u>327.953</u></b>	<b><u>300.154</u></b>
<b>Cash</b>		<b><u>80</u></b>	<b><u>134</u></b>
<b>Current assets</b>		<b><u>328.033</u></b>	<b><u>300.288</u></b>
<b>Assets</b>		<b><u>509.793</u></b>	<b><u>478.324</u></b>

## Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Contributed capital	10	1.000	1.000
Retained earnings		118.754	102.608
Proposed dividend		21.500	0
<b>Equity</b>		<b><u>141.254</u></b>	<b><u>103.608</u></b>
Deferred tax	11	6.291	4.841
<b>Provisions</b>		<b><u>6.291</u></b>	<b><u>4.841</u></b>
Bank loans		0	7.661
Trade payables		30.362	5.207
Payables to group enterprises		281.348	300.040
Income tax payable		2.229	0
Other payables	12	48.309	56.967
<b>Current liabilities other than provisions</b>		<b><u>362.248</u></b>	<b><u>369.875</u></b>
<b>Liabilities other than provisions</b>		<b><u>362.248</u></b>	<b><u>369.875</u></b>
<b>Equity and liabilities</b>		<b><u>509.793</u></b>	<b><u>478.324</u></b>
Unrecognised rental and lease commitments	13		
Contingent liabilities	14		
Related parties with controlling interest	15		
Group relations	16		

## Statement of changes in equity for 2018

	<b>Contributed capital DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Proposed dividend DKK'000</b>	<b>Total DKK'000</b>
Equity beginning of year	1.000	102.608	0	103.608
Profit/loss for the year	0	16.146	21.500	37.646
<b>Equity end of year</b>	<b>1.000</b>	<b>118.754</b>	<b>21.500</b>	<b>141.254</b>

## Notes

### 1. Revenue

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

	<b>2018</b>	<b>2017</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>2. Fees to the auditor appointed by the Annual General Meeting</b>		
Statutory audit services	71	71
Tax services	41	41
Other services	45	45
	<b>157</b>	<b>157</b>
	<b>2018</b>	<b>2017</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>3. Staff costs</b>		
Wages and salaries	234.262	229.744
Pension costs	23.530	21.441
Other social security costs	4.729	4.378
	<b>262.521</b>	<b>255.563</b>
Average number of employees	<b>577</b>	<b>565</b>

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

	<b>2018</b>	<b>2017</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Production costs	133.027	124.968
Administrative costs	129.494	130.595
	<b>262.521</b>	<b>255.563</b>

### Remuneration for members of Management

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

	<b>2018</b>	<b>2017</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>4. Depreciation, amortisation and impairment losses</b>		
Depreciation on property, plant and equipment	10.357	13.598
Profit/loss from sale of intangible assets and property, plant and equipment	11.441	64
	<b>21.798</b>	<b>13.662</b>

## Notes

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

	<b>2018</b>	<b>2017</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Production costs	4.549	6.294
Administrative costs	17.250	7.368
	<b>21.799</b>	<b>13.662</b>

	<b>2018</b>	<b>2017</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>5. Tax on profit/loss for the year</b>		
Current tax	9.364	1.001
Change in deferred tax	1.451	2.197
Adjustment concerning previous years	0	23
	<b>10.815</b>	<b>3.221</b>

	<b>2018</b>	<b>2017</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>6. Proposed distribution of profit/loss</b>		
Ordinary dividend for the financial year	21.500	0
Retained earnings	16.146	10.718
	<b>37.646</b>	<b>10.718</b>

## Notes

	<b>Other fixtures and fittings, tools and equipment DKK'000</b>	<b>Leasehold improve- ments DKK'000</b>	<b>Property, plant and equipment in progress DKK'000</b>
<b>7. Property, plant and equipment</b>			
Cost beginning of year	134.793	24.580	112.671
Additions	9.240	0	3.260
Disposals	(7.340)	0	0
<b>Cost end of year</b>	<b>136.693</b>	<b>24.580</b>	<b>115.931</b>
Depreciation and impairment losses beginning of year	(86.888)	(7.670)	0
Depreciation for the year	(8.143)	(2.214)	0
Reversal regarding disposals	7.265	0	0
<b>Depreciation and impairment losses end of year</b>	<b>(87.766)</b>	<b>(9.884)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>48.927</b>	<b>14.696</b>	<b>115.931</b>

	<b>Deposits DKK'000</b>	<b>Other receivables DKK'000</b>
<b>8. Fixed asset investments</b>		
Cost beginning of year	1.486	0
Additions	25	695
<b>Cost end of year</b>	<b>1.511</b>	<b>695</b>
<b>Carrying amount end of year</b>	<b>1.511</b>	<b>695</b>

### 9. Prepayments

Prepayments recognised as current assets relate to prepaid expenses.

	<b>Number</b>	<b>Par value DKK'000</b>	<b>Nominal value DKK'000</b>
<b>10. Contributed capital</b>			
Ordinary shares	1.000	1	1.000
	<b>1.000</b>		<b>1.000</b>

## Notes

The ordinary shares have not been divided into classes.

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

	<b>2018</b>	<b>2017</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>11. Deferred tax</b>		
Property, plant and equipment	6.718	5.362
Receivables	(427)	(521)
	<b>6.291</b>	<b>4.841</b>
<b>Changes during the year</b>		
Beginning of year	4.841	
Recognised in the income statement	1.450	
<b>End of year</b>	<b>6.291</b>	

Deferred tax has been recognised as a deferred tax liability of DKK 6,322 thousand at 31.12.2018, which includes a tax asset of DKK 427 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.

	<b>2018</b>	<b>2017</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>12. Other payables</b>		
VAT and duties	1.970	996
Wages and salaries, personal income taxes, social security costs, etc payable	8.234	9.271
Holiday pay obligation	27.902	30.219
Other costs payable	10.203	16.481
	<b>48.309</b>	<b>56.967</b>

	<b>2018</b>	<b>2017</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>13. Unrecognised rental and lease commitments</b>		
Liabilities under rental or lease agreements until maturity in total	<b>30.105</b>	<b>23.891</b>

	<b>2018</b>	<b>2017</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>14. Contingent liabilities</b>		
Recourse and non-recourse guarantee commitments	33.145	33.145
<b>Contingent liabilities in total</b>	<b>33.145</b>	<b>33.145</b>

## Notes

The Company has established bank guarantees amounting to DKK 16,645 thousand.

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.

### **15. 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.

### **16. 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.

### Prepayments

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

### Cash

Cash comprises cash in hand and bank deposits.

### Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. The proposed dividend for the financial year is disclosed as a separate item in equity.

### 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.

### Income tax receivable or payable

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.

## Accounting policies

### 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.