

# U.P.S. DANMARK A/S

Naverland 7, 2600 Glostrup

CVR no. 14 55 38 00

## Annual report 2022

Approved at the Company's annual general meeting on 30/06/2023

Chair of the meeting:

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Carina Vang Kristoffersen

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### Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of U.P.S. DANMARK A/S for the financial year 1 January - 31 December 2022.

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 of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

30/06/2023

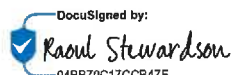
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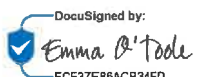
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Michiel Jan van Veen  
Director

Board of Directors:

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Daniel Carrera Garcia

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Peter Raoul Stewardson

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Emma Louise O'Toole

## 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 01.01.2022 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement 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 31.12.2022 and of the results of its operations and cash flows for the financial year 01.01.2022 - 31.12.2022 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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:

- 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.

### Independent auditor's report

- 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's review

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.

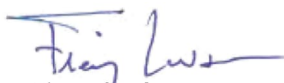
Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

#### Report on other legal and regulatory requirements and other reporting responsibilities.

##### *Violation of corporate law and similar legislation.*

Management has not complied with its obligation under the Companies act to create and maintain records and protocols etc for meetings held in 2022. Consequently management can be held liable.

København, *30 June 2023*  
Deloitte  
Statsautoriseret Revisionspartnerselskab  
CVR no. 33 96 35 56



Flemming Larsen  
State Authorised Public Accountant  
mne27790

## Management's review

### Company details

Name	U.P.S. DANMARK A/S
Address, Postal code, City	Naverland 7, 2600 Glostrup
CVR no.	14 55 38 00
Established	10 May 1986
Registered office	Albertslund
Financial year	1 January - 31 December
Board of Directors	Daniel Carrera Garcia Michiel Jan van Veen Peter Raoul Stewardson Emma Louise O'Toole
Executive Board	Michiel Jan van Veen, Director
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6, 2300 Copenhagen S

## Management's review

### Financial highlights

DKK'000	2022	2021	2020	2019	2018
<b>Key figures</b>					
Revenue	1,224,047	1,211,527	1,045,108	1,027,933	998,477
Gross profit	264,915	247,926	228,909	231,297	221,071
Operating profit/loss	52,574	55,588	37,330	44,787	50,339
Net financials	-287	4,652	-425	-358	-1,877
<b>Profit for the year</b>	<b>40,617</b>	<b>45,864</b>	<b>52,096</b>	<b>34,282</b>	<b>37,646</b>
<b>Total assets</b>					
Total assets	299,081	380,797	382,127	536,831	509,793
Investments in property, plant and equipment	27,998	16,021	22,126	21,585	12,500
<b>Equity</b>	<b>154,112</b>	<b>150,995</b>	<b>206,131</b>	<b>154,035</b>	<b>141,253</b>
<b>Financial ratios</b>					
Operating margin	4.3%	4.5%	6.4%	4.4%	5.1%
Gross margin	21.6%	20.5%	21.9%	22.5%	22.1%
Return on assets	15.5%	14.6%	8.1%	8.6%	10.2%
Equity ratio	51.5%	39.7%	53.9%	28.7%	27.7%
Return on equity	26.6%	25.7%	28.9%	23.2%	30.7%
<b>Average number of full-time employees</b>					
Average number of full-time employees	575	585	482	574	577

The financial ratios stated under "Financial highlights" have been calculated as follows:

Ordinary operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
Operating margin	$\frac{\text{Operating profit/loss (EBIT)} \times 100}{\text{Revenue}}$
Gross margin	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

## Management's review

### Business review

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

UPS is the world's premier package delivery company and a leading provider of global supply chain management solutions. We operate one of the largest airlines and one of the largest fleets of alternative fuel vehicles under a global UPS brand.

### Recognition and measurement uncertainties

There have been no unusual circumstances affecting recognition and measurement in the financial Year 2022.

### Unusual matters having affected the financial statements

There is no uncertainty in the recognition or measurement.

### Financial review

The income statement for 2022 shows a profit of DKK 40,617 thousand against a profit of DKK 45,864 last year, and the balance sheet at 31 December 2022 shows equity of DKK 154,112 thousand.

The COVID-19 pandemic has caused significant changes to the global economy and had a profound impact on businesses worldwide, the logistics industry initially experienced a boom (2020-2021) as demand for shipping and transportation services increased. Additionally, with the closure of brick-and-mortar stores, e-commerce saw a significant increase, leading to a further surge in demand for logistics services. While the industry initially experienced a surge in demand due to e-commerce and panic buying, post-pandemic market (in the year 2022) changes have resulted in a decline in logistics business, particularly in the e-commerce sector. As countries begin to reopen, consumers have started to return to physical stores. This has resulted in a decline in e-commerce sales, as consumers prefer to shop in person. While UPS has adapted to the challenges posed by the pandemic, such as implementing new safety measures and digital solutions, the decline in demand for services driven by market change has resulted in decline in revenue.

The ongoing conflict between Russia and Ukraine has had a significant impact on fuel and energy prices, which has, in turn, affected the cost of doing business across the globe. On 24 February 2022, Russia invaded and occupied parts of Ukraine in a major escalation of the Russo-Ukrainian War, which began in 2014. Since then, tensions have continued to escalate, leading to sanctions from Western countries against Russia. The sanctions have targeted Russia's energy sector, restricting its access to Western market.

The restrictions on Russia's energy sector have contributed to higher global oil and gas prices. As Russia is a significant producer of both commodities, any disruptions in its production or supply chain have a ripple effect on global markets. Additionally, the ongoing conflict has led to reduced gas supplies to Europe, which relies heavily on Russian gas imports. This has further exacerbated the energy supply shortages and price spikes. The impact of higher energy prices on consumers reduces the amount of disposable income and therefore negatively impacts the economy and the logistics industry through reduced demand.

In conclusion, the 'Russia-Ukraine conflict' & 'post pandemic market changes' has had far-reaching impacts on logistic markets, resulting in higher prices and supply shortages. The collective impact have had a ripple effect on businesses, leading to higher costs and reduced profitability.

### Knowledge 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.

### Financial risks and use of financial instruments

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 recognized in the balance sheet. The Company has no significant risks related to single customers or cooperative partners.



## Management's review

### Impact on the external 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 programs that promote a reduction of our carbon footprint while improving the environment. Everyone who is part of the UPS organization 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 programs 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 minimize waste, conserve resources, and prevent pollution
- Working with manufacturers to develop alternative fuel and hybrid vehicles in an effort to reduce our carbon footprint

### Research and development activities

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.

### Foreign branches

UPS Denmark is a part of the global network. Denmark UPS does not have any branches overseas. However, as part of a global network UPS has its presence in 220 countries and territories.

### Statutory CSR report

Moving our world forward by delivering what matters is the focus of our sustainability work around the world. We're committed to promoting volunteerism, creating social impact, advancing diversity, equity and inclusion, and reducing our environmental impact. Together, we're building stronger communities and a healthier environment.

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 published on the Ultimate Parent's website (<http://www.sustainability.ups.com/>) The sustainability report can be downloaded using the following link:  
<https://sustainability.ups.com/sustainability-reporting/>

## Management's review

### Account of the gender composition of Management

UPS is an equal opportunity employer and diversity, and inclusion are at the core of its recruitment and promotion policies and practices. The Share of Women in the board of Directors is 25% and in Management is 18% presently which we are continually striving to improve. The Company generally fills management positions from within the organization 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.

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.

### Data ethics

UPS has implemented strict data protection code of conduct ("Code") which adheres to Europe's General Data Protection Regulation (Commonly known as GDPR). The set forth Code is required of all employees and representatives of UPS. The Code provides information about our standards of integrity and explains our legal and ethical responsibilities. It is intended to provide both guidance and assistance to ever individual in cooperation with UPS while handling data.

Handling data is referring to all activity involving collection, processing, storing and deletion of data. Every UPS persons are responsibility to understand and comply the code within their area of responsibilities and to manage data accordingly.

### Events after the balance sheet date

There are none noted subsequent events after the balance sheet date.

### Outlook

Following the recent macroeconomic disturbances impacting inflation and trade, Denmark ´s economy is expected to deteriorate in comparison to 2022. Net Revenue and Volume shipped are expected to decrease, with Net Revenue forecasted to drop by -5.0% year-on-year amounting to -35.0M DKK in the financial period. The forecasted decrease in Net Revenue is driven by a decrease in volume which is estimated to drop by -3.8%, competitive pressure and deterioration of product mix cause a decrease in revenue per piece which is estimated to decline -1.3%.

Operational and strategic risks are associated with external factors such as economic and political climates, competition, customer dynamics, global climate change, increased security demands, refund claims, and energy price fluctuations. United Parcel Service has strategies in place to manage operational and strategic risks.

**Financial statements 1 January - 31 December****Income statement**

Note	DKK'000	2022	2021
3	<b>Revenue</b>	1,224,047	1,211,527
4	Production costs	-959,132	-963,601
	<b>Gross profit</b>	264,915	247,926
4.5	Administrative expenses	-212,339	-192,338
	<b>Operating profit</b>	52,576	55,588
	Other operating income	0	183
	Other operating expenses	-162	-1,508
	<b>Profit before net financials</b>	52,414	54,263
6	Financial income	29	5,177
7	Financial expenses	-316	-525
	<b>Profit before tax</b>	52,127	58,915
8	Tax for the year	-11,510	-13,051
	<b>Profit for the year</b>	40,617	45,864

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2022	2021
	<b>ASSETS</b>		
	<b>Fixed assets</b>		
9	<b>Property, plant and equipment</b>		
	Fixtures and fittings, other plant and equipment	82,573	68,854
	Leasehold improvements	6,781	8,427
	Property, plant and equipment under construction	6,224	13,860
		<u>95,578</u>	<u>91,141</u>
10	<b>Investments</b>		
	Other receivables	1,507	862
	Deposits, investments	1,710	1,705
		<u>3,217</u>	<u>2,567</u>
	<b>Total fixed assets</b>	<u>98,795</u>	<u>93,708</u>
	<b>Non-fixed assets</b>		
	<b>Receivables</b>		
	Trade receivables	174,600	202,191
11	Receivables from group enterprises	22,036	75,925
	Other receivables	2,347	3,738
12	Prepayments	764	4,574
		<u>199,747</u>	<u>286,428</u>
	<b>Cash</b>	539	661
	<b>Total non-fixed assets</b>	<u>200,286</u>	<u>287,089</u>
	<b>TOTAL ASSETS</b>	<u>299,081</u>	<u>380,797</u>

## Financial statements 1 January - 31 December

## Balance sheet

Note	DKK'000	2022	2021
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
13	Share capital	1,000	1,000
	Retained earnings	133,112	112,495
	Dividend proposed	20,000	37,500
	<b>Total equity</b>	<b>154,112</b>	<b>150,995</b>
	<b>Provisions</b>		
14	Deferred tax	7,855	7,802
	<b>Total provisions</b>	<b>7,855</b>	<b>7,802</b>
	<b>Liabilities other than provisions</b>		
	<b>Non-current liabilities other than provisions</b>		
	Other payables	0	10,880
		0	10,880
	<b>Current liabilities other than provisions</b>		
	Short-term part of long-term liabilities other than provisions	0	2,713
	Trade payables	31,518	11,238
	Payables to group enterprises	40,227	125,114
	Corporation tax payable	6,184	10,397
15	Other payables	59,185	61,658
		137,114	211,120
	<b>Total liabilities other than provisions</b>	<b>137,114</b>	<b>222,000</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>299,081</b>	<b>380,797</b>

- 1 Accounting policies
- 2 Events after the balance sheet date
- 16 Contractual obligations and contingencies, etc.
- 17 Related parties
- 18 Appropriation of profit

## Financial statements 1 January - 31 December

## Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Dividend proposed	Total
	Equity at				
	1 January 2021	1,000	104,131	101,000	206,131
18	Transfer, see				
	"Appropriation of profit"	0	8,364	37,500	45,864
	Dividend distributed	0	0	-101,000	-101,000
	Equity at				
	1 January 2022	1,000	112,495	37,500	150,995
18	Transfer, see				
	"Appropriation of profit"	0	20,617	20,000	40,617
	Dividend distributed	0	0	-37,500	-37,500
	Equity at				
	31 December 2022	1,000	133,112	20,000	154,112

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of U.P.S. DANMARK A/S for 2022 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company, as its cash flows are reflected in the consolidated cash flow statement.

#### Basis of 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.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is 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.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Income statement

###### Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

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.

###### Administrative expenses

Administrative expenses 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 operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

###### Staff costs

include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

###### Depreciation

The item comprises amortisation/depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

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.

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.

###### Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the Company's core activities, including losses on the sale of fixed assets.



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Financial income and expenses

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.

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

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

##### Balance sheet

##### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

##### Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

##### Investments

Deposits are measured at cost.

##### Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

#### Receivables

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

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

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

#### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years. Prepayments are measured at cost.

#### Cash

Cash comprise cash in hand and bank deposits.

#### Equity

##### *Proposed dividends*

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Income taxes and deferred taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

##### Other payables

Other payables are measured at amortised cost.

#### 2 Events after the balance sheet date

There are none noted subsequent events after the balance sheet date.

**Financial statements 1 January - 31 December****Notes to the financial statements****3 Segment information****Revenue**

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

DKK'000	<u>2022</u>	<u>2021</u>
<b>4 Staff costs</b>		
Wages/salaries	264,633	264,184
Pensions	27,222	23,698
Other social security costs	7,919	4,189
	<u>299,774</u>	<u>292,071</u>
<b>Remuneration for members of Management</b>		
By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.		
Average number of full-time employees	<u>575</u>	<u>585</u>
<b>5 Fee to the auditors appointed in general meeting</b>		
Statutory audit	<u>173</u>	<u>173</u>
	<u>173</u>	<u>173</u>
<b>6 Financial income</b>		
Interest receivable, group entities	0	39
Exchange gain	29	4,788
Other financial income	0	350
	<u>29</u>	<u>5,177</u>
<b>7 Financial expenses</b>		
Interest expenses, group entities	0	15
Exchange losses	0	409
Other financial expenses	316	101
	<u>316</u>	<u>525</u>
<b>8 Tax for the year</b>		
Estimated tax charge for the year	11,456	13,721
Deferred tax adjustments in the year	54	-706
Tax adjustments, prior years	0	36
	<u>11,510</u>	<u>13,051</u>

## Financial statements 1 January - 31 December

## Notes to the financial statements

## 9 Property, plant and equipment

DKK'000	Fixtures and fittings, other plant and equipment	Leasehold improvements	Property, plant and equipment under construction	Total
Cost at 1 January 2022	152,933	24,589	13,860	191,382
Additions	27,311	826	0	28,137
Disposals	-5,798	-173	-7,636	-13,607
Cost at 31 December 2022	174,446	25,242	6,224	205,912
Impairment losses and depreciation at 1 January 2022	84,079	16,162	0	100,241
Depreciation	13,502	2,402	0	15,904
Reversal of accumulated depreciation and impairment of assets disposed	-5,708	-103	0	-5,811
Impairment losses and depreciation at 31 December 2022	91,873	18,461	0	110,334
Carrying amount at 31 December 2022	82,573	6,781	6,224	95,578

## 10 Investments

DKK'000	Other receivables	Deposits, Investments	Total
Cost at 1 January 2022	862	1,705	2,567
Additions	645	5	650
Cost at 31 December 2022	1,507	1,710	3,217
Carrying amount at 31 December 2022	1,507	1,710	3,217

**Financial statements 1 January - 31 December****Notes to the financial statements****11 Receivables from group enterprises**

The U.P.S. group has entered into an agreement on a cash-pool arrangement with the group's bank, where U.P.S. DANMARK A/S is a sub-account holder together with the group's other companies. The terms and conditions of the cash-pool scheme give the bank the right to be able to settle withdrawals and deposits against each other, whereby it is only the net balance of the total cash-pool accounts that constitutes the U.P.S. group's balance with the bank.

U.P.S. DANMARK A/S' accounts in the cash-pool scheme, which are recognized under receivables from group enterprises, amount to 31 December 2022 a deposit of DKK'000 11.219. (per 31 December 2021: deposit of DKK'000 72.208).

**12 Prepayments**

Prepayments recognised as current assets relate to prepaid expenses.

DKK'000	2022	2021
<b>13 Share capital</b>		
Analysis of the share capital:		
1,000 A shares of DKK 1,000.00 nominal value each	1,000	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.

**14 Deferred tax**

Deferred tax at 1 January	7,802	8,910
Recognised in the income statement	53	-4,567
Other deferred tax	0	3,459
<b>Deferred tax at 31 December</b>	7,855	7,802

Deferred tax relates to:

Property, plant and equipment	8,792	7,802
Provisions	-937	0
	7,855	7,802

**15 Other payables**

VAT and duties	10,992	7,474
Wages/salaries, salary taxes, social security contributions, etc.	13,197	12,308
Holiday pay obligation	13,425	13,922
Other accrued expenses	21,571	27,954
	59,185	61,658

**Financial statements 1 January - 31 December****Notes to the financial statements****16 Contractual obligations and contingencies, etc.****Contingent liabilities**

DKK'000	2022	2021
Guarantee commitments	16,979	33,275
	<u>16,979</u>	<u>33,275</u>

The Company has established bank guarantees amounting to DKK 16,979 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.

**Other financial obligations****Other rent and lease liabilities:**

Rent and lease liabilities	53,849	50,289
	<u>53,849</u>	<u>50,289</u>

**17 Related parties**

U.P.S. DANMARK A/S' related parties comprise the following:

**Parties exercising control**

Related party	Domicile	Basis for control
UPS Corporate Finance S.a.r.l. (Luxembourg)	7, rue de Bitbourg, 1273 Luxembourg, Luxembourg	Immediate parent company
UPS Group Luxembourg S.a.r.l. (Luxembourg)	7, rue de Bitbourg, 1273 Luxembourg, Luxembourg	Intermediate parent company
UPS International, Inc (US)	55 Glenlake Parkway, N.E. Atlanta, Georgia 30328, United States	Intermediate parent company
UPS Logistics Group International Inc. (US)	55 Glenlake Parkway, N.E. Atlanta, Georgia 30328, United States	Intermediate parent company
UPS Supply Chain Solutions Inc. (US)	55 Glenlake Parkway, N.E. Atlanta, Georgia 30328, United States	Intermediate parent company
United Parcel Service of America Inc. (US)	55 Glenlake Parkway, N.E. Atlanta, Georgia 30328, United States	Intermediate parent company
United Parcel Service, Inc (US)	55 Glenlake Parkway, N.E. Atlanta, Georgia 30328, United States	Ultimate parent company

**Information about consolidated financial statements**

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
United Parcel Service, Inc (US)	55 Glenlake Parkway NE GA 30328 Atlanta, Georgia, USA	<a href="http://www.investors.ups.com/">http://www.investors.ups.com/</a>

**Financial statements 1 January - 31 December****Notes to the financial statements****17 Related parties (continued)****Related party transactions**

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 routine 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.

All related party transactions have been done on arm's length basis.

DKK'000	2022	2021
<b>18 Appropriation of profit</b>		
Recommended appropriation of profit		
Proposed dividend recognised under equity	20,000	37,500
Retained earnings	20,617	8,364
	40,617	45,864