

U.P.S. DANMARK A/S


Naverland 7, 2600 Glostrup

CVR no. 14 55 38 00

Annual report 2021

Approved at the Company's annual general meeting on

Chair of the meeting:

DocuSigned by:

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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 2021.

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 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

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

5/30/2022 | 8:23 AM PDT

Glostrup,
Executive Board:

DocuSigned by:
Michiel van Veen
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Michiel Jan van Veen
Director

Board of Directors:

DocuSigned by:
Carrera Daniel
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Daniel Carrera Garcia

DocuSigned by:
Michiel van Veen
BEC9698DEF51496...
Michiel Jan van Veen

DocuSigned by:
Raoul Stewardson
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Peter Raoul Stewardson

DocuSigned by:
Emma O'Toole
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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 01.01.2021 - 31.12.2021, 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 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021 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.

København, 30 May 2022
Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56


Flemming Jørgensen
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	2021	2020	2019	2018	2017
Key figures					
Revenue	1,211,527	1,045,108	1,027,933	998,477	1,031,256
Gross profit	247,926	228,909	231,297	221,071	248,216
Operating profit/loss	55,588	37,330	44,787	50,339	29,702
Net financials	4,652	-425	-358	-1,877	-15,763
Profit for the year	45,864	52,096	34,282	37,646	10,718
Total assets					
Total assets	380,797	382,127	536,831	509,793	478,324
Investments in property, plant and equipment	16,021	22,126	21,585	12,500	9,426
Equity	150,995	206,131	154,035	141,253	103,608
Financial ratios					
Operating margin	4.5%	6.4%	4.4%	5.1 %	2.9 %
Gross margin	20.5%	21.9%	22.5%	22.1%	24.1%
Return on assets	14.6%	8.1%	8.6%	10.2%	6.0%
Equity ratio	39.7%	53.9%	28.7%	27.7%	21.7%
Return on equity	25.7%	28.9%	23.2%	30.7%	10.9%
Average number of full-time employees					
Average number of full-time employees	585	482	574	577	565

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations. For terms and definitions, please see the accounting policies.

Management's review

Business review

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

Financial review

The income statement for 2021 shows a profit of DKK 45,864 thousand against a profit of DKK 52,096 thousand last year, and the balance sheet at 31 December 2021 shows equity of DKK 150,995 thousand.

Profit Increase and COVID19 Impact - The Gross profit increase of DKK 19,017 thousand is due to UPS Denmark continuing to provide freight and parcel delivery, both express and economy, as well as other logistic services through its extensive global network, within Denmark as well as globally. Competition in Denmark is strong but UPS battle for market shares with a strategy to create value for customers of all sizes. The performance for 2021 has been satisfactory. The total package volume experienced higher growth versus prior year.

Net profit in 2021 has decreased compared to 2020 as UPS Denmark benefited from the sale of Jernholmen building in 2020 which contributes to the higher non-operating income leading to an accelerated net profit in 2020.

Business and Operating Risks

Because of the ongoing severity, magnitude and duration of the COVID-19 pandemic and its economic consequences are uncertain, the impact of the pandemic will depend on evolving factors, many of which are not within our control, and to which we may not be able to effectively respond. These risks include, but are not limited to: a significant reduction in revenue due to curtailment of business from our customers; a significant increase in our expenses or a reduction in our operating margins due to long-term changes in the mix of our products and services; effects from governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic (including restrictions on travel and transportation and workforce pressures); reductions in operating effectiveness due to employees working remotely; unavailability of personnel; the delay or cancellation of capital projects and related delays in, or loss of, expected benefits therefrom; limited access to liquidity; increased volatility and pricing in the capital and commercial paper markets; further disruption of our global supply chains; an impairment in the fair value of our assets; an increase in our pension funding obligations; and the effect of the pandemic on the credit-worthiness of our customers.

Further, the COVID-19 pandemic, and the volatile regional and global economic conditions stemming from it, could also precipitate or aggravate risk factors that we identify herein or affect our operations and financial performance in a manner that is not presently known to us or that we currently do not consider material. The occurrence or continuation of any of the foregoing could have a material adverse effect on us.

Management's review

Management's Discussion and Analysis of Financial Condition and Results of Operations

Covid 19 has had a positive impact on UPS business, however we comprehend that there are factors outside our control, both in Denmark and abroad that may impact the business adversely. We are monitoring on the monthly basis the pandemic impact on our operations, financial performance and liquidity of our customers and will action immediately in case of seeing the adverse movement in Shipments/ Weights/ Revenue or the increase in the collection days.

We believe that we are well positioned for long-term growth, however we cannot reasonably estimate the duration or severity of the COVID-19 pandemic or the timing and extent of the anticipated economic recovery, and the resulting impacts on our business results or liquidity.

Non-financial matters

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.

Events after the balance sheet date

Subsequent to the balance sheet date of December 31, 2021, Russia and Ukraine engaged in a military conflict. As a result of the conflict, UPS has temporarily suspended its operations in the impacted countries of Belarus, Russia and Ukraine. Because the outcome of the conflict is rapidly changing, uncertain and difficult to predict, its impacts on our operations are also uncertain and difficult to predict." As of the date these financial statements were issued, the conflict has not had a material impact to U.P.S. DANMARK A/S, however, we continue to monitor the situation for further developments.

Outlook

The Danish economic growth is expected to be dampened by higher raw material prices and the war in Ukraine impacting Export growth and inflation outlook negatively.

Net Revenue and volume shipped are forecasted to grow with Net Revenue expecting a 4.5% year on year increase amounting to 33.0M DKK in the financial period. The forecasted increase in Net Revenue is driven by an increase in Volume which is forecasted to grow by 3.5% amounting to 25.5M DKK of the forecasted growth due to impactful customer wins. Revenue per piece is forecasted to increase by 1.0% amounting to +7.5MDKK due customer and product mix.

Despite the current economic challenges in Denmark UPS' prospects for the future are positive and the company trusts that global supply needs and strong market position continue to support profitable growth going forward.

Operational and strategic risks are related to the general economic situation, competition, changes in customer relationships, global climate change, regulation, increased security demand, refund claims and fluctuation in energy price. United Parcel Service has strategies in place to manage operational and strategic risks.

Recognition and measurement uncertainties

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

Management's review

Unusual circumstances affecting recognition and measurement

There have been no unusual circumstances affecting recognition and measurement in the financial Year 2021.

Statutory CSR report

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 2022, 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.

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.

Management's review

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 every one 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 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/>

Account of the gender composition of Management, cf. §99b

The share of women on the Board of Directors of UPS Denmark 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 2021. This is considered an achievable and ambitious target figure. In relation to other management levels, the share of women in management positions within UPS Denmark A/S is currently 34%. Whilst there is no legal requirement in relation to the specific quotas of female representation in corporate management, UPS Denmark A/S is currently well 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.

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.

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 underrepresented, 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 BusinessResource 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 2021, the group will actively drive community as well as internal and external networking activities in all Nordic countries, including Denmark.

Management's review

Data ethics

UPS has implement strict data protection code of conduct ("Code") which adheres to Europe's General Data Protection Regulation (Commonly known as GDPR). The sets 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 refers 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.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2021	2020
2	Revenue	1,211,527	1,045,108
15.4	Production costs	-963,601	-816,199
	Gross profit	247,926	228,909
15.4	Administrative expenses	-192,338	-191,579
	Operating profit	55,588	37,330
3	Other operating income	183	30,054
	Other operating expenses	-1,508	0
	Profit before net financials	54,263	67,384
5	Financial income	5,177	381
6	Financial expenses	-525	-806
	Profit before tax	58,915	66,959
7	Tax for the year	-13,051	-14,863
	Profit for the year	45,864	52,096

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2021	2020
	ASSETS		
	Fixed assets		
8	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	68,854	76,422
	Leasehold improvements	8,427	10,452
	Property, plant and equipment under construction	13,860	854
		<u>91,141</u>	<u>87,728</u>
9	Investments		
	Other receivables	862	948
	Deposits, investments	1,705	1,544
		<u>2,567</u>	<u>2,492</u>
	Total fixed assets	<u>93,708</u>	<u>90,220</u>
	Non-fixed assets		
	Receivables		
	Trade receivables	202,191	136,625
	Receivables from group enterprises	75,925	151,170
	Other receivables	3,738	2,770
10	Prepayments	4,574	883
		<u>286,428</u>	<u>291,448</u>
	Cash	661	459
	Total non-fixed assets	<u>287,089</u>	<u>291,907</u>
	TOTAL ASSETS	<u>380,797</u>	<u>382,127</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2021	2020
	EQUITY AND LIABILITIES		
	Equity		
11	Share capital	1,000	1,000
	Retained earnings	112,495	104,131
	Dividend proposed	37,500	101,000
	Total equity	150,995	206,131
	Provisions		
12	Deferred tax	7,802	8,910
	Total provisions	7,802	8,910
	Liabilities other than provisions		
13	Non-current liabilities other than provisions		
	Other payables	10,880	13,593
		10,880	13,593
	Current liabilities other than provisions		
13	Short-term part of long-term liabilities other than provisions	2,713	0
	Bank debt	0	23
	Trade payables	11,238	7,604
	Payables to group enterprises	125,114	72,611
	Corporation tax payable	10,397	5,535
14	Other payables	61,658	67,720
		211,120	153,493
	Total liabilities other than provisions	222,000	167,086
	TOTAL EQUITY AND LIABILITIES	380,797	382,127

- 1 Accounting policies
- 16 Contractual obligations and contingencies, etc.
- 17 Related parties
- 18 Fee to the auditors appointed by the Company in general meeting
- 19 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 2020	1,000	153,035	0	154,035
19	Transfer, see "Appropriation of profit"	0	-48,904	101,000	52,096
	Equity at				
	1 January 2021	1,000	104,131	101,000	206,131
19	Transfer, see "Appropriation of profit"	0	8,364	37,500	45,864
	Dividend distributed	0	0	-101,000	-101,000
	Equity at				
	31 December 2021	1,000	112,495	37,500	150,995

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 2021 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 and operating expenses

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

Staff costs

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.

Individual assets costing less than DKK 30.700 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.

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

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

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

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.

Financial ratios

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

Operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
Operating margin	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$
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	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

Financial statements 1 January - 31 December

Notes to the financial statements

2 Segment information

Revenue

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

DKK'000	2021	2020
3 Other operating income		
Covid-19 relief package	0	2,260
Gain on the sale of property	0	27,775
Gain on the sale of plant and equipment	183	19
	<u>183</u>	<u>30,054</u>
4 Depreciation of property, plant and equipment		
Depreciation of property, plant and equipment	12,823	14,743
	<u>12,823</u>	<u>14,743</u>
Depreciation of property, plant and equipment is recognised in the income statement under the following items:		
Production costs	6,728	7,735
Administrative expenses	6,095	7,008
	<u>12,823</u>	<u>14,743</u>
5 Financial income		
Interest receivable, group entities	39	4
Exchange gain	4,788	377
Other financial income	350	0
	<u>5,177</u>	<u>381</u>
6 Financial expenses		
Interest expenses, group entities	15	118
Exchange losses	409	306
Other financial expenses	101	382
	<u>525</u>	<u>806</u>
7 Tax for the year		
Estimated tax charge for the year	13,721	12,744
Deferred tax adjustments in the year	-706	327
Tax adjustments, prior years	36	1,792
	<u>13,051</u>	<u>14,863</u>

Financial statements 1 January - 31 December

Notes to the financial statements

8 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 2021	167,035	24,465	854	192,354
Additions	2,891	124	13,006	16,021
Disposals	-16,993	0	0	-16,993
Cost at 31 December 2021	152,933	24,589	13,860	191,382
Impairment losses and depreciation at 1 January 2021	90,613	14,013	0	104,626
Depreciation	10,288	2,149	0	12,437
Reversal of accumulated depreciation and impairment of assets disposed	-16,822	0	0	-16,822
Impairment losses and depreciation at 31 December 2021	84,079	16,162	0	100,241
Carrying amount at 31 December 2021	68,854	8,427	13,860	91,141

9 Investments

DKK'000	Other receivables	Deposits, investments	Total
Cost at 1 January 2021	948	1,544	2,492
Additions	0	161	161
Disposals	-86	0	-86
Cost at 31 December 2021	862	1,705	2,567
Carrying amount at 31 December 2021	862	1,705	2,567

10 Prepayments

Prepayments recognised as current assets relate to prepaid expenses.

DKK'000	2021	2020
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11 Share capital

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.

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Notes to the financial statements

DKK'000	2021	2020		
12 Deferred tax				
Deferred tax at 1 January	8,910	8,580		
Recognised in the income statement	-4,567	327		
Corrections prior year	0	3		
Other deferred tax	3,459	0		
Deferred tax at 31 December	<u>7,802</u>	<u>8,910</u>		
Deferred tax relates to:				
Property, plant and equipment	7,802	8,910		
	<u>7,802</u>	<u>8,910</u>		
13 Non-current liabilities other than provisions				
Other payables consists of frozen vacation pay.				
DKK'000	Total debt at 31/12 2021	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Other payables	<u>13,593</u>	<u>2,713</u>	<u>10,880</u>	<u>7,377</u>
	<u>13,593</u>	<u>2,713</u>	<u>10,880</u>	<u>7,377</u>
14 Other payables				
VAT and duties			7,474	1,579
Wages/salaries, salary taxes, social security contributions, etc.			12,308	8,506
Holiday pay obligation			13,922	25,955
Other accrued expenses			27,954	31,680
			<u>61,658</u>	<u>67,720</u>
15 Staff costs				
Wages/salaries			264,184	238,110
Pensions			23,698	21,154
Other social security costs			4,189	4,819
			<u>292,071</u>	<u>264,083</u>
Staff costs are recognised as follows in the financial statements:				
Production			154,206	128,732
Administration			137,865	135,351
			<u>292,071</u>	<u>264,083</u>
Remuneration for members of Management				
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>585</u>	<u>482</u>

Financial statements 1 January - 31 December

Notes to the financial statements

16 Contractual obligations and contingencies, etc.

Contingent liabilities

DKK'000	2021	2020
Guarantee commitments	33,275	16,921
	<u>33,275</u>	<u>16,921</u>

The Company has established bank guarantees amounting to DKK 33275 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	50,289	17,254
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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	http://www.investors.ups.com/

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	2021	2020
18 Fee to the auditors appointed by the Company in general meeting		
Statutory audit	173	166
	<u>173</u>	<u>166</u>
19 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend recognised under equity	37,500	101,000
Retained earnings/accumulated loss	8,364	-48,904
	<u>45,864</u>	<u>52,096</u>