

U.P.S. DANMARK A/S

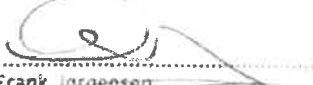
Naverland 7, 2600 Glostrup

CVR no. 14 55 38 00

Annual report 2019

Approved at the Company's annual general meeting on 19 JUNE 2020

Chairman:


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Frank Jørgensen

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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 2019.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

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.

Glostrup,
Executive Board:

19 JUNE 2020



Frank Jørgensen
CEO

Board of Directors:



Louis Anthony Rivieccio Jr

Jennifer Herkt



Peter Raoul Stewardson



Frank Jørgensen

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 2019.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

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.

Glostrup, **19 JUNE 2020**
Executive Board:

Frank Jørgensen
CEO

Board of Directors:


Louis Anthony Riviello Jr


Jennifer Herkt


Peter Raoul Stewardson

Frank Jørgensen

Independent auditor's report

To the shareholders 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 1 January - 31 December 2019, which comprise an income statement, balance sheet, statement of changes in equity and notes, including 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 financial position of the Company at 31 December 2019, and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 the 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 skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, 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's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 19 JUNE 2020
Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56



Flemming Lærén
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	Louis Anthony Rivieccio Jr Jennifer Herkt Peter Raoul Stewardson Frank Jørgensen
Executive Board	Frank Jørgensen, CEO
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6, 2300 Copenhagen C, P.O. Box 1600

Management's review

Financial highlights

DKK'000	2019	2018	2017	2016	2015
Key figures					
Revenue	1,027,933	998,477	1,031,256	1,065,705	993,092
Gross profit	231,297	221,071	248,216	224,316	218,104
Operating profit/loss	44,787	50,339	29,702	25,245	26,188
Net financials	-358	-1,877	-15,763	1,385	-438
Profit for the year	34,282	37,646	10,718	20,679	19,637
Total assets					
Investment in property, plant and equipment	21,585	12,500	9,426	129,239	12,349
Equity	154,035	141,253	103,608	92,890	72,211
Financial ratios					
Operating margin	4.4%	5.0%	2.9%	2.4 %	2.6 %
Gross margin	22.5%	22.1%	24.1%	21.0%	22.0%
Return on assets	8.6%	10.2%	6.0%	5.9%	8.0%
Equity ratio	28.7%	27.7%	21.7%	18.0%	21.0%
Return on equity	23.2%	30.7%	10.9%	25.1%	31.5%
Average number of employees					
	574	577	565	545	531

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.

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.

Unusual circumstances affecting recognition and measurement

There have been no unusual circumstances affecting recognition and measurement in the financial year 2019.

Financial review

The income statement for 2019 shows a profit of DKK 34,282 thousand against a profit of DKK 37,646 thousand last year, and the balance sheet at 31 December 2019 shows equity of DKK 154,035 thousand.

The performance for 2019 has been satisfactory. The total package volume experienced high single digit growth versus prior year.

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.

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

Management's review

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.

Anti-corruption

As a U.S.-based corporation, UPS, its employees, and its representatives, are subject to the U.S. antibribery 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 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

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 2020. 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.

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 2020, the group will actively drive community as well as internal and external networking activities in all Nordic countries, including Denmark.

In the financial year 2019, there were no significant changes to the gender composition of the management team.

Events after the balance sheet date

In March 2020, the World Health Organization declared the outbreak of novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the world. The outbreak and rapid spread of the novel coronavirus (COVID-19) began to have an adverse impact on our operations and financial performance, as well as on the operations, financial performance and liquidity of many of our customers. We are unable to predict the full extent to which COVID-19 will continue to adversely impact us.

COVID-19 is having a significant effect on overall economic conditions. Our top priority is to protect our employees and their families, as well as our customers. We are taking all precautionary measures as directed by health authorities and local and national governments. We continue to monitor the outbreak of COVID-19 and other closures, or closures for a longer period of time, which may be required to help ensure the health and safety of our employees and our customers.

The COVID-19 pandemic has resulted in, and is expected to continue to result in, a substantial curtailment of business activities (including the decrease in demand for a broad variety of goods and services), weakened economic conditions, supply chain disruptions, significant economic uncertainty and volatility in the financial markets, both in Denmark and abroad. For U.P.S. Danmark A/S we see a decrease both on our pick up and delivered volumes since Mid-March, once restriction were imposed in Denmark and other European Markets. We have taken measures to reduce costs so to align our spending to the current business needs, including reduced vehicles on road both on distribution and also on the cross border transit moves and have modified our flight schedules trying to continue service our customer needs without having excess capacity on our aircrafts.

Management's review

Because the severity, magnitude and duration of the COVID-19 pandemic and its economic consequences are uncertain, rapidly changing and difficult to predict, the impacts on our operations are uncertain and difficult to predict. For U.P.S. Danmark A/S, the directors have obtained indications that the ultimate parent company will continue to make sufficient financial resources available to the company to enable it to continue its operating activities for the identified period.

The ultimate impact of the COVID-19 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 reduction in our net profitability due to long-term changes in our mix of products and services; other effects from governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic (including restrictions on travel, transportation and workforce pressures). Additional internal risk factors include reductions in operating effectiveness due to employees working remotely; unavailability of key personnel. Leadership within the company continues to monitor the impact of COVID-19.

These financial statements have been prepared as of, and for the year ended, 31 December 2019, and reflect events subsequent to that date that provide additional evidence of conditions that existed at the end of the reporting period. The effects of COVID-19 on the Company are considered an event that is indicative of conditions that arose after the reporting period and, accordingly, no adjustments have been made to the financial statements for the year ended 31 December 2019.

Outlook

We refer to the paragraph on Events after balance sheet date above for the outlook.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2019	2018
2	Revenue	1,027,933	998,477
13,3	Production costs	-796,636	-777,406
	Gross profit	231,297	221,071
13,3	Administrative expenses	-186,510	-170,732
	Operating profit	44,787	50,339
	Financial income	278	1,549
4	Financial expenses	-636	-3,426
	Profit before tax	44,429	48,462
5	Tax for the year	-10,147	-10,816
	Profit for the year	34,282	37,646

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	ASSETS		
	Fixed assets		
6	Property, plant and equipment		
	Land and buildings	112,389	0
	Fixtures and fittings, other plant and equipment	64,532	48,927
	Leasehold improvements	12,572	14,696
	Property, plant and equipment under construction	0	115,931
		<u>189,493</u>	<u>179,554</u>
7	Investments		
	Other receivables	772	695
	Deposits, investments	1,540	1,511
		<u>2,312</u>	<u>2,206</u>
	Total fixed assets	<u>191,805</u>	<u>181,760</u>
	Non-fixed assets		
	Receivables		
	Trade receivables	145,688	130,893
	Receivables from group enterprises	178,327	173,417
	Other receivables	20,330	22,249
8	Prepayments	595	1,394
		<u>344,940</u>	<u>327,953</u>
	Cash	86	80
	Total non-fixed assets	<u>345,026</u>	<u>328,033</u>
	TOTAL ASSETS	<u>536,831</u>	<u>509,793</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
9	Share capital	1,000	1,000
	Retained earnings	153,035	118,753
	Dividend proposed	0	21,500
	Total equity	154,035	141,253
	Provisions		
10	Deferred tax	8,580	6,291
	Total provisions	8,580	6,291
	Liabilities other than provisions		
11	Non-current liabilities other than provisions		
	Other payables	3,781	0
		3,781	0
	Current liabilities other than provisions		
	Bank debt	1,290	0
	Trade payables	36,611	30,363
	Payables to group enterprises	289,787	281,348
	Corporation tax payable	6,586	2,229
12	Other payables	36,161	48,309
		370,435	362,249
	Total liabilities other than provisions	374,216	362,249
	TOTAL EQUITY AND LIABILITIES	536,831	509,793

- 1 Accounting policies
- 14 Contractual obligations and contingencies, etc.
- 15 Related parties
- 16 Fee to the auditors appointed by the Company in general meeting
- 17 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 2018	1,000	102,607	0	103,607
17	Transfer, see				
	"Appropriation of profit"	0	16,146	21,500	37,646
	Equity at				
	1 January 2019	1,000	118,753	21,500	141,253
17	Transfer, see				
	"Appropriation of profit"	0	34,282	0	34,282
	Dividend distributed	0	0	-21,500	-21,500
	Equity at				
	31 December 2019	1,000	153,035	0	154,035

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 2019 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.

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:

Land and 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.

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.

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. Land is not depreciated. 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".

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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".

Income 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 net realisable value.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 ratio	$\frac{\text{Gross margin} \times 100}{\text{Revenue}}$
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".

3 Depreciation of property, plant and equipment

Depreciation of property, plant and equipment	11,584	21,798
	<u>11,584</u>	<u>21,798</u>

Depreciation of property, plant and equipment is recognised in the income statement under the following items:

Production costs	3,986	4,548
Administrative expenses	7,597	17,250
	<u>11,583</u>	<u>21,798</u>

4 Financial expenses

Interest expenses, group entities	117	1,707
Exchange losses	427	1,639
Other financial expenses	92	80
	<u>636</u>	<u>3,426</u>

Financial statements 1 January - 31 December

Notes to the financial statements

5 Tax for the year		
Estimated tax charge for the year	8,458	9,365
Deferred tax adjustments in the year	1,472	1,451
Tax adjustments, prior years	217	0
	<u>10,147</u>	<u>10,816</u>

6 Property, plant and equipment

DKK'000	Land and buildings	Fixtures and fittings, other plant and equipment	Leasehold improvements	Property, plant and equipment under construction	Total
Cost at 1 January 2019	0	136,693	24,580	115,931	277,204
Additions	0	21,874	58	0	21,932
Disposals	0	-11,079	0	-286	-11,365
Transferred	115,645	0	0	-115,645	0
Cost at 31 December 2019	<u>115,645</u>	<u>147,488</u>	<u>24,638</u>	<u>0</u>	<u>287,771</u>
Impairment losses and depreciation at 1 January 2019	0	87,766	9,884	0	97,650
Depreciation	3,256	6,147	2,182	0	11,585
Reversal of accumulated depreciation and impairment of assets disposed	0	-10,957	0	0	-10,957
Impairment losses and depreciation at 31 December 2019	<u>3,256</u>	<u>82,956</u>	<u>12,066</u>	<u>0</u>	<u>98,278</u>
Carrying amount at 31 December 2019	<u>112,389</u>	<u>64,532</u>	<u>12,572</u>	<u>0</u>	<u>189,493</u>

7 Investments

DKK'000
Cost at 1 January 2019
Additions
Cost at 31 December 2019
Carrying amount at 31 December 2019

8 Prepayments

Prepayments recognised as current assets relate to prepaid expenses.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2019	2018
9 Share capital		
Analysis of the share capital:		
1,000 A shares of DKK 1,000.00 nominal value each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
The ordinary shares have not been divided into classes.		
There have been no changes in the share capital in the past five years.		
10 Deferred tax		
Deferred tax at 1 January	6,291	4,841
Recognised in the income statement	1,472	1,450
Corrections prior year	817	0
Deferred tax at 31 December	<u>8,580</u>	<u>6,291</u>
Deferred tax relates to:		
Property, plant and equipment	9,204	6,718
Receivables	-624	-427
	<u>8,580</u>	<u>6,291</u>
11 Non-current liabilities other than provisions		
Other payables - long term consists of frozen vacation pay, it falls due for payment within 5 years after the balance sheet date.		
12 Other payables		
VAT and duties	921	1,970
Wages/salaries, salary taxes, social security contributions, etc.	6,254	8,234
Holiday pay obligation	16,332	27,902
Other accrued expenses	12,654	10,203
	<u>36,161</u>	<u>48,309</u>
13 Staff costs		
DKK'000	2019	2018
Wages/salaries	231,127	234,262
Pensions	20,367	23,531
Other social security costs	5,392	4,729
	<u>256,886</u>	<u>262,522</u>
Staff costs are recognised as follows in the financial statements:		
Production	121,244	133,027
Administration	135,642	129,495
	<u>256,886</u>	<u>262,522</u>

Financial statements 1 January - 31 December

Notes to the financial statements

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>574</u>	<u>577</u>
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Financial statements 1 January - 31 December

Notes to the financial statements

14 Contractual obligations and contingencies, etc.

Contingent liabilities

Guarantee commitments	16,921	33,145
	<u>16,921</u>	<u>33,145</u>

The Company has established bank guarantees amounting to DKK 16,921 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	17,254	30,105
	<u>17,254</u>	<u>30,105</u>

15 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	Parent company
UPS Group Luxembourg S.a.r.l. (Luxembourg)	7, rue de Bitbourg, 1273 Luxembourg, Luxembourg	Parent company
UPS International, Inc (US)	55 Glenlake Parkway, N.E. Atlanta, Georgia 30328, United States	Parent company
UPS Logistics Group International Inc. (US)	55 Glenlake Parkway, N.E. Atlanta, Georgia 30328, United States	Parent company
UPS Supply Chain Solutions Inc. (US)	55 Glenlake Parkway, N.E. Atlanta, Georgia 30328, United States	Parent company
United Parcel Service of America Inc. (US)	55 Glenlake Parkway, N.E. Atlanta, Georgia 30328, United States	Parent company
United Parcel Service, Inc (US)	55 Glenlake Parkway, N.E. Atlanta, Georgia 30328, United States	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/phoenix.zhtml?c=62900&p=iroI-irhome

Financial statements 1 January - 31 December

Notes to the financial statements

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.

DKK'000	2019	2018
16 Fee to the auditors appointed by the Company in general meeting		
Statutory audit	164	71
Tax assistance	0	41
Other assistance	0	45
	164	157
17 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend recognised under equity	0	21,500
Retained earnings	34,282	16,146
	34,282	37,646