DHL Global Forwarding (Denmark) A/S

Kirstinehøj 42, DK-2770 Kastrup

Annual Report for 1 January - 31 December 2018

CVR No 16 47 46 06

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 19/6 2019

Andreas Trojel Kloster
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of DHL Global Forwarding (Denmark) A/S for the financial year 1 January - 31 December 2018.

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 at 31 December 2018 of the Company and of the results of the Company operations for 2018.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Kastrup, 19 June 2019

Executive Board

Torben Pagh	Hanne Elise Reher Christensen

Board of Directors

Ulf Gunnar Nilsson Chairman	Andreas Trojel Kloster	Atli Freyr Einarsson

Independent Auditor's Report

To the Shareholder of DHL Global Forwarding (Denmark) A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of DHL Global Forwarding (Denmark) A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

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 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review 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 in Management's Review.

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 misstate-

ment, 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 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 Company's internal control.

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

Independent Auditor's Report

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the 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.

Hellerup, 19 June 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Bo Schou-Jacobsen	Anders Røjleskov
State Authorised Public Accountant	State Authorised Public Accountant
mne28703	mne28699

Company Information

The Company	DHL Global Forwarding (Denmark) A/S Kirstinehøj 42 DK-2770 Kastrup Telephone: + 45 36 90 55 00 Facsimile: + 45 32 50 18 20 CVR No: 16 47 46 06 Financial period: 1 January - 31 December Municipality of reg. office: Tårnby
Board of Directors	Ulf Gunnar Nilsson, Chairman Andreas Trojel Kloster Atli Freyr Einarsson
Executive Board	Torben Pagh Hanne Elise Reher Christensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2018	2017*	2016*	2015*	2014*
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Profit/loss					
Revenue	1,434,729	1,687,931	1,613,617	1,725,321	1,644,316
Gross profit/loss	89,626	95,451	116,478	122,041	120,581
Operating profit/loss	-22,088	-16,998	3,979	8,135	13,248
Profit/loss before financial income and expenses	-22,088	-16,998	3,979	8,126	13,268
Net financials	1,966	-672	175	530	1,596
Net profit/loss for the year	-25,963	-14,472	3,322	7,844	13,256
Balance sheet					
Balance sheet total	359,547	239,768	272,799	350,505	365,171
Equity	48,485	74,960	89,432	86,110	78,266
Investment in property, plant and equipment	360	64	-230	-528	-1,493
Number of employees	199	202	196	220	223
Ratios					
Gross margin	6.2%	5.7%	7.2%	7.1%	7.3%
Profit margin	-1.5%	-1.0%	0.2%	0.5%	0.8%
Return on assets	-6.1%	-7.1%	1.5%	2.3%	3.6%
Solvency ratio	13.5%	31.3%	32.8%	24.6%	21.4%
Return on equity	-42.1%	-17.6%	3.8%	9.5%	18.4%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

*) The Company has applied the acconting methods of IFRS 9, 15 and 16 within the framework of the Danish Financial Statements Act as of 1 January 2018. The comparative figures for 2014-2017 have not been restated.

Management's Review

The Annual Report of DHL Global Forwarding (Denmark) A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

At group level, IFRS 9, 15 and 16 have been implemented as of January 1, 2018. According to the Danish Financial Statements Act, it is possible to apply the principles in those IFRS Standards without being required to prepare financial statements in accordance with IFRS. The principles from these standards have all been applied in accordance with the modified retrospective approach, referring to section "Change in accounting policies" in note 21 for further description.

Key activities

The Company's activity during the year comprised shipping activities by air and sea transport.

Development in the year

The income statement of the Company for 2018 shows a loss of DKK'000 25,963, and at 31 December 2018 the balance sheet of the Company shows equity of DKK'000 48,485.

Company Management considers the result very unsatisfactory. Despite difficult and very competitive market conditions, the Company's earnings are expected to be significantly improved in 2019 after the implementation of cost adjustments. DHL Global Forwarding is also investing heavily in digitisation in order to support the expected positive development in results in 2019 and the years ahead.

Operating risks

The Company's key operating risk relates to its ability to be strongly positioned in its key markets, primarily the overseas markets, both in terms of prices and delivery.

Foreign exchange risks

The Company primarily invoices in DKK, whereas material parts of direct expenses are denominated in EUR and USD. In accordance with group policies, a netting system/clearing system is applied. As such, the Company is exposed to exchange risks relating to EUR and USD as well as other currencies as regards current operations

Interest rate risks

Due to its ownership, the Company has limited exposure to interest level changes.

Credit risks

The Company has no material risks relating to individual customers or business partners.

Management’s Review

Expectations for the year ahead

The outlook for 2019 is subject to some uncertainty, especially due to the development in the global economy, including development in freight rates and transported volumes.

External environment

The Company has obtained environmental certification under ISO 14001 and in that connection an environmental policy committing the Company to continuous environmental improvements has been prepared.

Every year a report detailing the Group´s CSR commitments is prepared. This report also contains an account of the most substantial environmental impacts resulting from the environmental impacts resulting from the Group's worldwide activities. The report can be found on http://www.dpdhl.com/en/investors/financial_reports/corporate_responsibility_report.html. The goal of this strategy is to improve the Group´s carbon efficiency by 30% before 2020.

Intellectual capital resources

The Company has the required intellectual capital resources relating to transport by air and sea as well as shipping to operate on a sound basis.

Statement of corporate social responsibility

According to section 99a (6) of the Danish Financial Statements Act, no description of corporate social responsibility has been prepared. We refer to Deutsche Post DHL for a CSR report, which can be found on http://www.dpdhl.com/en/investors/financial_reports/corporate_responsibility_report.html.

Statement on gender composition

The Company has set its target for the underrepresented gender in the Board of Directors at 33% to be achieved no later than 2025. The goal was not fulfilled in 2018. In 2018, there have been no changes in the Board of Directors, whereby the representation of the underrepresented gender has not increased during the year.

The Company has a policy of offering equal opportunities to all employees and aims at a more balanced gender representation among its executives. The Company is aware of the underrepresented gender in the Board of Directors and will aim at a more balanced gender representation considering the industry and qualification. This will be carried out through Management’s initiative to stimulate the number of candidates among the underrepresented gender when recruiting for management positions. Management considers recruitment an important pipeline to promote equal opportunities in the Company, which is a prerequisite for gender equality at executive levels. In 2018, the underrepresented gender in Management was 25%. To further attract and retain managers of the underrepresented gender, mentoring programs have been established, whereof 50% of the underrepresented gender were associated with the mentor program.

Income Statement 1 January - 31 December

	Note	2018	2017
		DKK'000	DKK'000
Revenue	1	**1,434,729**	**1,687,931**
Freight and other transportation expenses, etc		-1,279,646	-1,516,283
Other external expenses		-65,457	-76,197
Gross profit/loss		**89,626**	**95,451**
Staff expenses	2	-104,572	-110,868
Depreciation and amortisation of intangible assets and property, plant and equipment	3	-7,142	-1,581
Profit/loss before financial income and expenses		**-22,088**	**-16,998**
Income from investments in subsidiares	4	4,468	579
Financial income		19	489
Financial expenses	5	-2,521	-1,740
Profit/loss before tax		**-20,122**	**-17,670**
Tax on profit/loss for the year	6	-5,841	3,198
Net profit/loss for the year		**-25,963**	**-14,472**

Balance Sheet 31 December

Assets

	Note	2018	2017
		DKK'000	DKK'000
Software		1,498	2,101
Intangible assets	7	**1,498**	**2,101**
Land and buildings		9,626	0
Other fixtures and fittings, tools and equipment		6,466	1,283
Leasehold improvements		96	189
Tangible assets	8	**16,188**	**1,472**
Investments in subsidiaries	9	15,343	10,886
Deposits	10	1,224	1,233
Fixed asset investments		**16,567**	**12,119**
Fixed assets		**34,253**	**15,692**
Trade receivables		240,422	210,842
Contract Assets		8,059	0
Receivables from group enterprises		75,744	5,717
Other receivables		388	501
Deferred tax asset	11	0	6,833
Prepayments	12	677	179
Receivables		**325,290**	**224,072**
Cash at bank and in hand		**4**	**4**
Currents assets		**325,294**	**224,076**
Assets		**359,547**	**239,768**

Balance Sheet 31 December

Liabilities and equity

	Note	2018	2017
		DKK'000	DKK'000
Share capital		3,000	3,000
Reserve for net revaluation under the equity method		14,843	10,386
Retained earnings		30,642	61,574
Equity	13	**48,485**	**74,960**
Lease obligations		9,104	0
Long-term debt	15	**9,104**	**0**
Lease obligations	15	6,185	0
Trade payables		248,373	128,277
Payables to group enterprises		17,714	924
Other payables		29,686	35,607
Short-term debt		**301,958**	**164,808**
Debt		**311,062**	**164,808**
Liabilities and equity		**359,547**	**239,768**
Distribution of profit	14		
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
Fee to auditors appointed at the general meeting	18		
Subsequent events	19		
Accounting Policies	20		

Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	DKK'000	DKK'000	DKK'000	DKK'000
Equity at 1 January	3,000	10,386	61,574	74,960
Net effect from change of accounting policy	0	0	-501	-501
Adjusted equity at 1 January	3,000	10,386	61,073	74,459
Net effect of changes of accounting policy in subsidaries	0	-11	0	-11
Net profit/loss for the year	0	4,468	-30,431	-25,963
Equity at 31 December	**3,000**	**14,843**	**30,642**	**48,485**

Notes to the Financial Statements

		2018	2017
		DKK'000	DKK'000
1	**Revenue**		
	Geographical segments		
	Export	700,239	1,042,609
	Import	734,490	645,322
		1,434,729	**1,687,931**
	Business segments		
	Air freight	646,143	643,580
	Ocean freight	656,236	675,413
	Other	132,350	368,938
		1,434,729	**1,687,931**
2	**Staff expenses**		
	Wages and salaries	93,429	94,201
	Pensions	7,214	8,904
	Other social security expenses	3,929	7,763
		104,572	**110,868**
	Including remuneration to the Executive Board of:		
	Executive Board	4,357	4,718
		4,357	**4,718**
	Average number of employees	**199**	**202**

Notes to the Financial Statements

		2018	2017
		DKK'000	DKK'000
3	**Depreciation and amortisation of intangible assets and property, plant and equipment**		
	Amortisation of intangible assets	847	797
	Depreciation of property, plant and equipment	6,295	784
		7,142	**1,581**
	Which is specified as follows:		
	Amortisation of software	847	797
	Buildings	3,505	0
	Other fixtures and fittings, tools and equipment	2,678	685
	Leasehold improvements	112	99
		7,142	**1,581**
4	**Income from investments in subsidiares**		
	Share of profits of subsidiaries	4,468	579
		4,468	**579**
5	**Financial expenses**		
	Interest paid to group enterprises	2,035	1,574
	Other financial expenses	486	166
		2,521	**1,740**
6	**Tax on profit/loss for the year**		
	Current tax for the year	0	-189
	Deferred tax for the year	6,833	-3,009
	Adjustment of tax concerning previous years	-992	0
		5,841	**-3,198**

Notes to the Financial Statements

7 Intangible assets

	Software
	DKK'000
Cost at 1 January	3,421
Additions for the year	244
Cost at 31 December	3,665
Impairment losses and amortisation at 1 January	1,320
Amortisation for the year	847
Impairment losses and amortisation at 31 December	2,167
Carrying amount at 31 December	**1,498**

Development projects relate to implementation of new versions of the Company’s existing software products.

8 Tangible assets

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK'000	DKK'000	DKK'000
Cost at 1 January	0	9,398	3,930
Additions for the year	13,131	7,861	19
Cost at 31 December	13,131	17,259	3,949
Impairment losses and depreciation at 1 January	0	8,115	3,741
Depreciation for the year	3,505	2,678	112
Impairment losses and depreciation at 31 December	3,505	10,793	3,853
Carrying amount at 31 December	**9,626**	**6,466**	**96**
Depreciated over	3 years	4-10 years	5 years
Including right-of-use assets amounting to	9,626	5,250	0

Notes to the Financial Statements

	2018	2017
	DKK'000	DKK'000
9 Investments in subsidiaries		
Cost at 1 January	500	500
Cost at 31 December	500	500
Revaluations at 1 January	10,386	9,807
Net effect from change of accounting policy	-11	0
Net profit/loss for the year	4,468	579
Revaluations at 31 December	14,843	10,386
Carrying amount at 31 December	**15,343**	**10,886**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
FACT Danmark A/S	Kastrup, DK	500	100%

10 Other fixed asset investments

	Deposits
	DKK'000
Cost at 1 January	1,233
Disposals for the year	-9
Cost at 31 December	1,224
Carrying amount at 31 December	**1,224**

Notes to the Financial Statements

	2018	2017
	DKK'000	DKK'000

11 Deferred tax asset

Provision for deferred tax at 1 January	-6,833	-3,825
Amounts recognised in the income statement for the year	6,833	-3,008
Provision for deferred tax at 31 December	**0**	**-6,833**

At 31 December 2018 the Company has an estimated deferred tax asset of DKK 12.2 million (2017: DKK 6.8 million). Due to uncertainty related to utilization of tax losses carried forward and recoverability of other tax assets the Company has chosen to recognise the deferred tax asset to a value of DKK 0.

12 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

13 Equity

The share capital consists of 1,697 shares of a nominal value of DKK'000 1,697. No shares carry any special rights.

The share capital is broken down as follow:

	Number	Nominal value
		DKK'000
A-shares	1,697	1,697
B-shares	1,303	1,303
		3,000

	2018	2017
	DKK'000	DKK'000

14 Distribution of profit

Reserve for net revaluation under the equity method	4,468	579
Retained earnings	-30,431	-15,051
	-25,963	**-14,472**

Notes to the Financial Statements

15 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Lease obligations

Between 1 and 5 years	9,104	0
Long-term part	9,104	0
Within 1 year	6,185	0
	15,289	**0**

16 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:		
Within 1 year	817	7,762
Between 1 and 5 years	0	14,707
	817	**22,469**

Other contingent liabilities

The Company is jointly taxed with other Danish companies and branches of the DPDHL Group. The Company and the other companies and branches subject to joint taxation have unlimited, joint and several liability for Danish corporation taxes.

Notes to the Financial Statements

17 Related parties

	Basis
Controlling interest	
DHL Express (Denmark) A/S Jydekrogen 14, DK-2625 Vallensbæk	Parent
Deutsche Post AG Charles-de-Gaulle-Strasse 20 DE-53113 Bonn	Parent
Deutsche post Beteiligungen Holding GmbH Charles-de-Gaulle-Strasse 20 DE-53113 Bonn	Parent

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

The Company's intercompany transactions and management remuneration has during the year been entered into at arm's length.

Consolidated Financial Statements

The Company does not prepare consolidated financial statements pursuant to section 112(1) of the Danish Financial Statements Act.

Name	Place of registered office
Deutsche Post AG, ultimate parent	DE 53105 Bonn, Germany
DHL Express (Denmark) A/S, direct parent	Jydekrogen 14, DK-2625 Vallensbæk

The Company's direct parent, DHL Express (Denmark) A/S does furthermore not prepare consolidated Financial Statements. The Company's ultimate parent which prepares consolidated Financial Statements into which the Company is incorporated as a subsidiary is Deutsche Post AG.

Notes to the Financial Statements

17 Related parties (continued)

The Group Annual Report of Deutsche Post AG, ultimate parent may be obtained at the following address:

Deutsche Post AG, DE 53105 Bonn, Germany

18 Fee to auditors appointed at the general meeting

	2018	2017
	DKK'000	DKK'000
Audit fee to PricewaterhouseCoopers	530	524
Other assurance engagements	363	300
Tax advisory services	36	54
Non-audit services	5	18
	934	**896**

19 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

20 Accounting Policies

The Annual Report of DHL Global Forwarding (Denmark) A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Financial Statements for 2018 are presented in DKK'000.

Changes in accounting policies

Changes due to application of IFRS 9, IFRS 15, and IFRS 16

Within the framework of the Danish Financial Statements Act, the Company has as of 1 January 2018 changed accounting policies in respect of applying the accounting methods of IFRS 15 regarding recognition of revenue and IFRS 16 regarding leasing . Furthermore the Company has applied the expected credit loss method from IFRS 9 when recogniting impairment of financial assets. The principles from these standards have all been applied in accordance with the modified retrospective approach and the effect is recognised at 1 January 2018.

The changes of accounting policy are made due to changes in Group accounting policies and a wish to apply the same policies for Group reporting and local Financial Statements.

The prior-period amounts have not been adjusted due to the below mentioned changes to accounting policies.

Effects of IFRS 15, Revenue from Contracts with Customers

The timing of revenue recognition has changed to an insignificant extent due to IFRS 15. Revenue is recognised when control over the services transfers to the customer, i.e. when the customer has the ability to control the use of services provided. The revenue corresponds to the transaction price to, which the Company is expected to be entitled. Revenue for provision of transport services is generally recognised according to the straight-line method over a specified period. Revenue generated by providing other logistics services is recognised in the reporting period in which the service was rendered.

Effects of IFRS 16, Leases

In the context of the transition to IFRS 16, right-of-use assets and lease liabilities of DKK 16,892k were recognized as at 1 January 2018. The income statement for 2018 has been adjusted with Other external expenses reduced with DKK 5,691k, depreciations of property, plant and equipment has been increased with DKK 5,756k, Financial expenses has been increased with DKK 351k and income taxes reduced with DKK 92k. Net effect on profit for 2019 amounts to expense of DKK 324k.

The Company applied the principles of IFRS 16 in accordance with the modified retrospective approach. The prior-year figures were not adjusted. In addition, DHL Global Forwarding (Denmark) A/S has decided to apply the new guidance to leases whose term will end within twelve months of the date of initial application. In such cases, the leases are accounted for as short-term leases and the lease

Notes to the Financial Statements

20 Accounting Policies (continued)

payments associated with them are recognized as an expense from short-term leases.

Effects of IFRS 9, Valuation of trade receivables

The Company applies the simplified approach provided for in IFRS 9 to determine the credit risk from the Group's operating activities applicable to trade receivables. Trade receivables are generally short-term in nature and contain no significant financing components. According to the simplified impairment approach, a loss allowance in an amount equal to the lifetime expected credit losses must be recognized for all instruments, regardless of the credit quality.

The Company calculates the expected loss using impairment tables for the individual business segments. The loss estimate, documented by way of loss rates, encompasses all of the available information, including historical data, current economic conditions and reliable forecasts of future economic conditions (macroeconomic factors).

The effects of the transition has at 1 January 2018 resulted in decrease of trade receivables of DKK 501k recognised directly in equity as retained earnings. Net effect on profit for 2018 has been evaluated to be insignificant.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Deutsche Post AG, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Deutsche Post AG, the Company has not prepared a cash flow statement.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow

Notes to the Financial Statements

20 Accounting Policies (continued)

out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Leases

In the balance sheet, leases are recognised at present value of the right of use received and liabilities for the payment obligations entered into for all leases in the balance sheet.

Lease payments are discounted at the implicit interest rate underlying the lease to the extent that this can be determined. Otherwise, discounting is at the incremental borrowing rate.

Right-of-use assets are measured at cost, which comprises the following:
- lease liability;
- lease payments made at or prior to delivery, less lease incentives received;
- initial direct costs and
- restoration obligations.

Right-of-use assets are depreciated over the term of the lease using the straightline method, normally a depreciation period of 1 - 3 years.

The Company has used the relief options provided for leases of low-value assets and short-term leases (shorter than twelve months) and expense the payments in the income statement according to the straight-line method.

Extension and termination options exist for a number of leases, particularly for real estate. Such contract terms offer the Company the greatest possible flexibility in doing business. In determining lease terms, all facts and circumstances offering economic incentives for exercising extension options or not exercising termination options are taken into account. Changes due to the exercise or non-exercise of such options are considered in determining the lease term only if they are sufficiently probable.

Notes to the Financial Statements

20 Accounting Policies (continued)

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Segment information on revenue

Information on business segments and geographical segments based on the Companys risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue is recognised when control over the services transfers to the customer, i.e. when the customer has the ability to control the use of services provided. The revenue corresponds to the transaction price to which the Company is expected to be entitled.

Revenue for provision of transport services is generally recognised according to the straight-line method over the transport period. Revenue generated by providing other logistics services is recognised in the reporting period in which the service was rendered.

For each performance obligation, revenue is either recognised at a certain time or over a certain period of time.

Freight and other transportation expenses, etc

Freight and other transportation expenses, etc includes costs for carriers and other costs used in generating the year's revenue.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Notes to the Financial Statements

20 Accounting Policies (continued)

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with Danish group enterprises. The tax effect of the joint taxation with the subsidiaries is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Balance Sheet

Intangible assets

Software acquired is measured at the lower of cost less accumulated amortisation and recoverable amount. Software is amortised on a streight line basis over its useful life, which is assessed at 3 years.

Tangible assets

Tangible assets are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time

Notes to the Financial Statements

20 Accounting Policies (continued)

when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Right-of-use assets	1 -3	years
Plant and bouldings	3	years
Other fixtures and fittings, tools and equipment	4 - 10	years
Leasehold improvements	5	years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,500 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item“Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation

Notes to the Financial Statements

20 Accounting Policies (continued)

of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of lease deposit.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of priciples in the expected credit loss impairment model IFRS 9 meaning an estimate of credit loss over the expected lifetime, weighted for the probability of default. Expected credit loss is generally measured at the level of individual items.

Contract Assets

Contract assets relate to goods and services not yet invoiced. Contract Assets is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums and lease of equipment.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimi-

Notes to the Financial Statements

20 Accounting Policies (continued)

nation in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$