DHL Global Forwarding (Denmark) A/S

Kirstinehøj 42, DK-2770 Kastrup

Annual Report for 1 January - 31 December 2017

CVR No 16 47 46 06

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 7 /6 2018

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 2017.

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 2017 of the Company and of the results of the Company operations for 2017.

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, 7 June 2018

Executive Board

Flemming Jacobsen	Hanne Elise Reher Christensen

Board of Directors

Andreas Trojel Kloster Chairman	Flemming Jacobsen	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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 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 2017, 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.

- 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

Independent Auditor's Report

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, 7 June 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Bo Schou-Jacobsen
State Authorised Public Accountant
mne28703

Anders Røjleskov
State Authorised Public Accountant
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

Andreas Trojel Kloster, Chairman
Flemming Jacobsen
Atli Freyr Einarsson

Executive Board

Flemming Jacobsen
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:

	2017	2016	2015	2014	2013
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Profit/loss					
Revenue	1,687,931	1,613,617	1,725,321	1,644,316	1,442,899
Gross profit/loss	95,451	116,478	122,041	120,581	112,915
Operating profit/loss	-16,998	3,979	8,135	13,248	7,122
Profit/loss before financial income and expenses	-16,998	3,979	8,126	13,268	6,578
Net financials	-672	175	530	1,596	1,214
Net profit/loss for the year	-14,472	3,322	7,844	13,256	7,792
Balance sheet					
Balance sheet total	239,764	272,799	350,505	365,171	260,489
Equity	74,960	89,432	86,110	78,266	66,043
Investment in property, plant and equipment	64	230	-528	-1,493	-2,312
Number of employees	202	196	220	223	218
Ratios					
Gross margin	5.7%	7.2%	7.1%	7.3%	7.8%
Profit margin	-1.0%	0.2%	0.5%	0.8%	0.5%
Return on assets	-7.1%	1.5%	2.3%	3.6%	2.5%
Solvency ratio	31.3%	32.8%	24.6%	21.4%	25.4%
Return on equity	-17.6%	3.8%	9.5%	18.4%	12.5%

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.

Management's Review

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 2017 shows a loss of DKK'000 14,472, and at 31 December 2017 the balance sheet of the Company shows equity of DKK'000 74,960.

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.

Expectations for the year ahead

The outlook for 2018 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.

Management's Review

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%. The goal was not fulfilled in 2017.

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 are 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. Management considers recruitment an important pipeline to promote equal opportunities in the Company, which is a prerequisite for gender equality at executive levels.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2017	2016
		DKK'000	DKK'000
Revenue	1	**1,687,931**	**1,613,617**
Freight and other transportation expenses, etc		-1,516,283	-1,419,767
Other external expenses		-76,197	-77,372
Gross profit/loss		**95,451**	**116,478**
Staff expenses	2	-110,868	-110,542
Depreciation and amortisation of intangible assets and property, plant and equipment	3	-1,581	-1,957
Profit/loss before financial income and expenses		**-16,998**	**3,979**
Income from investments in subsidiares	4	579	1,033
Financial income		489	411
Financial expenses	5	-1,740	-1,269
Profit/loss before tax		**-17,670**	**4,154**
Tax on profit/loss for the year	6	3,198	-832
Net profit/loss for the year		**-14,472**	**3,322**

Balance Sheet 31 December

Assets

	Note	2017	2016
		DKK'000	DKK'000
Software		2,101	2,898
Intangible assets	7	**2,101**	**2,898**
Other fixtures and fittings, tools and equipment		1,283	2,155
Leasehold improvements		189	38
Tangible assets	8	**1,472**	**2,193**
Investments in subsidiaries	9	10,886	10,307
Deposits	10	1,233	1,234
Fixed asset investments		**12,119**	**11,541**
Fixed assets		**15,692**	**16,632**
Trade receivables		210,842	246,746
Receivables from group enterprises		5,717	2,166
Other receivables		501	2,473
Deferred tax asset	11	6,833	3,825
Prepayments	12	179	953
Receivables		**224,072**	**256,163**
Cash at bank and in hand		**0**	**4**
Currents assets		**224,072**	**256,167**
Assets		**239,764**	**272,799**

Balance Sheet 31 December

Liabilities and equity

	Note	2017	2016
		DKK'000	DKK'000
Share capital		3,000	3,000
Reserve for net revaluation under the equity method		10,386	9,807
Retained earnings		61,574	76,625
Equity	13	**74,960**	**89,432**
Trade payables		128,277	136,560
Payables to group enterprises		920	7,980
Other payables		35,607	38,827
Short-term debt		**164,804**	**183,367**
Debt		**164,804**	**183,367**
Liabilities and equity		**239,764**	**272,799**
Distribution of profit	14		
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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	9,807	76,625	89,432
Net profit/loss for the year	0	579	-15,051	-14,472
Equity at 31 December	**3,000**	**10,386**	**61,574**	**74,960**

Notes to the Financial Statements

		2017	2016
		DKK'000	DKK'000
1	**Revenue**		
	Geographical segments		
	Export	1,042,609	1,017,944
	Import	645,322	595,673
		1,687,931	**1,613,617**
	Business segments		
	Air freight	643,580	640,228
	Ocean freight	675,413	642,700
	Other	368,938	330,689
		1,687,931	**1,613,617**
2	**Staff expenses**		
	Wages and salaries	94,201	94,783
	Pensions	8,904	8,612
	Other social security expenses	7,763	7,147
		110,868	**110,542**
	Including remuneration to the Executive Board of:		
	Executive Board	4,718	2,975
		4,718	**2,975**
	Average number of employees	**202**	**196**

Notes to the Financial Statements

		2017	2016
		DKK'000	DKK'000
3	**Depreciation and amortisation of intangible assets and property, plant and equipment**		
	Amortisation of intangible assets	797	510
	Depreciation of property, plant and equipment	784	1,447
		1,581	**1,957**
	Which is specified as follows:		
	Amortisation of software	797	510
	Other fixtures and fittings, tools and equipment	685	1,285
	Leasehold improvements	99	162
		1,581	**1,957**
4	**Income from investments in subsidiares**		
	Share of profits of subsidiaries	579	1,033
		579	**1,033**
5	**Financial expenses**		
	Interest paid to group enterprises	1,574	1,101
	Other financial expenses	166	168
		1,740	**1,269**
6	**Tax on profit/loss for the year**		
	Current tax for the year	-189	-311
	Deferred tax for the year	-3,009	1,143
		-3,198	**832**

Notes to the Financial Statements

7 Intangible assets

	Software
	DKK'000
Cost at 1 January	3,421
Cost at 31 December	3,421
Impairment losses and amortisation at 1 January	523
Amortisation for the year	797
Impairment losses and amortisation at 31 December	1,320
Carrying amount at 31 December	**2,101**

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

8 Tangible assets

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK'000	DKK'000
Cost at 1 January	13,099	4,076
Additions for the year	64	0
Disposals for the year	-3,471	-440
Transfers for the year	-294	294
Cost at 31 December	9,398	3,930
Impairment losses and depreciation at 1 January	10,944	4,038
Depreciation for the year	685	100
Reversal of impairment and depreciation of sold assets	-3,471	-440
Transfers for the year	-43	43
Impairment losses and depreciation at 31 December	8,115	3,741
Carrying amount at 31 December	**1,283**	**189**
Depreciated over	4-10 years	5 years

Notes to the Financial Statements

	2017	2016
	DKK'000	DKK'000

9 Investments in subsidiaries

	2017	2016
Cost at 1 January	500	500
Cost at 31 December	500	500
Revaluations at 1 January	9,807	8,774
Net profit/loss for the year	579	1,033
Revaluations at 31 December	10,386	9,807
Carrying amount at 31 December	**10,886**	**10,307**

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
Cost at 31 December	1,233
Carrying amount at 31 December	**1,233**

	2017	2016
	DKK'000	DKK'000

11 Deferred tax asset

	2017	2016
Deferred tax asset at 1 January	3,825	2,682
Amounts recognised in the income statement for the year	3,009	1,143
Deferred tax asset at 31 December	**6,833**	**3,825**

The recognised tax asset comprises to temporary differences on intangible and tangible assets and trade receivables and is expected to be recovered against future taxable income.

Notes to the Financial Statements

12 Prepayments

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

13 Equity

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

14 Distribution of profit

	2017	2016
	DKK'000	DKK'000
Reserve for net revaluation under the equity method	579	1,033
Retained earnings	-15,051	2,289
	-14,472	**3,322**

Notes to the Financial Statements

15 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

	2017 DKK'000	2016 DKK'000
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	7,762	7,799
Between 1 and 5 years	14,707	9,053
	22,469	**16,852**

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.

16 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
Other related parties	
Fact Danmark A/S Kirstinehøj 17 DK-2770 Kastrup	Subsidiary

Notes to the Financial Statements

16 Related parties (continued)

Transactions

The Company's intercompany transactions and normal 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 concolidated Financial Statements into which the Company is incorporated as a subsidiary, is Deutsche Post AG.

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

Deutsche Post AG
DE 53105 Bonn
Germany

17 Fee to auditors appointed at the general meeting

	2017	2016
	DKK'000	DKK'000
Audit fee to PricewaterhouseCoopers	524	538
Other assurance engagements	300	267
Tax advisory services	54	38
Non-audit services	18	3
	896	**846**

18 Subsequent events

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

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of DHL Global Forwarding (Denmark) A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in DKK'000.

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 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

Notes to the Financial Statements

19 Accounting Policies (continued)

presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

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 from logistics services is recognised in the income statement when the sale is considered effected based on the following criteria:

- the services are rendered;

Notes to the Financial Statements

19 Accounting Policies (continued)

- a binding sales agreement has been made;
- the amount of revenue and income can be reliably measured; and
- payment has been received or may with reasonable certainty be expected to be received.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

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.

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 are recognised in the income statement at the amounts relating to the financial year.

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

Notes to the Financial Statements

19 Accounting Policies (continued)

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 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:

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 13,200 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.

Notes to the Financial Statements

19 Accounting Policies (continued)

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 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 an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company’s experience from previous years.

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

Notes to the Financial Statements

19 Accounting Policies (continued)

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	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$