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# ***DHL Global Forwarding (Denmark) A/S***

Kirstinehøj 42, DK-2770 Kastrup

## **Annual Report for 1 January - 31 December 2019**

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CVR No 16 47 46 06

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
27/8 2020

Andreas Trojel Kloster  
Chairman of the General  
Meeting

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# 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 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 at 31 December 2019 of the Company and of the results of the Company operations for 2019.

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, 27 August 2020

## Executive Board

Torben Pagh  
CEO

Hanne Elise Reher Christensen  
Executive Officer

## 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 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.

We have audited the Financial Statements of DHL Global Forwarding (Denmark) A/S for the financial year 1 January - 31 December 2019, 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.

# Independent Auditor's Report

## **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 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.

## 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 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, 27 August 2020

**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**

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:

	2019	2018	2017*	2016*	2015*
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	1,524,368	1,434,729	1,687,931	1,613,617	1,725,321
Gross profit/loss	98,902	89,626	95,451	116,478	122,041
Operating profit/loss	-9,358	-22,088	-16,998	3,979	8,135
Profit/loss before financial income and expenses	-9,358	-22,088	-16,998	3,979	8,126
Net financials	344	1,966	-672	175	530
Net profit/loss for the year	-7,194	-25,963	-14,472	3,322	7,844
<b>Balance sheet</b>					
Balance sheet total	292,567	359,547	239,768	272,799	350,505
Equity	41,291	48,485	74,960	89,432	86,110
Investment in property, plant and equipment	1,333	360	64	-230	-528
Number of employees	188	199	202	196	220
<b>Ratios</b>					
Gross margin	6.5%	6.2%	5.7%	7.2%	7.1%
Profit margin	-0.6%	-1.5%	-1.0%	0.2%	0.5%
Return on assets	-3.2%	-6.1%	-7.1%	1.5%	2.3%
Solvency ratio	14.1%	13.5%	31.3%	32.8%	24.6%
Return on equity	-16.0%	-42.1%	-17.6%	3.8%	9.2%

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 accounting 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 2015-2017 have not been restated.



# 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 2019 shows a loss of DKK'000 7,194, and at 31 December 2019 the balance sheet of the Company shows equity of DKK'000 41,291.

Company Management considers the result very unsatisfactory. Underlying improvements in the general cargo area was seen especially within Airfreight.

In 2019, the implementation of a new Transport Management System was completed and advantages from the new system are already seen. DHL Global Forwarding will continue investing heavily in digitization in order to support the expected positive development in results in 2020 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 and subsequent events

Despite difficult market conditions following the corona pandemic, the result for 2020 is expected to improve compared to 2019. Further, 2020 is the year where the Company expects return to a profitable level.

However, the outlook for 2020 is subject to some uncertainty, especially due to the COVID-19 outbreak and the development in the global economy, including development in freight rates and transported volumes and especially if a fall back occurs in the second half of 2020.

See also note 1; "Subsequent events".

## 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](http://www.dpdhl.com/en/investors/financial_reports/corporate_responsibility_report.html). The goal of this strategy is to reach zero emission as a group in 2050.

## 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](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 2019. In 2019, there have been a change in the Board of Directors, whereby the representation of the underrepresented gender has not increased during the year.

## **Management's Review**

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 2019, 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	2019 DKK'000	2018 DKK'000
<b>Revenue</b>	2	<b>1,524,368</b>	<b>1,434,729</b>
Freight and other transportation expenses, etc		-1,365,703	-1,279,646
Other external expenses		-59,763	-65,457
<b>Gross profit/loss</b>		<b>98,902</b>	<b>89,626</b>
Staff expenses	3	-99,332	-104,572
Depreciation and amortisation of intangible assets and property, plant and equipment	4	-8,928	-7,142
<b>Profit/loss before financial income and expenses</b>		<b>-9,358</b>	<b>-22,088</b>
Income from investments in subsidiaries	5	3,807	4,468
Financial income		82	19
Financial expenses	6	-3,545	-2,521
<b>Profit/loss before tax</b>		<b>-9,014</b>	<b>-20,122</b>
Tax on profit/loss for the year	7	1,820	-5,841
<b>Net profit/loss for the year</b>		<b>-7,194</b>	<b>-25,963</b>

# Balance Sheet 31 December

## Assets

	Note	2019 DKK'000	2018 DKK'000
Software		779	1,498
<b>Intangible assets</b>	8	<b>779</b>	<b>1,498</b>
Land and buildings		17,271	9,626
Other fixtures and fittings, tools and equipment		6,394	6,466
Leasehold improvements		356	96
<b>Tangible assets</b>	9	<b>24,021</b>	<b>16,188</b>
Investments in subsidiaries	10	19,150	15,343
Deposits	11	1,243	1,224
<b>Fixed asset investments</b>		<b>20,393</b>	<b>16,567</b>
<b>Fixed assets</b>		<b>45,193</b>	<b>34,253</b>
<b>Inventories</b>		<b>9,022</b>	<b>0</b>
Trade receivables		172,353	240,422
Contract Assets		13,601	8,059
Receivables from group enterprises		51,761	75,744
Other receivables		361	388
Deferred tax asset	12	0	0
Prepayments	13	276	677
<b>Receivables</b>		<b>238,352</b>	<b>325,290</b>
<b>Cash at bank and in hand</b>		<b>0</b>	<b>4</b>
<b>Currents assets</b>		<b>247,374</b>	<b>325,294</b>
<b>Assets</b>		<b>292,567</b>	<b>359,547</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2019 DKK'000	2018 DKK'000
Share capital		3,000	3,000
Reserve for net revaluation under the equity method		18,650	14,843
Retained earnings		19,641	30,642
<b>Equity</b>	14	<b>41,291</b>	<b>48,485</b>
Lease obligations		15,968	9,104
Other payables, long-term		3,273	0
<b>Long-term debt</b>	16	<b>19,241</b>	<b>9,104</b>
Credit institutions		10	0
Lease obligations	16	6,842	6,185
Trade payables		165,768	248,373
Payables to group enterprises		32,803	17,714
Other payables, short-term	16	26,612	29,686
<b>Short-term debt</b>		<b>232,035</b>	<b>301,958</b>
<b>Debt</b>		<b>251,276</b>	<b>311,062</b>
<b>Liabilities and equity</b>		<b>292,567</b>	<b>359,547</b>
Subsequent events	1		
Distribution of profit	15		
Contingent assets, liabilities and other financial obligations	17		
Related parties	18		
Fee to auditors appointed at the general meeting	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	14,843	30,642	48,485
Net profit/loss for the year	0	3,807	-11,001	-7,194
<b>Equity at 31 December</b>	<b>3,000</b>	<b>18,650</b>	<b>19,641</b>	<b>41,291</b>

# Notes to the Financial Statements

## 1 Subsequent events

The outbreak of Covid 19 and the actions taken by governments across the world to mitigate the effects, will have a great impact on the global economy. Management considers the implications of Covid 19 as a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non adjusting event to the company. Management has not subsequently identified any remeasurements of assets and liabilities.

Reference is also made to the section "Expectations for the year ahead and subsequent events" in Management's Review.

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

	2019 DKK'000	2018 DKK'000
<b>2 Revenue</b>		
<b>Geographical segments</b>		
Export	798,690	700,239
Import	725,678	734,490
	<b>1,524,368</b>	<b>1,434,729</b>
<b>Business segments</b>		
Air freight	589,817	646,143
Ocean freight	925,457	786,082
Other	9,094	2,504
	<b>1,524,368</b>	<b>1,434,729</b>



## Notes to the Financial Statements

	2019 <u>DKK'000</u>	2018 <u>DKK'000</u>
<b>3 Staff expenses</b>		
Wages and salaries	87,027	93,429
Pensions	7,036	7,214
Other social security expenses	5,269	3,929
	<u><b>99,332</b></u>	<u><b>104,572</b></u>
 Including remuneration to the Executive Board of: Executive Board	 <u>3,809</u>	 <u>4,357</u>
	<u><b>3,809</b></u>	<u><b>4,357</b></u>
 <b>Average number of employees</b>	 <u><b>188</b></u>	 <u><b>199</b></u>
 <b>4 Depreciation and amortisation of intangible assets and property, plant and equipment</b>		
Amortisation of intangible assets	796	847
Depreciation of property, plant and equipment	8,132	6,295
	<u><b>8,928</b></u>	<u><b>7,142</b></u>
 Which is specified as follows:		
Amortisation of software	796	847
Buildings	5,402	3,505
Other fixtures and fittings, tools and equipment	2,620	2,678
Leasehold improvements	110	112
	<u><b>8,928</b></u>	<u><b>7,142</b></u>
 <b>5 Income from investments in subsidiares</b>		
Share of profits of subsidiaries	<u>3,807</u>	<u>4,468</u>
	<u><b>3,807</b></u>	<u><b>4,468</b></u>
 <b>6 Financial expenses</b>		
Interest paid to group enterprises	2,741	2,035
Other financial expenses	804	486
	<u><b>3,545</b></u>	<u><b>2,521</b></u>

## Notes to the Financial Statements

	2019 <u>DKK'000</u>	2018 <u>DKK'000</u>
<b>7 Tax on profit/loss for the year</b>		
Current tax for the year	0	0
Deferred tax for the year	0	6,833
Adjustment of tax concerning previous years	-1,820	-992
	<u><b>-1,820</b></u>	<u><b>5,841</b></u>

## 8 Intangible assets

	<u>Software</u> DKK'000
Cost at 1 January	3,665
Additions for the year	<u>77</u>
Cost at 31 December	<u>3,742</u>
Impairment losses and amortisation at 1 January	2,167
Amortisation for the year	<u>796</u>
Impairment losses and amortisation at 31 December	<u>2,963</u>
<b>Carrying amount at 31 December</b>	<u><b>779</b></u>

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

# Notes to the Financial Statements

## 9 Tangible assets

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000
Cost at 1 January	13,131	17,259	3,949
Additions for the year	13,092	3,045	370
Disposals for the year	-175	-923	0
Cost at 31 December	<u>26,048</u>	<u>19,381</u>	<u>4,319</u>
Impairment losses and depreciation at 1 January	3,505	10,793	3,853
Depreciation for the year	5,402	2,620	110
Reversal of impairment and depreciation of sold assets	-130	-426	0
Impairment losses and depreciation at 31 December	<u>8,777</u>	<u>12,987</u>	<u>3,963</u>
<b>Carrying amount at 31 December</b>	<b><u>17,271</u></b>	<b><u>6,394</u></b>	<b><u>356</u></b>
Depreciated over	<u>3 years</u>	<u>4-10 years</u>	<u>5 years</u>
Including right-of-use assets amounting to	<u>17,271</u>	<u>4,649</u>	<u>0</u>

	2019 DKK'000	2018 DKK'000
<b>10 Investments in subsidiaries</b>		
Cost at 1 January	<u>500</u>	<u>500</u>
Cost at 31 December	<u>500</u>	<u>500</u>
Revaluations at 1 January	14,843	10,386
Net effect from change of accounting policy	0	-11
Net profit/loss for the year	<u>3,807</u>	<u>4,468</u>
Revaluations at 31 December	<u>18,650</u>	<u>14,843</u>
<b>Carrying amount at 31 December</b>	<b><u>19,150</u></b>	<b><u>15,343</u></b>

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%

# Notes to the Financial Statements

## 11 Other fixed asset investments

	Deposits DKK'000
Cost at 1 January	1,224
Additions for the year	<u>19</u>
Cost at 31 December	<u>1,243</u>
<b>Carrying amount at 31 December</b>	<b><u>1,243</u></b>

## 12 Deferred tax asset

	2019 DKK'000	2018 DKK'000
Provision for deferred tax at 1 January	0	-6,833
Amounts recognised in the income statement for the year	<u>0</u>	<u>6,833</u>
<b>Provision for deferred tax at 31 December</b>	<b><u>0</u></b>	<b><u>0</u></b>

At 31 December 2019, the Company has an estimated deferred tax asset of DKK 13 million (DKK 12 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.

## 13 Prepayments

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

# Notes to the Financial Statements

## 14 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:

	<u>Number</u>	<u>Nominal value</u> DKK'000
A-shares	1,697	1,697
B-shares	1,303	<u>1,303</u>
		<u><b>3,000</b></u>

## 15 Distribution of profit

	<u>2019</u> DKK'000	<u>2018</u> DKK'000
Reserve for net revaluation under the equity method	3,807	4,468
Retained earnings	<u>-11,001</u>	<u>-30,431</u>
	<u><b>-7,194</b></u>	<u><b>-25,963</b></u>

# Notes to the Financial Statements

## 16 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:

	2019 DKK'000	2018 DKK'000
<b>Lease obligations</b>		
Between 1 and 5 years	15,968	9,104
Long-term part	15,968	9,104
Within 1 year	6,842	6,185
	<b>22,810</b>	<b>15,289</b>
<b>Other payables, long-term</b>		
Between 1 and 5 years	3,273	0
Long-term part	3,273	0
Other short-term payables	26,612	29,686
	<b>29,885</b>	<b>29,686</b>

## 17 Contingent assets, liabilities and other financial obligations

### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	859	817
Between 1 and 5 years	2,290	0
	<b>3,149</b>	<b>817</b>

### 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

## 18 Related parties

	<u>Basis</u>
<b>Controlling interest</b>	
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.

<u>Name</u>	<u>Place of registered office</u>
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

## 18 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

## 19 Fee to auditors appointed at the general meeting

	<u>2019</u>	<u>2018</u>
	DKK'000	DKK'000
Audit fee to PricewaterhouseCoopers	533	530
Other assurance engagements	430	363
Tax advisory services	39	36
Non-audit services	<u>5</u>	<u>5</u>
	<u><b>1,007</b></u>	<u><b>934</b></u>



# Notes to the Financial Statements

## 20 Accounting Policies

The Annual Report of DHL Global Forwarding (Denmark) A/S for 2019 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 2019 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

## 20 Accounting Policies (continued)

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.

### 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.

# Notes to the Financial Statements

## 20 Accounting Policies (continued)

### Segment information on revenue

Information on geographical segments and business segments based on the Company's 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.

### 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.

# Notes to the Financial Statements

## 20 Accounting Policies (continued)

### 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 straight 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:

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 13,800 are expensed in the year of acquisition.

# Notes to the Financial Statements

## 20 Accounting Policies (continued)

### 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 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.

### Inventories

Stocks are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of stocks is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

# Notes to the Financial Statements

## 20 Accounting Policies (continued)

The cost of goods for resale equals landed cost.

### 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 principles 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 elimination 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.

# Notes to the Financial Statements

## 20 Accounting Policies (continued)

### Financial debts

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

### Financial Highlights

#### Explanation of financial ratios

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