

UPS SCS (Denmark) ApS
Rugvænget 35
2630 Taastrup
Central Business Registration No
26265886

Annual report 2016

The Annual General Meeting adopted the annual report on 31.05.2017

Chairman of the General Meeting

Name: Frank Jørgensen

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Entity details

Entity

UPS SCS (Denmark) ApS
Rugvænget 35
2630 Taastrup

Central Business Registration No: 26265886

Registered in: Høje-Taastrup

Financial year: 01.01.2016 - 31.12.2016

Executive Board

Peter Raoul Stewardson
Anne Kathryn Melaragni
Nando Cesarone
Frank Jørgensen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Executive Board has today considered and approved the annual report of UPS SCS (Denmark) ApS for the financial year 01.01.2016 - 31.12.2016.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Taastrup, 31.05.2017

Executive Board

Peter Raoul Stewardson

Anne Kathryn Melaragni

Nando Cesarone

Frank Jørgensen

Independent auditor's report

To the shareholder of UPS SCS (Denmark) ApS

Opinion

We have audited the financial statements of UPS SCS (Denmark) ApS for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

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

Copenhagen, 31.05.2017

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Martin Juul Møller

State Authorised Public Accountant

Management commentary

Primary activities

The Company's primary activities are transportation services and other related business.

Development in activities and finances

Profit for the year amounts to DKK 722 thousand. The performance for 2016 has been satisfactory.

The Company also expects a profit in 2017.

Events after the balance sheet date

No events have occurred after the balance sheet date which would impact the results presented in these financial statements.

Income statement for 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK'000</u>
Gross profit		8.652.619	10.773
Staff costs	1	(8.355.450)	(9.551)
Depreciation, amortisation and impairment losses		<u>(51.123)</u>	<u>(56)</u>
Operating profit/loss		246.046	1.166
Other financial income	2	702.322	277
Other financial expenses	3	<u>(20.765)</u>	<u>(13)</u>
Profit/loss before tax		927.603	1.430
Tax on profit/loss for the year	4	<u>(205.355)</u>	<u>(346)</u>
Profit/loss for the year		<u>722.248</u>	<u>1.084</u>
Proposed distribution of profit/loss			
Retained earnings		<u>722.248</u>	<u>1.084</u>
		<u>722.248</u>	<u>1.084</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK'000</u>
Other fixtures and fittings, tools and equipment		54.370	116
Property, plant and equipment	5	54.370	116
Deferred tax	7	41.805	106
Fixed asset investments	6	41.805	106
Fixed assets		96.175	222
Trade receivables		4.607.871	6.403
Receivables from group enterprises		4.790.628	6.067
Other receivables		494.501	602
Prepayments		0	47
Receivables		9.893.000	13.119
Cash		5.801.421	5.745
Current assets		15.694.421	18.864
Assets		15.790.596	19.086

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK'000</u>
Contributed capital		3.125.373	3.125
Retained earnings		4.931.221	4.208
Equity		8.056.594	7.333
Bank loans		0	113
Trade payables		1.333.587	516
Payables to group enterprises		2.965.793	5.334
Income tax payable		139.936	349
Other payables	8	3.294.686	5.441
Current liabilities other than provisions		7.734.002	11.753
Liabilities other than provisions		7.734.002	11.753
Equity and liabilities		15.790.596	19.086
Unrecognised rental and lease commitments	9		
Contingent liabilities	10		
Related parties with controlling interest	11		
Group relations	12		

Statement of changes in equity for 2016

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	3.125.373	4.208.973	7.334.346
Profit/loss for the year	0	722.248	722.248
Equity end of year	3.125.373	4.931.221	8.056.594

Notes

	2016	2015
	DKK	DKK'000
1. Staff costs		
Wages and salaries	7.673.204	8.707
Pension costs	571.837	754
Other social security costs	110.409	90
	8.355.450	9.551
2. Other financial income		
Exchange rate adjustments	702.322	277
	702.322	277
3. Other financial expenses		
Other financial expenses	20.765	13
	20.765	13
4. Tax on profit/loss for the year		
Tax on current year taxable income	139.936	349
Change in deferred tax for the year	64.626	(5)
Adjustment concerning previous years	793	0
Effect of changed tax rates	0	2
	205.355	346

Notes

	Other fixtures and fittings, tools and equipment DKK		
		Deferred tax DKK	
5. Property, plant and equipment			
Cost beginning of year	1.946.487		
Disposals	<u>(10.007)</u>		
Cost end of year	<u>1.936.480</u>		
Depreciation and impairment losses beginning of the year	(1.830.986)		
Depreciation for the year	<u>(51.124)</u>		
Depreciation and impairment losses end of the year	<u>(1.882.110)</u>		
Carrying amount end of year	<u>54.370</u>		
6. Fixed asset investments			
Cost beginning of year	106.431		
Disposals	<u>(64.626)</u>		
Cost end of year	<u>41.805</u>		
Carrying amount end of year	<u>41.805</u>		
	2016	2015	
	DKK	DKK'000	
7. Deferred tax			
Property, plant and equipment	31.083	35	
Receivables	<u>10.722</u>	<u>71</u>	
	<u>41.805</u>	<u>106</u>	

Notes

	2016	2015
	DKK	DKK'000
8. Other payables		
Wages and salaries, personal income taxes, social security costs, etc payable	1.687.496	2.393
Other costs payable	1.607.190	3.048
	3.294.686	5.441
	2016	2015
	DKK	DKK'000
9. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	1.468.029	1.906
	2016	2015
	DKK	DKK'000
10. Contingent liabilities		
Recourse and non-recourse guarantee commitments	7.500.000	7.500
Contingent liabilities in total	7.500.000	7.500

The Company participates in a Danish joint taxation arrangement in which UPS Danmark A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc for the jointly taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies. The jointly taxed companies' total known net liability in the joint taxation arrangement is stated in the financial statements of the administration company.

11. Related parties with controlling interest

UPS Logistics Group International B.V., the Netherlands is registered as holding more than 5% of the voting share capital or more than 5% of the nominal value of the share capital.

12. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

United Parcel Service of America, Inc., Atlanta, Georgia, USA

The consolidated financial statements can be obtained at:

<http://www.investors.ups.com/phoenix.zhtml?c=62900&p=irol-irhome>

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C enterprises.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that future economic benefits will flow out of the entity, and the value of the liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement of the assets and liabilities presented in these financial statements.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, cost of sales as well as other external expenses.

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Accounting policies

Cost of sales

Cost of sales comprises cost of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with its Danish sister subsidiary. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Accounting policies

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment 3-5 years

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Receivables

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

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.