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# ***DHL Freight Denmark A/S***

Banemarksvej 48, DK-2605 Brøndby

## **Annual Report for 1 January - 31 December 2020**

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CVR No 41 04 12 93

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
14/07 2021

Brian Agerbo Haapanen  
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 Freight Denmark A/S for the financial year 1 January - 31 December 2020.

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 2020 of the Company and of the results of the Company operations for 2020.

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.

Brøndby, 14 July 2021

## Executive Board

Flemming Balle Sørensen  
CEO

Brian Agerbo Haapanen  
CFO

## Board of Directors

Pekka Erik Lennart Stenqvist  
Chairman

Barteld Berkhout  
Deputy Chairman

Per Sven Gunnar Westerberg

Flemming Balle Sørensen

# Independent Auditor's Report

To the Shareholder of DHL Freight 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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of DHL Freight Denmark A/S for the financial year 1 January - 31 December 2020, 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 misstatement, whether due to fraud or error.

# Independent Auditor's Report

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 in a manner that gives a true and fair view.

# Independent Auditor's Report

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, 14 July 2021

**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 Freight Denmark A/S  
Banemarksvej 48  
DK-2605 Brøndby

CVR No: 41 04 12 93  
Financial period: 1 January - 31 December  
Incorporated: 1 January 2020  
Financial year: 1st financial year  
Municipality of reg. office: Brøndby

### **Board of Directors**

Pekka Erik Lennart Stenqvist, Chairman  
Barteld Berkhout  
Per Sven Gunnar Westerberg  
Flemming Balle Sørensen

### **Executive Board**

Flemming Balle Sørensen  
Brian Agerbo Haapanen

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

# Financial Highlights

The development of the Company is described by the following financial highlights:

	<u>2020</u> TDKK
<b>Key figures</b>	
<b>Profit/loss</b>	
Revenue	927,414
Operating profit/loss	-5,800
Profit/loss before financial income and expenses	10,348
Net financials	-1,518
Net profit/loss for the year	13,656
<b>Balance sheet</b>	
Balance sheet total	315,916
Equity	26,530
Investment in property, plant and equipment	8,838
Number of employees	250
<b>Ratios</b>	
Gross margin	16.9%
Profit margin	1.1%
Return on assets	3.3%
Solvency ratio	8.4%
Return on equity	102.9%



# Management's Review

## Key activities

The Company's activities are transport, shipping and logistics solutions. DHL holds a leading position in the global market and is part of Deutsche Post DHL.

DHL is an important player on the transport and logistics market in Denmark and expects to further expand and manifest its position on the market to the benefit of the customers.

## Development in the year

The income statement of the Company for 2020 shows a profit of TDKK 13,656, and at 31 December 2020 the balance sheet of the Company shows equity of TDKK 26,530.

The Company has participated in the demerger of the Freight division of DHL Express (Denmark) A/S with accounting effect of 1 January 2020. The Company has applied the Book Value Methods in accordance with the Danish Financial Statements Act. Consequently, carrying amounts of assets and liabilities as of 31 December 2019 of the demerged business have been applied and no comparative figures are presented.

Compared to 2019, the revenue for the year has been satisfying despite the very challenging market situation under the Corona Pandemic and various lockdowns throughout Europe. The Management considers the result to be satisfactory.

DHL Freight has had a strategic and targeted approach to staff qualifications and in line with the 2025 strategy the global Certified Freight Specialist program (CFS) continued also in 2020. Due to the outbreak of Corona in Denmark DHL Freight have converted many of the programs to Virtual trainings.

DHL Freight has embedded customer centricity into the heart of the business strategy with extra emphasis on open and effective customer feedback channels feeding into the organization. A structured approach to Continuous Improvement using LEAN and SixSigma tools – in DHL called First Choice – is firmly embedded into the organization.

An integral part of the company's FOCUS strategy - in terms of loyal customers - is our ability to demonstrate the right behaviors from our staff to drive satisfaction and ultimately loyalty from the customers.

DHL Freight has performed well in a highly competitive road market with prices under pressure and challenges from the impact of Corona lockdowns in the markets that DHL Freight operates in.

In this challenging environment, DHL Freight managed to maintain a satisfying revenue.

DHL Freight is dedicated to deliver high-value products to customers through dedicated employees and customer experience focus. Main focus in 2020 has been to deliver excellent services to the customers and at the same time investing in employee development and satisfaction.

DHL Freight will through the 2025 strategy's core areas work to maintain and improve profitable

## **Management's Review**

networks and loyal customers driven by motivated employees and high service quality.

DHL Freight will continue to focus on customer satisfaction and to further develop employee engagement via the DHL global Certified Freight specialist program.

As for other logistics providers digitalization is a high priority for DHL and the development of advanced digital tools to support and improve customer satisfaction, employee satisfaction and operational efficiency are important measures to grow the business in the future. Management in DHL Freight recognizes this and will allocate resources to this area in the years ahead.

To support the initiatives to lower CO<sub>2</sub> emission, DHL Freight has defined actions in Strategy 2025. A mutual development with the hauliers to increase the use of LNG, and furthermore explore the use of intermodal solutions whenever possible.

### ***Operating risks***

Like other industrial enterprises in Denmark, DHL Freight was affected by the Corona outbreak in Denmark and in Europe. Focus has been to maintain a safe work environment for the employees during the Pandemic and at the same continue to deliver best in class solutions to our customers.

DHL Freight will continue to focus on strong positioning within global imports and exports.

### ***Foreign exchange risks***

DHL Freight invoices its main sales in DKK, whereas parts of direct costs are dominated in EUR. DHL Freight is only limited exposed to exchange risks in relation to EUR as regards to day-to-day operation as the DKK currency rate is tied to the EUR rate only allowing minor fluctuations.

### ***Interest rate risks***

Due to its ownership, DHL Freight has limited exposure to interest level changes.

### ***Credit risks***

DHL Freight has no material risks relating to individual customers or business partners.

# Management's Review

## Expectations for the year ahead

DHL Freight will through the 2025 strategy's core areas work to maintain and improve profitable networks and loyal customers driven by motivated employees and high service quality.

DHL Freight will continue to focus on customer satisfaction and to further develop employee engagement via the DHL global Certified Freight specialist program.

As for other logistics providers digitalization is a high priority for DHL and the development of advanced digital tools to support and improve customer satisfaction, employee satisfaction and operational efficiency are important measures to grow the business in the future. Management in DHL Freight recognizes this and will allocate resources to this area in the years ahead.

In 2021, DHL Freight will implement a new system for custom declarations to grow the customs division even more in the years to come.

DHL Freight expects to further strengthen customer satisfaction through development of innovative tools, increasing market shares and as a result hereof continuously improvement of the financial performance.

In line with the demerger plan Management is considering to increase the equity. Final decision will be made in 2021.

DHL Freight's outlook for the future will continue to be affected by the Covid-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak, see also subsequent events. Management expects a result before tax for 2021 at the same level as for 2020.

## External environment

DHL Freight has obtained environmental certification under ISO 14001 and in connection to this an environmental policy focusing on continuous environmental improvements has been implemented.

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

<https://www.dpdhl.com/content/dam/dpdhl/en/media-center/investors/documents/annual-reports/DPDHL-2020-Annual-Report.pdf>

The goal of this strategy is to improve the Group's carbon efficiency by 30% before the end of 2025. Furthermore, DHL has joined and supports UN's Global Compact, being a part of Deutsche Post DHL.

## Intellectual capital resources

DHL Freight has the required intellectual capital resources to operate on a completely sound basis.

# Management's Review

## 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:

<https://www.dpdhl.com/content/dam/dpdhl/en/media-center/investors/documents/annual-reports/DPDHL-2020-Annual-Report.pdf>

## Statement on gender composition

The Company sees it as a strength to have both men and women represented knowing that it adds value to the business and its development. The Company prioritizes a fairly balanced composition of men and women on the Board and will therefore seek to achieve that neither men nor women are represented by less than 25 percent, within four years, i.e. at the latest by the time of the ordinary general meeting in 2025.

The Company has quantified 25 percentages of the least represented gender to be a minimum, which isn't fulfilled by the current composition of the Board by four people. The Board of Directors is consistence of only men in 2020. In 2020, there have been no changes in the Board of Directors, whereby the representation of the underrepresented gender has not increased during the year.

The Company has a policy of offering equal opportunities to all employees and aims at a more balanced gender representation at other management levels. This will be carried out through Management's initiative to stimulate the number of candidates among the underrepresented gender when recruiting for management positions. To ensure talents, we have a special emphasis on growing female talents from lower level or entry roles up through to the other management level roles. The prerequisites of extensive management programs, as well as flexibility in working hours and place are already in place, but the process is expected to take 2-4 years. During 2020 we have been satisfied with our work and performance towards the underrepresented gender. The initiatives have not led to any further reduction or increase in the underrepresented gender during the year.

## Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

## Unusual events

The financial position at 31 December 2020 of the DHL Freight and the results of the activities of the DHL Freight for the financial year for 2020 have not been affected by any unusual events besides the continuing effects of Covid-19. From a management perspective this has been challenging but has been handled in a good and safely manner. For the Group the safety of all employees, suppliers and customers have been on top of the management's agenda throughout the year.

## **Management's Review**

### **Subsequent events**

We refer to note 16 in the Financial Statements.

## Income Statement 1 January - 31 December

	Note	2020 TDKK
<b>Revenue</b>	1	<b>927,414</b>
Other operating income		16,148
Freight and other transportation expenses etc.		-754,998
Other external expenses		-31,936
<b>Gross profit/loss</b>		<b>156,628</b>
Staff expenses	2	-123,867
Depreciation of property, plant and equipment	3	-22,413
<b>Profit/loss before financial income and expenses</b>		<b>10,348</b>
Financial income		1,866
Financial expenses	4	-3,384
<b>Profit/loss before tax</b>		<b>8,830</b>
Tax on profit/loss for the year	5	4,826
<b>Net profit/loss for the year</b>		<b>13,656</b>

# Balance Sheet 31 December

## Assets

	<u>Note</u>	<u>2020</u> TDKK
Land and buildings		59,677
Other fixtures and fittings, tools and equipment		32,051
Leasehold improvements		675
<b>Property, plant and equipment</b>	6	<b><u>92,403</u></b>
Deposits		25
<b>Fixed asset investments</b>	7	<b><u>25</u></b>
<b>Fixed assets</b>		<b><u>92,428</u></b>
Trade receivables		121,935
Receivables from group enterprises		93,325
Other receivables		2,514
Deferred tax asset	8	5,000
Prepayments	9	317
<b>Receivables</b>		<b><u>223,091</u></b>
<b>Cash at bank and in hand</b>		<b><u>397</u></b>
<b>Currents assets</b>		<b><u>223,488</u></b>
<b>Assets</b>		<b><u>315,916</u></b>

# Balance Sheet 31 December

## Liabilities and equity

	<u>Note</u>	<u>2020</u> TDKK
Share capital	10	400
Retained earnings		26,130
<b>Equity</b>		<b><u>26,530</u></b>
Lease obligations		49,691
Other payables		14,109
<b>Long-term debt</b>	12	<b><u>63,800</u></b>
Lease obligations	12	716
Trade payables		119,253
Payables to group enterprises		91,242
Corporation tax		175
Other payables	12	13,793
Deferred income		407
<b>Short-term debt</b>		<b><u>225,586</u></b>
<b>Debt</b>		<b><u>289,386</u></b>
<b>Liabilities and equity</b>		<b><u>315,916</u></b>
Distribution of profit	11	
Contingent assets, liabilities and other financial obligations	13	
Related parties	14	
Fee to auditors appointed at the general meeting	15	
Subsequent events	16	
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## Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	0	0	0
Net effect from demerger	0	12,474	12,474
Adjusted equity at 1 January	0	12,474	12,474
Cash capital increase	400	0	400
Net profit/loss for the year	0	13,656	13,656
<b>Equity at 31 December</b>	<b>400</b>	<b>26,130</b>	<b>26,530</b>

# Notes to the Financial Statements

	2020
	TDKK
<b>1 Revenue</b>	
<b>Geographical segments</b>	
Revenue, Denmark	140,917
Revenue, exports	786,497
	<u>927,414</u>
<b>Business segments</b>	
Non Terminal Based Operations	538,944
Terminal Based Operations	311,213
Other Operations	77,257
	<u>927,414</u>
<b>2 Staff expenses</b>	
Wages and salaries	110,033
Pensions	8,392
Other social security expenses	2,414
Other staff expenses	3,028
	<u>123,867</u>
Including remuneration to the Executive Board of:	
Executive Board	3,200
	<u>3,200</u>
<b>Average number of employees</b>	<u>250</u>

## Notes to the Financial Statements

	2020		
	TDKK		
<b>3 Depreciation of property, plant and equipment</b>			
Depreciation of property, plant and equipment			22,365
Impairment of property, plant and equipment			48
			<u>22,413</u>
Which is specified as follows:			
Buildings			7,995
Other fixtures and fittings, tools and equipment			14,370
Leasehold improvements			48
			<u>22,413</u>
<b>4 Financial expenses</b>			
Interest paid to group enterprises			62
Other financial expenses			1,529
Exchange adjustments, expenses			1,793
			<u>3,384</u>
<b>5 Tax on profit/loss for the year</b>			
Current tax for the year			175
Deferred tax for the year			-5,001
			<u>-4,826</u>
<b>6 Property, plant and equipment</b>			
	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK
Cost at 1 January	0	0	0
Net effect from demerger	116,351	75,125	330
Additions for the year	4,750	3,681	407
Disposals for the year	0	-4,534	0
Cost at 31 December	<u>121,101</u>	<u>74,272</u>	<u>737</u>

## Notes to the Financial Statements

### 6 Property, plant and equipment (continued)

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK
Impairment losses and depreciation at 1 January	0	0	0
Net effect from demerger	53,429	32,204	14
Depreciation for the year	7,995	14,370	48
Impairment and depreciation of sold assets for the year	0	-4,353	0
Impairment losses and depreciation at 31 December	<u>61,424</u>	<u>42,221</u>	<u>62</u>
<b>Carrying amount at 31 December</b>	<b><u>59,677</u></b>	<b><u>32,051</u></b>	<b><u>675</u></b>
Including right-of-use assets amounting to	<u>24,031</u>	<u>23,468</u>	<u>0</u>

### 7 Fixed asset investments

	Deposits
	TDKK
Net effect from merger and acquisition	<u>25</u>
Cost at 31 December	<u>25</u>
<b>Carrying amount at 31 December</b>	<b><u>25</u></b>

### 8 Deferred tax asset

	2020
	TDKK
Deferred tax asset at 1 January	0
Amounts recognised in the income statement for the year	<u>5,000</u>
<b>Deferred tax asset at 31 December</b>	<b><u>5,000</u></b>

Management estimates that the recognised tax asset of DKK 5 million will be utilised within the coming years against future taxable income or be utilised by the jointly Danish taxed entities.

# Notes to the Financial Statements

## 9 Prepayments

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

## 10 Equity

The share capital consists of 400,000 shares of a nominal value of DKK 1. No shares carry any special rights.

## 11 Distribution of profit

Retained earnings

2020

TDKK

13,656

**13,656**

## 12 Long-term debt

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

The debt falls due for payment as specified below:

### Lease obligations

After 5 years

9,086

Between 1 and 5 years

40,605

Long-term part

49,691

Within 1 year

716

**50,407**

### Other payables

Between 1 and 5 years

14,109

Long-term part

14,109

Other short-term payables

13,793

**27,902**

# Notes to the Financial Statements

2020

TDKK

## 13 Contingent assets, liabilities and other financial obligations

### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	16,785
Between 1 and 5 years	1,079
After 5 years	135
	<hr/>
	<b>17,999</b>

### Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of DHL Express (Denmark) A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

DHL Freight Denmark A/S is jointly liable for obligations attributable to the activities, assets and liabilities of DHL Express (Denmark) A/S that existed at the demerger on 1 January 2020.

# Notes to the Financial Statements

## 14 Related parties

	<b>Basis</b>
<b>Controlling interest</b>	
Deutsche Post Beteiligungen Holding GmbH Charles-de-Gaulle-Strasse 20 DE-53113 Bonn Germany	Controlling shareholder
Deutsche Post AG Charles-de-Gaulle-Strasse 20 DE-53105 Bonn Germany	Ultimate controlling shareholder

### 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's direct parent does 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.

The Group Annual Report may be obtained at the following address:

Deutsche Post AG, DE 53105 Bonn, Germany

## Notes to the Financial Statements

	2020
	TDKK
<b>15 Fee to auditors appointed at the general meeting</b>	
<b>PricewaterhouseCoopers</b>	
Audit fee	572
Other assurance engagements	166
Tax advisory services	446
Other services	5
	<hr/>
	<b>1,189</b>
	<hr/>

### 16 Subsequent events

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



# Notes to the Financial Statements

## 17 Accounting Policies

The Annual Report of DHL Freight Denmark A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Financial Statements for 2020 are presented in TDKK.

### ***Demerger with accounting effect as of 1 January 2020***

The Company has participated in the demerger of the Freight division of DHL Express (Denmark) A/S with accounting effect of 1 January 2020. The Company has applied the Book Value Methods in accordance with the Danish Financial Statements Act. Consequently, carrying amounts of assets and liabilities as of 31 December 2019 of the demerged business have been applied and no comparative figures are presented.

### **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 , 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

## 17 Accounting Policies (continued)

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

### Leases

The Company uses IFRS 16 when measuring and recognizing leases.

Leases are recognised at present value of the right of use received and liabilities for the payment obligations entered into 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 3 - 10 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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

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.

### Revenue

Information on business segments and geographical 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

The Company uses IFRS 15 when measuring and recognizing 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. comprise costs for carriers, and other costs used to achieve revenue for the year.

### Other external expenses

Other external expenses comprise expenses for 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 property, plant and equipment.

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### **Other operating income and expenses**

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company including gains and losses on PPE.

### **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 subsidiaries is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

DHL Express (Denmark) A/S acts as the management Company in the Tax Group. Provision for and payment of the aggregate Danish tax of the taxable income of the Danish subsidiaries are made by DHL Express (Denmark) A/S.

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### Balance Sheet

#### Property, plant and equipment

Property, plant and equipment 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	3-10 years
Other buildings	20-50 years
Other fixtures and fittings, tools and equipment	4-10 years
Leasehold improvements	10 years

Depreciation period and residual value are reassessed annually.

#### Impairment of fixed assets

The carrying amounts of 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.

#### Fixed asset investments

Fixed asset investments consist of lease deposit.

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### **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.

### **Prepayments**

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

### **Equity**

#### ***Dividend***

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

### **Deferred tax assets and liabilities**

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes 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 within the same legal tax entity.

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. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

### **Current tax receivables and liabilities**

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### **Financial debts**

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

## Notes to the Financial Statements

### 17 Accounting Policies (continued)

#### Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

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