DHL Supply Chain Denmark A/S

Ventrupvej 25, DK-2670 Greve

Annual Report for 1 January - 31 December 2018

CVR No 80 14 26 17

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 15/7 2019

Poul Stone
Chairman of the General Meeting

Contents

Management's Statement

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

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations for 2018.

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

Greve, 15 July 2019

Executive Board

Steffen Lind Sørensen
CEO

Board of Directors

Poul Stone Chairman	Steffen Lind Sørensen	Dan Alex Waern

Independent Auditor's Report

To the Shareholder of DHL Supply Chain Denmark A/S

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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:

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 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.

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, 15 July 2019
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 Supply Chain Denmark A/S Ventrupvej 25 DK-2670 Greve CVR No: 80 14 26 17 Financial period: 1 January - 31 December Municipality of reg. office: Greve
Board of Directors	Poul Stone, Chairman Steffen Lind Sørensen Dan Alex Waern
Executive Board	Steffen Lind Sørensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Income Statement 1 January - 31 December

	Note	2018	2017
		DKK	DKK
Gross profit/loss		**42,500,828**	**25,591,846**
Staff expenses	3	-30,446,022	-19,090,587
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-2,494,750	-1,122,700
Profit/loss before financial income and expenses	4	**9,560,056**	**5,378,559**
Financial income	5	11,990,858	73,654
Financial expenses	6	-12,334,563	-1,359,636
Profit/loss before tax		**9,216,351**	**4,092,577**
Tax on profit/loss for the year	7	-1,938,133	-166,003
Net profit/loss for the year		**7,278,218**	**3,926,574**

Distribution of profit

Proposed distribution of profit

Retained earnings	7,278,218	3,926,574
	7,278,218	**3,926,574**

Balance Sheet 31 December

Assets

	Note	2018	2017
		DKK	DKK
Software		1,220,394	1,538,729
Intangible assets	8	**1,220,394**	**1,538,729**
Land and buildings		0	0
Property, plant and machinery		3,665,540	0
Other fixtures and fittings, tools and equipment		449,243	348,311
Property, plant and equipment	9	**4,114,783**	**348,311**
Receivable from subleasing		362,094,751	0
Fixed asset investments	10	**362,094,751**	**0**
Fixed assets		**367,429,928**	**1,887,040**
Trade receivables		8,742,990	7,816,895
Receivables from group enterprises		18,961,390	14,346,719
Other receivables		2,090,462	2,927,127
Deferred tax asset		0	390,545
Receivables		**29,794,842**	**25,481,286**
Currents assets		**29,794,842**	**25,481,286**
Assets		**397,224,770**	**27,368,326**

Balance Sheet 31 December

Liabilities and equity

	Note	2018	2017
		DKK	DKK
Share capital		13,100,000	13,100,000
Retained earnings		-149,174,962	-156,447,443
Equity		**-136,074,962**	**-143,347,443**
Provision for deferred tax		1,891,878	0
Provisions		**1,891,878**	**0**
Lease obligations		342,237,354	0
Long-term debt	11	**342,237,354**	**0**
Credit institutions		42	44
Lease obligations	11	15,326,926	0
Prepayments received from customers		5,104,329	5,868,469
Trade payables		6,809,636	5,178,193
Payables to group enterprises		156,099,885	156,849,934
Corporation tax		135,802	556,549
Other payables		4,227,535	2,262,580
Deferred income		1,466,345	0
Short-term debt		**189,170,500**	**170,715,769**
Debt		**531,407,854**	**170,715,769**
Liabilities and equity		**397,224,770**	**27,368,326**
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Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	13,100,000	-156,447,443	-143,347,443
Net effect from change of accounting policy	0	-5,737	-5,737
Adjusted equity at 1 January	13,100,000	-156,453,180	-143,353,180
Net profit/loss for the year	0	7,278,218	7,278,218
Equity at 31 December	**13,100,000**	**-149,174,962**	**-136,074,962**

Notes to the Financial Statements

1 Going concern

The Company has at the year-end a negative equity. The Company has received a Letter of Support and Subordination from its ultimate parent Deutsche Post AG insuring the required funding of its future operation upto 1 July 2021. Furthermore, the Parent Company will subordinate their receivables in favour of other creditors of the Company.

Management has on this basis prepared the Financial Statements on a going concern basis.

2 Key activities

The Company's activity in the year has comprised of logistics services to companies. The logistics services consist of inventory service and inventory management etc.

	2018	2017
	DKK	DKK
3 Staff expenses		
Wages and salaries	27,643,360	17,062,627
Pensions	2,014,463	1,531,591
Other staff expenses	788,199	496,369
	30,446,022	**19,090,587**
Average number of employees	**53**	**38**

4 Special items

Gross profit includes gain on sublease of DKK 7 million.

5 Financial income

	2018	2017
Interest income from subleasing	11,851,810	0
Exchange adjustments	139,048	73,654
	11,990,858	**73,654**

Notes to the Financial Statements

6 Financial expenses

	2018	2017
	DKK	DKK
Interest paid to group companies	566,686	1,068,921
Interest on lease obligations	11,368,903	0
Other financial expenses	260,806	210,378
Exchange adjustments	138,168	80,337
	12,334,563	**1,359,636**

7 Tax on profit/loss for the year

	2018	2017
Current tax for the year	135,802	556,548
Deferred tax for the year	1,891,878	-390,545
Adjustment of tax concerning previous years	-89,547	0
	1,938,133	**166,003**

8 Intangible assets

	Software
	DKK
Cost at 1 January	1,913,822
Additions for the year	16,178
Cost at 31 December	1,930,000
Impairment losses and amortisation at 1 January	375,093
Amortisation for the year	334,513
Impairment losses and amortisation at 31 December	709,606
Carrying amount at 31 December	**1,220,394**

Notes to the Financial Statements

9 Property, plant and equipment

	Land and buildings	Property, plant and machinery	Other fixtures and fittings, tools and equipment
	DKK	DKK	DKK
Cost at 1 January	0	0	433,218
Additions for the year	366,562,604	5,718,446	208,263
Disposals for the year	-366,562,604	0	0
Cost at 31 December	0	5,718,446	641,481
Impairment losses and depreciation at 1 January	0	0	84,907
Depreciation for the year	0	2,052,906	107,331
Impairment losses and depreciation at 31 December	0	2,052,906	192,238
Carrying amount at 31 December	**0**	**3,665,540**	**449,243**
Including right-of-use assets amounting to	0	3,665,540	0

10 Fixed asset investments

	Receivable from subleasing
	DKK
Cost at 1 January	0
Additions for the year	373,517,439
Disposals for the year	-11,422,688
Cost at 31 December	362,094,751
Carrying amount at 31 December	**362,094,751**

The receivables fall due for payment as specified: within 1 year: DKK 13,475,686, between 1 and 5 years DKK 62,310,274 and after 5 years DKK 286,308,791.

Notes to the Financial Statements

11 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:

	2018	2017
	DKK	DKK
Lease obligations		
After 5 years	280,295,770	0
Between 1 and 5 years	61,941,584	0
Long-term part	342,237,354	0
Within 1 year	15,326,926	0
	357,564,280	**0**

12 Contingent assets, liabilities and other financial obligations

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

13 Related parties

Consolidated Financial Statements

The Company's direct parent, DHL Express (Denmark) A/S, does not prepare consolidated financial statements pursuant to section 112(1) of the Danish Financial Statements Act.

Name	Place of registered office
DHL Express (Denmark) A/S, direct parent	Jydekrogen 14, DK-2625 Vallensbæk

The Company's ultimate parent, which prepares concolidated financial statements into which the Company is incorporated as a subsidiary, is Deutsche Post AG.

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

Deutsche Post AG
DE 53105 Bonn
Germany

14 Subsequent events

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

Notes to the Financial Statements

15 Accounting Policies

The Annual Report of DHL Supply Chain Denmark A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The Financial Statements for 2018 are presented in DKK.

Changes in accounting policies

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

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

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

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

Effects of IFRS 15, Revenue from Contracts with Customers

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

Effects of IFRS 16, Leases

Effects of IFRS 16, Leases
In the context of the transition to IFRS 16, right-of-use assets and lease liabilities of DKK 372,281k were recognized as at 1 January 2018. The income statement for 2018 has been adjusted with Revenue reduced DKK 23,274, Other external expenses reduced with DKK 24,455k, Other operating Income increased with DKK 6,955k, Depreciations of property, plant and equipment increased with DKK 2,053k, Financial Income increased with DKK 11,852k, Financial expenses increased with DKK 11,369k and Income taxes increased with DKK 1,445k. Net effect on profit for 2018 amounts to increase of DKK 5,121k. The effect on depreciations are minimal, due to that a sublease was entered into at the same point of time as the head lease.

The Company applied the principles of IFRS 16 in accordance with the modified retrospective approach.

Notes to the Financial Statements

15 Accounting Policies (continued)

The prior-year figures were not adjusted. In addition, DHL Supply Chain A/S has decided to apply the new guidance to leases whose term will end within twelve months of the date of initial application. In such cases, the leases are accounted for as short-term leases and the lease payments associated with them are recognized as an expense from short-term leases.

Lessor accounting under IFRS 16 Leases is substantially unchanged from the accounting under IAS 17 Leases. Lessors will continue to classify all leasing using the same classification principle as in IAS 17 and distinguish between two types of leases; operating and finance leases. If a leased asset is sub-leased under terms transferring substantially all remaining risks and rewards under the head lease to the lessee in the sub-lease, the right-of-use asset is derecognised, and a lease receivable is recognised. Gain/loss on the derecognised right-of-use asset, if any, is recognised in the income statement as Other operating income/expenses.Consideration for non-lease components is unchanged recognised as revenue.

Effects of IFRS 9, Valuation of trade receivables

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

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

The effects of the transition has at 1 January 2018 resulted in decrease of trade receivables of DKK 5,737 recognised directly in equity as retained earnings. Net effect on profit for 2019 has been evaluated to be insignificant.

Recognition and measurement

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.

Notes to the Financial Statements

15 Accounting Policies (continued)

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

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

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

Notes to the Financial Statements

15 Accounting Policies (continued)

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 subsequently measured at amortised cost. They are depreciated over the term of the lease using the straightline method, normally a depreciation period of 3 - 20 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.

Subleasing
The Company enters into arrangements to sublease an underlying asset to a third party, while the Company retains the primary obligation under the original lease. In these arrangements, the Company acts as both the lessee and lessor of the same underlying asset. If a leased asset is sub-leased under terms transferring substantially all remaining risks and rewards under the head lease to the lessee in the sub-lease, the right-of-use asset is derecognised, and a lease receivable is recognised. Gain/loss on the derecognised right-of-use asset, if any, is recognised in the income statement as other operating income/expenses. During the term of the sublease, the Company recognises both finance income on the sublease (as financial income) and interest expense on the head lease (as financial expenses). Consideration for non-lease components is recognised as revenue.

Notes to the Financial Statements

15 Accounting Policies (continued)

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 logistic 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.

Other external expenses

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

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, cost, rent and other operating expenses and other external expenses.

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.

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 the sale of property, plant and equipment and subleases.

Notes to the Financial Statements

15 Accounting Policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Financial income includes finance income from sublease and financial expenses include interest income on finance lease obligations.

Tax on profit/loss for the year

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

The Company is jointly taxed with Danish group enterprises. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

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

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:

Property, plant and machinery	5	years
Other fixtures and fittings, tools and equipment	3-10	years

Depreciation period and residual value are reassessed annually.

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

Notes to the Financial Statements

15 Accounting Policies (continued)

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, the asset is written down to its lower recoverable amount.

Fixed asset investments

Financial lease receivables consist of finance leases where the Company is the lessor. Assets are recognised as lease receivables at the net investment in the balance sheet.

Receivables

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

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. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

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.

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.

Notes to the Financial Statements

15 Accounting Policies (continued)

Financial debts

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

Deferred income

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