
DHL Supply Chain Denmark A/S

Ventrupvej 25, DK-2670 Greve

Annual Report for 1 January - 31 December 2020

CVR No 80 14 26 17

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
30/6 2021

Johannes Franciscus Maria
Scherders
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 Supply Chain 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.

Greve, 30 June 2021

Executive Board

Steffen Lind Sørensen
CEO

Board of Directors

Johannes Franciscus Maria
Scherders
Chairman

Baljinder Grewal

Peter Bernard Korte

Dan Alex Wærn

Steffen Lind Sørensen

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 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 Supply Chain 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.

We communicate with those charged with governance regarding, among other matters, the planned

Independent Auditor's Report

scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 30 June 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 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

Johannes Franciscus Maria Scherders, Chairman
Baljinder Grewal
Peter Bernard Korte
Dan Alex Wærn
Steffen Lind Sørensen

Executive Board

Steffen Lind Sørensen

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:

	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK
Key figures					
Profit/loss					
Gross profit/loss	41,985	37,782	42,501	25,592	24,830
Operating profit/loss	4,739	2,916	-393	2,367	2,509
Profit/loss before financial income and expenses	5,815	3,972	9,560	5,379	2,884
Net financials	-555	-524	-344	-1,286	-1,742
Net profit/loss for the year	3,662	2,720	7,278	3,927	439
Balance sheet					
Balance sheet total	357,621	370,269	397,225	27,368	16,622
Equity	-129,694	-133,355	-136,075	-143,347	-147,274
Investment in property, plant and equipment	51	212	16	433	1,988
Number of employees	65	58	53	38	39
Ratios					
Return on assets	1.6%	1.1%	2.4%	19.7%	17.4%
Solvency ratio	-36.3%	-36.0%	-34.3%	-523.8%	-886.0%
Return on equity	-2.8%	-2.0%	-5.2%	-2.7%	-0.3%

*) 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 2016-2017 have not been restated.

Management's Review

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.

Development in the year

The income statement of the Company for 2020 shows a profit of DKK 3,661,513, and at 31 December 2020 the balance sheet of the Company shows negative equity of DKK 129,693,823.

The result for the year is considered as satisfying.

Expectations for the year ahead

The Company's activity and profit is expected to be in line with the current year.

Capital resources

The Company has at the end of the year a negative equity. We refer to Note 1 in the Financial Statements where it is stated that the Company has received a Letter of Support from ultimate parent Company.

External environment

Every year a report detailing the Group's CSR commitments is prepared. This report also contains an account of the most substantial environmental impacts resulting from the environmental impacts resulting from the Group's worldwide activities. The report can be found on http://www.dpdhl.com/en/investors/financial_reports/corporate_responsibility_report.html. The goal of this strategy is to reach zero emission as a group in 2050.

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 Company and the results of the activities of the Company for the financial year for 2020 have not been affected by any unusual events.

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2020</u> DKK	<u>2019</u> DKK
Gross profit/loss		41,984,615	37,781,821
Staff expenses	2	-35,369,147	-31,126,944
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		<u>-800,446</u>	<u>-2,683,324</u>
Profit/loss before financial income and expenses		5,815,022	3,971,553
Financial income	3	12,843,546	13,359,898
Financial expenses	4	<u>-13,398,610</u>	<u>-13,883,471</u>
Profit/loss before tax		5,259,958	3,447,980
Tax on profit/loss for the year	5	<u>-1,598,445</u>	<u>-728,354</u>
Net profit/loss for the year		<u>3,661,513</u>	<u>2,719,626</u>

Balance Sheet 31 December

Assets

	Note	2020 DKK	2019 DKK
Software		448,394	834,394
Intangible assets	6	448,394	834,394
Property, plant and machinery		1,378,315	1,568,427
Other fixtures and fittings, tools and equipment		292,041	465,365
Property, plant and equipment	7	1,670,356	2,033,792
Receivable from subleasing		334,338,398	348,619,056
Fixed asset investments	8	334,338,398	348,619,056
Fixed assets		336,457,148	351,487,242
Trade receivables		11,527,520	9,528,011
Receivables from group enterprises		6,760,161	4,995,793
Other receivables		2,875,704	4,258,353
Receivables		21,163,385	18,782,157
Currents assets		21,163,385	18,782,157
Assets		357,620,533	370,269,399

Balance Sheet 31 December

Liabilities and equity

	Note	2020 DKK	2019 DKK
Share capital		13,100,000	13,100,000
Retained earnings		-142,793,823	-146,455,336
Equity		-129,693,823	-133,355,336
Provision for deferred tax	10	1,452,521	1,891,878
Provisions		1,452,521	1,891,878
Lease obligations		313,239,082	328,304,709
Other payables		1,675,083	549,155
Long-term debt	11	314,914,165	328,853,864
Credit institutions		30	72
Lease obligations	11	15,065,627	14,221,678
Prepayments received from customers		5,210,639	5,157,088
Trade payables		4,713,374	6,838,046
Payables to group enterprises		137,315,038	143,049,916
Corporation tax		2,355,518	894,358
Other payables	11	6,287,444	2,717,835
		170,947,670	172,878,993
Debt		485,861,835	501,732,857
Liabilities and equity		357,620,533	370,269,399
Going concern	1		
Distribution of profit	9		
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Statement of Changes in Equity

	<u>Share capital</u> DKK	<u>Retained earnings</u> DKK	<u>Total</u> DKK
Equity at 1 January	13,100,000	-146,455,336	-133,355,336
Net profit/loss for the year	<u>0</u>	<u>3,661,513</u>	<u>3,661,513</u>
Equity at 31 December	<u>13,100,000</u>	<u>-142,793,823</u>	<u>-129,693,823</u>

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 up to 9 November 2022. 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.

	<u>2020</u> DKK	<u>2019</u> DKK
2 Staff expenses		
Wages and salaries	31,981,579	27,758,358
Pensions	2,600,785	2,258,824
Other staff expenses	786,783	1,109,762
	<u>35,369,147</u>	<u>31,126,944</u>
Average number of employees	<u>65</u>	<u>58</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

3 Financial income

Interest income from subleasing	12,830,558	13,349,621
Exchange adjustments	12,988	10,277
	<u>12,843,546</u>	<u>13,359,898</u>

4 Financial expenses

Interest paid to group companies	795,241	673,855
Other financial expenses	12,603,369	13,209,616
	<u>13,398,610</u>	<u>13,883,471</u>

Notes to the Financial Statements

	2020 <u>DKK</u>	2019 <u>DKK</u>
5 Tax on profit/loss for the year		
Current tax for the year	1,496,550	758,556
Deferred tax for the year	-439,357	0
Adjustment of tax concerning previous years	541,252	-30,202
	<u>1,598,445</u>	<u>728,354</u>
 6 Intangible assets		
		<u>Software DKK</u>
Cost at 1 January		1,930,000
Cost at 31 December		<u>1,930,000</u>
Impairment losses and amortisation at 1 January		1,095,606
Amortisation for the year		<u>386,000</u>
Impairment losses and amortisation at 31 December		<u>1,481,606</u>
Carrying amount at 31 December		<u>448,394</u>
 7 Property, plant and equipment		
	<u>Property, plant and machinery DKK</u>	<u>Other fixtures and fittings, tools and equipment DKK</u>
Cost at 1 January	5,722,354	853,907
Additions for the year	<u>0</u>	<u>51,009</u>
Cost at 31 December	<u>5,722,354</u>	<u>904,916</u>
Impairment losses and depreciation at 1 January	4,153,927	388,542
Depreciation for the year	<u>190,112</u>	<u>224,333</u>
Impairment losses and depreciation at 31 December	<u>4,344,039</u>	<u>612,875</u>
Carrying amount at 31 December	<u>1,378,315</u>	<u>292,041</u>
Including Right-of-use assets	<u>1,378,315</u>	<u>0</u>

Notes to the Financial Statements

8 Fixed asset investments

	Receivable from subleasing DKK
Cost at 1 January	348,619,056
Disposals for the year	<u>-14,280,658</u>
Cost at 31 December	<u>334,338,398</u>
Carrying amount at 31 December	<u>334,338,398</u>

The receivables fall due for payment as specified: within 1 year: DKK 15,120,704, between 1 and 5 years DKK 110,513,198 and after 5 years DKK 208,704,496.

	<u>2020</u> DKK	<u>2019</u> DKK
9 Distribution of profit		
Retained earnings	3,661,513	<u>2,719,626</u>
	<u>3,661,513</u>	<u>2,719,626</u>

10 Provision for deferred tax

Provision for deferred tax at 1 January	1,891,878	1,891,878
Amounts recognised in the income statement for the year	<u>-439,357</u>	<u>0</u>
Provision for deferred tax at 31 December	<u>1,452,521</u>	<u>1,891,878</u>

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:

Lease obligations

After 5 years	244,940,227	263,340,607
Between 1 and 5 years	<u>68,298,855</u>	<u>64,964,102</u>
Long-term part	313,239,082	328,304,709
Within 1 year	<u>15,065,627</u>	<u>14,221,678</u>
	<u>328,304,709</u>	<u>342,526,387</u>

Notes to the Financial Statements

11 Long-term debt (continued)

	2020	2019
	DKK	DKK
Other payables		
Between 1 and 5 years	1,675,083	549,155
Long-term part	1,675,083	549,155
Other short-term payables	6,287,444	2,717,835
	7,962,527	3,266,990

12 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	109,308	109,308
Between 1 and 5 years	327,924	437,232
	437,232	546,540

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.

No other liabilities have been identified.

Notes to the Financial Statements

13 Related parties

	Basis
Controlling interest	
DHL Express (Denmark) A/S Jydekrogen 14 DK-2625 Vallensbæk Denmark	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'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
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

13 Related parties (continued)

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

Deutsche Post AG
Charles-de-Gaulle-Strasse 20
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 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year, change in Company size according to the Danish Financial Statements Act has resulted in additional disclosure requirements

The Financial Statements for 2020 are presented in DKK.

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

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 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

The Company uses IFRS 16 when measuring and recognizing 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

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 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 straight 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.

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.

Notes to the Financial Statements

15 Accounting Policies (continued)

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 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.

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.

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.

Notes to the Financial Statements

15 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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