

Mercer (Danmark) A/S

Teknikerbyen 1, 2., 2830 Virum

CVR no. 11 98 97 48

Annual report 2016

Approved at the annual general meeting of shareholders on 30 May 2017

Chairman:



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Cilla Nygard

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Mercer (Danmark) A/S for the financial year 1 January - 31 December 2016.

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

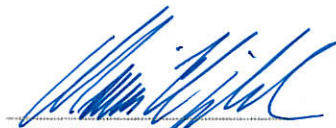
In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Virum, 30 May 2017


Executive Board:




Maria Helene Hjorth

Board of Directors:

Nicolai Berg
Chairman



Cilla Katarina Nygård



Maria Helene Hjorth

Independent auditor's report

To the shareholders of Mercer (Danmark) A/S

Opinion

We have audited the financial statements of Mercer (Danmark) A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Basis for opinion

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

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the management commentary.

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

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

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

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

Copenhagen, 30 May 2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Tim Kjær-Hansen
State-Authorised Public Accountant

Brian Schmit Jensen
State-Authorised Public Accountant

Management's review

Company details

Name	Mercer (Danmark) A/S
Address, Postal code, City	Teknikerbyen 1, 2., 2830 Virum
CVR no.	11 98 97 48
Registered office	Rudersdal
Financial year	1 January - 31 December
Board of Directors	Nicolai Berg, Chairman Cilla Katarina Nygård Maria Helene Hjorth
Executive Board	Maria Helene Hjorth
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6, DK-2300 Copenhagen

Management's review

Management commentary

Business review

The Company's business is to render consultancy and advisory services to companies within Compensation & Benefit.

Financial review

The income statement for 2016 shows a profit of DKK 23,675,281 against a loss of DKK 983,409 last year, and the balance sheet at 31 December 2016 shows equity of DKK 90,578,196.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK	2016	2015
	Gross margin	20,028,778	16,841,846
2	Staff costs	-11,113,877	-12,017,438
3	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-103,512	-145,911
	Profit before net financials	8,811,389	4,678,497
	Gain/(loss) from investments in group companies	16,808,752	-4,446,762
4	Financial income	0	1,159
5	Financial expenses	-6,825	-107,871
	Profit before tax	25,613,316	125,023
6	Tax for the year	-1,938,035	-1,108,432
	Profit/loss for the year	<u>23,675,281</u>	<u>-983,409</u>
	Recommended appropriation of profit/loss		
	Proposed dividend recognised under equity	21,793,335	0
	Extraordinary dividend distributed in the year	0	5,300,000
	Retained earnings/accumulated loss	<u>1,881,946</u>	<u>-6,283,409</u>
		<u>23,675,281</u>	<u>-983,409</u>

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	<u>2016</u>	<u>2015</u>
	ASSETS		
	Fixed assets		
7	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	107,771	211,284
		<u>107,771</u>	<u>211,284</u>
8	Investments		
	Investments in group entities, net asset value	47,158,299	31,274,093
		<u>47,158,299</u>	<u>31,274,093</u>
	Total fixed assets	<u>47,266,070</u>	<u>31,485,377</u>
	Non-fixed assets		
	Receivables		
	Trade receivables	9,108,678	6,246,717
	Work in progress for third parties	143,622	332,319
	Receivables from group entities	4,183,794	8,249,357
	Deferred tax assets	67,539	75,183
	Other receivables	621,502	759,962
	Prepayments	98,756	113,319
		<u>14,223,891</u>	<u>15,776,857</u>
	Cash	43,644,215	38,879,794
	Total non-fixed assets	<u>57,868,106</u>	<u>54,656,651</u>
	TOTAL ASSETS	<u>105,134,176</u>	<u>86,142,028</u>

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2016	2015
	EQUITY AND LIABILITIES		
	Equity		
9	Share capital	1,507,000	1,507,000
	Retained earnings	67,277,861	66,320,461
	Dividend proposed for the year	21,793,335	0
	Total equity	<u>90,578,196</u>	<u>67,827,461</u>
	Liabilities		
	Current liabilities		
	Prepayments received from customers	2,072,029	800,528
	Trade payables	467,440	153,726
	Payables to group entities	2,116,580	9,107,413
	Income taxes payable	1,930,371	483,701
	Other payables	7,969,560	7,769,199
		<u>14,555,980</u>	<u>18,314,567</u>
	Total liabilities other than provisions	<u>14,555,980</u>	<u>18,314,567</u>
	TOTAL EQUITY AND LIABILITIES	<u>105,134,176</u>	<u>86,142,028</u>

- 1 Accounting policies
- 10 Contractual obligations and contingencies, etc.
- 11 Collateral
- 12 Related parties

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Dividend proposed for the year	Total
Equity at 1 January 2015	1,507,000	73,395,581	0	74,902,581
Transfer, see "Appropriation of loss"	0	-983,409	0	-983,409
Exchange adjustment	0	-791,711	0	-791,711
Extraordinary dividend distributed	0	-5,300,000	0	-5,300,000
Equity at 1 January 2016	1,507,000	66,320,461	0	67,827,461
Transfer, see "Appropriation of profit"	0	1,881,946	21,793,335	23,675,281
Exchange adjustment	0	-924,546	0	-924,546
Equity at 31 December 2016	1,507,000	67,277,861	21,793,335	90,578,196

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Mercer (Danmark) A/S for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Referring to section 112(2) of the Danish Financial Statements Act, no consolidated financial statements are prepared. The financial statements of Mercer (Danmark) A/S and its group enterprises are included in the consolidated financial statements of Marsh & McLennan Companies Inc., USA.

Changes to presentation and disclosures only

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

1. Yearly reassessment of residual values of property, plant and equipment.

In future, residual values of property, plant and equipment will be subject to annual reassessment. The company has no significant residual values relating to property, plant and equipment. Consequently, the change is made with future effect only as a change in accounting estimates with no impact on equity.

None of the above changes impacts on the income statement or the balance sheet for 2016 or the comparative figures.

Apart from the above changes as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Fees are recognised as revenue at the time of delivery. VAT, indirect taxes and discounts are excluded from the revenue.

Income from the rendering of services is recognised as revenue as the services are rendered. Accordingly, revenue corresponds to the market value of the services rendered during the year (percentage-of-completion method).

Revenue from the sale of reports is accounted for in net turnover at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Gross margin

The items revenue, change in inventories of finished goods and work in progress, work performed for own account and capitalised, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Other fixtures and fittings, tools and equipment	3-5 years
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The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Income from investments in group entities

The item includes the entity's proportionate share of the profit/loss for the year in subsidiaries after elimination net of intra-group income or losses and net of amortisation and impairment of goodwill.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the reporting period. Net financials include interest income and expenses, realised and unrealised exchange gains and losses on foreign currency transactions and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The Danish income tax charge is allocated between profit making and loss making Danish entities in proportion to their taxable income.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Investments in subsidiaries

On initial recognition, investments in subsidiaries are measured at cost and subsequently at the proportionate share of the entities' net asset values calculated in accordance with the parent company's accounting policies minus or plus any residual value of positive or negative goodwill calculated in accordance with the purchase method of accounting. Subsidiaries with a negative net asset value are measured at DKK 0 (nil), and any amounts owed by such entities are written down by the parent company's share of the net asset value if the amount owed is deemed irrecoverable. If the negative net asset value exceeds the amounts owed, the remaining amount is recognised under provisions if the parent company has a legal or a constructive obligation to cover the entity's deficit. Net revaluations of investments in subsidiaries are transferred to the net revaluation reserve according to the equity method where the carrying amount exceeds the acquisition cost.

Goodwill is measured as the difference between the total purchase price and the fair value of the individual purchased assets and liabilities. Goodwill is amortised over a period of 10 years.

Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Work in progress for third parties

Service supplies and contract work in progress for third parties are measured at the market value of the work performed less progress billings. The market value is calculated based on the stage of completion at the balance sheet date and the total expected income from the relevant contract. The stage of completion is calculated based on the expenses incurred relative to the expected total expenses relating to the relevant contract.

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

DKK	2016	2015
2 Staff costs		
Wages/salaries	9,122,325	9,957,932
Pensions	843,577	805,629
Other social security costs	88,875	53,495
Other staff costs	1,059,100	1,200,382
	11,113,877	12,017,438
Average number of full-time employees	9	10

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK	2016	2015
3 Depreciation of property, plant and equipment	<u>103,512</u>	<u>145,911</u>
Depreciation of property, plant and equipment	<u>103,512</u>	<u>145,911</u>
4 Financial income		
Other financial income	<u>0</u>	<u>1,159</u>
	<u>0</u>	<u>1,159</u>
5 Financial expenses		
Other financial expenses	<u>6,825</u>	<u>107,871</u>
	<u>6,825</u>	<u>107,871</u>
6 Tax for the year		
Estimated tax charge for the year	1,930,371	483,701
Deferred tax adjustments in the year	7,644	624,731
Tax adjustments, prior years	<u>20</u>	<u>0</u>
	<u>1,938,035</u>	<u>1,108,432</u>
7 Property, plant and equipment		
DKK		Other fixtures and fittings, tools and equipment
Cost at 1 January 2016		1,300,619
Transfer from other accounts		<u>5,381</u>
Cost at 31 December 2016		<u>1,306,000</u>
Impairment losses and depreciation at 1 January 2016		1,089,335
Amortisation/depreciation in the year		103,513
Transferred		<u>5,381</u>
Impairment losses and depreciation at 31 December 2016		<u>1,198,229</u>
Carrying amount at 31 December 2016		<u>107,771</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

8 Investments

DKK	Investments in group entities, net asset value
Cost at 1 January 2016	93,177,880
Cost at 31 December 2016	93,177,880
Value adjustments at 1 January 2016	-61,903,787
Exchange adjustment	-924,546
Share of the profit/loss for the year	16,808,752
Value adjustments at 31 December 2016	-46,019,581
Carrying amount at 31 December 2016	47,158,299

Name	Legal form	Domicile	Interest	Equity DKK	Profit/loss DKK
Subsidiaries					
William M. Mercer	AB	Sweden	100.00 %	23,401,360	5,638,151
Mercer Pensionsr�dgivning	A/S	Denmark	100.00 %	15,678,712	4,647,484
Mercer (Norge)	AS	Norway	100.00 %	8,070,631	6,515,523
DKK				2016	2015

9 Share capital

Analysis of the share capital:

1,507 shares of DKK 1,000.00 nominal value each	1,507,000	1,507,000
	1,507,000	1,507,000

The Company's share capital has remained DKK 1,507,000 over the past 5 years.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

10 Contractual obligations and contingencies, etc.

Other contingent liabilities

The company is subject to the Danish scheme of jointly taxation and unlimited jointly and severally liable with other jointly taxed companies in the Marsh group for the total corporation tax.

The company is jointly and severally liable with other jointly taxed group entities for payment of income taxes, taxes on dividends, interest and royalties.

Other financial obligations

The company has, jointly with the group enterprise Marsh A/S, assumed lease obligations regarding office space for a combined amount of M.DKK 9.8 (2015: M.DKK 11.6) until the earliest possible date of termination.

The company has assumed leasing obligations regarding company cars in the years 2017-2020 for a combined amount of T.DKK 530 (2015: T.DKK 925).

11 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2016.

12 Related parties

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Marsh & McLennan Companies, Inc.	New York, USA	Marsh & McLennan Companies, Inc., 1166 Avenue of the Americas New York, New York 10036-2774

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

Name	Domicile
MMC Regional Europe Holdings B.V.	Netherland

