Mercer (Danmark) A/S

Teknikerbyen 1, 2., 2830 Virum

CVR no. 11 98 97 48

Annual report 2017

Approved at the Company's annual general meeting on 18 June 2018

Chairman:

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Cilla Katarina Nygård

Contents

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 2017.

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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

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, 18 June 2018
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 01.01.2017 - 31.12.2017, 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 31.12.2017, and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 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.

Independence

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 rules and requirements.

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.

Independent auditor's report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and 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, 18 June 2018
Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56

Tim Kjær-Hansen	Brian Schmit Jensen
State-Authorised Public Accountant	State-Authorised Public Accountant
MNE no.: mne23295	MNE no.: mne40050

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

Business review

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

Financial review

The income statement for 2017 shows a profit of DKK 22,303,210 against a profit of DKK 23,675,281 last year, and the balance sheet at 31 December 2017 shows equity of DKK 90,102,357.

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 1 January - 31 December

Income statement

Note	DKK	2017	2016
	Gross margin	21,349,011	20,028,778
2	Staff costs	-12,941,390	-11,113,877
3	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-52,614	-103,512
	Profit before net financials	8,355,007	8,811,389
	Gain/(loss) from investments in group companies	15,848,473	16,808,752
4	Financial expenses	-63,640	-6,825
	Profit before tax	24,139,840	25,613,316
5	Tax for the year	-1,836,630	-1,938,035
	Profit for the year	22,303,210	23,675,281
	Recommended appropriation of profit		
	Proposed dividend recognised under equity	39,800,000	21,793,335
	Retained earnings/accumulated loss	-17,496,790	1,881,946
		22,303,210	23,675,281

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2017	2016
	ASSETS		
	Fixed assets		
6	**Property, plant and equipment**		
	Other fixtures and fittings, tools and equipment	55,157	107,771
		55,157	107,771
7	**Investments**		
	Investments in group entities, net asset value	60,776,299	47,158,299
		60,776,299	47,158,299
	Total fixed assets	60,831,456	47,266,070
	Non-fixed assets		
	Receivables		
	Trade receivables	6,453,882	9,108,678
	Work in progress for third parties	581,261	143,622
	Receivables from group entities	3,684,910	4,183,794
	Deferred tax assets	341,171	67,539
	Other receivables	746,293	621,502
	Prepayments	87,018	98,756
		11,894,535	14,223,891
	Cash	34,132,305	43,644,215
	Total non-fixed assets	46,026,840	57,868,106
	TOTAL ASSETS	106,858,296	105,134,176

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	1,507,000	1,507,000
	Retained earnings	48,795,357	67,277,861
	Dividend proposed for the year	39,800,000	21,793,335
	Total equity	90,102,357	90,578,196
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Prepayments received from customers	1,709,225	2,072,029
	Trade payables	106,230	467,440
	Payables to group entities	4,684,863	2,116,580
	Income taxes payable	2,110,262	1,930,371
	Other payables	8,145,359	7,969,560
		16,755,939	14,555,980
	Total liabilities other than provisions	16,755,939	14,555,980
	TOTAL EQUITY AND LIABILITIES	106,858,296	105,134,176

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Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Dividend proposed for the year	Total
Equity at 1 January 2016	1,507,000	66,320,461	0	67,827,461
Transfer through appropriation of profit	0	1,881,946	21,793,335	23,675,281
Exchange adjustment	0	-924,546	0	-924,546
Equity at 1 January 2017	1,507,000	67,277,861	21,793,335	90,578,196
Transfer through appropriation of profit	0	-17,496,790	39,800,000	22,303,210
Exchange adjustment	0	-985,714	0	-985,714
Dividend distributed	0	0	-21,793,335	-21,793,335
Equity at 31 December 2017	1,507,000	48,795,357	39,800,000	90,102,357

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Mercer (Danmark) A/S for 2017 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.

The accounting policies used in the preparation of the financial statements 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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

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 subsidiaries

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 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.

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

Equity investments in subsidiaries and associates are measured according to the equity method.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Impairment of fixed 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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

	DKK	2017	2016
2	**Staff costs**		
	Wages/salaries	10,888,792	9,122,325
	Pensions	907,417	843,577
	Other social security costs	63,260	88,875
	Other staff costs	1,081,921	1,059,100
		12,941,390	11,113,877
	Average number of full-time employees	9	9
3	**Depreciation of property, plant and equipment**		
	Depreciation of property, plant and equipment	52,614	103,512
		52,614	103,512
4	**Financial expenses**		
	Other financial expenses	63,640	6,825
		63,640	6,825
5	**Tax for the year**		
	Estimated tax charge for the year	2,110,262	1,930,371
	Deferred tax adjustments in the year	-273,632	7,644
	Tax adjustments, prior years	0	20
		1,836,630	1,938,035

6 **Property, plant and equipment**

DKK	Other fixtures and fittings, tools and equipment
Cost at 1 January 2017	1,306,000
Cost at 31 December 2017	1,306,000
Impairment losses and depreciation at 1 January 2017	1,198,229
Amortisation/depreciation in the year	52,614
Impairment losses and depreciation at 31 December 2017	1,250,843
Carrying amount at 31 December 2017	55,157

Financial statements 1 January - 31 December

Notes to the financial statements

7 Investments

DKK	Investments in group entities, net asset value
Cost at 1 January 2017	93,177,880
Additions in the year	7,518,233
Cost at 31 December 2017	100,696,113
Value adjustments at 1 January 2017	-46,019,581
Exchange adjustment	-985,717
Dividend distributed	-8,762,990
Share of the profit/loss for the year	15,848,474
Value adjustments at 31 December 2017	-39,919,814
Carrying amount at 31 December 2017	60,776,299

Name	Legal form	Domicile	Interest	Equity DKK	Profit/loss DKK
Subsidiaries					
William M. Mercer	AB	Sweden	100.00%	33,285,942	10,396,234
Mercer Pensionsrådgivning	A/S	Denmark	100.00%	16,852,132	9,936,410
Mercer (Norge)	AS	Norway	100.00%	10,638,225	-4,484,170

DKK	2017	2016
8 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 1 January - 31 December

Notes to the financial statements

9 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 dividens, 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 6.6 (2016: M.DKK 9.8) until the earliest possible date of termination.

The company has assumed leasing obligations regarding company cars in the years 2018-2021 for a combined amount of M.DKK 0.6 (2016: M.DKK 0.5).

10 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2017.

11 Related parties

Information about consolidated financial statements

Parent	Domicile
Marsh & McLennan Companies, Inc.	1166 Avenue of the Americas, New York, United States

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.	Conradstraat 18A, 3013 AP Rotterdam Netherland