Mercer (Danmark) A/S

Teknikerbyen 1, Søllerød, 2830 Virum

CVR no. 11 98 97 48

Annual report 2018

Approved at the Company's annual general meeting on 17 June 2019

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 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 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.

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, 17 June 2019
Executive Board:

Dorothee Carolin Gnädinger
Managing Director

Board of Directors:

Cilla Katarina Nygård Chairman	Achim Lueder	Dorothee Carolin Gnädinger

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 01.01.2018 - 31.12.2018, 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 31.12.2018, and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 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, 17 June 2019
Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56

Tim Kjær-Hansen
State-Authorised Public Accountant
mne23295

Management's review

Company details

Name	Mercer (Danmark) A/S
Address, Postal code, City	Teknikerbyen 1, Søllerød, 2830 Virum
CVR no.	11 98 97 48
Registered office	Rudersdal
Financial year	1 January - 31 December
Board of Directors	Cilla Katarina Nygård, Chairman Achim Lueder Dorothee Carolin Gnädinger
Executive Board	Dorothee Carolin Gnädinger, Managing Director
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 2018 shows a profit of DKK 47,155,379 against a profit of DKK 10,277,259 last year, and the balance sheet at 31 December 2018 shows equity of DKK 58,384,915.

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	2018	2017
	Gross profit	26,853,977	21,349,011
2	Staff costs	-16,898,126	-12,941,390
3	Depreciation of property, plant and equipment	-53,044	-52,614
	Profit before net financials	9,902,807	8,355,007
	Gain/(loss) from investments in group companies*)	39,642,421	3,822,522
4	Financial expenses	-249,468	-63,640
	Profit before tax	49,295,760	12,113,889
5	Tax for the year	-2,138,154	-1,836,630
	Other taxes	-2,227	0
	Profit for the year	47,155,379	10,277,259
	Recommended appropriation of profit		
	Proposed dividend recognised under equity	43,500,000	39,800,000
	Retained earnings/accumulated loss	3,655,379	-29,522,741
		47,155,379	10,277,259

*) The comparative figures have been adjusted for comparison purposes. Reference is made to the Changes in accounting policy section in the notes to the financial statements.

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2018	2017
	ASSETS		
	Fixed assets		
6	Property, plant and equipment		
	Land and buildings	2,113	55,157
		2,113	55,157
7	Investments		
	Investments in group entities, net asset value *)	27,115,152	21,703,479
		27,115,152	21,703,479
	Total fixed assets	27,117,265	21,758,636
	Non-fixed assets		
	Receivables		
	Trade receivables	8,511,868	6,453,882
	Work in progress for third parties	1,039,427	581,261
	Receivables from group entities	5,052,039	3,684,910
	Deferred tax assets	313,997	341,171
	Other receivables	1,002,074	746,293
	Prepayments	88,320	87,018
		16,007,725	11,894,535
	Cash	32,855,370	34,132,305
	Total non-fixed assets	48,863,095	46,026,840
	TOTAL ASSETS	75,980,360	67,785,476

*) The comparative figures have been adjusted for comparison purposes. Reference is made to the Changes in accounting policy section in the notes to the financial statements.

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	1,507,000	1,507,000
	Retained earnings *)	13,377,915	9,722,536
	Dividend proposed for the year	43,500,000	39,800,000
	Total equity	58,384,915	51,029,536
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Prepayments received from customers	2,911,266	1,709,225
	Trade payables	215,258	106,231
	Payables to group entities	2,311,614	4,684,863
	Income taxes payable	2,110,980	2,110,262
	Other payables	10,046,327	8,145,359
		17,595,445	16,755,940
	Total liabilities other than provisions	17,595,445	16,755,940
	TOTAL EQUITY AND LIABILITIES	75,980,360	67,785,476

1 Accounting policies
9 Contractual obligations and contingencies, etc.
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*) The comparative figures have been adjusted for comparison purposes. Reference is made to the Changes in accounting policy section in the notes to the financial statements.

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 2017	1,507,000	67,277,861	21,793,335	90,578,196
Changes in accounting policies	0	-28,032,584	0	-28,032,584
Adjusted equity at 1 January 2017	1,507,000	39,245,277	21,793,335	62,545,612
Transfer through appropriation of profit	0	-29,522,741	39,800,000	10,277,259
Dividend distributed	0	0	-21,793,335	-21,793,335
Equity at 1 January 2018	1,507,000	9,722,536	39,800,000	51,029,536
Transfer through appropriation of profit	0	3,655,379	43,500,000	47,155,379
Dividend distributed	0	0	-39,800,000	-39,800,000
Equity at 31 December 2018	1,507,000	13,377,915	43,500,000	58,384,915

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Mercer (Danmark) A/S for 2018 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 in accounting policies

Until 1 January 2018, Investments in subsidiaries were stated at equity value. 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 amortization and impairment of goodwill were recognized in the income statement. Any changes of the subsidiaries' equity value due to foreign currency exchange differences were recognized directly in shareholders' equity as exchange adjustment.

Since it is more common in the Marsh & McLennan Companies Inc. Group to measure Investments in subsidiaries at cost or lower fair value, the company decided to change to this accounting policy.

Based on the new accounting principles, the book value of Investments in subsidiaries (cost less accumulated depreciation and amortization) has been calculated as per 1 January 2017. The carrying amount prior to the accounting policy change as at 1 January 2017 was M.DKK 28.0 higher than the revised carrying amount as at 1 January 2017. This amount has been deducted from Retained earnings as per 1 January 2017 as the effect of the change in accounting policy.

The impact of the change in accounting policy on Investments in subsidiaries and shareholders' equity at
year-end 2017 was M.DKK 39.1 negative. The impact of the change in accounting policy on the 2017 profit for the year was M.DKK 12.0 negative.

The change in accounting policy made in 2018 has an impact on shareholders’ equity of approximately M.DKK 23.8 negative and approximately M.DKK 14.1 positive on the results of the financial year 2018.

The accounting policies used in the preparation of the financial statements are otherwise consistent with those of last year. Comparative figures have been restated to reflect the policy changes.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Income statement

Revenue

The Company has chosen IAS 11 as interpretation for revenue recognition.

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 profit

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

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Gain/(loss) from investments in group companies

Gain/(loss) from investments in group companies includes dividend income, which is recognized upon declaration of dividends. Further, the item includes any value adjustments of investments for the year.

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

Investments in subsidiaries are stated at acquisition cost. After their initial recognition, investments in subsidiaries are carried at the lower of cost or fair market value.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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".

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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	2018	2017
2	Staff costs		
	Wages/salaries	14,477,849	10,888,792
	Pensions	1,437,729	907,417
	Other social security costs	78,384	63,260
	Other staff costs	904,164	1,081,921
		16,898,126	12,941,390
	Average number of full-time employees	14	9
3	Depreciation of property, plant and equipment		
	Depreciation of property, plant and equipment	53,044	52,614
		53,044	52,614
4	Financial expenses		
	Other interest expenses	183,923	0
	Other financial expenses	65,545	63,640
		249,468	63,640

Financial statements 1 January - 31 December

Notes to the financial statements

5 Tax for the year

Estimated tax charge for the year	2,110,980	2,110,262
Deferred tax adjustments in the year	27,174	-273,632
	2,138,154	1,836,630

6 Property, plant and equipment

DKK	Land and buildings
Cost at 1 January 2018	1,306,000
Cost at 31 December 2018	1,306,000
Impairment losses and depreciation at 1 January 2018	1,250,843
Amortisation/depreciation in the year	53,044
Impairment losses and depreciation at 31 December 2018	1,303,887
Carrying amount at 31 December 2018	2,113

7 Investments

DKK	Investments in group entities, net asset value
Cost at 1 January 2018	100,696,102
Additions in the year	6,049,152
Cost at 31 December 2018	106,745,254
Value adjustments at 1 January 2018	-78,992,623
Other adjustments, investments	-637,479
Value adjustments at 31 December 2018	-79,630,102
Carrying amount at 31 December 2018	27,115,152

Name	Legal form	Domicile	Interest	Equity DKK	Profit/loss DKK
Subsidiaries					
William M. Mercer	AB	Sweden	100.00%	17,277,990	14,120,793
Mercer Pensionsrådgivning	A/S	Denmark	100.00%	17,649,420	11,997,288
Mercer (Norge)	AS	Norway	100.00%	15,987,518	-584,667

Financial statements 1 January - 31 December

Notes to the financial statements

	DKK	2018	2017
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.

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 4.1 (2017: M.DKK 6.6) until the earliest possible date of termination.

The company has assumed leasing obligations regarding company cars in the years 2019-2022 for a combined amount of M.DKK 0.8 (2017: M.DKK 0.6).

10 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2018.

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 The Netherlands