

Element METECH A/S

Herningvej 30
7470 Karup J

CVR no. 21 49 79 32

Annual report 2018

The annual report was presented and approved at the
Company's annual general meeting on

23 May 2019

Karl Henning Bjerg
chairman



Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Company details	5
Financial highlights	6
Operating review	7
Financial statements 1 January – 31 December	9
Income statement	9
Balance sheet	10
Statement of changes in equity	12
Notes	13

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Element METECH A/S for the financial year 1 January – 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position 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 development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

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

Karup, 23 May 2019
Executive Board:

Bendix Frede Christensen

Board of Directors:

Mats Stefan Boström
Chairman

Joseph Daniel Wetz

Leif Arne Åstrøm

Bendix Frede Christensen

Jesper Allan Sørensen

Bent Reventlov Husted

Independent auditor's report

To the shareholders of Element METECH A/S

Opinion

We have audited the financial statements of Element METECH A/S for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity and notes, including 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 Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

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 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 responsibility 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 that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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 company 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 Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the 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 of the Management's review.

Herring, 23 May 2019

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Niels Jørgen Jørgensen
State Authorised
Public Accountant
mne8217

Element METECH A/S
Annual report 2018
CVR no. 21 49 79 32

Management's review

Company details

Element METECH A/S
Herningvej 30
7470 Karup J

CVR no.:	21 49 79 32
Established:	1 January 1999
Financial year:	1 January – 31 December

Board of Directors

Mats Stefan Boström, Chairman
Joseph Daniel Wetz
Leif Arne Åstrøm
Bendix Frede Christensen
Jesper Allan Sørensen
Bent Reventlov Husted

Executive Board

Bendix Frede Christensen

Auditor

ERNST & YOUNG
Godkendt Revisionspartnerselskab

Management's review

Financial highlights

DKK	2018	2017	2016	2015	2014
Key figures					
Gross profit	28,029,911	26,248,644	26,211,130	22,432,543	20,279,483
Ordinary operating profit	10,109,552	8,057,414	7,766,431	5,071,802	5,490,612
Profit/loss from financial income and expenses	-204,537	-61,681	95,479	-128,345	-306,270
Profit/loss for the year	7,692,922	6,265,904	6,165,363	3,796,195	3,883,678
Balance sheet					
Total assets	69,773,982	61,345,705	55,192,155	46,973,634	47,719,235
Equity	49,183,347	41,490,424	35,224,521	29,059,158	25,262,963
Investment in property, plant and equipment	4,459,785	4,959,174	3,410,905	3,735,362	2,033,623
Ratios					
Return on equity	17.6%	16.4%	19.2%	14.0%	16.7%
Solvency ratio	70.1%	67.3%	63.8%	61.9%	52.9%
Employees					
Average number of full-time employees	111	106	106	99	96

Financial ratios are calculated in accordance with the guidelines "Recommendations & Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Return on equity
$$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Solvency ratio
$$\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

Management's review

Operating review

Principal activities

Element Metech A/S is engaged within calibration and repair of measuring equipment. The Company's strength is a total concept called Metech Instrument Management. This includes calibration and maintenance of mechanical, geometric, electronic, temperature, optical, acoustic and medico technical measuring equipment. The Metech Instrument Management concept also includes all services related to administration, procurement, maintenance and disposal of measuring equipment. In addition, logistics, courses and consulting services are offered.

Development in activities and financial position

In 2018, Element Metech A/S acquired the meter laboratory of Eniig Energiteknik A/S. The laboratory is working on reverification of electricity meters and is the leading supplier of this service for already installed electricity meters in Denmark. With this acquisition, Element Metech A/S has further strengthened its position within calibration and verification in the field of electrical energy production and distribution. It is planned that the new laboratory will be moved to Karup in 2019 and integrated with the Company's other activities.

In the summer of 2018, the Company changed its name from Exova Metech A/S to Element Metech A/S. This is because Element in 2017 had purchased the company Exova Ltd with all its subsidiaries. Thus, Element Metech A/S has now become part of a worldwide group of over 7,500 employees. Because most of the larger customers that Element Metech A/S works for are international, this means that we can now offer global service to our customers through the use of our global network even better than before.

It is essential for the Company's continued growth to attract and retain technicians with a high level of competence, including technicians with know-how and expertise in calibration and validation. As our larger customers often work internationally, great demands are placed on our employees' qualifications and the services we provide. We therefore constantly focus on employee development, while at the same time our growth requires that we can continuously attract new highly qualified colleagues to the Company.

The Company's income statement for 2018 shows a result of 7.7 million DKK against last year's result of 6.3 million DKK, and the Company's balance sheet per December 31, 2018 shows an equity of 49.2 million DKK.

The result for 2018 is considered very satisfactory.

Environmental matters

Element Metech A/S is environmentally aware and works continuously to reduce the environmental impact of the Company's operations.

In 2018, the development of collecting and recycling spare parts and waste products continues, just as other excess materials are collected and recycled to the extent possible. At the same time, we work with our customers to limit paper consumption by using electronic certificates instead of extensive printed reports.

Events after the balance sheet date

There have been no events since the end of the year that could materially affect the assessment of the Company's financial position.

Element METECH A/S
Annual report 2018
CVR no. 21 49 79 32

Management's review

Operating review

Outlook

Element Metech A/S expects a continued positive development in 2019 with new and exciting tasks. In particular, there are great expectations for strengthening and increasing sales within the Life Science area as well as further expansion in the energy sector.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2018	2017
Gross profit		28,029,911	26,248,644
Distribution costs	2	-3,150,605	-2,668,505
Administrative expenses	2	-14,769,754	-15,522,725
Other operating income		1,654	20,000
Operating profit		10,111,206	8,077,414
Financial income	3	0	1,715
Financial expenses	4	-204,537	-63,396
Profit before tax		9,906,669	8,015,733
Tax on profit for the year	5	-2,213,747	-1,749,829
Profit for the year	6	7,692,922	6,265,904

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2018	31/12 2017
ASSETS			
Fixed assets			
Intangible assets	7		
Acquired patents		330,665	591,533
Goodwill		1,518,000	1,714,000
		<u>1,848,665</u>	<u>2,305,533</u>
Property, plant and equipment	8		
Plant and machinery		12,591,224	10,890,131
Fixtures and fittings, tools and equipment		135,306	170,315
Leasehold improvements		1,939,189	2,200,890
		<u>14,665,719</u>	<u>13,261,336</u>
Investments			
Other receivables		792,904	771,994
Total fixed assets		<u>17,307,288</u>	<u>16,338,863</u>
Current assets			
Inventories			
Raw materials and consumables		357,861	352,062
Work in progress		3,190,946	2,018,726
		<u>3,548,807</u>	<u>2,370,788</u>
Receivables			
Trade receivables		25,760,232	20,523,586
Receivables from group entities		18,469,483	15,290,415
Other receivables		240,953	150,917
Prepayments		1,140,371	860,325
		<u>45,611,039</u>	<u>36,825,243</u>
Cash at bank and in hand		<u>3,306,848</u>	<u>5,810,811</u>
Total current assets		<u>52,466,694</u>	<u>45,006,842</u>
TOTAL ASSETS		<u><u>69,773,982</u></u>	<u><u>61,345,705</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2018	31/12 2017
EQUITY AND LIABILITIES			
Equity			
Contributed capital	9	5,000,000	5,000,000
Retained earnings		<u>44,183,347</u>	<u>36,490,424</u>
Total equity		<u>49,183,347</u>	<u>41,490,424</u>
Provisions			
Provisions for deferred tax		<u>1,161,123</u>	<u>950,275</u>
Total provisions		<u>1,161,123</u>	<u>950,275</u>
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		1,918,353	2,170,541
Payables to group entities		1,865,710	3,735,921
Corporation tax		1,394,318	1,303,695
Other payables		<u>14,251,131</u>	<u>11,694,849</u>
		<u>19,429,512</u>	<u>18,905,006</u>
Total liabilities other than provisions		<u>19,429,512</u>	<u>18,905,006</u>
TOTAL EQUITY AND LIABILITIES		<u>69,773,982</u>	<u>61,345,705</u>
Staff cost			
Contractual obligations, contingencies, etc.	10		
Related party disclosures	11		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK	<u>Contributed capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2018	5,000,000	36,490,425	41,490,425
Transferred over the profit appropriation	<u>0</u>	<u>7,692,922</u>	<u>7,692,922</u>
Equity at 31 December 2018	<u>5,000,000</u>	<u>44,183,347</u>	<u>49,183,347</u>

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Element METECH A/S for 2018 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are recognised in the cash flow statement contained in the consolidated financial statements of Element Materials Technology Ltd.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated into Danish kroner at the exchange rates at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated into Danish kroner at the exchange rates at the balance sheet date. Realised and unrealised exchange gains and exchange losses are recognised as financial income and financial expenses in the income statement.

Income statement

Revenue

Income from the sale of goods for sale is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income is expected to be received. Revenue is measured ex VAT, duties and discounts.

Income from services is recognised as income when invoiced.

Gross Profit

Referring to section 32 of the Danish Financial Statements Act, the items revenue and up to and including other external costs have been aggregated in the item "Gross profit".

Distribution costs

Distribution costs comprise costs incurred to distribute goods sold during the year and to conduct sales campaigns, etc., including costs relating to sales staff, advertising and exhibitions.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Company, including expenses for administrative staff, management, office premises, office expenses and depreciation.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Other operating income

Other operating income comprises items secondary to the activities of the Company.

Depreciation/amortisation and impairment losses

Depreciation/amortisation and impairment losses relate to intangible assets and property, plant and equipment. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Goodwill 10-20 years
Licenses acquired 3-5 years
Patents acquired 3-5 years
Leasehold improvements 5-10 years
Plant and machinery 5-7 years
Fixtures and fittings, tools and equipment 4-7 years

Goodwill is attributable to the take-over of calibration lab specialising in the calibration of instruments used in the pharmaceutical industry and to the take-over of other calibration businesses. The pharmaceutical industry is characterised by a high degree of insensitivity to market fluctuations. Accordingly, we have chosen an amortisation period of 20 years for this goodwill caption.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts attributable to the financial year. Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, realised and unrealised gains and losses on securities, payables and transactions denominated in foreign currencies as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

Balance sheet

Intangible assets

Goodwill is measured at cost less accumulated amortisation and impairment losses.

The carrying amount of goodwill is subject to impairment testing if there is indication of impairment. The impairment test is made of the activity or the business area to which goodwill relates. Goodwill is written down to the higher of its value in use and the net selling price for the activity or the business area to which goodwill relates (recoverable amount) if this is lower than carrying amount.

Other intangible assets comprise software licenses and product development.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Other intangible assets are measured at cost less accumulated amortisation and impairment losses. The carrying amount of intangible assets acquired is subject to impairment testing if there is indication of impairment. Impairment tests are conducted of individual assets or groups of assets. The assets are written down to the higher of the asset's or the group of assets' value in use and net selling price (recoverable amount) if this is lower than carrying amount.

Property, plant and equipment

Property, plant and equipment comprise leasehold improvement, plant and machinery and fixtures and fittings, tools and equipment. Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Property, plant and equipment which are held under leases and meet the criteria for the recognition as finance leases are accounted for in the same way as assets owned by the Company.

The cost of finance leases is measured at the lower of cost set out in the lease agreements and net present value of lease payments stated on the basis of the interest rates implicit in the lease agreements.

The carrying amount of property, plant and equipment is subject to impairment testing if there is indication of impairment. Impairment tests are conducted of individual assets or groups of assets. The assets are written down to the higher of the asset's or the group of assets' value in use and net selling price (recoverable amount) if this is lower than carrying amount.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Work in progress is measured at manufacturing cost, comprising the cost of raw materials, direct wages and salaries as well as indirect production overheads.

Goods for resale are measured at cost, comprising purchase price plus delivery costs.

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Prepayments and deferred income

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan.

Furthermore, financial liabilities comprise the capitalised residual lease obligation of finance leases.

Other liabilities are measured at net realisable value.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and other items where temporary differences – apart from business combinations – arise at the date of acquisition without affecting either profit/loss or taxable income. In the cases, where the statement of tax value can be based on different taxation rules, deferred tax is measured on the basis of Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; 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 and jurisdiction.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the relevant countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Financial statements 1 January – 31 December

Notes

2 Staff cost

	<u>2018</u>	<u>2017</u>
Wages and salaries	56,274,470	55,148,653
Pensions	4,646,884	4,441,581
Other social security costs	1,128,244	794,684
Salary refunds	<u>-733,351</u>	<u>-661,423</u>
	<u>61,316,247</u>	<u>59,723,495</u>
Average number of full-time employees	<u>111</u>	<u>106</u>

Pursuant to section 98b(3) of the Danish Financial Statements Act, no remuneration of management have been disclosed.

DKK	<u>2018</u>	<u>2017</u>
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3 Financial income

Other financial income	<u>0</u>	<u>1,715</u>
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4 Financial expenses

Other financial costs	51,954	0
Exchange losses	<u>152,583</u>	<u>63,396</u>
	<u>204,537</u>	<u>63,396</u>

5 Tax on profit for the year

Current tax for the year	1,990,318	1,728,276
Deferred tax for the year	210,848	2,302
Adjustment of tax concerning previous years	<u>12,581</u>	<u>19,251</u>
	<u>2,213,747</u>	<u>1,749,829</u>

6 Proposed profit appropriation

Retained earnings	<u>7,692,922</u>	<u>6,265,904</u>
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Financial statements 1 January – 31 December

Notes

7 Intangible assets

DKK	Acquired patents	Goodwill	Total
Cost at 1 January 2018	3,567,482	2,460,000	6,027,482
Cost at 31 December 2018	3,567,482	2,460,000	6,027,482
Amortisation and impairment losses at 1 January 2018	-2,975,949	-746,000	-3,721,949
Amortisation for the year	-260,868	-196,000	-456,868
Amortisation and impairment losses at 31 December 2018	-3,236,817	-942,000	-4,178,817
Carrying amount at 31 December 2018	330,665	1,518,000	1,848,665

8 Property, plant and equipment

DKK	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improvement	Total
Cost at 1 January 2018	41,795,729	1,809,488	7,333,050	50,938,267
Additions for the year	4,329,448	53,948	76,388	4,459,784
Cost at 31 December 2018	46,125,177	1,863,436	7,409,438	55,398,051
Depreciation and impairment losses at 1 January 2018	-30,905,598	-1,639,173	-5,132,160	-37,676,931
Depreciation for the year	-2,628,355	-88,957	-338,089	-3,055,401
Depreciation and impairment losses at 31 December 2018	-33,533,953	-1,728,130	-5,470,249	-40,732,332
Carrying amount at 31 December 2018	12,591,224	135,306	1,939,189	14,665,719

9 Equity

The contributed capital consists of:

50,000 shares of nom. DKK 100 each

The shares have not been divided into classes, and as set out in the Articles of Association, no share certificates have been issued. There have been no changes in the share capital for the past five years.

Financial statements 1 January – 31 December

Notes

10 Contractual obligations, contingencies, etc.

The Company's rental obligations amount to DKK 2,156,138 with duration from two months up to one year and six months.

The Company's operating lease obligations total DKK 1,286,218 with duration from six months up to four years.

11 Related party disclosures

Consolidated financial statements

The Company is included in the consolidated financial statements of Element Materials Technology Ltd., whose registered office is 5 Fleet Place London, EC4M 7RD, United Kingdom with registration number 09915810.

The consolidated financial statements of Element Materials Technology Ltd. can be obtained from Element Metech A/S.

DKK	<u>2018</u>	<u>2017</u>
Transactions with related parties		
Sale of calibration	3,120,089	4,458,651
Purchase of calibration	168,362	210,328
Sale of administrative assistance	94,452	98,240
Purchase of administrative assistance	1,848,636	3,353,854
Management fee	2,089,000	1,951,169
Lending of liquidity to related parties	18,032,682	14,332,682