STERIGENICS DENMARK A/S

Registered Office: Aa. Louis-Hansens Alle 11, 3060 Espergærde

CVR-number 26 29 96 91

Annual Report 2016

Financial year: 01.01.2016 – 31.12.2016
15. Financial year

Adopted at the Annual General Meeting of the company April 7 2017

Eric Meyers
Chairman

Contents

Company Information

The Company	STERIGENICS DENMARK A/S Aa. Louise-Hansens Alle 11 3060 Espergærde Municipality of reg. office: Helsingør
Executive Board	Kim Harboe
Supervisory Board	Eric Meyers Kim Harboe Robin Van Der Bergh
Auditors	Ernst & Young Osvald Helmuths Vej 4 2000 Frederiksberg
Financial Year	1 January - 31 December

Management's Review

The Company´s business review

The Company´s objective is to perform contract sterilisation of hospital equipment and other products as well as other services related to contract sterilisation.

Significant changes in the company's activities and financial affairs

There has been no significant changes in the activities and financial position during the financial year.

The results of the financial year are a result before tax of DKK 9,711,866 compared to a result before tax of DKK 6,689,042 in the financial year 2015. The results achieved are satisfactory.

Subsequent events

It is Management's assessment that after the end of the financial year no events have occurred, which have a material influence on the assessment of the financial statements.

Management’s Statement on the Annual Report

The Board of Directors and the Executive Board have today discussed and approved the Annual Report 2016 of STERIGENICS DENMARK A/S.

The Annual Report was prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Annual Report gives a true and fair view of the Company’s financial position at 31 December 2016 and the results of operations for the financial year 1 January - 31 December 2016 of the Company.

In our opinion, the Management’s review includes a fair review of the matters discussed in the Management review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Espergærde, April 7 2017.

Executive Board

Kim Harboe

Supervisory Board

Eric Meyers	Kim Harboe	Robin Van Der Bergh

Independent Auditors' Report

To the shareholders of STERIGENICS DENMARK A/S:

Opinion

We have audited the financial statements of STERIGENICS DENMARK A/S for the financial year 1 January – 31 December 2016, which comprise an income statement, balance sheet, 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 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 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 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 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism 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 auditors' 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 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 Management's review
Management is responsible for Management's review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's review and, in doing so, consider whether Management's review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, April 7 2017
Ernst & Young
Godkendt Revisionspartnerselskab
CVR-nr. 30 70 02 28

Martin Alsbæk
State Authorised
Public Accountant

Accounting Policies

Basis of accounting

The Annual Report of STERIGENICS DENMARK A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B. The Management has chosen to follow certain rules from reporting class C.

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:
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 other than those relating to the Company's land. 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.

The Annual Report for 2016 has been prepared in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned, which includes recognition of value adjustments of financial assets and liabilities. Furthermore, all expenses incurred, including depreciation, amortisation and impairment losses, are recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any deductions and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report, which confirm or invalidate affairs and conditions existing at the balance sheet date.

Accounting Policies

Translation policies

Transactions in foreign currencies are translated during the year at the exchange rates at the dates of transaction. Exchange differences between the exchange rates at the balance sheet date and the transactions date rates are recognised in financial income and expenses in the income statement. If exchange rate transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the exchange rate at the time of contracting the receivable or the debt is recognised in financial income and expenses in the income statement.

Fixed assets purchased in foreign currencies are measured at the rate of exchange at the date of transaction.

Income statement

Gross profit

Referring to the Danish Financial Statements Act §32, net revenue and production costs are aggregated to Gross gain.

Revenue

Revenue is recognized in the income statement provided that delivery and transfer of risk have been made to the purchaser by the end of the year. Revenue is recognized exclusive of VAT and net discounts relating to sales.

Cost of production

Production costs include costs spent to achieve the turnover of the year. The costs include consumables, labour costs and production overhead such as maintenance and depreciations etc.

Administrative expenses

Administration expenses include costs for office and other administrative overhead.

Sales and Distribution costs

Sales and distribution expenses include costs for advertisement and marketing, car service and depreciations regarding goodwill etc.

Accounting Policies

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Financial income and expenses comprise interest income and expenses, realised and unrealised exchange gains and losses concerning debt and transactions in foreign currencies as well as extra payments and repayment under the on-account taxation scheme.

Corporation tax

The tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity entries is recognised directly in equity.

Balance sheet

Non-current assets

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Production buildings	25	Years
Plant and machinery	10-20	Years
Other fixtures and fittings, tools and equipment	3-10	Years

Estimated residual value after use is DKK 0.

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are 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 depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Gains or losses on disposal of tangible assets are calculated as the difference between selling price less selling costs and the book value at the time of sale. Gains and losses are recognized as other operating income or other operating expenses.

Impairment of fixed assets

An impairment test is made for property, plant and equipment, and intangible assets, if there are indications of decreases in value. The impairment test is made for each individual asset or group of assets, respectively. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

Accounting Policies

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value. The value is reduced by provision for bad debts. Impairment are made at net realizable value.

Cash

Cash at bank and in hand comprise cash and bank balances.

Deferred income assets

Prepayments include expenses incurred in respect of subsequent financial years.

Provisions

Provisions include expected costs related to royalty obligations and are recognized at the balance sheet date, when the company has a legal or actual obligation and it is probable that the obligation will cause an outflow of financial resources, as a result of past events. Provisions expected to be settled after more than one year after the balance sheet date are measured at the net present value of the expected payments. Other provisions are measured at net realisable value.

Corporation tax and deferred tax

Current tax liabilities and current tax receivable are recognised in calculated tax on the tax-able income for the year in the balance sheet adjusted for tax on previous years' taxable income and taxes paid on account.

Deferred tax is measured under the balance sheet liability method in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction. Any deferred net tax assets are measured at net realisable value.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Change in deferred tax due to changes in tax rates are recognised in the income statements. For this year, a tax rate of 22% is applied.

Debt

Financial debts are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the financial debts are measured at amortised cost equal to the capitalised value using the effective interest method; the difference between the proceeds and the nominal value is recognised in the income statement over the loan period.

Other debt is measured at net realizable value.

Income statement 1 January - 31 December

Note		2016	2015
	Gross profit	**17.514.869**	**14.752.738**
	Administrative expenses	6.990.948	6.243.583
	Distribution costs	574.642	666.540
	Profit from ordinary operating activities	**9.949.279**	**7.842.615**
2	Financial expenses	237.413	1.153.573
	Profit from ordinary activities before tax	**9.711.866**	**6.689.042**
3	Tax expense on ordinary activities	(1.733.558)	(2.500.000)
	Profit	**11.445.424**	**9.189.042**
	Proposed distribution of results:		
	Retained earnings	11.445.424	9.189.042
	Profit for the year distributed	**11.445.424**	**9.189.042**

Balance sheet 31 December

Assets

Note		2016	2015
4	Land and buildings	21.224.259	22.762.793
4	Fixtures, fittings, tools and equipment	18.816.520	20.705.242
4	Property, plant and equipment in progress	147.800	89.221
	Property, plant and equipment	**40.188.579**	**43.557.256**
	Non-current assets	**40.188.579**	**43.557.256**
	Current deferred tax assets	6.600.000	4.600.000
	Short-term trade receivables	4.911.893	3.915.075
	Receivables from group enterprises	7.414.682	64.123
	Other short-term receivables	6.885	10.118
	Deferred income assets	407.598	342.510
	Receivables	**19.341.058**	**8.931.826**
	Cash and cash equivalents	**1.462.875**	**984.298**
	Current assets	**20.803.933**	**9.916.124**
	Total assets	**60.992.512**	**53.473.380**

Balance sheet 31 December

Liabilities

Note		2016	2015
	Share capital	20.001.000	20.001.000
	Retained earnings	29.312.405	17.866.981
5	**Equity**	**49.313.405**	**37.867.981**
	Other provisions	6.443.251	5.607.581
	Provisions	**6.443.251**	**5.607.581**
	Short-term trade payables	1.463.255	1.042.387
	Short-term payables to group enterprises	0	5.582.754
	Short-term tax payables	266.442	0
	Other short-term payables	3.506.159	3.372.677
	Short-term debt	**5.235.856**	**9.997.818**
	Total debt	**5.235.856**	**9.997.818**
	Total liabilities	**60.992.512**	**53.473.380**

7 Liabilities under leases disclosed separately
8 Security and mortgages
9 Ownership

Notes to the Annual Report

		2016	2015
1	**Employee expense**		
	Wages and salaries	14.633.946	13.239.695
	Pensions	1.143.619	1.042.834
	Other social security costs	226.076	214.682
		16.003.641	**14.497.211**
	Average number of employees	**27**	**25**
2	**Financial expences**		
	Interest expenses, associated companies	110.824	965.417
	Other financial costs	126.589	188.156
		237.413	**1.153.573**
3	**Tax expense on ordinary activities**		
	Tax on the taxable income for the year	266.442	0
	Change in provision for deferred tax	(2.000.000)	(2.500.000)
		(1.733.558)	**(2.500.000)**

Notes to the Annual Report

4 Property, plant and equipment

	Land and buildings	Production plant and machinery	Assets under construction
Cost, beginning of the year	41.857.205	52.038.252	89.221
Additions for the year	0	1.171.145	147.800
Disposals for the year	0	0	(89.221)
Cost, end of the year	41.857.205	53.209.397	147.800
Depreciation, beginning of year	19.094.412	31.333.010	0
Depreciation for the year	1.538.534	3.059.867	0
Depreciation, end of year	20.632.946	34.392.877	0
Net book value 31 December	**21.224.259**	**18.816.520**	**147.800**

Depreciations are allocated as production costs

5 Equity

	Share capital	Retained earnings	Total
Equity 1 January	20.001.000	17.866.981	37.867.981
Profit for the year		11.445.424	11.445.424
Equity 31 December	**20.001.000**	**29.312.405**	**49.313.405**

Notes to the Annual Report

		2016	2015
6	**Provisions for deferred tax**		
	Deferred tax 1 January	9.632.588	11.101.313
	Adjustment of provisison for the year	(1.864.409)	(1.468.725)
	Deferred tax assets at 31 December	**7.768.179**	**9.632.588**
	Deferred tax assets recognized in the balance sheet	**6.600.000**	**4.600.000**

It is considered uncertain whether it will be possible for the Company to utilize all previous years' tax losses whithin af few years. Consequently the deferred tax asset is recognized in the balance sheet at t.DKK 6.600 equal to the tax value of the losses that are expected to be utilized within 3 years.

The following amount is shown in the balance sheet:

	2016	2015
Tax loss to carry forward	8.353.945	10.577.598
Provision royalty	1.417.515	1.373.857
Tangible fixed assets	(2.003.281)	(2.318.867)
	7.768.179	**9.632.588**

7 Liabilities under leases disclosed separately

The company has entered into lease and operating lease agreements with a total obligation of kDKK . 540, of which kDKK 314 is due within 1 year.

8 Disclosure of mortgages and collaterals

There are no securities or mortgages as of 31 December 2016.

Notes to the Annual Report

9 Ownership

The immediate Parent Company is STR 1 B.V., Naritaweg 165, 1043 BW Amsterdam, Netherlands. The Company's ultimate Parent Company which prepares consolidated financial statements into which the Company is incorporated as a subsidiary, is STERIGENICS INTERNATIONAL INC., 2015 Spring Road, Suite 650, Oak Brook, IL 60523, USA.

The following shareholders in the company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

STR 1 B.V., Amsterdam, Netherlands.