

Falck Safety Services A/S

Uglviggårdsvej 3
6705 Esbjerg Ø, Denmark
Central Business Registration No
27460828

Annual report 2016

The Annual General Meeting adopted the annual report on 10.04.2017

Chairman of the General Meeting

Name: Torben Peder Korsgaard

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Entity details

Entity

Falck Safety Services A/S
Uglviggårdsvej 3
6705 Esbjerg Ø, Denmark

Central Business Registration No: 27460828

Registered in: Esbjerg, Denmark

Financial year: 01.01.2016 - 31.12.2016

Board of Directors

Torben Peder Korsgaard, Chairman
Lizette Kjellerup
Torben Harring
Søren Howell
Jesper René Daugbjerg

Executive Board

Claus Nexø Hansen, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Dokken 8
Postbox 200
6701 Esbjerg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Falck Safety Services A/S for the financial year 01.01.2016 - 31.12.2016.

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

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

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Esbjerg, 10.04.2017

Executive Board

Claus Nexø Hansen
Chief Executive Officer

Board of Directors

Torben Peder Korsgaard
Chairman

Lizette Kjellerup

Torben Harring

Søren Bowell

Jesper René Daugbjerg

Independent auditor's report

To the shareholders of Falck Safety Services A/S

Opinion

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

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

Basis for opinion

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

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- 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 content 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.

Independent auditor's report

Statement on the management commentary

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 in 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 Statements Act. We did not identify any material misstatement of the management commentary.

Esbjerg, 10.04.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Jørn Jepsen
State Authorised Public Accountant

Management commentary

	2016	2015	2014	2013	2012
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Gross profit	33.105	36.368	47.878	47.657	41.591
Operating profit/loss	4.016	546	11.256	12.628	8.716
Net financials	(193)	(299)	(259)	(385)	(526)
Profit/loss for the year	2.924	(724)	7.835	9.167	5.869
Total assets	36.329	36.121	39.234	34.770	37.433
Investments in property, plant and equipment	494	3.649	4.705	2.931	1.950
Equity	27.359	24.865	14.554	16.133	12.766
Ratios					
Return on equity (%)	11,2	(3,7)	51,1	63,4	52,5
Equity ratio (%)	75,3	68,8	37,1	46,4	34,1

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2010" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The Entity's primary activity is to provide safety training and consultancy services to relevant high-risk industries.

Development in activities and finances

Net profit for the year is DKK 2,924k, and equity is DKK 27,359k at 31.12.2016.

Ambitious 2016 growth targets had been set for revenue from the Danish activities and for further development of the training activities in Bremerhaven, Germany. The results achieved through the activities in Denmark and Germany (branch) are considered satisfactory by Management.

Outlook

Intensified competition in the market for safety training is expected for 2017 as well as market restraints. Expectations for training in the wind turbine manufacturing industry are still on the rise whereas demand in the oil and gas industries is expected to further decline due to the oil and gas situation. Based on this and given the Entity's market position, the achievement of the financial targets for 2017 will be very difficult.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Income statement for 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Gross profit		33.104.848	36.367.572
Staff costs	1	(25.363.608)	(31.938.458)
Depreciation, amortisation and impairment losses		<u>(3.725.376)</u>	<u>(3.882.763)</u>
Operating profit/loss		4.015.864	546.351
Other financial income		110.277	100.872
Financial expenses from group enterprises		(2.644)	(234.030)
Other financial expenses		<u>(300.321)</u>	<u>(166.279)</u>
Profit/loss before tax		3.823.176	246.914
Tax on profit/loss for the year	2	<u>(898.893)</u>	<u>(971.399)</u>
Profit/loss for the year		<u>2.924.283</u>	<u>(724.485)</u>
Proposed distribution of profit/loss			
Ordinary dividend for the financial year		6.000.000	0
Retained earnings		<u>(3.075.717)</u>	<u>(724.485)</u>
		<u>2.924.283</u>	<u>(724.485)</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Acquired intangible assets		0	26.326
Intangible assets	3	0	26.326
Land and buildings		1.985.048	2.118.118
Other fixtures and fittings, tools and equipment		11.150.571	13.904.062
Leasehold improvements		2.257.191	2.574.037
Property, plant and equipment in progress		0	373.719
Property, plant and equipment	4	15.392.810	18.969.936
Other receivables		986.080	1.283.084
Fixed asset investments	5	986.080	1.283.084
Fixed assets		16.378.890	20.279.346
Trade receivables		7.764.444	5.447.286
Receivables from group enterprises		7.170.642	1.958.255
Deferred tax		322.754	0
Other receivables		2.755.419	3.936.579
Income tax receivable		0	1.519.811
Prepayments		352.438	481.316
Receivables		18.365.697	13.343.247
Cash		1.584.693	2.498.327
Current assets		19.950.390	15.841.574
Assets		36.329.280	36.120.920

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Contributed capital	6	2.010.000	2.010.000
Retained earnings		19.349.407	22.855.462
Proposed dividend		<u>6.000.000</u>	<u>0</u>
Equity		<u>27.359.407</u>	<u>24.865.462</u>
Deferred tax		<u>0</u>	<u>799.230</u>
Provisions		<u>0</u>	<u>799.230</u>
Finance lease liabilities		<u>902.160</u>	<u>939.536</u>
Non-current liabilities other than provisions	7	<u>902.160</u>	<u>939.536</u>
Current portion of long-term liabilities other than provisions	7	37.376	30.993
Trade payables		1.575.315	2.404.302
Payables to group enterprises		942.907	2.159.242
Income tax payable		570.180	0
Other payables		<u>4.941.935</u>	<u>4.922.155</u>
Current liabilities other than provisions		<u>8.067.713</u>	<u>9.516.692</u>
Liabilities other than provisions		<u>8.969.873</u>	<u>10.456.228</u>
Equity and liabilities		<u>36.329.280</u>	<u>36.120.920</u>
Unrecognised rental and lease commitments	8		
Contingent liabilities	9		
Related parties with controlling interest	10		
Group relations	11		

Statement of changes in equity for 2016

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	2.010.000	22.855.462	0	24.865.462
Other equity postings	0	(430.338)	0	(430.338)
Profit/loss for the year	0	(3.075.717)	6.000.000	2.924.283
Equity end of year	2.010.000	19.349.407	6.000.000	27.359.407

Notes

	2016	2015
	DKK	DKK
1. Staff costs		
Wages and salaries	22.594.452	28.679.415
Pension costs	2.433.847	2.828.835
Other social security costs	335.309	430.208
	25.363.608	31.938.458
Average number of employees	56	57
	2016	2015
	DKK	DKK
2. Tax on profit/loss for the year		
Tax on current year taxable income	1.589.993	581.267
Change in deferred tax for the year	(214.045)	(52.135)
Adjustment concerning previous years	(477.055)	442.267
	898.893	971.399
		Acquired intangible assets DKK
3. Intangible assets		
Cost beginning of year		736.329
Cost end of year		736.329
Amortisation and impairment losses beginning of year		(710.003)
Amortisation for the year		(26.326)
Amortisation and impairment losses end of year		(736.329)
Carrying amount end of year		0

Notes

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK	Property, plant and equipment in progress DKK
4. Property, plant and equipment				
Cost beginning of year	2.952.694	38.022.594	4.201.420	373.719
Transfers	0	0	0	(373.719)
Additions	0	370.331	123.364	0
Disposals	0	(812.723)	(81.563)	0
Cost end of year	2.952.694	37.580.202	4.243.221	0
Depreciation and impairment losses beginning of the year	(834.576)	(24.118.532)	(1.627.383)	0
Depreciation for the year	(133.070)	(3.118.617)	(426.616)	0
Reversal regarding disposals	0	807.518	67.969	0
Depreciation and impairment losses end of the year	(967.646)	(26.429.631)	(1.986.030)	0
Carrying amount end of year	1.985.048	11.150.571	2.257.191	0
Recognised assets not owned by entity	-	998.146	-	-
				Other receivables DKK
5. Fixed asset investments				
Cost beginning of year				1.283.084
Disposals				(297.004)
Cost end of year				986.080
Carrying amount end of year				986.080

Notes

	<u>Number</u>	<u>Par value DKK</u>	<u>Nominal value DKK</u>
6. Contributed capital			
Shares	1	2000000	2.000.000
Shares	1	10000	10.000
	<u>2</u>		<u>2.010.000</u>

	<u>Instalments within 12 months 2016 DKK</u>	<u>Instalments within 12 months 2015 DKK</u>	<u>Instalments beyond 12 months 2016 DKK</u>	<u>Outstanding after 5 years DKK</u>
7. Liabilities other than provisions				
Finance lease liabilities	37.376	30.993	902.160	658.108
	<u>37.376</u>	<u>30.993</u>	<u>902.160</u>	<u>658.108</u>

8. Unrecognised rental and lease commitments

The Entity has signed operating leases at average annual lease payments of DKK 345k. The remaining terms of the leases range from 0 to 36 months with lease payments totaling DKK 1,076k.

9. Contingent liabilities

The Entity has signed an interminable rental agreement effective until 30 September 2036 for its buildings. Annual rent totals DKK 2,250k.

The Entity has also signed a rental agreement for other premises effective until 31 October 2020. Annual rent amounts to DKK 1.564k.

The Company participates in a Danish joint taxation arrangement in which Lundbeckfond Invest A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

Notes

10. Related parties with controlling interest

Falck Safety Services Holding A/S, Uglviggårdsvej 3, Esbjerg.

11. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Lundbeckfonden, Scherfigsvej, København Ø

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Falck Holding A/S, Polititorvet, København V

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied for these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, other operating income and external expenses.

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Accounting policies

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc. for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of property, plant and equipment.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc. from payables to group enterprises.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with the Parent and its all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Accounting policies

Balance sheet

Intellectual property rights etc

Intellectual property rights etc. comprise development projects completed and intellectual property rights acquired.

The cost of development projects comprises costs such as salaries and amortisation that are directly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using the estimated useful lives of the assets. The amortisation period is three to five years. Development projects are written down to the lower of recoverable amount and carrying amount.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Intellectual property rights are amortised on a straight-line over their estimated useful lives. The amortisation period is three to five years, however, no more than the residual term of the rights concerned.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	20 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	10 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Accounting policies

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. The proposed dividend for the financial year is disclosed as a separate item in equity.

Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.