DNV GL Business Assurance Denmark A/S

Tuborg Parkvej 8, 2, DK-2900 Hellerup

Annual Report for 1 January - 31 December 2019

CVR No 32 93 43 82

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 26/05/2020

Chairman of the General Meeting

Jesper Jakobsen Schultz

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of DNV GL Business Assurance Denmark A/S for the financial year 1 January - 31 December 2019.

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 Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

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

Copenhagen, 26 May 2020

Executive Board

Jesper Jakobsen Schultz
CEO

Board of Directors

Brett Neil Hosken Chairman	Jørgen Traun	Jesper Jakobsen Schultz

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 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.

Company Information

The Company	DNV GL Business Assurance Denmark A/S Tuborg Parkvej 8, 2 DK-2900 Hellerup Telephone: + 45 39 45 48 00 Facsimile: + 45 39 45 48 01 Website: www.dnvgl.com CVR No: 32 93 43 82 Financial period: 1 January - 31 December Incorporated: 19 May 2010 Municipality of reg. office: Gentofte
Board of Directors	Brett Neil Hosken, Chairman Jørgen Traun Jesper Jakobsen Schultz
Executive Board	Jesper Jakobsen Schultz
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28 DK-2100 København Ø
Bankers	Danske Bank

Management's Review

Key activities

The Company works to safeguard life, property and the environment. The Company is a leading provider of certification services and assists companies and organizations in the certification of management systems.

Development in the year

The development in financial performance reflects a revenue in level with last year and an increase in profit of TDKK 3.217. The results reflect investments in long term efficiency improvements incl. new operational systems taken into use in 2019. At 31 December the balance sheet of the company shows equity of TDKK 19.987.

To assess the value of the goodwill related to the takeover of DS Certificering in 2013, an impairment test has been prepared. The impairment test is based on the expected cash flow from the business plan for 2020-2023.

Targets and expectations for the year ahead

Management expects revenue growth in the coming 4 years, between 3-4%. The expected growth is to a high degree expected to be generated by a strategic focus on developing the sales organization within selected strategic areas.

The business plan for 2020-23 and the terminal period assumes a margin of 10% which is a conservative assumption compared to 2019 result.

The realization of the budgets is subject to uncertainty, and the value of goodwill is dependent on the budgets from 2020 and onwards being achieved. To mitigate both operational and financial risks and in order to deliver on the financial ambitions, a number of focused initiatives are put in place to increase secure profits and systematically monitor risks. Initiatives cover areas such as project profitability, chargeability, efficiency programs, cash flow improvements, performance management and competence building and -retainment.

External environment

An important value for the company is to act environmentally friendly. This is visible in different aspects – most important impact is from the range of services provided where certification on ISO 14001 - Environmental Management and ISO 50001 - Energy Management are two examples of services that helps our customers to lower their environmental footprints. Other examples are FSC and PEFC certification on responsible forest management.

Within DNV GL Business Assurance the environmental impact is considered in the design of our operational procedures, ranging from sorting waste to leasing company cars.

Income Statement 1 January - 31 December

	Note	2019	2018
		TDKK	TDKK
Revenue		**113.462**	**112.815**
Other operating income		106	63
Other external expenses		-63.568	-67.706
Gross profit/loss		**50.000**	**45.172**
Staff expenses	2	-41.054	-39.809
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-5.552	-5.979
Profit/loss before financial income and expenses		**3.394**	**-616**
Financial income	3	6	128
Financial expenses	4	-445	-649
Profit/loss before tax		**2.955**	**-1.137**
Tax on profit/loss for the year	5	-666	209
Net profit/loss for the year		**2.289**	**-928**

Balance Sheet 31 December

Liabilities and equity

	Note	2019 TDKK	2018 TDKK
Share capital		3.000	3.000
Retained earnings		16.987	14.698
Equity	11	**19.987**	**17.698**
Provision for deferred tax	13	4.869	2.291
Provisions		**4.869**	**2.291**
Payables to group enterprises		28.000	38.000
Other payables		1.317	0
Long-term debt	14	**29.317**	**38.000**
Prepayments received from customers		4	0
Trade payables		762	917
Contract work in progress, liabilities	9	7	0
Payables to group enterprises	14	2.236	13.672
Payables to group enterprises relating to corporation tax		40	0
Other payables	14	9.581	13.243
Short-term debt		**12.630**	**27.832**
Debt		**41.947**	**65.832**
Liabilities and equity		**66.803**	**85.821**
Subsequent events	1		
Distribution of profit	12		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
Accounting Policies	17		

Notes to the Financial Statements

1 Subsequent events

During the first quarter of 2020 the spread of the Corona virus (COVID-19) has impacted an increasing number of countries with increasing severity. In March 2020, the World Health Organization (WHO) declared COVID-19 a global pandemic.

The COVID-19 virus outbreak is still in an early state, the impact of the virus outbreak for DNV GL for the first four months was limited and varies among the business areas. The situation is monitored closely and the impact on employees, customers and business is assessed continuously and necessary mitigations are and will be implemented as required. The full extent, consequences and duration of the COVID-19 pandemic and the resulting operational and economic impact for DNV GL cannot be predicted at the time of publication of the financial statements for 2019. We do consider the COVID-19 virus outbreak as a non-adjusting event to the Company at this stage.

2 Staff expenses

	2019 TDKK	2018 TDKK
Wages and salaries	36.043	34.735
Pensions	3.461	3.546
Other social security expenses	487	474
Other staff expenses	1.063	1.054
	41.054	**39.809**
Average number of employees	**50**	**51**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

3 Financial income

	2019	2018
Interest received from group enterprises	1	33
Other financial income	3	0
Exchange gains	2	95
	6	**128**

Notes to the Financial Statements

6 Intangible assets

	Acquired intangible assets	Goodwill	Total
	TDKK	TDKK	TDKK
Cost at 1 January 2019	13.223	45.063	58.286
Disposals for the year	-3.623	0	-3.623
Cost at 31 December 2019	9.600	45.063	54.663
Impairment losses and amortisation at 1 January 2019	8.752	23.282	32.034
Amortisation for the year	960	4.507	5.467
Reversal of amortisation of disposals for the year	-3.623	0	-3.623
Impairment losses and amortisation at 31 December 2019	6.089	27.789	33.878
Carrying amount at 31 December 2019	**3.511**	**17.274**	**20.785**

An impairment test has been prepared for goodwill. The impairment test is based on the expected cash flow from the business plan for 2020 and estimated revenue for 2021-2023.

Management expects strong revenue growth in the coming 4 years, between 3-4%, and the impairment test is based on a terminal growth of 2%. The expected growth is to a high degree expected to be generated by a strategic focus on developing the sales organisation.

The business plan for 2020, estimated revenue for 2021-2023 and the terminal period assumes a margin of 10%, including positive impact relating to synergies from the DS Certificering transfer and from economies of scale.

The realisation of the budgets is subject to uncertainty, and the value of goodwill is dependent on the budgets from 2020 and onwards being achieved.

The Company's investment in DS Certificering is considered to be strategically important to the Company. Based upon the Company's expected plans to increase the level of activity and earnings, the economic life of goodwill has been set at 10 years.

Notes to the Financial Statements

10 Prepayments

Prepayments consist of prepaid expenses concerning subsequent financial years.

11 Equity

The share capital consists of 3,000,200 shares of a nominal value of TDKK 1. No shares carry any special rights.

There has been an increase in the share capital in 2018 of DKK 100.
There have been no other changes in share capital for last 5 years than the one described above

	2019	2018
	TDKK	TDKK
12 Distribution of profit		
Retained earnings	2.289	-928
	2.289	**-928**

13 Provision for deferred tax

Provision for deferred tax at 1 January 2019	2.291	2.524
Amounts recognised in the income statement for the year	2.578	-233
Provision for deferred tax at 31 December 2019	**4.869**	**2.291**

14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2019	2018
	TDKK	TDKK
Payables to group enterprises		
Between 1 and 5 years	28.000	38.000
Long-term part	28.000	38.000
Other short-term debt to group enterprises	2.236	13.672
	30.236	**51.672**

Notes to the Financial Statements

16 Related parties

	Basis
Controlling interest	
DNV GL Business Assurance Group AS	Parent Company
Stiftelsen Det Norske Veritas	Ultimate Parent Company

Transactions

DNV GL Business Assurance Denmark A/S was engaged in the below related party transactions:

Sale of goods/ service to group entities TDKK 8,194 (TDKK 6,247 in 2018)

Purchase of goods/ service from group entities TDKK 30,109 (TDKK 32,886 in 2018)

Interest income from group entities TDKK 1 (TDKK 33 in 2018)

Interest expenses from group entities TDKK 418 (TDKK 324 in 2018)

Receivable from group entities TDKK 11,433 (TDKK 10,512 in 2018)

Payables to group entities TDKK 30,236 (TDKK 51,672 in 2018)

Consolidated Financial Statements

The Company is included in the consolidated annual report of the Parent Company

Name	Place of registered office
DNV GL Business Assurance Group AS	Høvik, Norway

The Group Annual Report of DNV GL Business Assurance Group AS may be obtained at the following address:

Veritasveien 1, 1363 Høvik, Norway
www.dnvgl.com

Notes to the Financial Statements

17 Accounting Policies (continued)

arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Income from the rendering of services is recognised as revenue as the services are rendered, implying that revenue corresponds to the market value of the services rendered in the year (production method).

Income from construction contracts is recognised as revenue as the production activities are carried on, implying that revenue corresponds to the market value of the contract work performed (production method).

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Other external expenses

Other external expenses comprise expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff expenses

Staff expenses include wages and salaries, including holiday allowance and pensions, as well as other social security contributions, etc. made to the Company's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Notes to the Financial Statements

17 Accounting Policies (continued)

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:

Plant and machinery	5-10	years
Other fixtures and fittings, tools and equipment	5-10	years

Depreciation period and residual value are reassessed annually.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Impairment of fixed assets

Every year, intangible assets and property, plant and equipment are reviewed for impairment indicators. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. 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. Where an impairment loss is recognised on a group of assets, a loss must first be allocated to goodwill and then to the other assets on a pro rata 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. lmpairment losses on goodwill are not reversed.

Fixed asset investments

Fixed asset investments consist of deposits.

Notes to the Financial Statements

17 Accounting Policies (continued)

Deferred tax assets and liabilities

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, anse at the date of acquisition without affecting either prof itiloss 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.

Current tax receivables and liabilities

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.

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. lnterest-bearing debt is subsequently measured at amortised cost, using the effective interest rate method at the time of the raising of the loan.

Other payables are subsequently measured at amortised cost, corresponding to the nominal debt outstanding.