

SGS DANMARK A/S
Stamholmen 153, 2.
2650 Hvidovre
Business Registration No
55110417

Annual report 2017

The Annual General Meeting adopted the annual report on 21.03.2018

Chairman of the General Meeting

Name: Dirk Frans Walter Hellemans

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Entity details

Entity

SGS DANMARK A/S
Stamholmen 153, 2.
2650 Hvidovre

Central Business Registration No (CVR): 55110417

Registered in: Hvidovre

Financial year: 01.01.2017 - 31.12.2017

Board of Directors

Dirk Frans Walter Hellemans, Chairman
Nathalie Krausse
Camilla Obling

Executive Board

Camilla Obling

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of SGS DANMARK A/S for the financial year 01.01.2017 - 31.12.2017.

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 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

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.

Hvidovre, 21.03.2018

Executive Board

Camilla Obling

Board of Directors

Dirk Frans Walter Hellemans
Chairman

Nathalie Krausse

Camilla Obling

Independent auditor's report

To the shareholders of SGS DANMARK A/S

Opinion

We have audited the financial statements of SGS DANMARK A/S for the financial year 01.01.2017 - 31.12.2017, 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 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 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.

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:

Independent auditor's report

- 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.

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.

Independent auditor's report

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.

Copenhagen, 21.03.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Flemming Larsen
State Authorised Public Accountant
Identification No (MNE) mne27790

Management commentary

Primary activities

SGS Danmark A/S is part of the SGS Group which is the world's leading inspection, verification, testing and certification company. SGS Danmark performs inspections and testing of goods and material. SGS Danmark can support clients through the entire supply chain from raw materials to final consumption.

Development in activities and finances

SGS Danmark generated a profit this year of DKK 555 thousands. This is considered satisfactory. Revenue increased with 11.6%. The increase mainly comes from increased activities within the Oil, Gas and Chemicals Division with establishment of a lab in Kalundborg to serve mainly Eastern European clients with survey activities and lab testing. Further, also the activities and thus the revenue generated increased within our Government and Institutional Services as well as within Transportation and Minerals Services, the latter mainly related to regular activities of coal sampling from vessels in the Copenhagen area.

The Company have adjusted an error from last year in the comparable figures 2016 and 2015, which was caused by change in the group policy regarding the bearer of the cost for the participants under the SGS Long-Term incentive program. Formerly the cost was held by the SGS group however it is now SGS Danmark A/S that holds the cost for their own participants.

The adjustment of the cost in the income statement for 2016, increases the personal cost with the amount of 522 t.dkk from 6.982 t.dkk to 7.504 t.dkk.

The balance sums are not affected by the error and is unchanged when compared to the annual statement for 2016.

The equity per 1. January 2016 are reduced with 131 t.dkk from 558 t.dkk to 427 t.dkk. The equity per 31. December 2016 are reduced with 653 t.ddk from 1.834 t.dkk to 1.182 t.dkk. The overall reduction of the equity for the income year 2016 amounts to 653 t.dkk when comparing to the annual statement for 2016.

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 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Revenue		21.672.929	19.414.852
Other external expenses		<u>(11.552.140)</u>	<u>(10.365.464)</u>
Gross profit/loss		10.120.789	9.049.388
Staff costs	1	(9.103.185)	(8.222.796)
Depreciation, amortisation and impairment losses		<u>(432.924)</u>	<u>(50.238)</u>
Operating profit/loss		584.680	776.354
Financial expenses from group enterprises		(22.883)	(18.228)
Other financial expenses		<u>(7.699)</u>	<u>(3.921)</u>
Profit/loss for the year		<u>554.098</u>	<u>754.205</u>
Proposed distribution of profit/loss			
Retained earnings		<u>554.098</u>	<u>754.205</u>
		<u>554.098</u>	<u>754.205</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Other fixtures and fittings, tools and equipment		75.479	104.348
Leasehold improvements		1.867.880	12.658
Property, plant and equipment	2	1.943.359	117.006
Other receivables		73.100	44.250
Fixed asset investments		73.100	44.250
Fixed assets		2.016.459	161.256
Trade receivables		1.871.925	1.795.738
Contract work in progress		457.036	644.392
Receivables from group enterprises		1.379.142	2.537.915
Prepayments		246.192	96.165
Receivables		3.954.295	5.074.210
Cash		1.310.578	1.585.652
Current assets		5.264.873	6.659.862
Assets		7.281.332	6.821.118

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017</u> <u>DKK</u>	<u>2016</u> <u>DKK</u>
Contributed capital		700.000	700.000
Retained earnings		<u>1.035.619</u>	<u>481.521</u>
Equity		<u>1.735.619</u>	<u>1.181.521</u>
Trade payables		621.530	1.058.730
Payables to group enterprises		704.506	835.426
Other payables		<u>4.219.677</u>	<u>3.745.441</u>
Current liabilities other than provisions		<u>5.545.713</u>	<u>5.639.597</u>
Liabilities other than provisions		<u>5.545.713</u>	<u>5.639.597</u>
Equity and liabilities		<u>7.281.332</u>	<u>6.821.118</u>
Unrecognised rental and lease commitments	3		
Related parties with controlling interest	4		
Group relations	5		

Statement of changes in equity for 2017

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	700.000	481.521	1.181.521
Profit/loss for the year	0	554.098	554.098
Equity end of year	700.000	1.035.619	1.735.619

Notes

	2017	2016
	DKK	DKK
1. Staff costs		
Wages and salaries	8.335.883	7.504.051
Pension costs	584.155	574.190
Other social security costs	45.573	46.097
Other staff costs	137.574	98.458
	9.103.185	8.222.796
Average number of employees	10	
	Other	Leasehold
	fixtures and	improve-
	fittings,	ments
	tools and	DKK
	equipment	DKK
	DKK	DKK
2. Property, plant and equipment		
Cost beginning of year	372.133	21.700
Additions	642	2.253.222
Cost end of year	372.775	2.274.922
Depreciation and impairment losses beginning of year	(267.785)	(9.042)
Depreciation for the year	(34.924)	(398.000)
Reversal regarding disposals	5.413	0
Depreciation and impairment losses end of year	(297.296)	(407.042)
Carrying amount end of year	75.479	1.867.880
	2017	2016
	DKK	DKK
3. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	1.283.652	1.105.310

4. Related parties with controlling interest

The following holds 100% of the Company's capital:

SGS Group Management, Genève, Schweiz

Notes

5. Group relations

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

SGS Group Management SA, Genève, Schweiz

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 to these financial statements are consistent with those applied last year.

Material errors in previous years

The Company have adjusted an error from last year in the comparable figures 2016 and 2015, which was caused by change in the group policy regarding the bearer of the cost for the participants under the SGS Long-Term incentive program. Formerly the cost was held by the SGS group however it is now SGS Danmark A/S that holds the cost for their own participants.

The adjustment of the cost in the income statement for 2016, increases the personal cost with the amount of 522 t.dkk from 6.982 t.dkk to 7.504 t.dkk.

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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

Accounting policies

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 rate 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.

Income statement

Revenue

Revenue is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

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 writedowns 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.

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, net capital losses on transactions in foreign currencies, as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Balance sheet

Property, plant and equipment

Property, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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.

Accounting policies

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:

Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	5 years

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

Receivables

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

Contract work in progress

Contract work in progress is measured at costs incurred.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

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