

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

## **Annual report 2018**

The Annual General Meeting adopted the annual report on 25.03.2019

### **Chairman of the General Meeting**

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Name: Dirk Frans Walter Hellemans

# Contents

	<b><u>Page</u></b>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Income statement for 2018	7
Balance sheet at 31.12.2018	8
Statement of changes in equity for 2018	10
Notes	11
Accounting policies	13

## Entity details

### Entity

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

Central Business Registration No (CVR): 55110417

Registered in: Hvidovre

Financial year: 01.01.2018 - 31.12.2018

### Board of Directors

Michiel Wilhelmus Maria Ruikes  
Dirk Frans Walter Hellemans  
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 01.01.2018 - 31.12.2018.

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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

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, 25.03.2019

### Executive Board

Camilla Obling

### Board of Directors

Michiel Wilhelmus Maria  
Ruikes

Dirk Frans Walter Hellemans

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 01.01.2018 - 31.12.2018, 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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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, 25.03.2019

### **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 A/S performs inspections and testing of goods and material. SGS Danmark A/S supports clients through the entire supply chain from raw materials to final consumption.

### Development in activities and finances

Revenue increased with 5,7% from 2017 to 2018 mainly due to increased revenue from outsourcing of lab personnel and equipment within the division Oil, Gas and Chemicals as well as increased revenue within the divisions Consumer and Retail Services and Industrial Services. However, despite the increase in revenue SGS Danmark A/S generated a loss this year of DKK 756 for various reasons. First of all this is caused by a shift in activities from execution of orders at client or supplier sites located in Denmark to coordination of orders being performed at client or supplier sites located abroad by other SGS affiliates and thus, a significant reduction of margin in some business areas. In addition, there was an increased investment in training and qualification of both new and existing personnel within the divisions Government and Institutional Services as well as Mineral Services due to increased requirements for handling of orders and thus the need for allocation of additional resources, sickness leave that was prolonged longer than expected as well as capability training within potential new business activities. These factors combined affected the margins negatively and resulted in a loss for 2018.

### 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 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Revenue		22.899.808	21.672.929
Other external expenses		<u>(12.711.760)</u>	<u>(11.552.140)</u>
<b>Gross profit/loss</b>		<b>10.188.048</b>	<b>10.120.789</b>
Staff costs	1	(10.423.856)	(9.103.185)
Depreciation, amortisation and impairment losses		<u>(497.353)</u>	<u>(432.924)</u>
<b>Operating profit/loss</b>		<b>(733.161)</b>	<b>584.680</b>
Financial expenses from group enterprises		(16.112)	(22.883)
Other financial expenses		<u>(7.408)</u>	<u>(7.699)</u>
<b>Profit/loss for the year</b>		<b><u>(756.681)</u></b>	<b><u>554.098</u></b>
<b>Proposed distribution of profit/loss</b>			
Retained earnings		<u>(756.681)</u>	<u>554.098</u>
		<b><u>(756.681)</u></b>	<b><u>554.098</u></b>

## Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Other fixtures and fittings, tools and equipment		74.768	75.479
Leasehold improvements		1.446.436	1.867.880
<b>Property, plant and equipment</b>	2	<b><u>1.521.204</u></b>	<b><u>1.943.359</u></b>
Other receivables		73.100	73.100
<b>Fixed asset investments</b>		<b><u>73.100</u></b>	<b><u>73.100</u></b>
<b>Fixed assets</b>		<b><u>1.594.304</u></b>	<b><u>2.016.459</u></b>
Trade receivables		2.307.906	1.871.925
Contract work in progress		559.886	457.036
Receivables from group enterprises		828.464	1.379.142
Prepayments		402.112	246.192
<b>Receivables</b>		<b><u>4.098.368</u></b>	<b><u>3.954.295</u></b>
<b>Cash</b>		<b><u>1.442.329</u></b>	<b><u>1.310.578</u></b>
<b>Current assets</b>		<b><u>5.540.697</u></b>	<b><u>5.264.873</u></b>
<b>Assets</b>		<b><u>7.135.001</u></b>	<b><u>7.281.332</u></b>

## Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Contributed capital		700.000	700.000
Retained earnings		<u>278.938</u>	<u>1.035.619</u>
<b>Equity</b>		<b><u>978.938</u></b>	<b><u>1.735.619</u></b>
Trade payables		656.365	621.530
Payables to group enterprises		2.040.245	704.506
Other payables		<u>3.459.453</u>	<u>4.219.677</u>
<b>Current liabilities other than provisions</b>		<b><u>6.156.063</u></b>	<b><u>5.545.713</u></b>
<b>Liabilities other than provisions</b>		<b><u>6.156.063</u></b>	<b><u>5.545.713</u></b>
<b>Equity and liabilities</b>		<b><u>7.135.001</u></b>	<b><u>7.281.332</u></b>
Unrecognised rental and lease commitments	3		
Related parties with controlling interest	4		
Group relations	5		

## Statement of changes in equity for 2018

	<b>Contributed capital DKK</b>	<b>Retained earnings DKK</b>	<b>Total DKK</b>
Equity beginning of year	700.000	1.035.619	1.735.619
Profit/loss for the year	0	(756.681)	(756.681)
<b>Equity end of year</b>	<b>700.000</b>	<b>278.938</b>	<b>978.938</b>

## Notes

	<b>2018</b>	<b>2017</b>
	<b>DKK</b>	<b>DKK</b>
<b>1. Staff costs</b>		
Wages and salaries	9.601.805	8.335.883
Pension costs	709.901	584.155
Other social security costs	66.863	45.573
Other staff costs	45.287	137.574
	<b>10.423.856</b>	<b>9.103.185</b>
Average number of employees	<b>18</b>	<b>17</b>
	<b>Other fixtures and fittings, tools and equipment DKK</b>	<b>Leasehold improve- ments DKK</b>
<b>2. Property, plant and equipment</b>		
Cost beginning of year	372.775	2.274.922
Additions	52.998	36.589
Disposals	(14.388)	0
<b>Cost end of year</b>	<b>411.385</b>	<b>2.311.511</b>
Depreciation and impairment losses beginning of year	(297.296)	(407.042)
Depreciation for the year	(39.321)	(458.033)
<b>Depreciation and impairment losses end of year</b>	<b>(336.617)</b>	<b>(865.075)</b>
<b>Carrying amount end of year</b>	<b>74.768</b>	<b>1.446.436</b>
	<b>2018</b>	<b>2017</b>
	<b>DKK</b>	<b>DKK</b>
<b>3. Unrecognised rental and lease commitments</b>		
Liabilities under rental or lease agreements until maturity in total	<b>1.321.347</b>	<b>1.283.652</b>

#### 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.

### 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 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).

## Accounting policies

### 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.

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.

## Accounting policies

### **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.