

SGS DANMARK A/S
Stamholmen 151, 5
2650 Hvidovre
Central Business Registration No
55110417

Annual report 2016

The Annual General Meeting adopted the annual report on 29.03.2017

Chairman of the General Meeting

Name: Dirk Frans Walter Hellemans

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Entity details

Entity

SGS DANMARK A/S
Stamholmen 151, 5
2650 Hvidovre

Central Business Registration No: 55110417

Registered in: Hvidovre

Financial year: 01.01.2016 - 31.12.2016

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 01.01.2016 - 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.

Hvidovre, 29.03.2017

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 01.01.2016 - 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.

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, 29.03.2017

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Flemming Larsen

State Authorised Public Accountant

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 1 276 thousands. This is considered satisfactory. Revenue increased with 7.2% compared to last year. This increase mainly comes from testing and inspections performed within the business division called CRS, Consumer & Retail services, which had a growth of 28.1% in revenues. In CRS we help our customers to ensure that both the supply chain and products they buy/sell are up to standards and meet quality and safety requirements.

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'000</u>
Revenue		19.414.852	18.108
Other external expenses		<u>(10.365.464)</u>	<u>(7.807)</u>
Gross profit/loss		9.049.388	10.301
Staff costs	1	(7.700.415)	(8.837)
Depreciation, amortisation and impairment losses		<u>(50.238)</u>	<u>(52)</u>
Operating profit/loss		1.298.735	1.412
Financial expenses from group enterprises		(18.228)	(43)
Other financial expenses		<u>(3.921)</u>	<u>0</u>
Profit/loss for the year		<u>1.276.586</u>	<u>1.369</u>
Proposed distribution of profit/loss			
Retained earnings		<u>1.276.586</u>	<u>1.369</u>
		<u>1.276.586</u>	<u>1.369</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK'000</u>
Other fixtures and fittings, tools and equipment		104.348	123
Leasehold improvements		12.658	18
Property, plant and equipment	2	117.006	141
Other receivables		44.250	45
Fixed asset investments		44.250	45
Fixed assets		161.256	186
Trade receivables		1.795.738	1.492
Contract work in progress		644.392	368
Receivables from group enterprises		2.537.915	2.374
Prepayments		96.163	111
Receivables		5.074.208	4.345
Cash		1.585.652	1.411
Current assets		6.659.860	5.756
Assets		6.821.116	5.942

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK'000</u>
Contributed capital		700.000	700
Retained earnings		1.134.499	(142)
Equity		<u>1.834.499</u>	<u>558</u>
Trade payables		1.058.730	336
Payables to group enterprises		835.426	2.789
Other payables		3.092.461	2.259
Current liabilities other than provisions		<u>4.986.617</u>	<u>5.384</u>
Liabilities other than provisions		<u>4.986.617</u>	<u>5.384</u>
Equity and liabilities		<u>6.821.116</u>	<u>5.942</u>
Unrecognised rental and lease commitments	3		
Related parties with controlling interest	4		
Group relations	5		

Statement of changes in equity for 2016

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	700.000	(142.087)	557.913
Profit/loss for the year	0	1.276.586	1.276.586
Equity end of year	700.000	1.134.499	1.834.499

Notes

	2016	2015
	DKK	DKK'000
1. Staff costs		
Wages and salaries	6.981.670	8.048
Pension costs	574.190	594
Other social security costs	46.097	54
Other staff costs	98.458	141
	7.700.415	8.837
	Other	Leasehold
	fixtures and	improve-
	fittings,	ments
	tools and	DKK
	equipment	
	DKK	
2. Property, plant and equipment		
Cost beginning of year	342.363	21.700
Additions	30.656	0
Disposals	(886)	0
Cost end of year	372.133	21.700
Depreciation and impairment losses beginning of the year	(219.761)	(4.702)
Depreciation for the year	(48.024)	(4.340)
Depreciation and impairment losses end of the year	(267.785)	(9.042)
Carrying amount end of year	104.348	12.658
	2016	2015
	DKK	DKK'000
3. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	1.105.310	1.508.684
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.

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.