



SGS Danmark A/S

Stamholmen 153, 2., 2650 Hvidovre
CVR No. 55110417

Annual report 2019

The Annual General Meeting adopted the
annual report on 17.04.2020

Dirk Frans Walter Hellemans
Chairman of the General Meeting

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Entity details

Entity

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

CVR No.: 55110417
Registered office: Hvidovre
Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Mika Tapani Richardt
Michiel Wilhelmus Maria Ruikes
Dirk Frans Walter Hellemans

Executive Board

Mika Tapani Richardt

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P. O. Box 1600
0900 Copenhagen C

Statement by Management

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 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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.

Copenhagen, 17.04.2020

Executive Board



Mika Tapani Richardt

Board of Directors



Mika Tapani Richardt



Michiel Wilhelmus Maria Ruikes



Dirk Frans Walter Hellemans

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 01.01.2019 - 31.12.2019, 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 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:

- 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.

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, 17.04.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 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 with services such as quality and quantity inspections, sampling of goods and materials, physical and chemical testing of components and products, social audits etc.

Description of material changes in activities and finances

In 2019 revenue decreased with 10,8% compared to 2018 mainly due to the close down of the Oil, Gas and Chemicals laboratory in September as well as a decrease in Minerals activities within the coal segment. However, despite the revenue decrease SGS Danmark A/S managed to turn the loss in 2018 into a profit of DKK 566 thousand due to more stability in the staff base as well as efforts to perform the service more efficiently and with less expenses encountered has reduced the cost base. This result is considered satisfactory especially in light of the previous year's result. In 2019 efforts have also been taken to prepare for new service delivery within the Industrial Segment as well as the Agri Food and Life division which are expected to impact both revenue and profit positively.

Events after the balance sheet date

On January 30, 2020, the World Health Organization (WHO) declared an international health emergency due to the outbreak of coronavirus. Since March 11, 2020 the WHO has characterized the spread of the coronavirus as a pandemic. The continuing spread of the coronavirus and the impact on the business development of the SGS Group, including the Company, is being continually monitored. Based on current developments, the SGS Group expects that the increasing spread of the coronavirus and the necessary containment measures will have a negative impact on our TIC services in most of sales markets. To assess the negative economic consequences and the measures that the SGS Group needs to take, a detailed contingency plan has thus been compiled to cover all global businesses. The actions to protect the health of SGS employees and the related cost-cutting measures to protect profitability and ensure sufficient liquidity level have been initiated without delay. [Consider inserted a local specific comment if needed]

Management considers the spread of the coronavirus, the resulting actions by governments globally to contain the spread, and the resulting direct impact on SGS to constitute a non-adjusting subsequent event. SGS group management is conducting regular global assessments and regularly updating the assumptions for the financial year 2020 forecasts and determining the appropriate measures and actions to be implemented in each affiliate including the Company. However, given the uncertainty regarding the spread of this coronavirus, the related financial impact for the financial year 2020 cannot be reasonably estimated at this time.

In addition, following an analysis of different possible scenarios, SGS group management and the SGS SA Board of Directors concluded that sufficient reserves are available in respect of the liquidity and also the equity base of the SGS group to guarantee continuity of the group for a period of not less than 12 months from signing these financial statements.

Income statement for 2019

	Notes	2019 DKK	2018 DKK
Revenue		20,430,611	22,899,808
Other operating income		56,051	0
Other external expenses		(10,450,276)	(12,711,760)
Gross profit/loss		10,036,386	10,188,048
Staff costs	1	(9,060,146)	(10,423,856)
Depreciation, amortisation and impairment losses		(381,870)	(497,353)
Operating profit/loss		594,370	(733,161)
Financial expenses from group enterprises		(19,667)	(16,112)
Other financial expenses		(8,930)	(7,408)
Profit/loss for the year		565,773	(756,681)
Proposed distribution of profit and loss:			
Retained earnings		565,773	(756,681)
Proposed distribution of profit and loss		565,773	(756,681)

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK	2018 DKK
Other fixtures and fittings, tools and equipment		46,869	74,768
Leasehold improvements		0	1,446,436
Property, plant and equipment	2	46,869	1,521,204
Other receivables		109,859	73,100
Other financial assets		109,859	73,100
Fixed assets		156,728	1,594,304
Trade receivables		1,558,926	2,307,906
Contract work in progress		337,491	559,886
Receivables from group enterprises		596,267	828,464
Prepayments		85,641	402,112
Receivables		2,578,325	4,098,368
Cash		3,217,300	1,442,329
Current assets		5,795,625	5,540,697
Assets		5,952,353	7,135,001

Equity and liabilities

	Notes	2019 DKK	2018 DKK
Contributed capital		700,000	700,000
Retained earnings		844,711	278,938
Equity		1,544,711	978,938
Trade payables		912,339	656,365
Payables to group enterprises		655,428	2,040,245
Other payables		2,839,875	3,459,453
Current liabilities other than provisions		4,407,642	6,156,063
Liabilities other than provisions		4,407,642	6,156,063
Equity and liabilities		5,952,353	7,135,001
Unrecognised rental and lease commitments	3		
Related parties with controlling interest	4		

Statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	700,000	278,938	978,938
Profit/loss for the year	0	565,773	565,773
Equity end of year	700,000	844,711	1,544,711

Notes

1 Staff costs

	2019 DKK	2018 DKK
Wages and salaries	8,275,033	9,601,805
Pension costs	661,463	709,901
Other social security costs	76,964	66,863
Other staff costs	46,686	45,287
	9,060,146	10,423,856
Average number of full-time employees	11	18

2 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	411,385	2,311,511
Additions	5,550	23,010
Disposals	(91,081)	(2,334,521)
Cost end of year	325,854	0
Depreciation and impairment losses beginning of year	(336,617)	(865,075)
Depreciation for the year	(30,967)	(348,008)
Reversal regarding disposals	88,599	1,213,083
Depreciation and impairment losses end of year	(278,985)	0
Carrying amount end of year	46,869	0

3 Unrecognised rental and lease commitments

	2019 DKK	2018 DKK
Liabilities under rental or lease agreements until maturity in total	1,324,370	1,321,347

4 Related parties with controlling interest

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).

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 writedowns of receivables recognised in current assets.

Staff costs

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation 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.

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.