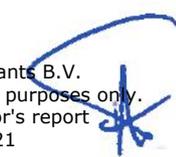


SGS Nederland Holding B.V.  
Spijkenisse, 2 April 2021

Annual report 2020

Deloitte Accountants B.V.  
For identification purposes only.  
Related to auditor's report  
dated 2 April 2021



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## Report from the Board of Managing Directors

*All amounts stated at EUR '000*

### Introduction

SGS Nederland Holding B.V. (the “Company”) is a Dutch intermediate holding company that directly or indirectly holds several subsidiaries, together referred to as the “SGS Nederland Group”.

The SGS Nederland Group is an independent service organization that provides services relating to inspection, verification and certification for goods, products and the environment, as well as consulting, storage and distribution for international trade and for national enterprises and government.

SGS S.A. is the ultimate parent company of SGS Nederland Holding B.V. SGS S.A. is located in Geneva, Switzerland. SGS S.A. is registered at the SIX Swiss Exchange and is the world’s leading company for independent inspection, verification, testing and certification services (see also [www.sgs.com](http://www.sgs.com)) hereafter referred as “SGS Group”. SGS Nederland Holding B.V. is a 100% subsidiary of SGS Group Management S.A., Geneva.

### Our vision

We aim to be the most competitive and the most productive service organization in the world. Our core competencies in inspection, verification, testing and certification are being continuously improved to be best-in-class. They are at the heart of what we are. Our chosen markets will be solely determined by our ability to be the most competitive and to consistently deliver unequalled service to our customers all over the world.

We are constantly looking beyond customers’ and society’s expectations in order to deliver market leading services wherever they are needed. As the leader in providing specialized business solutions that improve quality, safety and productivity and reduce risk, we help customers navigate an increasingly regulated world. Our independent services add significant value to our customers’ operations and ensure business sustainability.

### Results and financial position

#### Results

The revenue of the SGS Nederland Group decreased in 2020 with EUR 18,984 (9%). The net turnover in the Netherlands was realized in the following business lines of the Company’s operations:

	<b>2020</b>	<b>2019</b>
	<b>EUR000</b>	<b>EUR000</b>
Agriculture, Food & Life	21,118	27,337
Minerals	22,350	21,058
Oil Gas & Chemicals	61,713	68,777
Consumer & Retail Services	957	1,522
Industrial	29,954	31,879
Environment, Health & Safety	38,396	42,394
Automotive	-	508
Governments and Institutions	11,582	11,858
Certification & Business Enhancement	4,133	3,855
	<b>190,203</b>	<b>209,187</b>

The decline within business line Agriculture, Food & Life has been caused by the sale of the Pest Management Division as described below. If we take out the impact on our Top Line figures the revenue would show a small increase.

Again, this year Minerals was able to show a growth in revenue as the Dutch lab is seen as excellence center where we do many analyses for customers around the globe.

In the Oil Gas and Chemicals business we see a decrease of 7 million compared to 2019. This decrease has been caused by a mix of Covid-19 and the oil crisis plus the increase of competition in a market with commodity pricing.

As usual the Industrial business is depending on big stops at plants of our customers. During the first wave of Covid-19 a few of these stops were cancelled due to the fact that no one at that time knew how to organize stops with the measures taken by the government. During the year, we saw most people and companies were getting used to the measures taken and found ways to continue the business considering these measures. For us this means the impact on our business would rather be described as a postponement than a loss. As we now see, revenue is coming back again.

The Environment, Health & Safety business shows a decrease which is mainly caused by Covid-19 as we had to postpone a lot of site visits and had to stop our training business which we give to big groups. As described above, when the society was getting used to the measures taken, revenue is coming back, however, we saw the delay over the year.

The operating result of 2020 of the SGS Nederland Group decreases from EUR 9,752 in 2019 to EUR 631 in 2020. The reasons of this lower profitability are several, but the main reasons are:

1. A decrease in revenue of EUR 18,984 as described above
2. Management was not able to reduce the expenses in line with this decrease. Many expenses are fixed. Further, we incurred additional costs to respond to the new way of operating during the Covid19 pandemic while maintaining efficient workforce management.

The Company has sold its pest management and fumigation activities per February 1, 2020, resulting in a book gain of EUR 26 million. The remainder consist of book profits on sale of a building

The result on taxation is impacted due to RJ 272 revised (see below) and that the book gain of the pest management and fumigation activities is fully taxable.

### **Financial position**

The Company acquired per 31 December 2020 the A&S Division of Synlab (hereafter: Synlab). Synlab has not contributed to Group's revenue and operating income in 2020. As the effective date is 31 December 2020, only the balance sheet per 31 December 2020 is consolidated in presented financial statements.

This acquisition resulted mainly that Goodwill (EUR 130,070) and Customer Relationships (EUR 46,165) increased.

The Company distributed a dividend in the beginning of 2020 to its shareholders. At that moment it was not foreseen that the Synlab division was acquired. The shareholder decided to provide a share premium to maintain ratios.

The Non-current liabilities increased from EUR 40,000 per 31 December 2019 to EUR 232,860 per 31 December 2020. The reason of this increase is due to the acquisition of the Synlab division (See below). These loans are provided by SGS SA.

The Company relies on intercompany financing for its activities by using a cash pool. The ultimate parent of the Company, SGS SA has a current rating by Moody's of A3, with a stable outlook, and has declared not to demand the cash pooling debt in the next twelve months starting from the date of signing the 2020 financial statements.

Further, SGS SA irrevocably and unconditionally guarantees to provide financial support to the Company to enable the Company to continue to operate as a going concern in case, as result of discussions with the Dutch tax authority the transfer pricing policies applied within the SGS Group are amended in such a manner as to give rise to an additional corporate income tax liability.

Taking the above into account, the Board of Managing Directors considers that no material uncertainties exist that may cause significant doubt on the ability of the Company to continue operations as a going concern.

## Acquisitions & Disposals

The Company has sold its pest management and fumigation activities per February 1, 2020. This department generated EUR 6.3 million revenue in 2019 and employed 42 employees. The total consideration received is EUR 28 million and net asset sold is EUR 2 million.

At the end of December 2020 SGS S.A. acquired SYNLAB Analytics & Services (A&S), a leading European environmental, food testing and tribology services company. A&S was a division of SYNLAB, the leading medical diagnostic services provider in Europe. Regionally, the acquisition enhances SGS's market position in North-Western Europe, by strengthening our presence especially in Germany and Benelux, while enabling us to enter new attractive markets in the Nordics. Acquiring A&S is strongly aligned with SGS SA's strategic objective of accelerating M&A in attractive, high growth sectors with scope for automation and digitization.

SGS Nederland Holding B.V. acquired four entities from Synlab per 31 December 2020. The revenue for the acquired Synlab-entities in 2020 was approximately EUR 50 million and those employed 444 FTE's.. In line with Dutch GAAP, in the presented consolidated financial statements only the balance sheet of the four former-Synlab entities is included.

This acquisition will strengthen our presence in environmental testing and food testing the Netherlands. The activities of Synlab A&S can be split into two areas:

1. Environment & Hygiene which has the focus on analyzing soil, water and hygiene samples.
2. Agrifood which has the focus on analyzing the food chain from Farm-to-fork. This consists of microbiological and chemical testing.

The total purchase prices was EUR 195 million for the four Dutch entities. The purchase price (allocation) is subject to a maximum period of 12 months adjustments.

This acquisition is financed through intercompany loans (see financial position)

In 2021 we will start with the integration of these new entities into the SGS Group in the Netherlands.

## Risk management

### General

The SGS Nederland Group is exposed to several financial, operational and reputation risks which can impact the delivery of our strategy. A proactive approach to risk management is critical to ensure the sustainable growth and resilience of the SGS Nederland Group. Risk exposures are managed centrally by SGS HQ through a consistent set of management processes that drive risk identification, assessment, control and monitoring.

Every year the Board of the SGS Group assesses the risks that SGS Group faces. This process is conducted with the active participation and input of the Board of Managing Directors of the Company. Once identified, risks are assessed according to their likelihood, severity and mitigation. The Board of SGS Group deliberates on the adequacy of measures in place to mitigate and manage risks and assigns responsibility to designated managers for implementing these measures. As part of this process, ownership and accountability for identified risks are approved by the Board. The implementation of these actions is audited by SGS Group Internal Audit. The findings are communicated to the Board of SGS Group so that progress and identified risks can be monitored objectively and independently from the Board of Managing Directors of the Company.

The risks identified and monitored by SGS Group fall broadly into four categories:

- *Strategy and Planning Risks* – arise when the Company’s strategy selection and execution is inadequate and when there are external factors that can affect the Company’s performance.
- *Governance and Integrity Risks* – arise when the corporate governance structure and controls are inadequate and when the ethical culture and procedures are weak.
- *Global Support Risks* – arise when core functions of the Company do not operate effectively and do not support the business performance.
- *Operations Risks* – arise when business processes do not achieve the objectives, they were designed to achieve in supporting the company’s business model.

In the monthly Central Management Committee meeting in the Benelux chaired by the Director of the Company the topic of Business Continuity is addressed as a fixed agenda item. The Central Management Committee further consists of business managers (leaders of the respective business lines) and functional representatives from HR, IT and Finance. Topics related to business risks impacting the continuity of the business are discussed and reported when relevant. When needed mitigation actions are implemented. During 2020 there were only two major risks (COVID-19 and the tax claim) that came to attention which required dedicated follow up. We refer to below.

During 2018, we have moved part of the administrative organization to our shared service center in Poland. In 2020 we have intensified the cooperation with our Polish colleagues. From a risk point of view, the risks and implemented controls are monitored by our local team in the Netherlands.

#### Tax claim

The Company is an affiliate of the SGS Group of companies and as such has access to a wide range of intellectual property and services provided by SGS Société Générale de Surveillance SA/ SGS Group Management S.A. for which it is paying a Network Access Fee. The Network Access Fee is determined based on a percentage of the third-party revenues generated by SGS Affiliates, including SGS Nederland B.V. In 2015, SGS Nederland B.V. entered into a process to agree on a Bilateral Advanced Pricing Arrangement (BAPA) with the Direct Taxation department of the Dutch Ministry of Finance and the State Secretariat for International Financial

Matters in Switzerland. The BAPA has been closed with no resolution between the competent authorities and both parties (SGS Nederland Holding B.V. and SGS Société Générale de Surveillance SA/ SGS Group Management S.A.) have applied for a Mutual Agreement Procedure (MAP) at the beginning of May 2019.

As of today, there has been no agreement on the Network Access Fee that would be accepted by the respective taxation authorities. However, based on the ongoing discussions between the taxation authorities, it is likely that the additional corporate income tax will have to be paid. In compliance with RJ 272.402a, in order to assess the potential additional tax liability, the Company assumes that the taxation authority will examine amounts and have full knowledge of all related information. The company reflected uncertainty over the taxable profit by using the sum of probability-weighted amount in a range of possible outcomes. As at 31 December 2020, this results in an estimated provision of EUR 14.2 million, representing the tax risk estimated regarding the period 2012-2020 including the expected tax interests amounts due for the former years.

## Summary of principal risks and uncertainties

### *Operational risk*

Risk description: Operational risk is the potential for loss arising from the failure of people, process or technology or the impact of external events.

Potential impact: Adverse business performance, price and volume pressure, adverse terms and margin erosion.

Key mitigating measures and risk appetite: We seek to minimize our exposure to operational risk. The SGS Group Audit Committee oversees the management of operational risks across the Group. Risks potentially threatening the Group's ability to meet its strategic objectives are monitored on an ongoing basis through the approval of all major investments, transactions and changes. In addition, an annual risk assessment process is conducted to ensure the Group is responding effectively to changes in economic conditions, market dynamics and internal developments. The nature and impact of future changes in economic policies, laws and regulations are not predictable and may run counter to our strategic interests. We keep a close watch on key regulatory developments to anticipate changes and their potential impact on our performance. Special focus is placed on ensuring the risk profile covers all areas of concern identified and that internal controls are put in place to monitor the evolution of such risks and mitigate their likely impact at an early stage. Periodically, the local performances and specific risks, all major investments, and all management challenges are reviewed and discussed by the Central Management Committee of the SGS Nederland Group and SGS Belgium Group.

### ***Market risk***

Risk description: We recognize market risk as the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices.

Potential impact: Adverse business performance, price and volume pressure, adverse terms and margin erosion.

Key mitigating measures and risk appetite: Our exposure to market risk arises principally from customer-driven transactions and financing activities. The objective of our market risk policies and processes is to obtain the best balance of risk and return whilst meeting customers' requirements. We continue to focus on strengthening relationships and building partnerships with our customers, with focus on value adding services and innovation and investing in people and infrastructure. Other mitigations are customer and competitor strategy review and analysis, improved sales and pricing processes and continued emphasis on cost reduction and efficiency. The primary categories of market risk for SGS are interest rate risk and currency exchange rate risk. Currently, the Group has limited exposure to interest rate risk and therefore did not perform hedging activities. Monthly the commercial/operational performances are reviewed within the local management and in close cooperation with the SGS Group business leaders (in line with the matrix structure within SGS) and the central control department of the SGS Group.

### ***Funding and other financial risks***

Risk description: Risks related to the cost and availability of funds to meet our business needs, movement on interest rates, foreign currency exchange rates.

Potential impact: Financial exposure due to interest rates, foreign currencies and lack of funding to meet our requirements.

Key mitigating measures and risk appetite:

The funding is primarily managed by the central treasury department of the SGS Group, which operates in accordance with practices and limits set in the risk management policies and objectives approved by the Board of Directors of SGS SA.

SGS Nederland Holding B.V. relies on intercompany financing for its activities by using a cash pool. The liquidity risk is limited due to i. the significant cash position at group level, ii. the current rating by Moody's of A3 for ultimate parent SGS SA and iii. SGS SA has various committed and uncommitted bilateral credit facilities with its banks. For more information about the liquidity risk management at SGS SA level, we refer to the financial statements of SGS SA ([www.sgs.com](http://www.sgs.com)).

Interest risks for SGS Nederland Holding B.V. are due to intercompany financing in line with SGS SA. Interest risks are managed at SGS SA level. For more information about the interest

rate risk management at SGS SA level, we refer to the financial statements of SGS SA (ww.sgs.com).

The use of financial instruments to mitigate financial risks is limited (reference is made to the Notes of the consolidated financial statements for further information hereon). Foreign currency risks are mitigated by frequently reviewing such risks and hedging them, if needed. The hedging contracts are agreed and managed by the Treasury department of SGS SA. For more information about the foreign currency risk management at SGS SA level, we refer to the financial statements of SGS SA (ww.sgs.com).

### ***Cyber-attacks and data security***

Risk description: Information systems and the technology infrastructure are key to supporting SGS' strategy and growth and exposes SGS to risks of disruption of IT systems or compromise of sensitive data driven by malicious cyber-attacks or technology failure.

Potential impact: Business interruption, financial losses, loss of confidential data, negative reputational impact and breach of contracts and regulations.

Key mitigating measures and risk appetite: SGS's IT security policies and processes are in place covering areas around antivirus software, backups, access and password control. Disaster recovery plans are in place and tested. In the case of a disaster or technology failure, clear responsibilities have been set between IT and business to ensure operations can continue during the down time. Mirrored data storage and SGS worldwide control and monitoring processes are in place. Identification and prioritization of strategic projects is managed by the SGS Group through the IT Committee.

### ***Environmental, fire, health and safety risks***

Risk description: The risk of a significant environmental contamination, fire or health and safety issue at one of our locations.

Potential impact: Health and safety incident, financial exposure, business disruption and reputational damage.

Key mitigating measures and risk appetite: We continue as SGS worldwide and local level to carry out regular health, safety and environmental (HSE) audits in cooperation with internal and external specialists to drive best practice. Audits are coordinated by the SGS Group and will be conducted annually using a specially designed online tool which provides a comprehensive overview of potential risks per site and the controls in place for managing them. Performance will be benchmarked across SGS sites globally.

### ***Fraud, bribery and internal control failure***

Risk description: The risk of an internal control failure such as a SGS Nederland Group employee committing fraud or bribery due to lack of integrity or awareness.

Potential impact: Financial loss, reputational damage and breach of laws.

Key mitigating measures and risk appetite: The SGS Code of Integrity defines the main principles of professional integrity for the SGS Group and is an expression of the values that are shared throughout our organization, our businesses and our affiliates. The Code applies to all our employees, officers and directors, our affiliated companies, our contractors, our joint-venture partners, our agents, our subcontractors and anyone acting on behalf of or representing SGS. It addresses issues such as conflicts of interest, bribery and corruption, facilitation payments and the use of intermediaries and consultants.

Violations of the Code result in disciplinary action, including termination of employment and criminal prosecution for serious violations. New employees must sign the Code at the start of their employment with SGS and are expected to complete an integrity e-learning module within three months of joining. A Professional Conduct Committee ensures implementation of the Code within our organization and advises management on all issues of business ethics.

The SGS Group designed an internal control framework, intended to provide reasonable assurance against financial misstatement and/or loss, which applies to local subsidiaries and is periodically monitored by both internal and external auditors to ensure consistency and further enhancement. The framework also contributes to the reliability of the financial statements.

### ***Insufficient talent and knowledge capital***

Risk description: Failing to identify, attract, develop and retain talents to satisfy current and future needs of the business.

Potential impact: Performance declines or lack of growth due to lack of talent 'bench strength'.

Key mitigating measures and risk appetite: Our ability to acquire, manage, develop and retain talent is essential, as we need highly skilled employees to deliver outstanding services to our customers. As part of our continued strategic focus on building a solid and winning organization we continue to invest in active talent management, succession planning and the development needs of our employees.

### ***Financial reporting risks***

The risk exists that financial reporting is not in compliance with local reporting regulations which may result in failing of presenting reliable financial statements. To address this risk,

qualified staff within the Company and the larger SGS Group, working close with Internal Audit in Geneva, is assigned to address this risk. Furthermore, an Internal Control System is in place based on Swiss regulations which includes financial controls aimed to address risks of material misstatements.

### ***Compliance risks***

The Group is subject to a wide variety of laws, regulations and policies. SGS is exposed to litigation which could lead to payment of damages and affect the reputation of the Group. To address this risk, the Company has its own internal legal department which is supported by external lawyers where necessary. This also involves periodical reporting on claims to the Board of Managing Directors and insurance coverage and policies.

### ***Financial instruments***

For a description of interest, cashflow, liquidity risk and credit risk, refer to the paragraph 'Financial Instruments' as part of section 'General accounting principles for the preparation of the consolidated financial statements' in the financial statements.

## **Outlook**

### ***Investments***

We will continue to focus on sustainable growth - both organic and through acquisitions. This will be supported by full attention to our employees and keeping an appropriate level of investments to ensure our equipment is up to date. Capital expenditure investments are focused on the strongest areas of the business, and those with the best growth record or long-term growth potential. In 2020 we have invested EUR 3,672 in tangible assets and EUR 162 in intangible assets, spread over the business we have in the Netherlands. The forecast for 2021 is to keep the investments on the same level in order to keep our assets up to date and where necessary to replace them with new assets with which we fulfil the changing needs in the market.

### ***Financing***

The Company relies on intercompany loans from within the SGS Group for the financing of its activities and will continue to do so. We expect no major changes in financing, except of potential acquisitions and the EMTN program.

The SGS Group has developed an initiative to file a EUR 1bn Euro Medium Term Notes (EMTN) program, under which notes can be issued. SGS Nederland Holding BV acts as Issuer on the program and SGS SA, the ultimate parent company, is the Guarantor. No notes have been issued by the date of this report.

### ***Personnel***

The number of full-time equivalents (FTEs) employed by the SGS Nederland Group was 2,183 as per 31 December 2020 (2019: 1,843). The increase is mainly due acquisition of the A&S Division of Synlab. We are pleased to invite the 444 FTE's of Synlab to join the SGS Family.

This increase is offset by c. 130 FTE due to optimization program and the disinvestment of the Pest Management activities

The Company do not anticipate major changes in personnel, except of potential acquisitions. SGS SA has introduced in 2020 a strategy for growth by new acquisitions.

The Company does not have a policy regarding preference for men or women in certain positions, nor in favor of men, nor in favor of women. Apart from that, because our workforce changes continuously and since a large part of the workforce consists of temporary workers, the proportion men/women varies as well.

However, in general we consider the men/women proportion as well balanced, although we notice that the proportion of women in executive positions is lower than the gross average.

The Board of Managing Directors of the Company is small and constitutes of only two people. Both are male. When opportune, for example in case of leave or new employment, the Company is open to assign more women in the Board of Managing Directors.

#### *Performance*

Again for 2021 the Company will continue to focus on growth as a key objective for the year ahead, along with solid cash flow and good profitability and expects further continuation of the performance shown in 2020. However, the Covid-19 pandemic has impact on our goals.

#### *Research and development*

Our research and development activities will focus on continuous improvement of our services. Across the SGS Group innovation is facilitated, strategic investments are initiated and programs to support our people and cement our operational integrity are internally enhanced. Within the SGS Group, the research and development activities related to amongst other, services and market strategies are executed the SGS Group on central level. Locally, no development costs have incurred which meet the criteria for capitalization.

#### **Covid-19**

At the moment of signing the financial statement, we are still in the pandemic caused by Covid-19. As the Company is part of SGS Group /SGS SA and is supported by intercompany financing, this paragraph discusses the Group assessment as well as the local assessment. The effect of Covid-19 on SGS Nederland Holding B.V. and SGS S.A. are highly in line with each other.

#### Group assessment

Covid-19 has been declared a pandemic by the World Health Organization on 11 March 2020. Through this challenging period, the Company has focused on employee safety, customer service continuity and has been managing the business with a strong finance discipline. The Company has remained agile, adapting its operations to local guidelines and requirements, travel restrictions within and across countries, as well as specific client needs and requests. These have

resulted in local business disruptions, such as temporary site closures, holds on trainings, postponement or suspension of consultancy and supervision projects. Consequently, the Company experienced a decline in activities in 2020 across most business lines and also incurred additional costs to respond to the new way of operating during the pandemic while maintaining efficient workforce management.

Supported by its diversified service portfolio and know-how, the Company has been able to further evolve core products and develop new services to serve newly created customer demands.

SGS S.A. considers that no material uncertainties exist that may cast significant doubt on the ability of SGS S.A. to continue operations as a going concern.

#### Local assessment

SGS Nederland Holding B.V. has a CMT (Crisis Management Team) which now meets regularly to discuss the latest developments.

During the year 2020, it was noticed that Covid-19 has limit effects on the performance of SGS Nederland Holding B.V.. Our business model is using a flexible shelf of 3<sup>rd</sup> parties (subcontractors/casuals, which we can easily stop using when orders are being delayed or cancelled

To cover the mentioned risks, we've already taken actions to mitigate possible negative consequences. Amongst others actions we have increased the number of FTE on the credit control department, we moved employees between business lines to cover up for Illnesses and activated a lot saving opportunities on our variable and where possible fixed costs.

Since the Company has a diversified portfolio of services in many sectors, the impact of the Covid-19 crisis is diversified as well. As at the moment we see business starting up again after the society has found their ways to cooperate with the COVID-19 measures taken by the government,

The OGC business' revenue has decreased as oil prices dropped. This decrease is mainly driven by Covid-19. The Minerals business has grown in 2020 compared to 2019. The AFL business is performing stable. In other business lines such as EHS and Industry we saw quite some impact in the beginning of the Covid19 pandemic as some orders are withdrawn or delayed due to restrictions on visiting sites. As at the moment we see EHS and Industry business starting up again after the society has found their ways to cooperate with the COVID-19 measures taken by the government,

Next to that we had to stop our training activities in 2020 because of the social distancing. As at the moment we see business starting up again after the society has found their ways to cooperate with the COVID-19 measures taken by the government

During 2020 we received a Covid-19 government support programs as prepayment, but due to current rules we are not eligible to keep this support. These received amounts will be repaid in 2021 and are not recognized in the result in 2020. At moment of signing off the financial statements, there is no application for government support pending.

These 2020 statutory financial statements were prepared considering the impact of the pandemic, as well as the future uncertainties, with particular attention to the below specific areas:

- Impairment of non-current assets: the Company has analyzed whether any triggering event could be identified that would indicate an impairment of its assets and none were identified; During the year 2020 management identified an impairment trigger for SGS Roos & Bijl. However, this impairment has nothing to do with Covid-19;
- Appropriateness of expected credit loss allowance for trade receivables, unbilled revenue and work in progress: the Company reviewed its trade receivables to ensure it continues to reflect current and future credit risks and assessed it as adequate
- Accounting for government grants: During 2020 the Company received a Covid-19 government support programs as prepayment, but due to current rules we are not eligible to keep this support. These received amounts will be repaid in 2021 and are not recognized in the result in 2020. At moment of signing off the financial statements, there is no application for government support pending.

Since the Company has a diversified portfolio of services in many sectors, the impact of the Covid-19 crisis is diversified as well. As at the moment we see business starting up again after the society has found their ways to cooperate with the COVID-19 measures taken by the government.

In case the Company needs additional financing, we will consider the Covid-19 government support programs at that moment..

Next to that, we have received a support letter from SGS SA. The Company is part of SGS SA. SGS S.A. is registered at the SIX Swiss Exchange (see also [www.sgs.com](http://www.sgs.com)) and has a current rating by Moody's of A3 with stable outlook. SGS SA has provided a guarantee to provide financial or other support necessary for the continuing operations of the Company should the need arise. This letter is valid for 12 months from the date of these financial statements.

Considered the impact of Covid-19 on the results on 2020, we expect that results of 2021 will be in line with 2020 if the results of the acquired Synlab-entities will not be taken in consideration.

### **Sign-off**

We wish to express our sincere thanks to all SGS Nederland employees who have helped grow the business in 2020. Our continued success depends on your commitment and dedication. Together, our commitment ensures SGS continues to be the leading Testing, Inspection, Certification and Verification company. Through our desire to innovate, build customer-value and employee satisfaction we will continue our path to success in 2021 and beyond.

SGS Nederland Holding B.V  
Annual report 2020

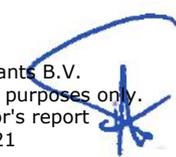
Spijkenisse, April 2, 2021

Board of Managing Directors

J.L.J. Pype  
Statutory director

R.C.A. Oostrom  
Statutory director

Deloitte Accountants B.V.  
For identification purposes only.  
Related to auditor's report  
dated 2 April 2021



## **Consolidated financial statements**

## Consolidated balance sheet as at 31 December 2020

before appropriation of result

	Note	<b>31.12.2020</b> <b>EUR000</b>	<b>31.12.2019</b> <b>EUR000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
<i>Intangible fixed assets</i>			
Goodwill	1	145,062	23,683
Customer relationship	1	49,128	4,802
Trade names	1	-	-
Software	1	4,205	418
		<b>198,395</b>	<b>28,903</b>
<i>Tangible fixed assets</i>			
Land and buildings	2	12,758	13,379
Machinery & equipment	2	11,426	5,823
Other fixed assets	2	2,850	966
Assets under construction	2	387	1,146
		<b>27,421</b>	<b>21,314</b>
<i>Financial fixed assets</i>			
Deferred tax assets	3	1,562	1,373
Loans to affiliates	3	2,000	-
Receivable from disposal	3	-	350
Restricted cash	3	830	831
		<b>4,392</b>	<b>2,554</b>
<b>Current assets</b>			
Inventories	4	1,272	
Net trade receivables	5	38,749	34,018
Intercompany receivables	5	18,317	17,867
Receivable from shareholder		12,000	
Corporate income tax		45	1,435
Prepaid corporate income tax w.r.t provision for uncertain tax positions	8	2,187	-
Amounts to be invoiced		4,869	5,139
Other receivables, prepayments and accrued income		1,861	1,630
		<b>79,300</b>	<b>60,089</b>
Cash and cash equivalents	6	<b>5,123</b>	<b>2,127</b>
<b>Total Assets</b>		<b>314,631</b>	<b>114,987</b>

	Note	<b>31.12.2020</b> <b>EUR000</b>	<b>31.12.2019</b> <b>EUR000</b>
<b>Equity and liabilities</b>			
<b>Group equity</b>			
Shareholder's equity	7	25,959	15,643
<b>Provisions</b>			
Provision for uncertain tax positions	8	-	12,852
Other employee benefit provision	8	2,537	2,856
<b>Total provisions</b>		<b>2,537</b>	<b>15,708</b>
<b>Non-current liabilities</b>			
Intercompany loans	9	232,626	40,000
Financial lease obligations		234	-
<b>Total non-current liabilities</b>		<b>232,860</b>	<b>40,000</b>
<b>Current liabilities</b>			
Trade payables		13,588	10,978
Debts to group companies	10	1,453	1,963
Payable to shareholder		-	-
Taxes and social security contributions	11	14,547	8,018
Other liabilities, accruals and deferred income	12	23,690	22,677
<b>Total current liabilities</b>		<b>53,285</b>	<b>43,636</b>
<b>Total equity and liabilities</b>		<b>314,630</b>	<b>114,987</b>

## Consolidated income statement 2020

	Note	<b>2020</b> <b>EUR000</b>	<b>2019</b> <b>EUR000</b>
<b>Net turnover</b>	13	<b>190,203</b>	<b>209,187</b>
Cost of raw and auxiliary materials		(9,735)	(10,017)
Wages and salaries	14	(82,456)	(85,158)
Social security costs	14	(13,842)	(14,758)
Pension costs	14	(4,906)	(5,251)
Depreciation of tangible fixed assets	2	(4,258)	(3,948)
Amortization of intangible fixed assets	1	(5,080)	(6,711)
Impairment of intangible assets	1	(3,289)	-
Subcontracted work and other external costs	15	(17,805)	(17,596)
Other operating expenses	15	(48,201)	(55,996)
<b>Total operating expenses</b>		<b>(189,572)</b>	<b>(199,435)</b>
<b>Operating result</b>		<b>631</b>	<b>9,752</b>
<b>Gains on disposals</b>	16	<b>26,520</b>	<b>980</b>
Interest income and similar income	2		14
Interest expenses and similar costs		(843)	(909)
<b>Financial result</b>		<b>(841)</b>	<b>(895)</b>
<b>Result before taxation</b>		<b>26,310</b>	<b>9,837</b>
Taxation on result	17	(9,887)	(3,969)
<b>Result after taxation</b>		<b>16,423</b>	<b>5,868</b>

## Consolidated cash flow statement for the year ended 31 December 2020

(According to the indirect method)

x 000 EUR	2020	2019
<b>Operating result &amp; gains on disposals</b>	<b>27,151</b>	<b>10,732</b>
Adjustments for:		
- Amortisation of intangible fixed assets	5,080	6,711
- Impairment of intangible fixed assets	3,289	-
- Depreciation of tangible fixed assets	4,258	3,948
- Changes in provisions	(1,745)	(828)
- Changes in working capital:		
- Movement in trade and other receivables	(3,094)	1,683
- Movement in trade and other payables	6,029	(287)
- Movement in inventory	(576)	-
Total Movement in working capital	2,359	1,396
Cash flow from business activities	40,392	21,959
Interest paid	(841)	(895)
Corporate income tax paid on operating activities	(15,835)	(5,714)
Change in financial fixed assets	428	(487)
	(16,248)	(7,096)
<b>Cash flow from operating activities</b>	<b>24,144</b>	<b>14,863</b>
Acquisition/disposal of group companies	(195,265)	(3,753)
Investments in intangible fixed assets - software	(162)	(123)
Investments in tangible fixed assets	(3,672)	(4,541)
Investments/disposal in financial fixed assets	-	-
Disposal in intangible fixed assets	585	-
<b>Cash flow from investment activities</b>	<b>(198,514)</b>	<b>(8,417)</b>
Dividends paid to shareholders of the company	(18,107)	-
Change in short term intercompany financing	(1,041)	(11,585)
Change in intercompany long term loans	192,626	-
<b>Cash flow from financing activities</b>	<b>173,478</b>	<b>(11,585)</b>
Net increase/(decrease) in cash	(892)	(5,139)
Cash at the beginning of the year	2,127	6,565
Cash acquired from acquisition of group companies	3,915	707
Exchange gains/(losses) on cash held in foreign currencies	(26)	(6)
<b>Cash at the end of the year</b>	<b>5,123</b>	<b>2,127</b>

## General notes to the consolidated financial statements

### General

All amounts are stated in thousand euro's, unless otherwise stated.

SGS Nederland Holding B.V. ("the Company"), with its registered office in Spijkenisse, the Netherlands, together with its group companies forms the SGS Nederland Group. The Chamber of Commerce registration number of the Company is 24226721. The SGS Nederland Group is an independent service organization that provides services relating to inspection, verification and certification for goods, products and the related environment, as well as consulting, storage and distribution for international trade and for national enterprises and government.

### Group structure

The ultimate parent company is SGS SA which has its headquarters in Geneva, Switzerland and is SIX Swiss Exchange (see also [www.sgs.com](http://www.sgs.com)). SGS Nederland Holding B.V. is a 100% subsidiary of SGS Société Générale de Surveillance SA (formerly known as SGS Group Management SA), Geneva. The financial statements of SGS Nederland Holding B.V. are included in the consolidated financial statements of SGS SA.

### Covid-19

Covid-19 has been declared a pandemic by the World Health Organization on 11 March 2020. Through this challenging period, the Company has focused on employee safety, customer service continuity and has been managing the business with a strong finance discipline. The Company has remained agile, adapting its operations to local guidelines and requirements, travel restrictions within and across countries, as well as specific client needs and requests. These have resulted in local business disruptions, such as temporary site closures, holds on trainings, postponement or suspension of consultancy and supervision projects. Consequently, the Company experienced a decline in activities in 2020 across most business lines and also incurred additional costs to respond to the new way of operating during the pandemic while maintaining efficient workforce management.

Supported by its diversified service portfolio and know-how, the Company has been able to further evolve core products and develop new services to serve newly created customer demands.

These 2020 statutory financial statements were prepared considering the impact of the pandemic, as well as the future uncertainties, with particular attention to the below specific areas:

- Impairment of non-current assets: the Company has analyzed whether any triggering event could be identified that would indicate an impairment of its assets and none were identified. During the year 2020 management identified an impairment trigger for SGS Roos & Bijl. However, this impairment has nothing to do with Covid-19

- Appropriateness of expected credit loss allowance for trade receivables, unbilled revenue and work in progress: the Company reviewed its trade receivables to ensure it continues to reflect current and future credit risks and assessed it as adequate
- Accounting for government grants: During 2020 the Company received a Covid-19 government support programs as prepayment, but due to current rules we are not eligible to keep this support. These received amounts will be repaid in 2021 and are not recognized in the result in 2020. At moment of signing off the financial statements, there is no application for government support pending.

Since the Company has a diversified portfolio of services in many sectors, the impact of the Covid-19 crisis is diversified as well. As at the moment we see business starting up again after the society has found their ways to cooperate with the COVID-19 measures taken by the government.

In case the Company needs additional financing, we will consider the Covid-19 government support programs at that moment.

### **Going concern**

The Company is part of SGS SA. SGS S.A. is registered at the SIX Swiss Exchange (see also [www.sgs.com](http://www.sgs.com)) and has a current rating by Moody's of A3 with stable outlook. The ultimate parent of the Company, SGS SA has a current rating by Moody's of A3, with a stable outlook, and has declared, not to demand the cash pooling debt in the next twelve months starting from the date of signing the 2020 financial statements.

Further, SGS SA has provided a guarantee to provide financial or other support necessary for the continuing operations of the Company should the need arise. This letter is valid for 12 months from the date of these financial statements.

Further, SGS SA irrevocably and unconditionally guarantees to provide financial support to the Company to enable the Company to continue to operate as a going concern in case, as result of discussions with the Dutch tax authority, the transfer pricing policies applied within the SGS Group are amended in such a manner as to give rise to an additional corporate income tax liability. This guarantee shall remain in force until:

1. The DTA and the Swiss Tax Authority ("STA") have agreed on a BAPA, MAP or any other form of agreement in which parties agree on an at arm's length fee for services provided by SGS Société Générale de Surveillance SA /SGS Group Management S.A. to the Dutch fiscal unit, and
2. All liabilities arising from discussions with the Dutch tax authority on the transfer pricing policies applied by the SGS Group have been agreed upon and settled. This implies that any liabilities which arise in the period starting from signing date of financial statements onwards are also covered by this Guarantee as long as the above stated conditions have not been met."

Taking the above considerations into account, the Board of Managing Directors considers that no material uncertainties exist that may cast significant doubt on the ability of the Company to continue operations as a going concern.

## Significant accounting judgments and estimates

In applying the principles and policies for drawing up the financial statements, the directors of SGS Nederland Holding B.V. make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. If it is necessary to provide the true and fair view required under Book 2, article 362, paragraph 1, the nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

### *Business combination*

In a business combination, the determination of the fair value of the identifiable assets acquired, particularly intangibles, requires estimations which are based on all available information and in some cases on assumptions with respect to the timing and amount of future revenues and expenses associated with an asset. The purchase price is allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. The excess is reported as goodwill. As a result, the purchase price allocation impacts reported assets and liabilities, future net earnings due to the impact on future depreciation and amortization expense and impairment charges. The purchase price allocation is subject to a maximum period of 12 months adjustment.

The SGS Nederland Group acquired the Dutch part of the A&S division of Synlab. The following items contain assumptions:

- The total consideration of EUR 195,000 is a part of the full acquisition sum paid by SGS SA. In this allocation assumptions are made about future EBITDA's;
- determining the net assets based on our policies;
- calculating the customer relationship contains estimates with respect to customer churn and discount rates.

### *Goodwill impairment testing*

The SGS Nederland Group determines whether goodwill is impaired in case an impairment trigger exists. This involves estimation of the value-in use of the CGUs to which the goodwill is allocated. Estimating the value-in-use requires the SGS Nederland Group to make an estimate of the expected future cash flows from the CGU that holds the goodwill at a determined discount rate in order to calculate the present value of those cash flows. The impairment reduces the carrying amount of goodwill first and then the carrying amounts of the other assets.

### *Recoverability of Trade Accounts and Notes Receivable*

Trade accounts and notes receivable are reflected net of an estimated allowance for doubtful accounts. These allowances for potential uncollectible amounts are estimated based on aging and individual client analysis.

### *Provisions*

In the case of litigation and claims, the amount that is ultimately recorded is the result of a complex process of assessment of several variables and relies on Management's informed judgement about the circumstances surrounding the individual cases. It also relies, where applicable, on expert legal advice and actuarial assessments. Changes in estimates are reflected in the income statement in the period in which the change occurs.

### *Income tax*

The Company is an affiliate of the SGS Group of companies and as such has access to a wide range of intellectual property and services provided by SGS Société Générale de Surveillance SA/ SGS Group Management S.A. for which it is paying a Network Access Fee. The Network Access Fee is determined based on a percentage of the third-party revenues generated by SGS Affiliates, including SGS Nederland B.V. In 2015, SGS Nederland B.V. entered into a process to agree on a Bilateral Advanced Pricing Arrangement (BAPA) with the Direct Taxation department of the Dutch Ministry of Finance and the State Secretariat for International Financial Matters in Switzerland. The BAPA has been closed with no resolution between the competent authorities and both parties (SGS Nederland Holding B.V. and SGS Société Générale de Surveillance SA/ SGS Group Management S.A.) have applied for a Mutual Agreement Procedure (MAP) at the beginning of May 2019.

As of today, there has been no agreement on the Network Access Fee that would be accepted by the respective taxation authorities. However, based on the ongoing discussions between the taxation authorities, it is likely that additional corporate income tax will have to be paid. In compliance with RJ 272.402a, in order to assess the potential additional tax liability, the Company assumes that the taxation authority will examine amounts and have full knowledge of all related information. The company reflected uncertainty over the taxable profit by using the sum of probability-weighted amounts in a range of possible outcomes. As at 31 December 2020, this results in an estimated provision of EUR 14.2 million, representing the tax risk estimated regarding the period 2012-2020 including the expected tax interests amounts due for the former years.

### **Consolidation principles**

Financial information relating to group companies and other legal entities controlled by SGS Nederland Holding B.V. or where central management is conducted, has been consolidated in the financial statements of SGS Nederland Holding B.V.. The consolidated financial statements

have been prepared in accordance with the accounting principles of SGS Nederland Holding B.V.

The financial information relating to SGS Nederland Holding B.V. is presented in the consolidated financial statements. Accordingly, in accordance with article 2:402 of the Netherlands Civil Code, the company-only financial statements only contain an abridged profit and loss account.

The consolidated financial statements of SGS Nederland Holding B.V. include the financial information of the group companies over which SGS Nederland Holding B.V. exercises direct or indirect control. Group companies are entities in which SGS Nederland Holding B.V. exercises direct or indirect control based on a shareholding of more than one half of the voting rights, or of which it has the authority to otherwise govern their financial and operating policies. The financial information of the group companies is fully included in the consolidated financial information

Intercompany transactions, profits and balances among group companies and other consolidated entities are eliminated, unless these results are realized through transactions with third parties. Unrealized losses on intercompany transactions are also eliminated, unless such a loss qualifies as an impairment. The accounting policies of group companies and other consolidated entities have been changed where necessary, in order to align them to the prevailing group accounting policies.

SGS Nederland Holding B.V. heads a group of companies. An overview of the consolidated companies required pursuant to articles 2:379 and 2:414 of the Dutch Civil Code is given below.

The following entities are included for both the balance sheet and profit&loss for fiscal year 2020:

	<u>Subsidiary percentage</u>
SGS Nederland B.V., Spijkenisse	100%
Rotterdam Claims Prevention & Recovery Bureau B.V., Spijkenisse	100%
Horizon Energy Partners Maleisie, Kuala Lumpur	100%
SGS Intron B.V., Sittard	100%
SGS Intron Certificatie B.V., Sittard	100%
SGS Search Laboratorium B.V., Heeswijk Dinther	100%
SGS Search Ingenieursbureau B.V., Heeswijk Dinther	100%
SGS Roos + Bijl B.V., Rhoon	100%
SGS Floriaan B.V., Zaltbommel	100%
Maco Customs Service Netherlands B.V., Roermond	100%
Maco Customs Connect B.V., Roermond	100%

The following entities have been merged per 1 January 2021 (subsequent event):

1. SGS Roos+Bijl B.V. into SGS Nederland B.V.
2. SGS Floriaan B.V into SGS Search Ingenieursbureau B.V.
3. Maco Customs Connect B.V. into Maco Customs Service Netherlands B.V.

The following entities are included for only the balance sheet per 31 December 2020 (please refer to business combinations):

	<b>Subsidiary percentage</b>
SGS Food Analytics B.V. Oosterhout	100%
SGS Environmental Analytics B.V, Hoogvliet - Rotterdam	100%
SGS Analytics Holdings (Netherlands) B.V., Hoogvliet - Rotterdam	100%
SGS Analytics Holding B.V., Hoogvliet-Rotterdam	100%

## **Business combinations**

### Synlab

On 31 December 2020 SGS Nederland Holding B.V. has acquired 100% of the Dutch entities of SYNLAB Analytics & Services. This acquisition will strengthen our presence in environmental testing and food testing the Netherlands. The activities of Synlab A&S can be split into two areas:

1. Environment & Hygiene which has the focus on analyzing soil, water and hygiene samples.
2. Agrifood which has the focus on analyzing the food chain from Farm-to-fork. This consists of microbiological and chemical testing.

As from December 31, 2020 SGS Nederland Holding B.V. also effectively has the power of disposition in respect of the Dutch entities of SYNLAB Analytics & Services, as a result of which the acquisition has been recognised according to the purchase accounting method as from that date. SYNLAB Analytics & Services has not contributed to the Group's revenue and operating income in 2020. As the effective date is 31 December 2020, only the balance sheet per 31 December 2020 is consolidated in the presented financial statements.

The following entities have been acquired from SYNLAB Analytics & Services:

- a. SGS Food Analytics B.V. (f.k.a. SYNLAB Analytics & Services Oosterhout B.V.)
- b. SGS Environmental Analytics B.V.(f.k.a. SYNLAB ANALYTICS & SERVICES B.V.)
- c. SGS Analytics Holdings (Netherlands) B.V. (f.k.a. Alcontrol Holding (Netherlands) B.V. )
- d. SGS Analytics Holding B.V. (f.k.a. Alcontrol Holland B.V.)

The total purchase price was EUR 195 million for the four Dutch entities. The purchase price (allocation) is subject to a maximum period of 12 months adjustments

### Pest management

The Company has sold its pest management and fumigation activities per February 1, 2020. This department generated EUR 6.3 million revenue in 2019 and employed 42 employees. The total consideration received is EUR 28 million and net asset sold is EUR 2 million.

### **Acquisition and disposal of group companies**

Identifiable assets acquired, and liabilities assumed in a business combination are recognized in the consolidated financial statements from the acquisition date, being the moment that control can be exercised over the acquired company.

The acquisition price consists of the cash consideration, or equivalent, agreed for acquiring the company plus any directly attributable expenses. If the acquisition price exceeds the net amount of the fair value of the identifiable assets and liabilities, the excess is capitalized as goodwill under intangible assets.

Entities continue to be consolidated until they are sold; they are deconsolidated from the date that control ceases and if they are classified as groups held-for-disposal.

### **Related parties**

All legal entities that can be controlled, jointly controlled or significantly influenced are a related party. Entities which can also control the Company are a related party. In addition, statutory directors, other key management of the Company or the ultimate parent company and close relatives are regarded as related parties. As part of its regular business operations, the Company agrees transactions with other subsidiaries of Société Générale de Surveillance Holding S.A.

Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

Members and former members of the Board of Managing Directors do not receive compensation for their role as statutory directors of the Company.

### **General accounting policies for the cash flow statement**

The consolidated cash flow statement is prepared in accordance with those requirements of Title 9 Book 2 of the Dutch Civil Code and the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving'), relevant for preparation of the cash flow statement (Dutch Accounting Standard 361).

The cash flow statement is prepared according to the indirect method. Cash flows in foreign currencies are translated at an estimated average exchange rate. Exchange rate differences are shown separately in the cash flow statement. Corporate income taxes and interest paid are presented under the cash flow from operating activities. Dividends paid and movements in short-term intercompany financing are presented under the cash flow from financing activities. The Company relies on intercompany financing for its activities by using a cash pool with its ultimate parent SGS S.A. These cash pool accounts are included in the financial statements under intercompany receivables and debts to group companies. As the cash pool relates to financing, it has been presented as cash flow from financing activities. The purchase consideration of group companies acquired is presented under the cash flow from investment activities, as far as payment has been made in cash. The cash of the group companies acquired is shown separately as part of the reconciliation between the net cash flow and the movement in cash as shown in the balance sheet. Transactions that do not result in exchange of cash are not presented in the cash flow statement.

### **General accounting principles for consolidated financial statements**

The consolidated financial statements have been prepared according to the stipulations in Title 9 Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention, unless presented otherwise.

Income and expenses are accounted for on an accrual basis. Profit is only included when realized on balance sheet date. Liabilities and any losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

### **Comparison with previous year**

The valuation principles and method of determining the result are the same as those used in the previous year, with exception of the changes in accounting policies as described below. Comparative figures have been restated for comparison reasons.

### **Changes in accounting policies**

The accounting policies have been changed on two subjects:

1) As per 1 January 2020 the 'Raad voor de Jaarverslaggeving' has effectuated the draft proposal w.r.t. RJ 272. By this adjustment of Dutch accounting standards, the legal entity must value (deferred) tax assets and liabilities in accordance with the tax return (or the intended method of filing the tax return), unless it is unlikely that the tax authorities will agree to this. If it is unlikely that the tax authorities will agree to (a part of) the tax return, the valuation of this uncertain tax position should be based on the best estimate of the deviating tax amount compared to the (proposed) tax return, regardless of whether there is an uncertain tax asset or an uncertain tax

liability. The Company reviewed uncertain tax position applying the requirements of this adjustment to assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. The company applied this retrospectively in accordance with the Dutch Accounting Standards with the cumulative effect of initially applying the interpretation as an adjustment to the closing equity as of 31 December 2019.

The following table summarizes the impact of the adoption of RJ272 revised on the balance sheet (increase/(decrease)) as of 31 December 2019:

Total equity	(12,852)
Provision for uncertain tax position	12,852

The following table summarizes the impact of the adoption of RJ272 revised on the profit & loss statement (increase/(decrease))

	2020	2019
Additional tax charge	1,334	1,480

2. The Dutch Accounting Standards (DAS) has a strong preference to present the balance sheet before appropriation of result (DAS 420.101). In previous year the balance sheet was presented after appropriation of result. To align the presented financial statements with the preference in Dutch Accounting Standards, the accounting policies have been changed

The following table summarizes the impact on the balance sheet (increase/(decrease)) as of 31 December 2019:

Total equity	18,107
Payable to shareholder	(18,107)

## Foreign currency

### *Functional currency*

Items included in the financial statements of group companies are measured using the currency of the primary economic environment in which the respective group company operates (the functional currency). The consolidated financial statements are presented in euros, which is the functional and presentation currency of SGS Nederland Holding B.V.

### *Transactions, receivables and liabilities*

Transactions in foreign currencies are stated in the financial statements at the exchange rate of the functional currency on the transaction date.

Monetary assets and liabilities in foreign currencies are converted to the closing rate of the functional currency on the balance sheet date. The translation differences resulting from settlement and conversion are credited or charged to the income statement, unless hedge-accounting is applied.

Non-monetary assets valued at historical cost in a foreign currency are converted at the exchange rate on the transaction date.

Non-monetary assets valued at fair value in a foreign currency are converted at the exchange rate on the date on which the fair value was determined.

Translation differences on intragroup long-term loans that effectively constitute an increase or decrease in net investments in a foreign operation are directly recognized in equity as a component of the legal reserve for translation differences.

Translation differences on foreign currency loans contracted to finance a net investment in a foreign operation are recognized in the legal reserve for currency translation differences if and when such loans effectively hedge the exchange rate exposure on that net investment in a foreign operation.

#### *Group companies*

Assets and liabilities of consolidated subsidiaries with a functional currency different from the presentation currency are translated at the rate of exchange prevailing at the balance sheet date; income and expenses are translated at average exchange rates during the financial year. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of these subsidiaries and translated at the closing rate. Any resulting exchange differences are taken directly to the legal reserve for translation differences within equity.

#### **Financial leasing**

The company leases some of the machinery, whereby it retains substantially all the risks and rewards of ownership of these assets. These assets are recognised on the balance sheet upon commencement of the lease contract at the lower of the fair value of the asset or the discounted value of the minimum lease payments. The lease instalments to be paid are divided into a repayment and an interest portion, using the annuity method.

The liabilities under the lease, excluding the interest payments, are included under long-term debts.

The interest component is included in the income statement for the duration of the contract on the basis of a fixed interest percentage of the average remaining redemption component. The assets are depreciated over the remaining economic life or, if shorter, the duration of the contract.

## **Operational leasing**

The Company may have lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of, nor incurred by the Company. The lease contracts are recognized as operational leases. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the income statement for the duration of the contract.

## **Financial instruments**

Financial instruments are both primary financial instruments (such as receivables and debts), and derivative financial instruments (derivatives). The notes to the specific items of the balance sheet disclose the fair value of the related instrument if this deviates from the carrying amount. If the financial instrument is not recorded in the balance sheet, the information on the fair value is disclosed in the notes.

### *Primary financial instruments*

For the principles of primary financial instruments, reference is made to the recognition per balance sheet item of the 'Principles for the valuation of assets and liabilities.

### *Derivative financial instruments (derivatives)*

The Company has forward exchange contracts in relation to financial instruments denominated in US Dollar to hedge foreign currency risk. There Company did not use any other derivatives.

### *Hedge accounting*

The SGS Nederland Group does not apply hedge accounting.

## **Principles of valuation of assets and liabilities**

### **Intangible fixed assets**

Intangible fixed assets are stated at historical cost less amortization. Impairments are taken into consideration; this is relevant in the event that the carrying amount of the asset (or of the cash-generating unit to which the asset belongs) is higher than its realizable value.

With regard to the determination as to whether an intangible fixed asset is subject to an impairment, please refer to note "Impairment of fixed assets".

### *Goodwill*

Goodwill resulting from acquisitions and calculated in accordance with section "Acquisition and disposal of group companies" is capitalized and amortized on a straight-line basis over the estimated economic life.

### **Tangible fixed assets**

Tangible fixed assets including assets under construction are presented at historical cost less accumulated depreciation and, if applicable, less impairments. Depreciation is based on the estimated useful economic life and is calculated based on a fixed percentage of cost, and where applicable, taking into account any residual value. Depreciation is provided from the date an asset comes into use. Land is not depreciated. Impairments expected on the balance sheet date are taken into account. With regard to the determination as to whether a tangible fixed asset is subject to an impairment, please refer to the relevant section.

Periodical major maintenance is capitalised according to the components approach, with which the aggregate expenditures are allocated to the component parts.

### **Financial fixed assets**

#### *Deferred tax assets*

Deferred tax assets are recognized for all deductible temporary differences between the value of the assets and liabilities under tax regulations on the one hand and the accounting policies used in these financial statements on the other, on the understanding that deferred tax assets are only recognized as it is probable that future taxable profits will be available to offset the temporary differences and available tax losses.

The calculation of the deferred tax assets is based on the tax rates prevailing at the end of the reporting year or the rates applicable in future years, to the extent that they have already been enacted by law.

Deferred income taxes are recognized at nominal value.

#### *Loans to associates*

Receivables recognized under financial fixed assets are initially valued at the fair value less transaction cost (if material). These receivables are subsequently valued at amortized cost. For determining the value, any impairments are taken into account.

### *Other receivables*

Other receivables are valued at nominal value.

### **Impairment of fixed assets**

On each balance sheet date, the Company assesses whether there are any indications that a fixed asset may be subject to impairment. If there are such indications, the realisable value of the asset is determined. If it is not possible to determine the realisable value of the individual asset, the realisable value of the cash-generating unit to which the asset belongs is determined.

An impairment occurs when the carrying amount of an asset is higher than the realisable value; the realisable value is the higher of the fair value less cost to sell and the value in use. An impairment loss is directly recognized in the income statement while the carrying amount of the asset concerned is concurrently reduced.

The realizable value is initially based on a binding sale agreement; if there is no such agreement, the realizable value is determined based on the active market, whereby usually the prevailing bid price is taken as market price. The costs deducted in determining net realizable value are based on the estimated costs that are directly attributable to the sale and are necessary to realize the sale. For the determination of the value in use, an estimate is made of the future net cash flows in the event of continued use of the asset / cash-generating unit.

If it is established that an impairment that was recognized in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset concerned had been reported. An impairment of goodwill cannot be reversed.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognized in the income statement

The amount of an impairment loss incurred on financial assets stated at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized through profit or loss.

## Receivables

Upon initial recognition the receivables are valued at fair value and then valued at amortized cost. The fair value and amortized cost equal the face value. Provision deemed necessary for possible bad debt losses are deducted. These provisions are determined by individual assessment of the receivables.

## Inventories

Inventories (stocks) are valued at historical price based on the FIFO method (first in, first out) or lower realisable value. The historical cost consists of all costs relating to the acquisition and the costs incurred in order to bring the inventories to their current location and current condition. The realisable value is the estimated sales price less directly attributable sales costs. In determining the realisable value the obsolescence of the inventories is taken into account.

## Cash

Cash at banks and in hand represent cash in hand, bank balances and deposits with terms of less than twelve months. Cash at banks and in hand is carried at nominal value.

## Provisions

### *General*

Provisions are recognized for legally enforceable or constructive obligations that exist at the balance sheet date, and for which it is probable that an outflow of resources will be required, and a reliable estimate can be made.

Provisions are measured at the best estimate of the amount that is necessary to settle the obligation as per the balance sheet date. Provisions for pension are valued based on actuarial principles. The other provisions are carried at the nominal value of the expenditure that is expected to be necessary to settle the obligation, unless stated otherwise.

### *Other employee benefit provision*

The provision is calculated by an independent firm of actuaries based on the present value of the liabilities that the Company has towards the employees (other long-term benefit).

### *Deferred tax liabilities*

For amounts of taxation payable in the future, due to differences between the valuation principles in the annual report and the valuation for taxation purposes of the appropriate balance sheet items, a provision has been formed for the aggregate of these differences, multiplied by the current rate of taxation. These provisions are reduced by amounts of taxation recoverable in the future in respect of the carry-forward of unused tax losses, to the extent that it is probable that

future tax profits will be available for settlement. The provision for deferred tax liabilities is valued at nominal value. The resulting net amount of deferred tax assets and liabilities is reported as either an (current) asset or (current) liability when belonging to the same fiscal unity.

#### *Provision for uncertain tax positions*

The provision for uncertain tax positions is measured at the best estimate of the amount that is necessary to settle the obligation as per the balance sheet date. This provision is carried at the nominal value of the expenditure that is expected to be necessary in order to settle the obligation. For more information, please refer to significant accounting judgments and estimates.

### **Liabilities**

On initial recognition liabilities are recognized at fair value. After initial recognition current liabilities are recognized at the amortized cost price, being the amount received, taking into account premiums or discounts, less transaction costs. This usually is the nominal value.

### **Principles for the determination of the result**

#### **General**

The result is the difference between the realizable value of the goods/services provided and the costs and other charges during the year. The results on transactions are recognized in the year in which they are realized.

#### **Net-turnover**

Net-turnover represents fees for services rendered to third parties during the financial year reported on, net of discounts and value added taxes.

#### *Sales of services*

Revenues from the services rendered are recognized in proportion to the services delivered, based on the services rendered up to the balance sheet date.

#### **Employee cost**

Wages and salaries, and social security contributions are charged to the income statement based on the terms of employment, where they are due to employees and the tax authorities respectively.

#### *Pensions*

The Company applies the liability approach for all pension schemes. Premiums are recognized as employee cost when they are due. Prepaid contributions are recognized as deferred assets if these

leads to a refund or reduction of future payments. Contributions that are due but have not yet been paid are presented as liabilities. SGS has concluded pension contracts with insurance company Aegon. All active SGS participants are part of a defined contribution agreement. This arrangement is a Defined Contribution scheme in which the participants individually invest in shares or share funds. Participants can make a choice to invest life cycle or free. Participants who don't want to invest in shares can choose to buy a guaranteed outcome product. The cost related to this guarantee is the responsibility of the participant.

#### *Government subsidies*

Operating subsidies are recorded as income in the income statement in the year in which the subsidised costs were incurred or income was lost or when there was a subsidised operating deficit. Income is recognised when it is probable that it will be received.

### **Financial income**

#### *Interest income and interest expenses*

Interest income and expenses are recognized on a pro rata basis, taking account of the effective interest rate of the assets and liabilities to which, they relate. In accounting for interest expenses, the recognized transaction expenses for loans received are taken into consideration.

#### *Currency translation differences*

Currency translation differences arising upon the settlement or conversion of monetary items are recognized in the income statement in the period that they are realized.

### **Taxation**

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the Annual report and profit calculated for taxation purposes, and with which deferred tax assets (if applicable) are only valued insofar as their realization is likely.

### **Financial instruments and risk management**

#### *Currency risk*

SGS Nederland Holding B.V. mainly operates in the European Union. The main currency is the euro in which the Group operates. Further the currency risk for the Group concerns positions and future transactions in US dollars. Management has determined, based on a risk assessment, that some of these currency risks need to be hedged. Forward exchange contracts are used for this purpose. Receivables denominated in US dollars are hedged, as are forecasted purchases to the extent that it is highly probable that the purchases will occur.

*Interest, cash flow and liquidity risk*

The Group is exposed to fair value interest rate risk because the Group borrows funds at variable rate (LIBOR plus fixed mark-up). The Group does not hedge interest risks using Interest Rate Swap contracts.

As it relates to the Group's cash flow risk, the Group is part of a cash-pool facility which is headed by SGS Société Générale de Surveillance SA / SGS Group Management S.A. ("the lender"). The lender provided the Group with the guarantee that they will not require outright repayment of the cash-pool facility advances granted within one year after the signing date of these financial statements.

*Credit Risk*

The Group has no significant concentration of credit risk, with exposure spread over many counterparties and customers. Credit risks arise mainly from the possibility that customers may not be able to settle their obligations as agreed. The Group's credit risk is diversified due to the large number of entities that make up the Group's customer base and the diversification across many different industries. The maximum credit risk to which the Group is theoretically exposed at balance sheet date is represented by the carrying amounts of receivables in the balance sheet. No customer accounts for 5% or more of the Group's total receivables at balance sheet date. The Group focuses on maintaining a low DSO-rate and adherence to contractual payment terms by customers which is supported by a dedicated credit management team.

## Notes to the consolidated balance sheet

### 1) Intangible fixed assets

Movements in the intangible fixed assets are as follows:

EUR000	Goodwill	Customer relationships	Trade names	Software	Total
<b>Balance as at 1 January:</b>					
Cost price	108,146	17,903	8,419	2,280	136,748
Acc. amortization	(84,463)	(13,101)	(8,419)	(1,862)	(107,845)
<b>Book value</b>	<b>23,683</b>	<b>4,802</b>	<b>-</b>	<b>418</b>	<b>28,903</b>
Acquisitions	130,070	46,165	-	5,109	181,344
Cum. amortization acquisitions	-	-	-	(1,292)	(1,292)
Additions	-	-	-	162	162
Disposals	(5,522)	(8,032)	(8,419)	(172)	(22,145)
Amortization of disposals	3,542	7,659	8,419	172	19,792
Amortization	(4,089)	(799)	-	(192)	(5,080)
Impairment	(2,622)	(667)	-	-	(3,289)
	121,379	44,326	-	3,787	169,492
<b>Balance as at 31 December:</b>					
Cost price	232,694	56,036	-	7,379	296,109
Acc. amortization	(87,632)	(6,908)	-	(3,174)	(97,714)
<b>Book value</b>	<b>145,062</b>	<b>49,128</b>	<b>-</b>	<b>4,205</b>	<b>198,395</b>

The estimated economic life is as follows:

Goodwill:	10 years
Customer relationships:	10 to 20 years
Trade names:	20 years
Software:	1 to 5 years

The depreciation of goodwill is more than 5 years as the estimated economic life is 10 years.

#### Impairment

An impairment has been recognized in relation to SGS Roos & Bijl B.V. ("R&B") in 2020 for a total amount of EUR 3,289. The impairment is related to goodwill and customer relations as specified in the movement schedule and is the result of the goodwill impairment test. Management identified an impairment trigger based on the current results and the outlook of this subsidiary. Management

performed an impairment test which resulted that an impairment loss should be recognized. The classes of assets affected by the impairment loss are goodwill and customer relations. For the impairment recognized, reference is made to the corresponding movement schedules above and profit and loss in which the recognized impairments are separately presented.

## 2) Tangible fixed assets

Movements in tangible fixed assets are as follows:

EUR000	Land and buildings	Machinery & equipment	Other fixed assets	Assets under construction	Total
<b>Balance as at 1 January</b>					
Cost price	36,977	31,397	7,852	1,146	77,372
Acc. depreciation	(23,451)	(25,723)	(6,886)	-	(56,058)
<b>Book value</b>	<b>13,526</b>	<b>5,675</b>	<b>966</b>	<b>1,146</b>	<b>21,314</b>
Acquisition	-	9,875	2,335	-	12,210
Acquisition acc. depreciation	-	(4,603)	(517)	-	(5,120)
Sale	-	-	(214)	-	(214)
Sale acc. depreciation	-	-	184	-	184
Disposal	(922)	(3,421)	(1,311)	-	(5,654)
Depreciation on disposals	872	3,125	1,289	-	5,286
Transfer	(25)	788	(3)	(759)	1
Transfer cum. Depr	(147)	145	2	-	-
Additions	814	2,153	705	-	3,672
Depreciation	(1,360)	(2,312)	(586)	-	(4,258)
	(621)	5,603	1,884	(759)	6,107
<b>Balance as at 31 December</b>					
Cost price	36,844	40,792	9,364	387	87,387
Acc. depreciation	(24,086)	(29,366)	(6,514)	-	(59,966)
<b>Book value</b>	<b>12,758</b>	<b>11,426</b>	<b>2,850</b>	<b>387</b>	<b>27,421</b>

The estimated economic life is as follows:

Buildings	10 to 50 years
Machinery and equipment	5 years
Other fixed assets	3 to 10 years
Long lease contracts:	10 to 50 years

The land and buildings contain long term lease contracts for terrains where buildings of SGS NL are on located (legal term in Dutch is ‘erfpacht’). These contracts have been paid upfront. The cost value is EUR 1,830 (2019: EUR 1,894). The accumulated depreciation is EUR 1,271 (2019: EUR 1,094).

The machine and equipment includes EUR 234 (2019: 0) of assets under financial leasing, which are held without legal title.

### 3) Financial fixed assets

Movements in financial assets can be broken down as follows:

<b>EUR000</b>	<b>Deferred tax assets</b>	<b>Receivables from associates</b>	<b>Receivable from disposal</b>	<b>Restricted cash</b>	<b>Total</b>
<b>Opening balance</b>	<b>1,373</b>	<b>-</b>	<b>350</b>	<b>831</b>	<b>2,554</b>
Acquisition	84	2,000	-	77	2,164
Transfer	-	-	(350)	-	(350)
Addition	-	-	-	-	-
Usage	(104)	-	-	-	(104)
Adjustment tax rate	209	-	-	-	(209)
Redemption	-	-	-	(78)	(78)
<b>As at 31 December</b>	<b>1,562</b>	<b>2,000</b>	<b>-</b>	<b>830</b>	<b>4,392</b>

#### *Deferred tax assets*

The deferred tax asset is mainly recognized for different treatment for tax purposes of:

- the pension compensation provision. The deferred tax asset for the pension compensation plan will decrease annually in line with the actual payments to participants;
- depreciation of buildings and other tangible fixed assets.

The deferred tax assets fall due in more than one year.

For 31 December 2019 the Company applied the tax rate of 21.7% in anticipation of rate changes as notified by the Dutch government. Due to Covid-19, the Dutch government decided in 2020 (after signing the financial statements 2019) to keep the rate 25%. For 31 December 2020 the Company applied the tax rate of 25%. The comparative figures have not been restated

#### *Receivable from associates*

Relates to a loan provided by SGS Food Analytics B.V. to F079701 SYNLAB Analytics & Services United Kingdom Ltd. The fixed-interest loan facility, which is subject to an interest rate of 5.1%, have a remaining duration till 1 July 2025. Nothing has been agreed in respect of repayment and securities.

#### *Receivable from disposal*

This receivable related a disposal of a part of the Group activities. This asset is invoiced in 2021 and therefore classified as short term.

#### *Restricted cash*

Restricted cash relates to bank balances and deposits with terms of more than twelve months. These bank balances and deposits mainly relate to collateral for bank guarantees provided to landlords of the rented buildings.

#### **4) Inventories**

	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>EUR000</b>	<b>EUR000</b>
Consumables	<u>1,272</u>	<u>-</u>
Balance as at 31 December	<u><b>1,272</b></u>	<u><b>-</b></u>

No consumables are valued at a lower realisable value.

#### **5) Receivables**

The receivables recognized under current assets are due within one year. The fair value of the receivables approximates the carrying amount due to their short-term character.

#### *Trade receivables*

Net trade receivables are net of a provision for doubtful receivables of EUR 1,211 (2019: EUR 2,218).

#### *Intercompany receivables*

	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>EUR000</b>	<b>EUR000</b>
Current receivables arising from operational transactions	<u>1,506</u>	<u>2,097</u>
Cash pool accounts	<u>16,811</u>	<u>15,770</u>
Balance as at 31 December	<u><b>18,317</b></u>	<u><b>17,867</b></u>

No provision has been recognized on the current receivables arising from operational intercompany transactions.

The Company relies on intercompany financing for its activities by using a cash pool with SGS Société Générale de Surveillance SA / SGS Group Management SA. In respect of repayment and securities provided, no agreements have been made. The interest rates are variable.

Depending on the currency, the following interest rates are applied on the cash pool accounts receivable for both 2020 as 2019:

	debit %	credit %
EUR	0.50	0.00
USD	0.60	0.10
CHF	0.25	0.00

## 6) Cash and cash equivalents

The cash and cash equivalents are at free disposal to the Group.

## 7) Group capital

For notes on the equity, please refer to the note on the equity in the Company-only financial statements.

## 8) Provisions

Movements in provisions are as follows:

EUR000	Uncertain tax positions	Other employee benefit A	Other employee benefit B	Restruct- uring	Total
<b>As at 1 January</b>	-	2,856	-	2,654	5,510
Reclassification	-	-	-	(2,654)	(2,654)
RJ 272 revised	12,852	-	-	-	12,852
<b>Restated opening balance</b>	<b>12,852</b>	<b>2,856</b>	-	-	<b>15,708</b>
Acquisition	-	-	176	-	176
Usage	-	(337)	-	-	(337)
Addition	1,334	-	-	-	1,334
Payment	(16,373)	-	-	-	16,373
Releases	-	(158)	-	-	(158)
<b>As at 31 December</b>	<b>(2,187)</b>	<b>2,361</b>	<b>176</b>	-	<b>(280)</b>
Reclassification to assets	2,187	-	-	-	2,817
<b>As at 31 December</b>	-	<b>2,361</b>	<b>176</b>	-	<b>2,537</b>

### *Provision for uncertain tax positions*

Please refer to Significant accounting judgments and estimates. Based on the assumptions described a provision is recognized of EUR 14,186k. During 2020 the Group paid the tax

notifications received from the Dutch Tax Authorities to mitigate any interest risks. Further, the Group objected those assessments.

*Other employee benefit provision A*

Of this provision an amount of EUR 337 (2019: EUR 312) is due within one year. For staff which previously was entitled to a final pay and career average pension scheme, a compensation scheme has been set-up, which will be paid during the employment of staff.

The provisions are based on actuarial calculations, of which the most important actuarial principles are

	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>%</b>	<b>%</b>
Discount rate	0.7	0.80
Underlying consumer price inflation	1.25	1.25
Rate of Future Compensation Increases	1.25	1.25

The discount rate is the most significant actuarial assumption for the determination of the staff compensation obligation of SGS.

The related costs have been recognized within wages and salaries

*Other employee benefit provision B*

SGS Environmental Analytics B.V. has a French branch where circa 45 employees are employed. In France there are always termination leave defined benefit obligations per law

The provisions are based on actuarial calculations, of which the most important actuarial principles are :

	<b>31.12.2020</b>
	<b>%</b>
Discount rate	1.00
Underlying consumer price inflation	2.00
Salary increase rate	1.03

## 9) Intercompany loans

EUR000	Loan 1	Loan 2	Loan 3	Total
<b>As at 1 January</b>	<b>40,000</b>	-	-	<b>40,000</b>
New loans	-	74,907	-	74,907
Acquisition	-	-	117,719	117,719
<b>As at 31 December 1</b>	<b>40,000</b>	<b>74,907</b>	<b>117,719</b>	<b>232,626</b>

### Loan 1

In December 2014 SGS Nederland B.V. agreed upon a revolving credit facility of EUR 40 million with SGS S.A. This loan has been extended in 2019 until June 26<sup>th</sup>, 2022.

On all funds drawn down under this facility interest is due based on the 12-month LIBOR interest rate plus a margin of 2.00%. If the LIBOR will be negative, the LIBOR will be set to 0%. In respect of securities, no agreements have been made.

### Loan 2

In 2020 SGS SA provided a loan to SGS Nederland Holding B.V. for the purchase of A&S entities. This loan has been granted until June 30<sup>th</sup>, 2021. SGS S.A. has confirmed its intention to extend with a new maturity of at least 12 months. In respect of securities, no agreements have been made. The interest rate is 2%.

### Loans 3

In 2020 SGS SA provided the A&S entities a working capital loan. This loan has been granted until June 30<sup>th</sup>, 2021. SGS S.A. has confirmed its intention to extend with a new maturity of at least 12 months. In respect of securities, no agreements have been made. The interest rate is 2%.

## 10) Debts to group companies

Debts to group companies consists of current liabilities arising from operational intercompany transactions.

## 11) Taxes and social security contributions

	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>EUR000</b>	<b>EUR000</b>
Corporate Tax	3,290	-
VAT	6,118	4,882
Social security charges	5,139	3,136
<b>Balance as at 31 December</b>	<b>14,547</b>	<b>8,018</b>

## 12) Other liabilities, accruals and deferred income

	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>EUR000</b>	<b>EUR000</b>
Holiday allowance and days payable	8,946	8,246
Bonuses, gratifications and variable benefit payable	3,390	2,841
Accruals	7,149	5,822
Deferred income	161	943
Advances from clients	8	138
Custom duties payable	1,681	1,790
Claims	228	243
Restructuring provision	814	2,654
Now subsidies payable	1,313	-
<b>Balance as at 31 December</b>	<b>23,690</b>	<b>22,677</b>

The accruals mainly relate to not received invoices for received goods and services, cost related to subcontractors, and unpaid customer discounts.

All current liabilities fall due in less than one year, except of a part of the restructuring provision (EUR 32)

## Off-balance-sheet rights and obligations

### Guarantees

As at 31 December 2020, the issued guarantees amount to EUR 2,818 (2019: EUR 2,778).

### Operational leases

The obligations from operational leases at the end of the reporting period can be specified as follows:

	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>EUR000</b>	<b>EUR000</b>
Due within 1 year	9,771	8,040
Due within 1 and 5 years	18,209	15,996
Due after 5 years	790	915
<b>Total lease obligation to third parties</b>	<b>28,770</b>	<b>24,951</b>

The operational leases exist of rent of premises, lease cars and IT materials.

#### *Fiscal unity VAT*

SGS Nederland B.V. is part of the fiscal unity for VAT purposes. As such the Company is jointly and severally liable for any tax liabilities of the fiscal unity. The VAT fiscal unity per 31 December 2020 includes:

- SGS Nederland B.V. (head of the VAT fiscal unity)
- Rotterdam Claims Prevention & Recovery Bureau B.V.
- SGS Intron B.V.
- SGS Intron Certificatie B.V.
- SGS Search Ingenieursbureau B.V.
- SGS Search Laboratorium B.V.
- SGS Roos & Bijl B.V.

#### *Fiscal unity CIT*

The Company and its group companies form a fiscal unity for corporate income tax purposes. They are charged corporate income tax as if they were independent taxable entities.

SGS Nederland Holding B.V. is the head of the fiscal unity. The corporate income tax fiscal unity per 31 December 2020 includes:

- SGS Nederland B.V.
- Rotterdam Claims Prevention & Recovery Bureau B.V.
- SGS Intron B.V.
- SGS Intron Certificatie B.V.
- SGS Search Laboratorium B.V.
- SGS Search Ingenieursbureau B.V.
- SGS Roos & Bijl B.V.
- As per January 1, 2020, SGS Floriaan B.V. is included in the fiscal unity for the corporate income tax.

#### *Credit facility*

SGS Nederland Holding B.V. has a credit facility of EUR 3,000 at the Belfius Bank, which is not used per 31 December 2020.

## Notes to the consolidated income statement

### 13) Net turnover

The net turnover in the Netherlands was realized in the following business lines of the Company's operations:

	<b>2020</b>	<b>2019</b>
	<b>EUR000</b>	<b>EUR000</b>
Agriculture, Food & Life	21,118	27,337
Minerals	22,350	21,058
Oil Gas & Chemicals	61,713	68,777
Consumer & Retail Services	957	1,522
Industrial	29,954	31,879
Environment, Health & Safety	38,396	42,394
Automotive	-	508
Governments and Institutions	11,582	11,858
Certification & Business Enhancement	4,133	3,854
	<b>190,203</b>	<b>209,187</b>

The net turnover related to associate companies is EUR 12,963 (2019: EUR 14,043).

### 14) Personnel expenses

The average number of people employed (Full time equivalent) by the Group amounted to 1,739 (excluding Synlab entities, those employed in 2020 444 FTE). In 2019 the Group employed 1,843.

The split between direct and indirect FTE's is as follows:

	<b>2020</b>	<b>2019</b>
Direct FTE's	1,623	1,407
Indirect FTE's	416	436
Total FTE's	1,739	1,843

The number of employees per business lines is as follows:

	<b>2020</b>	<b>2019</b>
	<b>EUR000</b>	<b>EUR000</b>
Agriculture, Food & Life	280	290
Minerals	144	137
Oil Gas & Chemicals	572	595
Consumer & Retail Services	14	18
Industrial	283	297
Environment, Health & Safety	287	387
Automotive	-	6
Governments and Institutions	120	106
Certification & Business Enhancement	39	7
	<b>1,739</b>	<b>1,843</b>

Members and former members of the Board of Managing Directors do not receive compensation for their role as statutory directors of the Company. The members of the Board of Managing Directors are paid by other affiliates of SGS SA then SGS Nederland Holding BV and its subsidiaries. The salary costs are not recharged to the Company.

## 15) Other operating expenses

### *Subcontracted work and other external costs*

With regard to the cost for subcontracted work and other external costs an amount of EUR 8,102 (2019: EUR 8,666) relates to associated companies.

### *Other operating expenses*

	<b>2020</b>	<b>2019</b>
	<b>EUR000</b>	<b>EUR000</b>
The other operating expenses can be specified as follows:		
Travel and accommodation expenses	9,290	11,413
Temporary employees	3,496	6,262
Other staffing costs	2,858	6,876
Network fees and royalties passed on from head office	13,662	15,269
Other charges passed from head office and associated companies	3,776	4,367
Recharge business management cost to head office	(2,134)	(2,559)
Lease, insurance and service charges	5,710	5,743
Communication costs	573	1,805
Repairs and maintenance costs	4,452	4,260
Office supplies	923	957
Consultancy costs	1,431	1,402

Bad debt	174	(245)
IT expenses	1,081	964
Other operating expenses	2,909	(518)
<b>Total other operating expenses</b>	<b>48,201</b>	<b>55,996</b>

In year under review an amount of EUR 230 (2019: EUR 200) was recognized for the external auditor's fees. These costs were charged by Deloitte Accountants B.V and relate to the audit of the annual (group) accounts. An amount of EUR 29 (2019: EUR 29) was recognized for tax advisory services by other Deloitte network service lines.

### 16) Gains on disposals

The Company has sold its pest management and fumigation activities per February 1, 2020. This department generated EUR 6.3 million revenue in 2019 and employed 42 employees. The total consideration received is EUR 28 million and net asset sold is EUR 2 million.

The remainder consist of book profits on sale of a building.

### 17) Taxes

#### *Tax on result*

	<b>2020</b>	<b>2019</b>
	<b>EUR000</b>	<b>EUR000</b>
<b>Result of ordinary activities before taxation</b>	<b>26,310</b>	<b>9,837</b>
Permanent and temporary differences	8,323	6,750
Taxable amount	34,633	16,587
Current income tax (25%)	(8,658)	(4,147)
Prior year adjustments current tax	-	105
RJ272 revised impact	(1,334)	(1,480)
Prior year adjustment deferred tax	-	1,840
Deferred tax movement	(104)	(78)
Deferred tax rate adjustment	209	(209)
<b>Taxation on result</b>	<b>(9,887)</b>	<b>(3,969)</b>
Applicable tax rate	25%	25%
Effective tax rate	38%	24%

For 31 December 2019 the Company applied the tax rate of 21.7% in anticipation of rate changes as notified by the Dutch government. Due to Covid-19, the Dutch government decided in 2020 (after signing the financial statements 2019) to keep the rate 25%. For 31 December 2020 the Company applied the tax rate of 25%. The comparative figures have not been restated.

The effective tax burden in the income statement differs from the prevailing rate in the Netherlands (25%) as a result of non-deductible expenses (notably amortization and impairment of goodwill and client relationships) and also the RJ272 revised impact.

### Notes to the consolidated cash flow statement

The movements of balance sheet positions which are part of the working capital movement have been adjusted for the items specified below:

<b>Working capital item included in the balance sheet</b>	<b>2020</b>	<b>2019</b>	<b>Note</b>
	EUR'000	EUR'000	
<b>Debts to group companies</b>			
Change in short-term intercompany financing	(1,041)	11,585	Presented as part of the cash flow from financing activities.
<b>Trade receivables</b>			
Change in provision for doubtful debts	(1007)	(335)	Presented as part of adjustment to operating profit (“changes in provisions”).

Elimination of the working capital related to the acquisition of group companies amounts to EUR (323) for 2020 (2019: 266) as it is part of the cash flow from investing activities.

### Subsequent events

The SGS Group has developed an initiative to file a EUR 1bn Euro Medium Term Notes (EMTN) program, under which notes can be issued. SGS Nederland Holding BV acts as Issuer on the program and SGS SA, the ultimate parent company, is the Guarantor. No notes have been issued by the date of this report.

The following entities have been merged per 1 January 2021 (subsequent event):

1. SGS Roos+Bijl B.V. into SGS Nederland B.V.
2. SGS Floriaan B.V into SGS Search Ingenieursbureau B.V.
3. Maco Customs Connect B.V. into Maco Customs Service Netherlands B.V.

## **Company-only financial statements**

**Company-only balance sheet as at December 31, 2020**

(Before appropriation of result)

	Note	<b>31.12.2020</b> <b>EUR000</b>	<b>31.12.2019</b> <b>EUR000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Participating interests in group companies	1	<i>209,821</i>	<i>110,472</i>
<b>Current assets</b>			
Receivable from shareholder	2	12,000	-
Corporate income tax		-	-
Prepaid corporate income tax w.r.t provision for uncertain tax positions	3	2,187	-
Other receivables		-	2
		<b>14,187</b>	<b>2</b>
Cash and cash equivalents		-	<b>2</b>
<b>Total Assets</b>		<b>224,008</b>	<b>110,746</b>

## Equity and liabilities

			<b>31.12.2020</b>		<b>31.12.2019</b>
			<b>EUR000</b>		<b>EUR000</b>
<b>Equity</b>					
Share capital	2	3,025		3,025	
Share premium	2	12,000		-	
Non-distributable reserves	2	15		15	
Distributable reserves	2	(5,504)		6,735	
Result of the year	2	16,423		5,868	
			<b>25,959</b>		<b>15,643</b>
<b>Provision</b>					
Provision for uncertain tax positions	3		-		<b>12,852</b>
<b>Non-current liabilities</b>					
Intercompany loans	4		<b>74,907</b>		-
<b>Current liabilities</b>					
Debt to shareholder		-		-	
Debts to group companies	5	120,961		81,984	
Corporate income tax		2,180		267	
Other liabilities, accruals and deferred income		1		-	
			<b>123,142</b>		<b>82,251</b>
<b>Total Equity and liabilities</b>			<b>224,008</b>		<b>110,746</b>

**Company-only income statement 2020**

	<b>2020</b>	<b>2019</b>
	<b>EUR000</b>	<b>EUR000</b>
Result from subsidiaries	24,171	12,804
Income from operations after income tax	<u>(7,748)</u>	<u>(6,936)</u>
<b>Result after taxation</b>	<b>16,423</b>	<b>5,868</b>

## Company-only accounting principles

### General

The company-only financial statements have been prepared in accordance with Title 9 Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards as issued by the Dutch Accounting Standards Board.

The accounting policies for the company financial statements and the consolidated financial statements are the same. For the accounting policies for the company balance sheet and income statement, reference is made to the notes to the consolidated balance sheet and income statement. When drawing up the company-only financial statements, article 2:402 Dutch Civil Code has been applied with respect to the income statement.

### Participations

Participations (associates), over which significant influence can be exercised, are valued according to the net asset value method. In the event that 20% or more of the voting rights can be exercised, it may be assumed that there is significant influence.

The net asset value is calculated in accordance with the accounting principles that apply for these financial statements; with regard to participations in which insufficient data is available for adopting these principles, the valuation principles of the respective participation are applied.

If the valuation of an associate based on the net asset value is negative, it will be stated at nil. If and insofar as SGS Nederland Holding B.V. can be held fully or partially liable for the debts of the associate or has the firm intention of enabling the participation to settle its debts, a provision is recognized for this.

Newly acquired associates are initially recognized on the basis of the fair value of their identifiable assets and liabilities at the acquisition date. For subsequent valuations, the principles that apply for these financial statements are used, with the values upon their initial recognition as the basis.

The amount by which the carrying amount of the associate has changed since the previous financial statements as a result of the net result achieved by the associate is recognized in the income statement.

In the event of an impairment loss, valuation takes place at the realizable value (see also section "Impairment of fixed assets"); an impairment is recognized and charged to the income statement.

## Notes to the company-only financial statements

### 1) Financial fixed assets

	<b>Participations EUR000</b>
<b>Balance as at 1 January</b>	<b>110,742</b>
Acquisition	74,908
Result from subsidiaries	24,171
<b>Balance as at 31 December</b>	<b>209,821</b>

SGS Nederland Holding B.V. has direct interests in the following participations:

SGS Nederland B.V., Spijkenisse	100%
Rotterdam Claims Prevention & Recovery Bureau B.V., Spijkenisse	100%
SGS Analytics Holdings (Netherlands) B.V., Hoogvliet - Rotterdam	100%

### 2) Equity

#### Share capital

The authorized capital of the Company is EUR 15,000,000 which are divided in 30,000 equal ordinary shares. Of these shares, 6,050 are ordinary shares issued and fully paid up, total nominal value EUR 3,025,000.

#### Share premium

The direct shareholder of SGS Nederland Holding B.V., which is SGS Société Générale de Surveillance SA, decided to contribute per 31 December 2020 a share premium of EUR 12,000,000. This amount to be received has been presented as Receivable from shareholder. On 13 January 2021 this amount has been received by SGS Nederland Holding B.V. through bank.

#### Result

The Board of Managing Director's proposal to the General Meeting of Shareholders is to add the result of 2020 to the distributable reserves

Please refer to the Changes in accounting policies.

The movement in equity for the year is as follows:

EUR000	Share capital	Share premium	Non-distributable reserves	Distributable reserves	Result	Total
<b>Balance as at 31 Dec, 2019 after appropriation of result</b>	<b>3,025</b>	-	<b>15</b>	<b>7,348</b>	-	<b>10,388</b>
Restatement result	-	-	-	(7,348)	7,348	-
Restatement dividend proposal	-	-	-	18,107	-	18,107
<b>Balance as at 31 Dec, 2019 before appropriation of result</b>	<b>3,025</b>	-	<b>15</b>	<b>18,107</b>	<b>7,348</b>	<b>28,495</b>
Adoption of RJ272 – revised	-	-	-	(11,372)	(1,480)	(12,852)
<b>Restated balance at 31 Dec. 2019</b>	<b>3,025</b>	-	<b>15</b>	<b>6,735</b>	<b>5,868</b>	<b>15,643</b>
Dividend Result appropriation 2019	-	-	-	(18,107)	-	(18,107)
Result 2020	-	-	-	5,868	(5,868)	-
Share premium	-	12,000	-	-	16,423	16,423
<b>Balance at 31 December 2020</b>	<b>3,025</b>	<b>12,000</b>	<b>15</b>	<b>(5,504)</b>	<b>16,423</b>	<b>25,959</b>

The consolidated and stand-alone financial statements do not contain a statement of comprehensive income. A statement of comprehensive income will not provide additional information. The only movement in the comprehensive income is the result 2020.

### 3) Provision for uncertain tax positions

For notes on the Provision for uncertain tax positions, please refer to the note on the Provision for uncertain tax positions in the consolidated financial statements.

#### 4) Intercompany loans

For notes on the Intercompany loans, please refer to the note on the Intercompany loans in the consolidated financial statements.

#### 5) Debts to group companies

	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>EUR000</b>	<b>EUR000</b>
Current payables arising from operational transactions	-	-
Cash pool accounts	120,961	81,984
Balance as at 31 December	<b>120,961</b>	<b>81,984</b>

The Company relies on intercompany financing for its activities by using a cash pool with SGS Société Générale de Surveillance SA / Group Management SA. The Company has only EUR cashpool accounts. The following interest rates are applied on the cash pool accounts receivable for both 2020 as 2019:

	<b>debit</b>	<b>credit</b>
	<b>%</b>	<b>%</b>
EUR	0.50	0.00

In respect of repayment and securities provided, no agreements have been made.

#### Off-balance sheet rights and obligations

##### *Declaration of liability*

For the group companies stated below the Company (SGS Nederland Holding B.V.) has issued and filed a notice of liability within the meaning of article 2:403 of the Dutch Civil Code.

Therefore, the legal entity is jointly and severally liable for liabilities arising from the legal acts of those group companies.

- SGS Nederland B.V., Spijkenisse
- Rotterdam Claims Prevention & Recovery Bureau B.V., Spijkenisse
- SGS Intron B.V., Sittard
- SGS Intron Certificatie B.V., Culemborg
- SGS Search Laboratorium B.V., Heeswijk Dinther
- SGS Search Ingenieursbureau B.V., Heeswijk Dinther
- SGS Roos + Bijl B.V., Rhooen
- SGS Floriaan B.V., Zaltbommel

##### *Fiscal unity*

SGS Nederland Holding B.V. is head of the fiscal unity for corporate income tax purposes. As such the company is jointly and severally liable for any tax liabilities of the fiscal unity. Refer to

the disclosure in the consolidated financial statements.

*Credit facility*

SGS Nederland Holding B.V. has a credit facility of EUR 3,000 at the Belfius Bank, which is not used per 31 December 2020.

**Subsequent events**

We refer to the subsequent events as disclosed in the consolidated financial statements

**Signing of the financial statements.**

Board of Managing Directors,

Spijkensse, 2 April 2021

J.L.J. Pype  
Statutory director SGS Nederland Holding B.V.

R.C.A. Oostrom  
Statutory director SGS Nederland Holding B.V.

## **Other information**

### **Appropriation of result according to Articles of Association**

In accordance with article 25 of the Company's Articles of Association, the profit is at the disposal of the General Meeting of Shareholders.

### **Independent auditor's report**

Reference is made to the independent auditor's report as included hereinafter.