SGS Nederland Holding B.V.
Spijkenisse, 1 May 2020

Annual report 2019

Deloitte Accountants B.V.
For identification purposes only.
Related to auditor's report
dated 1 May 2020

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Contents

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".

SGS Nederland Holding B.V. is the holding company of:

	Subsidiary percentage
SGS Nederland B.V., Spijkenisse	100%
Rotterdam Claims Prevention & Recovery Bureau B.V., Spijkenisse	100%
Horizon Energy Partners Maleisie, Kuala Lumpur	100%
SGS Roos+Bijl B.V., Rhoon	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%
Maco Customs Connect B.V., Roermond	100%
Maco Customs Service Netherlands B.V., Roermond	100%
SGS Floriaan B.V., Zaltbommel	100%

The SGS Nederland Group is an independent service organization that provides services relating to inspection, control, sampling, analysis 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) 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 increased in 2019 with EUR 3,320 (2%). The net turnover in the Netherlands was realized in the following business lines of the Company's operations:

	2019	**2018**
	EUR000	**EUR000**
Agriculture, Food & Life	27,337	25,991
Minerals	21,058	19,118
Oil Gas & Chemicals	68,777	72,225
Consumer & Retail Services	1,522	1,521
Industrial	31,879	34,665
Environment, Health & Safety	42,394	36,535
Automotive	508	702
Governments and Institutions	11,858	11,419
Certification & Business Enhancement	3,855	3,691
	209,187	**205,867**

Within the traditional trade related Agriculture, Food & Life revenue and profit remained stable as the trade activity remained stable in the Dutch area. However, on the pest management and inspection services we were able to increase the revenue by attracting new customers

As last year, the Minerals revenue increased again and now by 10%. Throughout the global market we see an upwards trend in trading volumes of Minerals commodities. This trend is supported by a consistent higher pricing level of those commodities, and new investment projects for exploration.

The revenue of the Oil Gas & Chemicals business line decreased with EUR 3,449 compared to 2018. The main reason is that Company has sold its Plant & Terminal Operations per April 1, 2019. This department generated in 2018 EUR 5.4 million revenue and employed c. 64 employees.

The Industrial business highly depends on big stops at the plants of our customers. In 2019 there were less stops compared to 2018 resulting in EUR 2,787 less revenue.

The Environment, Health & Safety business shows again an increase (2019: 16%) which is mainly driven by growing business in the Asbestos and Chroom6 as well as the air monitoring activities. On top, we see our activities in the building inspections growing and the greater awareness of environment resulting in more jobs.

The operating result of 2019 of the SGS Nederland Group decreases from EUR 12,283 in 2018 to EUR 9,752 in 2019, although the higher revenue. The reasons of this lower profitability are several, but the main reasons are:
1. A relative higher percentage subcontracting compared to revenue (2019: 8%, 2018: 7%) due to fierce competition on the labor market;

2. Increase in other staffing costs from EUR 3,167 in 2018 to EUR 6,876in 2019. The reason is the optimization program. SGS has started in 2019 a program to reduce costs by having a critical look at our indirect processes and number of location where they are performed. For this optimization program a provision is booked in 2019.

Financial position

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 2019 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. For more details, we refer to the disclosure of the Off-balance-sheet rights and obligations on page 40 in the consolidated financial statements.

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

In 2018, the Company had no acquisitions. As per 1 January 2019, SGS Nederland B.V. acquired Floriaan B.V. (“Floriaan”), headquartered in Zaltbommel, the Netherlands. Established in 2004, Floriaan provides integral fire safety services to industrial and real estate companies across the Netherlands, addressing complex safety challenges. Located in the center of the

Netherlands and ISO 9001 certified, Floriaan employs approximately 15 FTE. This acquisition will complement the existing capabilities of our Environment, Health & Safety business and will provide immediate growth opportunities in the field of fire safety in the Netherlands and abroad.

In 2019 the Company has sold its Plant & Terminal Operations for c. EUR 1.3 million. This department generated in 2018 EUR 5.4 million revenue and employed c. 64 employees. By this deal, no assets and an amount of EUR 0.2 million of liabilities are transferred to the buyer.

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.

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 2019 there were no major risks that came to attention which required dedicated follow up.

During 2018, we have moved part of the administrative organization to our shared service center in Poland. In 2019 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.

The discussion with the tax authorities on the deductibility of certain items for which no liability has been recognized is currently still ongoing. Management believes the outcome of this discussion could be a tax liability EUR 0 and EUR 15.3 million (excluding EUR 3.4 million of legal interest that could be claimed by the Dutch tax authority based on the statements made to date by the respective authorities)., which is the maximum amount that could be claimed by the tax administration (based on the statements made to date by the respective authorities) and paid by the SGS Nederland Group after exercising all the appeal process in the Netherlands and the international competent authority dispute resolution mechanisms available to the Group. The timing of settlement of this contingent liability (if applicable) is uncertain. Management is not able to make a reliable estimate of the potential contingent liability and as such no amount has been accrued for in these financial statements. SGS SA 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 (including the Network Access Fees that have been charged to the Dutch fiscal unit of the Company during the years 2012 up to and including 2018) are amended in such a manner as to give rise to an additional corporate income tax liability.

For more details, we refer to the disclosure of the Off-balance-sheet rights and obligations on page 40 in the consolidated financial statements.

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.

<u>Key mitigating measures and risk appetite:</u>
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 (ww.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

<u>Risk description:</u> 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.

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

<u>Key mitigating measures and risk appetite:</u> 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. In 2018 a workgroup has been formed to keep focus on the attract and retain process.

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 2019 we have invested EUR 4,541 in tangible assets and EUR 123 in intangible

assets, spread over the business we have in the Netherlands. The forecast for 2020 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.

Personnel
The number of full-time equivalents (FTEs) employed by the SGS Nederland Group was 1,843 in 2019 (2018: 1,915). The decrease is mainly due to the disposal of PTO. For 2020, despite any possible acquisitions, we expect the number to decrease with c. 130 FTE / 7% due to optimization program and the disinvestment of the Pest Management activities

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 2020 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 2019. 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 in the middle of a 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.

Group assessment

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

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

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

Local assessment

In addition to the Group, we have made our own local assessment. We identified three risks for SGS NL:

1. Receivables. Potential risks are delays in payments or increased number of write offs.
2. Illness of employees, which is causing staffing problems.
3. Loss of orders due to restraints in the countries and economic slowdown.

These three risks ask for a different approach. To keep on top of all three scenarios there is a weekly reporting cycle on possible impact on the revenue, profit and cash. The reporting cycle does include a section where we keep track of any mitigating action to minimize the impact. These reports are being prepared by the Business Manager together with the Business Controller and is shared with our head office and local management. On top SGS has a CMT (Crisis Management Team) which now meets regularly to discuss the latest developments.

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.

Where we have a possible impact on the production due to illness, like we see in our Minerals lab, we solve this by moving FTE from other Business Lines.

Since the Company has a diversified portfolio of services in many sectors, the impact of the Covid-19 crisis is diversified as well. The OGC business' revenue has decreased with c. 15% YTD March20 compared to same period prior year. This decrease is mainly driven by Covid-19. We don't see a huge impact in our Minerals business at the moment of signing off the financial statements. The AFL business is performing stable. In other business lines such as EHS and Industry we see quite an impact as some orders are withdrawn or delayed due to restrictions on visiting sites. Next to that we had to stop our training activities because of the social distancing. Depending on the length of all measures taken by the authorities, we still believe at the moment most of the impact is a delay, not a withdrawal.

In case the Company needs additional financing, we will consider the Covid-19 government support programs at that moment. Management is monitoring these programs on a daily basis as conditions to apply change swiftly. At moment of signing off the financial statements, there is no application for government support sent yet.

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) and has a current rating by Moody's ofA3 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 everything we know today and the huge uncertainty about the length of this crises, it is impossible for us to make a statement on the possible outcome for 2020. However, it will be very likely that we will close the year without any growth.

Sign-off

We wish to express our sincere thanks to all SGS Nederland employees who have helped grow the business in 2019. 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 2020 and beyond.

Spijkenisse, May 1, 2020

Board of Managing Directors

J.L.J. Pype	R.C.A. Oostrom
Statutory director	Statutory director

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Consolidated financial statements

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Consolidated balance sheet as at 31 December 2019

(after proposed profit appropriation)	Note	31.12.2019		31.12.2018	
		EUR000	**EUR000**	**EUR000**	**EUR000**
Assets					
Non-current assets					
Intangible fixed assets					
Goodwill	1	23,683		25,413	
Customer relationship	1	4,802		5,705	
Trade names	1	-		-	
Software	1	418		494	
			28,903		***31,612***
Tangible fixed assets					
Land and buildings	2	12,727		13,190	
Machinery & equipment	2	5,675		5,569	
Other fixed assets	2	1,766		1,457	
Assets under construction	2	1,146		350	
			21,314		***20,566***
Financial fixed assets					
Deferred tax assets	3	1,373		904	
Receivables from associates	3	-		1,009	
Receivable from disposal	3	350		-	
Restricted cash	3	831		694	
			2,554		***2,607***
Current assets					
Receivables, prepayments and accrued income					
Net trade receivables	4	34,018		33,804	
Intercompany receivables	4	17,867		6,465	
Corporate income tax		1,435		-	
Amounts to be invoiced		5,139		5,813	
Other receivables, prepayments and accrued income		1,630		2,335	
			60,089		***48,417***
Cash and cash equivalents	5		***2,127***		***6,565***
Total Assets			**114,987**		**109,767**

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(after proposed profit appropriation)	Note	31.12.2019		31.12.2018	
		EUR000	EUR000	EUR000	EUR000
Equity and liabilities					
Group equity					
Shareholder's equity	6		***10,388***		***21,147***
Provisions					
Other employee benefit provision	7	2,856		3,280	
Restructuring provisions	7	2,654		-	
Deferred tax provisions	7	-		1,084	
Total provisions			***5,510***		***4,364***
Non-current liabilities					
Intercompany loans	8		***40,000***		***40,000***
Current liabilities					
Trade payables		10,978		12,312	
Debts to group companies	9	1,963		1,213	
Payable to shareholder		18,107		-	
Taxes and social security contributions	10	8,018		8,734	
Other liabilities, accruals and deferred income	11	20,023		21,997	
Total current liabilities			***59,089***		***44,256***
Total equity and liabilities			**114,987**		**109,767**

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Consolidated income statement 2019

	Note		2019 EUR000		2018 EUR000
Net turnover	12		***209,187***		***205,867***
Cost of raw and auxiliary materials		(10,017)		(9,713)	
Subcontracted work and other external costs	14	(17,596)		(14,359)	
Wages and salaries	13	(85,158)		(85,902)	
Social security costs	13	(14,758)		(14,174)	
Pension costs	13	(5,251)		(5,069)	
Depreciation of tangible fixed assets	2	(3,948)		(4,128)	
Amortization of intangible fixed assets	1	(6,711)		(6,358)	
Other operating expenses	14	(55,996)		(53,881)	
Total operating expenses			***(199,435)***		***(193,584)***
Operating result			***9,752***		***12,283***
Gains on disposals			**980**		**-**
Interest income and similar income		14		16	
Interest expenses and similar costs		(909)		(1,017)	
Financial result			***(895)***		***(1,001)***
Result before taxation			***9,837***		***11,282***
Taxation on result	15		*(2,489)*		*(4,382)*
Result after taxation			***7,348***		***6,900***

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Consolidated cash flow statement for the year ended 31 December 2019

(According to the indirect method)

Cash flow from operating activities	**Note**		**2019**		**2018**
					EUR'000
Operating result & gains on disposals			**10,732**		**12,283**
Adjustments for:					
- Amortisation of intangible fixed assets			6,711		6,358
- Depreciation of tangible fixed assets			3,948		4,128
- Changes in provisions			1,826		(450)
- Changes in working capital:	16				
- Movement in trade and other receivables		1,683		81	
- Movement in trade and other payables		(2,941)		(408)	
Total Movement in working capital			(1,258)		(327)
Cash flow from business activities			21,959		21,992
Interest paid		(895)		(1,001)	
Corporate income tax paid on operating activities		(5,714)		(4,362)	
Change in financial fixed assets		(487)		(694)	
			(7,096)		(6,057)
Cash flow from operating activities			**14,863**		**15,935**
Acquisition/disposal of group companies		(3,753)		-	
Investments in intangible fixed assets excluding goodwill		(123)		(97)	
Investments in tangible fixed assets		(4,541)		(3,511)	
Investments/disposal in financial fixed assets		-		(800)	
Cash flow from investment activities			**(8,417)**		**(4,408)**
Dividends paid to shareholders of the company		-		(5,000)	
Change in short term intercompany financing		(11,585)		(3,008)	
Cash flow from financing activities			**(11,585)**		**(8,008)**
Net increase/(decrease) in cash			(5,139)		3,519
Cash at the beginning of the year			6,565		3,099
Cash acquired from acquisition of group companies			707		-
Exchange gains/(losses) on cash held in foreign currencies			(6)		(53)
Cash at the end of the year			**2,127**		**6,565**

General notes to the consolidated financial statements

General

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, control, sampling, analysis 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). SGS Nederland Holding B.V. is a 100% subsidiary of SGS Group Management S.A., Geneva. The financial statements of SGS Nederland Holding B.V. are included in the consolidated financial statements of SGS SA.

Going concern

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 2019 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. Refer to the notes in related to the off-balance-sheet rights and obligations for more information.

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.

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.

Consolidation principles

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:

	Subsidiary percentage
SGS Nederland B.V., Spijkenisse	100%
Rotterdam Claims Prevention & Recovery Bureau B.V., Spijkenisse	100%
Horizon Energy Partners Maleisie, Kuala Lumpur	100%
SGS Roos+Bijl B.V., Rhoon	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%
Maco Customs Connect B.V., Roermond	100%
Maco Customs Service Netherlands B.V., Roermond	100%
SGS Floriaan B.V., Zaltbommel	100%

VIP Douane-Afwikkeling B.V. has been merged into Maco Customs Service Netherlands B.V. as per 1 October 2018. This merger has been processed under common control based on carryover accounting.

In 2019 SGS Nederland B.V. has acquired 100% of shares of SGS Floriaan B.V., located in Zaltbommel, the Netherlands (effective date of the acquisition is 1 January 2019). Floriaan B.V. has not been consolidated in 2018 figures. The total consideration amounted to EUR 5.0 million. The fair value of assets and liabilities amounts to EUR 1.2 million and goodwill has been recognized for an amount of EUR 3.8 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. Comparative figures have been restated for comparison reasons.

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.

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.

No costs for periodical major maintenance occurred in year under review.

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.

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).

Restructuring

The restructuring provisions are recognized as the best estimate of the liabilities to employees. A provision is formed if a plan has been formalized as at balance sheet date and either the legitimate expectation has arisen with the people involved that the restructuring will be implemented, or that a start has been made implementing the restructuring plan. Benefits paid are charged to the provision. This provision relates to costs in connection with the restructuring of operations and is formed if effectively or legally a commitment for the Group has arisen.

Other

The provision regards the expected costs for claims. Unless stated otherwise the other provisions are valued at the face value of the expenditures that are expected to be necessary for settling the related obligations.

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.

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.

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 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
Balance as at 1 January:					
Cost price	104,256	17,903	8,419	5,795	136,373
Acc. amortization	(78,843)	(12,198)	(8,419)	(5,301)	(104,761)
Book value	**25,413**	**5,705**	**-**	**494**	**31,612**
Reclas. cost price	-	-	-	25	25
Reclas. acc. depreciation	-	-	-	(25)	(25)
Reclassifications	-	-	-	-	-
Additions	3,890	-	-	123	4,013
Disposals	-	-	-	(3,663)	(3,663)
Amortization of disposals	-	-	-	3,652	3,652
Amortization	(5,620)	(903)	-	(188)	(6,711)
	(1,730)	(903)	-	(76)	(2,709)
Balance as at 31 December:					
Cost price	108,146	17,903	8,419	2,280	136,748
Acc. amortization	(84,463)	(13,101)	(8,419)	(1,862)	(107,845)
Book value	**23,683**	**4,802**	**-**	**418**	**28,903**

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

Deloitte Accountants B.V.
For identification purposes only.
Related to auditor's report
dated 1 May 2020

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
Balance as at 1 January					
Cost price	35,679	34,996	12,831	350	83,856
Acc. depreciation	(22,489)	(29,427)	(11,374)	-	(63,290)
Book value	**13,190**	**5,569**	**1,457**	**350**	**20,566**
Reclas. cost price	-	238	-	-	238
Reclas. acc. depreciation	-	(238)	-	-	(238)
Reclassifications	-	-	-	-	-
Acquisition	-	-	491	-	491
Acquisition acc. depreciation	-	-	(108)	-	(108)
Additions	872	2,465	410	794	4,541
Disposal	(1,468)	(6,302)	(3,720)	-	(11,490)
Depreciation on disposals	1,468	6,077	3,717	-	11,262
Transfer	-	-	(2)	2	-
Depreciation	(1,335)	(2,134)	(479)	-	(3,948)
	(463)	106	309	796	748
Balance as at 31 December					
Cost price	35,083	31,397	9,746	1,146	77,372
Acc. depreciation	(22,356)	(25,723)	(7,980)	-	(56,058)
Book value	**12,727**	**5,675**	**1,766**	**1,146**	**21,314**

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 other fixed assets 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 1,894 (2018: EUR 1,894). The accumulated depreciation is EUR 1,094 (2018: EUR 1,070).

3) Financial fixed assets
Movements in financial assets can be broken down as follows:

EUR000	**Deferred tax assets**	**Receivables from associates**	**Receivable from disposal**	**Restricted cash**	**Total**
As at 1 January	904	1,009	-	694	2,607
Deferred tax liability	(1,084)	-	-	-	(1,084)
Prior year adjustment	1,840	-	-	-	1,840
Restated opening balance	**1,660**	**1,009**	**-**	**694**	**3,363**
Addition	-	-	350	137	487
Usage	(78)	-	-	-	(78)
Adjustment tax rate	(209)	-	-	-	(209)
Redemption	-	(1,009)	-	-	(1,009)
As at 31 December	**1,373**	**-**	**350**	**831**	**2,554**

Deferred tax assets

The deferred tax asset is 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. The deferred tax assets were valued per 31 December 2018 with tax rate of 25%. Per 31 December 2019 we applied 21.7% in anticipation of rate changes as notified by the Dutch government.

Receivable from disposal

This receivable related a disposal of a part of the Group activities. This asset falls due in more than one year.

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) 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 2,218 (2018: EUR 2,553).

Intercompany receivables

	31.12.2019 EUR000	31.12.2018 EUR000
Current receivables arising from operational transactions	2,097	2,280
Cash pool accounts	15,770	4,185
Balance as at 31 December	**17,867**	**6,465**

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 Group Management SA. In respect of repayment and securities provided, no agreements have been made. Depending on the currency, the following interest rates are applied on the cash pool accounts receivable for both 2019 as 2018:

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

5) Cash and cash equivalents

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

6) Group capital

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

7) Provisions

Movements in provisions are as follows:

EUR000	Other employee benefit	Restructuring	Deferred tax	Total
As at 1 January	**3,280**	**-**	**1,084**	**4,364**
Reclassification	-	-	(1,084)	(1,084)
Restated opening balance	**3,280**	**-**	**-**	**3,280**
Additions	-	4,549	-	4,549
Usage	(382)	(1,895)	-	(2,277)
Releases	(42)	-	-	(42)
As at 31 December	**2,856**	**2,654**	**-**	**5,510**

Other employee benefit provision

Of this provision an amount of EUR 312 (2018: EUR 351) 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 primary assumptions for the actuarial calculations are as follows:

	31.12.2019 %	**31.12.2018 %**
Discount rate	0.80	1.55
Underlying consumer price inflation	1.25	1.50
Rate of Future Compensation Increases	1.25	1.50

The discount rate is the most significant actuarial assumption for the determination of the staff compensation obligation of SGS. The sensitivity analysis has been determined based on reasonably possible changes of the assumption occurring at the end of the reporting period, while holding all other assumptions constant.

	31.12.2019 %	**31.12.2019 Provision**	**31.12.2018 %**	**31.12.2018 Provision**
Discount rate – used	0.80	2,856	1.55	3,280
Discount adjusted for 0,5% increase	1.30	2,733	2.05	3,182
Discount adjusted for 0,5% decrease	0.30	2,944	1.05	3,383

The related costs have been recognized within wages and salaries

Restructuring

This provision can be classified as current (shorter than one year).

Deferred tax provisions

A deferred tax liability was recognized for the different treatment of amortization on customer relationship for tax purposes per 31 December 2018.

8) Intercompany loans

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 26th, 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.

9) Debts to group companies

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

10) Taxes and social security contributions

	31.12.2019 EUR000	**31.12.2018 EUR000**
Corporate Tax	-	66
VAT	4,882	5,604
Social security charges	3,136	3,064
Balance as at 31 December	**8,018**	**8,734**

11) Other liabilities, accruals and deferred income

	31.12.2019 EUR000	31.12.2018 EUR000
Holiday allowance and days payable	8,246	8,755
Bonuses, gratifications and variable benefit payable	2,841	2,556
Accruals	5,822	7,548
Deferred income	943	1,059
Advances from clients	138	288
Custom duties payable	1,790	1,618
Claims	243	173
Balance as at 31 December	**20,023**	**21,997**

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.

Off-balance-sheet rights and obligations

Guarantees
As at 31 December 2019, the issued guarantees amount to EUR 2,778 (2018: EUR 3,394).

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

	31.12.2019 EUR000	31.12.2018 EUR000
Due within 1 year	8,040	7,085
Due within 1 and 5 years	15,996	14,341
Due after 5 years	915	1,677
Total lease obligation to third parties	**24,951**	**23,103**

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 2019 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 2019 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. will be 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 2019.

Liabilities not recognized
SGS Nederland Holding B.V. 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 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 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, there is a risk that the current basis to determine the Network Access Fee may be amended in such a manner as to give rise to an additional corporate income taxation liability. SGS management believes the outcome could be between EUR 0 and EUR 15.3 million (excluding EUR 3.4 million of legal interest that could be claimed by the Dutch tax authority based on the statements made to date by the respective authorities). This represents the maximum amount that could be claimed by the tax administration regarding the period 2012-2019 inclusive (based on the statements made to date by the respective taxation authorities), and paid by SGS after exercising all appeal processes in the Netherlands as well as the international competent authority dispute resolution mechanisms available to the group. The time of settlement of this contingent liability (if applicable) is uncertain. Management is

not able to make a reliable estimate of the potential contingent liability and as such no amount has been accrued for in these financial statements.

SGS S.A. has provided a guarantee, that came into force per September 20, 2018. SGS S.A. guarantees to provide financial support to the Company, as required to ensure the Company may continue as a going concern, in case, as a result of the ongoing discussions with the Dutch Tax Authority (DTA) the transfer pricing policies applied (including the Network Access Fee that has been charged to the Dutch fiscal unit during the years 2012 up to and including the signing date of financial statements) 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 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.

Notes to the consolidated income statement

12) Net turnover

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

	2019 EUR000	2018 EUR000
Agriculture, Food & Life	27,337	25,991
Minerals	21,058	19,118
Oil Gas & Chemicals	68,777	72,225
Consumer & Retail Services	1,522	1,521
Industrial	31,879	34,665
Environment, Health & Safety	42,394	36,535
Automotive	508	702
Governments and Institutions	11,858	11,419
Certification & Business Enhancement	3,854	3,691
	209,187	**205,867**

The net turnover related to associate companies is EUR 14,043 (2018: EUR 14,161).

13) Personnel expenses

The average number of people employed (Full time equivalent) by the Group amounted to 1,843 (2018: 1,916).

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

	2019	2018
Direct FTE's	1,407	1,485
Indirect FTE's	436	430
Total FTE's	1,843	1,915

The number of employees per business lines is as follows:

	2019 EUR000	2018 EUR000
Agriculture, Food & Life	290	282
Minerals	137	138
Oil Gas & Chemicals	595	677
Consumer & Retail Services	18	21
Industrial	297	313
Environment, Health & Safety	387	365
Automotive	6	6
Governments and Institutions	106	106
Certification & Business Enhancement	7	8
	1,843	**1,916**

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.

14) 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 8,666 (2018: EUR 8,164) relates to associated companies.

Other operating expenses

The other operating expenses can be specified as follows:

	2019 EUR000	2018 EUR000
Travel and accommodation expenses	11,413	10,639
Temporary employees	6,262	7,239
Other staffing costs	6,876	3,167
Network fees and royalties passed on from head office	15,269	14,671
Other charges passed on from head office	824	817
Recharge business management cost to head office	(2,559)	(3,172)
Lease, insurance and service charges	5,743	5,328
Communication costs	1,805	1,713
Repairs and maintenance costs	4,260	3,630
Office supplies	957	1,352
Consultancy costs	1,402	1,776
Other charges from associated companies	2,339	2,739

Other operating expenses	1,405	3,982
Total other operating expenses	**55,996**	**53,881**

In year under review an amount of EUR 200 (2018: EUR 151) was recognized for the external auditor's fees. These costs were invoiced by Deloitte Accountants B.V and relate to the audit of the annual (group) accounts. An amount of EUR 29 (2018: EUR 21) was recognized for tax advisory services by other Deloitte network service lines.

The other charges passed on from head office relate to support services performed by the group, trademarks and network access fees.

15) Taxes

Tax on result

	2019 **EUR000**	**2018** **EUR000**
Result of ordinary activities before taxation	**9,837**	**11,282**
Permanent and temporary differences	6,750	6,023
Taxable profit	16,587	17,306
Current income tax (25%)	(4,147)	(4,326)
Prior year adjustments current tax	105	(96)
Prior year adjustment deferred tax	1,840	-
Deferred tax movement	(78)	40
Deferred tax rate adjustment	(209)	-
Taxation on result	**(2,489)**	**(4,382)**
Applicable tax rate	25%	25%
Effective tax rate	25%	39%
Effective tax rate without prior year adjustment	44%	39%

During the year under review a misstatement was noted related to the deferred tax position per 31 December 2018. This misstatement related to the different treatment for tax purposes of customer relationship (impact EUR 1,840)

During the year under review the tax rate for valuing the deferred tax assets has been changed. For 31 December 2018 we applied the current tax rate of 25%. For 31 December 2019 we applied the tax rate of 21.7% in anticipation of rate changes as notified by the Dutch government.

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 of goodwill and client relationships).

Notes to the consolidated cash flow statement

The movements of balance sheet positions which are part of the working capital movement for 2019 and 2018 have been adjusted for the items specified below:

Working capital item included in the balance sheet	2019 EUR'000	2018 EUR'000	Note
Taxes and social security contributions			
Movement of corporate income tax payable	1,501	(36)	Adjusted as the cash flow statement is prepared based on the operating result (pre-tax).
Debt to shareholder			
Dividends paid	-	5,000	The settlement of the dividend payable as at 31 December 2017 is presented as part of the cash flow from financing activities.
Debts to group companies			
Change in short-term intercompany financing	11,585	3,008	Presented as part of the cash flow from financing activities.
Trade receivables			
Change in provision for doubtful debts	(335)	331	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 266 for 2019 and nihil for 2018 as it is part of the cash flow from investing activities.

Subsequent events

<u>Covid-19</u>
On January 30, 2020, the World Health Organization (WHO) declared an international health emergency due to the outbreak of coronavirus. Since March 11, 2020 the WHO has characterized the spread of the coronavirus as a pandemic. The continuing spread of the coronavirus and the impact on the business development of the Company is being continually monitored. At this moment it is unclear what the effect of the Corona virus will be on the activities of the Company. We identified three risks for SGS NL:

1. Receivables. Potential risks are delays in payments or increased number of write offs. As of now, we don't see any major issues with collecting activities.

2. Illness of employees, which is causing staffing problems. Where we have a possible impact on the production due to illness, we solve this by moving FTE from other Business Lines. The guidelines and measures taken by the local governments are the minimum for the safety policy within the different entities within the Company.

3. Loss of orders due to restraints in the countries and economic slowdown. In the current situation the negative impact is circa 10% on total revenue. Since SGS NL has a diversified portfolio of services in many sectors, the impact of the Covid-19 crisis is diversified as well.

Since the Company has a diversified portfolio of services in many sectors, the impact of the Covid-19 crisis is diversified as well. The OGC business has decreased with c. 15% YTD March20 compared to same period prior year. This decrease is mainly driven by Covid-19. We don’t see a huge impact in our Minerals business at the moment of signing off the financial statements. The AFL business is performing stable. In other business lines such as EHS and Industry we see quite an impact as some orders are withdrawn or delayed due to restrictions on visiting sites. Next to that we had to stop our training activities because of the social distancing. Depending on the length of all measures taken by the authorities, we still believe at the moment most of the impact is a delay, not a withdrawal.

In case the Company needs additional financing, we will consider the Covid-19 government support programs at that moment. Management is monitoring these programs on a daily basis as conditions to apply change swiftly. At moment of signing off the financial statements, there is no application for government support sent yet.

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) 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.

Despite the uncertainty and based on current insights, we are confident that the Company is in a good shape to deal with this crisis. However, the impact of the Corona virus on the results, for both the short as the long term, is very uncertain and may very well delay the realization of our strategic ambitions. The coming months we will closely monitor on weekly bases the ‘Corona effect’ and we will take additional actions if needed

Disposal 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.

Company-only financial statements

Company-only balance sheet as at December 31, 2019

(after proposed profit appropriation)	Note		31.12.2019 EUR000		31.12.2018 EUR000
Assets					
Non-current assets					
Participating interests in group companies	1		***110,742***		***97,938***
Current assets					
Intercompany receivables		-		5,335	
Other receivables, prepayments and accrued income		2		-	
			2		**5,335**
Cash and cash equivalents			**2**		**-**
Total Assets			**110,746**		**103,273**
Equity and liabilities					
Equity					
Share capital	2	3,025		3,025	
Non-distributable reserves	2	15		15	
Distributable reserves	2	7,348		18,107	
			10,388		***21,147***
Non-current liabilities					
Current liabilities					
Debt to shareholder		18,107		-	
Debts to group companies	3	81,984		81,558	
Taxes and social security contributions	4	267		453	
Other liabilities, accruals and deferred income		-		115	
			100,358		***82,126***
Total Equity and liabilities			**110,746**		**103,273**

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Related to auditor's report
dated 1 May 2020

Company-only income statement 2019

	2019 EUR000	2018 EUR000
Result from subsidiaries	12,804	7,633
Income from operations after income tax	(5,456)	(733)
Result after taxation	**7,348**	**6,900**

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.

Section 402, Book 2 of the Dutch Civil Code
Since the income statement of SGS Nederland Holding B.V. is included in the consolidated financial statements, an abridged income statement has been disclosed (in the company financial statements) in accordance with Section 402, Book 2 of the Dutch Civil Code.

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

	Participations EUR000
Balance as at 1 January	**97,938**
Dividends distributed by SGS Nederland B.V.	-
Result from subsidiaries	12,804
Balance as at 31 December	**110,742**

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%

2) Equity

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.

The Board of Managing Director's proposal to the General Meeting of Shareholders is to distribute the distributable reserves per 31 December 2018 as dividend and to add the result of 2019 into the distributable reserves.

The movement in equity for the year is as follows:

EUR000	Share capital	Non-distributable reserves	Distributable reserves	Total
Balance as at 1 January	**3,025**	**15**	**18,107**	**21,147**
Dividend proposal	-	-	(18,107)	**(18,107)**
Result 2019	-	-	7,384	**7,384**
Balance at 31 December	**3,025**	**15**	**7,348**	**10,388**

3) Debts to group companies

	31.12.2019 EUR000	31.12.2018 EUR000
Current payables arising from operational transactions	-	-
Cash pool accounts	81,984	81,558
Balance as at 31 December	**81,984**	**81,558**

The Company relies on intercompany financing for its activities by using a cash pool with SGS Group Management SA. An interest rate of 0.5% per annum applies to the cash pooling account. In respect of repayment and securities provided, no agreements have been made.

4) Taxes and social premiums – current liabilities

	31.12.2019 EUR000	31.12.2018 EUR000
Corporate Tax	267	453
VAT	-	-
Social security charges	-	-
Balance as at 31 December	**267**	**453**

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., Rhoon
- 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

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Related to auditor's report
dated 1 May 2020

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 2019.

Liabilities not recognized

SGS Nederland Holding B.V. 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 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 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, there is a risk that the current basis to determine the Network Access Fee may be amended in such a manner as to give rise to an additional corporate income taxation liability. SGS management believes the outcome could be between EUR 0 and EUR 15.3 million (excluding EUR 3.4 million of legal interest that could be claimed by the Dutch tax authority based on the statements made to date by the respective authorities). This represents the maximum amount that could be claimed by the tax administration regarding the period 2012-2019 inclusive (based on the statements made to date by the respective taxation authorities), and paid by SGS after exercising all appeal processes in the Netherlands as well as the international competent authority dispute resolution mechanisms available to the group. The time of settlement of this contingent liability (if applicable) is uncertain. Management is not able to make a reliable estimate of the potential contingent liability and as such no amount has been accrued for in these financial statements.

SGS S.A. has provided a guarantee, that came into force per September 20, 2018. SGS S.A. guarantees to provide financial support to the Company, as required to ensure the Company may continue as a going concern, in case, as a result of the ongoing discussions with the Dutch Tax Authority (DTA) the transfer pricing policies applied (including the Network Access Fee that has been charged to the Dutch fiscal unit during the years 2012 up to and including the signing date of financial statements) 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 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.

Subsequent events
We refer to the subsequent events as disclosed in the consolidated financial statements on page 46.

Signing of the financial statements.

Board of Managing Directors,

Spijkenisse, 1 May 2020

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.