Rulmeca A/S

Byleddet 7
4000 Roskilde

CVR no. 27 42 99 71

Annual report 2017

The annual report was presented and approved at the Company's annual general meeting on

18 June 2018

Carsten Spanggaard
chairman

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Rulmeca A/S for the financial year 1 January – 31 December 2017.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Roskilde 18 June 2018
Executive Board:

Peter Lutz

Board of Directors:

Carsten Spanggaard Chairman	Wolfgang Gresch	Peter Lutz

Independent auditor's report

To the shareholders of Rulmeca A/S

Opinion

We have audited the financial statements of Rulmeca A/S for the financial year 1 January – 31 December 2017 comprising income statement, balance sheet and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

— identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 18 June 2018
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

David Olafsson
State Authorised
Public Accountant
MNE no. 19737

Management's review

Company details

Rulmeca A/S
Byleddet 7
4000 Roskilde

Telephone:	36776755
CVR no.:	27 42 99 71
Established:	12 November 2003
Financial year:	1 January – 31 December

Board of Directors

Carsten Spanggaard, Chairman
Wolfgang Gresch
Peter Lutz

Executive Board

Peter Lutz

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen

Management's review

Operating review

Principal activities

The Company's main activity is to produce engines and drive industrial production and trade in general.

Development in activities and financial position

The income statement of the Company for 2017 shows a profit of EUR 74,523 and at 31 December 2017 the balance sheet of the Company shows equity of EUR 500,223.

Events after the balance sheet date

No events occurred after the end of the financial year that might materially affect the Company's financial position.

Financial statements 1 January – 31 December

Income statement

EUR	Note	2017	2016
Gross profit		1,124,741	1,142,594
Staff costs	2	-994,779	-1,106,622
Depreciation, amortisation and impairment		-5,700	-38,134
Operating profit/loss		124,262	-2,162
Financial income		14,665	16,886
Financial expenses		-37,815	-44,629
Profit/Loss before tax		101,112	-29,905
Tax on profit/loss for the year	3	-26,589	-84,984
Profit for the year		74,523	-114,889

Proposed profit appropriation/distribution of loss

Retained earnings	74,523	-114,889
	74,523	-114,889

Financial statements 1 January – 31 December

Balance sheet

EUR	Note	2017	2016
ASSETS			
Fixed assets			
Property, plant and equipment			
Land and buildings		173,031	178,731
Fixtures and fittings, tools and equipment		172	172
		173,203	178,903
Investments			
Deposits		17,380	14,758
		17,380	14,758
Total fixed assets		190,583	193,661
Current assets			
Inventories			
Raw materials and consumables		275,983	168,801
Work in progress		4,941	6,837
Finished goods and goods for resale		159,492	135,579
		440,416	311,217
Receivables			
Trade receivables		1,137,617	1,239,439
Receivables from group entities		231,103	267,772
Corporation tax		33,695	32,433
Prepayments		7,558	6,813
		1,409,973	1,546,457
Cash at bank and in hand		518,428	160,505
Total current assets		2,368,817	2,018,179
TOTAL ASSETS		2,559,400	2,211,840

Financial statements 1 January – 31 December

Balance sheet

EUR	Note	2017	2016
EQUITY AND LIABILITIES			
Equity	4		
Contributed capital		67,190	67,190
Retained earnings		433,033	58,510
Total equity		500,223	125,700
Liabilities other than provisions			
Non-current liabilities other than provisions			
Mortgage loans		89,556	95,200
		89,556	95,200
Current liabilities other than provisions			
Current portion of non-current liabilities		4,922	4,800
Trade payables		153,976	309,918
Payables to group entities		1,252,994	1,129,722
Other payables		557,729	546,500
		1,969,621	1,990,940
Total liabilities other than provisions		2,059,177	2,086,140
TOTAL EQUITY AND LIABILITIES		2,559,400	2,211,840

Contractual obligations, contingencies, etc.	5
Related party disclosures	6

Financial statements 1 January – 31 December

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1 Accounting policies

The annual report of Rulmeca A/S for 2017 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

General information on recognition and valuation

In the profit and loss account income is recognised as it is earned, including value adjustment of financial assets and liabilities. All costs, including depreciation and writedowns, are also included in the profit and loss ac,count.

Assets are recognised in the balance sheet if it is likely that future financial advances will accrue to the company and the asset can be valued reliably.

Liabilities are recognised in the balance sheet if it is likely that the company will be denied future financial advantages and the liability can be valued reliably.

When assets and liabilities are first recognised, they are valued at original cost. Assets and liabilities are subequently valued as described for each individual item below.

Euro is used as the measurement currency. All other currencies are regarded as foreign.

Income statement

Gross Profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Revenue

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue

Revenue from the sale of services is recognised on a straight-line basis in the income statement as the services are provided.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Dividends from equity investments in are recognised in the income statement in the financial year in which dividend is declared. To tine extent that the distributed dividend exceeds accumulated earnings at the acquisition date, the dividend is recognised as write-down of the cost of the equity investment.

Tax on profit/loss for the year

The Parent Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Intangible assets

Software is measured at cost less accumulated amortisation. Software is amortised on a straight-line basisover its remaining patent period, and licences are amortised over the licens period; however not exceeding 5 years.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

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Notes

1 Accounting policies (continued)

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	30 years
Fixtures and fittings, tools and equipment	3 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Land is not depreciated.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and

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Notes

1 Accounting policies (continued)

costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on the basis of historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments and deferred income

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Finance lease obligation comprise the capitalised residual lease obligation of finance leases.

Other liabilities are measured at net realisable value.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value

Dividends

The expected dividends payment for the year is disclosed as a separate item under equity.

Financial statements 1 January – 31 December

Notes

2 Staff costs

EUR	2017	2016
Wages and salaries	820,222	930,599
Pensions	95,122	100,298
Other social security costs	78,692	74,636
Other staff costs	743	1,089
	994,779	1,106,622

3 Tax on profit/loss for the year

	2017	2016
Current tax for the year	0	84,984
Adjustment of tax concerning previous years	26,589	0
	26,589	84,984

4 Equity

EUR	Contributed capital	Retained earnings	Total
Equity at 1 January 2017	67,190	58,510	125,700
Transferred over the profit appropriation	0	74,523	74,523
Constribution from group	0	300,000	300,000
Equity at 31 December 2017	67,190	433,033	500,223

The contributed capital consists of 500 shares of a nominal value of DKK 134 each.

All shares rank equally.

5 Contractual obligations, contingencies, etc.

The Company is jointly taxed with other Danish companies in the Group. As administrative company, together with the other companies in the joint taxation, the Company has joint and several liability for Danish corporation taxes. Any later corrections of the taxable income subject to joint taxation may entail that the Company's liability will increase.

Operating lease obligations

The Company is subject to an interminable leasehold contract and lease car commitements until 31 October 2018 with obligations totalling EUR 20 thousand (2016: EUR 26 thousand).

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6 Related party disclosures

Ownership

The following shareholders are registered in the Company's register of shareholders as holding a minimum of 5% of the votes or a minimum of 5% of the contributed capital:

Rulmeca Holdings S.p.A, Via Toscanini, 1 Alé (BG), Italy

The financial figures for Rulmeca A/S are included in the consolidated financial statements of Rulmeca Holdings S.p.A.