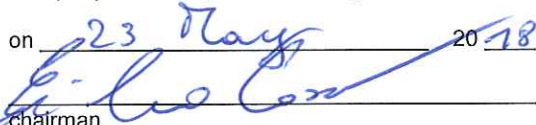


Bergen Engines Denmark A/S

Annual report 2017

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

on 23 May 2018

chairman

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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 Bergen Engines Denmark 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 development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

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

Aalborg, 23 May 2018
Executive Board:



Emilio Cosso
CEO

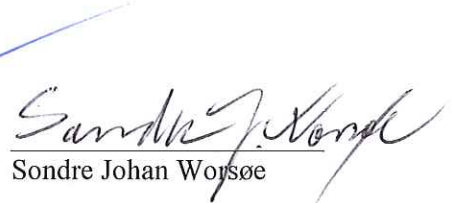
Board of Directors:



Jon Erik Røv
Chairman



Emilio Cosso



Sondre Johan Worsøe

Independent auditor's report

To the shareholders of Bergen Engines Denmark A/S

Opinion

We have audited the financial statements of Bergen Engines Denmark A/S for the financial year 1 January – 31 December 2017 comprising income statement, balance sheet, statement of changes in equity 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.

Independent auditor's report

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 financial statement 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.
- 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.

Independent auditor's report

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.

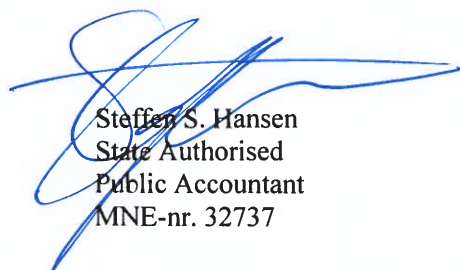
Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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 Statement Act. We did not identify any material misstatement of the Management's review.

Aalborg, 23 May 2018

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98



Steffen S. Hansen
State Authorised
Public Accountant
MNE-nr. 32737

Management's review

Company details

Bergen Engines Denmark A/S
Østre Havnepromenade 34
9000 Aalborg

CVR no.:	33 96 57 02
Established:	14 October 2011
Registered office:	Aalborg
Financial year:	1 January – 31 December

Board of Directors

Jon Erik Røv, Chairman
Emilio Cosso
Sondre Worsøe

Executive Board

Emilio Cosso, CEO

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Østre Havnegade 18
DK-9000 Aalborg
Denmark

Annual general meeting

The annual general meeting will be held on 23 May 2018

Management's review

Operating review

Principal activities of the Company

The Company acts as agent in Denmark for the sale of products for the Rolls-Royce Group and is, furthermore, engaged in trading, service and repair.

Development in activities and financial position

Profit for the 2017 financial year after tax amounted to DKK 9,677 thousand, which is considered satisfactory.

Satisfactory results are expected for 2018.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2017	2016
Gross profit		22,829	16,417
Staff costs	2	-10,268	-8,356
Ordinary operating profit		12,561	8,061
Financial income		7	6
Financial expenses		-150	-122
Profit before tax		12,418	7,945
Tax on profit for the year	3	-2,741	-1,748
Profit for the year		<u>9,677</u>	<u>6,197</u>
Proposed profit appropriation			
Proposed dividends for the financial year		5,225	6,000
Retained earnings		<u>4,452</u>	<u>197</u>
		<u>9,677</u>	<u>6,197</u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2017	2016
ASSETS			
Fixed assets			
Plant and equipment			
Plant and machinery	4	0	0
Total fixed assets		0	0
Current assets			
Inventories			
Raw materials and consumables		10,789	10,050
		10,789	10,050
Receivables			
Trade receivables		14,226	12,867
Service work in progress		1,765	2,115
Receivables from group entities		1,466	3,053
Other receivables		84	32
Deferred tax asset	5	2,402	2,517
		19,943	20,584
Cash at bank and in hand		8,830	5,214
Total current assets		39,562	35,848
TOTAL ASSETS		39,562	35,848

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2017	2016
EQUITY AND LIABILITIES			
Equity			
Share capital		581	581
Retained earnings		16,337	11,885
Proposed dividends for the financial year		5,225	6,000
Total equity		22.143	18,466
Provisions			
Other provisions		3,961	3,526
Total provisions		3,961	3,526
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		534	208
Payables from group entities		1,591	1,745
Corporation tax		721	1,131
Other payables		3,992	3,839
Accrued costs related to service contracts		6,620	6,933
Total liabilities other than provisions		13,458	13,856
TOTAL EQUITY AND LIABILITIES		39,562	35,848
Contractual obligations, contingencies, etc.	6		
Related party transactions	7		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Proposed divi- dends	Total
Equity at 1 January 2017	581	11,885	6,000	18,466
Distributed dividends	0	0	-6,000	-6,000
Profit for the year	0	4,452	5,225	9,677
Equity at 31 December 2017	581	16,337	5,225	22,143

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Bergen Engines Denmark A/S for 2017 has been prepared in accordance with the provisions applying to reporting class B 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.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Danish kroner at the exchange rates at the transaction date.

Receivables and payables in foreign currencies are translated into Danish Kroner at the exchange rates at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the income statement as financial income and expenses.

Income statement

Gross profit

In accordance with section 32 of the Danish Financial Statements Act, revenue, operating costs, and other external costs are comprised into the financial statement caption gross profit.

Revenue

Income from the sale of goods and services is recognised in gross profit provided that delivery has taken place prior to the end of the financial year.

Service work is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage-of-completion method). When the income from service work cannot be reliably estimated, revenue is recognised only corresponding to costs incurred to the extent that it is probable that they will be recovered.

Revenue from power plant service contracts is recognized based on runned hours.

Operating costs

Operating costs are comprised by costs related to service contracts, distribution, sales, advertising, administration, lease expenses, bad debts etc.

Financial statements 1 January – 31 December

1 Accounting policies (continued)

Staff costs

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

Financial income and expenses

Financial income and expenses comprise interest income and expenses, currency adjustments, and amortisation of financial assets.

Tax on profit/loss for the year

Tax for the year comprises current tax on the taxable income and changes in deferred tax for the year.

Additions, deductions and refunds, etc. regarding tax payments are recognised as financial income and expenses.

Balance sheet

Plant and equipment

Plant and machinery 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.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets.

The expected useful lives are as follows:

Plant and machinery	3-5 years
---------------------	-----------

Plant and equipment are written down to the recoverable amount if this is lower than the carrying amount.

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

Inventories are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less cost of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in forecast sales price.

Service work in progress

Contract work in progress are measured at the selling price of the work performed less progress billings and anticipated losses. Contract work in progress entails a significant degree of design customisation of produced goods. Moreover, before the work is commenced, a binding agreement must have been entered into to the effect that penalties covering at least costs incurred will be enforced if the contract is subsequently terminated.

The selling price is measured by reference to the percentage of completion at the end of the reporting period and total expected income from the contract. The percentage of completion is determined on the basis of an assessment of work performed, which is usually measured as the proportion of contract costs incurred for work performed to date relative to estimated total contract costs.

When it is probable that the total contract costs will exceed total contract revenue, the anticipated loss on the contract is recognised as an expense, and a provision is made.

When income and expenses on a construction contract cannot be estimated reliably, the selling price is measured corresponding only to costs incurred to the extent that it is probable that they will be recovered.

Where the selling price of work performed exceeds progress billings on contract work in progress and anticipated losses, the excess is recognised under receivables. If progress billings and anticipated losses exceed the selling price of a construction contract, the deficit is recognised under liabilities.

Receivables

Receivables are measured at amortised cost, which corresponds to the nominal value. The value is reduced by write-down for bad debts losses.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Equity

Dividends

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

Provisions

Provisions comprise losses on work in progress and onerous contracts. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value or fair value if the obligation is expected to be settled in the distant future.

If it is likely that total costs will exceed total income from contract work in progress, a provision is made for the total loss anticipated on the contract. The provision is recognised as costs in the income statement.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured at 22% on all temporary differences between the carrying amount and the tax value of current and fixed assets. If the tax value exceeds book value, an estimated amount for future tax savings is capitalised provided that it is likely that the allowance can be set off against future tax profits.

Financial liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Other liabilities comprising trade payables, payables to group entities and other payables are measured at amortised cost.

Deferred income

Deferred income comprises revenue from service agreements under which service is provided in subsequent years.

Financial statements 1 January – 31 December

Notes

	DKK'000	2017	2016
2	Staff costs		
	Wages and salaries	9,244	7,432
	Pensions	912	785
	Other social security costs	112	139
		<u>10,268</u>	<u>8,356</u>
	Average number of employees	<u>12</u>	<u>11</u>
Remuneration of the Company's Management and Board of Directors is not disclosed pursuant to section 98b(3)(ii) of the Danish Financial Statements Act.			
3	Tax on profit for the year		
	Tax on profit	<u>2,741</u>	<u>1,748</u>
which is specified as follows:			
	Current tax for the year	2,626	2,081
	Adjustment for the year of deferred tax	<u>115</u>	<u>-333</u>
		<u>2,741</u>	<u>1,748</u>
4	Plant and equipment		
	DKK'000		Plant and machinery
	Cost at 1 January 2017		<u>197</u>
	Cost at 31 December 2017		<u>197</u>
	Depreciation and impairment losses at 1 January 2017		<u>197</u>
	Depreciation and impairment losses at 31 December 2017		<u>197</u>
	Carrying amount at 31 December 2017		<u>0</u>

Financial statements 1 January – 31 December

Notes

5 Deferred tax

DKK'000	2017	2016
Deferred tax at 1 January	2,517	2,184
Deferred tax adjustment	-115	333
Deferred tax at 31 December	2,402	2,517

Deferred tax assets arise from deferred tax regarding other provisions.

6 Contractual obligations, contingencies, etc.

Contractual obligations

Lease liabilities regarding buildings, vehicles and office equipment which were not recognised as finance leases at 31 December 2017 represent DKK 1,877 thousand, of which DKK 746 thousand falls due within the initial year.

Contingent liabilities

In January 2017, after full cooperation, Rolls-Royce Holdings plc ((RRHplc) the ultimate parent company of the company) concluded deferred prosecution agreements with the Serious Fraud Office (SFO), an independent United Kingdom government department, and the US Department of Justice and a leniency agreement with the MPF, the Brazilian federal prosecutors. Prosecutions of individuals may follow and other investigations or enforcement action may be commenced. In addition, we could still be affected by actions from customers and customers' financiers. The Directors of RRHplc are not currently aware of any matters that are likely to lead to a financial loss, but cannot anticipate all the possible actions that may be taken or their potential consequences. There are no financial consequences of these agreements on this company.

7 Related party transactions

The Company has no transactions that are not carried out on an arm's length basis in accordance with section 98c(7) of the Danish Financial Statements Act.