Borg Automotive A/S

Bergsøesvej 12, DK-8600 Silkeborg

CVR no. 27 73 28 44

Annual Report

(1 July 2016 - 31 December 2017)

Approval at the company´s annual general meeting 16 March 2018

Chairman

Carsten Gyldenløv Kristoffersen

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Statement by Management on the annual report

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Borg Automotive A/S for the financial year 1 July 2016 - 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 financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 July 2016 – 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.

Silkeborg, 16 March 2018

Executive Board

Kim Kruse Andersen
(CEO)

Board of Directors

Jens Bjerg Sørensen (Chairman)	Søren Klarskov Vilby	Kurt Bering Sørensen
Jørn Ankær Thomsen	Søren Ulrik Toft-Jensen	

Independent auditor's report

To the shareholders of Borg Automotive A/S

Opinion
We have audited the financial statements of Borg Automotive A/S for the financial year 1 July 2016 – 31 December 2017, which comprise 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 financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 July 2016 – 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 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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

In preparing the financial statements, Management is responsible for assessing the 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 additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on the financial statements.

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

- Identify and assess the risk of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 note 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.

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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.

Aarhus, den 16 marts 2018
Ernst & Young
Godkendt Revisionspartnerselskab
CVR-no. 30 70 02 28

Claus Hammer-Pedersen	Kim R. Mortensen
State Authorised Public Accountant	State Authorised Public Accountant
MNE-no: mne21334	MNE-no: mne18513

Company information

The company	Borg Automotive A/S Bergsøesvej 12 8600 Silkeborg CVR no: 27 73 28 44 Financial year: 1 January - 31 December Conversion period: 1 July 2016 – 31 December 2017 Municipality of reg. office: Silkeborg
Board of Directors	Jens Bjerg Sørensen (Chairman) Søren Klarskov Vilby Kurt Bering Sørensen Jørn Ankær Thomsen Søren Ulrik Toft-Jensen
Executive Board	Kim Kruse Andersen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, 8000 Aarhus C CVR-no: 30 70 02 28
Group relations	The company´s financial statements are included in the Consolidated Financial Statements for the ultimate parent Aktieselskabet Schouw & Co., Aarhus, CVR no. 63 96 58 12. The consolidated accounts can be obtained here: www.Schouw.dk

Management's review

As of 1 April 2017 Borg Automotive Group including Borg Automotive A/S got a new owner as the shares in the parent company Borg Automotive Holding A/S was purchased by the Danish listed company Aktieselskabet Schouw & Co. As a result of the new ownership, the financial year for Borg Automotive A/S has been aligned with the financial year of Schouw & Co, and now follows the calendar year. Consequently FY 2016/2017 ends at 31 December 2017 and include 18 Months.

Main activity

The company function as a provider of group services to the companies within the BORG Automotive Group and owns the two brands Elstock and DRI in which the remanufactured products are sold within the BORG Automotive Group.

Development in the year

Profit for the year (18 month) ended at TDKK 139,168 against TDKK 70.216 in 2015/16 (12 month), which is considered satisfactory by the Management. Equity at 31 December 2017 amounts to TDKK 323,766 (TDKK 204,076 in 2015/16)

Subsequent events

No events materially affecting the financial statements have occurred after year end.

Targets and expectations for the year ahead

Adjusting the result before tax to a comparable 12 month, the result before tax for 2018 is expected to increase due to a general expectation of a higher in the activity level as seen in 2016/17. Revenue in 2018 is expected to be within the range 23-28 mio. DKK, while result for the year is expected within the range 95 – 103 mio. DKK

Income Statement

	Note	2016/17 18 month	2015/16 12 month
		TDKK	TDKK
Revenue	1	**42,636**	**16,292**
Other operating income		39	221
Other external expenses		-20,260	-429
Gross margin		**22,415**	**16,084**
Staff cost	2	-20,800	-10,261
Depreciation, amortisation and impairment	3	-14,541	-4,519
Profit/loss before net financials		**-12,926**	**1,304**
Income from investements in subsidiaries		151,620	68,574
Financial income	4	1,966	2,677
Financial expenses	5	-4,946	-3,115
Profit/loss before tax		**135,714**	**69,440**
Tax for the year	6	3,454	776
Net profit/loss for the year		**139,168**	**70,216**

Proposed distribution of proift

Extraordinary dividend paid	0	30,000
Proposed dividend for the year	100,000	30,000
Reserve for net revaluation under the equity method	151,620	68,574
Retained earnings	-112,452	-58,358
	139,168	**70,216**

Balance sheet

Assets

	Note	31 December 2017	30 June 2016
		TDKK	TDKK
Software		5,463	11,314
Software in progress		676	0
Trademarks		1,029	7,500
Intangible assets	7	**7,168**	**18,814**
Other fixture and fittings, tools and equipment		35	0
Tangible assets	8	**35**	**0**
Investments in subsidiaries	9	402,083	239,676
Receivables from group enterprises	10	0	59,583
Financial assets		**402,083**	**299,259**
Fixed assets		**409,286**	**318,073**
Receivables from group enterprises		84,172	26,010
Other receivables		1,546	422
Corporation tax		1,952	462
Receivables		**87,670**	**26,894**
Current assets		**87,670**	**26,894**
Assets		**496,956**	**344,967**

Balance sheet

Liabilitites and equity

	Notc	31 December 2017	30 June 2016
		TDKK	TDKK
Share capital		2,000	2,000
Reserve for net revaluation under the equity method		221,766	151,170
Retained earnings		-0	20,906
Proposed dividend for the year		100,000	30,000
Equity	11	**323,766**	**204,076**
Provision for deferred tax	12	1,166	2,725
Other provisions		0	1,456
Provisions		**1,166**	**4,181**
Credit institutions		131	47,114
Trade Payables		1,320	1,171
Payables to group companies		167,602	86,621
Other payables		2,971	1,804
Current liabilities		**172,024**	**136,710**
Liabilitites		**172,024**	**136,710**
Liabilities and Equity		**496,956**	**344,967**
Contingent assets, liabilitites and other financial obligations	13		

Statement of Changes in Equity

	Share-capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at July 1 2016	2,000	151,170	20,906	30,000	204,076
Fair value adjustment of hedging instruments, end of year	0	-92	0	0	-92
Tax on adjustment of hedging instruments for the year	0	20	0	0	20
Exchange adjustments relating to foreign entities	0	10,594	0	0	10,594
Paid out dividend in the year	0	0	0	-30,000	-30,000
Coverage of loss		-91,546	91,546	0	0
Net profit/loss for the year	0	151,620	-112,452	100,000	139,168
Equity at 31. december 2017	**2,000**	**221,766**	**-0**	**100,000**	**323,766**

Notes to the Financial Statements

		2016/17 18 months	2015/16 12 months
		TDKK	TDKK
1	**Revenue**		
	Geographical segments		
	Revenue, Denmark	23,641	7,840
	Revenue, outside Denmark	18,995	8,452
		42,636	**16,292**
2	**Staff cost**		
	Wages and salaries	18,611	9,155
	Pensioner	2,012	804
	Other social security costs	177	302
		20,800	**10,261**
	Remuneration/fees to the Board of Directors and the Executive Board	350	383
	Average number of full-time employees	**16**	**11**
3	**Depreciation, amortisation and impairment of intangible assets and property, pland and equipment**		
	Amortisation of intangible assets	7,596	4,496
	Impariment of intangible assets	6,938	0
	Depreciation of property, plant and equipment	7	23
		14,541	**4,519**

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Notes to the Financial Statements

		2016/17 18 month	2015/16 12 month
		TDKK	TDKK
4	**Financial income**		
	Interest received from group enterprises	706	1,203
	Exchange gains	753	65
	Other financial income	507	1,409
		1,966	**2,677**
5	**Financial expenses**		
	Interest paid to group centerprises	3,820	59
	Exchange loss	638	957
	Other financial expenses	488	2,099
		4,946	**3,115**
6	**Tax for the year**		
	Current tax for the year	-1,887	216
	Deferred tax for the year	-1,579	-861
	Adjustment of tax re. previous years	-8	0
		-3,474	**-645**
	which breaks down as follows:		
	Tax on profit/loss for the year	-3,454	-776
	Tax on changes in equity	-20	131
		-3,474	**-645**

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Notes to the Financial Statements

7 Intangible assets

	Software	Software in progress	Trademarks
	TDKK	TDKK	TDKK
Cost at July 1 2016	22,636	0	7,500
Additions	974	676	1,238
Disposals	0	0	-7,500
Cost at 31 December 2017	**23,610**	**676**	**1,238**
Amortisation and impairment losses at July 1 2016	11,322	0	0
Amortisation	6,825	0	771
Impairment	0	0	6,938
Disposals	0	0	-7,500
Amortisation and impaiment losses at 31 December 20[illegible]	**18,147**	**0**	**209**
Carrying amount at 31 December 2017	**5,463**	**676**	**1,029**

8 Tangible assets

	Other fixtures and fittings, tools and equipment
	TDKK
Cost at July 1 2016	-
Addditions	42
Cost at 31 December 2017	42
Depreciation at 1 July 2016	-
Depreciation for the year	7
Depreciation at 31 December 2017	7
Carrying amount at 31 December 2017	**35**

Notes to the Financial Statements

9 Investments in subsiduaries

	31 December 2017	30 June 2016
	TDKK	TDKK
Cost at July 1 2016	75,296	75,296
Disposals	-40	0
Cost at 31 December 2017/ 30 June 2016	75,256	75,296
Value adjustments at July 1 2016	151,169	89,787
Net profit/loss for the year	151,620	68,574
Other equity movements, net	-71	465
Exchange adjustment	10,594	-7,657
Disposals for the year	8,282	0
Cost at 31 December 2017/ 30 June 2016	321,594	151,169
Negative net assets value set off against receivables	5,233	13,211
Carrying amount period end	**402,083**	**239,676**

Investments in subsidiaries are specified as follows:

Navn	Place of reg. office	Share-capital	Votes and ownership
Elstock A/S	Denmark	TDKK 1.000	100%
DRI af 6. juli 2007 A/S	Denmark	TDKK 1.220	100%
FIP Sp. z. o.o	Poland	TPLN 50	100%

Notes to the Financial Statements

10 Receivables from group companies

	31 December 2017	30 June 2016
Cost at 1 July 2016	59,583	30,418
Additions	0	59,583
Disposals	-59,583	-30,418
Cost at 31 December 2017	0	59,583
Impariment losses at 1 July 2016	0	0
Impairment losses for the year	0	0
Impariment losses at 31 December 2017	0	0
Carrying amount at 31 December 2017	**0**	**59,583**

11 Equity

The share capital consists of 2,000,000 shares of a nominal vale of TDKK 1.
No shares carry any special rights.

There have been mo changes in the share capital during the last 5 years.

	31 December 2017	30 June 2016
	TDKK	TDKK
12 Provision for deferred tax		
Intangible assets	1,166	2,725
Carrying amount	**1,166**	**2,725**

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Notes to the Financial Statements

13 Contingent assets, liabilitites and other financial obligations

Rental agremments and leases

Lease obligations under operating leases.

Total future lease payments:		
Within 1 year	76	82
	76	**82**

Guarantees

The Company has issued guarantees for third parties of DKK 0.8 mio.

As a security for the engagement with Sydbank, the company have given cross guarantee towards the groups companies Elstock A/S, Elstock Sales Aps And Car parts industries ApS

Contingent liabilitties

The company is jointly and severally liable for tax on the Schouw & Co's jointly taxed income starting from 1 April 2017.

Accounting Policies

Basis of preparation

The Annual Report of Borg Automotive A/S for 2016/17 has been prepared in accordance with the provisions of the Danish Financial Statements Acts applying to enterprises of reporting class B.

Effective 1 July 2016, the company has implemented act. No 738 of 1 June 2015 with amendments to the Danish Financial Statements Act. As the implementation of the amendment act has no impact in terms of value on the income statement or the balance sheet in the financial year, nor on the comparative figures, the financial statements have been prepared based on the same accounting policies as last year.

The amendment act has solely implied new or changed presentation and disclosure requirements, which have been incorporated in the financial statements.

The accounting policies applied remain unchanged from last year.

Annual accounts for 2016/17 are presented in TDKK.

In accordance with section 112 of the Danish Financial Statement Act, the company has not prepared consolidated financial statements.

As a consequence of the change in accounting year to follow the calendar year, the annual accounts 2016/17 contain in total 18 months. With reference to section 55 (2) in the Danish Financial Statements Act, last year figures (2015/16) are not adjusted and therefore not directly comparable.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in the financial income and expenses in the income statement.

On recognition of foreign subsidiaries the income statements are translated at an average exchange rate for the month and the balance sheet items are translated at the exchange rates at the balance sheet date. Exchange rate adjustments arising on translation of opening balance of equity of foreign subsidiaries at the ex-change rates at the balance sheet date and on translation of the income statements from the average exchange rate for the month to the exchange rates at the balance sheet date are recognised directly in equity.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Accounting Policies

Income Statement

Revenue

Revenue from the sale of services are recognised when performed and the revenue can be measured reliably and it is probable that the economic benefits relating to the service will flow to the Company.

Revenue measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff cost

Staff cost comprise wages and salaries as well as payroll expenses.

Income from investments in subsidiaries

"Income from investments in subsidiaries" includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement. Whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

On initial recognition, intangible assets are measured at cost.

Software and trademarks are measured at cost less accumulated amortisation and amortised on a straight-line basis over 5 years.

Gains and losses on the disposal of intangible assets are calculated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Accounting Policies

Tangible assets

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5 years

Depreciation period and residual value are reassessed annually.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

"Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated based on the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.
Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Impairment of fixed assets

The carrying amount of intangible assets and tangible assets as well as investments in subsidiaries is tested annually for evidence of impairment other than the decrease in value reflected by amortisation/depreciation.

Impairment tests are conducted on individual assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

Receivables

Receivables are measured in the balance sheet at the lower amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined based on an individual assessment of each receivable.

Accounting Policies

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when – in consequence of an event occurred before or on the balance sheet date – the group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes based on the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at the amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at net realisable value.