Borg Automotive A/S

Bergsøesvej 12, DK-8600 Silkeborg

Annual Report for 1 July 2015 - 30 June 2016

CVR No 27 73 28 44

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 24/10 2016

Carsten Kristoffersen
Chairman

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Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Borg Automotive A/S for the financial year 1 July 2015 - 30 June 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 30 June 2016 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2015/16.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Silkeborg, 24 October 2016

Execute Board

Kim Kruse Andersen

Board of Directors

Soren Klarskov Vilby
Chairman

Soren Toft-Jensen

Carsten Bäcker

Carsten Wengel

Independent Auditor's Report on the Financial Statements and the Consolidated Financial Statements

To the Shareholders of Borg Automotive A/S

Report on the Financial Statements and the Consolidated Financial Statements

We have audited the Financial Statements and the Consolidated Financial Statements of Borg Automotive A/S for the financial year 1 July 2015 - 30 June 2016, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement, notes and summary of significant accounting policies. The Financial Statements and the Consolidated Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility for the Financial Statements and the Consolidated Financial Statements

Management is responsible for the preparation of Financial Statements and the Consolidated 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 and Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements and the Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements and the Consolidated Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements and the Consolidated Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements and the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements and Consolidated Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements and the Consolidated Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Independent Auditor's Report on the Financial Statements and the Consolidated Financial Statements

Opinion

In our opinion, the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position of the Company and the Group at 30 June 2016 and of the results of the Company and the Group operations and of consolidated cash flows for the financial year 1 July 2015 - 30 June 2016 in accordance with the Danish Financial Statements Act.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements and the Consolidated Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements and the Consolidated Financial Statements.

Herning, 24 October 2016
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Henrik Skjøtt Sørensen
State Authorised Public Accountant

Henning Jæger Neldeberg
State Authorised Public Accountant

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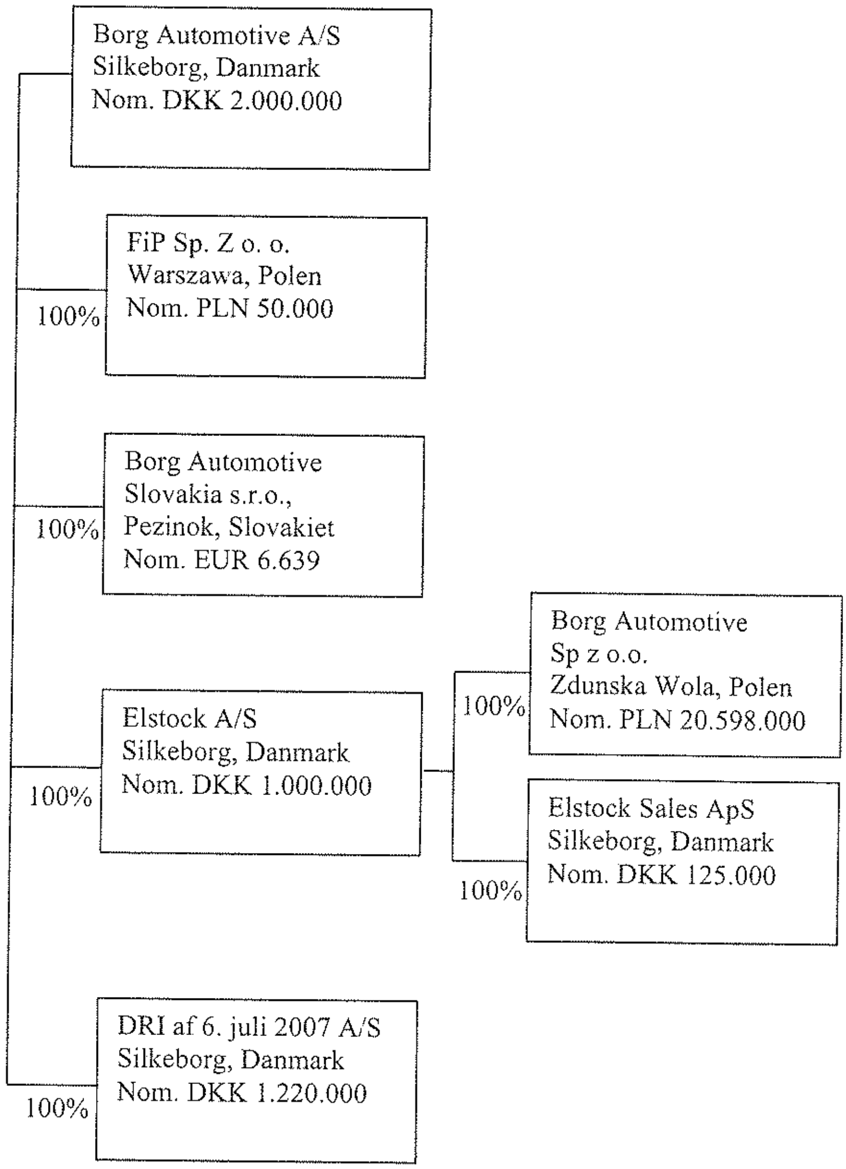
Company Information

The Company	Borg Automotive A/S Bergsøesvej 12 DK-8600 Silkeborg Telephone: + 45 86 80 11 77 Facsimile: + 45 86 80 27 01 Website: www.borgautomotive.dk CVR No: 27 73 28 44 Financial period: 1 July - 30 June Municipality of reg. office: Silkeborg
Board of Directors	Søren Klarskov Vilby, Chairman Søren Toft-Jensen Carsten Bücker Carsten Wengel
Executive Board	Kim Kruse Andersen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Platanvej 4 Postboks 399 DK-7400 Herning
Lawyers	Focus advokater Englandsvej 25 5100 Odense
Bankers	Sydbank Søndergade 25 8600 Silkeborg

Group Chart

Parent Company

Consolidated subsidiaries



Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

	Group				
	2015/16	2014/15	2013/14	2012/13	2011/12
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	569.150	443.119	387.403	448.254	411.172
Gross profit/loss	222.088	166.312	143.779	161.633	130.193
Profit/loss before financial income and expenses	101.114	56.806	45.818	46.075	24.847
Net financials	-11.822	-6.545	-5.643	-5.733	-11.420
Net profit/loss for the year	70.216	40.232	28.212	28.218	10.914
Balance sheet					
Balance sheet total	577.894	507.562	435.840	389.112	376.858
Equity	204.076	171.051	133.300	115.914	108.456
Cash flows					
Cash flows from:					
- operating activities	54.969	22.836	40.462	40.551	28.599
- investing activities	-41.848	8.334	-44.761	-9.805	-31.994
including investment in property, plant and equipment	-6.788	-5.857	-12.234	-5.258	-7.559
- financing activities	-34.052	-22.024	-9.062	-23.821	-8.523
Change in cash and cash equivalents for the year	-20.931	9.146	-13.361	6.925	-11.918
Number of employees	1.100	948	804	734	783
Ratios					
Gross margin	39,0%	37,5%	37,1%	36,1%	31,7%
Return on assets	17,5%	11,2%	10,5%	11,8%	6,6%
Solvency ratio	35,3%	33,7%	30,6%	29,8%	28,8%
Return on equity	37,4%	26,4%	22,6%	25,2%	9,4%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Main activity

The Company is engaged in international automotive spare parts trading, remanufacturing of Starters, Alternators, Air Condition Compressors as well as Brake Calipers.

Development in the year

The revenue increased from 443.1 to 569.2 mDKK. Primary due to growth on all product groups. The turnover in the main business consequently increased by 126.6 mDKK equivalent to 29% growth.

The Company showed a profit after tax for the year of mDKK 70.2 against a profit of mDKK 40.2 last year. Management considers the results for the year satisfactory, given the current conditions.

The improved revenue is primarily due to strong growth in the core business comprising remanufacturing of used automotive parts. The growth is driven by several different factors:

- Product quality from the Company's factory in Poland was improved to a very competitive level during the year.

- The Company has been very successful in expanding its position within Mechatronics that combines mechanical and electrical engineering in e.g. Electric Steering, Colums/Racks, Hydraulic Steering Pumps and Electric Brake Calipers.

- In existing markets the Company won new important customers due to a high delivery performance and the broadest remanufacturing product program in the market.

- The Company's long standing focus on new markets also resulted in increasing revenue from these markets.

- The increasing volumes resulted in higher production efficiency, which further strengthened competitive power.

Special risks - operating risks and financial risks

Operating risks

The Company does not have any special operating risks. The Company is operating in a trading area with low cyclicality and a broad and loyal customer base. The customers are primarily domiciled in Western Europe but are distributed on many countries.

Management's Review

Risks relating to raw material and energy prices

The Group has no material risks relating to raw material or energy prices. The Group continuously purchases considerable volumes of cores, the price of which may fluctuate considerably but is only to a limited extent correlated to metal prices.

Foreign exchange risks

Due to the Group's foreign activities result of operations, cash flows and equity are affected by the exchange developments in a number of currencies, including substantially the movement in the PLN/DKK rate.

No speculative exchange transactions are made. As a main rule exchange risks relating to investments in foreign subsidiaries are not hedged as, in the Group's opinion, current hedging of such long term investments will not be optimal from an overall risk and cost perspective.

Interest rate risks

It is the Group's assessment that even considerable interest rate changes will not affect earnings materially.

Credit risks

The Group charges a deposit for cores. The Group has a repayment obligation in respect of deposits received from customers conditional on and at the same rate as customer return of cores. There is in the annual accounts a provision of mDKK 132.8 for return of cores from customers. Returns do not follow any specific pattern and do not necessarily coincide with the charging of deposit for new sales. This implies that the Group may experience considerable liquidity fluctuations from one period to the next. The Group mitigates this liquidity risk by agreeing, in respect of the majority of the credit facilities, on a certain period of notice.

The Group has no material risks relating to individual customers or business partners. All major customers are currently credit rated and insured against losses in accordance with the group credit risk policy. Other business partners are also currently credit rated. The company has during the past years only realized very limited losses on receivables.

Management's Review

Strategy and objectives

Strategy

The Company pursues organic growth with high customer and staff satisfaction. This goal will be achieved through continuous improvement of the Company's product programme, delivery performance and service. The growth should be profitable with a positive cash flow.

Targets and expectations for the year ahead

In the year ahead the Company expects to see a continued increasing level of activity and an improvement of result before tax from mDKK 89.3 in this year to a level of mDKK 120-130 in the coming year. This expectation is supported by a positive development in the first months of the new financial year.

Basis of earnings

Research and development

The Company has no research activities as such, but continuously develops new methods, products and customer directed services. New cars increasingly contain components combining me-chanical and electrionic engineering, called Mechatronics. Here the company invests annually mDKK 2.0 as well in the UK sister company Car Part Industries together with the Polish subsidiary Borg Automotive Zdunska Wola. An increasing number of the Company's new products are within this area.

Statutory statement of corporate social responsibility

The Company is aware of its corporate social responsibility and has established policies for climate and environmental impacts, human rights, working environment, light jobs, health and disease.

Environment and climate

The Company includes as part of the corporate social responsibility both the supplier and customer in improving the climate conditions and developing these to maintain the reduction of CO2 emission and reducing material consumption.

Compared to production of original automotive parts remanufacturing is supportive of sustainability by decreasing CO2 emission by up to 80% and material consumption is reduced by up to 90%. Remanufacturing consequently belongs to the circular economy where resources are recycled and in contrast to the linear economy where resources are consumed. Being part of the global recycling industry it is natural for the Company to have focus on continuous optimisation of resource and energy consumption which supports the Company's green profile.

Management's Review

Human rights and health and safety

For Borg Automotive human rights is primarily about the company's own employees and their relationships and health.

As part of the corporate social responsibility the Company have today employees that are physically and mentally challenged who are doing a meaningful job. The Company policies includes the employee's safety and working conditions as well as the employee's family.

Also in 2015/16, efforts have been focused on improving employee safety and working conditions, and the number of employees with physical and mental disabilities are maintained.

Share of the underrepresented gender

It is the board of directors' objective that the share of female members of the management of the company shall constitute a minimum of 10% no later than in 2017. The female share constitutes 0% in the current year. The objective of a 10% share is consequently not reached in the current financial year, as the General Assembly based on an assessment of the candidates qualifications only chose men to the board.

It is the policy of the board that it is ideal to obtain an equal distribution of candidates between both sexes when a person for leading position is to be recruited.

It is furthermore the policy of the board of directors that the share of the female representation in additional management levels is increased in order to obtain a more equal distribution between the sexes. By the end of fiscal year 2015/16 the female representation was more than 20% of the additional management level. The proportion of women at other levels of management are sought increased by ensuring that advertising for new employees appeal to both male and female candidates.

There has in the fiscal year 2015/16 been changes on a few leading positions. As the selection is based on competences, the new recruitment has not changed the distribution between the sexes.

Knowledge resources

It is essential to the continued growth of the group to retain and develop employees thus important resources are allocated to this.

To ensure competitiveness and effectiveness in technology development is continually undertaken along with competence development.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 July - 30 June

	Note	Group 2015/16 TDKK	Group 2014/15 TDKK	Parent Company 2015/16 TDKK	Parent Company 2014/15 TDKK
Revenue	1	**569.150**	**443.119**	**16.292**	**10.993**
Other operating income		221	2.917	221	0
Expenses for raw materials and consumables		-310.840	-235.987	0	0
Other external expenses		-36.443	-43.737	-429	-3.922
Gross profit/loss		**222.088**	**166.312**	**16.084**	**7.071**
Staff expenses	2	-109.686	-98.360	-10.261	-10.914
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-11.288	-11.146	-4.519	-4.610
Profit/loss before financial income and expenses		**101.114**	**56.806**	**1.304**	**-8.453**
Income from investments in subsidiaries		0	0	68.574	46.637
Financial income	4	15.385	19.448	2.677	2.954
Financial expenses	5	-27.207	-25.993	-3.115	-3.114
Profit/loss before tax		**89.292**	**50.261**	**69.440**	**38.024**
Tax on profit/loss for the year	6	-19.076	-10.029	776	2.208
Net profit/loss for the year		**70.216**	**40.232**	**70.216**	**40.232**

Distribution of profit

	Parent Company	
	2015/16	2014/15
	TDKK	TDKK
Proposed distribution of profit		
Extraordinary dividend paid	30.000	0
Proposed dividend for the year	30.000	0
Reserve for net revaluation under the equity method	68.574	46.637
Retained earnings	-58.358	-6.405
	70.216	**40.232**

Balance Sheet 30 June

Assets

	Note	Group 2016 TDKK	Group 2015 TDKK	Parent Company 2016 TDKK	Parent Company 2015 TDKK
Software		11.341	18.224	11.314	15.810
Trademarks		9.390	0	7.500	0
Goodwill		0	2.345	0	0
Intangible assets	7	**20.731**	**20.569**	**18.814**	**15.810**
Land and buildings		44.458	44.204	0	0
Other fixtures and fittings, tools and equipment		10.188	10.276	0	178
Property, plant and equipment in progress		2.872	3.471	0	0
Property, plant and equipment	8	**57.518**	**57.951**	**0**	**178**
Investments in subsidiaries	9	0	0	226.465	165.083
Receivables from group enterprises	10	59.583	30.418	59.583	30.418
Other investments	10	82	162	0	0
Other receivables	10	0	901	0	901
Fixed asset investments		**59.665**	**31.481**	**286.048**	**196.402**
Fixed assets		**137.914**	**110.001**	**304.862**	**212.390**
Inventories	11	**207.661**	**212.972**	**0**	**0**
Trade receivables		153.594	126.140	0	0
Receivables from group enterprises		39.851	31.058	39.221	23.178
Other receivables		18.892	12.272	422	334
Deferred tax asset	13	19.282	12.629	0	0
Corporation tax		0	0	462	3.028
Receivables		**231.619**	**182.099**	**40.105**	**26.540**
Cash at bank and in hand		**700**	**2.490**	**0**	**0**
Currents assets		**439.980**	**397.561**	**40.105**	**26.540**
Assets		**577.894**	**507.562**	**344.967**	**238.930**

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Balance Sheet 30 June

Liabilities and equity

	Note	Group 2016 TDKK	Group 2015 TDKK	Parent Company 2016 TDKK	Parent Company 2015 TDKK
Share capital		2.000	2.000	2.000	2.000
Revaluation reserve		5.991	5.991	0	0
Reserve for net revaluation under the equity method		0	0	151.170	89.787
Retained earnings		166.085	163.060	20.906	79.264
Proposed dividend for the year		30.000	0	30.000	0
Equity	12	**204.076**	**171.051**	**204.076**	**171.051**
Provision for deferred tax	13	0	0	2.725	3.717
Other provisions	14	147.576	115.576	1.456	2.942
Provisions		**147.576**	**115.576**	**4.181**	**6.659**
Mortgage loans		6.120	6.629	0	0
Credit institutions		4.803	8.623	0	0
Lease obligations		1.330	1.336	0	0
Long-term debt	15	**12.253**	**16.588**	**0**	**0**
Mortgage loans	15	510	515	0	0
Credit institutions	15	87.823	68.682	47.114	11.432
Lease obligations	15	840	552	0	0
Trade payables		43.152	33.922	1.171	479
Payables to group enterprises		25.297	48.997	86.621	47.314
Corporation tax		21.610	19.965	0	0
Other payables		34.757	31.714	1.804	1.995
Short-term debt		**213.989**	**204.347**	**136.710**	**61.220**
Debt		**226.242**	**220.935**	**136.710**	**61.220**
Liabilities and equity		**577.894**	**507.562**	**344.967**	**238.930**

Contingent assets, liabilities and other financial obligations	16
Ownership	17

Statement of Changes in Equity

Group

	Share capital	Revaluation reserve	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 July	2.000	5.991	0	163.060	0	171.051
Extraordinary dividend paid	0	0	0	-30.000	0	-30.000
Exchange adjustments relating to foreign entities	0	0	0	-7.655	0	-7.655
Fair value adjustment of hedging instruments, end of year	0	0	0	595	0	595
Tax on adjustment of hedging instruments for the year	0	0	0	-131	0	-131
Net profit/loss for the year	0	0	0	40.216	30.000	70.216
Equity at 30 June	**2.000**	**5.991**	**0**	**166.085**	**30.000**	**204.076**

Parent Company

	Share capital	Revaluation reserve	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
Equity at 1 July	2.000	0	89.787	79.264	0	171.051
Extraordinary dividend paid	0	0	0	-30.000	0	-30.000
Exchange adjustments relating to foreign entities	0	0	-7.655	0	0	-7.655
Fair value adjustment of hedging instruments, end of year	0	0	595	0	0	595
Tax on adjustment of hedging instruments for the year	0	0	-131	0	0	-131
Net profit/loss for the year	0	0	68.574	-28.358	30.000	70.216
Equity at 30 June	**2.000**	**0**	**151.170**	**20.906**	**30.000**	**204.076**

Cash Flow Statement 1 July - 30 June

	Note	Group 2015/16 TDKK	Group 2014/15 TDKK
Net profit/loss for the year		70.216	40.232
Adjustments	18	37.643	26.246
Change in working capital	19	-16.984	-25.567
Cash flows from operating activities before financial income and expenses		**90.875**	**40.911**
Financial income		15.385	19.448
Financial expenses		-27.206	-25.993
Cash flows from ordinary activities		**79.054**	**34.366**
Corporation tax paid		-24.085	-11.530
Cash flows from operating activities		**54.969**	**22.836**
Purchase of intangible assets		-7.500	-3.520
Purchase of property, plant and equipment		-6.788	-5.857
Fixed asset investments made etc		-28.265	-1.273
Sale of property, plant and equipment		625	7.108
Sale of fixed asset investments etc		80	11.876
Cash flows from investing activities		**-41.848**	**8.334**
Repayment of mortgage loans		-514	-508
Repayment of loans from credit institutions		-3.820	-7.736
Reduction of lease obligations		-974	-280
Lease obligations incurred		1.256	1.500
Dividend paid		-30.000	-15.000
Cash flows from financing activities		**-34.052**	**-22.024**
Change in cash and cash equivalents		**-20.931**	**9.146**
Cash and cash equivalents at 1 July		-66.192	-75.338
Cash and cash equivalents at 30 June		**-87.123**	**-66.192**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		700	2.490
Overdraft facility		-87.823	-68.682
Cash and cash equivalents at 30 June		**-87.123**	**-66.192**

Notes to the Financial Statements

	Group		Parent Company	
	2015/16	2014/15	2015/16	2014/15
	TDKK	TDKK	TDKK	TDKK
1 Revenue				
Geographical segments				
Revenue, Denmark	50.296	47.463	7.840	3.183
Revenue, exports	518.854	395.656	8.452	7.810
	569.150	**443.119**	**16.292**	**10.993**
2 Staff expenses				
Wages and salaries	105.621	94.251	9.155	9.572
Pensions	2.457	2.768	804	826
Other staff expenses	1.608	1.341	302	516
	109.686	**98.360**	**10.261**	**10.914**
Including remuneration to the Executive Board and Board of Directors	**2.688**	**2.335**	**383**	**282**
Average number of employees	**1.100**	**948**	**11**	**12**
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment				
Amortisation of intangible assets	7.285	7.285	4.496	4.449
Depreciation of property, plant and equipment	4.003	3.861	23	161
	11.288	**11.146**	**4.519**	**4.610**

Notes to the Financial Statements

	Group		Parent Company	
	2015/16	2014/15	2015/16	2014/15
	TDKK	TDKK	TDKK	TDKK

4 Financial income

Interest received from group enterprises	1.004	731	1.203	507
Other financial income	66	144	65	593
Exchange gains	14.315	18.573	1.409	1.854
	15.385	**19.448**	**2.677**	**2.954**

5 Financial expenses

Interest paid to group enterprises	56	88	59	804
Other financial expenses	4.760	5.163	957	689
Exchange loss	22.391	20.742	2.099	1.621
	27.207	**25.993**	**3.115**	**3.114**

6 Tax on profit/loss for the year

Current tax for the year	26.145	14.032	216	-1.218
Deferred tax for the year	-6.974	-3.493	-861	-1.418
Adjustment of tax concerning previous years	36	3.521	0	0
Adjustment of deferred tax concerning previous years	0	-4.459	0	0
	19.207	**9.601**	**-645**	**-2.636**
which breaks down as follows:				
Tax on profit/loss for the year	19.076	10.029	-776	-2.208
Tax on changes in equity	131	-428	131	-428
	19.207	**9.601**	**-645**	**-2.636**

Notes to the Financial Statements

7 Intangible assets

Group

	Software	Trademarks	Goodwill
	TDKK	TDKK	TDKK
Cost at 1 July	23.401	2.362	28.140
Exchange adjustment	-52	0	0
Additions for the year	0	7.500	0
Cost at 30 June	23.349	9.862	28.140
Impairment losses and amortisation at 1 July	7.539	0	25.795
Exchange adjustment	-48	0	0
Amortisation for the year	4.517	472	2.345
Impairment losses and amortisation at 30 June	12.008	472	28.140
Carrying amount at 30 June	**11.341**	**9.390**	**0**

Parent Company

	Software	Trademarks
	TDKK	TDKK
Cost at 1 July	22.636	0
Additions for the year	0	7.500
Cost at 30 June	22.636	7.500
Impairment losses and amortisation at 1 July	6.826	0
Amortisation for the year	4.496	0
Impairment losses and amortisation at 30 June	11.322	0
Carrying amount at 30 June	**11.314**	**7.500**

Notes to the Financial Statements

8 Property, plant and equipment

Group

	Land and buildings	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	TDKK	TDKK	TDKK
Cost at 1 July	48.682	30.289	3.471
Exchange adjustment	-2.073	-1.403	-194
Additions for the year	56	2.294	4.438
Disposals for the year	-373	-2.029	0
Transfers for the year	3.470	1.151	-4.621
Cost at 30 June	49.762	30.302	3.094
Revaluations at 1 July	8.192	0	0
Revaluations at 30 June	8.192	0	0
Impairment losses and depreciation at 1 July	12.670	20.013	0
Exchange adjustment	-305	-845	0
Impairment losses for the year	13	0	222
Depreciation for the year	1.118	2.724	0
Reversal of impairment and depreciation of sold assets	0	-1.778	0
Impairment losses and depreciation at 30 June	13.496	20.114	222
Carrying amount at 30 June	**44.458**	**10.188**	**2.872**
Including assets under finance leases amounting to	0	2.476	0

Notes to the Financial Statements

8 Property, plant and equipment (continued)

Parent Company

	Other fixtures and fittings, tools and equipment
	TDKK
Cost at 1 July	685
Disposals for the year	-685
Cost at 30 June	0
Impairment losses and depreciation at 1 July	507
Depreciation for the year	23
Reversal of impairment and depreciation of sold assets	-530
Carrying amount at 30 June	**0**

Notes to the Financial Statements

	Parent Company	
	2016	2015
	TDKK	TDKK
9 Investments in subsidiaries		
Cost at 1 July	75.296	88.803
Disposals for the year	0	-13.507
Cost at 30 June	75.296	75.296
Value adjustments at 1 July	89.787	32.236
Disposals for the year	0	13.507
Exchange adjustment	-7.657	-1.086
Net profit/loss for the year	70.919	49.451
Dividend to the Parent Company	0	-1.713
Other equity movements, net	465	206
Amortisation of goodwill	-2.345	-2.814
Change in intercompany profit on inventories	0	0
Value adjustments at 30 June	151.169	89.787
Carrying amount at 30 June	**226.465**	**165.083**
Remaining positive difference included in the above carrying amount at 30 June	0	2.345

Investments in subsidiaries are specified as follows:

Name	Place of registered 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%
Borg Automotive Slovakia S.r.o.	Slovakia	TEUR 7	100%
FiP Sp. z.o.o.	Poland	TPLN 50	100%

Notes to the Financial Statements

10 Other fixed asset investments

	Group			Parent Company	
	Receivables from group enterprises	Other investments	Other receiv-ables	Receivables from group enterprises	Other receiv-ables
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 July	30.418	162	5.901	30.418	5.901
Additions for the year	59.583	0	0	59.583	0
Disposals for the year	-30.418	-80	-5.901	-30.418	-5.901
Cost at 30 June	59.583	82	0	59.583	0
Revaluations at 1 July	0	0	0	0	0
Revaluations at 30 June	0	0	0	0	0
Impairment losses at 1 July	0	0	5.000	0	5.000
Impairment losses for the year	0	0	-5.000	0	-5.000
Impairment losses at 30 June	0	0	0	0	0
Carrying amount at 30 June	**59.583**	**82**	**0**	**59.583**	**0**

11 Inventories

	Group		Parent Company	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK
Raw materials and consumables	109.926	112.934	0	0
Work in progress	5.266	5.266	0	0
Finished goods and goods for resale	92.469	94.772	0	0
	207.661	**212.972**	**0**	**0**

12 Equity

The share capital consists of shares of a nominal value of TDKK 1. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

Notes to the Financial Statements

	Group		Parent Company	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK
13 Provision for deferred tax				
Intangible assets	2.770	3.796	2.725	3.717
Property, plant and equipment	1.734	1.826	0	0
Inventories	-2.427	-1.797	0	0
Provisions	-21.359	-16.454	0	0
Transferred to deferred tax asset	19.282	12.629	0	0
	0	**0**	**2.725**	**3.717**
Deferred tax asset				
Calculated tax asset	19.282	12.629	0	0
Carrying amount	**19.282**	**12.629**	**0**	**0**

14 Other provisions

Provision regarding deposits	132.804	100.857	0	0
Warranty promises	7.626	7.006	0	0
Other provisions	7.146	7.713	1.456	2.942
	147.576	**115.576**	**1.456**	**2.942**

Notes to the Financial Statements

15 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent Company	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK
Mortgage loans				
After 5 years	4.063	4.561	0	0
Between 1 and 5 years	2.057	2.068	0	0
Long-term part	6.120	6.629	0	0
Within 1 year	510	515	0	0
	6.630	**7.144**	**0**	**0**
Credit institutions				
Between 1 and 5 years	4.803	8.623	0	0
Long-term part	4.803	8.623	0	0
Other short-term debt to credit institutions	87.823	68.682	47.114	11.432
	92.626	**77.305**	**47.114**	**11.432**
Lease obligations				
Between 1 and 5 years	1.330	1.336	0	0
Long-term part	1.330	1.336	0	0
Within 1 year	840	552	0	0
	2.170	**1.888**	**0**	**0**

16 Contingent assets, liabilities and other financial obligations

Rental agreements and leases

Lease obligations under operating leases. Total future lease payments:				
Within 1 year	216	162	82	58
	216	**162**	**82**	**58**

Notes to the Financial Statements

16 Contingent assets, liabilities and other financial obligations (continued)

Security

The Parent Company and another group company have issued a letter of subordination in respect of intercompany receivables relating to the receivable of a credit institution from a subsidiary of the Group.

The Parent Company has issued guarantees for third parties of DKK 0,1 mio.

The Parent Company has issued guarantees for a bank of a subsidiary of the Group of DKK 31.4 mio.

There are issued mortgage deeds in the group of DKK 49.2 mio. secured by assets with a carrying amount of DKK 39.2 million.

As a security for the groups engagement with banks, the Parent Company have given cross guarantee towards the group's danish companies and Car Parts Industries ApS.

There is given a floating charge in the group of DKK 91.3 mio. secured by assets with a carrying amount of DKK 490.3 million.

The group has issued guarantees to third parties of DKK 0.3 mio.

Contingent liabilities

The Group has a repayment obligation in respect of deposits received from customers conditional on and at the same rate as customer return of cores. The total repayment obligation amounts to DKK 296.9 million, DKK 132.8 million of which has been provided for in the balance sheet.

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income.

17 Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Auto Akku ApS, Silkeborg
Akku Holding af 5.10.2010 ApS, Silkeborg

Notes to the Financial Statements

	Group	
	2015/16	2014/15
	TDKK	TDKK
18 Cash flow statement - adjustments		
Financial income	-15.385	-19.448
Financial expenses	27.207	25.993
Depreciation, amortisation and impairment losses, including losses and gains on sales	11.288	8.229
Tax on profit/loss for the year	19.076	10.029
Other adjustments	-4.543	1.443
	37.643	**26.246**

19 Cash flow statement - change in working capital

Change in inventories	5.311	-54.606
Change in receivables	-42.864	-30.194
Change in other provisions	32.000	13.265
Change in trade payables, etc	-11.431	45.968
	-16.984	**-25.567**

Accounting Policies

Basis of Preparation

The Annual Report of Borg Automotive A/S for 2015/16 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

Consolidated and Parent Company Financial Statements for 2015/16 are presented in TDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Accounting Policies

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Borg Automotive A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Acquisitions

On acquisition of subsidiaries, the difference between cost and net asset value of the enterprise acquired is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value (the purchase method). Cost comprises the fair value of the consideration paid as well as expenses for consultants etc directly related to the acquisition. Any remaining positive differences are recognised in intangible assets in the balance sheet as goodwill, which is amortised in the income statement on a straightline basis over its estimated useful life. Any remaining negative differences are recognised in deferred income in the balance sheet as negative goodwill. Amounts attributable to expected losses or expenses are recognised as income in the income statement as the affairs and conditions to which the amounts relate materialise. Negative goodwill not related to expected losses or expenses is recognised at an amount equal to the fair value of non-monetary assets in the income statement over the average useful life of the non-monetary assets.

Positive and negative differences from enterprises acquired may, due to changes to the recognition and measurement of net assets, be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made. Moreover, any change in contingent consideration is adjusted in the value of goodwill or negative goodwill.

Amortisation of goodwill is recognised in "Amortisation, depreciation and impairment losses".

Accounting Policies

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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 financial income and expenses in the income statement.

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

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Accounting Policies

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Accounting Policies

Other external expenses

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

Staff expenses

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

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement 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 its ultimate Parent Toft-Jensen Holding ApS, which acts as management company, as well as Danish group enterprises. Foreign enterprises are not included in the joint taxation. The Danish corporation tax is allocated to the jointly taxed enterprises in proportion to their taxable incomes.

Accounting Policies

Balance Sheet

Intangible assets

Goodwill is amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience with the individual business areas. The maximum amortisation period is 20 years, the longest period applying to enterprises acquired for strategic purposes with a strong market position and a long earnings profile.

Software is amortised on a straight-line basis over 5 years.

Trademarks is amortised on a straight-line basis over 5 years.

Property, plant and equipment

Proberty, plant and equipment are measured at cost added revaluations and 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 added revaluations and reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other buildings	30 years
Other fixtures and fittings, tools and equipment	3 - 5 years

Assets costing less than DKK 12,900 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Accounting Policies

Investments in subsidiaries

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

The item"Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of 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.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Accounting Policies

Equity

Dividend

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

Treasury shares

Purchase and sales prices for treasury shares are recognised directly in retained earnings under equity. A reduction of capital by cancellation of treasury shares reduces the share capital by an amount equal to the nominal value of the shares and increases retained earnings. Dividend on treasury shares is recognised directly in equity under retained earnings.

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 on the basis of 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.

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 obligatio

Provisions for deposit obligations are recognised in the balance sheet as invoiced deposit minus the part that historically is not refunded and the equivalent of the outstanding cores on the remaining part.

Provisions for warranty obligations are recognised in the balance sheet at an amount corresponding to the Company's expected costs of warranty obligations in respect of units delivered.

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.

Accounting Policies

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 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 amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

The cash flow statement shows the Group´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand" and "Credit Institutions"

The cash flow statement cannot be immediately derived from the published financial records.

Accounting Policies

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$