

# Borg Automotive Holding A/S

Bergsøesvej 12, DK-8600 Silkeborg

CVR no. 38 24 04 39

## Annual Report

(1 December 2016 - 31 December 2017)

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

**Chairman**



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Carsten Gyldenlev Kristoffersen

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## Management Statement on the annual report

The Board of Directors and the Executive Board have considered and approved the annual report of Borg Automotive Holding A/S for the financial year 1 December 2016 - 31 December 2017.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by EU and additional disclosure requirements 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 and the cash flow for the financial year 1 December 2016 – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the company's operations and financial matters and the result of the company's operations and financial positions.

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

Silkeborg, 16 March 2018

### Executive Board

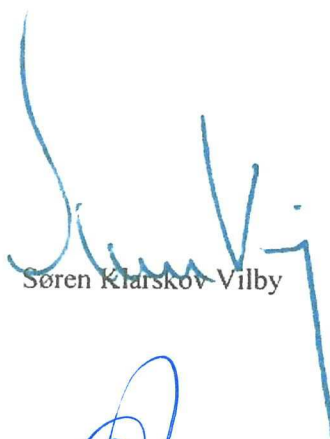


Kim Kruse Andersen  
(CEO)

### Board of Directors



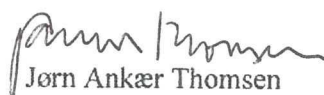
Jens Bjerg Sørensen  
(Chairman)



Søren Klarskov-Vilby



Kurt Bering Sørensen



Jørn Ankær Thomsen



Søren Ulrik Toft-Jensen

## **Independent auditor's report**

To the shareholders of Borg Automotive Holding A/S

### **Opinion**

We have audited the financial statements of Borg Automotive Holding A/S for the financial year 1 December 2016 – 31 December 2017, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by EU and additional disclosure requirements of 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 and cash flow for the financial year 1 December 2016 – 31 December 2017 in accordance with International Financial Reporting Standards as adopted by EU and additional requirements in 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 statement, 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.

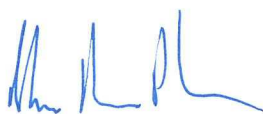
Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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.

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 March 2018  
Ernst & Young  
Godkendt Revisionspartnerselskab  
CVR-no. 30 70 02 28



Claus Hammer-Pedersen  
State Authorised Public Accountant  
MNE-no: mne21334



Kim R. Mortensen  
State Authorised Public Accountant  
MNE-no: mne18513

## Company information

<b>The company</b>	Borg Automotive Holding A/S Bergsøesvej 12 8600 Silkeborg  CVR no: 38 24 04 39 Financial year: 1 January - 31 December First financial year: 1 December 2016 – 31 December 2017 Municipality of reg. office: Silkeborg
<b>Board of Directors</b>	Jens Bjerg Sørensen (Chairman) Søren Klarskov Vilby Kurt Bering Sørensen Jørn Ankær Thomsen Søren Ulrik Toft-Jensen
<b>Executive Board</b>	Kim Kruse Andersen
<b>Auditors</b>	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, 8000 Aarhus C CVR-no: 30 70 02 28
<b>Group relations</b>	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: <a href="http://www.Schouw.dk">www.Schouw.dk</a>

## **Management's review**

Borg Automotive Holding A/S was established at 1 December 2016 based on an group restructure transaction / establishment of a new holding company. The parent company transferred the shares in:

- Borg Automotive A/S, and
- Car Parts Industries ApS

to Borg Automotive Holding A/S through an in kind contribution (non-cash). The value of the transaction was DKK 209.7 million. The first financial year was 1 December 2016 – 30 June 2017.

As of 1 April 2017 the BORG Group 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 Holding A/S has been aligned with the financial year of Aktieselskabet Schouw & Co, and now follows the calendar year. Consequently FY 2016/2017 ends at 31 December 2017 and include 13 Months.

### **Main activity**

The company function as a holding company and as a provider of group services to the companies within the BORG Automotive Group.

### **Development in the year**

Profit for the year (13 month) ended at TDKK -4,173 and equity at 31. December 2017 amounts to TDKK 205,527.

### **Subsequent events**

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

### **Targets and expectations for the year ahead**

The result for next year is expected to be at the same level as in 2017.



## Statements of income and comprehensive income

### Income Statement

	Note	2016/17 13 months DKK '000
Revenue	2	560
Administrative expenses	2, 8	<u>(4,325)</u>
<b>Operating profit</b>		<b>(3,765)</b>
Financial expenses	4	<u>(1,522)</u>
<b>Profit/loss before tax</b>		<b>(5,287)</b>
Tax on profit/loss for the year	5	<u>1,114</u>
<b>Profit/loss for the year</b>		<b><u>(4,173)</u></b>
Attributable to:		
Proposed dividend		100,000
Retained earnings		<u>(104,173)</u>
		<b><u>(4,173)</u></b>

### Statement of comprehensive income

Profit for the year	(4,173)
Other comprehensive income after tax	<u>-</u>
<b>Total comprehensive income</b>	<b><u>(4,173)</u></b>

## Balance sheet

### Assets

	Note	2017
		DKK '000
Equity investments in subsidiaries	7	390,600
<b>Other non-current assets</b>		<b>390,600</b>
<b>Total non-current assets</b>		<b>390,600</b>
Receivables from group companies	8	16,101
Income tax	5	1,114
<b>Total current assets</b>		<b>17,215</b>
<b>Assets</b>		<b>407,815</b>

### Liabilities

	Note	2017
		DKK '000
Share capital		25,000
Retained earnings		80,527
Proposed dividend		100,000
<b>Equity</b>		<b>205,527</b>
Payables to group companies	9	201,651
Other payables		637
<b>Current liabilities</b>		<b>202,288</b>
<b>Total liabilities</b>		<b>202,288</b>
<b>Total liabilities and equity</b>		<b>407,815</b>

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## Cash flow Statement

	<u>Note</u>	<u>2017</u>
		DKK '000
Profit before tax		(4.173)
Tax on profit for the year		(1.114)
Financial expenses		1.522
<b>Cash flow from operating activities before changes in working capital</b>		<b>(3.765)</b>
Changes in working capital	6	637
		<b>(3.128)</b>
Financial expenses paid		(1.522)
Income tax paid		-
<b>Cash flow from operating activities</b>		<b>(4.650)</b>
Acquisition of minorities		(180.900)
<b>Cash flow from investing activities</b>		<b>(180.900)</b>
Increase (repayment of group balances)		185.550
<b>Cash flows from financing activities</b>		<b>185.550</b>
Cash flow for the year		0
Cash and cash equivalents		0
<b>Cash and cash equivalents at 31 December 2017</b>		<b>0</b>

## Statement of changes in equity

	Share- capital	Retained earnings	Proposed dividend	Total
	DKK '000	DKK '000	DKK '000	DKK '000
Equity at 1 December 2016	400	209.300	0	209.700
Capital increase	24.600	-24.600	0	0
Profit/loss for the year	0	-104.173	100.000	-4.173
<b>Equity</b>	<b>25.000</b>	<b>80.527</b>	<b>100.000</b>	<b>205.527</b>

The Share capital consist of 25,000,000 shares with a nominal value of DKK 1 each.  
All shares rank equally.

The company was established with a share capital of 400,000 shares. During the financial year the share capital was increased by 24,600,000 shares to 25,000,000 shares. Also the company was converted from a small private limited company (anpartsselskab) to a private limited company (aktieselskab).

## Notes to the Financial Statements

### 1 Significant estimated uncertainties and prerequisites

By the valuation of the carrying amount of certain assets and liabilities estimates are required to indicate how future events affect the value of these assets and liabilities at the balance sheet day. Estimates that are significant for the reporting of the company are, among other things, made by valuing the need for a write-down of shares in subsidiaries. These make up a significant part of the company's total assets.

Test for impairment of subsidiaries is carried out if events or changed circumstances indicate that the carrying amount is not recoverable. The measurement of subsidiaries requires significant estimates in connection with the preparation of various prerequisites, including expectations of future cashflows, discount rate and growth rates in the terminal period. The sensitivity for changes in the applied prerequisites, collected or individually, can be significant.

The notes indicate the prerequisites about the future and other estimated uncertainties at the balance sheet day, where there is significant risk for changes that can lead to significant adjustment of the carrying amount of assets and liabilities within the next financial year.

	2017 13 months DKK '000
<b>2 Revenue</b>	
Management fee	560
	<b>560</b>
<b>3 Staff expenses</b>	
Included in administrative expenses	
Wages and salaries	2.109
Pensioner	110
Other social security costs	2
	<b>2.221</b>
Remuneration/fees to the Board of directors and Executive Board	1.966
<b>Average number of full-time employees</b>	<b>1</b>

## Notes to the Financial Statements

	2017 13 months <u>DKK '000</u>
<b>4 Financial expenses</b>	
Interest paid to group companies	1.520
Exchange loss	<u>2</u>
	<u><b>1.522</b></u>
<b>5 Income tax</b>	
Tax on profit/loss for the year (income)	<u>-1.114</u>
	<u><b>-1.114</b></u>
<i>which is specified as follows:</i>	
Current income tax	<u>-1.114</u>
	<u><b>-1.114</b></u>
Tax for the year can be explained as follows:	
Calculated 22% of result before tax	-1.163
Non-deductable expense	49
	<u><b>-1.114</b></u>
Effective income tax rate	<u>21%</u>
<b>6 Changes in working capital</b>	
Changes in trade payables and other payables	<u>637</u>
Changes in working capital total	<u><b>637</b></u>

## Notes to the Financial Statements

	<u>2017</u>
	DKK '000
<b>7 Investments in subsidiaries</b>	
Cost at 1 December 2016	209.700
Additions in the year <sup>1)</sup>	<u>180.900</u>
Cost at 31 December 2017	<u>390.600</u>
Write downs at 1 December 2016	0
Write downs in the year	<u>0</u>
Write downs at 31 December 2017	<u>0</u>
<b>Carrying amount at 31 December 2017</b>	<u><b>390.600</b></u>

<sup>1)</sup> Acquisition of minority interest in Borg Automotive A/S. The purchase price was paid in cash.

Investments in subsidiaries are specified as follows:

Navn	<u>Place of reg. office</u>	<u>Share- capital</u>	<u>Votes and ownership</u>
		DKK '000	
Borg Automotive A/S	Denmark	2.000	100%
Car Parts Industries ApS	Denmark	80	100%

The equity-value of the companies are higher than the carrying amount per 31 December 2017 and there are no indications of impairment.

## Notes to the Financial Statements

	2017
	DKK '000
<b>8 Receivables from subsidiaries</b>	
Break-down of receivables from group companies:	
Non-interest bearing	16.101
Receivables from subsidiaries in total	<u>16.101</u>
<b>9 Payables to group companies</b>	
Break-down of payables from group companies:	
Interest-bearing	201.436
Non-interest bearing	215
Payables from subsidiaries in total	<u>201.651</u>
<b>10 Interest bearing debt</b>	
Payables to group companies (current)	201.436
Interest bearing debt in total	<u>201.436</u>
Fair value of interest bearing debt	<u>201.436</u>
The interest bearing debt falls due within 1 year	
The weighted average effective rate of interest for the year was	1,33%
The weighted average effective rate of interest at the balance sheet date	1,27%
The interest bearing debt is set at a floating debt rate.	
The interest bearing debt is in DKK.	
<b>Interest bearing debt from financing activities:</b>	
Opening 1 December 2016	0
Cash flow	201.436
Non-cash changes	0
Carrying amount at 31 December 2017	<u>201.436</u>

### The company's risk management policy

The company has no material risk relating to individual customers or business partners. In subsidiaries all major customers are currently credit rated and insured against losses in accordance with the group credit risk policy.



## Notes to the Financial Statements

### Currency risk

The company's foreign exchange risks mainly relate to the subsidiaries' foreign business operations and receivables from these.

The company does not hedge these investments.

Currency risk exposure at 31 December 2017 relates to PLN, GBP and EUR.

### Interest rate risk

Due to the nature of its operations, investments and financing, the parent company is exposed primarily to changes in the level of interest rates.

### Sensitivity analysis

An increase in interest rates of 1 percentage point would cause the annual interest expense to increase by DKK 1.6 million after tax. Likewise a corresponding decrease in interest rates of 1 percentage point would have a positive impact.

The sensitivities are calculated based on the liabilities per 31 December 2017. Any payments, addition loans etc. during the financial year have been considered.

### Liquidity risk

Borg Automotive Holding A/S is part of the cash pool setup provided by Aktieselskabet Schouw & Co. The liquidity consists of cash, unused credit facilities and short term receivables in subsidiaries.

### Credit risk

The company's credit risk relates primarily to receivables from subsidiaries and secondarily to cash deposits.

There are no risks regarding these items per 31 December 2017.

## 11 Securities and contingent liabilities

### Security

The company and Car Parts Industries ApS have issued a letter of subordination in respect of intercompany receivables relating to the receivable of a credit institution in Car Parts Industries UK Ltd.

### Contingent liabilities

The company is jointly and severally liable for the tax on the Schouw Group's jointly taxed income starting from 1 April 2017. Before the company was jointly and severally liable for tax on the former ultimate parents jointly taxed income.

## Notes to the Financial Statements

### 12 Related party transactions

For a complete list of related parties a reference is made to the consolidated financial accounts for Aktieselskabet Schouw & Co.  
[www.schouw.dk](http://www.schouw.dk)

	<u>2017</u> DKK '000
The company has during the year received a management fee of	560
The company has during the year paid interests of	1.520
The company has at 31 december 2017 a receivable of	16.101
The company has at 31 december 2017 a debt of	201.436

Remuneration to the Board of Directors and the Executive Board are set out in note 2

Other than set out above no transaction were made during the year with related parties

### 13 Events after the balance sheet date

Borg Automotive Holding A/S is not aware of events occurring after 31 December 2017, which are expected to have a material impact on the Company's financial position or outlook.

### 14 New financial reporting regulations

As of the date of release of this annual report, the ISAB had issued a number of new and amended financial reporting standards and interpretations which are not mandatory for Borg Automotive Holding A/S in 2017, including IFRS 15 and 16 and IFRS 9. Adopted standards and improvements that have not yet come into force are implemented as and when they become mandatory to Borg Automotive Holding A/S as per the EU effective dates. Borg Automotive Holding A/S has performed an assessment of the effects of IFRS 15, and came to the overall conclusion that the effect on recognition and measurement is immaterial considering the company's sales contracts. The implementation of IFRS 9 is mainly expected to impact recognition and measurement of trade receivables in Borg Automotive Holding A/S. Based on an analysis of the Company's debtor mass, including an assessment of ECL (expected credit losses), it is assessed that the standard will have an immaterial effect on Borg Automotive Holding A/S. IFRS 16 is not expected to have an immaterial effect on Borg Automotive Holding A/S, when it comes into force on 1 January 2018.

## Accounting Policies

### Basis of preparation

Borg Automotive Holding A/S was established at 1 December 2016 based on an group restructure transaction. The parent company transferred the shares in:

- Borg Automotive A/S, and
- Car Parts Industries ApS

to Borg Automotive Holding A/S through an in kind contribution (non-cash). The value of the transaction was DKK 209.7 million. The first financial year was 1 December 2016 – 30 June 2017, but was extended to 31 December 2017 in connection with Aktieselskabet Schouw & Co.'s acquirement of Borg Automotive Holding A/S at 1 April 2017. As a consequence of the extended financial year, the financial statements contains 13 month.

The Annual Report of Borg Automotive Holding A/S for 2016/17 has been prepared in accordance with International Financial Reporting Standards as adopted approved by EU and additional requirements of the Danish Financial Statements Act.

Annual accounts for 2017 are presented in TDKK.

### 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.

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

## **Accounting Policies**

### **Income Statement**

#### **Revenue**

Revenue from services is recognised when the work has been performed and the revenue can be measured reliably and it is not probable that the economic benefits relating to the sale will flow to the company

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

#### **Administrative expense**

Administrative expense comprise of cost incurred in the year related to management and administration including attorneys, travel cost and audit fees.

#### **Financial expenses**

Financial 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.

### **Balance Sheet**

#### **Investments in subsidiaries**

Investments in subsidiaries are measured at cost. If the cost exceeds the recoverable amount, the carrying amount is reduced to such lower value. Write-downs are recognised in the income statement.

Dividends from investments in subsidiaries are recognised in the parent company's income statement in the reporting year in which the dividends are declared.

#### **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.

#### **Equity**

##### *Dividend*

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

## **Accounting Policies**

### **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 liabilities**

Loans 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 payables are measured at net realisable value.

### **Cash flow statement**

The cash flow statement shows the cash flows for the year distributed on operating, investing, financing activities, net changes for the year in cash as well as cash at the beginning and end of the year.

The cash effect of acquisitions is shown separately under cash flows from investing activities. In the cash flow statement, cash flows concerning acquired companies are recognised from the date of acquisition.

Cash flows in currencies other than the functional currency are translated at average exchange rates unless these differ materially from the exchange rate ruling at the transaction day. Cash flows from operating activities are calculated according to the indirect method as the profit for the year before tax adjusted for non-cash operating items, changes in working capital, interest paid and income taxes paid.

Cash flows from investing activities comprise payments made in connection with the acquisition of companies. Dividends from subsidiaries are included in cash flows from investing activities. Cash flows from financing activities include payments to and from shareholders and related expenses as well as the raising of loans and repayments on interest-bearing debt.

Cash flows from operating, investing and financing activities in the discontinued entity. Cash include cash at bank and in hand.