

**Annual report 2017**

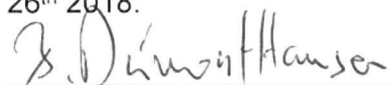
**Schaeffler Danmark ApS**

**Jens Baggesens Vej 90P**

**DK-8200 Aarhus N**

**CVR no. 59 96 94 12**

The annual report has been presented and approved at the annual general meeting on April 26<sup>th</sup> 2018.



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Brian Dumont Hansen  
Chairman

*Schaeffler Danmark ApS, Aarhus*

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## Statement by the Management Board

The Management Board have today discussed and approved the annual report of Schaeffler Danmark ApS for the financial year 1 January – 31 December 2017

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

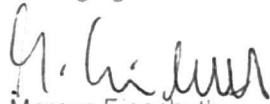
In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31 December 2017 and of the results of the company's operations for the financial year 1 January – 31 December 2017

Further, in our opinion, the Management's review gives a fair review of the development in the company's activities and financial matters, of the results for the year and of the company's financial position.


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

Aarhus, 26.04.2018

  
Brian Dumont Hansen  
Managing Director

  
Marcus Eisenhuth  
Director

Regis Walter  
Director



## **Independent auditor's report**

### **To the shareholders of Schaeffler Danmark ApS**

#### **Opinion**

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

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

#### **Basis for opinion**

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

#### **Management's responsibility for the financial statements**

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

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



## **Independent auditor's report**

### **Auditor's responsibilities for the audit of the financial statements**

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

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

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

## **Independent auditor's report**

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

### **Statement on the Management's review**

Management is responsible for the Management's review.

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

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

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

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

Aarhus, 26 April 2018

**KPMG**

Statsautoriseret Revisionspartnerselskab  
CVR no. 25 57 81 98



Michael Stenskrøg  
State Authorised  
Public Accountant  
MNE no. 26819

## Management's review

### Financial highlights

DKK'000	2017	2016	2015	2014	2013
<b>Key figures</b>					
Gross profit/loss	28.131	18.039	18.191	30.373	31.170
Ordinary operating profit/loss	14.671	3.318	2.746	14.544	15.954
Profit/loss from financial income and expenses	70	-139	102	-82	58
<b>Profit/loss for the year</b>	<b>11.493</b>	<b>2.476</b>	<b>2.199</b>	<b>10.909</b>	<b>12.006</b>
<b>Total assets</b>					
Total assets	81.094	87.443	85.823	73.496	52.071
Investment in property, plant and equipment	55	102	105	100	27
<b>Equity at year-end</b>	<b>65.348</b>	<b>53.855</b>	<b>51.379</b>	<b>49.180</b>	<b>38.271</b>
<b>Ratios</b>					
Return on investment	17,4 %	3,8 %	3,4 %	23,2 %	25,9 %
Solvency ratio	80,6 %	61,6 %	59,9 %	66,9 %	73,4 %
Return on equity	19,3 %	4,7 %	4,4 %	24,9 %	37,2 %
<b>Average number of full-time employees</b>					
<b>Average number of full-time employees</b>	<b>18</b>	<b>20</b>	<b>23</b>	<b>24</b>	<b>24</b>

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". The financial ratios have been calculated as follows:

Return on investment	$\frac{\text{Operating profit} \times 100}{\text{Average invested capital}}$
Invested capital	Operational intangible assets and property, plant and equipment as well as net working capital
Solvency ratio	$\frac{\text{Total equity} \times 100}{\text{Total liabilities}}$
Return on equity	$\frac{\text{Profit from ordinary activities after tax} \times 100}{\text{Average equity}}$

## **Management's review**

### **Operating review**

#### *Principal activities*

On the Danish market, Schaeffler Danmark is a supplier of bearings to manufacturers, the aftermarket and distributors. Import of products from the Far East at very competitive prices is increasing. We therefore want to focus on adding value to our existing products by means of innovative solutions, so that we can offer our customers a cost-effective and better solution.

#### *Review on the past year and the prior year's expected development*

From the 1<sup>st</sup> half of 2017 a stabilization of the market development was noticeable.

Markets shares in essential industrial segments were maintained and further developed.

The gross margin was 28.131 TDKK compared to 18.039 TDKK last year. The increase is due to a mix change. The company has achieved an EBIT margin in the amount of 14.671 TDKK compared to 3.318 TDKK last year. The result is assessed as satisfactory. Last year we expected an improvement for 2017, but this result exceeded our expectations.

#### *Capital resources*

The capital base of the company is still very strong, and the company equity ratio share amounts to 80.6 %.

#### *Particular risks*

##### *Operational risk*

Since the consumption of bearings and complementary goods mostly originates from own production plants and it only concerns a small part of the total production volume, we do not see any considerable operational risks.

##### *Market risks*

Based on deliveries to both manufacturers as well as aftermarket and distributors, the risk spread is ensured and therefor the company is not dependent on a single industry segment.

##### *Currency risks*

We do not see any currency risks, since we also take this problem into consideration in all cases.

Currency risks in relation to affiliated companies abroad are not covered based on an overall consideration of risks and costs.

##### *Interest rate risks*

The company's risk is limited to lower interest income than expected, since the company only has interest-free liabilities.



## **Management's review**

### **Operating review**

#### *Credit risk*

The company does not run any considerable credit risks, because of the wide spread of our customers. Furthermore most of our major customers are covered by a credit insurance.

#### *Events after the balance sheet date*

No events have occurred after the balance sheet date that have an important impact on the assessment of the annual report.

#### *Strategy and objectives*

##### *Strategy*

The strategy of Schaeffler Danmark ApS is to supply the Danish industry with bearings and bearing solutions as well as service products for the benefit of all parties. With the company's innovative products and employees we search to gain market share and to make profit for our parent company and the companies within the Schaeffler Group.

##### *Outlook*

Despite the current financial position and the industrial market conditions, last years expectations were met. It is the company's objective for the coming year to maintain the present market share and profitability. The expectation is on level with 2017.

##### *Research and development activities*

Research activities are solely carried out by the parent company and extend to all areas within the bearing production. As one of our objectives is to create innovative solutions, the research activities are therefor a necessary part of our business.

##### *Environmental matters*

The sites of the Schaeffler Group are certified according to ISO 14001. Many sites, also outside of Europe, are also validated according to the stricter EMAS-regulation and therefore take into account the greatest possible extent of the environment.

This certification is valid for all our production sites.

##### *Intellectual capital*

To maintain and extend our customer support it is necessary to be able to support our customers with constructive and economical solutions. Therefor a continuous and controlled education takes place for each employee.

## Financial statements 1 January – 31 December

### Income statement

DKK'000	Note	2017	2016
<b>Gross profit</b>		28.131	18.039
Personnel expenses	2	-13.242	-14.484
Depreciation		-218	-237
<b>Earnings before interest and taxes</b>		14.671	3.318
Other financial income		910	183
Other financial expenses	3	-840	-322
<b>Result before income tax</b>		14.741	3.179
Corporate income tax	4	-3.248	-703
<b>Net result</b>	5	11.493	2.476

## Financial statements 1 January – 31 December

### Balance sheet

DKK'000	Note	2017	2016
<b>Assets</b>			
<b>Tangible fixed assets</b>	6		
Land and buildings		1.471	1.608
Other fixed assets		109	135
<b>Total fixed assets</b>		1.580	1.743
<b>Receivables</b>			
Deferred tax	7	1.037	0
Trade receivables		45.498	57.404
Receivables from affiliated companies		30.046	25.741
Deposits		227	222
Other receivables		1	5
Corporate income tax		0	675
Other current assets	8	62	117
		76.871	84.164
<b>Cash and cash equivalents</b>		2.643	1.536
<b>Total current assets</b>		79.514	85.700
<b>Total assets</b>		81.094	87.443

## Financial statements 1 January – 31 December

### Balance sheet

DKK'000	Note	2017	2016
<b>Liabilities</b>			
<b>Equity</b>			
Share capital	9	500	500
Retained earnings		<u>64.848</u>	<u>53.355</u>
<b>Total equity</b>		65.348	53.855
<b>Provisions</b>			
Provision for deferred tax	10	<u>0</u>	<u>135</u>
<b>Total provisions</b>		0	135
<b>Current liabilities</b>			
Trade payables		149	272
Payables to affiliated companies		489	27.544
Corporate tax		3.039	0
Other current liabilities		<u>12.069</u>	<u>5.637</u>
<b>Total current liabilities</b>		<u>15.746</u>	<u>33.453</u>
<b>Total liabilities</b>		<u>81.094</u>	<u>87.443</u>
Contractual liabilities and contingent liabilities, etc.		11	
Affiliated parties		12	



## **Financial statements 1 January – 31 December**

### **Statement of changes in equity**

DKK'000	<b>Share Capital</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Equity at 1 January 2017</b>	500	53.355	53.855
Net result of the year	0	11.493	11.493
<b>Equity at 31 December 2017</b>	500	64.848	65.348

## **Financial statements 1 January – 31 December**

### **Notes**

#### **1 Accounting policies**

The annual report of Schaeffler Danmark ApS for 2017 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

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

#### *Foreign currency translation*

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

#### *Income statement*

##### *Gross profit*

Pursuant to paragraph 32 of the Danish Financial Statements Act, the company has not disclosed its revenue.

##### *Revenue*

Income from the sale of goods, comprising the sale of bearings, is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received.

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

##### *Cost of sales*

Cost of sales comprises material costs incurred to generate revenue for the year.

## **Financial statements 1 January – 31 December**

### **Notes**

#### **1 Accounting policies**

##### *Other operating expenses*

Other operating expenses comprise expenses for office premises, sales and distribution, operational lease as well as office affairs, etc.

##### *Personnel expenses*

Personnel expenses comprise salaries and wages for the employees including holiday allowance and pension as well as other employee benefits, etc. Benefits from public authorities are deducted from the personnel expenses.

##### *Depreciation and amortisation*

Depreciation and amortisation comprise the yearly depreciation and amortisation of intangible and tangible fixed assets.

##### *Financial income and expenses*

Financial income and expenses comprise interest income and expenses, realised and unrealised foreign exchange gains and losses as well as surcharges and refunds under the on-account tax scheme, etc.

##### *Tax on profit/loss for the year*

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

##### *Balance sheet*

##### *Tangible fixed assets*

Land and buildings, equipment and tools as well as the furnishing of rented premises are measured at cost less accumulated depreciation and impairment losses. The basis of depreciation is cost less any projected residual value after the end of the useful life. Land is not depreciated.

Cost comprise the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

## **Financial statements 1 January – 31 December**

### **Notes**

#### **1 Accounting policies**

Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	25-50 years
Other fixed assets	3-5 years

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

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

#### *Impairment of fixed assets*

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

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

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

#### *Receivables and other assets*

Receivables are measured at amortised cost.

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

#### *Equity*

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

#### *Corporation tax and deferred tax*

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



## **Financial statements 1 January – 31 December**

### **Notes**

#### **1 Accounting policies**

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively. However, deferred tax is not recognised on temporary differences relating to office buildings non-deductible for tax purposes and other items where temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

#### *Liabilities*

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

Finance lease obligation comprise the capitalised residual lease obligation of finance leases. Other liabilities are measured at amortised cost, which usually corresponds to nominal value.

#### *Cash and cash equivalents*

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

#### *Applied exemption in the Danish Financial Statements Act*

The financial information of the company is incorporated in the consolidated financial statements of Schaeffler AG at Herzogenaurach (Germany). These financial statements can be obtained from [www.schaeffler.com](http://www.schaeffler.com). In the consolidated financial statements of Schaeffler AG a consolidated cash flow statement is included. As a result, according to section 86(4) of the Danish Financial Statements Act, the company is exempted from including a cash flow statement in her financial statements.

## Financial statements 1 January – 31 December

### Notes

DKK'000	<u>2017</u>	<u>2016</u>
<b>2</b> <i>Employees</i>		
Wages and salaries	11.877	12.525
Pension	1.026	1.072
Other expenses regarding social securities	139	152
Other personnel expenses	200	735
	<u>13.242</u>	<u>14.484</u>
Average number of employees	<u>18</u>	<u>20</u>

One of both managing directors of the company is from within the Schaeffler Group and is remunerated by the respective group company. The management remuneration therefore only comprise the remuneration which the other managing director receives. With reference to ÅRL §98b section 3 nr. 2 the remuneration of the managing director is not disclosed.

### **3**      *Interest expenses*

Interest expenses Industriewerk Schaeffler INA- Ingenieursdienst GmbH	0	2
Other interest expenses	840	320
	<u>840</u>	<u>322</u>

### **4**      *Tax on profit/loss for the year*

Current tax for the year	4.421	731
Deferred tax adjustment for the year	-1.173	-28
	<u>3.248</u>	<u>703</u>
Adjustment tax previous years	0	0
	<u>3.248</u>	<u>703</u>

## Financial statements 1 January – 31 December

### Notes

#### 5 Proposed profit appropriation

DKK'000	<u>2017</u>	<u>2016</u>
Retained earnings	11.493	2.476
	<u>11.493</u>	<u>2.476</u>

#### 6 Fixed assets

DKK'000	<u>Land and Buildings</u>	<u>Other fixed assets</u>	<u>Total</u>
Cost at 1 January 2017	6.178	1.621	7.799
Additions	0	55	55
Disposals	0	-8	-8
Cost at 31 December 2017	<u>6.178</u>	<u>1.668</u>	<u>7.846</u>
Depreciation and impairment losses at 1 January 2017	4.570	1.486	6.056
Depreciation	137	81	218
Depreciation on disposals	0	-8	-8
Depreciation and impairment losses at 31 December 2017	<u>4.707</u>	<u>1.559</u>	<u>6.266</u>
Carrying amount at 31 December 2017	<u>1.471</u>	<u>109</u>	<u>1.580</u>

## Financial statements 1 January – 31 December

### Notes

#### 7 *Deferred tax*

DKK'000	<u>2017</u>	<u>2016</u>
Deferred tax at 1 January	0	0
Change previous years	0	0
Deferred tax adjustment for the year	1.037	0
	<u>1.037</u>	<u>0</u>

The deferred tax comprise deferred tax regarding the restructuring costs.

#### 8 *Other current assets*

DKK'000	<u>2017</u>	<u>2016</u>
Prepayments	62	117
	<u>62</u>	<u>117</u>

#### 9 *Equity*

The share capital comprises 500 shares at a nominal value of DKK 1.000 per share. The shares grant no special rights nor privileges.

#### 10 *Provision deferred tax*

DKK'000	<u>2017</u>	<u>2016</u>
Deferred tax at 1 January	135	163
Change previous years	0	0
Deferred tax adjustment for the year	-135	-28
	<u>0</u>	<u>135</u>

The provision deferred tax comprise deferred tax regarding fixed assets.



## **Financial statements 1 January – 31 December**

### **Notes**

#### *11 Contractual liabilities and contingent liabilities*

The company has entered into a rental agreement for the rent of the office premises, which can be terminated with a six to twenty-one months notice period. The corresponding contingent liability amounts to TDKK 440. Thereof TDKK 27 is due within one year.

Leasing liabilities regarding the lease of company cars amount to TDKK 461 at 31 December 2017. Thereof TDKK 250 is due within one year.

A mortgage has been registered at the amount of TDKK 160 regarding land and buildings with a carrying amount of TDKK 944.

#### *12 Related party disclosures*

Schaeffler Danmark ApS' related parties comprise the following:

Industriewerk Schaeffler INA-Ingenieursdienst GmbH, Industriestrasse 1, Herzogenaurach, Germany, is the primary shareholder and the smallest and largest group in which the Company is included as a subsidiary.

The financial statements of Industriewerk Schaeffler INA-Ingenieursdienst GmbH can be requested at the company or retrieved from [www.schaeffler.com](http://www.schaeffler.com).

#### *Related party transactions*

The company has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c (7) of the Danish Financial Statements Act.