



2020

# ANNUAL REPORT

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2020

<p>BORG Automotive A/S CVR: 87 32 24 16 Bergsøesvej 12 DK-8600 Silkeborg</p>	<p>Approved at the Annual General Meeting, 5 March 2021  Conductor Carsten Gyldenlev Kristoffersen</p>
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**CORPORATE INFORMATION**

Borg Automotive A/S  
Bergsøesvej 12  
8600 Silkeborg  
Denmark

Phone: +45 86 80 11 77  
Web: [www.borgautomotive.com](http://www.borgautomotive.com)

CVR no.: 87 32 24 16  
Registered in: Denmark, Silkeborg  
Financial year: 1 January – 31 December

**Board of Directors**

Jens Bjerg Sørensen, Chairman  
Kurt Bering Sørensen, Vice Chairman  
Søren Ulrik Toft-Jensen  
Jørn Ankær Thomsen  
Carsten Thygesen

**Executive Management**

Kim Kruse Andersen, CEO

**Auditors**

EY Godkendt Revisionspartnerselskab  
Værkmestergade 25, 8000 Aarhus C  
CVR-nr.: 30 70 02 28

## STATEMENT BY MANAGEMENT

The Board of Directors and the Executive Management have today discussed and approved the annual report of Borg Automotive A/S for 2020.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2020.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's activities and financial matters, results of operations, cash flows and financial position as well as a description of material risks and uncertainties that the Group and the Parent Company face.

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

Silkeborg, 22 February 2021

### Executive Management

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Kim Kruse Andersen  
CEO

### Board of Directors

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Jens Bjerg Sørensen  
Chairman of the Board

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Kurt Bering Sørensen  
Vice Chairman of the Board

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Jørn Ankær Thomsen

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Søren Ulrik Toft-Jensen

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Carsten Thygesen

## INDEPENDENT AUDITOR'S REPORT

### To the shareholders of Borg Automotive A/S

#### Opinion

We have audited the consolidated financial statements and the parent company financial statements of Borg Automotive A/S for the financial year 1 January – 31 December 2020, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "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 Group 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.

#### 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 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 our procedures, 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.

#### Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 Group's and the Parent 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 Group or the Parent 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 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 on the basis of 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 risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent 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 Group's and the Parent 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 Group and the Parent 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Aarhus, 22 February 2021

EY Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

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Claus Hammer-Pedersen  
State Authorised Public Accountant  
mne-no. 21334

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Kim R. Mortensen  
State Authorised Public Accountant  
mne-no. 18513

**FINANCIAL HIGHLIGHTS AND KEY RATIOS**

	CONSOLIDATED		
	2020	2019	2018
<b>Revenue and income</b>			
Revenue	870.568	917.678	951.564
EBITDA	108.211	110.000	130.647
Depreciation and amortization	25.834	25.308	12.566
Operating profit (EBIT)	82.377	84.692	118.081
Net Financial items	-3.382	-985	-6.762
Profit for the year	61.257	60.364	84.621
<b>Cash flows for the year</b>			
Cash flow from operating activities	139.487	84.728	149.209
Cash flow from investing activities	-71.059	-26.684	-40.939
Cash flow from financing activities	-62.438	-60.092	-113.946
Cash flows for the year	8.804	3.029	4.911
<b>Invested capital and financing</b>			
Investments in property, plant and equipment	9.867	20.537	27.422
Net working capital	109.315	156.034	141.011
Invested capital	249.156	261.572	241.663
Total Assets	779.487	749.261	715.712
Equity	324.927	344.179	345.296
Net interest-bearing debt*	-5.347	-1.918	41.720
<b>Financial ratios</b>			
EBITDA margin (%)	12,4%	12,0%	13,7%
EBIT margin (%)	9,5%	9,2%	12,4%
Net margin (%)	7,0%	6,6%	8,9%
Return on equity (%)	18,3%	17,5%	15,9%
Return on invested capital (%)	42,4%	43,7%	50,9%
Solvency (%)	41,7%	45,9%	48,2%
<b>Financial data</b>			
Average number of employees	1.466	1.615	1.599

\* A positive Net interest-bearing debt means that the deposits exceeds the debt.

With reference to the Danish Financial Statements Act paragraph 128, section 4 key figures and ratios for comparison years 2016-2017 have not been included.



**FINANCIAL HIGHLIGHTS AND KEY RATIOS**
**(continued)**

The ratios included in financial highlights are defined and calculated as follows:

EBITDA margin (%)	$\frac{\text{EBITDA} \times 100}{\text{Revenue}}$
EBIT margin (%)	$\frac{\text{EBIT} \times 100}{\text{Revenue}}$
Net margin (%)	$\frac{\text{Profit for the year} \times 100}{\text{Revenue}}$
Return on equity (%)	$\frac{\text{Profit for the year} \times 100}{\text{Average equity}}$
Return on invested capital (%)	$\frac{\text{EBITDA} \times 100}{\text{Average invested capital}}$
Solvency (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$

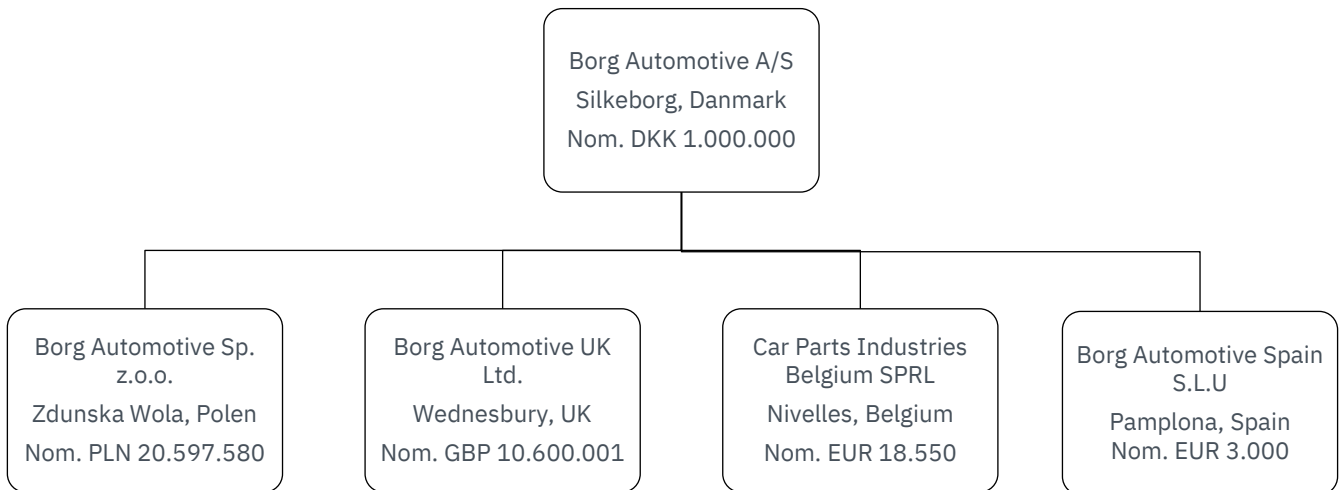
Additionally the following alternative performance measures are applied and calculated in the following manner:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Inventories	370.070	369.421	336.632
Trade receivables	105.532	112.043	124.777
Other receivables	18.414	19.169	19.283
Prepayments	3.271	3.938	4.302
Trade payables	-79.570	-53.473	-49.941
Payables to related parties, non-interest bearing	0	0	-25
Other payables	-308.402	-295.064	-294.017
<b>Net working capital</b>	<b>109.315</b>	<b>156.034</b>	<b>141.011</b>
Net working capital	109.315	156.034	141.011
Intangible assets	65.150	21.328	21.016
Property, plant and equipment	96.797	97.170	90.780
Provisions	-22.106	-12.960	-11.144
<b>Invested capital</b>	<b>249.156</b>	<b>261.572</b>	<b>241.663</b>
Non-current interest-bearing debt	-27.675	-25.983	-10.369
Current interest-bearing debt	-10.784	-10.921	-3.841
<b>Interest-bearing debt</b>	<b>-38.459</b>	<b>-36.904</b>	<b>-14.210</b>
Interest-bearing debt	-38.459	-36.904	-14.210
Receivables from related parties	24.308	31.957	51.019
Cash and cash equivalents	8.804	3.029	4.911
<b>Net interest-bearing debt</b>	<b>-5.347</b>	<b>-1.918</b>	<b>41.720</b>



**GROUP STRUCTURE**

The Borg Automotive Group legal structure is illustrated below:



All shares in subsidiaries are owned 100%.

Aktieselskabet Schouw & Co. owns 100% of the shares in Borg Automotive A/S.

## MANAGEMENT REVIEW

BORG Automotive Group (BORG Group or Group) is an independent remanufacturer of automotive parts, covering the product groups starters, alternators, air condition compressors, brake calipers, EGR valves, steering products and Turbo chargers, where Turbo charges were added to the portfolio at the end of 2020. The remanufacturing of parts takes place at the production facilities in Poland, UK and Spain, while the products are sold throughout Europe by Sales Teams in Denmark and Belgium.

### 2020 AT A GLANCE

Revenue for the fiscal year for the Group was MDKK 871 compared to MDKK 918 in 2019, amounting to a decrease of 5,1%. The profits before tax ended at MDKK 79 against last year of MDKK 84 corresponding to a decrease of 5,6%. For the parent company revenue for the fiscal year was MDKK 749 compared to MDKK 787 in 2019, while profits before tax amounted to MDKK 73, compared to MDKK 68 in 2019.

For the Group profit for the year amounted to MDKK 61 (2019: MDKK 60), and to MDKK 61 (2019: MDKK 60) for the parent company.

The decrease in revenue and thus lower profit before tax was a result of the impact from COVID-19 that closed the primary markets where Borg Automotive are operating. The biggest impact was seen in the second quarter, but also the following months were affected. The decreased revenue was not a result of lost customers which despite the unsatisfactory results are considered positive and in general the Group did better than the market trend. The postponement of BREXIT has entailed that the expected effects of this are not considered to have had an impact on the lower generated revenue during the year.

Overall, the performance in 2020, covering both revenue and profit before tax were realised lower than expected, but are considered satisfactory when taking into account the challenges and circumstances in the year related to the COVID-19 pandemic and the direct consequences on the business.

One of the main focus areas for the Group during 2020 has been steering through the COVID-19 pandemic and strengthening and future proofing the organisation to be able to meet and resist the current challenges, but also to have the organisation in place to meet the expected increased demand for remanufactured auto parts in the coming years. As part of this process, continued focus has been on strengthening the product portfolio and optimizing the production setup at the production facilities in both Poland and UK. Despite the current marked stagnation, the product portfolio has been expanded by the acquisition of the activities in Turbo Motor Inyección S.L.U. and in Turbos Y Componentes Automoción S.L.U. The acquisition took place the 16 December and will be part of the product program in Borg Automotive in 2021. The production facility established in Lublin 2019 is growing as planned and is expected to growth further in 2021.

The continued R&D activities consisting primarily of development activities covering development of new remanufacturing methods, processes and products as well as customer specific amendments to the existing portfolio. The development activities in the Group are thus going forward placed together with the production facilities in Poland and in UK and now also in Spain for the Turbo chargers in order to fully optimize and utilize all synergies between these activities.

At year-end 2020, total assets for the Group amounted to MDKK 779 against MDKK 749 in 2019, while total equity ended at MDKK 325 against MDKK 344 at the financial year-end 2019. The average number of employees decreased from 1.615 in 2019 to 1.466 in 2020. For the parent company assets amounted to MDKK 1.127 at year-end compared to MDKK 1.063 in 2019, while equity was MDKK 325 against MDKK 344 last year.

The cash flow from operating activities for 2020 amounted to MDKK 139 (2019: MDKK 85), while the investing activities amounted to MDKK 71 (2019: 27), of which MDKK 60 related to the purchase of the business in Spain. The financing activities in 2020 accounted for a total of MDKK 62 (2019: 60), of which MDKK 60 relates to dividend proposed for the year (2019: MDKK 67).

Despite the challenging markets and situation during 2020 BORG Group is a healthy, well-developed business with a strong base of competent employees and an appropriate production footprint in Europe in place.

### EVENTS SUBSEQUENT TO THE FINANCIAL YEAR-END

No material events have occurred after the end of the financial year.

### OUTLOOK FOR 2021

The market upon which BORG Group operates is these years characterized and affected by considerable customer consolidations. A consequence of this consolidation is an increase in purchasing power of the customers and a change in the existing trading patterns in the market. On the positive side of this consolidation is the potential increase in sales to the consolidated customer groups. With existing broad product portfolio and a strong pipeline in place it is expected that this will ensure a positive development in sales to both the free aftermarket and OES customers. The Turbo charger acquisition supports the product and approach to market.

The current expectations for the positive development on sales levels is one of the main reasons for the Turbo charger acquisition. The larger product range and broader and more present geographical coverage brings in new customers and new products to existing customers together with a level of service that lives up to a constant increasing demand on quality, delivery capability and product range.

The expected future growth in sales levels will potentially entail that the current distribution centre in Zduńska Wola, Poland within the coming few years will reach its maximum capacity without no expandability options at the current site. Based on this, a suitable plot has been acquired in late 2019 near the current production facility in Zduńska Wola, Poland. The necessary licenses are in place and it is expected that the construction of the new distribution centre will commence during 2021. BORG Group will in 2021 have a continued focus on capacity levels and invest in extended capacity when deemed a requirement.

The challenges experienced in 2020 related to COVID-19 are expected to continue in 2021, however it is not expected to have the same impact as seen in second quarter in 2020 as the business has been adjusted to the current situation and plans for mitigation and handling a second or third wave have been installed. The type of business Borg Automotive operates in is linked to the mobility of people and will mostly be affected if borders are closed or if the mobility are reduced further than the current level.

BREXIT will have an effect on the Group, since more than 15% of the revenue was generated on this market in 2020. The effects in 2021 are considered limited as a setup has been installed to handle VAT and custom duty. But it is uncertain how the sales flow and return flow will be stalled and delayed at borders and how the process will be handled by the customs offices at borders.

BORG Group expects a growth in sales volumes in 2021 compared to 2020, and based on this both revenue and earnings before tax is expected to increase between 15 to 25%.

### **EMPLOYEE DEVELOPMENT AND APPRAISAL**

An essential prerequisite for the continued development of BORG Group is the employees, which entails a focus on both attracting new and competent employees, but also a very keen and determined focus in order to retain, develop and motivate the existing workforce to ensure that the necessary skills and capabilities are present. Important elements to support this goal include delegation of responsibility and competencies, establishment of cross-organisational solutions, compulsory annual employee appraisals and employee surveys.

The Performance Culture project initiated in 2019 to support both the development of the employees as well as the general ambitions and targets for the BORG Group. The project was kicked off at a Management Seminar covering Group Management and next level managers from all locations the project has been paused when handling the impacts from COVID-19 but have again been initiated and will continue to be spread out in the organisation during 2021.

### **ENVIRONMENTAL MANAGEMENT**

BORG Group makes continuous efforts to mitigate the environmental impact of the business activities. The largest environmental impact identified relates to the consumption of energy, raw materials and the derived materials waste at the production facilities.

Group policy is always to comply with applicable local legislation, rules and regulations and commits to progress at the established initiatives within environment, health and safety. In 2018 to 2021 focus is specifically on reducing electricity consumption, the use of cardboard, plastic and the Lost Time Injury Frequency Rate (LTIFR). All KPI's are showing a positive trend. Further information about this can be attained here:

[https://www.borgautomotive.com/media/1310/report-on-cr\\_2020.pdf](https://www.borgautomotive.com/media/1310/report-on-cr_2020.pdf)

In addition to the internal focus BORG Group is also determined to contribute to ensure environmental management as well as promote responsible behaviour throughout the value chain. Since the Group is an international supplier of auto parts, it is imperative that all environmental and quality requirements are channelled to the Group's partners and suppliers to ensure the same high levels of quality, environment, safety and ethics.

### **QUALITY MANAGEMENT**

BORG Group's quality system is based on the standard ISO 9001a. In addition to this platform, the Group has a close cooperation with several customers who challenge the existing production setup as well as the quality management. This collaboration is considered to have a very positive impact on the current and future quality of the products within the portfolio and is a valuable and important aspect of the Group's ability to continuously update, renew and improve the product quality.

### **RESEARCH AND DEVELOPMENT ACTIVITIES**

The Group is continuously developing new methods, processes and products as well as customer specific amendments to the existing portfolio. The development activities have during 2020 taken place in the subsidiaries in Poland, UK and now also in Spain after the acquisition of the turbo charger activity.

One of the larger development projects for the Group started during 2017 in UK with one of the Group's main OE customers as sparring partner. The main purpose was to improve the quality of steering products to satisfy OE customers. The OE quality level on steering products was achieved in 2018. The project has continued since however, now primarily focused on sustaining and optimizing the existing quality of the steering products to satisfy OE customers.

In Poland remanufacturing of products within hybrid technology has been in focus to secure necessary skills and processes for reverse engineering of future products and technologies. Several products are in a screening process with customers for potentially being incorporated into Borg's future product portfolio.

The product portfolio has been expanded by the acquisition of the activities in Turbo Motor Inyección S.L.U. and in Torbos Y Componentes Automoción S.L.U. The acquisition took place the 16 December and will be part of the product program in Borg Automotive in 2021. The processes for reverse engineering of future products and technologies within Turbos will continue take place in Spain.

## **CORPORATE RESPONSIBILITY**

BORG Group is dedicated to be a responsible employer and a good corporate citizen. Our Code of Conduct (COC) represents how suppliers are expected to act when doing business with the Group. A continuous focus is on updating the COC to reflect the expectations both from the community and customers.

Any suspicions related to a breach of the COC are considered very serious and are always acted upon. In severe cases of non-compliance with the COC, a termination of the business relationship will take place. As part of the Group's business is the audit of external suppliers of finished goods and spare parts. From 2020 compliance with the COC will be part of these supplier audits.

## **STATUTORY DESCRIPTION OF CORPORATE SOCIAL RESPONSIBILITY (CSR) AND GENDER REPRESENTATION**

For BORG Group's statutory description of Corporate Social Responsibility, including human rights, social and labour conditions, climate, environment and anti-corruption, in accordance with §99a and §99b in the Financials Statements act, please refer to Schouw & Co at:

<https://schouw.dk/en/cg2020>

The Group continually strive to improve the work environment and aim to strengthen and implement a shared corporate culture, to ensure that all colleagues are treated equally irrespective of location, gender, origin or employment.

For the policies and targets regarding gender representation, reference is made to the annual report of the ultimate parent company Schouw & Co.

## **WORKING ENVIRONMENT**

In BORG Group the number of working hours is always set to comply with local labour legislation. In situations where overtime is needed, the Group always compensates according to the requirements related to all additional payments. No employees shall work more than the hours set as a maximum by the UN Human Rights.

The Group continuously improve the internal work instructions and workflows to ensure that all phases of the supply chain are planned and organised to promote a safe, healthy and responsible working environment. The purpose is to avoid accidents and to ensure that the physical and mental conditions of the employees will not deteriorate. It is indeed important to the Group to have healthy employees.

During 2019, Schouw & Co established a whistle-blower-system for all companies within the Schouw & Co. Group, also covering BORG Group. The system provides a secure channel for all employees and business partners for reporting suspected criminal or unethical matters.

## **OUTSTANDING ENVIRONMENTAL ISSUES**

The Group always aims at conducting its business and operating in compliance with all existing environmental rules and regulations and has set up internal task forces to handle the Group's environmental affairs.

There are currently no known material environmental issues outstanding within the Group.

## **SPECIAL BUSINESS RISKS**

The general financial risks relevant for the BORG Group are described more detailed in note 27 to which reference is made, but below is included a brief highlight of the special risks to which the Group is exposed.

### *OPERATIONAL RISKS*

The Group is not considered to have special operational risks. The operations are located within a business area with a low sensitivity to the general conjunctural changes and where the customer portfolio is considered broad and loyal. The risk to which the Group is exposed relates more to the conjunctural changes within the automotive business.

### *RAW MATERIALS RISKS RELATED TO PURCHASE OF CORES*

A large part of the raw materials (cores) are continuously purchased at prices that may fluctuate depending on market demand, with only limited correlation to the metal prices.

### *CURRENCY RISKS*

The cross-country activities within the Group entails that both income, cash flow and equity are affected by changes in currencies especially PLN to DKK. Therefore, hedging of cash flows are carried out to cover the exposure of trading between PLN and DKK. The hedging is done based on 12 months rolling forecast.

### *INTEREST RISK*

Overall, the Group is not considered to be highly sensitive or disposed to any risks related to the changes in the general interest level.

### *LIQUIDITY RISK AND CAPITAL RESSOURCES*

Borg Group is predominately financed by resources of the parent company Schouw & Co. as well as a number of committed and to a lesser extent uncommitted credit facilities. Borg Group, like other major subsidiaries in the Schouw & Co. Group, co-guarantees for these facilities, see further details in note 29.

Based on the policies set by and for all companies within the Schouw Group the equity ratio for each individual company shall be within a range which enables an assessment of this company as credit-worthy on a stand-alone basis.

### *CREDIT RISK*

The majority of the Group's production is delivered to large international and regular customers, who have a long history with the Group. Any credit risk related to the customers and trade receivables are covered by Group policy and with effective management of customer credit assessments and regular and thorough analyses of customer creditworthiness. Furthermore, as part of the business setup within the Group, customers pay a core charge (deposit) on top of the purchase price for the product. The deposit will be repaid if the customer returns a used unit (a core). This setup (depos system) is an additional safeguard regarding potential losses related to customers, since the depos amount placed within the Group can be offset in any outstanding balances.

These factors combined with external credit insurance have entailed that no material losses have been recorded in recent years.

**STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME**
**INCOME STATEMENT**

	Notes	CONSOLIDATED		PARENT COMPANY	
		2020	2019	2020	2019
Revenue	3	870.568	917.678	753.350	787.397
Cost of sales	4,5,7,8	-671.013	-716.467	-631.882	-696.947
<b>Gross profit</b>		<b>199.555</b>	<b>201.211</b>	<b>121.468</b>	<b>90.450</b>
Other operating income	9	888	1.772	15.728	19.199
Distribution expenses	5,8	-75.918	-72.599	-47.398	-44.649
Administrative expenses	5,6,8	-41.759	-43.898	-38.200	-36.853
Other operating expenses	9	-389	-1.794	-74	0
<b>Operating profit (EBIT)</b>		<b>82.377</b>	<b>84.692</b>	<b>51.524</b>	<b>28.147</b>
Income from subsidiaries	16	0	0	26.157	35.340
Financial income	10	3.935	3.958	2.316	6.904
Financial expenses	11	-7.317	-4.943	-7.457	-2.688
<b>Profit before tax</b>		<b>78.995</b>	<b>83.707</b>	<b>72.540</b>	<b>67.703</b>
Tax for the year	12	-17.738	-23.343	-11.283	-7.339
<b>Profit for the year</b>		<b>61.257</b>	<b>60.364</b>	<b>61.257</b>	<b>60.364</b>
<b>Statement of other comprehensive income</b>					
<i>Items that may be reclassified subsequently to the income statement:</i>					
Exchange differences on translation of foreign operations		-17.954	3.532	-17.954	3.532
Value adjustment of hedging instruments for the year		-3.252	-392	-3.252	-392
Hedging instruments transferred to cost of sales		-23	2.940	-23	2.940
Tax on other comprehensive income	12	720	-561	720	-561
<b>Other comprehensive income after tax</b>		<b>-20.509</b>	<b>5.519</b>	<b>-20.509</b>	<b>5.519</b>
Profit for the year		61.257	60.364	61.257	60.364
<b>Total comprehensive income</b>		<b>40.748</b>	<b>65.883</b>	<b>40.748</b>	<b>65.883</b>
<b>Attributable to:</b>					
Shareholders of Borg Automotive A/S		40.748	65.883	40.748	65.883

**BALANCE SHEET**
**ASSETS**

	Notes	CONSOLIDATED		PARENT COMPANY	
		31 Dec.	31 Dec.	31 Dec.	31 Dec.
		2020	2019	2020	2019
Completed development projects		6.463	12.635	6.463	12.635
Development projects in progress		1.242	5.194	1.241	5.194
Customer relations		22.167	0	18.461	0
Know-how		27.189	0	27.189	0
IT projects		7.978	3.241	6.950	2.847
Other intangible assets		111	258	85	204
<b>Intangible assets</b>	<b>13</b>	<b>65.150</b>	<b>21.328</b>	<b>60.389</b>	<b>20.880</b>
Land and buildings		61.985	64.961	12.001	12.325
Plant and machinery		22.676	17.908	9	20
Other fixtures, tools and equipment		8.007	6.576	102	169
Assets under construction, etc.		4.129	7.725	0	0
<b>Property, plant and equipment</b>	<b>14</b>	<b>96.797</b>	<b>97.170</b>	<b>12.112</b>	<b>12.514</b>
Investment in subsidiaries	<b>16</b>	0	0	337.651	329.426
Deferred tax	<b>18</b>	48.982	56.669	21.746	27.813
Lease assets	<b>15</b>	28.676	29.831	1.306	1.600
Receivables from related parties	<b>21,23</b>	0	0	193.618	0
Other receivables		1.017	1.331	0	0
<b>Other non-current assets</b>		<b>78.675</b>	<b>87.831</b>	<b>554.321</b>	<b>358.839</b>
<b>Total non-current assets</b>		<b>240.622</b>	<b>206.329</b>	<b>626.822</b>	<b>392.233</b>
Inventories	<b>19</b>	370.070	369.421	392.202	391.234
Trade receivables	<b>27</b>	105.532	112.043	74.026	100.639
Receivables from related parties	<b>21,23</b>	24.308	31.957	19.484	169.045
Corporate Income tax	<b>20</b>	1.548	0	1	0
Joint taxation contribution	<b>20</b>	6.918	3.375	6.918	3.375
Other receivables		18.414	19.169	94	4.839
Prepayments		3.271	3.938	1.006	1.217
Cash and cash equivalents		8.804	3.029	6.254	45
<b>Total current assets</b>		<b>538.865</b>	<b>542.932</b>	<b>499.985</b>	<b>670.394</b>
<b>Total assets</b>		<b>779.487</b>	<b>749.261</b>	<b>1.126.807</b>	<b>1.062.627</b>



**BALANCE SHEET**
**EQUITY AND LIABILITIES**

	Notes	CONSOLIDATED		PARENT COMPANY	
		31 Dec.	31 Dec.	31 Dec.	31 Dec.
		2020	2019	2020	2019
Share capital	<b>22</b>	1.000	1.000	1.000	1.000
Hedge transaction reserve		-1.426	1.129	-1.426	1.129
Net revaluation reserve as per the equity method		0	0	223.588	215.385
Reserve for development projects		0	0	5.041	9.855
Exchange adjustment reserve		-16.868	1.086	0	0
Retained earnings		282.221	280.964	36.724	56.810
Proposed dividend		60.000	60.000	60.000	60.000
<b>Total Equity</b>		<b>324.927</b>	<b>344.179</b>	<b>324.927</b>	<b>344.179</b>
Deferred tax	<b>18</b>	121	35	0	0
Other payables	<b>24</b>	67.106	64.125	45.481	47.531
Payables to related parties	<b>21,23</b>	0	0	126.992	113.784
Interest bearing debt	<b>15,23</b>	27.675	25.983	8.595	4.816
<b>Total non-current liabilities</b>		<b>94.902</b>	<b>90.143</b>	<b>181.068</b>	<b>166.131</b>
Current portion of non-current interest bearing debt	<b>15,23</b>	10.784	10.921	1.142	1.428
Payables to related parties	<b>21,23</b>	0	0	409.575	364.420
Trade payables		79.570	53.473	14.311	9.979
Others payables	<b>24</b>	241.296	230.939	173.888	163.763
Corporation tax payable	<b>20</b>	5.902	6.646	0	2
Provisions	<b>25</b>	22.106	12.960	21.896	12.725
<b>Total current liabilities</b>		<b>359.658</b>	<b>314.939</b>	<b>620.812</b>	<b>552.317</b>
<b>Total liabilities</b>		<b>454.560</b>	<b>405.082</b>	<b>801.880</b>	<b>718.448</b>
<b>Total equity and liabilities</b>		<b>779.487</b>	<b>749.261</b>	<b>1.126.807</b>	<b>1.062.627</b>
Financial risks	<b>27</b>				
Changes in working capital	<b>28</b>				
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**CASH FLOW STATEMENT**

	Notes	CONSOLIDATED		PARENT COMPANY	
		2020	2019	2020	2019
Profit before tax		78.995	83.707	72.540	67.703
Adjustment for operating items of a non-cash nature, etc.:					
Depreciation and impairment losses	8	25.834	25.308	9.805	9.235
Other non-cash operating items, net		7.169	5.762	2.908	80
Provisions		6.801	1.815	9.172	1.580
Income from subsidiaries	16	0	0	-26.157	-35.340
Financial income	10	-3.935	-3.958	-2.316	-6.904
Financial expenses	11	7.317	4.943	7.457	2.688
<b>Cash flows from operating activities before changes in working capital</b>		<b>122.181</b>	<b>117.577</b>	<b>73.409</b>	<b>39.042</b>
Changes in working capital	28	34.630	-14.572	40.876	-10.524
<b>Cash flows from operating activities after changes in working capital</b>		<b>156.811</b>	<b>103.005</b>	<b>114.285</b>	<b>28.518</b>
Interest income received		12	158	2	5.866
Interest expenses paid		-1.625	-2.173	-625	-924
<b>Cash flow from ordinary activities</b>		<b>155.198</b>	<b>100.990</b>	<b>113.662</b>	<b>33.460</b>
Income tax paid	20	-15.711	-16.262	-8.042	-13.921
<b>Cash flows from operating activities</b>		<b>139.487</b>	<b>84.728</b>	<b>105.620</b>	<b>19.539</b>
Purchase of intangible assets	26	-2.066	-6.600	-47.628	-6.449
Purchase of property, plant and equipment	26	-9.299	-20.252	-175	-383
Sale of property, plant and equipment		540	241	0	4
Acquisition of subsidiary	16	0	0	-22	0
Acquisition of business	17	-60.487	0	0	0
Change in financial assets		253	-73	0	0
<b>Cash flows from investing activities</b>		<b>-71.059</b>	<b>-26.684</b>	<b>-47.825</b>	<b>-6.828</b>
Repayment of non-current liabilities	23	-1.608	-1.680	-525	-523
Repayment of lease liabilities	23	-9.289	-10.369	-1.071	-1.061
Change in net payables/receivables to group companies	23	8.459	18.957	10.055	55.329
<i>Shareholders:</i>					
Dividend paid		-60.000	-67.000	-60.000	-67.000
<b>Cash flows from financing activities</b>		<b>-62.438</b>	<b>-60.092</b>	<b>-51.541</b>	<b>-13.255</b>
<b>Cash flows for the year</b>		<b>5.990</b>	<b>-2.048</b>	<b>6.254</b>	<b>-544</b>
Cash at the beginning of the year		3.029	4.911	45	589
Value adjustment of cash and cash equivalents	23	-215	166	-45	0
<b>Cash at the end of the year</b>		<b>8.804</b>	<b>3.029</b>	<b>6.254</b>	<b>45</b>

**EQUITY STATEMENT**
**CONSOLIDATED**

	Share Capital	Hedge transaction reserve	Exchange adjustment reserve	Retained earnings	Proposed dividend	Total equity
<b>Equity at 1 January 2020</b>	<b>1.000</b>	<b>1.129</b>	<b>1.086</b>	<b>280.964</b>	<b>60.000</b>	<b>344.179</b>
<i>Profit and other comprehensive income in 2020:</i>						
Exchange rate adjustment of foreign subsidiaries	0	0	-17.954	0	0	-17.954
Hedging instruments transferred to cost of sales	0	-23	0	0	0	-23
Value adjustment of hedging instruments recognised during the year	0	-3.252	0	0	0	-3.252
Tax on hedging instruments	0	720	0	0	0	720
Profit for the year	0	0	0	1.257	60.000	61.257
<b>Total recognised comprehensive income</b>	<b>0</b>	<b>-2.555</b>	<b>-17.954</b>	<b>1.257</b>	<b>60.000</b>	<b>40.748</b>
<i>Transactions with the owners:</i>						
Dividend distributed	0	0	0	0	-60.000	-60.000
<b>Transactions with the owners for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-60.000</b>	<b>-60.000</b>
<b>Equity at 31 December 2020</b>	<b>1.000</b>	<b>-1.426</b>	<b>-16.868</b>	<b>282.221</b>	<b>60.000</b>	<b>324.927</b>
	Share Capital	Hedge transaction reserve	Exchange adjustment reserve	Retained earnings	Proposed dividend	Total equity
<b>Equity at 1 January 2019</b>	<b>1.000</b>	<b>-858</b>	<b>-2.446</b>	<b>280.600</b>	<b>67.000</b>	<b>345.296</b>
<i>Profit and other comprehensive income in 2019:</i>						
Exchange rate adjustment of foreign subsidiaries	0	0	3.532	0	0	3.532
Hedging instruments transferred to cost of sales		2.940				2.940
Value adjustment of hedging instruments recognised during the year	0	-392	0	0	0	-392
Tax on hedging instruments	0	-561	0	0	0	-561
Profit for the year	0	0	0	364	60.000	60.364
<b>Total recognised comprehensive income</b>	<b>0</b>	<b>1.987</b>	<b>3.532</b>	<b>364</b>	<b>60.000</b>	<b>65.883</b>
<i>Transactions with the owners:</i>						
Dividend distributed	0	0	0	0	-67.000	-67.000
<b>Transactions with the owners for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-67.000</b>	<b>-67.000</b>
<b>Equity at 31 December 2019</b>	<b>1.000</b>	<b>1.129</b>	<b>1.086</b>	<b>280.964</b>	<b>60.000</b>	<b>344.179</b>

**EQUITY STATEMENT**
**PARENT COMPANY**

	Share capital	Hedge transaction reserve	Net revaluation reserve as per the equity method	Reserve for development projects	Retained earnings	Proposed dividend	Total Equity
<b>Equity at 1 January 2020</b>	<b>1.000</b>	<b>1.129</b>	<b>215.385</b>	<b>9.855</b>	<b>56.810</b>	<b>60.000</b>	<b>344.179</b>
<i>Profit and other comprehensive income in 2020:</i>							
Exchange rate adjustment of foreign subsidiaries	0	0	-17.954	0	0	0	-17.954
Hedging instruments transferred to cost of sales	0	-23	0	0	0	0	-23
Value adjustment of hedging instruments recognised during the year	0	-3.252	0	0	0	0	-3.252
Tax on hedging instruments	0	720	0	0	0	0	720
Profit for the year	0	0	26.157	-4.814	-20.086	60.000	61.257
<b>Total recognised comprehensive income</b>	<b>0</b>	<b>-2.555</b>	<b>8.203</b>	<b>-4.814</b>	<b>-20.086</b>	<b>60.000</b>	<b>40.748</b>
<i>Transactions with the owners:</i>							
Dividend distributed	0	0	0	0	0	-60.000	-60.000
<b>Transactions with the owners for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-60.000</b>	<b>-60.000</b>
<b>Equity at 31 December 2020</b>	<b>1.000</b>	<b>-1.426</b>	<b>223.588</b>	<b>5.041</b>	<b>36.724</b>	<b>60.000</b>	<b>324.927</b>

	Share capital	Hedge transaction reserve	Net revaluation reserve as per the equity method	Reserve for development projects	Retained earnings	Proposed dividend	Total Equity
<b>Equity at 1 January 2019</b>	<b>1.000</b>	<b>-858</b>	<b>176.513</b>	<b>11.540</b>	<b>90.101</b>	<b>67.000</b>	<b>345.296</b>
<i>Profit and other comprehensive income in 2019:</i>							
Exchange rate adjustment of foreign subsidiaries	0	0	3.532	0	0	0	3.532
Hedging instruments transferred to cost of sales	0	2.940	0	0	0	0	2.940
Value adjustment of hedging instruments recognised during the year	0	-392	0	0	0	0	-392
Tax on hedging instruments	0	-561	0	0	0	0	-561
Profit for the year	0	0	35.340	-1.685	-33.291	60.000	60.364
<b>Total recognised comprehensive income</b>	<b>0</b>	<b>1.987</b>	<b>38.872</b>	<b>-1.685</b>	<b>-33.291</b>	<b>60.000</b>	<b>65.883</b>
<i>Transactions with the owners:</i>							
Dividend distributed	0	0	0	0	0	-67.000	-67.000
<b>Transactions with the owners for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-67.000</b>	<b>-67.000</b>
<b>Equity at 31 December 2019</b>	<b>1.000</b>	<b>1.129</b>	<b>215.385</b>	<b>9.855</b>	<b>56.810</b>	<b>60.000</b>	<b>344.179</b>

**NOTES TO THE FINANCIAL STATEMENTS**

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## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

Borg Automotive A/S is a limited liability company incorporated and domiciled in Denmark. The annual report for the period 1. January – 31. December 2020 comprises both the consolidated accounts for Borg Automotive A/S and its subsidiaries (BORG Group or Group) and the annual accounts for the parent company Borg Automotive A/S.

The consolidated financial statements of Borg Automotive A/S and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and additional Danish disclosure requirements for annual reports applying for class C entities.

#### Basis of preparation

The consolidated financial statements and the parent company financial statements are presented in Danish kroner (DKK), which is the presentation currency for the Group and the functional currency of the parent company. If not stated otherwise, all amounts rounded to nearest thousands ('000 or TDKK).

The consolidated financial statements and the parent company financial statements have been prepared on the basis of historical cost, except for share based remuneration and derivative financial instruments that are measured at fair value.

#### Going concern

The Board of Directors and Executive Management have in connection to the preparation of the Financial Statements assessed the Group's and the Parent Company's ability to continue as a going concern and thus whether this assumption can be applied. Based in the knowledge of the Group and Parent Company including the future expectations including budgets, developments in liquidity, the identified risks and uncertainties connected to the regular business the Board of Directors and Executive Management considers it fair and justified to apply the going concern principle.

#### Change in accounting principles and presentation

##### *New and amended standards and interpretations*

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The new and amended standards are:

- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8 Definition of Material
- Conceptual Framework for Financial Reporting issued on 29 March 2018
- Amendments to IFRS 16 Covid-19 Related Rent Concessions

These amendments had no material impact on the consolidated financial statements of the Group.

#### Basis of consolidation

The consolidated financial statements comprise Borg Automotive A/S and its subsidiaries at 31 December 2020.

Subsidiaries are entities over which Borg Automotive A/S has control. Control is achieved by directly or indirectly holding or having the disposal of more than 50% of the voting rights or otherwise exercising a controlling influence over the relevant enterprise.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The consolidated financial statements have been prepared by aggregating the financial statements of the parent company and the individual subsidiaries prepared in accordance with the Group's accounting policies. Intra-group income and expenses, shareholdings, dividends, balances as well as realised and unrealised gains or losses on transactions between the consolidated companies are eliminated. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

#### Business combinations

Newly acquired or newly established companies are recognised in the consolidated financial statements from the date of acquisition. Comparative figures are not adjusted to reflect acquisitions.

The purchase method is applied on acquisitions if the Parent Company gains control of the company acquired. Assets, liabilities and contingent liabilities in companies acquired are measured at their fair value at the date of acquisition. Intangible assets are recognised if they can be separated or if they arise from a contractual right and the fair value can be reliably measured. Deferred tax on revaluations made is recognised.

Any excess of the consideration paid for the business over the fair value of the acquired assets, liabilities and contingent liabilities is recognised as goodwill under intangible assets. In the event of uncertainty regarding measurement, goodwill may be adjusted until 12 months after the acquisition. Goodwill is not amortised but is tested for impairment annually. The first impairment test is performed before the end of the year of acquisition. On acquisition, goodwill is transferred to the cash-generating units that will subsequently form the basis for future impairment tests.

**Foreign currency translation**

The Group’s consolidated financial statements are presented in Danish Kroner (DKK), which is also the Parent Company’s functional currency. A functional currency is determined for each of the reporting entities in the Group. The functional currency is the currency in the primary economic environment in which the reporting entity operates. Transactions in other currencies other than the functional currency are considered transactions in foreign currencies.

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the exchange rate at the transaction date and the exchange rate at the payment date, as well as the exchange rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical exchange rates.

On consolidation of entities with functional currency different from Danish Kroner (DKK), the income statements are translated at monthly average exchange rates prevailing at the dates of the transactions and the balance sheets are translated at the exchange rate prevailing at the balance sheet date. The exchange differences arising on the translation are recognised in other comprehensive income.

On disposal of a foreign operation, the component of other comprehensive related to that specific foreign operation is recognised in the income statement.

**Derivative financial instruments**

The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risks (cash flow hedges).

Derivative financial instruments are measured at fair value and recognised in the balance sheet under other receivables or other payables, respectively. The fair value of derivative financial instruments is calculated based on current market data and recognised valuation methods.

Changes in the fair value of derivative financial instruments that effectively hedge the fair value of a recognised asset or a recognised liability are recognised in the income statement together with any changes in the value of the hedged asset or hedged liability. Hedging of future cash flows under agreements are treated as hedging of the fair value of a recognised asset or a recognised liability.

Changes in the part of the fair value of derivative financial instruments effectively hedging future cash flows are recognised in other comprehensive income in the reserve for hedging transactions under equity. On realisation of the hedged transaction, any gains or losses relating to such hedge transactions are transferred from other comprehensive income and recognised in the same item as the hedged item.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised as interest income or expenses and similar items in the income statement as they occur.

**Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grants relates to an expense item, it is recognised as income on systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.



## Income statement

### Revenue

Revenue from contracts with customers comprises sales of remanufactured products including market value of cores and adjustment of core provisions. Revenue from the sale is recognised at the point in time when the control of products is transferred to the customer, which is generally upon delivery.

For contracts providing the customer with a right of return within a specified period, the Group considers the timing of recognition.

Revenue from contracts with customers is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those products. Amounts disclosed as net revenue exclude discounts, VAT and other duties.

The Group considers whether contracts include other promises that constitute separate performance obligations and to which a portion of the transaction price needs to be allocated. In determining the transaction price, the Group considers the effects of variable consideration. No element of financing is deemed present, as payment is generally received as cash - on delivery or up to generally 60-90 days of credit.

#### *Variable consideration:*

The Group pays various discounts depending on the nature of the customer and business. Customer discounts comprise off-invoice discounts, volume- and activity-related discounts. Off-invoice discounts arise from sales transactions where the customer immediately receives a reduction in the sales price. This also includes cash discounts and incentives for early payments. Volume- and activity-related discounts is a broad term covering incentives for customers to sustain business with the Group over a longer time and may be related to a current campaign or a sales target measured in volumes or total value. Examples include discounts paid as a lump sum, discounts for meeting all or certain sales targets or for exceeding targets, or progressive discounts offered in step with increasing sales to a customer.

### Cost of sales

Cost of sales comprises cost related to generating the revenue for the year. While trading companies recognise the costs of goods sold, the manufacturing companies recognise production costs corresponding to the year's revenue, including direct and indirect costs for raw materials and consumables, wages and salaries, depreciation on leasing assets and on minor rent and leasing arrangements, amortisation and impairment of intangible assets, depreciation and impairment of production buildings and equipment and impairment of inventory.

Cost of sales also includes costs and expenses relating to the operation, administration and management of the production sites. Additionally, is included costs for research and product development that do not meet the criteria for capitalization, as well as amortisation and impairment of capitalized product development costs.

### Distribution costs

Distribution costs comprise expenses incurred in connection with the distribution of goods sold during the year and in connection with sales campaigns, etc. launched during the year under review, including cost of sales and logistics staff, advertising and exhibition costs, as well as depreciation/amortisation and impairment losses.

### Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration, including expenses for administrative staff, office premises and office expenses, and depreciation and impairment losses. Administrative expenses also comprise write-downs on receivables.

### Employee benefits

Executive Management and senior managers in Borg Group are covered by the parent company Schouw & Co.'s share option programme. The costs related to the programme are calculated according to "Black & Scholes" and are expensed as staff costs linearly over the period of the option and settled to the parent company.

### Other operating income and expenses

Other operating income and expenses comprise items of a secondary nature relative to the companies' primary activities and consist of the following:

- Gains and losses on disposal of intangible assets and property, plant and equipment and lease assets.
- Compensation from external parties for e.g. claims or insurance
- Income from rental of facilities to external parties

### Profit or loss in subsidiaries (Parent company)

The proportionate share of the profit or loss from individual subsidiaries after tax and after elimination of the proportionate share of intra-group gains or losses is recognised in the income statement.

### Financial income and expenses

Financial income comprises interest income and expenses including interest to group enterprises, net capital gains or losses on securities, payables and transactions in foreign currencies, amortisation of financial assets, interests related to leases as well as tax relief or surcharge under the Danish Tax Prepayment Scheme etc.

### Tax for the year

Tax for the year comprise current tax including joint taxation contribution and deferred tax for the year. Tax relating to the result for the year is recognised in the income statement, while tax expenses or income relating to changes in equity is recognised in other comprehensive income.

### Balance sheet

#### Intangible assets

##### Development and IT-projects

Projects for the development of new products are recognised as intangible assets when they are clearly defined, identifiable, and for which technical feasibility, sufficient resources and a potential future market or application in the enterprise can be demonstrated. In addition, it is the intention with these projects to manufacture, market or use the project for future commercial purposes. This applies if cost can be measured reliably and sufficient certainty exists that future earnings or the net selling price can cover production costs, distribution costs, and administration costs as well as research and development costs. At Borg this is underpinned by a gate process, where these judgements are made at specific gates. Other development costs are recognised in the income statement and incurred as research and development costs.

Capitalized development projects, including internal IT projects, are measured at cost less accumulated amortisation and impairment losses. Development costs comprise salaries, external costs, amortisation and other costs attributable to the projects.

Following completion of the development work, development projects are amortised on a straight-line basis over their estimated useful lives. The amortisation period is three to five years. The basis of amortisation is calculated net of any impairment losses.

The carrying amount of development projects in progress is tested for impairment at least annually, and where the carrying amount exceeds the net present value of the future net cash flows expected to be generated by the development project, the project is written down to its recoverable amount in the income statement. Finished development projects are tested for impairment if there is indication of impairment from the annual review.

##### Other intangible assets

Other intangible assets comprise customers, know-how and IT licenses.

The cost of other intangible assets acquired from an external party are capitalized at cost at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Other intangible assets are amortised on a straight-line basis over the expected useful lives of the assets which are as follows:

- Customers: 10 years
- Know-how: 10 years
- Licenses: 3 years
- Other intangible assets: 3-10 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits

embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

**Property, plant and equipment**

Land and buildings, plant and machinery as well as other fixtures, tools and equipment are measured at cost less accumulated depreciation and impairment.

Cost comprises the acquisition price and any costs directly attributable to the acquisition and preparation of the asset until the time when it is ready to be put into operation. The total cost of an asset is divided into separate components which are depreciated separately if their useful lives differ.

Subsequent costs, such as the cost of replacing components of property, plant and equipment, are included in the asset’s carrying amount when deemed likely that it will result in economic benefit. The replaced components are no longer recognised in the balance sheet and the carrying amount is transferred to the income statement. All other ordinary repair and maintenance costs are recognised in the income statement when incurred.

Property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the asset/components, which are expected to be as follows:

- Buildings: 5-40 years
- Plant and machinery: 5-10 years
- Other fixtures and fittings, tools and equipment: 3-10 years
- Land is not depreciated

The basis for depreciations are calculated with due considerations to the asset’s scrap value, useful life and reduced by any impairment losses. The residual value is determined at the acquisition date and reassessed annually and adjusted prospectively, if appropriate.

In case of changes to the depreciation period or residual value the effect on depreciations going forward is recognised as a change in accounting estimates.

Depreciation are recognised in the income statement as production costs, distribution costs or administrative expenses.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Usually borrowing costs do not exist.

**Lease assets**

Lease assets are “right-of-use-assets” arising from lease agreements. Lease assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs
- restoration costs

The lease assets are depreciated on a straight-line basis over the shorter period of the assets useful life and the lease term in the contract. The lease assets can be adjusted due to modifications to the lease agreement or reassessment of the lease term.

The depreciation periods are as follows:

- Property: 1-5 years
- Cars: 1-3 years
- Production equipment: 3-5 years
- Other lease assets: 3-5 years

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a term of 12 month or less, while low value assets comprise assets with a value below TDKK 75.

### Investments in subsidiaries (Parent company)

Investments in subsidiaries are, at first recognition measured at cost and subsequently at the proportionate share of the companies' net asset values calculated in accordance with the parent company's accounting policies with the deduction or addition of unrealised intra-group gains or losses and with the addition or deduction of goodwill calculated according to the acquisition method.

Investments in subsidiaries with negative net asset values are measured at cost at DKK 0 (nil), and any receivables and loans from these companies, if any, are written down to the extent it is deemed irrecoverable. In case the negative net assets exceeds the receivables, the residual amount is recognised as a provision in case the parent company has a legal or contractual obligation to cover the negative balance of the subsidiary.

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation under equity according to the equity method to the extent that the carrying amount exceeds cost.

Subsidiaries acquired or established during the year are initially recognised in the financial statement from the date of acquisition, while sold or liquidated companies are recognised until the date of disposal.

### Impairment of non-current assets

Deferred tax assets are assessed on a yearly basis and are only recognised in case it is deemed likely that they will be utilized.

The carrying amount of other non-current assets are tested annually to determine whether there is any indication of impairment. If such an amount exists, the recoverable amount of the assets is calculated. The recoverable amount is the higher of the fair value of the asset less expected costs to sell and the value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

A write-down is recognised when the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount of the asset or the cash-generating unit. Write-downs are recognised in the income statement as production, distribution or administration expenses.

### Inventories

Inventories are measured at cost in accordance with the FIFO. Where the net realisable is lower than the cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale and is determined in consideration of marketability, obsolescence and movements in the expected selling price.

The cost of goods for resale, raw materials and consumables comprise the purchase price and delivery costs.

The cost of finished goods and work in progress comprise of raw materials, consumables, direct labour and indirect production costs, based on a normal operating activity. Indirect production costs comprise indirect materials and labour as well as maintenance of and depreciation and impairment of the relating to machines, factory buildings and equipment used in the manufacturing process as well as costs of factory management and administration. Financing costs are not included in cost.

Provision related to obsolescence is calculated based on 12-months sales forecast and is adjusted when sales forecast and stock volumes changes.

### Receivables

Receivables comprises of trade receivables, receivables from group companies, and other receivables.

Receivables are recognized initially at fair value and subsequently measured at amortized cost less impairment losses. The impairment assessment is based on the Expected Credit Loss model (ECL). The ECL model involves a three-stage approach under which financial assets move through the stages as their credit quality changes. The stages determine how impairment losses are measured and the effective interest is applied.

For trade receivables, Borg Group applies the simplified approach, which permits the use of lifetime ECL. Provisions are determined based on grouping of trade receivables sharing the same credit risk characteristics and days past due.

Regarding group intercompany loans, impairment losses will be recognized based on 12-month or lifetime ECL depending on whether a significant increase in credit risk has arisen since initial recognition.

### Corporate income tax

Current tax consists of tax payable or receivable including joint taxation contribution and is recognised in the balance sheet as calculated tax on the taxable income for the year, adjusted for tax on prior years' taxable income and for tax paid under the on-account scheme. Receivables and payables regarding the joint taxation is presented separately in the balance sheet.

Borg Automotive A/S is taxed jointly with its parent company and other Danish subsidiaries. The current Danish income tax liability is allocated among the companies of the tax pool in proportion to their taxable income. Companies that utilize tax losses from other companies pay a joint contribution to the parent company at an amount corresponding to the tax value of the tax losses utilized. Companies whose tax losses are utilized by other companies receive joint tax contribution from the parent company corresponding to the tax value of the utilised losses (full absorption). The jointly taxed companies pay tax under the Danish on-account tax scheme.

## **Prepayments**

Prepayments include expenses paid in respect of subsequent financial years and are measured at cost.

## **Cash**

Cash comprises cash in hand and short-term bank deposits.

## **Shareholders' Equity**

### ***Dividend***

Dividend is recognised as a liability at the time of adoption by the shareholders at the annual general meeting (the date of declaration). Dividends expected to be declared in respect of the year are stated as a separate line item under equity.

### ***Hedge transaction reserve***

The hedge transaction reserve contains the accumulated net change in the fair value of hedging transactions that meet the criteria for hedging future cash flows and for which the hedged transaction has yet to be realised.

The hedge transaction reserve is dissolved, when the hedged transaction is realised, if the hedged cash flow are no longer expected realised, or if the hedge is no longer effective.

### ***Reserve for development projects (Parent company)***

The reserve for development costs comprise recognized development costs reduced by amortizations and taxes. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

### ***Exchange adjustment reserve***

The exchange adjustment reserve comprises exchange differences arising on the translation of the financial statements of foreign enterprises from their functional currencies into Danish kroner including exchange differences on financial instruments considered to be a part of the net investment or as hedging of the net investment. On realisation, accumulated value adjustments are taken from equity to financial income and expenses in the income statement.

The exchange adjustment reserve is dissolved upon disposal of the subsidiary, or if the conditions for efficient hedging is no longer present.

### ***Net revaluation reserve (Parent company)***

Net revaluation of investments in subsidiaries are recognised at cost in the reserve for net revaluation according to the equity method. The reserve cannot be recognised at a negative amount.

The reserve is dissolved upon disposal of the subsidiary.

## **Provisions**

Provisions relates to warranty commitments which recognized when, as a consequence of an event occurring before or at the balance sheet date, the Group has a legal or constructive obligation, the settlement of which is likely to result in an outflow from the Group of economic benefit.

## **Financial liabilities**

Debt to credit institutions is recognised at the raising of a loan at fair value less transaction costs. In subsequent periods, financial liabilities are measured at amortised cost, applying the "effective interest rate method", to the effect that the difference between the proceeds and the nominal value is recognised in the income statement under financial expenses over the term of the loan. In addition, the capitalised lease liability is recognised under financial liabilities.

**Other liabilities**

Other liabilities including core liability (customer rebates) are measured at amortised cost, which normally will be equal to nominal value.

**Deferred tax**

Deferred tax is measured using the balance sheet liability method on temporary differences between the carrying amount and the tax base of assets and liabilities. However, no deferred tax is recognised on timing differences on non-deductible items for which timing differences have arisen at the acquisition date without affecting the financial results or taxable income.

Deferred tax is measured based on the tax rules and rates in the respective countries that will apply under the legislation in force on the balance sheet date when the deferred tax asset is expected to crystallise as current tax. Changes in deferred tax resulting from changes in tax rates are recognised in the income statement.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised under other noncurrent assets at the expected value of their utilisation, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity and jurisdiction. Deferred tax adjustments are made regarding eliminations of unrealised intercompany gains and losses.

Deferred tax assets are reviewed annually and recognised only to the extent that it is probable that they will be utilized within the period of five years.

**Fair value measurement**

Fair value measurements are based on the principal market. If no principal market exists, the measurement is based on the most advantageous market, i.e. the market that maximizes the price of the asset or liability less transaction and/or transportation costs.

All assets and liabilities which are measured at fair value, or whose fair value is disclosed, are classified based on the fair value hierarchy, see below:

- Level 1: Value in an active market for similar assets/liabilities
- Level 2: Value based on recognized valuation methods based on observable market information
- Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

**Cash flow statement**

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

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 and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of companies and operation and the acquisition and disposal of intangible assets, property, plant and equipment.

Cash flows from financing activities comprise payments to and from shareholders and related expenses as well as the raising of loans, re-payments of interest-bearing debt and repayment of lease liabilities.

Cash comprise cash in hand and short-term bank deposits.

**Segmented reporting**

With reference to IFRS 8 paragraph 2, segment information is not provided for the consolidated or parent company, except for the information about revenue according to IFRS 15.

**2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Group's consolidated financial statements requires Management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Management continuously reassesses these estimates and judgements based on several factors in the given circumstances. The following accounting estimates are considered significant for the financial reporting:

## Acquisitions

Acquisitions are accounted for using the purchase method, according to which the acquired enterprise's identifiable assets, liabilities and contingent liabilities are recognised in the balance sheet at fair value. The principal assets are generally goodwill, property, plant and equipment, intangible assets and inventories and any tax thereon. As there is generally no efficient market for the individual assets, the valuation of the respective assets are generally based on significant accounting estimates. See the note "Acquisitions".

## Inventories

The uncertainty related to inventories of cores cover both the assessment of core market prices and the valuation related to cores considered to be obsolete or lack of marketability.

Cores repurchased from customers for remanufacturing are valued based on the historical external purchase prices at the production facilities. The uncertainty related to the core market price is the fact that the historical prices, though being the best indicator available, are not necessarily equal to the price development in the market.

Goods considered to be obsolete or to have impaired marketability are written down to net realisable value. The assumption applied regards to the valuation of cores on inventory relates to the principle applied that cores on stock for more than 1 years expected sales are considered obsolete and thus written down to the scrap price.

## Core liability (customer rebates)

The core liability is composed of the core charge (deposit) paid by the customer upon purchase of a unit which is returned to the customer conditional on and at the same rate as return of the used units (cores). The core charge is offset by the expected value of the returned cores and the expected core return rate, which constitutes the elements of the core liability. The uncertainty related to the core liability therefore covers both the estimation of the expected core return rate of cores as well as the value of the outstanding cores.

## Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

A part of the deferred tax assets are tax losses carried forward, which relate to the subsidiary in UK. The tax loss carried forward do not expire and they may not be used to offset taxable income elsewhere in the Group. The tax value of tax losses carried forward has been recognised, as it has been considered sufficiently probably that the losses will be utilised within five years.

Further details on taxes are disclosed in Note 18.



	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
<b>3 REVENUE</b>				
Denmark	62.614	52.489	62.614	52.489
Europe, other than Denmark	807.954	865.189	690.736	734.908
<b>Total revenue</b>	<b>870.568</b>	<b>917.678</b>	<b>753.350</b>	<b>787.397</b>
<b>4 COST OF SALES</b>				
Cost of goods sold	436.972	458.036	406.568	434.410
Inventory impairments	34.360	21.717	393	498
Reversed inventory impairments	-18.137	-15.047	-398	-411
<b>5 STAFF COST</b>				
Wages and salaries	165.554	185.671	39.769	44.413
Defined contribution pension plans	4.770	4.783	4.023	3.974
Other social security costs	23.324	26.795	675	1.289
Share-based payment	1.305	1.046	1.305	1.046
<b>Total staff costs</b>	<b>194.953</b>	<b>218.295</b>	<b>45.772</b>	<b>50.722</b>
<i>Staff costs are recognised as follows:</i>				
Cost of sales	140.460	156.780	10.330	11.799
Distribution	37.544	41.742	21.273	22.781
Administration	16.454	18.436	13.674	14.805
Development projects	495	1.337	495	1.337
<b>Staff costs recognised in the income statement</b>	<b>194.953</b>	<b>218.295</b>	<b>45.772</b>	<b>50.722</b>
<b>Average number of employees</b>	<b>1.466</b>	<b>1.615</b>	<b>73</b>	<b>77</b>
<i>Salary compensation deducted in staff costs:</i>				
Cost of sales	7.431	0	0	0
Distribution	588	0	0	0
Administration	1.951	0	1.735	0
<b>Received salary compensation from government *</b>	<b>9.970</b>	<b>0</b>	<b>1.735</b>	<b>0</b>

\*) Compensation received of TDKK 9.970 relates to COVID-19 government support, of which TDKK 1.735 has been received in Denmark.

#### Remuneration to the Board of Directors, Executive Management and Other Management

Staff costs include salaries and bonuses, pensions, social costs and share-based payments.

<b>Board of Directors and Executive Management</b>	<b>4.028</b>	<b>3.366</b>	<b>3.979</b>	<b>3.366</b>
<b>Other Management</b>	<b>9.216</b>	<b>9.646</b>		

With reference to the Danish Financial Statements Act Paragraph 98b, section 3 remuneration to the Board of Directors, Executive Management and key management personnel have been disclosed together. Additionally remuneration to Other Management in the Parent Company has not been disclosed. The exemption is applied to ensure that remuneration for one single member is not disclosed.

**5 STAFF COST (Continued)**
**Share-based payment: Share option programme**

Management and Senior Managers in the Group are covered by the parent company Schouw & Co.'s share option programme. The programme entitles participants to acquire shares in Aktieselskabet Schouw & Co. at a price based on the market price at the allocation date (2020: DKK 483,56) plus a calculated rate (2020: 2%) from the allocation date to the date of exercise. The costs related to the programme are calculated according to "Black & Scholes" and are expensed as staff costs linearly over the period of the option and settled to the parent company.

<b>Outstanding share options</b>	<b>Executive Management</b>	<b>Others</b>	<b>Total</b>
Granted in 2018	10.000	18.000	28.000
Lapsed (from 2018 grant)	0	-2.167	-2.167
Granted in 2019	10.000	18.000	28.000
Lapsed (from 2019 grant)	0	-4.167	-4.167
<b>Total outstanding options at 31 December 2019</b>	<b>20.000</b>	<b>29.666</b>	<b>49.666</b>
Granted in 2020	12.000	16.000	28.000
Lapsed (from 2018 grant)	0	-3.833	-3.833
Lapsed (from 2019 grant)	0	-1.833	-1.833
<b>Total outstanding options at 31 December 2020</b>	<b>32.000</b>	<b>40.000</b>	<b>72.000</b>

The assumptions for determining the fair value of unexercised share options at the date of allocation as follows:

<b>On the date of allocation:</b>	<b>2020 grant</b>	<b>2019 grant</b>	<b>2018 grant</b>
Expected volatility	22,21%	29,23%	21,10%
Expected option life	48 mth.	48 mth.	48 mth.
Expected dividend per share	13 DKK	13 DKK	12 DKK
Risk free interest rate	-0,97%	-0,52%	-0,38%
Other information on option programme:			
Exercise price in DKK (1)	528,40	574,35	705,58
Fair value in DKK per option (2)	44,10	71,47	58,51
Total fair value in '000 (2)	4.094	3.215	1.511
Can be exercised from	March 2023	March 2022	March 2021
Can be exercised until	March 2024	March 2023	March 2022

(1) On exercise after 4 years (at the latest possible moments)

(2) At the date of allocation

The expected volatility is calculated as 12 months' historical volatility based on average share prices. If the option holders have not exercised their options at the end of the specified period, the options will lapse without any compensation to the holders. Exercise of the share options is contingent to the holder being in continuing employment during the above-mentioned periods. If the share option holder resigns before the vesting date, the holder may in some cases have a right to exercise the share option early during a four-week period following the next interim report from Schouw & Co. In the event of early exercise, the number of options will be reduced proportionally.

6 FEES TO AUDITORS APPOINTED BY THE GENERAL MEETING	CONSOLIDATED	
	2020	2019
<b>Total fees to EY</b>		
Audit fees	714	828
Fee for other assurance engagements	0	0
Fees for tax- and VAT-related services	24	157
Fees for other services	1.141	216
<b>Total fees</b>	<b>1.879</b>	<b>1.201</b>
<b>Total fees to other accountants</b>		
Audit fees	227	292
Fee for other assurance engagements	15	13
Fees for tax- and VAT-related services	0	0
Fees for other services	23	0
<b>Total fees</b>	<b>265</b>	<b>305</b>
<b>Total fees</b>	<b>2.144</b>	<b>1.506</b>

With reference to the Danish Financial Statements Act Paragraph 96, section 3 Fees to auditors appointed by the General Meeting have only been provided for the Group.

7 RESEARCH AND DEVELOPMENT COSTS	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
<i>Research &amp; Development costs expensed and development costs incurred are shown below:</i>				
Research and development costs incurred	7.760	18.677	8.381	20.171
Government grant received	-1.150	0	-1.150	0
Development costs recognised as intangible assets	0	-3.695	0	-3.695
Amortisation and impairment of recognised development costs	6.172	5.855	6.172	5.855
<b>Research and development costs expensed and recognised in the income statements</b>	<b>12.782</b>	<b>20.837</b>	<b>13.403</b>	<b>22.331</b>

8 DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
Amortisation of intangible assets	8.716	8.160	8.213	7.776
Depreciation of property plant and equipment	7.528	6.768	577	563
Depreciation of lease assets	9.542	10.380	1.015	896
Impairment of property plant and equipment	48	0	0	0
<b>Total depreciation, amortisation and impairment losses</b>	<b>25.834</b>	<b>25.308</b>	<b>9.805</b>	<b>9.235</b>

*Depreciation/amortisation and impairment is recognised in the income statement as follows:*

Cost of sales	18.920	18.147	6.429	6.127
Distribution	3.752	3.809	512	456
Administration	3.162	3.352	2.864	2.652
<b>Total depreciation, amortisation and impairment losses</b>	<b>25.834</b>	<b>25.308</b>	<b>9.805</b>	<b>9.235</b>

	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
<b>9 OTHER OPERATING INCOME AND EXPENSES</b>				
Gains on the disposal of property, plant and equipment and intangible assets	177	222	0	4
Charged to Group companies (i.e. management services)	0	0	15.442	18.982
Other operating income	711	1.550	286	213
<b>Total other operating income</b>	<b>888</b>	<b>1.772</b>	<b>15.728</b>	<b>19.199</b>
Losses on the disposal of property, plant and equipment and Other operating expenses	91	696	74	0
	298	1.098	0	0
<b>Total other operating expenses</b>	<b>389</b>	<b>1.794</b>	<b>74</b>	<b>0</b>
<b>10 FINANCIAL INCOME</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Interest	8	39	0	0
Interests from group loans and cash pool	4	119	2.277	4.028
Interest income on financial assets measured at amortised cost	12	158	2.277	4.028
Exchange rate adjustments	3.923	3.800	39	2.876
<b>Total financial income</b>	<b>3.935</b>	<b>3.958</b>	<b>2.316</b>	<b>6.904</b>
<b>11 FINANCIAL EXPENSES</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Interest expense	264	260	86	63
Interests from leasing	805	1.027	14	18
Interests from group loans and cash pool	556	886	2.661	2.551
Interest expenses from financial liabilities measured at amortised cost	1.625	2.173	2.761	2.632
Exchange rate adjustments	5.692	2.770	4.696	56
<b>Total financial expenses</b>	<b>7.317</b>	<b>4.943</b>	<b>7.457</b>	<b>2.688</b>

12 TAX ON PROFIT FOR THE YEAR	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
<b>Tax for the year is composed as follows:</b>				
Tax on profit for the year	17.738	23.343	11.283	7.339
Tax on other comprehensive income	-720	561	-720	561
<b>Total tax</b>	<b>17.018</b>	<b>23.904</b>	<b>10.563</b>	<b>7.900</b>
<b>Tax on the profit for the year has been calculated as follows:</b>				
Current tax	9.944	24.898	4.390	9.437
Deferred tax	7.684	-1.601	6.787	-2.130
Adjustment of prior-year tax charge	110	46	106	32
<b>Total tax recognised in the income statement</b>	<b>17.738</b>	<b>23.343</b>	<b>11.283</b>	<b>7.339</b>
<b>Effective tax rate:</b>				
Calculated 22.0% tax of the profit for the year	17.379	18.416	15.959	14.895
Adjustment of tax related to subsidiaries and PEs	-452	-187	-5.758	-7.775
Non-deductible costs and non-taxable income	2.240	491	1.083	187
Adjustment of prior-year tax charge	110	46	106	32
Adjustment of deferred tax asset regarding previous years	-1.539	4.577	-107	0
<b>Recognised tax income</b>	<b>17.738</b>	<b>23.343</b>	<b>11.283</b>	<b>7.339</b>
<b>Effective tax rate</b>	<b>22,5%</b>	<b>27,9%</b>	<b>15,6%</b>	<b>10,8%</b>

**Tax recognised in other comprehensive income:**

	CONSOLIDATED			
	2020	Before tax	Tax	After tax
Exchange rate adjustment of foreign subsidiaries		-17.954	0	-17.954
Value adjustment of hedging instruments for the year		-3.252	715	-2.537
Hedging instruments transferred to cost of sales		-23	5	-18
<b>Tax on items recognised in other comprehensive income</b>		<b>-21.229</b>	<b>720</b>	<b>-20.509</b>
<b>2019</b>				
Exchange rate adjustment of foreign subsidiaries		3.532	0	3.532
Value adjustment of hedging instruments for the year		-392	86	-306
Hedging instruments transferred to cost of sales		2.940	-647	2.293
<b>Tax on items recognised in other comprehensive income</b>		<b>6.080</b>	<b>-561</b>	<b>5.519</b>

**PARENT COMPANY**

	PARENT COMPANY			
	2020	Before tax	Tax	After tax
Exchange rate adjustment of foreign subsidiaries		-17.954	0	-17.954
Value adjustment of hedging instruments for the year		-3.252	715	-2.537
Hedging instruments transferred to cost of sales		-23	5	-18
<b>Tax on items recognised in other comprehensive income</b>		<b>-21.229</b>	<b>720</b>	<b>-20.509</b>
<b>2019</b>				
Exchange rate adjustment of foreign subsidiaries		3.532	0	3.532
Value adjustment of hedging instruments for the year		-392	86	-306
Hedging instruments transferred to cost of sales		2.940	-647	2.293
<b>Tax on items recognised in other comprehensive income</b>		<b>6.080</b>	<b>-561</b>	<b>5.519</b>

**13 INTANGIBLE ASSETS**

**CONSOLIDATED**

<b>2020</b>	<b>Completed</b>	<b>Development</b>	<b>Customer</b>		<b>IT intangible</b>		<b>Total</b>
	<b>development</b>	<b>projects in</b>	<b>relations</b>	<b>Know-how</b>	<b>projects</b>	<b>assets</b>	
	<b>projects</b>	<b>progress</b>					
Cost at 1 January	18.490	5.194	0	0	12.725	1.318	37.727
Foreign exchange adjustment	0	0	0	0	-55	-5	-60
Additions	0	1.643	0	0	593	0	2.236
Additions on company acquisitions	0	0	22.167	27.189			49.356
Disposals	0	-75	0	0	0	0	-75
Transferred/reclassified	0	-5.520	0	0	6.476	85	1.041
<b>Cost at 31 December</b>	<b>18.490</b>	<b>1.242</b>	<b>22.167</b>	<b>27.189</b>	<b>19.739</b>	<b>1.398</b>	<b>90.225</b>
Amortisation and impairment at 1 January	5.855	0	0	0	9.484	1.060	16.399
Foreign exchange adjustment	0	0	0	0	-38	-2	-40
Amortisation	6.172	0	0	0	2.315	229	8.716
<b>Amortisation and impairment at 31 December</b>	<b>12.027</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11.761</b>	<b>1.287</b>	<b>25.075</b>
<b>Carrying amount at 31 December</b>	<b>6.463</b>	<b>1.242</b>	<b>22.167</b>	<b>27.189</b>	<b>7.978</b>	<b>111</b>	<b>65.150</b>

Amortized over (years) 3 10 10 3-5 3-10

Management have not identified issues, which indicate need for impairment regarding intangible assets.

<b>2019</b>	<b>Completed</b>	<b>Development</b>	<b>Customer</b>		<b>IT intangible</b>		<b>Total</b>
	<b>development</b>	<b>projects in</b>	<b>relations</b>	<b>Know-how</b>	<b>projects</b>	<b>assets</b>	
	<b>projects</b>	<b>progress</b>					
Cost at 1 January	14.795	2.594	0	0	9.769	2.491	29.649
Foreign exchange adjustment	0	0	0	0	0	9	9
Additions	3.695	3.374	0	0	1.422	41	8.532
Disposals	0	0	0	0	-91	0	-91
Transferred/reclassified	0	-774	0	0	1.625	-1.223	-372
<b>Cost at 31 December</b>	<b>18.490</b>	<b>5.194</b>	<b>0</b>	<b>0</b>	<b>12.725</b>	<b>1.318</b>	<b>37.727</b>
Amortisation and impairment at 1 January	0	0	0	0	7.500	1.133	8.633
Foreign exchange adjustment	0	0	0	0	3	2	5
Amortisation	5.855	0	0	0	1.869	436	8.160
Amortisation and impairment of disposed assets	0	0	0	0	-36	0	-36
Transferred/reclassified	0	0	0	0	148	-511	-363
<b>Amortisation and impairment at 31 December</b>	<b>5.855</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9.484</b>	<b>1.060</b>	<b>16.399</b>
<b>Carrying amount at 31 December</b>	<b>12.635</b>	<b>5.194</b>	<b>0</b>	<b>0</b>	<b>3.241</b>	<b>258</b>	<b>21.328</b>

Amortized over (years) 3 3-5 3-5

**13 INTANGIBLE ASSETS**  
**(Continued)**
**PARENT COMPANY**

2020	Completed	Development	Customer	Know-how	IT	Other	Total
	development	projects in	relations		intangible	assets	
	projects	progress		projects			
Cost at 1 January	18.490	5.194	0	0	11.855	1.238	36.777
Additions	0	1.643	18.461	27.189	505	0	47.798
Disposals	0	-76	0	0	0	0	-76
Transferred/reclassified	0	-5.520	0	0	5.435	85	0
<b>Cost at 31 December</b>	<b>18.490</b>	<b>1.241</b>	<b>18.461</b>	<b>27.189</b>	<b>17.795</b>	<b>1.323</b>	<b>84.499</b>
Amortisation and impairment at 1 January	5.855	0	0	0	9.008	1.034	15.897
Amortisation	6.172	0	0	0	1.837	204	8.213
<b>Amortisation and impairment at 31 December</b>	<b>12.027</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10.845</b>	<b>1.238</b>	<b>24.110</b>
<b>Carrying amount at 31 December</b>	<b>6.463</b>	<b>1.241</b>	<b>18.461</b>	<b>27.189</b>	<b>6.950</b>	<b>85</b>	<b>60.389</b>

Amortized over (years) 3 10 10 3-5 3-10

Management have not identified issues, which indicate need for impairment regarding intangible assets.

2019	Completed	Development	Customer	Know-how	IT	Other	Total
	development	projects in	relations		intangible	assets	
	projects	progress		projects			
Cost at 1 January	14.795	2.594	0	0	9.769	1.238	28.396
Additions	3.695	3.374	0	0	1.312	0	8.381
Transferred/reclassified	0	-774	0	0	774	0	0
<b>Cost at 31 December</b>	<b>18.490</b>	<b>5.194</b>	<b>0</b>	<b>0</b>	<b>11.855</b>	<b>1.238</b>	<b>36.777</b>
Amortisation and impairment at 1 January	0	0	0	0	7.500	621	8.121
Amortisation	5.855	0	0	0	1.508	413	7.776
<b>Amortisation and impairment at 31 December</b>	<b>5.855</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9.008</b>	<b>1.034</b>	<b>15.897</b>
<b>Carrying amount at 31 December</b>	<b>12.635</b>	<b>5.194</b>	<b>0</b>	<b>0</b>	<b>2.847</b>	<b>204</b>	<b>20.880</b>

Amortized over (years) 3 3-5 3-5



**14 PROPERTY, PLANT AND EQUIPMENT**
**CONSOLIDATED**

<b>2020</b>	<b>Land and buildings</b>	<b>Plant and machinery</b>	<b>Other fixtures, tools and equipment</b>	<b>Assets under construction</b>	<b>Total</b>
Cost at 1 January	69.439	22.894	11.048	7.723	111.104
Foreign exchange adjustment	-3.538	-1.458	-696	-479	-6.171
Additions	527	1.225	1.418	6.697	9.867
Additions on company acquisitions	1.618	1.327	994	0	3.939
Disposals	0	-148	-417	0	-565
Transferred to leased assets/reclassified	277	6.586	1.863	-9.767	-1.041
<b>Cost at 31 December</b>	<b>68.323</b>	<b>30.426</b>	<b>14.210</b>	<b>4.174</b>	<b>117.133</b>
Depreciation and impairment at 1 January	4.478	4.986	4.472	-2	13.934
Foreign exchange adjustment	-240	-393	-322	-1	-956
Impairment	0	0	0	48	48
Depreciation	2.100	3.263	2.165	0	7.528
Depreciation and impairment of disposed assets	0	-106	-112	0	-218
<b>Depreciation and impairment at 31 December</b>	<b>6.338</b>	<b>7.750</b>	<b>6.203</b>	<b>45</b>	<b>20.336</b>
<b>Carrying amount at 31 December</b>	<b>61.985</b>	<b>22.676</b>	<b>8.007</b>	<b>4.129</b>	<b>96.797</b>
Depreciated over (years)	5-40	5-10	3-10		
Legal obligation at 31 December for the purchase of property, plant and equipment	707	1.588	1.360		3.655

No changes have been made in accounting estimates regarding property, plant and equipment.

No interests has been recognised during the period.

Management have not identified issues, which indicate need for impairment regarding property, plant and equipment.

<b>2019</b>	<b>Land and buildings</b>	<b>Plant and machinery</b>	<b>Other fixtures, tools and equipment</b>	<b>Assets under construction</b>	<b>Total</b>
Cost at 1 January	63.085	16.791	14.287	5.200	99.363
Foreign exchange adjustment	494	215	165	139	1.013
Additions	1.136	1.457	1.108	16.836	20.537
Disposals	-1.310	0	-661	0	-1.971
Transferred/reclassified	6.034	4.431	-3.851	-14.452	-7.838
<b>Cost at 31 December</b>	<b>69.439</b>	<b>22.894</b>	<b>11.048</b>	<b>7.723</b>	<b>111.104</b>
Depreciation and impairment at 1 January	2.710	2.881	2.993	0	8.584
Foreign exchange adjustment	27	53	46	0	126
Depreciation	2.210	2.582	1.978	-2	6.768
Depreciation and impairment of disposed assets	-469	-530	-545	0	-1.544
<b>Depreciation and impairment at 31 December</b>	<b>4.478</b>	<b>4.986</b>	<b>4.472</b>	<b>-2</b>	<b>13.934</b>
<b>Carrying amount at 31 December</b>	<b>64.961</b>	<b>17.908</b>	<b>6.576</b>	<b>7.725</b>	<b>97.170</b>
Of which assets held under finance lease	0	2.122	10.243	0	12.365
Legal obligation at 31 December for the purchase of property, plant and equipment	7	1.424	0	0	1.431
Depreciated over (years)	5-40	5-10	3-10		

**14 PROPERTY, PLANT AND EQUIPMENT  
(Continued)**
**PARENT COMPANY**

<b>2020</b>	<b>Land and buildings</b>	<b>Plant and machinery</b>	<b>Other fixtures, tools and equipment</b>	<b>Assets under construction</b>	<b>Total</b>
Cost at 1 January	13.481	60	365	0	13.906
Additions	175	0	0	0	175
Transfer	0	7	0	0	7
<b>Cost at 31 December</b>	<b>13.656</b>	<b>67</b>	<b>365</b>	<b>0</b>	<b>14.088</b>
Depreciation and impairment at 1 January	1.156	40	196	0	1.392
Depreciation	499	11	67	0	577
Transfer	0	7	0	0	7
<b>Depreciation and impairment at 31 December</b>	<b>1.655</b>	<b>58</b>	<b>263</b>	<b>0</b>	<b>1.976</b>
<b>Carrying amount at 31 December</b>	<b>12.001</b>	<b>9</b>	<b>102</b>	<b>0</b>	<b>12.112</b>
Depreciated over (years)	5-30	5	3-10		

<b>2019</b>	<b>Land and buildings</b>	<b>Plant and machinery</b>	<b>Other fixtures, tools and equipment</b>	<b>Assets under construction</b>	<b>Total</b>
Cost at 1 January	13.098	60	365	0	13.523
Additions	383	0	0	0	383
<b>Cost at 31 December</b>	<b>13.481</b>	<b>60</b>	<b>365</b>	<b>0</b>	<b>13.906</b>
Depreciation and impairment at 1 January	695	25	109	0	829
Depreciation	461	15	87	0	563
<b>Depreciation and impairment at 31 December</b>	<b>1.156</b>	<b>40</b>	<b>196</b>	<b>0</b>	<b>1.392</b>
<b>Carrying amount at 31 December</b>	<b>12.325</b>	<b>20</b>	<b>169</b>	<b>0</b>	<b>12.514</b>
Depreciated over (years)	5-30	5	3-10		

No significant changes have been made in accounting estimates regarding property, plant and equipment.  
No interests has been recognised during the period.

Management have not identified issues, which indicate need for impairment regarding property, plant and equipment.

**15 LEASE ASSETS**
**CONSOLIDATED**

<b>2020</b>	<b>Buildings</b>	<b>Production equipment</b>	<b>Cars</b>	<b>Other assets</b>	<b>Total</b>
Cost at 1 January	29.140	5.230	5.472	351	40.193
Foreign exchange adjustment	-1.714	-326	-120	-2	-2.162
Additions	2.030	376	1.526	0	3.932
Additions on company acquisitions	6.427	0	0	0	6.427
Disposals	-1.249	-914	-1.274	-109	-3.546
<b>Cost at 31 December</b>	<b>34.634</b>	<b>4.366</b>	<b>5.604</b>	<b>240</b>	<b>44.844</b>
Amortisation and impairment at 1 January	6.578	1.785	1.882	117	10.362
Foreign exchange adjustment	-448	-125	-46	0	-619
Amortisation	5.846	1.604	2.011	81	9.542
Amortisation and impairment of disposed assets	-1.166	-932	-1.019	0	-3.117
<b>Amortisation and impairment at 31 December</b>	<b>10.810</b>	<b>2.332</b>	<b>2.828</b>	<b>198</b>	<b>16.168</b>
<b>Carrying amount at 31 December</b>	<b>23.824</b>	<b>2.034</b>	<b>2.776</b>	<b>42</b>	<b>28.676</b>
<b>2019</b>	<b>Buildings</b>	<b>Production equipment</b>	<b>Cars</b>	<b>Other assets</b>	<b>Total</b>
Cost at 1 January	0	0	0	0	0
Transferred from property, plant and equipment	0	6.485	1.360	0	7.845
Effect of transition to IFRS 16	34.930	-2.477	2.087	351	34.891
<b>Adjusted cost at 1 January</b>	<b>34.930</b>	<b>4.008</b>	<b>3.447</b>	<b>351</b>	<b>42.736</b>
Additions	0	1.270	2.287	0	3.557
Disposals	-5.790	-48	-262	0	-6.100
<b>Cost at 31 December</b>	<b>29.140</b>	<b>5.230</b>	<b>5.472</b>	<b>351</b>	<b>40.193</b>
Amortisation and impairment at 1 January	0	0	0	0	0
Foreign exchange adjustment	107	20	5	0	132
Amortisation	6.471	1.813	1.979	117	10.380
Amortisation and impairment of disposed assets	0	-48	-102	0	-150
<b>Amortisation and impairment at 31 December</b>	<b>6.578</b>	<b>1.785</b>	<b>1.882</b>	<b>117</b>	<b>10.362</b>
<b>Carrying amount at 31 December</b>	<b>22.562</b>	<b>3.445</b>	<b>3.590</b>	<b>234</b>	<b>29.831</b>

**15 LEASE ASSETS (Continued)**

	PARENT COMPANY				
	Buildings	Production equipment	Cars	Other assets	Total
<b>2020</b>					
Cost at 1 January	0	0	2.496	0	2.496
Additions	0	0	815	0	815
Disposals	0	0	-639	0	-639
<b>Cost at 31 December</b>	<b>0</b>	<b>0</b>	<b>2.672</b>	<b>0</b>	<b>2.672</b>
Amortisation and impairment at 1 January	0	0	896	0	896
Amortisation	0	0	1.015	0	1.015
Amortisation and impairment of disposed assets	0	0	-545	0	-545
<b>Amortisation and impairment at 31 December</b>	<b>0</b>	<b>0</b>	<b>1.366</b>	<b>0</b>	<b>1.366</b>
<b>Carrying amount at 31 December</b>	<b>0</b>	<b>0</b>	<b>1.306</b>	<b>0</b>	<b>1.306</b>
<b>2019</b>					
Cost at 1 January	0	0	0	0	0
Effect of transition to IFRS 16	0	0	1.523	0	1.523
<b>Adjusted cost at 1 January</b>	<b>0</b>	<b>0</b>	<b>1.523</b>	<b>0</b>	<b>1.523</b>
Additions	0	0	973	0	973
<b>Cost at 31 December</b>	<b>0</b>	<b>0</b>	<b>2.496</b>	<b>0</b>	<b>2.496</b>
Amortisation and impairment at 1 January	0	0	0	0	0
Amortisation	0	0	896	0	896
<b>Amortisation and impairment at 31 December</b>	<b>0</b>	<b>0</b>	<b>896</b>	<b>0</b>	<b>896</b>
<b>Carrying amount at 31 December</b>	<b>0</b>	<b>0</b>	<b>1.600</b>	<b>0</b>	<b>1.600</b>

**LEASE LIABILITIES**

	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
Lease liabilities expiring within the following periods from the balance sheet date:				
Within 1 year	9.356	9.242	618	905
Between 1 and 5 years	19.548	20.733	467	530
After 5 years	0	0	0	0
<b>Total lease liability, non-discounted</b>	<b>28.904</b>	<b>29.975</b>	<b>1.085</b>	<b>1.435</b>
<b>Lease liabilities are recognised in the balance sheet as follows:</b>				
Non-current liabilities	19.548	20.733	467	530
Current liabilities	9.356	9.242	618	905
<b>Total lease liabilities</b>	<b>28.904</b>	<b>29.975</b>	<b>1.085</b>	<b>1.435</b>
Repayment of lease debt	9.292	10.369	1.071	1.061
Recognised interests on lease contracts	805	1.027	14	18
<b>Lease payments in the year</b>	<b>10.097</b>	<b>11.396</b>	<b>1.085</b>	<b>1.079</b>

**15 LEASE ASSETS (Continued)**
**Lease agreements not recognised in the balance sheet**

	CONSOLIDATED							
	2020				2019			
	Service*	Small value assets	Short term leases	Total	Service*	Small value assets	Short term leases	Total
Due for payment within 1 year	185	87	45	317	225	11	56	292
Due for payment within >1-5 years	18	69	0	87	329	34	0	363
Due for payment after 5 years	0	0	0	0	0	0	0	0
<b>Total commitments</b>	<b>203</b>	<b>156</b>	<b>45</b>	<b>404</b>	<b>554</b>	<b>45</b>	<b>56</b>	<b>655</b>
<b>Recognised in the income statement</b>	<b>419</b>	<b>58</b>	<b>11</b>	<b>488</b>	<b>807</b>	<b>11</b>	<b>21</b>	<b>839</b>

	PARENT COMPANY							
	2020				2019			
	Service*	Small value assets	Short term leases	Total	Service*	Small value assets	Short term leases	Total
Due for payment within 1 year	184	11	0	195	8	11	3	22
Due for payment within >1-5 years	18	25	0	43	27	34	0	61
Due for payment after 5 years	0	0	0	0	0	0	0	0
<b>Total commitments</b>	<b>202</b>	<b>36</b>	<b>0</b>	<b>238</b>	<b>35</b>	<b>45</b>	<b>3</b>	<b>83</b>
<b>Recognised in the income statement</b>	<b>418</b>	<b>11</b>	<b>0</b>	<b>429</b>	<b>536</b>	<b>11</b>	<b>21</b>	<b>568</b>

\*) Comment: The service (variable) element of lease contracts is the part of the lease commitment that are not included in the lease obligation in the balance sheet.

**16 INVESTMENTS IN SUBSIDIARIES (Parent Company)**

	<b>2020</b>	<b>2019</b>
Cost at 1 January	114.041	114.041
Additions	22	0
<b>Cost at 31 December</b>	<b>114.063</b>	<b>114.041</b>
Adjustments at 1 January	215.385	176.513
Foreign exchange adjustments	-17.954	3.532
Share of profit/loss before tax for the year	26.157	35.340
<b>Adjustments at 31 December</b>	<b>223.588</b>	<b>215.385</b>
<b>Carrying amount at 31 December</b>	<b>337.651</b>	<b>329.426</b>

<b>Name</b>	<b>Registered Office</b>	<b>Ownership</b>	
		<b>interest 2020</b>	<b>Ownership interest 2019</b>
Borg Automotive Sp. z.o.o.	Poland, Zdunska Wola	100%	100%
Borg Automotive UK Ltd.	UK, Birmingham	100%	100%
Car Parts Industries Belgium SPRL	Belgium, Nivelles	100%	100%
Borg Automotive Spain S.L.U	Spain, Palermo	100%	0%
Electro Steer Ltd. (Dormant)	UK, Birmingham	100%	100%

All subsidiaries are Limited Liability Companies.

## 17 ACQUISITION OF BUSINESS

Effective 16 December 2020, Borg Group acquired a business through the acquisition of assets from Turbo Motor Inyección, S.L.U. (TMI) and Turbos y componentes automoción, S.L.U. (TCA). The business acquired covers the production, sales and distribution of remanufactured turbo chargers primarily in Spain. The acquisition is considered an important addition to the existing portfolio and supports the ambitious growth strategy of the Group.

The acquisition of the business was done by the newly acquired subsidiary in Spain, Borg Automotive Spain S.L.U.

In 2020, the acquisition has affected group revenue with KDKK 527 and profit for the year negatively with KDKK 910 since the effective date. No information is available related to the sellers revenue and earnings covering the period of 2020 before the acquisition date.

<b>Specification of assets and obligations acquired:</b>	<b>2020</b>
Customer relations	22.167
Know-how	27.189
Property, plant and equipment	3.939
Lease assets	6.427
Inventories	23.809
Receivables	15.708
Interest-bearing debt	-6.427
Provisions	-2.346
Trade payables	-6.841
Other liabilities	-7.512
<b>Net assets acquired</b>	<b>76.113</b>
Goodwill	0
<b>Acquisition cost</b>	<b>76.113</b>
Deferred conditional purchase price	-15.626
<b>Total cash acquisition costs</b>	<b>60.487</b>

The acquisition cost amounted to KDKK 76.113 of which KDKK 60.487 have been paid in cash.

Transaction costs incurred in connection with the acquisition amount to MDKK 2,7 million, of which MDKK 1,6 has been recognised as administrative expenses in 2020, while MDKK 1,1 was recognised in 2019.

In addition to the acquisition costs, the Group is obligated to pay additionally KDKK 7.813 (MEUR 1,05) if the units sold by TMI during the period from July 1st 2020 until the effective date 2020 are at least equal to the units sold in the second half of 2019, and KDKK 7.813 (MEUR 1,05) if the units sold by Borg Automotive Spain S.L.U. during the entire 2021 are at least equal to the units sold by TMI during 2019. The first condition has already been fulfilled and the amount is to be paid, while the second condition for payment of the additional TDKK 7.813 has still not been met, but are also expected to be paid in full.

### Valuation of the assets acquired:

The value of the identified know-how has been calculated based on the relief-from-royalty method over the expected remaining useful life of the assets, taking into account both a discounting factor and tax.

Customer relations have been valued based on an expected allowed EBIT-margin on the customers. The calculation is based on the present value of the net-cash-flow expected to be obtained through sales to the customers, deducted a reasonable return covering the assets applied in generating the cash-flow. The return takes into account both the cost of equity and debt, as well as tax.

Property, plant and equipment are measured at market-value.

Inventories are measured at expected sales values under normale business circumstances with the deduction of expected costs to prepare the goods for final sale as well as costs related to selling the goods.

Receivables are measured at net-realizable value.

Provisions are measured at the expected future value of goods returned as warranty.

Liabilities, covering interest-bearing debt and trade payables are measured at the present value of the liquidity required to liberate the company from the obligation.

Other liabilities relate to core obligations, which are measured at the expected future excess price related to the repurchase of cores from external customers.

**18 DEFERRED TAX**

	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
Deferred tax at 1 January	56.634	55.266	27.813	26.244
Foreign exchange adjustment	-809	328	0	0
Deferred tax for the year recognised in profit for the year	-7.684	1.601	-6.787	2.130
Deferred tax for the year recognised in equity	720	-561	720	-561
<b>Deferred tax at 31 December, net</b>	<b>48.861</b>	<b>56.634</b>	<b>21.746</b>	<b>27.813</b>
<b>Deferred tax is recognised as follows in the balance sheet:</b>				
Deferred tax asset	48.982	56.669	21.746	27.813
Deferred tax liability	-121	-35	0	0
<b>Net deferred tax at 31 December</b>	<b>48.861</b>	<b>56.634</b>	<b>21.746</b>	<b>27.813</b>
<b>Deferred tax pertains to:</b>				
Intangible assets	-9.096	-2.817	-9.096	-2.817
Property, plant and equipment	-1.697	-1.741	-1.717	-1.753
Inventories	7.119	6.333	0	0
Equity	401	-319	401	-319
Provisions	1.629	1.251	0	0
Liabilities other than provisions	45.439	48.478	32.158	32.702
Recaptured losses	283	511	0	0
Tax losses	4.783	4.938	0	0
<b>Total deferred tax (net liability)</b>	<b>48.861</b>	<b>56.634</b>	<b>21.746</b>	<b>27.813</b>

Tax losses carried forward are recognised in the balance sheet only if they are expected to be utilised within a period of 5 (five) years. This principle entails that an amount of MDKK 13,3 (2019: MDKK 15,7) related to the subsidiary Borg Automotive UK Ltd. have not be recognised in the balance sheet. The unrecognised tax loss may be carried forward for an unlimited period.



**18 DEFERRED TAX**  
**(Continued)**
**CONSOLIDATED**

<b>2020</b>	<b>1 Jan.</b>	<b>Foreign exchange adjustment</b>	<b>Recognised in profit for the year</b>	<b>Recognised in equity</b>	<b>31 Dec.</b>
Intangible assets	-2.817	0	-6.279	0	-9.096
Property, plant and equipment	-1.741	-1	45	0	-1.697
Inventories	6.333	-340	1.126	0	7.119
Equity	-319	0	0	720	401
Provisions	1.251	-88	466	0	1.629
Liabilities other than provisions	48.479	-56	-2.983	0	45.440
Recaptured losses	511	-29	-199	0	283
Tax losses	4.937	-295	140	0	4.782
<b>Deferred tax at 31 December, net</b>	<b>56.634</b>	<b>-809</b>	<b>-7.684</b>	<b>720</b>	<b>48.861</b>

<b>2019</b>	<b>1 Jan.</b>	<b>Foreign exchange adjustment</b>	<b>Recognised in profit for the year</b>	<b>Recognised in equity</b>	<b>31 Dec.</b>
Intangible assets	-3.057	0	240	0	-2.817
Property, plant and equipment	-1.707	0	-34	0	-1.741
Inventories	5.089	51	1.193	0	6.333
Equity	242	0	0	-561	-319
Provisions	1.115	13	123	0	1.251
Liabilities other than provisions	30.873	3	17.603	0	48.479
Recaptured losses	508	5	-2	0	511
Tax losses	22.203	256	-17.522	0	4.937
<b>Deferred tax at 31 December, net</b>	<b>55.266</b>	<b>328</b>	<b>1.601</b>	<b>-561</b>	<b>56.634</b>

**PARENT COMPANY**

<b>2020</b>	<b>1 Jan.</b>	<b>Foreign exchange adjustment</b>	<b>Recognised in profit for the year</b>	<b>Recognised in equity</b>	<b>31 Dec.</b>
Intangible assets	-2.816	0	-6.280	0	-9.096
Property, plant and equipment	-1.754	0	37	0	-1.717
Equity	-319	0	0	720	401
Liabilities other than provisions	32.702	0	-544	0	32.158
<b>Deferred tax at 31 December, net</b>	<b>27.813</b>	<b>0</b>	<b>-6.787</b>	<b>720</b>	<b>21.746</b>

<b>2019</b>	<b>1 Jan.</b>	<b>Foreign exchange adjustment</b>	<b>Recognised in profit for the year</b>	<b>Recognised in equity</b>	<b>31 Dec.</b>
Intangible assets	-3.056	0	240	0	-2.816
Property, plant and equipment	-1.720	0	-34	0	-1.754
Equity	242	0	0	-561	-319
Liabilities other than provisions	30.778	0	1.924	0	32.702
<b>Deferred tax at 31 December, net</b>	<b>26.244</b>	<b>0</b>	<b>2.130</b>	<b>-561</b>	<b>27.813</b>

19 INVENTORIES	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
Raw materials and consumables	207.739	203.238	217.628	212.948
Finished goods and goods for resale	162.331	166.183	174.574	178.285
<b>Total inventories</b>	<b>370.070</b>	<b>369.421</b>	<b>392.202</b>	<b>391.234</b>
Inventory values are presented at lower of cost and net realisable value.				
Cost of inventories for which impairment losses have been recognised	178.044	179.698	186.907	188.629
Accumulated impairment losses on inventories	-46.244	-40.356	-48.529	-42.340
<b>Net sales value</b>	<b>131.800</b>	<b>139.342</b>	<b>138.378</b>	<b>146.289</b>

During 2020, TDKK 6.185 (2019: TDKK 6.580) was recognised as an expense for inventories carried at net realisable value at Group level. This is recognised in cost sales.

In the Parent Company, TDKK 6.185 (2019: TDKK 6.580) was recognised during 2020 as an expense for inventories carried at net realisable value. This is recognised in cost sales or as a part of result in shares in subsidiaries.

20 CORPORATE INCOME TAX	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
Income tax payable at 1 January	-3.271	5.438	3.373	-1.079
Exchange adjustments	178	-27	0	0
Current tax for the year	-9.944	-24.898	-4.390	-9.437
Adjustment related to prior years	-110	-46	-106	-32
Corporate income tax paid during the year	7.679	2.370	10	31
Joint taxation contribution paid during the year	8.032	13.892	8.032	13.890
<b>Income tax at 31 December</b>	<b>2.564</b>	<b>-3.271</b>	<b>6.919</b>	<b>3.373</b>
<i>Which is distributed as follows:</i>				
Corporate income tax, receivable	1.548	0	1	0
Joint taxation contribution, receivable	6.918	3.375	6.918	3.375
Corporate income tax, payable	-5.902	-6.646	0	-2
<b>Income tax at 31 December</b>	<b>2.564</b>	<b>-3.271</b>	<b>6.919</b>	<b>3.373</b>

21 RECEIVABLES AND PAYABLES WITH RELATED PARTIES	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
Receivables from related parties, interest-bearing, non-current	0	0	193.618	0
Receivables from related parties, interest-bearing, current	24.308	31.957	16.747	169.045
Receivables from related parties, current	0	0	2.737	0
Payables to related parties, interest-bearing, non-current	0	0	-126.992	-113.784
Payables to related parties, interest-bearing, current	0	0	0	0
Payables to related parties, current	0	0	-409.575	-364.420
	<b>24.308</b>	<b>31.957</b>	<b>-323.465</b>	<b>-309.159</b>
<i>Recognised as follows in assets:</i>				
Receivables from related parties, non-current	0	0	193.618	0
Receivables from related parties, current	24.308	31.957	19.484	169.045
Payables to related parties, non-current	0	0	-126.992	-113.784
Payables to related parties, current	0	0	-409.575	-364.420
	<b>24.308</b>	<b>31.957</b>	<b>-323.465</b>	<b>-309.159</b>

**22 SHARE CAPITAL**

The share capital consists of 5.000 shares of each DKK 200

	2020	2019
	1.000	1.000

The shares have not been divided into classes. During the last five years, no changes have been made to the share capital.

The following shareholder is registered to hold 100 % of the shares and voting capital of the company:

Aktieselskabet Schouw & Co.  
 Chr. Filtenborgs Plads 1, 8000 Aarhus C  
 Company registration number: 63 96 58 12

23 INTEREST-BEARING DEBT	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
Debt recognised in the balance sheet:				
Mortgage debt	3.760	4.286	3.760	4.286
Credit institutions	4.368	964	4.368	0
Lease liabilities	19.547	20.733	467	530
Payables to related parties	0	0	126.992	113.784
<b>Non-current interest bearing debt</b>	<b>27.675</b>	<b>25.983</b>	<b>135.587</b>	<b>118.600</b>
Current portion of non-current interest-bearing debt	10.784	10.921	1.142	1.428
<b>Current interest-bearing debt</b>	<b>10.784</b>	<b>10.921</b>	<b>1.142</b>	<b>1.428</b>
<b>Total interest-bearing debt</b>	<b>38.459</b>	<b>36.904</b>	<b>136.729</b>	<b>120.028</b>
<b>Fair-value of interest-bearing debt</b>	<b>38.459</b>	<b>36.904</b>	<b>136.729</b>	<b>120.028</b>
Weighted average effective rate of interest for the year was (%)	1,6%	2,0%	0,9%	1,3%
Weighted average effective rate of interest for the balance sheet date was (%)	1,5%	2,4%	1,1%	0,2%
<i>Interest-bearing debt per currency:</i>				
DKK	9.737	6.238	9.737	6.238
EUR	7.972	1.178	126.992	113.784
PLN	12.230	17.604	0	0
USD	0	6	0	6
GBP	8.520	11.878	0	0
<b>Total interest-bearing debt</b>	<b>38.459</b>	<b>36.904</b>	<b>136.729</b>	<b>120.028</b>

Borg Groups borrowings are mainly in GBP, PLN and EUR with floating rates. The fair value of the floating rate loans are approximately the carrying amounts.

**23 INTEREST-BEARING DEBT (Continued)**  
**Development in Net interest-bearing debt**

<b>CONSOLIDATED</b>							
<b>Non-cash changes</b>							
<b>2020</b>	<b>1 Jan.</b>	<b>Cash flow</b>	<b>Acquisi- tions</b>	<b>Currency exchange movements</b>	<b>IFRS 16 lease liabilities</b>	<b>Other</b>	<b>31 Dec.</b>
<b>Interest-bearing assets</b>							
Non-current receivables	327	-253	0	-1	0	0	73
Receivables from related parties, current	31.957	-8.459	0	810	0	0	24.308
Cash	3.029	5.991	0	-215	0	0	8.805
<b>Interest-bearing liabilities</b>							
Non-current mortgage debt	-4.286	0	0	0	0	527	-3.759
Non-current credit institutions	-964	0	0	61	0	-3.465	-4.368
Non-current lease liabilities	-20.733	50	-5.159	1.218	0	5.077	-19.547
Current part of non-current mortgage debt	-523	525	0	0	0	-527	-525
Current part of non-current, credit institutions	-1.154	1.083	0	73	0	-903	-901
Current part of non-current lease debt	-9.244	9.239	-1.268	470	0	-8.556	-9.359
<b>Net interest-bearing debt</b>	<b>-1.591</b>	<b>8.176</b>	<b>-6.427</b>	<b>2.416</b>	<b>0</b>	<b>-7.847</b>	<b>-5.273</b>

<b>Non-cash changes</b>							
<b>2019</b>	<b>1 Jan.</b>	<b>Cash flow</b>	<b>Acquisi- tions</b>	<b>Currency exchange movements</b>	<b>IFRS 16 lease liabilities</b>	<b>Other</b>	<b>31 Dec.</b>
<b>Interest-bearing assets</b>							
Non-current receivables	254	73	0	0	0	0	327
Current receivables from related parties	51.019	-18.957	0	-105	0	0	31.957
Cash	4.911	-2.048	0	166	0	0	3.029
<b>Interest-bearing liabilities</b>							
Non-current mortgage debt	-4.810	0	0	0	0	524	-4.286
Non-current credit institutions	-2.099	1.157	0	-22	0	0	-964
Non-current lease liabilities	-3.460	9.721	0	-35	-31.415	4.456	-20.733
Current part of non-current mortgage debt	-522	523	0	0	0	-524	-523
Current part of non-current, credit institutions	-1.145	0	0	-9	0	0	-1.154
Current part of non-current lease debt	-2.174	648	0	-22	-9.244	1.548	-9.244
<b>Net interest-bearing debt</b>	<b>41.974</b>	<b>-8.883</b>	<b>0</b>	<b>-27</b>	<b>-40.659</b>	<b>6.004</b>	<b>-1.591</b>

**23 INTEREST-BEARING DEBT (Continued)**  
**Development in Net interest-bearing debt**

2020	PARENT COMPANY						
	Non-cash changes						
	1 Jan.	Cash flow	Acquisitions	Currency exchange movements	IFRS 16 lease liabilities	Other	31 Dec.
<b>Interest-bearing assets</b>							
Non-current receivables from related parties	0	5.342	0	-9.158	0	197.434	193.618
Current receivables from related parties	169.046	-3.873	0	1.083	0	-149.509	16.747
Cash	45	6.254	0	-45	0	0	6.254
<b>Interest-bearing liabilities</b>							
Non-current credit institutions	0	0	0	0	0	-4.368	-4.368
Non-current mortgage debt	-4.286	0	0	0	0	527	-3.759
Non-current lease liabilities	-530	0	0	0	0	63	-467
Non-current payables to related parties	-113.784	-11.524	0	453	0	-2.137	-126.992
Current part of non-current mortgage debt	-523	525	0	0	0	-527	-525
Current part of non-current lease debt	-905	1.071	0	0	0	-784	-618
<b>Net interest-bearing debt</b>	<b>49.063</b>	<b>-2.205</b>	<b>0</b>	<b>-7.667</b>	<b>0</b>	<b>40.699</b>	<b>79.890</b>
<b>2019</b>							
<b>Non-cash changes</b>							
<b>Interest-bearing assets</b>							
Non-current receivables from related parties	108.760	0	0	0	0	-108.760	0
Current receivables from related parties	96.517	-37.971	0	3.578	0	106.922	169.046
Cash	589	-544	0	0	0	0	45
<b>Interest-bearing liabilities</b>							
Non-current mortgage debt	-4.810	0	0	0	0	524	-4.286
Non-current lease liabilities	0	0	0	0	-1.591	1.061	-530
Non-current payables to related parties	0	-17.358	0	-12	0	-96.414	-113.784
Current part of non-current mortgage debt	-522	523	0	0	0	-524	-523
Current part of non-current lease debt	0	1.061	0	0	-905	-1.061	-905
Current payables to related parties	-94.707	0	0	0	0	94.707	0
<b>Net interest-bearing debt</b>	<b>105.827</b>	<b>-54.289</b>	<b>0</b>	<b>3.566</b>	<b>-2.496</b>	<b>-3.545</b>	<b>49.063</b>

	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
<b>24 OTHER PAYABLES</b>				
Core liability	59.293	62.575	45.481	45.981
Earn-out	7.813	0	0	0
Other payables	0	1.550	0	1.550
<b>Other payables, non-current</b>	<b>67.106</b>	<b>64.125</b>	<b>45.481</b>	<b>47.531</b>
Core liability	177.880	187.726	136.442	137.942
Employee related debt	20.486	16.652	6.694	6.138
Hedging, unrealised loss	1.826	0	1.826	0
Customer bonus	17.340	17.456	17.340	17.456
VAT	5.645	0	5.645	0
Earn-out	7.813	0	0	0
Other costs payable	10.306	9.105	5.941	2.227
<b>Other payables, current</b>	<b>241.296</b>	<b>230.939</b>	<b>173.888</b>	<b>163.763</b>
<b>Total other payables</b>	<b>308.402</b>	<b>295.064</b>	<b>219.369</b>	<b>211.294</b>
	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
<b>25 PROVISIONS</b>				
At 1 January	12.960	11.144	12.725	11.144
Utilized during the year	-12.960	-11.144	-12.725	-11.144
Additions	22.106	12.960	21.896	12.725
<b>At 31 December</b>	<b>22.106</b>	<b>12.960</b>	<b>21.896</b>	<b>12.725</b>
<i>Recognised in the balance sheet as follows:</i>				
Non-current liabilities	0	0	0	0
Current liabilities	22.106	12.960	21.896	12.725
<b>Provisions 31 December</b>	<b>22.106</b>	<b>12.960</b>	<b>21.896</b>	<b>12.725</b>
<i>Recognised in the income statement:</i>				
Cost of sales	22.106	12.960	21.896	12.725
<b>Provisions recognised in the income statement</b>	<b>22.106</b>	<b>12.960</b>	<b>21.896</b>	<b>12.725</b>

Provisions made comprise of warranty commitments related to goods sold, since the company has a contractual obligation to provide warranties up to 24 months. Under these warranties the company either replace or repair goods which do not function according to promised standards. The statement of expected expiry dates is based on historical data and previous experience related to the typical receipt or return of goods.

The average historical return rate of warranty units are 9 months.

26 ADJUSTMENT FOR NON-CASH TRANSACTIONS	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
Purchase of intangible assets	-2.236	-8.532	-47.798	-8.381
Of which had not been paid at the balance sheet date/adjustment for the year	170	1.932	170	1.932
<b>Amount paid in relation to intangible assets</b>	<b>-2.066</b>	<b>-6.600</b>	<b>-47.628</b>	<b>-6.449</b>
Purchase of property, plant and equipment	-9.867	-20.537	-175	-383
Acquisition of business				
Of which had not been paid at the balance sheet date/adjustment for the year	568	285	0	0
<b>Amount paid in relation to purchase of property, plant and equipment</b>	<b>-9.299</b>	<b>-20.252</b>	<b>-175</b>	<b>-383</b>
Incurring financial liabilities	10.360	34.891	815	2.496
Of which lease debt	-10.360	-34.891	-815	-2.496
<b>Proceeds from incurring financial liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



**27 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS**

BORG Automotive Group actively monitors and manages the risks which the Group is exposed to via its regular business operations, investments and financing activities. The risks are listed below:

- 1. MARKET RISK**, is the risk of incurring losses in financial positions arising from movements in raw material prices, exchange currency rate and interests due to which the Borg Group is exposed. Furthermore the Group is exposed to a general market risk.
- 2. CREDIT RISK**, is the risk of incurring a financial loss if a customer is unable to fulfill its contractual obligations.
- 3. LIQUIDITY- AND FINANCING RISK**, is the risk that the Group is not able to meet its future cash flow needs.

**GENERAL MARKET RISK**

The general market risk relates to the risk of changes in the market on which the Group operates and sell its products.

<b>Related business activity</b>	<b>Implication</b>	<b>Risk Mitigation</b>	<b>Impact</b>
The market upon which BORG Group operate and sell its products have the recent years been characterized and affected by considerable customer consolidations. The consequens of this consolidation is an increase in the purchasing power of the customers and a change in the trading patterns on the market. Further the impact from BREXIT are expected to challenged the logistics related to the transportation of goods to UK.	Effect: Medium Threat: Low	To mitigate the customer consolidation risk and ensure the future customer and revenue base of the Group, focus is on delivering a high and valuable customer service. This covers a closer cooperation with the customers as well as matching market expectations related to prices of goods with services offered. The challenges arising from BREXIT relateds to the transport of goods to UK is mitigated by ensuring a flexibel logistical setup and a continued close cooperation with the external freight providers.	A successfull risk mitigation will expectedly increase overall sales volume on the existing customer portfolio, but potentially at a lower margin. Additionally the market share may be impacted either up- or downwards.

**RAW MATERIAL PRICE RISK**

Raw material price risk relates to the risk of changes in the market prices of raw materials (cores).

<b>Related business activity</b>	<b>Implication</b>	<b>Risk Mitigation</b>	<b>Impact</b>
The Group is exposed to changes in raw material prices related to the purchase of cores used in the production.  The development in raw material prices not only affect the expense related directly to the purchase of cores for production, but also the value of the net core liability to customers.  A direct consequens of COVID-19 and the close down of countries all around Europe, is a reduced free flow of cores and thus an increased in the prices of available cores on the market.	Effect: High Threat: Medium	The raw material price risk is not hedged. The potential impact on the financial results may be significant, since the price change can not immediately be transferred to the sales prices. The development of the prices in the unregulated core market are therefore monitered continously and closely, since the timing of the core purchases are of the essence. The skills and market knowledge of the core purchasers are crucial to reduce this raw material price risk. The reduced flow of free cores have entailed that the external purchases of cores have been reduced to a minimum compared to previously and the development in both the market and the core stock levels are observed closely to ensure sufficient cores for production at as low prices at possible.	A reduction in the core market price will result in a short term loss due to the change in the purchase obligation to the customers, but will in the longer perspective reduce the cost price of the raw materials thus affecting the result positively.

Penneo dokumentnøgle: LCO6X-G52W5-XOGLB-MI755-CXM2X-PTN4H

**27 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (Continued)**
**Sensitivity of raw material price risk**

A 5% increase in the core market prices would increase Group revenue with MDKK 24,7 (2019: MDKK 24,4) and cost of goods sold with MDKK 6,4 (2019: MDKK 7,1), positive net effect on profit before tax of MDKK 18,3 (2019: MDKK 17,3). A 5% decrease in the core market price would have a corresponding invert effect.

For the Parent company a 5% increase in the core market prices would increase revenue with MDKK 20,7 (2019: MDKK 20,0) and cost of goods sold with MDKK 4,7 (2019: MDKK 5,1), positive net effect on profit before tax of MDKK 16,0 (2019: MDKK 14,9). A 5% decrease in the core market price would have a corresponding invert effect.

**CURRENCY RISK**

Currency risk is the risk of incurring higher expenses and lower income from sales due to changes in the foreign currencies.

Related business activity	Implication	Risk Mitigation	Impact
Overall the Group is exposed to currency risk due to selling in EUR, buying raw materials in EUR and USD as well as trading intercompany in PLN, EUR and GBP. Additionally, the Parent Company is exposed to currency risks related to Intercompany loans with the subsidiaries in the functional currencies of the subsidiaries and net investments in subsidiaries with functional currencies in PLN, GBP and EUR.	Effect: Medium  Threat: Low	The largest currency risk exposure for the BORG Group and the Parent Company is the purchase of goods from the subsidiary in Poland in PLN. As a safeguard to this exposure a "rolling" hedge strategy is applied, where the expected requirements of PLN on a rolling 12 months basis is hedged. EUR cash flows are not hedged due to the Danish fixed exchange rate policy against EUR, while the GBP exposure relates mainly to sales of a more limited size and are therefore not hedged. The Intercompany loans and net investments in foreign subsidiaries are not hedged.	The effect from currency risk originates mainly from PLN cash flow.  The company has hedged the currency risk in accordance with the Group's policy.  As in 2020, the Group and Parent Company only used derivative financial instruments to hedge exchange rates risks.

**CONSOLIDATED**

The Group's foreign exchange risks recognised in the balance sheet at 31 December 2020:

Currency	Securities and cash/ equivalents		Debt	Net position before hedging	Hedged by financial instruments	Net position after hedging
	Receivables					
EUR / DKK	9.801	164.269	-558.668	-384.598	0	-384.598
EUR / GBP	3.190	14.209	-6.319	11.080	0	11.080
EUR / USD	0	529	0	529	0	529
EUR / PLN	24	1.812	-11.885	-10.049	0	-10.049
DKK / GBP	0	0	154	154	0	154
DKK / PLN	200	0	0	200	0	200
GBP / DKK	0	31.352	-6.101	25.251	0	25.251
GBP / PLN	20	260	-3.393	-3.113	0	-3.113
PLN / DKK	6.227	107.658	-38.346	75.539	0	75.539
USD / GBP	0	0	-23	-23	0	-23
USD / PLN	1	0	-1.538	-1.537	0	-1.537
SEK / PLN	0	0	-72	-72	0	-72
SEK / DKK	0	0	-12	-12	0	-12
SEK / GBP	0	0	-28	-28	0	-28

**27 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (Continued)**

The group's foreign exchange risks recognised in the balance sheet at 31 December 2019:

Currency	Securities and cash/ equivalents		Receivables	Debt	Net position before hedging	Hedged by financial instruments	Net position after hedging
EUR / DKK	61.807		129.928	-490.813	-299.078	0	-299.078
USD / DKK	-6		0	0	-6	0	-6
GBP / DKK	1.245		45.991	-6.918	40.318	0	40.318
PLN / DKK	3.802		111.553	-11.299	104.056	0	104.056
CNY / DKK	93		542	-2.430	-1.795	0	-1.795
SEK / DKK	0		0	-50	-50	0	-50
EUR / GBP	3.110		12.426	-3.029	12.507	0	12.507
USD / GBP	0		0	-2.750	-2.750	0	-2.750
DKK / GBP	0		10	0	10	0	10
EUR / PLN	429		19.139	-19.648	-80	0	-80

For trade receivables and payables as well as other receivables and payables the fair value approximates the carrying amount due to the short term nature of these balances.

**PARENT COMPANY**

The Parent Company's foreign exchange risks recognised in the balance sheet at 31 December 2020:

Currency	Securities and cash/ equivalents		Receivables	Debt	Net position before hedging	Hedged by financial instruments	Net position after hedging
EUR / DKK	9.801		164.269	-558.668	-384.598	0	-384.598
GBP / DKK	0		31.352	-6.101	25.251	0	25.251
PLN / DKK	6.227		107.658	-38.346	75.539	0	75.539
SEK / DKK	0		0	-12	-12	0	-12

The Parent Company's foreign exchange risks recognised in the balance sheet at 31 December 2019:

Currency	Securities and cash/ equivalents		Receivables	Debt	Net position before hedging	Hedged by financial instruments	Net position after hedging
EUR / DKK	61.807		129.928	-490.813	-299.078	0	-299.078
GBP / DKK	1.245		45.991	-6.918	40.318	0	40.318
PLN / DKK	3.802		111.553	-11.299	104.056	0	104.056
SEK / DKK	0		0	-50	-50	0	-50
USD / DKK	-6		0	0	-6	0	-6

**27 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (Continued)**
**Sensitivity of currency risk**

To measure currency risk in accordance with IFRS 7, sensitivity is calculated as the change in fair value of future cash flow from financial instruments as a result of fluctuations in exchange rates at the Balance Sheet date. Other things being equal and after tax, sensitivity to fluctuations in PLN and GBP at Balance Sheet date based on a 10% decrease in currency translations against DKK would result in a net (loss) of MDKK 10,1 MDKK (2019: MDKK 14,4 mDKK) and affect equity by MDKK 7,9 (2019: 11,3). The effect of a 10% increase in the currency translation rates against DKK would have a corresponding inverse effect. The exposure is the same for both Group and Parent company relative to the translation against DKK.

**Exchange rate contracts at year-end:**

TDKK		Contractual value		Fair value		Gains and losses recognized in the equity	
Currency	Period	2020	2019	2020	2019	2020	2019
PLN	0-1 year	120.000	120.000	199.170	210.498	-1.426	1.129
Tax						-401	319
<b>Total before tax</b>						<b>-1.826</b>	<b>1.448</b>

The figures are the same for the Group and the Parent Company.

**INTEREST RISK**

Interest risk covers the risk of incurring additional cost related to changes in the interest level on interest bearing debt.

Related business activity	Implication	Risk Mitigation	Impact
Due to financing of investments and normal business operations, the Group is exposed to risk concerning the fluctuations on interest rates.	Effect: Low Threat: Low	Interest risk are not hedged, since the risk is considered very low.  The Group uses cash pool arrangements to net funds on deposits with debt to minimize interest payments.	The interest bearing debt amount to TDKK 38.459 at the end of 2020 (2019: TDKK 36.904), amounting to 5% of total balance sheet value (2019: 5%).
The primary risk to which the Group and the Parent Company is exposed is related to the cash pool accounts and the DANSKE BID/BOR.			

**Sensitivity of interest risk**

For the Group, the calculated effect after tax based on an interest rate increase of 1%-point would affect profit and equity positively with TDKK 161 (2019: TDKK 251).

For the Parent company, the corresponding increase in the interest rate would affect profit and equity negatively by TDKK 691 (2019: TDKK 383).

A corresponding decrease of 1% point in the interest rate would have the opposite effect on profit and equity.

**27 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (Continued)**

**CREDIT RISK**

<b>Related business activity</b>	<b>Implication</b>	<b>Risk Mitigation</b>	<b>Impact</b>
<p>The Group is exposed to credit risks arising from receivables and from balances with banks including derivative financial instruments.</p> <p>Risks related to receivables are primarily with reference to customers not fulfilling their contractual obligations.</p> <p>Credit risk with banks occur when it is uncertain whether the bank is capable of settling its obligations when due towards the Group.</p>	<p>Effect: Low</p> <p>Threat: Low</p>	<p>The credit risk in relation to customers (trade receivables) is countered by Group policy, with effective management of customer credit and thorough regular analyses based on customer type, country, and specific conditions. Generally, customers are creditworthy and historically only a small and insignificant losses has been realized. Additionally external credit insurance from Euler Hermes are generally used on all customers if possible, which together with the possibility to offset outstanding deposits (core liability) on the outstanding amounts from customers reduces the risk of losses significantly.</p> <p>The risk credit risk related to deposits on the cash pool accounts with Schouw &amp; Co. via Danske bank as well as receivables from the subsidiaries are considered low due to a high creditworthiness of these parties.</p> <p>The group is not exposed to concentration risk regarding customers or vendors.</p>	<p>In general, there are no significant credit risk relative to individual customers.</p> <p>In 2020, the Group has incurred a minor loss of TDKK 2. In 2019, the loss amounted to TDKK 120.</p> <p>The Group does not expect any loss on trade receivables or amounts owed by subsidiaries. Therefore, there has not been recognised any ECL loss.</p>

In 2020, an impairment of trade receivables of 0,0%, corresponding to TDKK 0 (2019: 0,7% and TDKK 814) was included in the closing balance as of 31 December 2020 for the Group.

For the Parent Company the impairment amount included in the balance as of 31 December 2020 related to trade receivables amounted 0,0%, corresponding to TDKK 0 (2019: 0,8% and TDKK 814).

For both the Group and Parent Company the impairment related to receivables more than 90 days overdue.

**27 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (Continued)**

	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
Trade receivables can be specified as follows:				
Not overdue	91.298	93.652	65.575	85.643
Due below 30 days	12.543	15.109	7.692	12.409
Due between 31 and 90 days	1.677	3.282	745	2.587
Due above 90 days	14	814	14	814
<b>Trade receivables before allowance</b>	<b>105.532</b>	<b>112.857</b>	<b>74.026</b>	<b>101.453</b>
Impairment	0	-814	0	-814
<b>Total trade receivables</b>	<b>105.532</b>	<b>112.043</b>	<b>74.026</b>	<b>100.639</b>
Proportion of the total receivables which is expected to be settled	100,0%	99,3%	100,0%	99,2%
Impairment rate	0,0%	0,7%	0,0%	0,8%

The impairment losses accounted for at 31 December 2019 is related to trade receivables due more than 90 days.

	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
<b>Impairment losses on trade receivables</b>				
Impairment losses at 1 January	-814	-452	-814	-452
Exchange rate adjustments	0	0	0	0
Reversed impairment losses	814	14	814	14
Impairment losses during the year	-2	-496	-2	-496
Realised loss	2	120	2	120
<b>Impairment losses at 31 December</b>	<b>0</b>	<b>-814</b>	<b>0</b>	<b>-814</b>

**LIQUIDITY- AND FINANCING RISK**

Related business activity	Implication	Risk Mitigation	Impact
The Group is exposed to liquidity risk due to ongoing business activities, investments and to a minor extent repayment of mortgage debt.	Effect: Low Threat: Low	Liquidity is managed at Group level.  The Group generates a positive cash flow from operations and continuously prepares rolling-cash flows and monitors liquidity requirements for all Group companies.	The Groups liquidity reserve at year-end 2020 consist of both cash at hand and deposits at credit institutions and deposits on cash pool accounts of TDKK 33.128 (2019: TDKK 88.864). In addition to the current deposits the Group has an overdraft facility of MDKK 118 of which TDKK 16 was utilized at end of 2020 (2019: TDKK 53.878) It is the Management 's opinion that the Group has sufficient financial resources to settle its outstanding obligations as they become due.

**27 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (Continued)**
**LIQUIDITY- AND FINANCING RISK (Continued)**

BORG Group is financed by the parent company Schouw & Co, via a credit facility with a bank consortium consisting of Danske Bank, DNB, Nordea and Hong Kong & Shanghai Banking Corporation (HSBC). MDKK 118 of this is allocated to BORG Group at year-end 2020, for the continued operations and development of the Group. The available facilities are continuously reviewed and the ultimate parent company Schouw & Co. provides the adequate funds required for the Group.

The available financial resources are deemed sufficient.

Below is a maturity analysis of the financial liabilities at year-end, 31 December 2020 and 31 December 2019.

	CONSOLIDATED							
	2020				2019			
	Carrying amount/ contractual cash flow	Cash flows including interests			Carrying amount/ contractual cash flow	Cash flows including interests		
0-1 year		1-5 years	< 5 years	0-1 year		1-5 years	< 5 years	
<b>Non-derivats:</b>								
Mortgage debt	4.284	572	2.212	1.707	4.809	582	2.255	2.265
Credit institutions	5.269	0	0	0	2.118	1.195	975	0
Lease liabilities	28.906	7.462	13.101	0	29.977	10.044	21.728	0
Other non-current payables	67.106	64.125	67.106		64.125	59.000	64.125	
Current liabilities other than provisions	319.040	319.040	0	0	284.411	284.411	0	0
<b>Derivats:</b>								
Forward contracts	1.826	1.826	0	0	0	0	0	0
	<b>426.431</b>	<b>393.025</b>	<b>82.419</b>	<b>1.707</b>	<b>385.440</b>	<b>355.232</b>	<b>89.083</b>	<b>2.265</b>
	PARENT COMPANY							
	2020				2019			
	Carrying amount/ contractual cash flow	Cash flows including interests			Carrying amount/ contractual cash flow	Cash flows including interests		
		0-1 year	1-5 years	< 5 years		0-1 year	1-5 years	< 5 years
<b>Non-derivats:</b>								
Mortgage debt	4.284	572	2.212	1.707	4.809	582	2.255	2.265
Lease liabilities	1.085	627	471	0	1.435	916	534	0
Non-current liabilities	172.473	0	172.473	0	161.315	0	161.315	0
Current liabilities other than provisions	595.948	595.948	0	0	538.162	538.162	0	0
<b>Derivats:</b>								
Forward contracts	1.826	1.826	0	0	0	0	0	0
	<b>775.616</b>	<b>598.973</b>	<b>175.156</b>	<b>1.707</b>	<b>705.721</b>	<b>539.660</b>	<b>164.104</b>	<b>2.265</b>

**27 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS**

(Continued)

	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
<b>Financial assets:</b>				
Non-current receivables	1.017	1.331	0	0
Trade receivables	105.532	112.043	74.026	100.639
Receivables from related parties	24.308	31.957	213.102	169.045
Other receivables	21.685	21.659	1.100	4.607
Cash in hand and in bank	8.804	3.029	6.254	45
<b>Receivables measured at amortised cost</b>	<b>161.346</b>	<b>170.019</b>	<b>294.482</b>	<b>274.336</b>
Derivative financial assets (fair value hierarchy level 2)	0	1.448	0	1.448
<b>Financial derivatives used for hedging purposes</b>	<b>0</b>	<b>1.448</b>	<b>0</b>	<b>1.448</b>
<b>Financial liabilities:</b>				
Non-current liabilities	94.781	90.108	54.076	52.347
Interest bearing debt	10.784	10.921	1.142	1.428
Payables to related parties	0	0	536.567	478.204
Trade payables and other debt	319.040	284.411	186.373	173.742
<b>Financial liabilities measured at amortised cost</b>	<b>424.605</b>	<b>385.440</b>	<b>778.158</b>	<b>705.721</b>
Derivative financial liabilities (fair value hierarchy level 2)	1.826	0	1.826	0
<b>Financial derivatives used for hedging purposes</b>	<b>1.826</b>	<b>0</b>	<b>1.826</b>	<b>0</b>

**28 CHANGES IN WORKING CAPITAL**

	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
Change in inventories	2.689	-32.216	-3.547	-13.859
Change in receivables	20.828	15.012	26.684	31.521
Change in trade payables and other payables	11.113	2.632	17.739	-28.186
<b>Changes in working capital in total</b>	<b>34.630</b>	<b>-14.572</b>	<b>40.876</b>	<b>-10.524</b>



29 CONTINGENT LIABILITIES AND GUARANTEES	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
<b>Contingent liabilities</b>				
<i>Net core liability</i>				
The Group has a repayment obligation in respect of deposits received from customers conditional on and at the same rate as customers return of used units (cores).				
Repayment obligation at year-end	559.891	533.371	437.752	402.486
Estimated value of cores	-322.718	-283.070	-255.830	-218.563
Net core liability accrued for in the balance sheet	237.173	250.301	181.922	183.923
<i>Joint taxation liability</i>				
Borg Automotive A/S is jointly taxed with the other danish companies of Schouw & Co. Group. According to the joint taxation provisions of the Danish Corporation Tax Act, the company is therefore liable for income taxes etc. for the jointly taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these companies. Schouw & Co. serves as the administration company in a Danish joint taxation agreement.				
Borg Group is predominately financed by resources of the parent company Schouw & Co. as well as a number of committed and to a lesser extent uncommitted credit facilities.				
The parent company Schouw & Co's source of financing is primarily composed of a syndicated banking facility, which in December 2020 was refinanced with a total facility framework of MDKK 3.275 against the previous MDKK 2.100. The facility is for a three-year period with the possibility of a one-year extension after years one and two. In connection with the refinancing of the banking facility, the previous banking consortium, consisting of Danske Bank, DNB and Nordea, was expanded with the international bank Hong Kong & Shanghai Banking Corporation (HSBC).				
In addition, in April 2019, Schouw & Co issued a Schuldschein issue totalling MEUR 136 (MDKK 1.012) with expiration in 2024 (80%) and 2026 (20%), and in April 2020, two committed bilateral facilities were established for a total of MDKK 1.000 in order to ensure maximum financial freedom of action for the Schouw & Co. Group during the Corona crisis. The bilateral facilities expire in April 2021 but allow for a one-year extension.				
Borg Group, like other major subsidiaries in the Schouw & Co. Group, co-guarantees the aforementioned facilities as well as a number of other smaller facilities totalling MDKK 256 established with the Schouw & Co. Group's global banker HSBC. In total, Borg Group is a co-guarantor for facilities of MDKK 5.043 of which MDKK 1.148 has been deducted as of 31 December 2020.				
The following amount was drawn on the facility at year-end	16	10.769	16	10.761
<b>Guarantees</b>				
As security for the engageemnt with mortgage institutions, mortgage deeds have been issued with a total value at year-end of	9.870	9.870	9.870	9.870
The value of the related assets amounts to the following	12.001	12.325	12.001	12.325
Debt to the mortgage-institution at year-end amouted to	4.284	4.809	4.284	4.809
Borg Automotive A/S have issued a mortgage deed, which is in the possession of the company. The mortgage deed amounts to	35.000	35.000	35.000	35.000

29 CONTINGENT LIABILITIES AND GUARANTEES (continued)	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
<b>Contractual commitments</b>				
BORG Group have committed to the purchase of machinery in the next year of the following amounts:	3.655	1.686	0	0
<b>Leasing commitments</b>				
Due for payment within 1 year	317	292	195	22
Due for payment within >1-5 years	87	363	43	61
Due for payment after 5 years	0	0	0	0
	<b>404</b>	<b>655</b>	<b>238</b>	<b>83</b>

### 30 RELATED PARTIES

The Parent Company of BORG Group, Borg Automotive A/S is owned 100% by Aktieselskabet Schouw & Co. All companies within the Schouw & Co. Group including BORG Group companies are considered related parties. Additionally members of the Board of Directors, Executive management as well as their family members are considered related parties. Furthermore, related parties are companies in which the above mentioned group of people has significant interests.

Transactions between companies within the BORG Group and other entities within the Schouw & Co. Group are included below:

	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
Sale of goods	0	0	165.621	196.833
Purchase of goods	0	0	611.114	679.035
Sale of services	0	0	15.442	18.982
Purchase of services	0	0	7.533	6.227
Purchase of assets in connection with acquisition of business	0	0	34.915	0
Purchase of research and development	0	0	7.231	28.946
Royalty income	0	0	4.659	0
Interests paid	556	886	2.661	2.551
Interests received	4	119	2.277	4.028
Management fee paid	1.400	1.350	1.400	1.350
Dividend paid	60.000	67.000	60.000	67.000
Dividend received	0	0	0	0
Receivables	24.308	31.957	213.102	169.045
Payables	0	0	536.567	478.204

The consolidated figures of BORG Group is included in the consolidated financial statements of the ultimate parent company Aktieselskabet Schouw & Co., Aarhus, Denmark.

The consolidated financial accounts for Schouw & Co. is publicly available and can be acquired at the following website: [www.schouw.dk](http://www.schouw.dk)

**31 EVENTS AFTER THE BALANCE SHEET DATE**

No material events have occurred after the end of the financial year.

**32 NEW AND AMENDED IFRS STANDARDS AND INTERPRETATIONS NOT YET ADOPTED BY THE EU**

The following new or amended IFRS Standards and Interpretations of relevance to the Group have been issued but not yet adopted by the EU:

- Amendments to IFRS 3 "Reference to the Conceptual Framework"
- Amendments to IAS 1: "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 16: "Property, Plant and Equipment: Proceeds before Intended Use"
  
- AIP (2018-2020 cycle): IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract

The new and amended Standards and Interpretations are not mandatory for the financial reporting for 2020. The Group expects to adopt the new Standards and Interpretations when they become mandatory. It has been assessed that the implementation of the new standards will not have any significant effect on the recognition and measurement of the balance sheet at 1 January 2021.

# PENNEO

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“Med min underskrift bekræfter jeg indholdet og alle datoer i dette dokument.”

## Kim Kruse Andersen

### Direktion

På vegne af: Borg Automotive A/S

Serienummer: PID:9208-2002-2-873715942155

IP: 178.157.xxx.xxx

2021-02-25 11:32:30Z

NEM ID 

## Jørn Ankær Thomsen

### Bestyrelse

På vegne af: Borg Automotive A/S

Serienummer: PID:9208-2002-2-870205526398

IP: 212.112.xxx.xxx

2021-02-25 13:20:18Z

NEM ID 

## Kurt Bering Sørensen

### Bestyrelse

På vegne af: Borg Automotive A/S

Serienummer: PID:9208-2002-2-997960756442

IP: 212.98.xxx.xxx

2021-02-25 14:11:32Z

NEM ID 

## Jens Bjerg Sørensen

### Bestyrelse

På vegne af: Borg Automotive A/S

Serienummer: PID:9208-2002-2-777069608877

IP: 5.103.xxx.xxx

2021-02-25 14:41:20Z

NEM ID 

## Søren Ulrik Toft-Jensen

### Bestyrelse

På vegne af: Borg Automotive A/S

Serienummer: PID:9208-2002-2-442363874792

IP: 178.157.xxx.xxx

2021-02-26 16:17:39Z

NEM ID 

## Carsten Thygesen

### Bestyrelse

På vegne af: Borg Automotive A/S

Serienummer: PID:9208-2002-2-656444386211

IP: 130.227.xxx.xxx

2021-03-01 12:55:50Z

NEM ID 

## Claus Hammer-Pedersen

### Statsautoriseret revisor

På vegne af: EY Godkendt Revisionspartnerselskab

Serienummer: CVR:30700228-RID:49314062

IP: 145.62.xxx.xxx

2021-03-03 13:33:27Z

NEM ID 

## Kim R. Mortensen

### Statsautoriseret revisor

På vegne af: EY Godkendt Revisionspartnerselskab

Serienummer: CVR:30700228-RID:1274257393762

IP: 85.184.xxx.xxx

2021-03-05 09:24:11Z

NEM ID 

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## Carsten Gyldenlev Kristoffersen

### Dirigent

På vegne af: Borg Automotive A/S

Serienummer: PID:9208-2002-2-360263085974

IP: 62.107.xxx.xxx

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