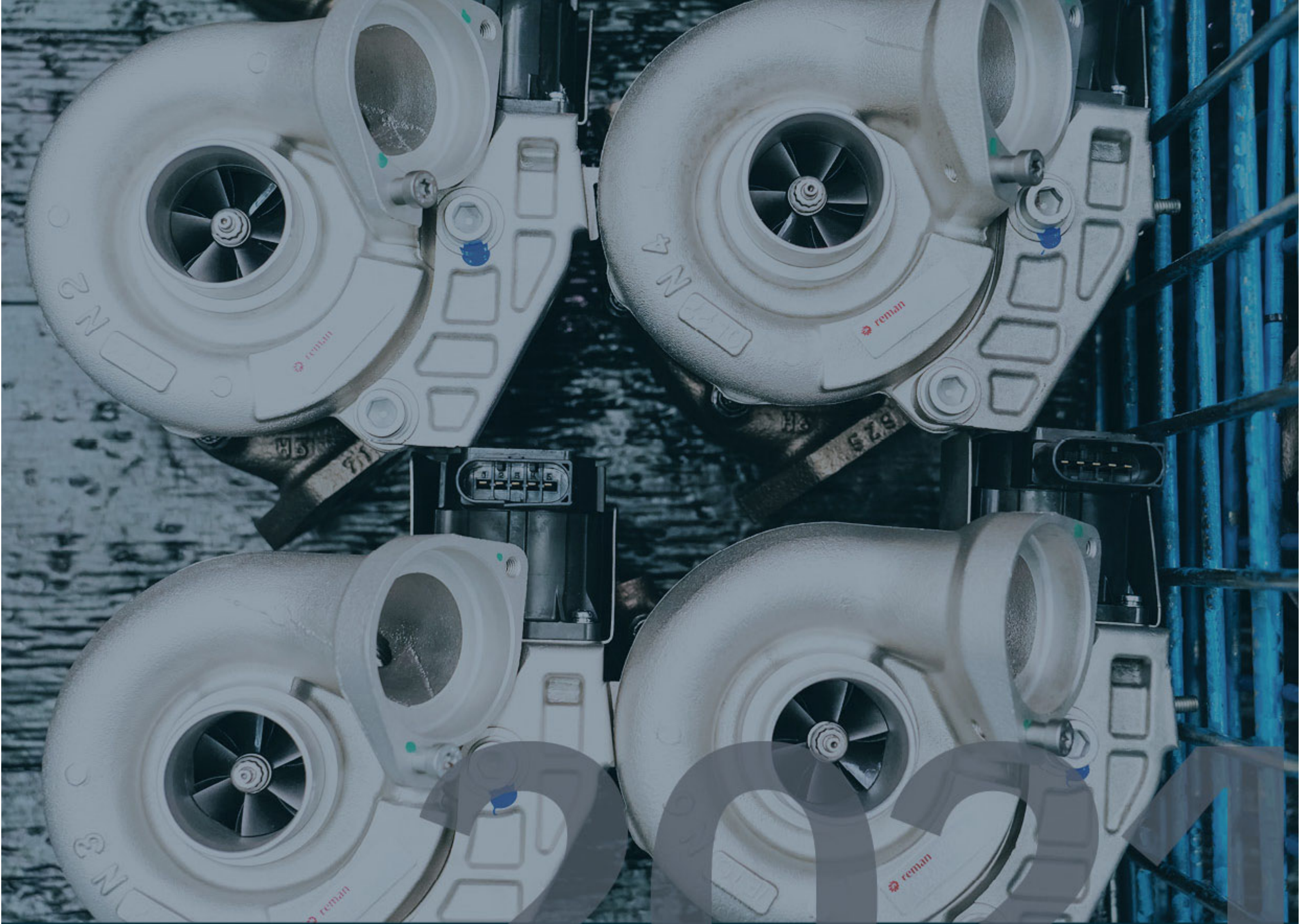


2021

ANNUAL REPORT

2021

BORG Automotive A/S

CVR: 87 32 24 16

Bergsøesvej 12
DK-8600 Silkeborg

Approved at the Annual General Meeting, 4 March 2022

Conductor
Carsten Gyldenlev Kristoffersen

BORG AUTOMOTIVE

CONTENT

CORPORATE INFORMATION

Borg Automotive A/S
Bergsøesvej 12
8600 Silkeborg
Denmark

Phone: +45 86 80 11 77
Web: 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
Peter Eriksen Jensen
Jørn Ankær Thomsen
Carsten Thygesen

Executive Management
Kim Kruse Andersen, CEO

Auditors
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Nobelparken
Jens Chr. Skous Vej 1
8000 Aarhus C
CVR-nr.: 33 77 12 31

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 2021.

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 2021 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 2021.

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, 21 February 2022

Executive Management

Kim Kruse Andersen
CEO

Board of Directors

Jens Bjerg Sørensen Chairman of the Board	Kurt Bering Sørensen Vice Chairman of the Board
Søren Ulrik Toft-Jensen	Jørn Ankær Thomsen
Peter Eriksen Jensen	Carsten Thygesen

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Borg Automotive A/S

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2021 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of the Group for the financial year 1 January - 31 December 2021, which comprise statements of income and other comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("financial statements").

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

Statement on the Management's review

Management is responsible for Management's Review.

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

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in 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 further requirements in 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 about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements 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 these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment 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 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, 21 February 2022

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Claus Lindholm Jacobsen
State Authorised Public Accountant
mne-no. 23328

Henrik Trangeled Kristensen
State Authorised Public Accountant
mne-no. 23333

FINANCIAL HIGHLIGHTS AND KEY RATIOS

	CONSOLIDATED			
	2021	2020	2019	2018
Revenue and income				
Revenue	1.368.358	870.568	917.678	951.564
EBITDA	162.123	108.211	110.000	130.647
Depreciation and amortization	46.484	25.834	25.308	12.566
Operating profit (EBIT)	115.639	82.377	84.692	118.081
Net Financial items	-17.227	-3.382	-985	-6.762
Profit for the year	73.999	61.257	60.364	84.621
Cash flows for the year				
Cash flow from operating activities	52.525	139.487	84.728	149.209
Cash flow from investing activities	-21.257	-71.059	-26.684	-40.939
Cash flow from financing activities	-16.285	-62.438	-60.092	-113.946
Cash flows for the year	23.689	8.804	3.029	4.911
Invested capital and financing				
Investments in property, plant and equipment	24.709	9.867	20.537	27.422
Net working capital	326.537	124.941	156.034	141.011
Invested capital	530.519	275.365	261.572	241.663
Total Assets	1.378.143	779.487	749.261	715.712
Equity	337.444	324.927	344.179	345.296
Net interest-bearing debt*	-137.776	-5.274	-1.591	41.974
Financial ratios				
EBITDA margin (%)	11,8%	12,4%	12,0%	13,7%
EBIT margin (%)	8,5%	9,5%	9,2%	12,4%
Net margin (%)	5,4%	7,0%	6,6%	8,9%
Return on equity (%)	22,3%	18,3%	17,5%	15,9%
Return on invested capital (%)	40,2%	40,3%	43,7%	50,9%
Solvency (%)	24,5%	41,7%	45,9%	48,2%
Financial data				
Average number of employees	2.002	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 year 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 (%)	$\frac{\text{EBITDA x 100}}{\text{Revenue}}$
EBIT margin (%)	$\frac{\text{EBIT x 100}}{\text{Revenue}}$
Net margin (%)	$\frac{\text{Profit for the year x 100}}{\text{Revenue}}$
Return on equity (%)	$\frac{\text{Profit for the year x 100}}{\text{Average equity}}$
Return on invested capital (%)	$\frac{\text{EBITDA x 100}}{\text{Average invested capital}}$
Solvency (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$

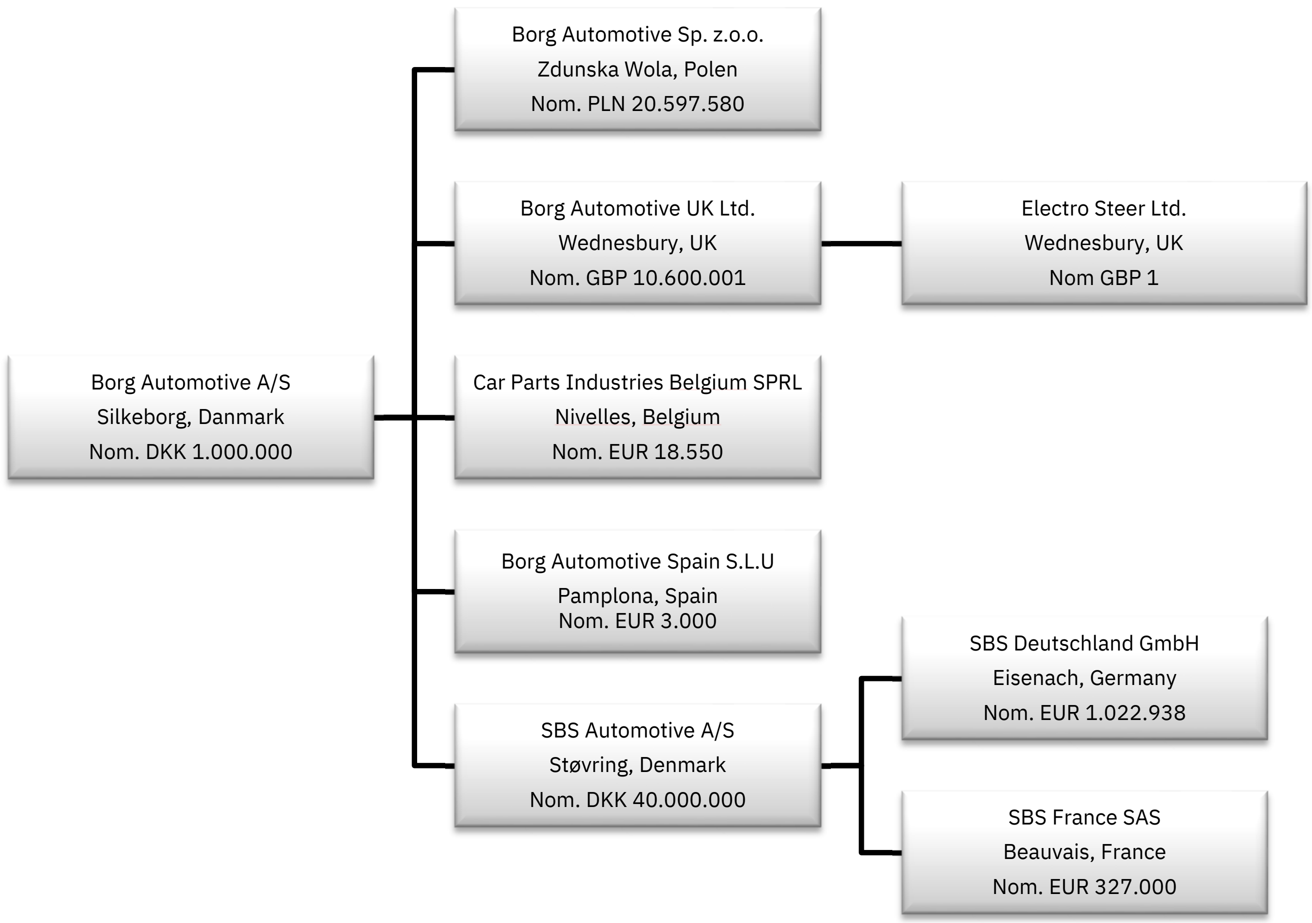
Average equity and average invested capital is calculated as a simple average of equity or invested capital beginnning of the year and equity or invested capital end of year.

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

	2021	2020	2019	2018
Inventories	714.177	370.070	369.421	336.632
Trade receivables	213.555	105.532	112.043	124.777
Other receivables	55.324	18.414	19.169	19.283
Prepayments	3.769	3.271	3.938	4.302
Trade payables	-273.028	-79.570	-53.473	-49.941
Paybles to related parties, non-interest bearing	0	0	0	-25
Other payables	-387.260	-292.776	-295.064	-294.017
Net working capital	**326.537**	**124.941**	**156.034**	**141.011**
Net working capital	326.537	124.941	156.034	141.011
Intangible assets	85.414	65.150	21.328	21.016
Property, plant and equipment	132.306	96.797	97.170	90.780
Provisions	-13.738	-11.523	-12.960	-11.144
Invested capital	**530.519**	**275.365**	**261.572**	**241.663**
Non-current interest-bearing debt	-48.843	-27.675	-25.983	-10.369
Current interest-bearing debt	-22.153	-10.784	-10.921	-3.841
Interest-bearing debt	**-70.996**	**-38.459**	**-36.904**	**-14.210**
Interest-bearing debt	-70.996	-38.459	-36.904	-14.210
Other receivables, interest bearing	72	73	327	254
Receivables from related parties	0	24.308	31.957	51.019
Payables to related parties	-90.541	0	0	0
Cash and cash equivalents	23.689	8.804	3.029	4.911

GROUP STRUCTURE

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. The remanufacturing of parts take place at the production facilities in Poland, UK and, Spain, while the products are sold throughout Europe by sales teams in Denmark and Belgium. At 1 July Borg Automotive acquired SBS Automotive Group which supplies spare parts for the automotive business. SBS Automotive has distribution facilities in Denmark, Germany, France, and Poland and the products are sold throughout Europe by sales teams in Denmark, Germany, Russia, and France.

2021 AT A GLANCE

Revenue for the fiscal year for the Group was MDKK 1.368 compared to MDKK 871 in 2020, corresponding to an increase of 57,2%. The profits before tax ended at MDKK 98 against last year of MDKK 79 corresponding to an increase of 24,6%. Excluding SBS Group revenue and earnings from the Group 2021 results, comparable revenue for the BORG Group amounted to MDKK 1.125, corresponding to an increase of 29,3%, while a comparable profit before tax amounted to MDKK 106, corresponding to a 34,1% increase in 2021. For the parent company revenue for the fiscal year was MDKK 971 compared to MDKK 753 in 2020, while profits before tax amounted to MDKK 90 compared to MDKK 73 in 2020.

For the Group profit for the year amounted to MDKK 74 (2020: MDKK 61), and to MDKK 74 (2020: MDKK 61) for the parent company.

The increase in revenue and thus higher profit before tax was a result of the acquisition of the new turbo chargers business as well as the addition of the SBS Automotive Group. The increase was further fuelled by the reopening of the markets where Borg Automotive operates, after a 2020 which was heavily impacted by COVID-19. Additionally, initiatives and cost reductions made during the corona pandemic in 2020 had a positive impact on the profit. BREXIT on 1 January 2021 had, as expected, a negative effect on the profit due to custom duties as well as delays and higher costs caused by the increased complexity and problems at the border. However, BREXIT has not resulted in loss of customers or revenue.

Overall the performance in 2021 are considered satisfactory compared to the expected level, where both comparable revenue (+29,3%) and earnings before tax (+34,1%) are realised higher in 2021 compared to the expected range of 15-25%. Last year, the higher revenue can be attributed primarily to the lower than expected impact of COVID-19 in 2021, as well as an impact of cost reductions and capacity adjustments during the year on earnings before tax.

During 2021 one of the focus areas for the Group has been navigating 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 increase in 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 Poland, UK, and Spain. The acquired activities of Turbo Motor Inyección S.L.U. and Turbos Y Componentes Automoción S.L.U in December 2020 has successfully been integrated in the Borg Group during 2021. The production facility established in Lublin 2019 is growing as planned and is expected to grow further in 2022. The acquisition of SBS Automotive Group 1 July 2021 added a trading business to the remanufacturing business in Borg Automotive Group. SBS Automotive operates under the two brands NK and Euro Brakes.

The continued R&D activities consisting primarily of development activities cover 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 placed together with the production facilities in Poland, UK and Spain in order to fully optimize and utilize all synergies between the various activities.

The headquarter in Silkeborg was sold in December 2021, and a 2 1/2 year lease contract has been made with the new owners. At the same time land just outside Silkeborg has been acquired for a new headquarter. Construction will begin in 2022 and it is expected that the new facilities will be ready in beginning of 2024.

At year-end 2021, total assets for the Group amounted to MDKK 1.378 against MDKK 779 in 2020, while total equity ended at MDKK 337 against MDKK 325 at year-end 2020. The average number of employees increased from 1.466 in 2020 to 2.002 in 2021, of which 173 related to the addition of the SBS Group. For the parent company assets amounted to MDKK 1.530 at year-end compared to MDKK 1.127 in 2020, while equity was MDKK 337 against MDKK 325 last year.

The cash flow from operating activities for 2021 amounted to MDKK 53 (2020: MDKK 139), while the investing activities amounted to MDKK 21 (2020: MDKK 71), of which MDKK 7,8 are related to the purchase of the business in Spain. The financing activities in 2021 accounted for a total of MDKK 16 (2020: MDKK 62), of which MDKK 60 relates to dividend paid for the year (2020: MDKK 60).

Overall, the development in 2021 shows a healthy and well-developed business with a strong base of both competent employees and an appropriate production footprint in Europe.

EVENTS SUBSEQUENT TO THE FINANCIAL YEAR-END

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

OUTLOOK FOR 2022

The market upon which BORG Group operates is in 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 the OES customers and the turbo chargers acquisition supports that development.

The current expectations of a positive development in 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 as well as new products to existing customers together with a level of service that lives up to a continuously increasing demand on quality, delivery capability and, product range.

Adding a third trading leg to the free aftermarket and the OES market via SBS Automotive will open up new opportunities in the future both in relation to offering wear and tear products such as brake disks to customers but also synergies in purchasing and market approach.

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. The necessary licenses are in place, and it is expected that the construction of the new distribution centre will commence during 2022. In 2022 the BORG Group will have a continued focus on capacity levels and invest in extended capacity when deemed necessary.

The challenges experienced in 2020 and 2021 related to COVID-19 are expected to continue into 2022, however at a lessor scale as the business has been adjusted to the situation. The type of business Borg Automotive operates in is linked to the mobility of people and will mainly be affected if borders are closed or if the mobility is reduced compared to the current level.

BREXIT will continue to influence the Group as more than 15% of the revenue was generated on this market in 2021. The effects in 2022 are however considered limited as a setup has been implemented to handle VAT and custom duty. However delay at borders and process handling at the customs offices at borders is making the UK trade more complex.

BORG Group expects a growth in sales volumes in 2022 compared to 2021 and based on this both revenue and earnings before tax is expected to increase. It is expected that revenue will be in the range of MDKK 1.600-1.800, primarily due to the full year effect from SBS Automotive. The earnings before interests and tax (EBITDA) are expected to be in the range of MDKK 170-200.

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 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.

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 as well as health and safety. In 2018 to 2021 focus was specifically on reducing electricity consumption as well as the use of cardboard and plastic, and the Lost Time Injury Frequency Rate (LTIFR). All KPI's are showing a positive trend. Further information about this can be found here:

https://www.borgautomotive.com/corporate-responsibility/

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 2021 taken place in the subsidiaries in Poland, UK, and also Spain after the acquisition of the turbo charger activity.

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.

CORPORATE RESPONSIBILITY

BORG Group is dedicated to being 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. Since 2020 compliance with the COC has been 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/about-us/corporate-governance/

The Group continually strives 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.

DATA ETHICS

In Borg Group we strive to achieve at high standard of data integrity and transparency for securing the trust of our business partners and employees. A continuous focus and acknowledgement of the responsibility and co-responsibility are on all links of the data processing chain to ensure the technical and organization measures which must be in place to support the ethically responsible data processing.

Borg Groups ultimate parent company Schouw & Co. have in accordance with § 99d, paragraph 1 in the Financial Statements act prepared a Data Ethics Policy covering all Schouw & Co. Group. The policy can be found here:

https://schouw.dk/media/1884/data-ethics-policy-2021-12-17.pdf

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 compensate 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 improves 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 29 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) is continuously purchased at prices that may fluctuate depending on market demand, and with a correlation to significant changes in the metal prices.

FOREIGN CURRENCY RISK

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 and USD to DKK. To reduce the currency risk, hedging of cash flows are carried out to cover the exposure of trading between PLN and USD to DKK. The hedging is done based on 12 months rolling forecast. Reference is made to note 30.

CREDIT RISK

The majority of the Group's production is delivered to large international customers, who has 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.

CAPITAL STRUCTURE

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 31.

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.

STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME

INCOME STATEMENT

		CONSOLIDATED		PARENT COMPANY	
	Note	2021	2020	2021	2020
Revenue	3	1.368.358	870.568	970.796	753.350
Cost of sales	4,5,7,8	-1.012.994	-671.013	-801.250	-631.882
Gross profit		**355.364**	**199.555**	**169.546**	**121.468**
Other operating income	9	1.581	888	21.365	15.728
Distribution expenses	5,8	-173.015	-75.918	-70.078	-47.398
Administrative expenses	5,6,8	-67.962	-41.759	-48.008	-38.200
Other operating expenses	9	-329	-389	0	-74
Operating profit (EBIT)		**115.639**	**82.377**	**72.825**	**51.524**
Income from subsidiaries	16	0	0	25.123	26.157
Financial income	10	1.954	3.935	5.151	2.316
Financial expenses	11	-19.181	-7.317	-12.849	-7.457
Profit before tax		**98.412**	**78.995**	**90.250**	**72.540**
Tax for the year	12	-24.413	-17.738	-16.251	-11.283
Profit for the year		**73.999**	**61.257**	**73.999**	**61.257**

STATEMENT OF OTHER COMPREHENSIVE INCOME

Items that may be reclassified subsequently to the income statement:					
Exchange differences on translation of foreign operations		-1.681	-17.954	-1.681	-17.954
Value adjustment of hedging instruments for the year		3.334	-3.252	2.659	-3.252
Hedging instruments transferred to cost of sales		-3.079	-23	-3.079	-23
Tax on other comprehensive income	12	-56	720	93	720
Value adjustment of subsidiaries	16	0	0	526	0
Other comprehensive income after tax		**-1.482**	**-20.509**	**-1.482**	**-20.509**
Profit for the year		73.999	61.257	73.999	61.257
Total comprehensive income		**72.517**	**40.748**	**72.517**	**40.748**
Attributable to:					
Shareholders of Borg Automotive A/S		72.517	40.748	72.517	40.748

BALANCE SHEET

ASSETS

		CONSOLIDATED		PARENT COMPANY	
	Note	2021	2020	2021	2020
Completed development projects		308	6.463	294	6.463
Development projects in progress		839	1.242	838	1.241
Customer relations		19.947	22.167	16.615	18.461
Brands		29.583	0	0	0
Know-how		24.470	27.189	24.470	27.189
IT projects		10.138	7.978	5.555	6.950
Other intangible assets		129	111	14	85
Intangible assets	13	**85.414**	**65.150**	**47.786**	**60.389**
Land and buildings		77.062	61.985	0	12.001
Plant and machinery		23.388	22.676	0	9
Other fixtures, tools and equipment		9.394	8.007	31	102
Assets under construction, etc.		22.462	4.129	1.263	0
Property, plant and equipment	14	**132.306**	**96.797**	**1.294**	**12.112**
Investment in subsidiaries	16	0	0	471.387	337.651
Deferred tax	18	88.447	48.982	35.536	21.746
Lease assets	15	46.909	28.676	4.846	1.306
Receivables from related parties	21,23	0	0	246.317	193.618
Other receivables		12.130	1.017	0	0
Other non-current assets		**147.486**	**78.675**	**758.086**	**554.321**
Total non-current assets		**365.206**	**240.622**	**807.166**	**626.822**
Inventories	19	714.177	370.070	503.884	392.202
Trade receivables	29	213.555	105.532	121.282	74.026
Receivables from related parties	21,23	0	24.308	83.534	19.484
Corporate income tax	20	2.423	1.548	0	0
Joint taxation contribution	20	0	6.918	0	6.918
Other receivables		55.324	18.414	28	95
Prepayments		3.769	3.271	1.437	1.006
Cash and cash equivalents		23.689	8.804	12.602	6.254
Total current assets		**1.012.937**	**538.865**	**722.767**	**499.985**
Total assets		**1.378.143**	**779.487**	**1.529.933**	**1.126.807**

BALANCE SHEET

EQUITY AND LIABILITIES

		CONSOLIDATED		PARENT COMPANY	
	Note	**2021**	**2020**	**2021**	**2020**
Share capital	22	1.000	1.000	1.000	1.000
Hedge transaction reserve		-1.227	-1.426	-1.753	-1.426
Net revaluation reserve as per the equity method		0	0	202.946	223.588
Reserve for development projects		0	0	229	5.041
Exchange adjustment reserve		-18.549	-16.868	0	0
Retained earnings		281.220	282.221	60.022	36.724
Proposed dividend		75.000	60.000	75.000	60.000
Total Equity		**337.444**	**324.927**	**337.444**	**324.927**
Deferred tax	18	195	121	0	0
Other payables	24	241.936	67.106	221.376	45.481
Payables to related parties	21,23	0	0	77.970	126.992
Interest bearing debt	15,23	48.843	27.675	2.527	8.595
Provisions	25	12.617	10.583	12.492	10.483
Total non-current liabilities		**303.591**	**105.485**	**314.365**	**191.551**
Current portion of non-current interest bearing debt	15,23	22.153	10.784	5.728	1.142
Payables to related parties	21,23	90.541	0	619.955	409.575
Trade payables		273.028	79.570	24.529	14.311
Others payables	24	316.967	241.296	207.323	173.888
Corporation tax payable	20	13.692	5.902	0	0
Joint taxation contribution	20	6.989	0	6.989	0
Provisions	25	13.738	11.523	13.600	11.413
Total current liabilities		**737.108**	**349.075**	**878.124**	**610.329**
Total liabilities		**1.040.699**	**454.560**	**1.192.489**	**801.880**
Total equite and liabilities		**1.378.143**	**779.487**	**1.529.933**	**1.126.807**

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CASH FLOW STATEMENT

		CONSOLIDATED		PARENT COMPANY	
	Note	**2021**	**2020**	**2021**	**2020**
Profit before tax		98.412	78.995	90.250	72.540
Adjustment for operating items of a non-cash nature, etc.:					
Depreciation and impairment losses	8	46.484	25.834	15.264	9.805
Other non-cash operating items, net		-1.484	7.169	-624	2.908
Provisions		4.122	6.801	4.196	9.172
Income from subsidiaries	16	0	0	-25.123	-26.157
Financial income	10	-1.954	-3.935	-5.151	-2.316
Financial expenses	11	19.181	7.317	12.849	7.457
Cash flows from operating activities before changes in working capital		**164.761**	**122.181**	**91.661**	**73.409**
Changes in working capital	27	-80.252	34.630	-25.874	40.876
Cash flows from operating activities after changes in working capital		**84.509**	**156.811**	**65.787**	**114.285**
Interest income received		113	12	529	2
Interest expenses paid		-2.756	-1.625	-10.796	-625
Cash flow from ordinary activities		**81.866**	**155.198**	**55.520**	**113.662**
Income tax paid	20	-29.341	-15.711	-16.041	-8.042
Cash flows from operating activities		**52.525**	**139.487**	**39.479**	**105.620**
Purchase of intangible assets	26	-4.016	-2.066	-804	-47.628
Purchase of property, plant and equipment	26	-23.505	-9.299	-921	-175
Sale of property, plant and equipment		12.335	540	12.280	0
Acqusition of subsidiary	16	-7.801	0	0	-22
Acqusition of business	17	1.775	-60.487	0	0
Dividend received from subsidiaries	16	0	0	44.610	0
Change in financial assets		-45	253	0	0
Cash flows from investing activities		**-21.257**	**-71.059**	**55.165**	**-47.825**
Repayment of non-current liabilities	23	-5.794	-1.608	-4.891	-525
Repayment of lease liabilities	23	-14.589	-9.289	-1.327	-1.071
Repayment of creditfacilties	23	-52.052	0	0	0
Change in net payables/receivables to group companies	23	116.150	8.459	-22.014	10.055
Shareholders:					
Dividend paid		-60.000	-60.000	-60.000	-60.000
Cash flows from financing activities		**-16.285**	**-62.438**	**-88.232**	**-51.541**
Cash flows for the year		**14.983**	**5.990**	**6.412**	**6.254**
Cash at the beginning of the year		8.804	3.029	6.254	45
Value adjustment of cash and cash equivalents	23	-98	-215	-64	-45
Cash at the end of the year		**23.689**	**8.804**	**12.602**	**6.254**

EQUITY STATEMENT

CONSOLIDATED

	Share Capital	Hedge transaction reserve	Exchange adjustment reserve	Retained earnings	Proposed dividend	Total equity
Equity at 1 January 2021	**1.000**	**-1.426**	**-16.868**	**282.221**	**60.000**	**324.927**
Profit and other comprehensive income in 2021:						
Exchange rate adjustment of foreign subsidiaries	0	0	-1.681	0	0	-1.681
Hedging instruments transferred to cost of sales	0	-3.079	0	0	0	-3.079
Value adjustment of hedging instruments recognised during the year	0	3.334	0	0	0	3.334
Tax on hedging instruments	0	-56	0	0	0	-56
Profit for the year	0	0	0	-1.001	75.000	73.999
Total recognised comprehensive income	**0**	**199**	**-1.681**	**-1.001**	**75.000**	**72.517**
Transactions with the owners:						
Dividend distributed	0	0	0	0	-60.000	-60.000
Transactions with the owners for the period	**0**	**0**	**0**	**0**	**-60.000**	**-60.000**
Equity at 31 December 2021	**1.000**	**-1.227**	**-18.549**	**281.220**	**75.000**	**337.444**

	Share Capital	Hedge transaction reserve	Exchange adjustment reserve	Retained earnings	Proposed dividend	Total equity
Equity at 1 January 2020	**1.000**	**1.129**	**1.086**	**280.964**	**60.000**	**344.179**
Profit and other comprehensive income in 2020:						
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
Total recognised comprehensive income	**0**	**-2.555**	**-17.954**	**1.257**	**60.000**	**40.748**
Transactions with the owners						
Dividend distributed	0	0	0	0	-60.000	-60.000
Transactions with the owners for the period	**0**	**0**	**0**	**0**	**-60.000**	**-60.000**
Equity at 31 December 2020	**1.000**	**-1.426**	**-16.868**	**282.221**	**60.000**	**324.927**

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
Equity at 1 January 2021	**1.000**	**-1.426**	**223.588**	**5.041**	**36.724**	**60.000**	**324.927,00**
Profit and other comprehensive income in 2021:							
Exchange rate adjustment of foreign subsidiaries	0	0	-1.681	0	0	0	-1.681
Hedging instruments transferred to cost of sales	0	-3.079	0	0	0	0	-3.079
Value adjustment of hedging instruments recognised during the year	0	2.659	0	0	0	0	2.659
Tax on hedging instruments	0	93	0	0	0	0	93
Value adjustment of hedging instruments in subsidiary	0	0	526	0	0	0	526
Profit for the year	0	0	-19.487	-4.812	23.298	75.000	73.999
Total recognised comprehensive income	**0**	**-327**	**-20.642**	**-4.812**	**23.298**	**75.000**	**72.517**
Transactions with the owners:							
Dividend distributed	0	0	0	0	0	-60.000	-60.000
Transactions with the owners for the period	**0**	**0**	**0**	**0**	**0**	**-60.000**	**-60.000**
Equity at 31 December 2021	**1.000**	**-1.753**	**202.946**	**229**	**60.022**	**75.000**	**337.444**

	Share capital	Hedge transaction reserve	Net revaluation reserve as per the equity method	Reserve for development projects	Retained earnings	Proposed dividend	Total Equity
Equity at 1 January 2020	**1.000**	**1.129**	**215.385**	**9.855**	**56.810**	**60.000**	**344.179**
Profit and other comprehensive income in 2020:							
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
Total recognised comprehensive income	**0**	**-2.555**	**8.203**	**-4.814**	**-20.086**	**60.000**	**40.748**
Transactions with the owners:							
Dividend distributed	0		0	0	0	-60.000	-60.000
Transactions with the owners for the period	**0**	**0**	**0**	**0**	**0**	**-60.000**	**-60.000**
Equity at 31 December 2020	**1.000**	**-1.426**	**223.588**	**5.041**	**36.724**	**60.000**	**324.927**

NOTES TO THE FINANCIAL STATEMENTS

CONTENT

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 2021 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 2021. 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:

- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: IBOR-reform, phase 2.

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

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 IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-current
- Annual Improvements to IFRSs 2018-2020 Cycle
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2: Disclosure of Accounting Policies
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and liabilities arising from Singe Transactions

The new and amended Standards and Interpretations are not mandatory for the financial reporting for 2021. 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 2022.

Basis of consolidation

The consolidated financial statements comprise Borg Automotive A/S and its subsidiaries at 31 December 2021.

Subsidiaries are entities controlled by Borg Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

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 grans 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 and asset, it is recognised as income in equal amounts over he 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 finished goods and remanufactured products, added the 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 selected Key Management 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

Completed development projects

Completed development projects comprise specific projects related to the development of new products and processes and 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. Within Borg Group this is underpinned by a gate process, where these judgements are made at specific gates. Other development costs which does not fulfil the criteria for capitalization are recognised in the income statement and incurred as research and development costs under cost of sales.

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 projects are measured at cost less accumulated amortisation and impairment losses.

IT-projects

IT projects comprises internally developed IT solutions and software for the purpose of supporting business operations. 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 projects are measured at cost less accumulated amortisation and impairment losses.

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:

- Customer relations: 10-15 years
- Brands: 3-20 years
- Know-how: 10-15 years
- Other intangible assets: 1-10 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: 5-18 years
- Other fixtures and fittings, tools and equipment: 3-18 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: 1-7 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.

The Group sublets a share of a leased property which is classified as financial leasing, “Right-of-use-assets”. The future expected income from this sublet is accounted for in assets as a receivables, non-current and current respectively.

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). If the parent company has a legal or contractual obligation to support a provision is recognised.

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 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.

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.

For trade receivables, Borg Group applies the simplified approach related to impairment assessment, which permits the use of lifetime 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. 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 s 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.

Earn-out

The earn-out liability is measured at fair value. The liability is determined by discounting the expected payments, taking into account the probability of the balance of the purchase price to be paid. The pre-tax discount rate used reflects the general level of interest rates and the specific risk related to the earn-out. The differences for the financial year In the discount elements are recognized in financial expenses. Changes in the fair value of the earn out which may not be attributed to the discount element of the earn out is recognised in profit or loss.

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.

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:

Revenue

Offset in revenue are amounts related to the value of cores when these are later returned to BORG Group from the external customers, as well as an estimate related to the share of outstanding repayment obligations which are not expected to become an obligation based on the historical rate of return rates from the external customers.

Reference is made to further details of the repayment obligation and value of cores in note 24.

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 17, “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

The core liability is composed of the core charge (deposit) paid be 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.

Reference is made to further details of the repayment obligation and value of cores in note 24.

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	
3	**REVENUE**	**2021**	**2020**	**2021**	**2020**
	Denmark	82.978	62.614	67.329	62.614
	Europe, other than Denmark	1.285.380	807.954	903.467	690.736
	Total revenue	**1.368.358**	**870.568**	**970.796**	**753.350**
	Vital	634.604	392.180	333.159	295.374
	Less vital	32.623	17.212	17.824	16.197
	Non vital	701.131	461.176	619.813	441.779
	Total revenue	**1.368.358**	**870.568**	**970.796**	**753.350**

Vital products relates to the control, steering or stopping of the vehicle when driving, less vital products are linked to the performance of the car, while non vital products have no influence on the vehicle capabilities to steer nor break, but wether the engine can start.

4	**COST OF SALES**	**2021**	**2020**	**2021**	**2020**
	Cost of goods sold	692.054	436.972	531.163	406.568
	Inventory impairments	28.937	34.360	1.584	393
	Reversed inventory impairments	-32.446	-18.137	-240	-398

5	**STAFF COST**	**2021**	**2020**	**2021**	**2020**
	Wages and salaries	271.656	165.554	46.590	39.769
	Defined contribution pension plans	5.939	4.770	4.538	4.023
	Other social security costs	40.570	23.324	816	675
	Share-based payment	2.485	1.305	2.297	1.305
	Total staff costs	**320.650**	**194.953**	**54.241**	**45.772**
	Staff costs are recognised as follows:				
	Cost of sales	211.952	140.460	8.778	10.330
	Distribution	80.436	37.544	26.167	21.273
	Administration	28.452	16.454	19.296	13.674
	Development projects	0	495	0	495
	Staff costs recognised in the income statement	**320.840**	**194.953**	**54.241**	**45.772**
	Average number of employees	**2.002**	**1.466**	**75**	**73**
	Salary compensation deducted in staff costs:				
	Cost of sales	0	7.431	0	0
	Distribution	0	588	0	0
	Administration	0	1.951	0	1.735
	Received salary compensation from government	**0**	**9.970**	**0**	**1.735**

Remuneration to the Board of Directors, Executive Management and Key Management

	CONSOLIDATED		PARENT COMPANY	
	2021	**2020**	**2021**	**2020**
Board of Directors and Executive Management	**5.266**	**4.028**	**5.266**	**3.979**

With reference to the Danish Financial Statements Act Paragraph 98b, section 3 remuneration to the Key Management have not been disclosed separately for the Parent company to ensure that remuneration for one single member is not disclosed.

5 STAFF COST (Continued)

Remuneration to Key Management Personnel (Group Directors)	CONSOLIDATED 2021	2020
Salaries	10.659	10.234
Pensions	711	743
Short term-incentive plans	2.485	1.305
Total Remuneration	**13.855**	**12.282**
Headcount of Group Directors at year-end	5	5

Remuneration to Key Management Personnel as in accordance with IAS 1, comprise the Group Directors and covers Executive Management and Key Management.

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 (2021: DKK 666,40) plus a calculated rate (2021: 2%) from the allocation date to the date of exercise. The exercise price is adjusted less ordinary dividends, which, however, cannot exceed the accrued premium. 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.

Outstanding share options	Executive Management	Others	Total
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
Total outstanding options at 31 December 2019	**20.000**	**29.666**	**49.666**
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
Total outstanding options at 31 December 2020	**32.000**	**40.000**	**72.000**
Granted in 2021	20.000	26.000	46.000
Total outstanding options at 31 December 2021	**52.000**	**66.000**	**118.000**

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

On the date of allocation:	2021 grant	2020 grant	2019 grant	2018 grant
Expected volatility	31,58%	22,21%	29,23%	21,10%
Expected option life	49 mth.	48 mth.	48 mth.	48 mth.
Expected dividend per share	14 DKK	13 DKK	13 DKK	12 DKK
Risk free interest rate	-0,54%	-0,97%	-0,52%	-0,38%
Other information on option programme:				
Exercise price in DKK (1)	678,19	528,40	574,35	705,58
Fair value in DKK per option (2)	125,37	44,10	71,47	58,51
Total fair value in '000 (2)	5.767	4.094	3.215	1.511
Can be exercised from	March 2024	March 2023	March 2022	March 2021
Can be exercised until	March 2025	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 2021	2020
	Audit fees	1.646	714
	Fees for tax- and VAT-related services	68	24
	Fees for other services	200	1.141
	Total fees	**1.914**	**1.879**
	Total fees to other accountants		
	Audit fees	216	227
	Fee for other assurance engagements	0	15
	Fees for other services	0	23
	Total fees	**216**	**265**
	Total fees	**2.130**	**2.144**

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.

		CONSOLIDATED		PARENT COMPANY	
7	RESEARCH AND DEVELOPMENT COSTS	2021	2020	2021	2020
	Research & Development costs expensed and development costs incurred are shown below:				
	Research and development costs incurred	8.936	7.760	9.686	8.381
	Goverment grant received	0	-1.150	0	-1.150
	Amortisation and impairment of recognised development costs	6.163	6.172	6.163	6.172
	Research and development costs expensed and recognised in the income statements	**15.099**	**12.782**	**15.849**	**13.403**

		CONSOLIDATED		PARENT COMPANY	
8	DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES	2021	2020	2021	2020
	Amortisation of intangible assets	20.404	8.716	13.550	8.213
	Depreciation of property plant and equipment	11.299	7.528	548	577
	Depreciation of lease assets	14.827	9.542	1.166	1.015
	Impairment of property plant and equipment	-46	48	0	0
	Total depreciation, amortisation and impairment losses	**46.484**	**25.834**	**15.264**	**9.805**
	Depreciation/amortisation and impairment is recognised in the income statement as follows:				
	Cost of sales	22.488	18.920	6.422	6.429
	Distribution	18.568	3.752	5.182	512
	Administration	5.428	3.162	3.660	2.864
	Total depreciation, amortisation and impairment losses	**46.484**	**25.834**	**15.264**	**9.805**

9 OTHER OPERATING INCOME AND EXPENSES	CONSOLIDATED 2021	CONSOLIDATED 2020	PARENT COMPANY 2021	PARENT COMPANY 2020
Gains on the disposal of property, plant and equipment and intangible assets	225	177	34	0
Charged to Group companies (i.e. management services)	0	0	21.001	15.442
Other operating income	1.356	711	330	286
Total other operating income	**1.581**	**888**	**21.365**	**15.728**
Losses on the disposal of property, plant and equipment and intangible assets	158	91	0	74
Other operating expenses	171	298	0	0
Total other operating expenses	**329**	**389**	**0**	**74**

10 FINANCIAL INCOME	2021	2020	2021	2020
Interest	112	8	0	0
Interests from group loans and cash pool	1	4	4.020	2.277
Interest income on financial assets measured at amortised cost	113	12	4.020	2.277
Exchange rate adjustments	1.841	3.923	1.131	39
Total financial income	**1.954**	**3.935**	**5.151**	**2.316**

11 FINANCIAL EXPENSES	2021	2020	2021	2020
Interest expense	10.053	264	9.570	86
Interests from leasing	886	805	20	14
Interests from group loans and cash pool	1.275	556	2.175	2.661
Interest expenses from financial liabilities measured at amortised cost	12.214	1.625	11.765	2.761
Exchange rate adjustments	6.967	5.692	1.084	4.696
Total financial expenses	**19.181**	**7.317**	**12.849**	**7.457**

12 TAX ON PROFIT FOR THE YEAR

	CONSOLIDATED		PARENT COMPANY	
	2021	2020	2021	2020
Tax for the year is composed as follows:				
Tax on profit for the year	24.413	17.738	16.251	11.283
Tax on other comprehensive income	56	-720	-93	-720
Total tax	**24.469**	**17.018**	**16.158**	**10.563**
Tax on the profit for the year has been calculated as follows:				
Current tax	46.727	9.944	29.398	4.390
Deferred tax	-22.362	7.684	-13.697	6.787
Adjustment of prior-year tax charge	48	110	550	106
Total tax recognised in the income statement	**24.413**	**17.738**	**16.251**	**11.283**
Effective tax rate:				
Calculated 22.0% tax of the profit for the year	21.651	17.379	19.855	15.959
Adjustment of tax related to subsidiaries and PEs	-2.026	-452	-5.529	-5.758
Non-deductible costs and non-taxable income	5.073	2.240	1.375	1.083
Adjustment of prior-year tax charge	49	110	550	106
Adjustment of deferred tax asset regarding previous years	-334	-1.539	0	-107
Recognised tax income	**24.413**	**17.738**	**16.251**	**11.283**
Effective tax rate	**24,8%**	**22,5%**	**18,0%**	**15,6%**

Tax recognised in other comprehensive income:

CONSOLIDATED			
2021	**Before tax**	**Tax**	**After tax**
Exchange rate adjustment of foreign subsidiaries	1.681	0	1.681
Value adjustment of hedging instruments for the year	-3.334	734	-2.600
Hedging instruments transferred to cost of sales	3.079	-678	2.401
Tax on items recognised in other comprehensive income	**1.426**	**56**	**1.482**
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
Tax on items recognised in other comprehensive income	**-21.229**	**720**	**-20.509**

PARENT COMPANY			
2021	**Before tax**	**Tax**	**After tax**
Exchange rate adjustment of foreign subsidiaries	1.681	0	1.681
Value adjustment of hedging instruments for the year	-2.659	585	-2.074
Hedging instruments transferred to cost of sales	3.079	-678	2.401
Other comprehensive income from subsidiaries	-675	149	-526
Tax on items recognised in other comprehensive income	**1.426**	**56**	**1.482**
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
Tax on items recognised in other comprehensive income	**-21.229**	**720**	**-20.509**

13 INTANGIBLE ASSETS

CONSOLIDATED

2021	Completed development projects	Development projects in progress	Customer relations	Brands	Know-how	IT projects	Other intangible assets	Total
Cost at 1 January	18.490	1.242	22.167	0	27.189	19.739	1.398	90.225
Foreign exchange adjustment	0	0	-3	0	0	-9	-1	-13
Additions	0	719	0	0	0	4.184	21	4.924
Additions on company acqusitions	0	0	0	35.500	0	166	0	35.666
Disposals	0	0	0	0	0	0	-85	-85
Transferred/reclassified	0	-1.122	0	0	0	1.122	154	154
Cost at 31 December	**18.490**	**839**	**22.164**	**35.500**	**27.189**	**25.202**	**1.487**	**130.871**
Amortisation and impairment at 1 January	12.027	0	0	0	0	11.761	1.287	25.075
Foreign exchange adjustment	0	0	0	0	0	-7	-1	-8
Amortisation	6.169	0	2.217	5.917	2.719	3.310	72	20.404
Amortisation and impairment of disposed assets	0	0	0	0	0	0	-14	-14
Transferred/reclassified	-14	0	0	0	0	0	14	0
Amortisation and impairment at 31 December	**18.182**	**0**	**2.217**	**5.917**	**2.719**	**15.064**	**1.358**	**45.457**
Carrying amount at 31 December	**308**	**839**	**19.947**	**29.583**	**24.470**	**10.138**	**129**	**85.414**
Amortized over (years)	3	0	10-15	3-20	10-15	3-5	1-3	
Legal obligation at 31 December for the purchase of intangible assets	0	0	0	0	0	1.594	0	1.594

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

2020	Completed development projects	Development projects in progress	Customer relations	Brands	Know-how	IT projects	Other intangible assets	Total
Cost at 1 January	18.490	5.194	0	0	0	12.725	1.318	37.727
Foreign exchange adjustment	0	0	0	0	0	-55	-5	-60
Additions	0	1.643	0	0	0	593	0	2.236
Additions on company acqusitions	0	0	22.167	0	27.189	0	0	49.356
Disposals	0	-75	0	0	0	0	0	-75
Transferred/reclassified	0	-5.520	0	0	0	6.476	85	1.041
Cost at 31 December	**18.490**	**1.242**	**22.167**	**0**	**27.189**	**19.739**	**1.398**	**90.225**
Amortisation and impairment at 1 January	5.855	0	0	0	0	9.484	1.060	16.399
Foreign exchange adjustment	0	0	0	0	0	-38	-2	-40
Amortisation	6.172	0	0	0	0	2.315	229	8.716
Amortisation and impairment at 31 December	**12.027**	**0**	**0**	**0**	**0**	**11.761**	**1.287**	**25.075**
Carrying amount at 31 December	**6.463**	**1.242**	**22.167**	**0**	**27.189**	**7.978**	**111**	**65.150**
Amortized over (years)	3		10-15		10	3-5	3-5	

13 INTANGIBLE ASSETS (Continued)

PARENT COMPANY

2021	Completed development projects	Development projects in progress	Customer relations	Brands	Know-how	IT projects	Other intangible assets	Total
Cost at 1 January	18.490	1.241	18.461	0	27.189	17.795	1.323	84.499
Additions	0	719	0	0	0	299	0	1.018
Disposals	0	0	0	0	0	0	-85	-85
Transferred/reclassified	0	-1.122	0	0	0	1.122	0	0
Cost at 31 December	**18.490**	**838**	**18.461**	**0**	**27.189**	**19.216**	**1.238**	**85.432**
Amortisation and impairment at 1 January	12.027	0	0	0	0	10.845	1.238	24.110
Amortisation	6.169	0	1.846	0	2.719	2.816	0	13.550
Amortisation and impairment of disposed assets	0	0	0	0	0	0	-14	-14
Amortisation and impairment at 31 December	**18.196**	**0**	**1.846**	**0**	**2.719**	**13.661**	**1.224**	**37.646**
Carrying amount at 31 December	**294**	**838**	**16.615**	**0**	**24.470**	**5.555**	**14**	**47.786**
Amortized over (years)	3		10-15		10-15	3-5	3	

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

2020	Completed development projects	Development projects in progress	Customer relations	Brands	Know-how	IT projects	Other intangible assets	Total
Cost at 1 January	18.490	5.194	0	0	0	11.855	1.238	36.777
Additions	0	1.643	18.461	0	27.189	505	0	47.798
Disposals	0	-76	0	0	0	0	0	-76
Transferred/reclassified	0	-5.520	0	0	0	5.435	85	0
Cost at 31 December	**18.490**	**1.241**	**18.461**	**0**	**27.189**	**17.795**	**1.323**	**84.499**
Amortisation and impairment at 1 January	5.855	0	0	0	0	9.008	1.034	15.897
Amortisation	6.172	0	0	0	0	1.837	204	8.213
Amortisation and impairment at 31 December	**12.027**	**0**	**0**	**0**	**0**	**10.845**	**1.238**	**24.110**
Carrying amount at 31 December	**6.463**	**1.241**	**18.461**	**0**	**27.189**	**6.950**	**85**	**60.389**
Amortized over (years)	3		10-15		10-15	3-5	3-5	

14 PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED

2021	Land and buildings	Plant and machinery	Other fixtures, tools and equipment	Assets under construction	Total
Cost at 1 January	68.323	30.426	14.210	4.174	117.133
Foreign exchange adjustment	-716	73	-148	-42	-833
Additions	456	2.801	2.833	18.619	24.709
Additions on company acqusitions	29.785	2.347	2.606	0	34.738
Disposals	-13.656	-243	-340	-83	-14.322
Transferred/reclassified	0	52	0	-206	-154
Cost at 31 December	**84.192**	**35.456**	**19.161**	**22.462**	**161.271**
Depreciation and impairment at 1 January	6.338	7.750	6.203	45	20.336
Foreign exchange adjustment	-47	11	-60	0	-96
Impairment	0	0	0	-46	-46
Depreciation	3.005	4.414	3.880	0	11.299
Depreciation and impairment of disposed assets	-2.166	-107	-256	0	-2.529
Transferred/reclassified	0	0	0	1	1
Depreciation and impairment at 31 December	**7.130**	**12.068**	**9.767**	**0**	**28.965**
Carrying amount at 31 December	**77.062**	**23.388**	**9.394**	**22.462**	**132.306**
Depreciated over (years)	5-40	5-18	3-18		
Legal obligation at 31 December for the purchase of property, plant and equipment	0	60	878		938

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.

2020	Land and buildings	Plant and machinery	Other fixtures, tools and equipment	Assets under construction	Total
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 acqusitions	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
Cost at 31 December	**68.323**	**30.426**	**14.210**	**4.174**	**117.133**
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
Depreciation and impairment at 31 December	**6.338**	**7.750**	**6.203**	**45**	**20.336**
Carrying amount at 31 December	**61.985**	**22.676**	**8.007**	**4.129**	**96.797**
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

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

PARENT COMPANY

2021	Land and buildings	Plant and machinery	Other fixtures, tools and equipment	Assets under construction	Total
Cost at 1 January	13.656	67	365	0	14.088
Additions	0	0	41	1.263	1.304
Disposals	-13.656	-28	-297	0	-13.981
Cost at 31 December	**0**	**39**	**109**	**1.263**	**1.411**
Depreciation and impairment at 1 January	1.655	58	263	0	1.976
Depreciation	511	6	32	0	549
Disposals	-2.166	-25	-217	0	-2.408
Depreciation and impairment at 31 December	**0**	**39**	**78**	**0**	**117**
Carrying amount at 31 December	**0**	**0**	**31**	**1.263**	**1.294**
Depreciated over (years)	5-30	5	3-10		

2020	Land and buildings	Plant and machinery	Other fixtures, tools and equipment	Assets under construction	Total
Cost at 1 January	13.481	60	365	0	13.906
Additions	175	0	0	0	175
Transfer	0	7	0	0	7
Cost at 31 December	**13.656**	**67**	**365**	**0**	**14.088**
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
Depreciation and impairment at 31 December	**1.655**	**58**	**263**	**0**	**1.976**
Carrying amount at 31 December	**12.001**	**9**	**102**	**0**	**12.112**
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

2021	Buildings	Production equipment	Cars	Other assets	Total
Cost at 1 January	34.634	4.366	5.604	240	44.844
Foreign exchange adjustment	774	14	-30	0	758
Additions	16.452	1.887	2.611	64	21.014
Additions on company acqusitions	8.343	1.095	1.943	630	12.011
Disposals	-363	-1.203	-1.817	-240	-3.623
Cost at 31 December	**59.840**	**6.159**	**8.311**	**694**	**75.004**
Amortisation and impairment at 1 January	10.810	2.332	2.828	198	16.168
Foreign exchange adjustment	380	-17	-16	-3	344
Impairment	0	1.629	0	0	1.629
Amortisation	8.935	1.621	2.602	40	13.198
Amortisation and impairment of disposed assets	-146	-1.203	-1.662	-233	-3.244
Amortisation and impairment at 31 December	**19.979**	**4.362**	**3.752**	**2**	**28.095**
Carrying amount at 31 December	**39.861**	**1.797**	**4.559**	**692**	**46.909**
Depreciated over (years)	2-7	3	3	3-5	

2020	Buildings	Production equipment	Cars	Other assets	Total
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 acqusitions	6.427	0	0	0	6.427
Disposals	-1.249	-914	-1.274	-109	-3.546
Cost at 31 December	**34.634**	**4.366**	**5.604**	**240**	**44.844**
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
Amortisation and impairment at 31 December	**10.810**	**2.332**	**2.828**	**198**	**16.168**
Carrying amount at 31 December	**23.824**	**2.034**	**2.776**	**42**	**28.676**

15 LEASE ASSETS (Continued)

	PARENT COMPANY				
2021	**Buildings**	**Production equipment**	**Cars**	**Other assets**	**Total**
Cost at 1 January	0	0	2.672	0	2.672
Additions	2.864	0	1.997	0	4.861
Disposals	0	0	-1.108	0	-1.108
Cost at 31 December	**2.864**	**0**	**3.561**	**0**	**6.425**
Amortisation and impairment at 1 January	0	0	1.366	0	1.366
Amortisation	0	0	1.166	0	1.166
Amortisation and impairment of disposed assets	0	0	-953	0	-953
Amortisation and impairment at 31 December	**0**	**0**	**1.579**	**0**	**1.579**
Carrying amount at 31 December	**2.864**	**0**	**1.982**	**0**	**4.846**
Depreciated over (years)	2		3		

2020	**Buildings**	**Production equipment**	**Cars**	**Other assets**	**Total**
Cost at 1 January	0	0	2.496	0	2.496
Additions	0	0	815	0	815
Disposals	0	0	-639	0	-639
Adjusted cost at 1 January	**0**	**0**	**2.672**	**0**	**2.672**
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
Amortisation and impairment at 31 December	**0**	**0**	**1.366**	**0**	**1.366**
Carrying amount at 31 December	**0**	**0**	**1.306**	**0**	**1.306**

LEASE LIABILITIES

	CONSOLIDATED		PARENT COMPANY	
Lease liabilities expiring within the following periods from the balance sheet date:	**2021**	**2020**	**2021**	**2020**
Within 1 year	18.391	9.356	1.966	618
Between 1 and 5 years	42.707	19.548	2.527	467
After 5 years	6.136	0	0	0
Total lease liability, non-discounted	**67.234**	**28.904**	**4.493**	**1.085**
Lease liabilities are recognised in the balance sheet as follows:				
Non-current liabilities	48.843	19.548	2.527	467
Current liabilities	18.391	9.356	1.966	618
Total lease liabilities	**67.234**	**28.904**	**4.493**	**1.085**
Repayment of lease debt	14.589	9.292	1.327	1.071
Recognised interests on lease contracts	886	805	20	14
Lease payments in the year	**15.475**	**10.097**	**1.347**	**1.085**

15 LEASE ASSETS (Continued)

Lease agreements not recognised in the balance sheet

	CONSOLIDATED							
	2021				2020			
	Service*	Small value assets	Short term leases	Total	Service*	Small value assets	Short term leases	Total
Due for payment within 1 year	321	117	1.286	1.724	185	87	45	317
Due for payment within >1-5 years	133	1.199	0	1.332	18	69	0	87
Due for payment after 5 years	0	0	0	0	0	0	0	0
Total commitments	**454**	**1.316**	**1.286**	**3.056**	**203**	**156**	**45**	**404**
Recognised in the income statement	**462**	**72**	**710**	**1.244**	**419**	**58**	**11**	**488**

	PARENT COMPANY							
	Service*	Small value assets	Short term leases	Total	Service*	Small value assets	Short term leases	Total
Due for payment within 1 year	185	11	0	196	184	11	0	195
Due for payment within >1-5 years	10	14	0	24	18	25	0	43
Due for payment after 5 years	0	0	0	0	0	0	0	0
Total commitments	**195**	**25**	**0**	**220**	**202**	**36**	**0**	**238**
Recognised in the income statement	**318**	**11**	**0**	**329**	**418**	**11**	**0**	**429**

*) 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.

Other leasing information

The Group have subleased a part of a Right-of-use assets to an external party. The expected income related to the sublease amounts to a total of TDKK 12.588, of which TDKK 799 have impacted cash flow in 2021.

Further the Group and parent company have, related to the property sold in Denmark in 2021, entered into a sale-and leaseback agreement with the external buyer. The gain related to the sales of the property are included in the cash flow with positive MDKK 0,5 in 2021.

The sublease and sale-and lease back arrangement will impact the cash-flows as listed below:

	0-1 years	1-5 years	> 5 years	Total cash flow
Sublease	1.648	7.183	2.958	11.789
Sale-and lease back	1.137	1.727	0	2.864
Total cash-flow impact	**2.785**	**8.910**	**2.958**	**14.653**

16 INVESTMENTS IN SUBSIDIARIES

	2021	2020
Cost at 1 January	114.063	114.041
Additions	154.378	22
Cost at 31 December	**268.441**	**114.063**
Adjustments at 1 January	223.588	215.385
Foreign exchange adjustments	-1.681	-17.954
Share of profit/(loss) after tax for the year	25.123	26.157
Other value adjustments	526	0
Dividends paid	-44.610	0
Adjustments at 31 December	**202.946**	**223.588**
Carrying amount at 31 December	**471.387**	**337.651**

Name	Registered Office	Ownership interest 2021	Ownership interest 2020
Borg Automotive Sp. z.o.o.	Poland, Zdunska Wola	100%	100%
Borg Automotive UK Ltd.	UK, Birmingham	100%	100%
Electro Steer UK Ltd.	UK, Birmingham	100%	100%
Car Parts Industries Belgium SPRL	Belgium, Nivelles	100%	100%
Borg Automotive Spain S.L.U	Spain, Palermo	100%	100%
SBS Automotive A/S	Denmark, Støvring	100%	0%
SBS Deutschland GmbH	Germany, Eisenach	100%	0%
SBS France SAS	France, Beauvais	100%	0%

All subsidiaries are Limited Liability Companies.

17 ACQUISITION OF BUSINESS

Effective 1 July 2021, BORG Automotive Group acquired 100% of the issued share capital of SBS Automotive A/S, including the subsidiaries SBS Deutschland GmbH and SBS France SAS (SBS Automotive Group). SBS Automotive Group is a trading business, engaged in the purchase, sales and dsitribution of externally purchased automotive parts and will supplement the existing remanufacturing business within the BORG Automotive Group. SBS Group have distribution centres in Denmark, Germany, France and Poland and a workforce of approx. 135 employees. The SBS Group primarily markets products under the recognised brand of NK, but also under the brand EuroBrake and private label. NK is used for all product groups and is widely distributed in established markets as a strong alternative to premium brands.

In 2021, the acquisition has affected group revenue with MDKK 243 and profit for the year with negative TDKK 7.513 since the effective date. Full-year revenue and results if the acquisition had taken place on January 1st would have been MDKK 505 and positive TDKK 1.552. The low profitability of the SBS Group is caused by purchase-price adjustments related to future profit on stock upon acqusition. It is expected that SBS Group will be considerably more profitable in 2022.

The assets and liabilitites recognised as a result of the acqusition are as follows:	**2021**	**2020**
Customer relations	0	22.167
Know-how	0	27.189
Brands	35.500	0
Other intangible assets	166	0
Property, plant and equipmet	34.738	3.939
Lease assets	12.011	6.427
Financial asset	855	0
Inventories	160.025	23.809
Receivables	120.434	15.708
Tax asset	16.842	0
Cash	1.775	0
Interest-bearing debt	-52.052	0
Provisions	0	-2.346
Lease liabilitites	-31.403	-6.427
Trade payables	-101.684	-6.841
Other liabilities	-39.430	-7.512
Tax payable	-3.399	0
Net assets acquired	**154.378**	**76.113**
Goodwill	0	0
Acquisition cost	**154.378**	**76.113**
Deferred conditional purchase price	-154.378	-15.626
Total cash acquisition costs	**0**	**60.487**

Transaction costs incurred in connection with the acquisition amount to MDKK 7,1, of which MDKK 3,6 has been recognised as administrative expenses in 2021, while MDKK 3,5 was recognised in 2020.

The purchase price is based on an earn-out determined as 5 times the SBS Groups reported operating profit before depreciation and amortisation (EBITDA) in 2022 adjusted for interest-bearing debt and with usual adjustments for net working capital. The fair value of the earn-out has been determined based on different estimated levels of EBITDA and using different probability weighted outcomes. Based on this the fair value has been estimated to MDKK 154. There is no maximum on the earn-out as it is based on EBITDA.

Since the purchase price does not fall due until beginning of 2023, interest are added to the purchase price liability until this point in time. Interests added in 2021 amounts to MDKK 9,5, and the liability at year-end as accounted for in other debt amount to MDKK 164, reference to note 24.

17 ACQUISITION OF BUSINESS

The value of the identified brands has been calculated based on the Income approach (Multiperiod Excess Earnings Method) taking into account both a discounting factor and tax.

Property, plant and equipment as well as lease assets are measured at market-value, and receivables at net-realisable value.
Inventories are measured at expected sales values under normale business circumstances with the deduction of excpected costs to prepare the goods for final sale as well as costs related to selling the goods.
Liabilities, covering interest-bearing debt, trade payables, lease liabilitites and other liabilities such as customer bonus are measured at the present value of the liquidity expected to liberate the company from the obligation.

In 2020, the Group acquired a business in form of assets from Turbo Motor Inyección, S.L.U. (TMI) and Turbos y componentes automoción, S.L.U. (TCA) in Spain. The acquisition entailed two conditional payments in 2021 and 2022 respectively, where the first payment of MDKK 7,8 was paid in 2021. The second payment is expected to be paid in full in 2022.

18 DEFERRED TAX

	CONSOLIDATED		PARENT COMPANY	
	2021	**2020**	**2021**	**2020**
Defered tax at 1 January	48.861	56.634	21.746	27.813
Foreign exchange adjustment	242	-809	0	0
Addition on company acqusition	16.842	0	0	0
Deferred tax for the year recognised in profit for the year	22.363	-7.684	13.697	-6.787
Deferred tax for the year recognised in equity	-56	720	93	720
Deferred tax at 31 December, net	**88.252**	**48.861**	**35.536**	**21.746**
Deferred tax is recognised as follows in the balance sheet:				
Deferred tax asset	88.447	48.982	35.536	21.746
Deferred tax liability	-195	-121	0	0
Net deferred tax at 31 December	**88.252**	**48.861**	**35.536**	**21.746**
Deferred tax pertains to:				
Intangible assets	3.686	-9.096	-6.991	-9.096
Property, plant and equipment	2.279	-1.697	88	-1.717
Inventories	8.787	7.119	0	0
Other current assets	1.707	0	0	0
Equity	345	401	494	401
Provisions	1.988	1.629	0	0
Liabilities other than provisions	55.031	45.439	41.945	32.158
Recaptured losses	5.085	283	0	0
Tax losses	9.344	4.783	0	0
Total deferred tax (net liability)	**88.252**	**48.861**	**35.536**	**21.746**

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 14,0 (2020: MDKK 13,3) related to the subsidiary Borg Automotive UK Ltd. have not been recognised in the balance sheet. The unrecognised tax loss may be carried forward for an unlimited period.

18 DEFERRED TAX (Continued)

CONSOLIDATED

2021	1 Jan.	Foreign exchange adjustment	Additions on acquisition	Recognised in profit for the year	Recognised in equity	31 Dec.
Intangible assets	-9.096	-2	8.355	4.429	0	3.686
Property, plant and equipment	-1.697	0	2.111	1.865	0	2.279
Inventories	7.119	-81	1.007	742	0	8.787
Other current assets	0	0	-220	1.927	0	1.707
Equity, Hedging	401	0	0	0	-56	345
Provisions	1.629	-25	0	384	0	1.988
Liabilities other than provisions	45.440	-10	772	8.829	0	55.031
Recaptured losses	283	-5	0	4.807	0	5.085
Tax losses	4.782	365	4.817	-620	0	9.344
Deferred tax at 31 December, net	**48.861**	**242**	**16.842**	**22.363**	**-56**	**88.252**

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

PARENT COMPANY

2021	1 Jan.	Foreign exchange adjustment	Additions on acquisition	Recognised in profit for the year	Recognised in equity	31 Dec.
Intangible assets	-9.096	0	0	2.105	0	-6.991
Property, plant and equipment	-1.717	0	0	1.805	0	88
Equity, Hedging	401	0	0	0	93	494
Liabilities other than provisions	32.158	0	0	9.787	0	41.945
Deferred tax at 31 December, net	**21.746**	**0**	**0**	**13.697**	**93**	**35.536**

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

19 INVENTORIES

	CONSOLIDATED		PARENT COMPANY	
	2021	**2020**	**2021**	**2020**
Raw materials and consumables	295.669	207.739	305.949	217.628
Finished goods and goods for resale	418.508	162.331	197.935	174.574
Total inventories	**714.177**	**370.070**	**503.884**	**392.202**
Inventory values are presented at lower of cost and net realisable value.				
Cost of inventories for which impairment losses have been recognised	319.165	178.044	217.626	186.907
Accumulated impairment losses on inventories	-69.480	-46.244	-47.424	-48.529
Net sales value	**249.685**	**131.800**	**170.202**	**138.378**

During 2021, TDKK 3.789 (2020: TDKK 6.185) was recognised in inventory as write-down of inventory to net realisable value at Group level. The adjustment of TDKK 2.387 (2020: TDKK 395, as an income) is recognised in cost of sales as an income.

In the Parent Company, TDKK 2.387 (2020: TDKK 395) was recognised during 2021 as an income 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	
	2021	**2020**	**2021**	**2020**
Income tax payable at 1 Janaury	2.564	-3.271	6.919	3.373
Exchange adjustments	11	178	0	0
Current tax for the year	-46.727	-9.944	-29.398	-4.390
Adjustment related to prior years	-48	-110	-551	-106
Additions on acquisitions	-3.399	0	0	0
Corporate income tax paid during the year	13.309	7.679	9	10
Joint taxation contribution paid during the year	16.032	8.032	16.032	8.032
Income tax at 31 December	**-18.258**	**2.564**	**-6.989**	**6.919**
Which is distributed as follows:				
Corporate income tax, receivable	2.423	1.548	0	1
Joint taxation contribution, receivable	0	6.918	0	6.918
Corporate income tax, payable	-13.692	-5.902	0	0
Joint taxation contribution, payable	-6.989	0	-6.989	0
Income tax at 31 December	**-18.258**	**2.564**	**-6.989**	**6.919**

21 RECEIVABLES AND PAYABLES WITH RELATED PARTIES

	CONSOLIDATED		PARENT COMPANY	
	2021	**2020**	**2021**	**2020**
Receivables from related parties, interest-bearing, non-current	0	0	246.317	193.618
Receivables from related parties, interest-bearing, current	0	24.308	80.886	16.747
Receivables from related parties, current	0	0	2.648	2.737
Payables to related parties, interest-bearing, non-current	0	0	-77.970	-126.992
Payables to related parties, interest-bearing, current	-90.541	0	-140.100	0
Payables to related parties, current	0	0	-479.855	-409.575
	-90.541	**24.308**	**-368.074**	**-323.465**
Recognised as follows in assets:				
Receivables from related parties, non-current	0	0	246.317	193.618
Receivables from related parties, current	0	24.308	83.534	19.484
Payables to related parties, non-current	0	0	-77.970	-126.992
Payables to related parties, current	-90.541	0	-619.955	-409.575
	-90.541	**24.308**	**-368.074**	**-323.465**

22 SHARE CAPITAL

	2021	**2020**
The share capital consists of 5.000 shares of each DKK 200	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	
	2021	**2020**	**2021**	**2020**
Debt recognised in the balance sheet:				
Mortgage debt	0	3.760	0	3.760
Credit institutions	0	4.368	0	4.368
Lease liabilities	48.843	19.547	2.527	467
Payables to related parties	0	0	77.970	126.992
Non-current interest bearing debt	**48.843**	**27.675**	**80.497**	**135.587**
Current portion of non-current interest-bearing debt	22.153	10.784	5.728	1.142
Payables to related parties	90.541	0	140.100	0
Current interest-bearing debt	**112.694**	**10.784**	**145.828**	**1.142**
Total interest-bearing debt	**161.537**	**38.459**	**226.325**	**136.729**
Fair-value of interest-bearing debt	**161.537**	**38.459**	**226.325**	**136.729**
Weighted average effective rate of interest for the year was (%)	0,9%	1,6%	0,8%	0,9%
Weighted average effective rate of interest for the balance sheet date was (%)	2,1%	1,5%	1,1%	1,1%
Interest-bearing debt per currency:				
DKK	139.549	9.737	114.452	9.737
EUR	-2.362	7.972	95.742	126.992
PLN	24.599	12.230	16.130	0
GBP	11.135	8.520	0	0
USD	-11.385	0	0	0
Other	1	0	1	0
Total interest-bearing debt	**161.537**	**38.459**	**226.325**	**136.729**

Borg Group netborrowings are mainly in DKK, PLN and GBP 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

	CONSOLIDATED					
		Non-cash changes				
2021	**1 Jan.**	**Cash flow**	**Acquisi-tions**	**Currency exchange movements**	**Other**	**31 Dec.**
Interest-bearing assets						
Non-current receivables	73	0	0	-1	0	72
Receivables from related parties, current	24.308	-24.308	0	0	0	0
Cash	8.805	13.210	1.775	-98	-3	23.689
Interest-bearing liabilities						
Non-current mortgage debt	-3.759	0	0	0	3.759	0
Non-current credit institutions	-4.368	4.368	0	0	0	0
Non-current lease liabilities	-19.547	0	-25.935	-336	-3.025	-48.843
Current part of non-current mortgage debt	-525	523	0	0	-3.760	-3.762
Current part of non-current, credit institutions	-901	903	0	11	-13	0
Current part of non-current lease debt	-9.359	14.589	-5.468	-144	-18.009	-18.391
Current debt to group companies	0	-91.842	0	1.317	-16	-90.541
Repayment of creditfacilities	0	52.052	-52.052	0	0	0
Net interest-bearing debt	**-5.274**	**-30.505**	**-81.680**	**749**	**-21.067**	**-137.776**

		Non-cash changes				
2020	**1 Jan.**	**Cash flow**	**Acquisi-tions**	**Currency exchange movements**	**Other**	**31 Dec.**
Interest-bearing assets						
Non-current receivables	327	-253	0	-1	0	73
Current receivables from related parties	31.957	-8.459	0	810	0	24.308
Cash	3.029	5.991	0	-215	0	8.805
Interest-bearing liabilities						
Non-current mortgage debt	-4.286	0	0	0	527	-3.759
Non-current credit institutions	-964	0	0	61	-3.465	-4.368
Non-current lease liabilities	-20.733	50	-5.159	1.218	5.077	-19.547
Current part of non-current mortgage debt	-523	525	0	0	-527	-525
Current part of non-current, credit institutions	-1.154	1.083	0	73	-903	-901
Current part of non-current lease debt	-9.244	9.239	-1.268	470	-8.556	-9.359
Net interest-bearing debt	**-1.591**	**8.176**	**-6.427**	**2.416**	**-7.847**	**-5.274**

23 INTEREST-BEARING DEBT (Continued)

Development in Net interest-bearing debt

PARENT COMPANY

			Non-cash changes			
2021	**1 Jan.**	**Cash flow**	**Acquisi-tions**	**Currency exchange movements**	**Other**	**31 Dec.**
Interest-bearing assets						
Non-current receivables from related parties	193.618	47.802	0	1.405	3.492	246.317
Current receivables from related parties	16.747	64.139	0	0	0	80.886
Cash	6.254	6.412	0	-64	0	12.602
Interest-bearing liabilities						
Non-current credit institutions	-4.368	4.368	0	0	0	0
Non-current mortgage debt	-3.759	0	0	0	3.759	0
Non-current lease liabilities	-467	0	0	0	-2.060	-2.527
Non-current payables to related parties	-126.992	49.897	0	94	-968	-77.969
Current part of non-current mortgage debt	-525	523	0	0	-3.760	-3.762
Current part of non-current lease debt	-618	1.327	0	0	-2.675	-1.966
Current payables to related parties	0	-139.824	0	-276	0	-140.100
Net interest-bearing debt	**79.890**	**34.644**	**0**	**1.159**	**-2.212**	**113.481**

			Non-cash changes			
2020	**1 Jan.**	**Cash flow**	**Acquisi-tions**	**Currency exchange movements**	**Other**	**31 Dec.**
Interest-bearing assets						
Non-current receivables from related parties	0	5.342	0	-9.158	197.434	193.618
Current receivables from related parties	169.046	-3.873	0	1.083	-149.509	16.747
Cash	45	6.254	0	-45	0	6.254
Interest-bearing liabilities						
Non-current credit institutions	0	0	0	0	-4.368	-4.368
Non-current mortgage debt	-4.286	0	0	0	527	-3.759
Non-current lease liabilities	-530	0	0	0	63	-467
Non-current payables to related parties	-113.784	-11.524	0	453	-2.137	-126.992
Current part of non-current mortgage debt	-523	525	0	0	-527	-525
Current part of non-current lease debt	-905	1.071	0	0	-784	-618
Net interest-bearing debt	**49.063**	**-2.205**	**0**	**-7.667**	**40.699**	**79.890**

24 OTHER PAYABLES	CONSOLIDATED 2021	CONSOLIDATED 2020	PARENT COMPANY 2021	PARENT COMPANY 2020
Core liability, specification below	70.191	59.293	54.810	45.481
Earn-out	163.836	7.813	163.836	0
Employee related debt	7.810	0	2.631	0
Other payables	99	0	99	0
Other payables, non-current	**241.936**	**67.106**	**221.376**	**45.481**
Core liability, specification below	210.573	177.880	164.431	136.442
Employee related debt	36.628	20.486	9.634	6.694
Hedging instruments	2.248	1.826	2.248	1.826
Customer bonus	33.367	17.340	20.500	17.340
VAT	8.101	5.645	7.921	5.645
Earn-out	7.807	7.813	0	0
Other payables	18.243	10.306	2.589	5.941
Other payables, current	**316.967**	**241.296**	**207.323**	**173.888**
Total other payables	**558.903**	**308.402**	**428.699**	**219.369**

CORE LIABILITY	2021	2020	2021	2020
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	613.050	559.891	487.968	437.753
Estimated value of cores	-332.286	-322.718	-268.727	-255.830
Net core liability accrued for in the balance sheet	**280.764**	**237.173**	**219.241**	**181.923**

25 PROVISIONS	CONSOLIDATED 2021	CONSOLIDATED 2020	PARENT COMPANY 2021	PARENT COMPANY 2020
At 1 January	22.106	12.960	21.896	12.725
Utilized during the year	-11.523	-6.755	-11.413	-6.633
Additions	15.772	15.901	15.609	15.804
At 31 December	**26.355**	**22.106**	**26.092**	**21.896**
Recognised in the balance sheet as follows:				
Non-current liabilities	12.617	10.583	12.492	10.483
Current liabilities	13.738	11.523	13.600	11.413
Provisions 31 December	**26.355**	**22.106**	**26.092**	**21.896**
Recognised in the income statement:				
Cost of sales	15.772	15.901	15.609	15.804
Provisions recognised in the income statement	**15.772**	**15.901**	**15.609**	**15.804**

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 receival or return of goods.

The historical return rate of warranty units in 2021 was on average 11-12 months, which is the same levels in 2020.

26 ADJUSTMENT FOR NON-CASH TRANSACTIONS	CONSOLIDATED 2021	CONSOLIDATED 2020	PARENT COMPANY 2021	PARENT COMPANY 2020
Purchase of intangible assets	-4.924	-2.236	-1.018	-47.798
Of which had not been paid at the balance sheet date/adjustment for the year	908	170	214	170
Amount paid in relation to intangible assets	**-4.016**	**-2.066**	**-804**	**-47.628**
Purchase of property, plant and equipment	-24.709	-9.867	-1.304	-175
Of which had not been paid at the balance sheet date/adjustment for the year	1.204	568	383	0
Amount paid in relation to purchase of property, plant and equipment	**-23.505**	**-9.299**	**-921**	**-175**
Incurring financial liabilities	21.014	10.360	4.861	815
Of which lease debt	-21.014	-10.360	-4.861	-815
Proceeds from incurring financial liabilities	**0**	**0**	**0**	**0**

27 CHANGES IN WORKING CAPITAL	CONSOLIDATED 2021	CONSOLIDATED 2020	PARENT COMPANY 2021	PARENT COMPANY 2020
Change in inventories	-188.218	2.689	-686	-3.547
Change in receivables	-32.978	20.828	-47.256	26.684
Change in trade payables and other payables	140.944	11.113	22.068	17.739
Changes in working capital in total	**-80.252**	**34.630**	**-25.874**	**40.876**

28 FINANCIAL ASSETS AND LIABILITIES

The maturity profile of financial assets and liabilities is disclosed below according to category and calss distributed on period to maturity. All interest payments on and repayments of financial asasets and liabilitites are based on contracts. None of the cash flows are discounted.

At 31 December 2021 exchange rate contracts have been applied for hedging of cash flows covering future periods. The hedging relates to the Groups purchase of finished goods in USD as well as the internal trade of finished goods in PLN. All contracts are expected to expire - and thus affect results - in the financial year 2022. Derivatives are disclosed in note 30.

CONSOLIDATED

2021	Carrying amount	Fair value	0-1 years	1-5 years	> 5 years	Total cash flow
Trade receivables	213.555	213.555	213.555	0	0	213.555
Receivables from related parties	0	0	0	0	0	0
Other receivables	66.709	66.709	54.276	9.447	2.986	66.709
Cash in hand and in bank	23.014	23.014	23.014	0	0	23.014
Receivables measured at amortised cost	**303.278**	**303.278**	**290.845**	**9.447**	**2.986**	**303.278**
Derivative financial assets (fair value hierarchy level 2)	675	675	675	0	0	675
Financial derivaties used for hedging purposes	**675**	**675**	**675**	**0**	**0**	**675**
Total financial assets	**303.953**	**303.953**	**291.520**	**9.447**	**2.986**	**303.953**
Interest bearing debt	3.762	3.762	3.794	0	0	3.794
Lease liabilities	67.234	67.234	19.229	44.006	6.201	69.436
Payables to related parties	90.541	90.541	90.541	0	0	90.541
Trade payables	273.028	273.028	273.028	0	0	273.028
Other payables	384.318	384.318	310.096	74.222	0	384.318
Financial liabilities measured at amortised cost	**818.883**	**818.883**	**696.688**	**118.228**	**6.201**	**821.117**
Derivative financial liabilities (fair value hierarchy level 2)	2.248	2.248	2.248	0	0	2.248
Earn-out (fair value hierarchy level 3)	163.836	163.836	0	163.836	0	163.836
Financial derivaties used for hedging purposes	**166.084**	**166.084**	**2.248**	**163.836**	**0**	**166.084**
Total financial liabilities	**984.967**	**984.967**	**698.936**	**282.064**	**6.201**	**987.201**

Non-contractual items such as accruals and dererred income are excluded from other receivables and other debt.

Due to the short term nature of trade receivables and trade payables as well as other receivables and other debt falling due within 1 year, their carrying amount are considered to be approximately the same as their fair value.

The fair value of the contingent consideration arrangement (earn out) was estimated by applying the income approach.

The fair value estimates are based on a discount rate of 8.2% and assumed probability adjusted outcome of the earnout arrangement. This is a level 3 fair value measurement. The earnout is recognised at MDKK 164 and is due for payment in the beginning of 2023.

28 FINANCIAL ASSETS AND LIABILITIES

CONSOLIDATED

2020	Carrying amount	Fair value	0-1 years	1-5 years	> 5 years	Total cash flow
Trade receivables	105.532	105.532	105.532	0	0	105.532
Receivables from related parties	24.308	24.308	24.308	0	0	24.308
Other receivables	17.532	17.532	16.587	945	0	17.532
Cash in hand and in bank	8.804	8.804	8.804	0	0	8.804
Receivables measured at amortised cost	**156.176**	**156.176**	**155.231**	**945**	**0**	**156.176**
Derivative financial assets (fair value hierarchy level 2)	1.828	1.828	1.828	0	0	1.828
Financial derivaties used for hedging purposes	**1.828**	**1.828**	**1.828**	**0**	**0**	**1.828**
Total financial assets	**158.004**	**158.004**	**157.059**	**945**	**0**	**158.004**
Interest bearing debt	9.553	9.553	1.484	2.212	1.707	5.403
Lease liabilities	28.906	28.906	9.881	20.131	0	30.012
Trade payables	79.570	79.570	79.570	0	0	79.570
Other payables	298.437	298.437	231.331	67.106	0	298.437
Financial liabilities measured at amortised cost	**416.466**	**416.466**	**322.266**	**89.449**	**1.707**	**413.422**
Derivative financial liabilities (fair value hierarchy level 2)	1.828	1.828	1.828	0	0	1.828
Financial derivaties used for hedging purposes	**1.828**	**1.828**	**1.828**	**0**	**0**	**1.828**
Total financial liabilities	**418.294**	**418.294**	**324.094**	**89.449**	**1.707**	**415.250**

PARENT COMPANY

2021	Carrying amount	Fair value	0-1 years	1-5 years	> 5 years	Total cash flow
Trade receivables	121.282	121.282	121.282	0	0	121.282
Receivables from related parties	329.851	329.851	83.534	255.420	0	338.954
Other receivables	28	28	28	0	0	28
Cash in hand and in bank	12.602	12.602	12.602	0	0	12.602
Receivables measured at amortised cost	**463.763**	**463.763**	**217.446**	**255.420**	**0**	**472.866**
Derivative financial assets (fair value hierarchy level 2)	0	0	0	0	0	0
Financial derivaties used for hedging purposes	**0**	**0**	**0**	**0**	**0**	**0**
Total financial assets	**463.763**	**463.763**	**217.446**	**255.420**	**0**	**472.866**
Interest bearing debt	3.762	3.762	3.794	0	0	3.794
Lease liabilities	4.493	4.493	2.007	2.549	0	4.556
Payables to related parties	697.925	697.925	697.925	0	0	697.925
Trade payables	24.529	24.529	24.529	0	0	24.529
Other payables	259.793	259.793	204.599	57.441	0	262.040
Financial liabilities measured at amortised cost	**990.502**	**990.502**	**932.854**	**59.990**	**0**	**992.844**
Derivative financial liabilities (fair value hierarchy level 2)	2.247	2.247	2.247	0	0	2.247
Earn-out (fair value hierarchy level 3)	163.836	163.836	0	163.836	0	163.836
Financial derivaties used for hedging purposes	**166.083**	**166.083**	**2.247**	**163.836**	**0**	**166.083**
Total financial liabilities	**1.156.585**	**1.156.585**	**935.101**	**223.826**	**0**	**1.158.927**

28 FINANCIAL ASSETS AND LIABILITIES

PARENT COMPANY

2020	Carrying amount	Fair value	0-1 years	1-5 years	> 5 years	Total cash flow
Trade receivables	74.026	74.026	74.026	0	0	74.026
Receivables from related parties	213.102	213.102	19.484	210.647	0	230.131
Other receivables	95	95	95	0	0	95
Cash in hand and in bank	6.254	6.254	6.254	0	0	6.254
Receivables measured at amortised cost	**293.477**	**293.477**	**99.859**	**210.647**	**0**	**310.506**
Derivative financial assets (fair value hierarchy level 2)	0	0	0	0	0	0
Financial derivaties used for hedging purposes	**0**	**0**	**0**	**0**	**0**	**0**
Total financial assets	**293.477**	**293.477**	**99.859**	**210.647**	**0**	**310.506**
Interest bearing debt	8.652	8.652	4.940	2.212	1.707	8.859
Lease liabilities	1.085	1.085	627	471	0	1.098
Payables to related parties	536.567	536.567	409.575	133.762	0	543.337
Trade payables	14.311	14.311	14.311	0	0	
Other payables	211.177	180.008	180.008	45.481	0	225.489
Financial liabilities measured at amortised cost	**771.792**	**740.623**	**609.461**	**181.926**	**1.707**	**778.783**
Derivative financial liabilities (fair value hierarchy level 2)	1.826	1.826	1.826	0	0	1.826
Financial derivaties used for hedging purposes	**1.826**	**1.826**	**1.826**	**0**	**0**	**1.826**
Total financial liabilities	**773.618**	**742.449**	**611.287**	**181.926**	**1.707**	**780.609**

29 FINANCIAL RISKS

GROUP RISK MANAGEMENT

The BORG Group actively monitors and manages financial risks to which the Group is exposed through its operations, investments and financing activities. The financial risk management covers all areas of the business such as raw material price risk, foreign exchange risk, interest rate risk, credit risk, liquidity risk and the capital structure of the Group.

RAW MATERIAL PRICE RISK

The raw material risk relates to the risk of changes in the market prices of raw materials, the cores, to which BORG Group is exposed. The development in raw material prices not only affect the direct cost of purchasing the cores for production, but also the value of the net core liability to customers accounted for in the balance sheet. The COVID-19 pandemic and the close down of the countries around Europe illustrated that the reduced free flow of cores and also the reduced quantities of finished goods from China, increased the prices of available cores in the market. Further, the core market price is upon significant changes in the metal scrap value since the beginning of the pandemic has also increased the core market prices in general. Usually the core market prices are not impacted upon minor changes in the metal-scrap values.

The potential impact on the financial results may be of a significant size, since the price change of the cores 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, both in regards to the required quantities and prices. The skills and market knowledge of the core purchasers are thus very crucial to reduce this raw material price risk.

A reduction in the core market price will result in a short term loss for the Group 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. The opposite is also applicable.

The raw material risk for the Group is considered medium and the potential impact high on both the Groups results and equity.

The following table shows the groups and parent companies sensitivity to changes in raw material prices of cores:

CONSOLIDATED

	Change	2021	2020
Revenue	+5%	29.007	24.720
Profit for the year/Equity	+5%	16.052	14.305

The opposite effect will impact revenue and profit for the year/equity per a 5% decrease in the raw material prices.

PARENT COMPANY

	Change	2021	2020
Revenue	+5%	24.462	20.701
Profit for the year/Equity	+5%	14.199	12.485

The opposite effect will impact revenue and profit for the year/equity per a 5% decrease in the raw material prices.

FOREIGN CURRENCY RISK

The BORG Group´s presentation currency is DKK, but a large part of the Groups activities and investments is dominated in other currencies. The Group is with reference to the high intercompany trading of both cores and finished goods therefore exposed to the exchange rate risk when trading in PLN, EUR and GBP respectively. Consequently there is an inherent risk of exchange rate fluctuations impacting both profits and the financial posisition in DKK.

As a main rule, the Group hedges significant foreign exchange risks regarding in- and out going payments in foreign currencies in accordance with the Group hedging policy. The sensitivity analysis shows the impact on the income statement and equity from likely changes in the exchange rates for the currencies where a risk is identified.

29 FINANCIAL RISKS

The largest currency risk exposures for the BORG Group and the Parent Company is the purchase of goods from the subsidiary in Poland in PLN as well as the purchase of finished goods from China in USD by SBS. As a safeguard to this exposure a "rolling" hedge strategy is applied by the Group Management, where the expected requirements of PLN and USD 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 internal sales of a more limited size and are therefore not hedged.
The parent company also incure the foreign exchange risk related to Intercompany loans with subsidiaries which are in the local currency of the subsidiaries and the risk relate to the net investments in foreign subsidiaries. Ths risk is not hedged.
The foreign exchange risk is considered low, but the potential impact on profits /(losses) and financial position are considered medium.

Below for both the Group and the parent company is illustrated the most significant foreign exchange exposures at year-end:

CONSOLIDATED

The Group's foreign exchange risks recognised in the balance sheet at 31 December 2021:

Currency	Securities and cash/ equivalents	Receivables	Debt	Net position before hedging	Hedged by financial instruments	Net position after hedging
EUR / DKK	5.191	280.471	-556.759	-271.097	0	-271.097
EUR / GBP	1.144	8.892	-2.957	7.079	0	7.079
EUR / PLN	0	3.638	-3.692	-54	0	-54
GBP / DKK	1.245	45.035	-10.527	35.753	0	35.753
PLN / DKK	1.218	105.638	-32.014	74.842	0	74.842
USD/ DKK	11.397	1	-42.054	-30.656	0	-30.656
USD/ EUR	0	0	-48.270	-48.270	0	-48.270

The group'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
EUR / GBP	3.190	14.209	-6.319	11.080	0	11.080
EUR / PLN	24	1.812	-11.885	-10.049	0	-10.049
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

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. Below analysis includes the effect on profit after tax on a 5% increase in the exchange rates, all other things being equal. A 5% decrease are expected to have a corresponding inverse effect.

Due to the DKK being fixed to the EUR, significant fluctuations on this exposure are not included in the sensitivity analysis below.

	Change	2021	2020
PLN/DKK	+ 5%	-2.919	-2.946
GBP/DKK	+ 5%	-1.394	-985
USD/DKK	+ 5%	-445	0
EUR /GBP	+ 5%	-276	-432
USD /EUR	+ 5%	1.883	0

29 FINANCIAL RISKS

PARENT COMPANY

The Parent Company's foreign exchange risks recognised in the balance sheet at 31 December 2021:

Currency	Securities and cash/ equivalents	Receivables	Debt	Net position before hedging	Hedged by financial instruments	Net position after hedging
EUR / DKK	0	253.310	-547.086	-293.776	0	-293.776
GBP / DKK	1	34.419	-10.527	23.893	0	23.893
PLN / DKK	641	105.638	-31.756	74.523	0	74.523

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

Sensitivity of currency risk

Below analysis includes the effect on profit after tax on a 5% increase in the exchange rates for the Parent company, all other things being equal. A 5% decrease are expected to have a corresponding inverse effect.

Due to the DKK being fixed to the EUR, significant fluctuations on this exposure are not included in the sensitivity analysis below.

	Change	2021	2020
GBP/ DKK	+5%	-932	-985
PLN/ DKK	+5%	-2.906	-2.946

INTEREST RATE RISK

BORG Groups interest rate risk related to interest-bearing debt and interest-bearing assets. The Groups interest-bearing assets and debt relates mainly to deposits and borrowings with the parent company in the form of cash-pool accounts and to a minor extent to deposits or borrowings with local external banks as well as leasing obligations towards external leasing companies. As of 31 December 2021 interest-bearing assets amounted to TDKK 23.762 (2020: TDKK 33.186) and interest-bearing debt of TDKK 211.766 (2020: TDKK 38.459).

The interest rate risk is not hedged since the risk and threat is considered low.

Below tables shows the sensitivity to changes in the interest rates as per Net Interest-bearing debt (NIBD) balance as per 31 December:

CONSOLIDATED

	Change	2021	2020
Profit for the year	+1%	-1.240	-161
Equity	+1%	-1.240	-161

The opposite effect will impact revenue and profit for the year/equity per a 5% decrease in the raw material prices.

29 FINANCIAL RISKS

PARENT COMPANY

	Change	2021	2020
Profit for the year	+1%	-885	-691
Equity	+1%	1.059	172

The parent company have positive NIBD and thus a 1% increase in the interest rate levels will impact positively the Profit for the year, but due to intercompanies loans with subsidiaries this effect is reduced significantly with an offsetting effect from profit for the year from subsidiaries and thus affecting equity negatively.

CREDIT RISK

The Group is exposed to credit risks arising from receivables and from balances with banks including derivative financial instruments. Risks related to receivables are primarily with reference to external customers not fullfilling their contractual obligations. Credit risk with banks occur when it is uncertain whether the bank is capable of settling its obligations when due towards the Group.

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. The risk of losses is therefore considered low which is illustrated by the very insignificant losses incurred.

Trade receivables can be specified as follows:	CONSOLIDATED		PARENT COMPANY	
	2021	**2020**	**2021**	**2020**
Not overdue	164.258	91.298	92.200	65.575
Due below 30 days	36.246	12.543	22.796	7.692
Due between 31 and 90 days	12.624	1.677	6.281	745
Due above 90 days	8.119	14	5	14
Trade receivables before allowance	**221.247**	**105.532**	**121.282**	**74.026**
Impairment	-7.692	0	0	0
Total trade receivables	**213.555**	**105.532**	**121.282**	**74.026**
Proportion of the total receivables which is expected to be settled	96,5%	100,0%	100,0%	100,0%
Impairment rate	3,5%	0,0%	0,0%	0,0%

The impairment of TDKK 7.692 relate primarily to trade receivables due above 90 days.

	CONSOLIDATED		PARENT COMPANY	
Impairment losses on trade receivables	**2021**	**2020**	**2021**	**2020**
Impairment losses at 1 January	0	-814	0	-814
Addition from acqusitions	-6.528	0	0	0
Reversed impairment losses	0	814	0	814
Impairment losses during the year	-1.270	-2	0	-2
Realised loss	106	2	0	2
Impairment losses at 31 December	**-7.692**	**0**	**0**	**0**

The risk credit risk related to deposits on the cash pool accounts with Schouw & Co. via Danske bank as well as receviables from the subsidiaries by the parent company are considered low.

The overall credit risk of the BORG Group is considered to be low.

29 FINANCIAL RISKS

LIQUIDY RISK

Liquidity is managed centrally and is continously monitored and assesed, to ensure that financial ressources are availables in all Group companies at any given time.

At year-end 2021 the Groups liquidity reserve consist of both cash at hand and deposits at creditinstitutions and cash pool accounts amounts to TDKK 73.918, of which TDKK 50.229 are cash-pool deposits. Based on the available facilities from the ultimate parent company Schouw & Co., sufficient liquidity is consired to be in place.

It is the Management´s opinion that the Group has suffcient financial ressources to settle its oustanding obligations as they become due, and the liquidity risk of the Group is considered to be low.

CAPITAL STRUCTURE

The BORG Group Management monitors the capital structure of all legal entities within the Group and takes adequate measures to ensure the Group is capitalised in the best interest of the Group and its shareholders. The overall objective is to ensure a continued development and of the Group which support the Groups strategy and growth ambitions.

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 available facilities are continuously reviewed and the ultimate parent company Schouw & Co. provides the adequate funds required for the Group to support the BORG Group.

30 DERIVATIVE FINANCIAL INSTRUMENTS

BORG Group uses forward contracts to hedge specific currency exposure related to the purchase of raw materials (cores) and finished goods. Hedging contracts are not entered into for speculative purposes, but are only used to reduce the exposure to changes in exchange rates relates to purchase or sales transactions.

CONSOLIDATED

		Contractual value in currency		Average price		Gains and losses recognized in the equity	
Currency	**Period**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
PLN	0-1 year	120.000	120.000	4,6349	4,4976	-1.754	-1.426
USD	0-1 year	12.000	0	6,4895	0,0000	526	0
Tax						-347	-401
Total before tax						**-1.574**	**-1.826**

PARENT COMPANY

		Contractual value in currency		Average price		Gains and losses recognized in the equity	
Currency	**Period**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
PLN	0-1 year	120.000	120.000	4,6349	4,4976	-1.754	-1.426
Tax						-495	-401
Total before tax						**-2.248**	**-1.826**

31 CONTINGENT LIABILITIES AND GUARANTEES

	CONSOLIDATED		PARENT COMPANY	
	2021	2020	2021	2020
Guarantees				
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	0	12.001	0	12.001
Debt to the mortgage-institution at year-end amouted to	3.762	4.284	3.762	4.284
The asset to which the security of TDKK 9.870 relates to have been sold in 2021, but the loan have not been redeemed until January 2022.				
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
Borg Automotive A/S have issued a guarantee towards HMRC in UK related to postponed VAT accounting, a total of TGBP 900. The guarantee in TDKK amounts to:	7.977	0	7.977	0
As security for the engagement with an external supplier a subsidiary in BROG Group have issued a bankguarantee of TEUR 270 with a total value at year-end of:	2.007	0	0	0

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. 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). The first refinancing extension was used in December 2021.
In addition, Schouw & Co established a 7-year loan of MDKK 400 with Nordic investment Bank directly related to specific capacity and development costs in Denmark.
Borg Group, like other major subsidiaries in the Schouw & Co. Group, co-guarantees the aforementioned facilities of MDKK 3.675 of which MDKK 938 has been deducted as of 31 December 2021.

	CONSOLIDATED		PARENT COMPANY	
	2021	2020	2021	2020
The following amount was drawn on the credit facilties as mentioned above at year-end	140.770	16	140.100	16
Contractual commitments				
BORG Group have commited to the purchase of assets in the next year of the following amounts:	2.532	3.655	0	0

Joint taxation liability

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.

32 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 familiy 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	
	2021	**2020**	**2021**	**2020**
Sale of goods to subsidiaries	0	0	188.454	165.621
Purchase of goods from subsidiaries	0	0	782.920	611.114
Sale of services to subsidiaries	0	0	21.001	15.442
Purchase of services from subsidiaires	0	0	14.740	7.533
Purchase of assets in connection with acquisition of business	0	0	0	34.915
Purchase of customer and core liability, net from subsidiaires	0	0	-1.155	0
Purchase of research and development from subsidiaries	0	0	9.686	7.231
Royalty income from subsidiaries	0	0	0	4.659
Interests paid to subsidiaries	0	0	968	2.137
Interests paid to parent company	1.275	556	1.207	524
Interests received from subsidiaries	0	0	4.019	2.275
Interests received from parent company	1	4	1	2
Management fee paid to parent company	1.400	1.400	1.400	1.400
Dividend paid to parent company	60.000	60.000	60.000	60.000
Dividend received from subsidiaries	0	0	44.610	0
Receivables from subsidiaries	0	0	329.851	196.355
Receivables from parent company	0	24.308	0	16.747
Payables to subsidiaires	90.541	0	638.711	536.567
Payables to parent company	0	0	59.214	0

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 aquired at the following website: www.schouw.dk