

PRESS RELEASE

Schouw & Co.
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Schouw & Co. acquires Borg Automotive and invests in the remanufacturing of auto parts

The Danish industrial conglomerate Schouw & Co. acquires the majority of Borg Automotive in Silkeborg, Denmark, and thereby establishes a sixth portfolio leg - this time within the remanufacturing of components for the automotive industry, and hereby initiates a long-term investment in circular economy and sustainability.

Schouw & Co. in Aarhus, Denmark, which owns BioMar, Fibertex Personal Care, Fibertex Nonwovens, Hydra/Specma and GPV now expands its business portfolio with yet another strong acquisition. The Danish industrial company, Borg Automotive, headquartered in Silkeborg, Denmark, with manufacturing facilities in Poland and England, and a sales office in Belgium, is now acquired. The company generates revenue of about DKK 1 billion and employs 1,400 employees of which 1,200 are in Poland.

Borg Automotive remanufactures parts from existing automotive units like starters, generators, brake calipers, air-condition compressors, etc., and has through recent years experienced substantial growth. During the past 5 years revenue has annually grown more than 10% in average, and for the fiscal year 2015/16, EBIT reached DKK 101 million. For some time, Schouw & Co. has discussed the acquisition with 67-year-old owner Søren Toft-Jensen, upon which the parties have concluded that Schouw & Co. is to take over 85 percent of the shares:

- Borg Automotive is a successful and well-positioned Danish industrial company engaged in a very interesting niche of the European automotive industry. Remanufacturing of parts to the automotive industry has significant potential, and Borg Automotive is acknowledged as one of the most skillful in Europe with the widest range of products, explains Jens Bjerg Sørensen, President of Schouw & Co., and continues: - We are acquiring the majority of the business now and will have the opportunity to acquire the remaining part within a foreseeable future. The course of discussions with Søren Toft-Jensen has been very positive. For the past 40 years, Søren Toft-Jensen has been involved in creating a huge Danish industrial success, and we are pleased that he will continue his commitment to the business, enabling us to draw on his enormous knowledge about circular economy and the remanufacturing industry.

Schouw & Co. sees a large growth potential in the business, and Mr Sørensen does not hold back the fact that he expects revenue of Borg Automotive to increase even more. Global size and development are indeed key parameters for the way Schouw & Co. performs active ownership of its businesses:

- Our most prominent task is to lift Borg Automotive to the next level. This will entail both increase in volume and larger geographical spreading. We intend to create the largest, independent European manufacturer of remanufactured vehicle parts, and we have the necessary financial strength enabling us to create growth both organically and through acquisitions, Mr Sørensen continues.

Borg Automotive was founded in 1975 by Søren Toft-Jensen who was then only 25 years old. The company was named Toft-Jensen Elektro ApS, and almost 10 years later the first manufacturing facility was set up. Since then, the energetic sole owner has experienced rapid success. In 2007, the Danish starter and

generator remanufacturing company, Dansk Renoverings Industri, was acquired; in 2012, the Belgian/English Car Parts Industries was acquired; and in 2014, the largest core storage facility in Northern Europe was built in connection with the manufacturing facility in Poland accommodating the storage of 400,000 used vehicle parts:

- I have been through the most incredible journey and adventure, where I have had the advantage of Danish and foreign employees who have contributed remarkably to a very prosperous development over the years. Nevertheless, the time has now come to pass on the keys. Through recent years, I have had a great number of offers, but it has been essential for me to ensure the company's long-term development under new owners. Quite frankly, I cannot think of a better buyer than Schouw & Co. I know that Schouw & Co. favours long-term investments, that focus is on the welfare of the employees, and that the necessary financial strength is present enabling the business to be lifted to the next level, says Søren Toft-Jensen who in 2008 appointed an outside CEO, and shifted job himself and became director of business development. Today CEO Kim Kruse Andersen is responsible for the daily operations, and Søren Toft-Jensen still serves as a member of the board of directors.

Remanufacturing: a necessity

A lot indicates that remanufacturing will continue to increase during the next many years, i.a. driven by an increased focus on the environment and a larger and older vehicle fleet. As the world's resources become more and more scarce, the importance of remanufacturing will increase, and when for example a generator has been remanufactured it will have the same quality as a new one. An end-user will not experience any difference as to whether the part is brand new or remanufactured.

All units at Borg Automotive pass through a six-step process: First of all, the defect units are disassembled followed by a preliminary sorting. Units with potential for remanufacturing are cleaned with environmentally friendly cleansing methods and then carefully inspected in order to determine if they are qualified for remanufacturing. Following this, the remanufacturing begins through various processes in order for the parts to meet original standards. The remanufactured parts are reassembled in the same way as in the original manufacturing, and finally they undergo a performance test. There are many benefits from this process:

A correct remanufactured vehicle part will function and perform like an original one, and it will often be difficult to see any difference. In addition, the energy used compared to manufacturing a new part is reduced by up to 85 percent, and the environmental impact from scrapping is removed. Remanufacturing is an important element of circular economy and significantly lowers the environmental impact.

Borg Automotive sells the remanufactured parts through an extensive European wholesaler network and directly to OEM/OES manufacturers.

Schouw & Co.'s acquisition of Borg Automotive is subject to approval by the regulatory authorities, and is expected to become effective from the beginning of April 2017. In connection with the acquisition Borg Automotive's accounting policies will be changed, and the business is expected to be recognised with 9 months of 2017 with a revenue of about DKK 800 million and an EBIT in the range of DKK 110-130 million, from which adjustments must be deducted due to the purchase price allocation.

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Learn more about Schouw & Co. at www.schouw.dk.

Learn more about Borg Automotive at www.borgautomotive.com.