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Strategic review of SBS Automotive's options

The Board of Directors of SBS Group has resolved to initiate a strategic review for the division SBS Automotive. The Board of Directors has hired Carnegie Investment Banking (Copenhagen) as its adviser in the process, which will aim to clarify how SBS Automotive will be best positioned to address changes in its markets.

Chairman of the Board of Directors, Peter Eriksen Jensen, says: *"During the past couple of years, SBS Automotive has strengthened its operational platform, increased earnings and improved its market approach. On this basis, it is natural for us to analyse the next steps in the division's strategic development."*

The analysis is conducted on a background of significant changes in SBS Automotive's main market – the independent European automotive aftermarket – driven by extensive consolidation among distributors and altering consumer buying behaviour. Based on the division's strategic position and flexible business model, SBS Automotive is found to have the preconditions for continued development under changed market conditions, but the analysis aims to clarify if the division could benefit from actively participating in the consolidation. Currently, no information can be provided concerning the result or expected timing of the completion of the analysis.

SBS Automotive sources, completes, provides inventory management, markets and distributes spare parts for passenger cars and delivery vans. The product range includes wear parts – brakes, steering parts, suspension, transmission, clutches, etc. – sold in particular under the brand name NK, while a smaller share of the volume is sold as private label. Customers primarily comprise distributors on the European automotive aftermarket and selected markets outside Europe. Germany is the largest market followed by, among others, Scandinavia, France, Russia, Poland and the UK.

SBS Automotive has sales and distribution platforms in Denmark, Germany and France, a sales office in Moscow, logistics and packaging operation in Poland and a distribution setup in the UK.

During the first 6 months of 2018, the division's operating profit (EBITDA) increased to DKK 24.7 million (DKK 21.4 million in the first 6 months of 2017), and the EBITDA margin grew to 8.5% (6.5% in the first 6 months of 2017). The progress is driven by supply chain efficiencies in connection with relocation of packaging operations from Denmark to Poland (brake discs) and Germany (brake shoes), optimisation of warehouses, continuous process improvements and optimisation of supplier contracts.

During 2018, SBS Automotive has focused particularly on earnings, operational optimisations and market cultivation. Certain market segments and accounts with low margins have been deselected, while the division has strengthened its presence in the UK market, plans to complete a similar campaign in Italy and has taken the first steps into the Middle East, as well. As a result of the strategic focus on earnings, revenue declined to DKK 292.3 million in the first 6 months of 2018 against DKK 329.5 million in the first 6 months of 2017.

The strategic review does not include SBS Group's other division, SBS Friction, which develops and manufactures brake parts and friction technology for motorcycles, scooters and ATV/UTV vehicles as well as for several specialised areas, including wind turbines.

SBS Group's outlook for 2018 is unchanged from the SBS interim report for the first 6 months of 2018 (announcement no. 5/2018): SBS Group expects to generate revenue of DKK 685-710 million and EBITDA before special items of DKK 55-65 million.

Further information:

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