The following is a translation of an original Danish document.

The original Danish document is the governing document for all purposes, and in case of any discrepancy, the Danish wording will be applicable.

The original Danish document can be seen in full on www.sbs-group.dk – Danish version – Årsrapport 2020.

Extract of

ANNUAL REPORT 2020

MAKING ROADS SAFE SINCE 1964

Scandinavian Brake Systems A/S,
Kuopiovej 11, 5700 Svendborg, Danmark
CVR-nr. DK 32 77 42 10; LEI-kode 529900DY2V39LC8FJ309

sbs GROUP

PREFACE

2020 was a special and eventful year for the SBS Group. On the one hand, we succeeded in selling SBS Friction with takeover on 7 January 2021 at a good price, which made it possible for us to considerably reduce SBS Group's high, interest-bearing debt. On the other hand, our continuing operation, SBS Automotive, was severely affected by COVID-19 despite several good, strategic and productivity-enhancing initiatives.

In terms of results, we lived up to the expectations announced in our interim report. SBS Friction reported record-breaking results, whereas SBS Automotive suffered from the consequences of the pandemic due to reduced driving, lockdown of repair shops, restrictions on trade in auto spare parts and pressure on supplies from Asia.

On a directly comparable basis, the SBS Group reported revenue of DKK 593 million and operating profit (EBITDA recurring) of DKK 48 million. The figures are, however, not reflected in the financial highlights on page 5. Due to the sale on 7 January 2021, SBS Friction has been moved to the line item "Profit /loss from discontinuing operations after tax" in the financial statements where SBS Friction contributes with DKK 17 million. The reported revenue and operating profit in the SBS Group comprise only SBS Automotive and the Parent Company, and the SBS Group's operating profit before depreciation, amortisation and impairment losses (EBITDA recurring) decreased in 2020 to DKK 10 million, partly due to the effect of the pandemic on SBS Automotive and partly due to increasing expenses in the Parent Company for strategic projects, not least the sale of SBS Friction.

The loss for the year totalled DKK 12 million, including the contribution from SBS Friction.

The right owner

When selling SBS Friction, we pursued two goals. One of the goals was to obtain the highest price possible, the other was to ensure that we found the right new home for the company. Our sale to the Italian Brembo, the world's leading manufacturer of brake systems, fulfilled both goals. Before the sale, Brembo was a large customer and important cooperating partner to SBS Friction, and therefore, Brembo had the best possibilities of assessing and realising the potential in SBS Friction's technology and market position. Brembo is a strong, global group which counts almost all important car manufacturers and motor manufacturers among their customers and they can therefore open many doors to SBS Friction. Although Brembo has factories on several continents, they do not have a site capable of delivering the same as SBS Friction within development and manufacturing of brake lining. Therefore, Brembo continues operations in Svendborg.

The sale is thus a perfect solution to the SBS Group, SBS Friction's employees and Svendborg town. The sales price of DKK 300 million implies a gain of DKK 152 million, which we recognise as income in the consolidated financial statements for 2021 when Brembo obtains control.

Reduction of debt

The SBS Group has for several years had negative equity due to the considerable write-downs on the Notox shares sold in 2010 and 2015. Although the Group has succeeded – however not in 2020 – to re-establish some of the lost equity, equity was negative by DKK 155 million at the end of 2020, corresponding to an asset value per share of minus DKK 48.4. When recognising the gain on the sale of SBS Friction of DKK 152 million, the Group's equity totalled a negative DKK 3 million in January 2021.

The imbalance is attributable to the net interest-bearing debt, which also relates to the Notox adventure. The current Board of Directors and the Executive Board have been working hard to reduce the debt and made a progress. In 2011, when reaching a peak, debt totalled DKK 721 million, and up until the end of 2020, we succeeded in reducing the net interest-bearing debt to DKK 467 million, and in January 2021, we used the gain from the sale of SBS Friction to further reduce our debt. In January 2021, net interest-bearing debt thus totalled approx. DKK 207 million. This has reduced pressure, but the debt is still quite high, and after selling SBS Friction, we only have one entity left to generate the earnings needed to service our debt. Therefore, we still rely on our good cooperation with our two main bankers.

Challenges to SBS Automotive

SBS Automotive's main market, the open automotive aftermarket in Europe, is still undergoing drastic change and subject to increasing consolidation, which leads to larger entities while the number of small customers decreases. Competition is fierce, which puts prices under constant pressure and requires efficiency and critical mass.

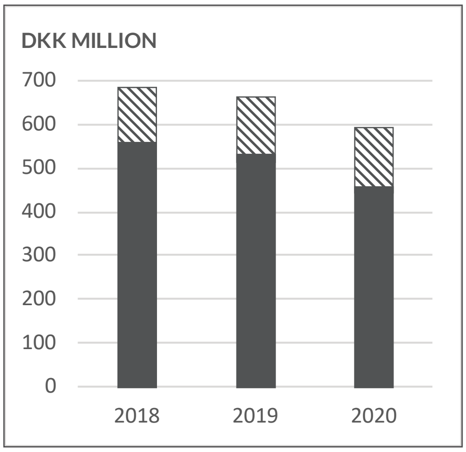
Adjusting SBS Automotive to this reality is an ongoing task, which we base on our efforts to create value to our customers, close partnership agreements with the largest players, cultivate new markets as well as engage in continuous product development and assortment development. The basis is a strong supply chain with sourcing, logistics and a high service level.

2020 started off well for SBS Automotive with two good months, but then in March, the aftermarket in Europe was severely affected by the pandemic, which caused the countries to lock down workshops and physical trade in auto parts, and citizens had to stay home and therefore did not use their car. The same scenario took place when the second wave surged Europe late in 2020. The request for replacement of cars' wear parts decreased, and our customers focused on reducing their inventories and scaling down activities.

Based thereon, SBS Automotive did rather well thanks to its broad product range, efficient sourcing platform and logistics platform as well as our managers' and employees' hard work. We succeeded in increasing sales in a few markets, winning market shares in others while noting growth in the digital area. However, revenue decreased by 14% due

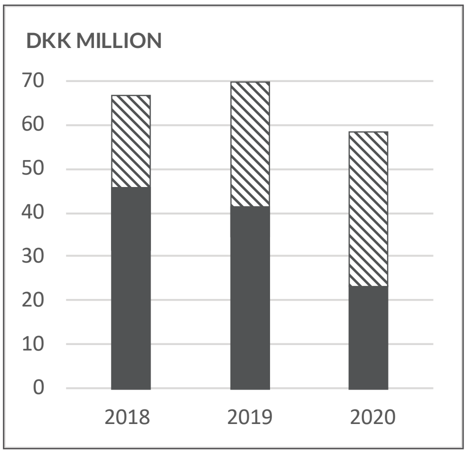
❝ Net interest-bearing debt is reduced by DKK 514 million

Revenue



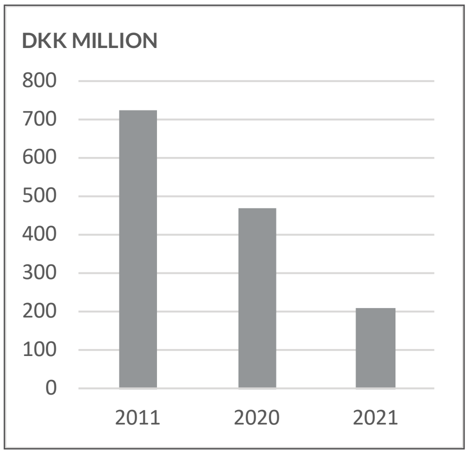
SBS Automotive *SBS Friction*

EBITDA recurring



SBS Automotive *SBS Friction*

Net interest-bearing debt



Net interest-bearing debt has been reduced by DKK 514 million from DKK 721 million in 2011 to DKK 207 million in January 2021.

to the recession in particularly Germany, and operating profit was more than halved due to decreasing sales and changes in the customer mix and product mix.

Consolidation is required

COVID-19 will speed up the drastic change in SBS Automotive's markets. The financial situation of a number of players, in particular the small ones, has worsened during the pandemic, and this will further speed up the consolidation. E-commerce with spare parts has also accelerated and will increase pressure on dealers with traditional business models.

When customers reduce in number, but increase in size, and can put pressure on the prices due to increasing volumes, would it be worth exploring whether consolidation of suppliers could also add value? Could we strengthen SBS Automotive's sourcing, storing, logistics, customer service and administration by means of cooperation, alliances, mergers or other measures and gain resources to develop new products and services? We are in the process of exploring those possibilities.

As you know, we tested the interest in consolidation already in 2018-19. Back then, the time was not right. Now it seems as if things are changing, and therefore, as announced when selling SBS Friction in November 2020, we are exploring the possibilities this might give SBS Automotive.

Outlook for 2021

We are optimistic about 2020. So far, we are within budget, which is satisfactory.

SBS Automotive will still focus on large, solid customers and work on ensuring its part of these customers' purchases, i.a. based on the broad product range within brake callipers, which we introduced in 2020. The geographical expansion also continues. We must get back to "normal", bearing in mind, however, that the first half year will still be characterised by the pandemic until Europe has gained better control over COVID-19.

We expect to report revenue of DKK 470-490 million and to improve EBITDA recurring in SBS Automotive to DKK 30-50 million. The SBS Group is expected to report EBITDA recurring of DKK 20-25 million after deduction of costs for the Parent Company's operations. To this should be added the gain from the sale of SBS Friction totalling DKK 152 million.

Peter Eriksen Jensen, Chairman

Mads Bonde, CEO

CONTENTS

FINANCIAL HIGHLIGHTS

DKKm Key figures	2020	2019	2018 [1]	2017 [1]	2016 [1]
Automotive division					
Revenue	454.8	531.1	557.4	604.9	647.2
Index (2016 = 100)	70.3	82.1	86.1	93.5	100.0
Operating profit before depreciation, amortisation, impairment losses and special items (EBITDA recurring)	23.5	41.4	45.8	41.2	32.5
SBS Group					
Revenue	454.8	531.1	682.4	735.0	769.7
Operating profit before depreciation, amortisation, impairment losses and special items (EBITDA recurring)	10.1	29.4	62.5	61.2	49.5
Other special items (reorganisation, etc.)	-4,1	-4,4	-5,3	-3,7	-10,9
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	6,0	25.0	57.2	57.5	38.6
Depreciation, amortisation and impairment losses	-11,5	-12.0	-15.8	-16.2	-19.2
Operating profit (EBIT)	-5.5	13.0	41.4	41.3	19.4
Finance income and finance costs (net)	-27.5	-23.7	-23.4	-21.5	-26.2
Profit/loss from continuing operations before tax	-33.0	-10.7	18.0	19.8	-6.8
Profit/loss from continuing operations after tax	-29.6	-10.0	13.5	19.2	-3.7
Profit/loss from continuing operations after tax	17.3	14.7	-	0.5	10.0
Profit/loss for the year	-12.3	4.7	13.5	19.7	6.3
Non-current assets	103.0	206.0	170.8	170.5	160.2
Current assets	388.5	324.2	294.7	274.1	281.0
Total assets	491.5	530.2	465.5	444.6	441.2
Share capital	32.1	32.1	32.1	32.1	32.1
Equity	-155.4	-145.2	-150.2	-165.9	-183.8
Non-current liabilities	271.0	461.9	387.8	422.9	451.1
Current liabilities	375.8	213.5	227.9	187.6	173.9
Net working capital (NWC)	133,3	208,2	141,1	175,2	188,7
Net interest-bearing debt	466.5	473.4	403.4	429.3	468.9
Average number of employees	160	164	253	260	283
Revenue per employee	2.8	3.2	2.7	2.8	2.7
Cash flow from operating activities	37.6	-73.8	44.3	55.4	7.9
Cash flow to investing activities, net	2.7	-1.9	-18.4	-15.8	-15.1
Hereof invested in property, plant and equipment	1.6	1.4	12.0	15.8	9.9
Cash flow from financing activities	48.5	69.8	-25.9	-39.6	21.3
Cash flow from discontinuing operations	13.6	5.8	-	-	-14.2
Cash flows for the year	-	-0.1	-	-	-0.1

Financial ratios	2020	2019	2018 [1]	2017 [1]	2016 [1]
Operating profit before depreciation, amortisation, impairment losses and special items (EBITDA recurring) margin	2.2	5.5	9.2	8.3	6.4
EBITDA margin	1.3	4.7	8.4	7.8	5.0
EBIT margin	-1.2	2.4	6.1	5.6	2.5
Return on invested capital, % (ROIC excl. GW)	-3.4	4.1	21.2	20.3	8.6
Return on equity in % (ROE)	I/A	I/A	I/A	I/A	I/A
Equity ratio	-31,6	-27,4	-32,3	-37,3	-41,6
Earnings per share in DKK (EPS Basic)	-3.8	1.5	4.2	6.1	2.0
Profit/loss from continuing operations per share (EPS Basic)	-9.2	-3.1	4.2	6.0	-1.2
Net asset value per share in DKK (BVPS)	-48.4	-45.3	-46.8	-51.7	-57.3
Price/net asset value	-0.5	-0.4	-0.4	-0.5	-0.5
Market price at year end	24.0	17.9	18.5	26.5	26.7

Earnings per share and diluted earnings per share have been calculated in accordance with IAS 33 (note 11). Other financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios". For terms and definitions, please see the accounting policies, page 45.

SBS presents alternative performance indicators in the annual report which are not defined in accordance with IFRS. In the opinion of the Group, those financial highlights increase the level of comparability and improve the evaluation of this year's and previous year's profits from operations. For a definition, please see page 45.

[1] The comparative figures have not been restated to reflect the effect of the implementation of IFRS 16. Moreover, the comparative figures have not been restated to reflect discontinuing operations.

FINANCIAL REVIEW

Due to the sale of SBS Friction effective from 7 January 2021, the division is presented only as a discontinuing operation in the income statement and as assets classified as held for sale and liabilities associated with assets classified as held for sale in the Statement of financial position. The comparative figures in the income statement have been restated.

INCOME STATEMENT

SBS Group's results of operation in 2020 were characterised by very difficult market conditions due to COVID-19 lockdowns and restrictions, decreasing driving in Europe and price competition and challenging supply chains from China in particular. For a description of the market conditions, please see pages 11-13.

Consequently, revenue, which only derives from SBS Automotive, decreased by 14% to DKK 455 million.

Due to decreasing sales and a shift to customers and products with lower margins, SBS Automotive's operating profit before depreciation, amortisation, impairment losses and special items (EBITDA) decreased to DKK 24 million against DKK 41 million in 2019. Operating profit of the Group before depreciation, amortisation, impairment losses and special items thus totalled DKK 10 million against DKK 29 million in 2019.

EBITDA less special items of DKK 4 million totalled DKK 6 million against DKK 25 million in 2019.

Depreciation, amortisation and impairment losses totalled DKK 12 million against DKK 12 million in 2019, and operating profit (EBIT) then represented a loss of DKK 6 million against a profit of DKK 13 million in 2019. Finance income and finance costs totalled a negative DKK 28 million against a negative DKK 24 million in 2019, and profit from continuing operations totalled a loss of DKK 30 million against a loss of DKK 10 million in 2019.

Profit from discontinuing operations (SBS Friction) after tax totalled DKK 17 million against DKK 15 million in 2019. Despite the challenges following from COVID-19, SBS Friction noted a strong year with a decent increase in sales to the open aftermarkets as well as OEM customers.

The loss for the year thus totalled DKK 12 million against a profit of DKK 5 million in 2019.

EBITDA, recurring,

DKK million	**2020**	**2019**
SBS Automotive	24	41
Parent company	-14	-12
SBS Group	**10**	**29**

CASH FLOWS

Cash flows from operating activities were positive by DKK 38 million whereas they were negative by DKK 74 million in 2019. The marketable improvement is attributable to continuous efforts to reduce inventories of easily negotiable goods for resale. Moreover, there was a modest positive effect from VAT, A tax, etc., for a total amount of DKK 4 million, which is not to be settled until 2021 due to the extension of deadlines due to COVID-19.

EQUITY

Equity is still negative due to the considerable write-downs on Notox assets sold in 2009 and 2015. Equity at the end of the year totalled a negative DKK 155 million against a negative DKK 145 million in 2019, corresponding to a negative solvency ratio of 31.6% against a negative ratio of 27.4% in 2019. The change in the year is attributable to the loss for the year. Equity improvements in recent years were thus curbed by the COVID-19 effects on earnings in 2020.

Selected statement of financial position items

DKK million	**2020**	**2019**
Non-current assets	103	206
Current assets	389	324
Hereof assets held for sale	*149*	*0*
Total assets	**492**	**530**
Non-current liabilities	271	462
Current liabilities	376	214
Hereof liabilities associated with assets classified as held for sale	*32*	*0*
Equity	**-155**	**-145**

LIQUIDITY AND FINANCING

In 2017, the SBS Group concluded a financing agreement with the Group's bankers. The agreement was prolonged by two years in June 2019. The financing agreement was changed in February 2021 due to the sale of SBS Friction. The financing agreement runs until 1 April 2022 after which it is subject to renegotiation. The financial and non-financial terms (covenants) are suspended in 2021 except for a term regarding CAPEX. Moreover, it has been agreed that no dividends are distributed for the three years during which the credit agreement is in force.

During the COVID-19 crisis in first half of 2020, the banks offered additional temporary credit lines. Those credit

lines were suspended in the second half of 2020 where the SBS Group's liquidity was strengthened. This net interest-bearing debt totalled DKK 467 million at the end of the year against DKK 473 million in 2019. A successful reduction of working capital tied up in inventories primarily explains the decrease. Net interest-bearing debt corresponds to 46 times the operating profit before depreciation, amortisation, impairment losses and special items (EBITDA).
The financial resources at the end of the year totalled DKK 25 million and mainly comprised undrawn overdraft facilities in the Group's credit institutions. The financial resources are assessed to suffice for the financing of the planned activities in 2021.

PARENT COMPANY
The Parent Company's loss before tax totals DKK 93 million of which DKK 81 million is attributable to impairment losses on equity investments related to the SBS Automotive division.

The impairment loss is based on the annual impairment test, which is supported by an external valuation report prepared for the SBS Group in connection with Management's exploration and examination of the interest in consolidation among the suppliers in the open aftermarket as well as the general development in the SBS Automotive division's markets, see pages 2-3 and pages 11-13.

EVENTS AFTER THE STATEMENT OF FINANCiAL POSITIONS DATE
Sale of SBS Friction
On 7 January 2021, the SBS Group transferred SBS Friction and its production facilities in Svendborg to the Italian Brembo Group SpA, a global leading manufacturer of brake systems. The sales agreement was concluded on 17 November 2020, and the sale was adopted unanimously at the extraordinary general meeting on 17 December 2020 in the Parent Company, Scandinavian Brake Systems.

The sales price of DKK 300 million (enterprise value) implies an accounting profit of DKK 152 million in the consolidated financial statements, which will be recognised as profit/ loss from discontinuing operations in 2021 when control is transferred to Brembo. As mentioned previously, the SBS Group used the entire proceeds from the sale to reduce the Group's interest-bearing debt in January 2021, which amounted to approx. DKK 207 million at the end of January 2021 against DKK 467 million at the end of 2020. After recognition of the profit on the sale of SBS Friction in the beginning of January 2021, the Group's and the Parent Company's equity amounted to a negative DKK 3 million and a positive DKK 100 million, respectively.

OUTLOOK FOR 2021

Due to the sale of SBS Friction on 7 January 2021, expectations of revenue and operating profit (EBITDA) in 2021 include only SBS Automotive and the Parent Company, Scandinavian Brake Systems, collectively the SBS Group. The profit/loss from SBS Frictions is recognised as profit/loss from discontinuing operations.

Assumptions
The SBS Group expects a gradual increase in demand in SBS Automotive's markets as the vaccine programmes start to gain effect and allow the individual countries to gradually ease their COVID-19 restrictions and normalise driving patterns and visits to repair shops. A modest effect is expected in Q1 driven by beginning stock building at SBS Automotive's customers, and an increasing effect is expected in Q2 with higher sales in the markets and further stock building.

The markets will still be characterised by structural changes and consolidation among the large distributors just as a number of small distributors and wholesalers will be affected by lacking income during the COVID-19 pandemic. The markets may also be affected by aggressive price competition if large premium brands decide to maintain the low prices they introduced during the pandemic.

SBS Automotive will still focus on large, solid customers and work on increasing its share of these customers' purchases, i.a. based on the very broad product range within brake callipers, which SBS Automotive introduced in 2020. Moreover, SBS Automotive will support individual customers who plan to expand geographically. The new markets in the Middle East are expected to make larger contributions although the starting point is modest, and SBS Automotive will also start cultivating new markets on the Balkans.

Freight and sourcing costs are still expected to be volatile in Q1, but will gradually stabilise during Q2.

In the second half of the year, improved underlying demand in Europe is expected; however, the markets will still be characterised by customer consolidation and fierce competition.

Expectations
Under these assumptions, SBS Automotive's, and thereby the SBS Group's, revenue in 2021 is expected to be in the range of DKK 470-490 million, whereas SBS Automotive's operating profit before depreciation, amortisation and impairment losses (EBITDA recurring) is expected to amount to DKK 30-35 million. The SBS Group expects to report an operating profit (EBITDA recurring) of DKK 20-25 million after deduction of costs for the Parent Company's operations. Results of operation are expected to be highest in H2.

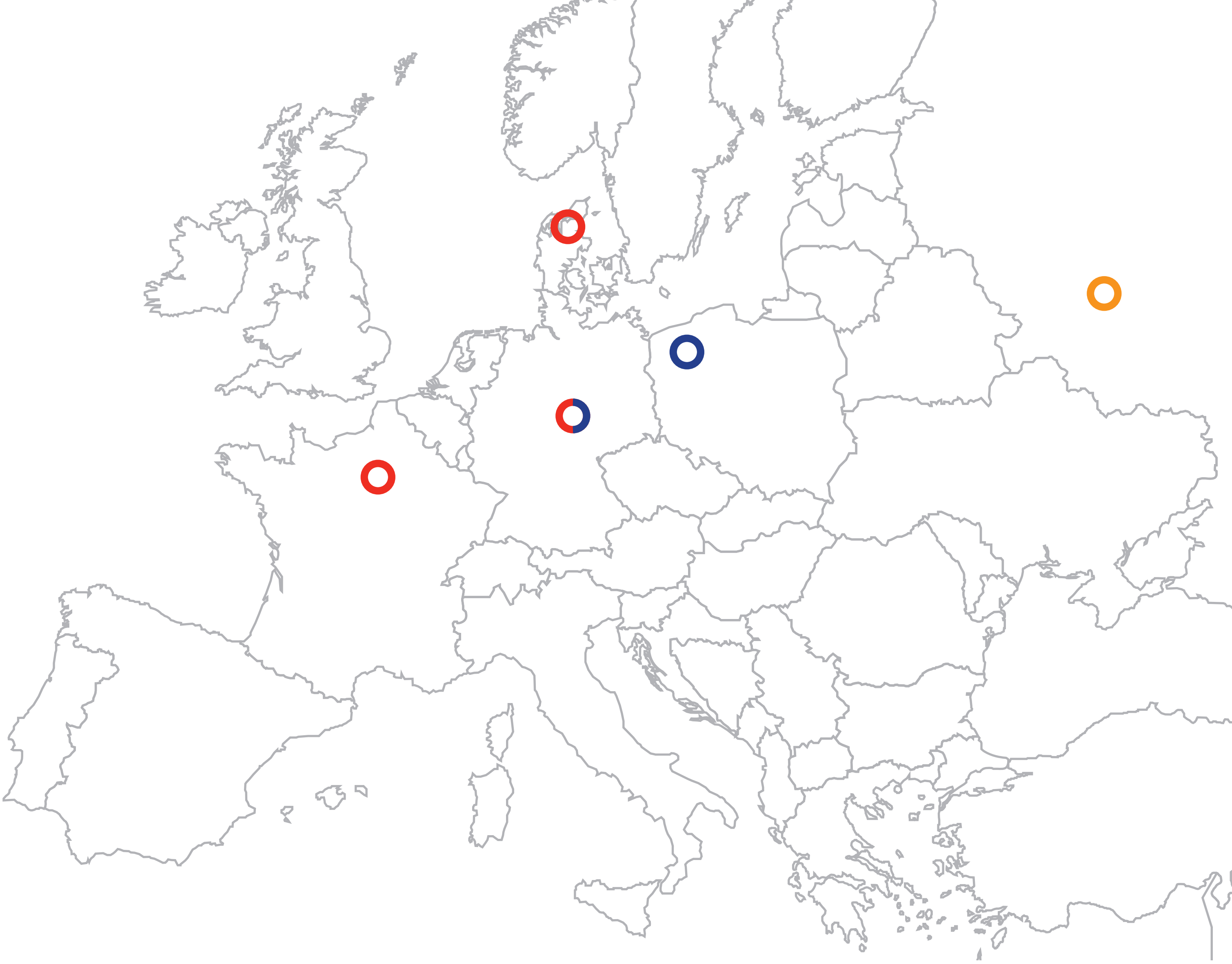
Expectations are supported by SBS Automotive's results and order intake in January-February 2021, which were better than in Q4 2020, but below the same period in 2020, which was not affected by COVID-19.

The ongoing exploration of SBS Automotive's strategic possibilities for participating in consolidation measures on the supplier side may affect expectations for the year.

Profit on the sale of SBS Friction
The sale of SBS Friction and the production facilities in Svendborg will, after deduction of costs for advisory services, etc., contribute to an accounting profit of DKK 152 million before tax in the consolidated financial statements. The profit will be recognised as income under "Profit/loss from discontinuing operations". After recognition of the profit on the sale of SBS Friction in the beginning of January 2021, the Group's and the Parent Company's equity amounted to a negative DKK 3 million and a positive DKK 100 million, respectively.

FORWARD-LOOKING STATEMENTS

The annual report includes forward-looking statements, including financial expectations for 2021, which inherently are subject to risks and uncertainty factors, which implies that the actual development may deviate significantly from expectations. Due to COVID-19, expectations for 2021 are subject to a higher degree of uncertainty than usually. The most significant risks relating to the pandemic are new measures from the authorities to slow down the spread, delays in the roll-out of vaccine programmes, delays and price increases of transportation of finished goods from China and outbreaks at our own locations.



SBS AUTOMOTIVE

Packaging
operations:
Brake shoes
Eisenach, DE
Brake discs &
-drums
Stettin, PL*

SBS AUTOMOTIVE

Distribution centres:
Eisenach, DE
Chaumont, FR
Støvring, DK

SBS AUTOMOTIVE

Sales office:
Moscow, RU

* Logistics operations in cooperation with partner.

SBS AUTOMOTIVE

PROFILE

SBS Automotive sources, completes, stocks, markets and distributes spare parts for cars and vans up to 3,500 kg.

The Company's product range comprises wear parts, in particular mechanical and hydraulic brake parts, steering components, suspension, transmission, clutches, wheel bearings and engine mounts. SBS Automotive's products cover approx. 95% of the volume of the European fleet of cars. However, for the most important brake parts such as brake discs and drums, the market coverage is as high as 98%.

The products are primarily sold on the open European spare parts market for cars and vans. Germany is the largest market, and Russia, Scandinavia, France, Poland and Great Britain are other important markets. Moreover, SBS Automotive's sales in Turkey and the Middle East are increasing.

Most of the markets are supplied and serviced from the distribution centre in Eisenach (Germany), which also handles packaging of brake shoes.

The satellite centres in Støvring (Denmark) and Chaumont (France) primarily focus on local markets with day-to-day supplies. Moreover, SBS Automotive has a sales office in Moscow (Russia), which focuses on Russia and Belarus.

Furthermore, SBS Automotive has logistics and packaging facilities for brake discs and drums in Stettin (Poland) in cooperation with an external partner.

The majority of volumes are sold under SBS Automotive's own brands, NK and Eurobrake, In Europe, the NK brand is typically positioned so that it represents a good alternative to premium brands in terms of quality, product range and logistics. Consequently, NK is suitable for both distributors who only carry one brand in each product group and large chains that need a quality brand to supplement their premium brand. The brand Eurobrake is primarily used for the e-commerce segment and is solely sold in the product groups brake discs, brake drums and brake callipers.

The remaining part of sales is primarily made as private labels within brake discs, brake drums and brake shoes.

The customers comprise a broad spectrum of international, national and local distributors, including capital chains, purchasing groups independent distributors and e-commerce platforms.

OPERATIONS AND MARKETS IN 2020

The free European spare parts market was characterised by considerable volatility due to COVID-19. The pandemic reduced driving in all countries, which lead to less wear and tear on cars and a reduction in the replacement of the cars' wear parts. In addition, repair shops and other retailers dealing in spare parts were locked down most of the year.

Otherwise, SBS Automotive reported reasonable results in the beginning of 2020. Revenue in January and February was up on expectations and almost at the same level as the year before. However, during March, COVID-19 started affecting supplies from China, and several suppliers suspended operations for a short period or reduced their capacity, which forced SBS Automotive to look for alternative suppliers for critical products.

At the same time, in March, COVID-19 impacted the demand for spare parts in the aftermarket, and the effect increased in April as several markets more or less closed down, i.a. in Russia, the UK/Ireland, Poland, the Czech Republic and Germany, where retail trade in spare parts was in fact forbidden. At the same time, citizens' freedom of movement was restricted, leading to a considerable decline in driving and thereby in the need for replacing the cars' wear parts.

The effects were still notable way into June when the demand for spare parts seemed to recover, and markets such as Russia, France, Poland and most of Scandinavia reached the pre-COVID-19 level or better. Demand improved even more in Q3 in several markets, however not in Germany, the UK/Ireland and Italy.

In Q4, Europe experienced the second wave of coronavirus, leading to new lockdowns and more restrictions regarding driving and retail sale in spare parts, and many of SBS Automotive's customers decided to reduce their spare parts inventories. Moreover, the pressure on the supply chain from China increased, which lead to bottlenecks in transportation capacity, considerable delays and high freight prices, which ultimately affected SBS Automotive's supply capability. Our competitors were also affected, and the supply problems are assessed not to have implied any loss of customers.

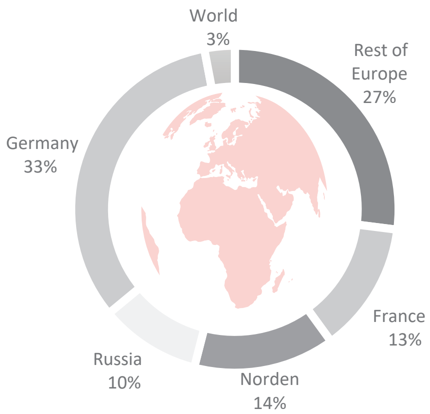
SBS AUTOMOTIVE

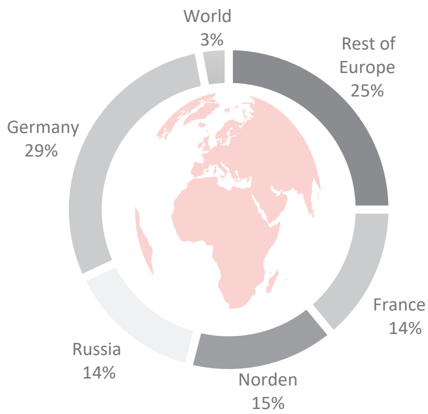
Increasing market shares
Although all markets were affected by COVID-19, SBS Automotive succeeded in gaining market shares in several markets. SBS Automotive's sales increased in Russia, the Ukraine and Norway (online sales) driven by large, country-wide partners, who phased in a major part of the NK programme. Also sales in the small, new markets in Finland and Iceland developed reasonably. The large French market also reported a high level after SBS Automotive had changed its sales strategy, increasingly using the large distributors in the country.

SBS Automotive noted the largest decline in 2020 in the structurally challenging open aftermarkets for spare parts in Denmark and Germany. In Germany where competition was fierce already, premium brands reduced their prices to obtain volume and cash flow, and at the same time, the small wholesalers started sourcing products from Poland at lower prices, which implied that the large wholesalers lost revenue in the trading segment. Sales in Italy and the UK/Ireland also decreased, primarily due to the COVID-19 crisis.

In H1, SBS Automotive made use of COVID-19 relief packages in Denmark, Germany and France to temporarily send home employees with wage subsidies or ask employees to work reduced hours. Also the logistics and packaging operation in Poland, which is managed by an external party, made temporary capacity adjustments. In June, employment at SBS Automotive's facilities was re-established. In H2, capacity in Germany saw minor adjustments according to national aid schemes.

Allocation of revenue 2019 and 2020





PERFORMANCE IN 2020
Due to COVID-19, SBS Automotive's revenue in 2020 decreased by 14.4% to DKK 454.8 million. The effect of the pandemic was higher in H1, where revenue decreased by 18.8%, whereas revenue decreased by 9.1% in H2. The decrease relates to lower volumes, increased price pressure on certain markets as well as a shift in the mix to customers and products with lower margins.

losses and special items (EBITDA recurring) declined from DKK 41.4 million in 2019 to DKK 23.5 million in 2020, corresponding to an EBITDA margin of 5.2%. After years of pervasive optimisation of the supply chain and the business platform, SBS Automotive decided to largely maintain its capacity costs to be able to handle the tasks in 2020 and be well prepared for the expected normalisation of markets in 2021.

DKK million	1st half year 2020	1st half year 2019	2nd half year 2020	2nd half year 2019
Revenue	228.6	281.5	226.2	249.5
EBITDA recurring	14.1	23.4	9.4	18.0

STRATEGIC UPDATE
The open automotive aftermarket in Europe is currently going through substantial changes with increasing consolidation among distributors and wholesalers. Large wholesalers and two global players (supported by private equity funds) acquire everything from small to market-leading wholesalers in the distributive trade.

A trend which primarily occurs on the large established markets, but also on the fragmented markets in Germany, France and partly the UK.

COVID-19 is expected to speed up the consolidation process in the markets as the financial position of several players, in particular small wholesalers and dealers, have worsened during the pandemic. The drastic changes in the market is underlined by the fact that several large chains have started sourcing goods directly from i.a. China and that car manufacturers to a higher extent now offer servicing all car brands to the open aftermarket. The end users' behaviour is also changing; for instance, the internet trade in spare parts gains ground, a tendency which has gained even more ground during the COVID-19 pandemic as the physical shops have been closed.

The SBS Group's analysis shows that to suppliers to the open aftermarket there are considerable advantages in engaging in cooperations, alliances, mergers or other consolidation initiatives which correspond to the scenario at the customer side. SBS Automotive is therefore exploring these opportunities at present.

Partnerships with large customers
As a response to the market development, SBS Automotive has, in recent years, been working on concluding partnerships with the largest and most solid distributors, wholesalers and e-commerce platforms on the most important markets as these customers participate actively in the consolidation race. The partner strategy was confirmed in 2020 where the Company's partner customers, including repair shops and technical partners, proved to be robust and capable of fulfilling their obligations.

Parallel to the partner strategy in Europe, SBS Automotive is cultivating new markets outside Europe. Emphasis is in particular on Turkey and the Middle East, where a number of initiatives were, however, put on hold in 2020 due to the COVID-19 crisis.

SBS Automotive is reasonably positioned to still develop its business in very competitive markets due to a flexible business model, a comprehensive sourcing platform and a broad product range. SBS Automotive creates value for its customers through high reliability of delivery and a product mix covering several price points, trademarks and private labels. The products are sourced directly from manufacturers in China, transported to Europe, packed, stocked and sold to a broad range of distributors and purchasing groups.

Competitive programme
As the largest customers have more complex requirements, SBS Automotive continuously expands its range with new, differentiated solutions. Focus in 2020 was in particular on implementing a no-deposit concept for brake callipers – probably the broadest programme in Europe – which SBS Automotive launched at the beginning of2020 both under the NK brand and as private label products. During the year, the concept was expanded to approx. 1,500 references, which covers more than 90% of the European car fleet. Also the roll-out of new solutions such as ABS sensors, shock absorbers and springs continued in 2020, and the Company worked on a sourcing consolidation solution. At the same time, SBS Automotive's sales staff continued to work the customers in Germany and other large markets so that SBS Automotive, given its very competitive programmes within i.a. callipers and shock absorbers, is ready when demand normalises during 2021.

SBS Automotive's objective is still to expand its market position and to ensure reasonable margins despite the temporary challenges resulting from the COVID-19 pandemic. Therefore, SBS Automotive maintains its long-term focus on market development, earnings, expansions of product range and continued streamlining of operations. The Company still pursues streamlining of the entire value chain from sourcing to the supply of end products to reduce complexity, costs and tied up working capital. The internal stocks and logistics flow is also streamlined, and better supply concepts are rolled out i.a. based on online trade.

Given the changes in the customer set-up and market approach, demands on the Company's supply chain are also changing. The number of day-to-day supplies, which are normally requested by small distributors, is still declining. The number of orders requiring delivery within 2-5 days and which meet the requirements of large customers for stocking of NK products is, however, increasing. This implies adjustments to the order handling.

CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

LSTATUTORY REPORT ON CORPORATE GOVERNANCE, SEE SECTION 107B OF THE DANISH FINANCIAL STATEMENTS ACT

The SBS Group has prepared a statutory report on corporate governance, see section 107b of the Danish Financial Statements Act, for the financial year 2020. The report is published on the Company's website https://www.sbs-group.dk/da-dk/investor/corporate-gov

The report includes an overview of how the SBS Group complies with recommendations on corporate governance together with a description of the main elements of the SBS Group's internal control and risk management systems, and the composition of the SBS Group's management tasks. The SBS Group complies with most of the recommendations on corporate governance but has, considering the size of the Company, i.a. decided neither to appoint committees under the Board of Directors nor to establish a whistle-blower scheme.

Board of Directors and Executive Board

As in previous years, the Board of Directors of the Parent Company, Scandinavian Brake Systems, counted seven members in 2020; four of them are elected at the annual general meeting for one year at a time, and three members are elected by the employees for four years at a time. The composition of the Board of Directors has not been subject to any changes. The Boards of Directors of the subsidiaries SBS Automotive A/S and SBS Friction A/S were identical, the only difference being that the entities are not required to have employee representatives.

Two of the employee representatives on the Board resigned after the sale of SBS Friction in January 2021.

The sale of SBS Friction A/S, the COVID-19 crisis and efforts to strengthen SBS Automotive's business platform characterised the Board of Directors' work in 2020 and implied an increase in meeting frequency. The Board of Directors held a total of 16 meetings in the year. At three of these meetings, one member was absent.

Carsten Schmidt resigned from his position as CFO and member of the Executive Board in November. The Executive Board now only comprises CEO Mads Bonde.

Organisational focus areas

The SBS Group operates internationally in areas that place great demands on the organisation's efficiency and the employees' qualifications.

Emphasis is on digitalisation, including the implementation of a new IT platform. After the implementation of a new ERP system in the divested SBS Friction division, the system will later be implemented in SBS Automotive's Danish and foreign companies.

The competition for qualified future employees has intensified during the past years' of boom. Therefore, it is important that the SBS Group is considered an attractive working place that attracts new talented employees. In that connection, the Company works together with universities and other educational institutions i.a. in connection with final theses and trainee periods. Moreover, the SBS Group's companies educate their own apprentices within e.g. inventory/logistics, purchasing and administration.

Knowledge resources and R&D activities

Until the disposal of SBS Friction, the SBS Group had specialised in business areas that each make high specific demands as to knowledge and R&D resources.

Environmental performance

The SBS Group does not engage in any business that causes environmental impact beyond what is expected from a distribution business with its own packaging facilities.

In 2020, SBS Friction launched one of the market's most environment-friendly sintered brake linings without metals that have a negative impact on the environment

STATUTORY REPORT ON CORPORATE SOCIAL RESPONSIBILITY, SEE SECTION 99A OF THE DANISH FINANCIAL STATEMENTS ACT

Business model

After the sale of SBS Friction, the SBS Group's business activities comprise sourcing, distribution and sale of parts within brake technology and related areas.

The activities have a material impact on society through the entire value chain. Among others in relation to the purchase of components, spare parts, etc., with focus on working conditions with the suppliers and environmental considerations in relation to the extraction and processing of raw materials. In addition to purchasing, the Company also has a social impact through transportation from suppliers to the SBS Group and on to the customer. In that relation, it is particularly relevant to focus on carbon emission and working conditions with transportation and logistics operators.

CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

In the SBS Group's own direct business, employee safety and general working conditions are highly prioritised. Furthermore, the Company focuses on its energy consumption as well as its environmental and climate impact in relation to waste and recycling. Finally, the Company's ongoing work with product development implies that the end products' climate and environmental impact is continuously improved.

Social and staff matters

Policy:

The SBS Group emphasises a safe and secure working place, free of discrimination and where employee satisfaction is highly prioritised.

Risks, actions and results:

The SBS Group's most significant risks within staff matters relate to the Company's own employees and their general satisfaction and safety. In particular, the Company's logistics activities – and previously SBS Friction's production activities – are subject to risks as work-related accidents may occur if safety is compromised.

In order to promote a safe working environment, the SBS Group has implemented several procedures in order to increase safety. In 2020, the Company continued its efforts to maintain procedures, which have implied that the safety level remained satisfactory, and no work-related accidents resulting in death or personal injury have been reported.

In order to ensure that the employees develop professionally and are well-prepared for their tasks, training and further education are highly prioritised in the SBS Group. Moreover, yearly staff development meetings are held between manager and employee as basis for individual training plans. Such meetings were also held in 2020.

The SBS Group is continuously working on improving job satisfaction among its employees, and on a regular basis, the Group conducts surveys of the mental working environment (including employee satisfaction) based on which it was concluded that the level of job satisfaction was satisfactory.

As regards social responsibility, the SBS Group regularly participates in projects and activities that aim at giving people a second chance, who under normal circumstances have had difficulties in gaining foothold on the labour market. The efforts have resulted in several flex and re-entry jobs, which in many cases have subsequently led to lasting employments on normal conditions. The SBS Group cooperates with municipalities, job centres, unions and other organisations i.a. on flexible jobs and integration. In 2020, the Company continued its social work, which gave more vulnerable persons a new chance on the labour market.

The SBS Group took all necessary measures to mitigate the effects of COVID-19 on employees, customers and other stakeholders. The Group quickly introduced protective equipment, hand disinfectant and other measures at its facilities, and office staff worked from home to the extent possible.

In the spring, the SBS Group continuously adjusted its capacity at its facilities in Denmark, Germany and France i.a. by temporarily sending home employees with wage subsidies or by asking employees to work reduced hours. In May, staffing was gradually increased, and in June, employment was re-established.

CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

Climate and environment

Policy:

The SBS Group aims at minimising its impact on the external environment and climate through responsible operations, resource optimisation and product innovation.

Risks, actions and results:

The most significant risks to the environment and climate relate to carbon emissions from transportation in the value chain, waste, recycling of materials and energy consumption as well as the end-products' climate and environmental impact.

In order to reduce the negative impact on climate and environment from transportation in the value chain, the SBS Group cooperates only with transportation and logistics operators that comply with current requirements and legislation relating to transportation-related environmental and climate impact.

Moreover, SBS Friction has worked on new lining types where the reduction of resources and environmental impact is considered just as are the demands on braking ability and lasting quality as well as on sintering lining without metals, which was launched in 2020.

The SBS Group has also worked on reducing its resource consumption, including the consumption of materials, energy and water and on improving its waste separation. In 2020, the Company focused on minimising the energy consumption and reducing and separating waste from its own production, which has had a positive impact on the external environment and the climate.

Responsible supplier management – human rights and anti-corruption

Policy:

The SBS Group wants to demonstrate responsible supplier management across the supplier chain.

Risks, actions and results:

In relation to the Company's suppliers there is a risk of violating human rights and of corruption and unethical behaviour.

Through its choice of and demands made on suppliers and cooperative partners, the Company is deliberately working against corruption, unethical behaviour or violation of human rights. Following the work, no unacceptable conditions have been noted.

GOALS AND POLICIES FOR THE GENDER QUOTATION ON THE MANAGMEENT BOARD OF SCANDINAVIAN BRAKE SYSTEMS A/S, SEE SECTION 99B OF THE DANISH FINANCIAL STATEMENTS ACT

The Board of Directors in Scandinavian Brake Systems A/S (the SBS Group) has laid down target figures and policies for diversity, including the underrepresented gender, on the Board of Directors and other management levels.

At the end of 2020, the Board of Directors of Scandinavian Brake Systems counted seven members, of which four were elected by the general meeting and three are employee representatives. In 2020, one out of four members of the Board of Directors elected by the general meeting is female, which corresponds to a representation of 25%. The target figure was not obtained in the financial year, as no new members were elected for the Board of Directors, and thereby, no changes were made to the Board of Directors. Two of the employee representatives on the Board, both men, resigned after the sale of SBS Friction, after which the female representation increased to 40% of the total board members, which reflects the Board's target.

It is company policy that managers at executive board and top functional levels are employed based on their general skills and qualifications. At the same time, the Company's management considers diversity among its managers a strength and will make an effort to promote that. The Company aims at increasing the ratio of female members at executive board and functional management levels to 40%. At 31 December 2020, the ratio was 44%. After the sale of SBS Friction, the ratio is assessed to be 40%.

The Board of Directors follows Management's gender composition regularly and evaluates on a yearly basis the development in relation to the goals and policies laid down. Measures to fulfil the goals will be taken, if required.

REMUNERATION REPORT, SEE SECTION 139B OF THE DANISH COMPANIES ACT

The SBS Group published its first remuneration report for 2020, which is prepared in accordance with the Company's policy for remuneration. The report is available on the Company's website, https://www.sbs-group.dk/da-dk/investor/vederlagspolitik

RISKS

Prompted by its operations, investments and financing, the SBS Group and the Parent Company are exposed to a number of financial risks, including market risks relating to currency, interest rate and raw materials as well as credit risks and liquidity risks.

The SBS Group's financial risk management is centralised. The general framework for financial risk management is laid down in the SBS Group's financial policy, which is approved by the Board of Directors. It is the SBS Group's policy not to engage in active speculation in financial risks. Thus, the SBS Group's financial management is aimed at managing and reducing the financial risks directly attributable to the SBS Group's operations, investments and financing.

There are no changes to the SBS Group's risk diversification or risk management compared with previous financial years other than the focus on the consequences of the COVID-19 situation.

LEGISLATION

The SBS Group primarily operates in markets governed by EU legislation or similar national legislation. Particularly in three areas, SBS' business foundation is affected by legislation: competitive conditions, environment and climate as well as product safety.

Competitive conditions are governed by EU legislation on block exemption within the auto business, which among other things governs the relation between the car industry and the open aftermarket. Basically, EU's legislation is to ensure free competition, and thereby the best conditions for the consumers. The technological development, including the car industry's opportunities for commercially utilising the so-called internet-connected cars, is currently challenging the intentions of the legislative framework. Access to cars' service data may bring benefits to the car industry's service network competing with the free workshops. It is essential that the open aftermarket is still guaranteed free and unlimited access to data from internet-connected cars in future if the intentions of EU legislation on free competition for the benefit of consumers are to be maintained. Such interests are safeguarded by the international and national industry associations that represent the operators on the open aftermarket.

Climate and environmental issues are expected to affect legislation even further in the coming years. The internal composition engine is gradually exchanged by hybrid and electrically powered vehicles. Several countries have laid down green goals for the transport sector that are expected to affect legislation, and more car factories have already launched phase-out plans for the diesel technology in particular. It is obvious that the technological development and climate and environmental legislation will affect the repair market in the long run. Considering the approx. 300 million cars in Europe that are based on conventional technology and a fleet that will continue to increase, this development will not really gain effect until in many years.

Environmental legislation is also directed at limiting the use of certain environmentally harmful materials, including certain metals.

In terms of product safety, international as well as national type approvals such as ECE R90 are significant to the SBS Group, and all products live up to legislative requirements. It has been assessed that there is no planned legislation posing a risk to the SBS Group's business opportunities and business development.

MARKET AND COMPETITIVE CONDITIONS

After the sale of SBS Friction, the SBS Group's primary market is the open European market for spare parts for cars and vans.

The product range comprises wear parts which are replaced one or several times during the lifetime of a vehicle. Basically, the growing fleet of vehicles define the size of the aftermarket, which means that the SBS Group's foundation is robust to cyclical fluctuations.

Risks in relation to market and competition primarily relate to the industry's structural rationalisations, which may imply changed conditions for demand and supply and thus affect the competitive environment.

As mentioned above, the car industry's use of internet-connected solutions in cars poses a risk to operators' business on the aftermarket if EU legislation does not adequately secure the aftermarket's free access to service and repairs on the same terms as the car industry's service network.

COVID-19 SITUATION

For details, please refer to page 8 and pages 11-13.

CURRENCY RISK

The SBS Group is exposed to exchange rate fluctuations as the SBS Group carries out purchases and sales transactions and have receivables and payables in currencies other than their own functional currency.

The SBS Group hedges currency exposures considering projected future cash flows and projected exchange rate movements.
The SBS Group's currency risks are primarily hedged by settling income and expenses in the same currency to the extent possible. Capacity costs are incurred in DKK and EUR, and after the divestment of SBS Friction, exports are

mainly to euro countries, or settlement takes place in euro where the currency risk is thus limited as DKK and EUR are effectively considered one currency due to Denmark's fixed exchange rate policy towards the euro.

SBS Group's currency risks thus primarily relate to USD as sourcing from China is settled in USD. Therefore, the Company uses derivative financial instruments to hedge its currency risk related to USD based on expected exchange rate movements. Hedging is mainly achieved through options for receivables and – based on an individual assessment – through currency swaps and liabilities.

The sensitivity of consolidated equity does not deviate significantly from the effects on the profit for the year. The consolidated income statement and equity are affected by the investment in foreign subsidiaries and by exchange rate fluctuations when translating into DKK in the financial reporting

INTEREST RATE RISK

It is SBS group policy to hedge interest rate risks on consolidated loans when interest payments can be hedged at a satisfactory level. Hedging is usually made by interest swaps under which floating-rate loans are rescheduled into fixed-rate counterparts. The SBS Group's financing is based on variable-rate loans/credits and the SBS Group is exposed to interest rate fluctuations.

LIQUIDITY RISK

The liquidity risk expresses the risk that the raising of loans including refinancing takes place on worse conditions and/or at higher costs or that the SBS Group in a worst case scenario will not be able to provide sufficient liquidity for its operations and investments. The SBS Group's liquidity reserve essentially consists of unutilised credit facilities at the SBS Group's banks. The SBS Group strives to hold sufficient liquid funds to ensure appropriate room for manoeuvre in case of unforeseen fluctuation in liquidity.

The SBS Group's cash resources were strengthened in 2020.

DKK million	2020	2019
Cash	0.1	0.1
Undrawn credit facilities	24.6	6.8
Cash resources at 31 December	**24.7**	**6.9**

Undrawn credit facilities comprise drawing facilities with the SBS Group's banking institutions (bank line). With respect to liquidity risks and going concern requirements, reference is made to notes 1, 2.

CREDIT RISKS

The SBS Group's credit risks primarily relate to trade receivables. The maximum credit risk attributable to financial assets correspond to the value recognised in the statement of financial position. Efforts are made to minimise risks related to giving credit by effective credit management and credit rating by establishing credit insurance or alternative collateral in the event of large receivables. The SBS Group's policy for assuming credit risks entails that all major customers and other partners are subject to regular credit rating.

Historically, and owing to systematic monitoring and follow-up, the SBS Group has incurred relatively small losses due to non-payment from customers. As such, this has not changed during the corona crisis in 2020, but the SBS Group has in some cases ex gratia disregarded the usual policy that trade receivables fall due for payment no later than three months after the date of invoice. The credit quality varies to a minor extent according to customer profile and geographic markets, but the difference in risk is not assessed to be significant.

SHAREHOLDER INFORMATION

INVESTOR RELATIONS

Scandinavian Brake Systems A/S (the SBS Group) wishes to maintain an open dialogue with shareholders, potential investors, analysts, media and other stakeholders on relevant matters, activities and measures regarding the Company. Company announcements and other information are available on the website.

SHARE CAPITAL AND PRICE

The Company's nominal share capital still amounts to DKK 32,085,000, corresponding to 3,208,500 shares at a nominal value of DKK 10 each. All shares are traded on NASDAQ Copenhagen A/S under the ID code DK0060042612. All shares rank equally. There are no restrictions on the negotiability and no restrictions on voting rights.

DIVIDEND

Dividend payments have been suspended as a consequence of the financing agreement entered into with the Company's bankers. Consequently, it has been agreed that no dividend will be distributed until 1 April 2022. The shareholders' value creation will thus take place through any increase in the share price. Upon expiry of the period, the Board of Directors will present a new dividend policy.

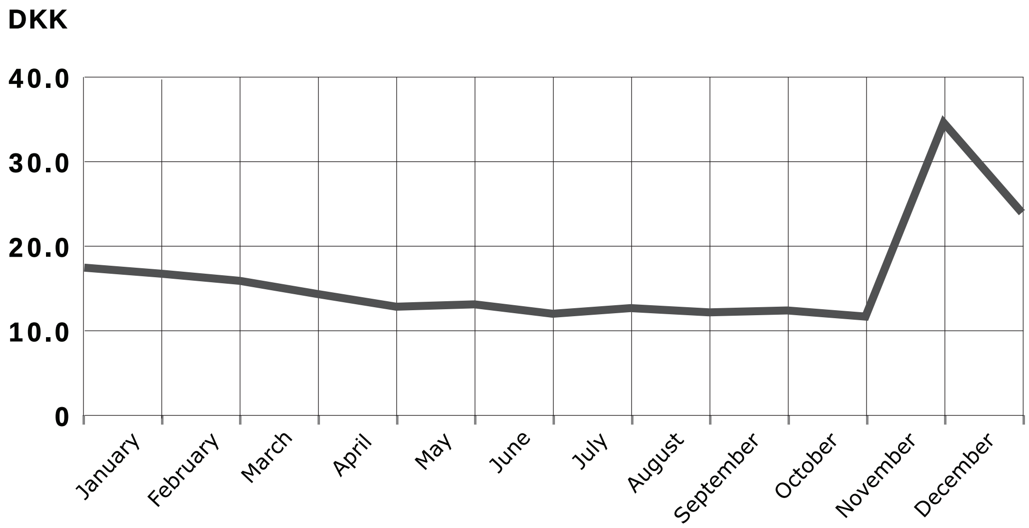
The share price was 17.9 at the beginning of 2020 and 24 at the end of the year. The return on the shares was thus 36%. In comparison, the return on all Danish SmallCap shares was 45% excluding dividends.

ACQUISITION OF TREASURY SHARES

The Company's holding of treasury shares still made up a nominal amount of DKK 13,130 at the end of 2020, equivalent to 0.04% of the share capital. Additional acquisition of treasury shares is not possible until the share capital has been re-established.

ARTICLES OF ASSOCIATION

The Company's articles of association may be amended by a simple majority at a general meeting if the proposed amendment is notified to the shareholders at least three weeks prior to holding an ordinary or extraordinary general meeting and if 66.7% of the issued shares are represented at the general meeting



Exchange rate movements 2020

BOARD OF DIRECTORS

Peter Eriksen Jensen (1954)

Chairman
Elected 2013 (chairman from 2016)
Executive Management
CEO in B&P Rådgivning, B&P Holding Aps and International Management Advice ApS.
CEO/partner in Investor Team 2020 A/S.
Professional board member

Shares: 550
(did not trade any SBS shares in 2020)

Primary qualifications
Strategic development
General executive management
International sale and marketing
Supply chain management
Turnarounds

Managerial posts
Chairman of the board in Broen LAB A/S, Mik Holding 2016 ApS, PJR Holding ApS and Summerbird A/S.
Vice chair in East Metal A/S, East Metal Holding A/S and Fynsk Erhverv. Board member in Investor Team 2020 A/S, KEN Hygiejne Systems A/S and MLD A/S.

This member is considered independent.

John Staunsbjerg Dueholm (1951)

Vice Chairman
Elected 2016
Master of Commerce
Professional board member

Shares: 0
(did not trade any SBS shares in 2020)

Primary qualifications
Strategy and business development
Operations optimisation
Management and organisation development
Finances and accounts

Managerial posts
Chair of the Board in BWBP Fonden, Hydratech Industries A/S, Hydratech Industries Holding A/S, HTHH ApS, InterMail A/S and Jetpak AB. Member of the Board of Directors in Globus Wine A/S.

This member is considered independent.

Lars Radoor Sørensen (1963)

Elected 2013
Master of Commerce
CEO of Radoor.Biz ApS

Shares: 0
(did not trade any SBS shares in 2020)

Primary qualifications
International automotive industry experience
Supply chain management and IT management
Business process development and change management

Managerial posts
Member of the Board in DK Company A/S, Hoyer Group A/S, Schleich and Skiold Group A/S.

This member is considered independent.

BOARD OF DIRECTORS

Pernille Wendel Mehl (1972)

Elected 2017
Master Management Development (MMD)
CEO in Danske Lotteri Spil A/S

Shares: 0
(did not trade any SBS shares in 2020)

Primary qualifications
Commercial and digital business development
Strategic sale and marketing
Change management and performance culture

Managerial posts
Chair of the Board of Directors in Dansk Markedsføring and Vikinglotto.
Member of the Board of Directors in Eurojackpot and LEIA (Lottery Entertainment Innovation Alliance).

This member is considered independent.

Jytte Petersen (1957)

Elected 2012
Head of Payroll

Employee representative

Shares: 0
(did not trade any SBS shares in 2020)

Managerial posts
Chairman of the Board of Directors in Them47 ApS

EXECUTIVE BOARD

Mads Bonde (1967)

CEO
Employed in 2014
BSc production engineering
B.Com. Organisation
Executive MBA

Shares: 0
(did not trade any SBS shares in 2020)

Managerial posts
Member of the Board of Directors in Erhvervshus Fyn and FJ Industries A/S.

COMPANY DETAILS

AUDITOR
EY Godkendt
Revisionspartnerselskab
Vestre Havnepromenade 1A
DK-9000 Aalborg

ATTORNEY
Kromann Reumert
Sundkrogsgade 5
DK-2100 Copenhagen

BANKERS
Nordea Bank Danmark A/S
Danske Bank A/S

OWNERSHIP
The following shareholders own more than 5% of the share capital:
Stiholt Holding A/S
Trafikcenter Sæby Syd 6-7
DK-9300 Sæby
Stake: 56.5%

HCS 82 APS
C/O Adv. Fa. F. Bruhn-Petersen
Toldbodgade 57, 2
DK-1264 Copenhagen K
Ownership interest: 11.7%

ULTIMATE PARENT COMPANY
Knudseje Holding ApS
Knudsejevej 4
DK-9352 Dybvad

COMPANY ANNOUNCEMENTS IN 2020
26.03. Change of financial calendar
31.03. Announcement of the financial statements for 2019, including the annual report for 2019
29.04. CFO Carsten Schmidt resigns
13.05. Notice convening annual general meeting
05.06. Annual general meeting
27.08. Interim report – first half 2020
17.11. The SBS Group concludes an agreement on the sale of SBS Friction to Brembo
24.11. Notice convening extraordinary general meeting
17.12. Extraordinary general meeting

COMPANY ANNOUNCEMENTS IN 2021
07.01. The SBS Group completes the sale of SBS Friction
11.03. Change of financial calendar 2021
07.04. Announcement of the financial statements for 2020, including the annual report for 2020
07.04. Notice convening annual general meeting
29.04. Annual general meeting
26.08. Interim report – first half 2021

STATEMENT BY MANAGEMENT

The Board of Directors and the Executive Board have today discussed and approved the annual report of Scandinavian Brake Systems A/S for 2020.

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

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 Company's financial position at 31 December 2020 and of the results of the Group's and the Company's operations and cash flows for the financial year 1 January – 31 December 2020.

Further, in our opinion, the Management commentary 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.

Svendborg, 7 April 2021

EXECUTIVE BOARD

Mads Bonde, CEO

BOARD OF DIRECTORS

Peter Eriksen Jensen,
Chairman

John Staunsbjerg Dueholm,
Vice Chairman

Lars Radoor Sørensen

Pernille Wendel Mehl

Jytte Petersen

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Scandinavian Brake Systems A/S

Opinion

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

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

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor

After Scandinavian Brake Systems A/S' listing of shares on Nasdaq Copenhagen A/S, we were initially appointed as auditor of Scandinavian Brake Systems A/S on 2 May 1990. We have been reappointed annually by resolution of the general meeting for a total consecutive period of 31 years up until the financial year 2020.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2020. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements as a whole.

Impairment testing of non-current assets

Non-current assets total DKK 102 million and DKK 99 million, respectively, at 31 December 2020 in the consolidated financial statements and the parent company financial statements less impairment losses of DKK 81 million at 31 December 2020 regarding non-current assets in the parent company financial statements.

In performing the annual impairment test of non-current assets in the parent company financial statements, Management has assessed whether the individual business area (cash-generating unit) to which the assets relate will be able to generate sufficient positive net cash flows in the future to support the value of non-current assets.

Management has tested the Group's and the Parent Company's carrying amount of non-current assets in order to ensure that they do not exceed the recoverable amount. Management has calculated the value in use for each cash-generating unit using the discounted cash flow model, which is subject to Management's estimates and assessments in relation to future cash flows and discounted to net present value. The impairment test is furthermore supported by an external valuation report. Management's impairment test is material to the audit as the discounted cash flow model applied is complex and subject to assessments in relation to market development, future earnings and discount factor.

We refer to notes 2, 12 and 15 under the paragraphs "Impairment test of non-current assets" and "Equity investments in subsidiaries in the parent company financial statements" in the consolidated financial statements and the parent company financial statements.

In connection with our audit, we tested the impairment test prepared by Management and assessed whether the assumptions made by Management are fair and reasonable. Our audit procedures included an assessment of the Group's budget procedures and impairment model as well as the assumptions on which estimated future cash flows and discounted cash flows are based. Focus was on Management's most important assumptions for income, costs and changes in working capital as well as the determination of the discount factor. In this connection, we among others made comparison to historical levels of revenue and earnings, Management's expectations of the industry's future growth and performed sensitivity analyses of assumptions applied.

We also assessed whether information in connection with the valuation of non-current assets in the consolidated financial statements and the parent company financial statements complies with the requirements of the accounting standards.

Equity, cash resources and financing
The Group's and the Parent Company's equity totalled a negative DKK 155 million and a negative DKK 25 million, respectively, at 31 December 2020.

Management ensures that the Group's and the Parent Company's cash resources are sound at any time and that sufficient liquidity is available to meet the Group's and the Parent Company's current and future liabilities as they fall due. As mentioned in note 2 under the "Cash resources and financing" paragraph the credit agreement was extended by another two years in June 2019 and now expires on 1 April 2022. The financing agreement was changed in February and March 2021 due to the sale of SBS Friction. The financing agreement still runs until 1 April 2022 after which it is subject to renegotiation.

Management estimates the cash requirements based on expectations of development in revenue, statement of financial position and cash flows based on the 2021 budget and forecasts compared with the credit facilities as well as conditions in the credit agreement with the Group's bankers.

Reference is made to notes 2 and 28 under the "Cash resources and financing" paragraph in the consolidated financial statements and the parent company financial statements.

During our audit, we compared assumptions and estimates applied by Management regarding the budget for 2021 and forecasts with historic results of operation, including Management's most significant assumptions regarding income, costs and changes in working capital. We compared credit facilities in accordance with budget and forecasts with the written agreements concluded with the Group's bankers.

Moreover, we assessed whether information on cash resources and financing in the consolidated financial statement and the parent company financial statements live up to the requirements of the accounting standards.

Inventories
The Group's inventories totalled DKK 153.3 million at 31 December 2020, which corresponds to 31 % of the statement of financial position total. The area is thus a key audit matter.

The valuation of inventories is based on Management's estimates, including the assessment of obsolescence and slow-moving items as well as the recognition of production overheads. Reference is made to note 2 under the "Inventories" paragraph to the consolidated financial statements. During our audit of inventories, we spot-checked the count of physical inventories and obtained external confirmation of inventories held at third parties. During the audit or inventories, we made a sample test of Management's calculations of cost plus production overheads.

Furthermore, we considered Management's model for inventory write-down where cost exceeds net realisable value. We tested the completeness of the basis for the calculation and tested the mathematical accuracy of the calculation. We considered the reasonableness of the estimates applied by Management in the model and the estimates made based on experience and estimates made in previous years.

Moreover, we assessed whether information on inventories lives up to the requirements of the accounting standards.

Statement on the Management commentary
Management is responsible for the Management commentary.
Our opinion on the financial statements does not cover the Management commentary, and we do not express any form of assurance conclusion thereon.

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

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

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

Management's responsibilities for the financial statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control

as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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.

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation prohibits public disclosure of the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Aalborg, 7 April 2021

EY Godkendt
Revisionspartnerselskab
CVR-nr. 30 70 02 28

Hans B. Vistisen
State Authorised Public Accountant
mne23254

INCOME STATEMENT

DKKm Notes		SBS GROUP 2020	SBS GROUP 2019	PARENT COMPANY 2020	PARENT COMPANY 2019
3	**Revenue**	**454.8**	**531.1**	**15.5**	**18.0**
	Cost of raw materials and consumables	-253.0	-387.7	–	-
	Other operating income	2.2	-	1.7	-
	Changes in inventories of finished goods and work in progress	-58.0	28.8	-	-
	Other external costs	-64.9	-71.7	-6.9	-6.6
	Staff costs	-71.0	-71.1	-17.0	-16.2
	Operating profit/loss before depreciation, amortisation, impairment losses and special items (EBITDA recurring)	**10.1**	**29.4**	**-6.7**	**-4.8**
	Special items	-4.1	-4.4	-0.2	-0.7
	Operating profit/loss before depreciation, amortisation and impairment losses (EBITDA)	**6.0**	**25.0**	**-6.9**	**-5.5**
	Depreciation, amortisation and impairment losses	-11.5	-12.0	0.8	-3.6
	Operating profit/loss (EBIT)	**-5.5**	**13.0**	**-6.1**	**-9.1**
	Impairment write-down and reversal of write-down regarding equity investments in and receivables from subsidiaries	-	-	-83.3	-3.6
	Profit/loss on intra-group sale of shares in subsidiaries	-	-	-	91.7
	Interest income, group entities	-	-	5.0	22.0
	Finance income	-	0.6	-	0.6
	Finance costs	-27.5	-24.3	-8.6	-11.5
	Profit/loss before tax	**-33.0**	**-10.7**	**-93.0**	**90.1**
	Tax on profit/loss for the year	3.4	0.7	-1.4	5.8
	Profit/loss from continuing operations	**-29.6**	**-10.0**	**-94.4**	**95.9**
	Profit/loss from discontinuing operations after tax	17.3	14.7	-	-
	Profit/loss for the year	**-12.3**	**4.7**	**-94.4**	**95.9**
	Earnings per share (EPS)	-3.8	1.5		
	Diluted earnings per share (EPS-D)	-3.8	1.5		
	Profit/loss from continuing operations per share (EPS)	-9.2	-3.1		
	Diluted profit/loss from continuing operations per share (EPS-D)	-9.2	-3.1		
	Proposed distribution of profit/loss:				
	Dividend of DKK 0 per share (2019: DKK 0 per share)			-	-
	Retained earnings			-94.4	95.9
	Total			**-94.4**	**95.9**

STATEMENT OF COMPREHENSIVE INCOME

DKKm Notes		SBS GROUP 2020	SBS GROUP 2019	PARENT COMPANY 2020	PARENT COMPANY 2019
	Profit/loss for the year	**-12.3**	**4.7**	**-112.7**	**95.9**
	Other comprehensive income				
	Items that can be reclassified to the income statement:				
	Foreign exchange adjustments on translation of foreign subsidiaries	-0.2	-0.1	-	-
	Value adjustments of hedging instruments:				
	Value adjustment for the year	–	1.1	–	1.1
	Value adjustment transferred to finance costs	3.0	-0.6	2.5	-0.6
	Tax on other comprehensive income	-0.7	-0.1	-0.5	-0.
	Other total comprehensive income after tax	**2.1**	**0.3**	**2.0**	**0.4**
	Total comprehensive income	**-10.2**	**5.0**	**-92.4**	**96.3**

Broken down as follows:		
Shareholders of Scandinavian Brake Systems A/S	-92.4	96.3
	-92.4	96.3

The Company does not have any items that cannot be reclassified to the income statement.

BALANCE SHEET - ASSETS

DKKm Notes		SBS GROUP 31.12.2020	SBS GROUP 31.12.2019	PARENT COMPANY 31.12.2020	PARENT COMPANY 31.12.2019
	NON-CURRENT ASSETS				
	Intangible assets				
	Goodwill	12.5	12.5	-	-
	Patents, rights and trademarks	1.5	1.5	-	-
	Development projects	-	12.3	-	-
	Software	3.2	15.2	3.0	14.8
		17.2	41.5	3.0	14.8
	Property, plant and equipment				
	Land and buildings	30.7	59.0	-	26.6
	Plant and machinery	2.5	25.3	-	-
	Fixtures and fittings, tools and equipment	3.0	6.4	0.2	1.1
	Assets held under a lease	25.0	28.7	4.2	1.0
		61.2	119.4	4.4	28.7
	Other non-current assets				
	Equity investments in subsidiaries	–	–	90.8	227.8
	Securities	0.1	0.1	0.1	0.1
	Receivables	2.2	-	-	-
	Deferred tax	22.3	45.0	1.0	7.0
		24.6	45.1	91.9	234.9
	Total non-current assets	**103.0**	**206.0**	**99.3**	**278.4**
	CURRENT ASSETS				
	Inventories	153.3	211.3	-	-
	Receivables	85.2	111.8	9.1	9.7
	Corporation tax receivable	0.6	1.0	-	-
	Cash	0.1	0.1	-	-
		239.2	**324.2**	**9.1**	**9.7**
	Assets held for sale	149.3	-	74.4	-
	Total current assets	**388.5**	**324.2**	**83.5**	**9.7**
	TOTAL ASSETS	**491.5**	**530.2**	**182.8**	**288.1**

BALANCE SHEET - EQUITY AND LIABILITIES

DKKm Notes		SBS GROUP 31.12.2020	SBS GROUP 31.12.2019	PARENT COMPANY 31.12.2020	PARENT COMPANY 31.12.2019
	EQUITY				
	Share capital	32.1	32.1	32.1	32.1
	Hedging reserve	-	-2.3	-	-2.0
	Translation reserve	1.5	1.7	-	-
	Revaluation reserve	10.6	10.6	-	10.1
	Reserve for development costs	-	-	1.5	3.8
	Retained earnings	-199.6	-187.3	-58.1	23.9
	Total equity	**-155.4**	**-145.2**	**-24.5**	**67.9**
	LIABILITIES				
	Non-current liabilities				
	Provisions for losses re. subsidiaries	-	-	104.6	102.3
	Credit institutions, etc.	237.5	423.2	8.8	16.7
	Lease commitments	28.5	32.7	2.6	0.3
	Trade and other payables	5.0	6.0	0.9	0.5
	Total non-current liabilities	**271.0**	**461.9**	**116.9**	**119.8**
	Current liabilities				
	Credit institutions, etc.	194.8	50.3	-	2.3
	Lease commitments	5.8	5.7	1.6	0.7
	Trade and other payables	143.7	157.5	88.8	97.4
		344.3	**213.5**	**90.4**	**100.4**
	Liabilities re. assets held for sale	31.5	-	-	-
	Total current liabilities	**375.8**	**213.5**	**90.4**	**100.4**
	Total liabilities	**646.8**	**675.4**	**207.3**	**220.2**
	TOTAL EQUITY AND LIABILITIES	**491.5**	**530.2**	**182.8**	**288.1**

STATEMENT OF CHANGES IN EQUITY

DKKm

SBS GROUP

	Share-capital	Reserve for hedging-trans-actions	Reserve for foreign-exchange-rate ajd.	Reserve for revalua-tion	Retained earnings	Total
Equity at 01.01.2019	**32.1**	**-2.7**	**1.8**	**10.6**	**-192.0**	**-150.2**
Total comprehensive income for 2019						
Profit/loss for the year	-	-	-	-	4.7	4.7
Other comprehensive income						
Foreign exchange adjustments on translation of foreign subsidiaries	-	-	-0.1	-	-	-0.1
Value adjustments of hedging instruments:						
Value adjustment for the period	-	1.1	-	-	-	1.1
Value adjustments transferred to finance income	-	-0.6	-	-	-	-0.6
Tax on other comprehensive income	-	-0.1	-	-	-	-0.1
Total other comprehensive income	**-**	**0.4**	**-0.1**	**-**	**-**	**0.3**
Comprehensive income for the period	**-**	**0.4**	**-0.1**	**-**	**4.7**	**5.0**
Equity at 31.12.2019	**32.1**	**-2.3**	**1.7**	**10.6**	**-187.3**	**-145.2**
Equity at 01.01.2020	**32.1**	**-2.3**	**1.7**	**10.6**	**-187.3**	**-145.2**
Total comprehensive income for 2020						
Profit/loss for the year	-	-	-	-	-12.3	-12.3
Other comprehensive income						
Foreign exchange adjustments on translation of foreign subsidiaries	-	-	-0.2	-	-	-0.2
Value adjustments of hedging instruments:						
Value adjustments transferred to finance income	-	3.0	-	-	-	3.0
Tax on other comprehensive income	-	-0.7	-	-	-	-0.7
Total other comprehensive income	**-**	**2.3**	**-0.2**	**-**	**-**	**2.1**
Comprehensive income for the period	**-**	**2.3**	**-0.2**	**-**	**-12.3**	**-10.2**
Equity at 31.12.2020	**32.1**	**-**	**1.5**	**10.6**	**-199.6**	**-155.4**

The share capital consists of 3,208,500 shares of DKK 10 each. All shares rank equally.

STATEMENT OF CHANGES IN EQUITY

DKKm	PARENT COMPANY					
	Share-capital	**Reserve for hedging-trans-actions**	**Reserve for foreign-exchange-rate ajd.**	**Reserve for revalua-tion**	**Retained earnings**	**Total**
Equity at 01.01.2019	**32.1**	**-2.4**	**-**	**10.1**	**-68.2**	**-28.4**
Total comprehensive income for 2019						
Profit/loss for the year	-	-	3.8	-	92.1	95.9
Other comprehensive income						
Value adjustments of hedging instruments:						
Value adjustment for the period	-	1.1	-	-	-	1.1
Value adjustments transferred to finance income	-	-0.6	-	-	-	-0.6
Tax on other comprehensive income	-	-0.1	-	-	-	-0.1
Total other comprehensive income	**-**	**0.4**	**-**	**-**	**-**	**0.4**
Comprehensive income for the period	**-**	**0.4**	**3.8**	**-**	**92.1**	**96.3**
Equity at 31.12.2019	**32.1**	**-2.0**	**3.8**	**10.1**	**23.9**	**67.9**
Equity at 01.01.2020	**32.1**	**-2.0**	**3.8**	**10.1**	**23.9**	**67.9**
Total comprehensive income for 2020						
Profit/loss for the year	-	-	-2.3	-	-110.4	-112.7
Other comprehensive income						
Value adjustments of hedging instruments:						
Value adjustment for the period	-	-	-	-	-	-
Value adjustments transferred to finance income	-	2.5	-	-	-	2.5
Tax on other comprehensive income	-	-0.5	-	-	-	-0.5
Transfers to discontinued operations		-	-	-10.1	10.1	-
Total other comprehensive income	**-**	**2.0**	**-**	**-10.1**	**10.1**	**2.0**
Comprehensive income for the period	**-**	**2.0**	**-2.3**	**-10.1**	**-100.3**	**-110.7**
Equity at 31.12.2020	**32.1**	**-**	**1.5**	**-**	**-76.4**	**-42.8**

The share capital consists of 3,208,500 shares of DKK 10 each. All shares rank equally.

CASH FLOW STATEMENT

DKKm Notes		SBS GROUP 2020	SBS GROUP 2019	PARENT COMPANY 2020	PARENT COMPANY 2019
	Profit/loss from continuing operations before tax	-29.6	-10.0	-94.4	95.9
	Amortisation and impairment losses 11.5	12.0	-0.8	3.6	
	Tax on profit/loss for the year	-3.4	-0.7	1.4	-5.8
1	Adjustments	27.5	23.7	91.9	-77.2
2	Changes in working capital	62.5	-71.2	-5.5	28.6
	Cash generated from operations (operating activities)	68.5	-46.2	-7.4	45.1
	Finance costs paid	-28.3	-23.8	-8.6	-11.5
	Corporation tax paid during the financial year (net)	-2.6	-3.7	4.1	5.2
	Cash flow from operating activities	**37.6**	**-73.7**	**-11.9**	**38.8**
	Acquisition of intangible assets	-1.5	-0.5	-1.4	-9.3
	Acquisition of property, plant and equipment	-1.6	-1.4	-0.3	-2.3
	Sale of assets	0.4	-	42.6	-
	Cash flow from investing activities	**-2.7**	**-1.9**	**40.9**	**-11.6**
	Raising and repayment of non-current liabilities	-42.2	76.0	-9.8	-1.4
	Repayment on lease commitments	-6.3	-6.2	-0.8	-0.8
	Raising and repayment of intra-group debt	-	-	-	-25.0
	Cash flow from financing activities	**-48.5**	**69.8**	**-10.6**	**-27.2**
	Cash flow from discontinuing operations	13.6	5.8	-18.4	-
	Cash flows for the year	**-**	**-**	**-**	**-**
	Cash and cash equivalents at the beginning of the year	0.1	0.1	-	-
	Cash and cash equivalents at the end of the year	**0.1**	**0.1**	**-**	**-**
1	**Adjustments**				
	Finance income	-	-0.6	-	-0.6
	Finance costs	27.5	24.3	8.6	11.5
	Impairment write-down of equity investments in and receivables from subsidiaries	-	-	83.3	3.6
	Profit/loss on the sale of shares in subsidiaries	-	-	-	-91.7
		27.5	**23.7**	**91.9**	**-77.2**
2	**Changes in working capital**				
	Changes in trade payables, etc.	5.8	1.1	0.6	5.8
	Changes in inventories	35.2	-29.0	- -	
	Changes in trade and other payables, etc.	21.5	-43.3	-6.1	22.8
		62.5	**-71.2**	**-5.5**	**28.6**

The cash flow statement cannot be derived directly from the consolidated financial statements and parent company financial statements.

NOTES

CONTENT NOTES

NOTE 1 ACCOUNTING POLICIES

Scandinavian Brake Systems A/S is a private limited company domiciled in Denmark. The financial statements section of the annual report for the period 1 January – 31 December 2020 comprises both the consolidated financial statements of Scandinavian Brake Systems A/S and its subsidiaries (the Group) and the separate parent company financial statements.

The consolidated financial statements and the parent company financial statements of Scandinavian Brake Systems A/S for 2020 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

The annual report also fulfils the requirements laid down in the International Financial Reporting Standards issued by the IASB.

On 7 April 2021, the Board of Directors and the Executive Board have discussed and approved the annual report of Scandinavian Brake Systems A/S for 2020. The annual report will be presented to the shareholders of Scandinavian Brake Systems A/S for approval at the annual general meeting.

Basis for preparation
The consolidated financial statements and the parent company financial statements have been presented in Danish kroner, rounded to the nearest DKK million.

The accounting policies described below were applied consistently in the financial year and in respect of the comparative figures. For standards implemented prospectively, comparative figures are not restated.

Going concern statement
In connection with the financial reporting, the Board of Directors, the Audit Committee and the Executive Board assessed whether presentation of the annual report under the going concern assumption is well-founded. The Board of Directors, the Audit Committee and the Executive Board have concluded that no such factors exist at the statement of financial position date that could raise doubt about the Group's and the Parent Company's ability to continue as a going concern at least until the next statement of financial position date. The conclusion drawn is based on knowledge of the Group and the Parent Company, the estimated outlook and the uncertainties and risks identified in this respect (described in the Management commentary and note 2) as well as an examination of budgets, including the expected developments in liquidity, capital base, etc., existing credit facilities, including contractual and expected maturity periods, as well as other terms. Thus, it is considered appropriate, reasonable and well-founded to base the financial reporting on the going concern assumption.

Changes in accounting policies
SBS has implemented the standards and interpretations effective in the EU for 2020. Several other changes and interpretations also apply for the first time in 2020. None of which have an impact on recognition and measurement in the consolidated financial statements and the parent company financial statements.

Consolidated financial statements
The consolidated financial statements include the Parent Company, Scandinavian Brake Systems A/S, and subsidiaries over which Scandinavian Brake Systems A/S exercises control.

The Group controls another entity if the Group is exposed to or is entitled to variable returns due to its interest in the entity and can impact these returns through its controlling interest in the entity.

When assessing whether Scandinavian Brake Systems A/S exercises control, potential voting rights that are real and of substance at the end of the reporting period are taken into account.

The Management commentary includes a group chart.

The consolidated financial statements are prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends as well as realised and unrealised gains on intra-group transactions are eliminated. Unrealised losses are eliminated in the same way as unrealised gains to the extent they are not impaired.

Business combinations
Entities acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised in the consolidated financial statements up to the date of disposal. Comparative figures are not restated to reflect newly acquired entities. Discontinued operations and assets held for sale are presented separately.

For acquisitions of new businesses over which Scandinavian Brake Systems A/S obtains control, the purchase method is used. The acquired businesses' identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax on revaluations is recognised. The difference between the consideration and the fair value of the identified net assets is recognised as goodwill under intangible assets.

NOTE 1 ACCOUNTING POLICIES – (CONTINUED)

In the 2020 and 2019 financial years, no business acquisitions were made in the Group.

The acquisition date is the date when Scandinavian Brake Systems A/S effectively obtains control of the acquired business.

Gains or losses on disposal of subsidiaries are stated as the difference between the sales amount and the carrying amount of net assets including goodwill at the date of disposal and costs of disposal.

Foreign currency translation
For each of the reporting entities in the Group, a functional currency is determined. The functional currency is the currency used in the primary financial environment in which the reporting entity operates. Transactions denominated in other currencies than the functional currency are foreign currency transactions.

On initial recognition, transactions denominated in foreign currencies are translated into the functional currency using the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as finance income or finance costs.

Receivables, payables and other monetary items denominated in foreign currencies are translated into the functional currency using the exchange rates at the statement of financial position date. The difference between the exchange rates at the statement of financial position date and at the date at which the receivable or payable arose or the rate in the most recent financial statements is recognised in the income statement as finance income or finance costs.

In the consolidated financial statements, the statements of comprehensive income of foreign operations with a functional currency different from DKK are translated at the exchange rates at the transaction date, and the statement of financial position items are translated at the exchange rates at the statement of financial position date. An average exchange rate for each month is used as the transaction date exchange rate to the extent that this does not significantly distort the presentation of the underlying transactions.

Foreign exchange differences arising on translation of the opening equity of such entities at closing rates and on translation of the statements of comprehensive income from the exchange rate at the transaction date to closing rates are recognised in other comprehensive income in a separate translation reserve under equity.

On full or partial disposal of wholly-owned foreign entities resulting in a loss of control, the foreign currency translation adjustments which have been recognised in other comprehensive income and which are attributable to the foreign entity are reclassified from other comprehensive income to profit/loss for the year together with any gains or losses resulting from the disposal.

Derivative financial instruments
Derivative financial instruments are recognised at the date a derivative contract is entered into and measured in the statement of financial position at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables in the statement of financial position, respectively, and set-off of positive and negative values is only made when the Company has the right and the intention to settle several financial instruments net.

Cash flow hedge
Changes in the portion of the fair value of derivative financial instruments designated as and qualifying as a cash flow hedge that is an effective hedge of changes in future cash flows are recognised in other comprehensive income under a separate hedging reserve in equity until the hedged cash flows affect profit or loss. If the hedged transaction results in gains or losses, amounts previously recognised in other comprehensive income are reclassified to the same item as the hedged item.

If the hedging instrument does no longer qualify for hedge accounting, the hedge will cease to be effective. The accumulated change in value recognised in other comprehensive income is reclassified to profit or loss when the hedged cash flows affect profit or loss or are no longer probable.

The portion of the value adjustment of a derivative financial instrument that is not included in a hedge is presented under net financials.

Other derivative financial instruments
Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as finance income and costs on an ongoing basis.

Certain contracts contain characteristics of derivative financial instruments. Such embedded derivatives are recognised separately and measured at fair value if they differ significantly from the host contract, unless the entire host contract is recognised and measured at fair value on a regular basis.

NOTE 1 ACCOUNTING POLICIES – (CONTINUED)

INCOME STATEMENT

Revenue
The Group's sales agreements are divided into individually identifiable performance obligations, which are recognised and measured separately at fair value. If a sales agreement comprises several performance obligations, the total selling price of the sales agreement is allocated proportionately to the individual performance obligations of the agreement. Revenue is recognised when control over the individual identifiable performance obligation is transferred to the customer.

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

The variable part of the total consideration, for instance discounts, bonus payments, etc., is not recognised in revenue until it is fairly probable that it will not be reversed in subsequent periods, for instance due to non-achievement of targets, etc.

Sale of finished goods and goods for resale is recognised when control over the individual identifiable performance obligation in the sales agreement is transferred to the customer, which takes place at the time of delivery according to the sales conditions. Even though a sales agreement regarding sale of finished goods and goods for resale often contains several performance obligations, they are treated as one performance obligation as delivery typically takes place at the same time.

The payment terms in the Group's sales agreements with customers are partly dependent on the underlying performance obligation and partly dependent on the underlying customer relationship. For sale of goods where control is transferred at a specific point in time, the payment terms will typically be invoice month + 1-3 months. The Group does not enter into sales agreements with a credit period of more than 12 months. Accordingly, the Group does not adjust the agreed contract price with a finance charge.

Government grants/compensation
Government grants/compensation primarily relate to state compensation schemes due to COVID-19, including payroll compensation and compensation for fixed costs. Grants are recognised when it is considered probable that the grant will be received. Compensation received is recognised directly in the income statement as costs subject to compensation are incurred. Compensation is recognised as other operating income.

Other external expenses
Other external costs include costs relating to the company's primary activity that are incurred during the year, including costs for distribution, sales, marketing, administration, premises, bad debts, lease payments on operating leases, etc.

Special items
Special items comprise significant amounts which are not attributable to the usual operations, including costs for reorganisation, close-down of activities, etc. as well as major gains and losses upon the transfer of subsidiaries and operations which are not classified as discontinued operations.

Dividends from subsidiaries
Dividends from subsidiaries are recognised as income in the parent company income statement in the financial year when the dividends are declared. Impairment tests are performed if dividend distributions exceed the subsidiary's profit for the period.

Finance income and costs
Finance income and finance costs comprise interest income and expense and foreign exchange gains and losses on transactions denominated in foreign currencies. Furthermore, amortisation of financial assets and liabilities, including finance lease liabilities, as well as surcharges and allowances under the on-account tax scheme and fair value adjustments of derivative financial instruments which are not designated as hedging instruments are included.

Tax for the year
Scandinavian Brake Systems A/S is jointly taxed with all Danish companies in the Knudseje Holding ApS Group, see the Danish rules on statutory joint taxation of the Knudseje Holding ApS Group's Danish companies. The companies are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The current Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Companies that use tax losses in other companies pay the joint tax contribution to the administrative company at an amount corresponding to the tax value of the tax losses used. Companies whose tax losses are used by other companies receive joint tax contributions from the administrative company corresponding to the tax value of the losses used (full absorption). The jointly taxed companies are taxed under the on-account tax scheme.

Tax for the year comprising current tax for the year and changes in deferred tax, including changes due to changes in the tax rate, is recognised in profit/loss for the year, other comprehensive income or directly in equity.

NOTE 1 ACCOUNTING POLICIES – (CONTINUED)

ASSETS

Intangible assets

Goodwill
Goodwill is initially recognised in the statement of financial position at cost as described under "Business combinations".

Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the date of acquisition. Identification of cash-generating units is based on the management structure and internal financial control.

Other intangible assets
Software and other intangible assets are measured at cost less accumulated amortisation and impairment losses. Software and other intangible assets are amortised on a straight-line basis over the expected useful life of 3-8 years.

However, intangible assets (trademarks) with an indefinite useful life are not amortised but are tested for impairment annually.

Property, plant and equipment
Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, wages and salaries as well as borrowing costs relating to specific and general borrowing directly attributable to the construction of the individual asset.

Subsequent costs, e.g. in connection with the exchange of components of an item of property, plant and equipment are recognised in the carrying amount of the asset in question when it is probable that the costs incurred will imply that future economic benefits will flow to the Group. The replaced components are derecognised in the statement of financial position and recognised as an expense in profit or loss. All other costs incurred for ordinary repairs and maintenance are recognised in profit or loss as incurred.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately. Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Buildings and construction parts	10-50 years
Plant and machinery	3-15 years
Fixtures and fittings, tools and equipment	3-10 years

Land is not depreciated.

Depreciation is calculated on the basis of the residual value and impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

When changing the depreciation period or the residual value, the effect on the depreciation is recognised prospectively as a change in accounting estimates.

Leases
Leased assets and lease commitments are recognised in the statement of financial position when the leased asset under a lease entered into regarding a specific identifiable asset is made available to the Group in the lease term, and when the Group in this connection obtains the right to almost all economic benefits from the use of the identified asset and the right to control the use of the identified asset.

On initial recognition, the lease commitment is measured at the present value of the future lease payments discounted by the Group's incremental borrowing rate.

The following lease payments are recognised as part of the lease payment:
- Fixed payments
- Variable payments that change concurrently with changes to an index or an interest rate based on said index or interest rate
- Payments subject to an extension option that it is highly probable that the Group will exercise
- Exercise price of call options that it is fairly probable that the Group will exercise
- Penalty related to a termination option unless it is fairly probable that the Group will not exercise the option

NOTE 1 ACCOUNTING POLICIES – (CONTINUED)

The lease commitment is measured at amortised cost according to the effective interest method. The lease commitment is recalculated when there are changes to the underlying contractual cash flows from:
- Changes in index or an interest rate
- If there are changes to the Group's estimate of or residual value guarantee
- If the Group changes its assessment as to whether it is fairly probable that the Group will exercise the purchase option, extension option or termination option.

On initial recognition, the leased asset is measured at cost, which corresponds to the value of the lease commitment adjusted for prepaid lease payments plus directly related costs and estimated costs for demolition, repairs or the like less discounts and other types of incentive payments received from the lessor.

Subsequently, the asset is measured at cost less accumulated depreciation and impairment losses. The leased asset is depreciated over the shorter of the lease term and the useful life of the leased asset. Depreciation charges are recognised on a straight-line basis in the income statement.

The leased asset is adjusted for changes to the lease commitment due to changes to the terms of the lease or changes to the cash flows of the lease concurrently with changes to an index or an interest rate.

Leased assets are depreciated on a straight-line basis over the expected lease term, which is:

Cars:	1-5 years
Properties:	3-12 years
Plant and machinery:	3-5 years

The Group presents the leased asset and the lease liability separately in the statement of financial position.

The Group has chosen not to recognise leased assets of a low value and short-term leases in the statement of financial position. Instead, related lease payments are recognised on a straight-line basis in the income statement.

Equity investments in subsidiaries in the parent company financial statements
Equity investments in subsidiaries are measured at cost in the parent company financial statements. Where the recoverable amount is lower than cost, investments are written down to this lower value.

Subsidiaries with a negative net asset value are measured at DKK 0. If Scandinavian Brake Systems A/S has a legal or a constructive obligation to cover any negative balances in subsidiaries, such obligation is recognised as liabilities. Any receivables from subsidiaries are written down if the amount owed is deemed irrecoverable.

Impairment testing of non-current assets
Goodwill and intangible assets with indefinite useful lives are tested for indications of impairment annually, initially before the end of the acquisition year. Similarly, in-process development projects are subject to an annual impairment test.

The carrying amount of goodwill is tested for impairment together with the other non-current assets of the cash-generating unit or group of cash-generating units to which goodwill is allocated. The assets of the cash-generating units are written down to the recoverable amount through profit and loss if the carrying amount is higher. The recoverable amount of a cash-generating unit is generally determined as the present value of the expected future net cash flows from the entity or activity (cash-generating unit) to which the goodwill relates.

Deferred tax assets are subject to annual impairment tests and are recognised only to the extent that it is probable that the assets will be utilised.

The carrying amount of other non-current assets is subject to an annual impairment test. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit. However, impairment losses on goodwill are recognised in a separate line item in the income statement.

Impairment losses on goodwill are not reversed. Impairment losses recognised in respect of other assets are reversed in so far as the assumptions and estimates underlying the impairment losses have changed. Impairment is only reversed to the extent that the asset's increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

NOTE 1 ACCOUNTING POLICIES – (CONTINUED)

Inventories
Inventories are measured at the lower of cost in accordance with the FIFO method and the net realisable value.

Goods for resale, raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct labour and indirect production overheads directly attributable to the production of the individual inventory. Production overheads comprise costs of material and labour as well as maintenance of and depreciation on production machinery, buildings and equipment as well as costs relating to plant administration and management.

The net realisable value of inventories is determined as the selling price less costs of completion and costs incurred to effect the sale, taking into account marketability, obsolescence and developments in the expected selling price.

Receivables
Receivables are measured at amortised cost. Write-down for bad and doubtful debts is made in accordance with the simplified expected credit loss model according to which the total loss is recognised immediately in the income statement at the same time as the receivable is recognised in the statement of financial position based on the expected loss in the useful life of the receivable. Recognition as income of interest on written-down receivables is calculated based on the written-down value using the effective interest rate for each individual receivable.

The financial asset is monitored continuously according to the Group's risk management until realisation. The impairment loss is estimated based on the expected loss ratio, which is estimated for financial assets by geographic location. The loss ratio is estimated based on historical data adjusted for estimates over the effect of expected changes in relevant parameters such as financial development in the relevant market.

EQUITY

Dividend
Proposed dividend is recognised as a liability at the date when it is adopted at the annual general meeting. Dividend expected to be distributed for the year is presented as a separate line item in equity.

Reserve for development costs
The reserve relates to recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are amortised or no longer part of the Company's operations. This is done by a transfer directly to the distributable reserves under equity.

Hedging reserve
The hedging reserve comprises the cumulative net change in the fair value of hedging transactions that qualify for recognition as a cash flow hedge and where the hedged transaction has not yet been realised.

Currency translation reserve
The translation reserve comprises foreign currency differences arising from the translation of financial statements of foreign entities from their functional currency to the presentation currency of the Scandinavian Brake Systems A/S Group (Danish kroner).

The reserve is dissolved and the foreign exchange adjustments are recognised in the income statement upon the sale of foreign enterprises.

Revaluation reserve
The reserve relates to the revaluation of the Group's properties in connection with the transition to IFRS at 1 January 2005 as the Group decided to make use of the possibility of a revaluation to fair value in the opening statement of financial position in accordance with IFRS 1.

LIABILITIES

Pension obligations
The Group has entered into pension schemes and similar arrangements with the majority of the Group's employees. Contributions to defined contribution plans where the Group pays fixed pension payments to independent pension funds are recognised in the income statement in the period to which they relate, and any contributions outstanding are recognised in the statement of financial position as other payables.

NOTE 1 ACCOUNTING POLICIES – (CONTINUED)

Tax payable and deferred tax
Current tax payables and receivables are recognised in the statement of financial position as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

Joint taxation contributions payable and receivable are recognised in the statement of financial position under "Balances with group entities".

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to non-deductible goodwill and on office premises and other items where temporary differences – apart from acquisitions – arise at the acquisition date without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised under other non-current 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 in the same legal tax entity and jurisdiction.

Deferred tax assets are subject to annual impairment tests and are recognised only to the extent that it is probable that the assets will be utilised.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to set off current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets on a net basis or to realise the assets and settle the liabilities simultaneously.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates in the respective countries applicable at the statement of financial position date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in tax rates are recognised in comprehensive income for the year.

Financial liabilities
Mortgage debt, etc., is recognised at the date of borrowing at fair value less transaction costs paid. On subsequent recognition, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement under finance costs over the term of the loan.

Other financial liabilities are measured at amortised cost.

Assets classified as held for sale
Assets classified as held for sale comprise non-current assets and disposal groups, which are held for sale. Disposal groups are defined as a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction. Liabilities associated with assets held for sale are those liabilities directly associated with the assets that will be transferred in the transaction. Assets are classified as "held for sale" if the carrying amount will be recovered principally through a sale within 12 months in accordance with a formal plan rather than through continuing use.

Assets or disposal groups held for sale are measured at the lower of carrying amount at the date of the classification as "held for sale" and fair value less costs to sell. Assets are not depreciated or amortised from the date when they are classified as held for sale.

Impairment losses on the initial classification as "held for sale" and gains and losses on subsequent measurement at the lower of the carrying amount and fair value less costs to sell are recognised in the income statement in the items to which they relate. Gains and losses are disclosed in the notes.

Assets and associated liabilities are presented as separate line items in the Statement of financial position, and the main items are specified in the notes. Comparative figures are not restated.

Presentation of discontinued operations
Discontinued operations comprise a separate major line of business whose activities and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the other business areas and where the unit either has been disposed of or is held for sale and where the sale is expected to be carried out within twelve months in accordance with a formal plan. Discontinued operations also include businesses which are classified as "held for sale" in connection with the acquisition.

The profit/loss of discontinued operations after tax, value adjustments of related assets and liabilities after tax and gains and losses on disposal are presented as a separate line item in the income statement, and comparative figures are restated accordingly.

NOTE 1 ACCOUNTING POLICIES – (CONTINUED)

Revenue, costs, value adjustments and tax relating to discontinued operations are disclosed in the notes. Assets and liabilities for discontinued operations are presented in separate lines in the statement of financial position without restatement of comparative figures, see the section "Assets classified as held for sale", and the major classes of assets and liabilities are disclosed in the notes.

Cash flows from operating, investing and financing activities of the discontinued operations are disclosed in a note.

CASH FLOW STATEMENT

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

The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investing activities. Cash flows from acquisitions of entities are recognised in the cash flow statement from the date of acquisition, and cash flows from disposals of entities are recognised up until the date of disposal.

Cash flows from operating activities are calculated based on the indirect method as profit/loss before tax adjusted for non-cash operating items, changes in working capital, interest received and paid, including interest on lease commitments, dividends received and corporation tax paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of businesses and of intangible assets, property, plant and equipment and other non-current assets as well as acquisition and disposal of securities not classified as cash and cash equivalents.

Cash flows from financing activities comprise changes in the size and composition of the share capital and associated expenses as well as borrowings, repayment of interest-bearing debt, purchase and sale of treasury shares and distribution of dividends to shareholders. Cash flows from lease commitments are recognised as payment of interest and repayment of debt.

Cash and cash equivalents comprise cash at bank and in hand.

Cash flows in other currencies than the functional currency are translated using average exchange rates unless these deviate significantly from the rate at the transaction date.

Segment information
So far, the Group has had two reportable segments: SBS Automotive and SBS Friction. In the consolidated financial statements for 2020, SBS Friction is presented as a discontinuing operation after the sale in the beginning of January 2021; reference is made to note 2. The SBS Group thus only has SBS Automotive as continuing operations, and no separate segment information is therefore provided.

Alternative financial highlights
SBS presents financial highlights in the annual report, which are not defined in accordance with IFRS. SBS assesses that these financial highlights, which are not defined in accordance with IFRS provide valuable information to investors and group management for assessing the results of operations. As other companies may calculate the financial highlights differently than SBS, the financial highlights may not be comparable with the ones that other companies apply. These financial highlights should therefore not be considered a substitute for the performance indicators as defined by IFRS.

Key figures
SBS applies the performance indicator "EBITDA recurring" which is defined as EBITDA less special items, which are defined as significant amounts which are not attributable to the usual operations, including costs for reorganisation, gains and losses on the sale of properties, close-down of activities, etc. as well as major gains and losses upon the transfer of subsidiaries and assets which are not classified as discontinuing/discontinued operations.

NOTE 1 ACCOUNTING POLICIES – (CONTINUED)

Financial ratios

Equity Ratio =	Equity at the end of the year
	Statement of financial position total at the end of the year
EPS Basic =	Profit or loss
	Average number of shares
BVPS =	Equity
	Number of shares, year-end
EBITDA-recurring margin =	Operating profit before depreciation, amortisation, impairment losses and special items (EBITDA recurring)
	Revenue
EBITDA-margin =	Operating profit before depreciation and amortisation (EBITDA)
	Revenue
EBIT-margin =	Operating profit/loss (EBIT)
	Revenue
ROIC excl. GW =	* EBITA excl. goodwill amortisation
	Average invested capital excl. goodwill
ROE =	Profit or loss
	Average equity
Share price/ book	Share price at year end
	BVPS

Earnings per share (EPS Basic) and diluted earnings per share (EPS-D) are calculated in accordance with IAS 33.

Other financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios".

*EBITDA = Earnings before interest, taxes, depreciation and amortisation.

Average invested capital = Net working capital and intangible assets and property, plant and equipment.

DKKm

NOTE 2 ACCOUNTING ESTIMATES AND JUDGEMENTS

The calculation of the carrying amount of certain assets and liabilities requires assessments, estimates and assumptions concerning future events.

The estimates and assumptions made are among other things based on historical experience and other factors that Management finds reasonable in the circumstances but which are inherently uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. The Group is subject to risks and uncertainties which mean that the actual outcome may differ from the estimates made. Special risks for the Group are mentioned in the Management commentary under "Risk management" on pages 24-25 to the consolidated financial statements and the parent company financial statements.

It may be necessary to change previous estimates due to changes in the conditions on which these previous estimates were based or due to new knowledge or subsequent events.

Estimates particularly material to the financial reporting are made, e.g., based on cash resources and financing, an assessment of the recoverability of deferred tax assets and impairment write-down in respect of inventories. Estimates and assessments made reflect Management's best estimate and assessment at the date of the statement of financial position.

Capital resources
The Group's and the Parent Company's equity totalled a negative DKK 155 million and a negative DKK 25 million, respectively, at 31 December 2020. The Parent Company thus falls under the provision of Danish company legislation regarding capital losses. After recognition of the proceeds on the sale of SBS Friction at the beginning of January 2021, the Group's equity totals DKK -3 million, and the Parent Company's equity totals DKK 100 million. In accordance with company law, the Board of Directors will address the capital loss at the annual general meeting on 20 April 2021.

Cash resources and financing
In 2017, the Group entered into a credit agreement with the Group's banks. The agreement was extended by two years in June 2019. The financing agreement was changed in February 2021 due to the sale of SBS Friction. The financing agreement still runs until 1 April 2022 after which it is subject to renegotiation. The financial and non-financial terms (covenants) are suspended in 2021 except for the term regarding CAPEX. Moreover, it has been agreed that no dividends are distributed for the three years during which the credit agreement is in force. In the opinion of group management, this agreement provides the Group and the Parent Company with the financial base required to continue the activities and operations in the coming year. During the COVID-10 crisis in first half of 2020, the banks offered additional temporary credit lines. Those credit lines were suspended in the second half of 2020 where the SBS Group's liquidity was strengthened. In January 2021, the Group used the entire proceeds from the sale of SBS Friction to reduce the Group's interest-bearing debt, which amounted to approx. DKK 207 million at the end of January 2021 against DKK 467 million at the end of 2020.

The Parent Company's cash resources are highly dependent on the cash resources of the other group companies. The Danish companies have issued mutual guaranties to the Group's bankers. The Parent Company has provided guarantee for bank debt in DPF, Svendborg A/S, just as a comfort letter has been issued to the subsidiary. Based thereon, a provision for bad debts has been made in the parent company financial statements for 2020 regarding DPF Svendborg A/S in the amount of DKK 104.7 million at 31 December 2020.

Based on the group budget for 2021, group management assesses that there is sufficient room for manoeuvre within the agreed terms and covenants, etc., and consequently, the Group and the Parent Company have adequate liquidity to carry through the activities and operations according to the group budget for 2021.

Based on the budget for 2021 and forecasts for the coming years, group management also assesses that the Group and the Parent Company have adequate cash resources to carry through the planned activities and operations until 1 April 2022 considering the credit facilities laid down in the credit agreement.

Consolidated liquidity at 31 December 2020 is specified as follows:

DKKm	**2020**	**2019**
Cash	0.1	0.1
Undrawn credit facilities	24.6	6.8
Cash resources at 31 December	**24.7**	**6.9**

Undrawn credit facilities comprise drawing facilities with the Group's banking institutions (bank line).

NOTE 2 ACCOUNTING ESTIMATES AND JUDGEMENTS – (CONTINUED)

Recoverability of deferred tax assets
The Group's and the Parent Company's deferred tax assets are recognised for all non-utilised tax losses in so far as it is deemed probable that tax profits are realised within a foreseeable future against which the tax losses can be offset.

The amount to be recognised as deferred tax asset is determined by estimating the date at which future taxable profits are likely to be generated and based on the size thereof.

The statement of financial position includes deferred tax assets in the amount of DKK 22.3 million at 31 December 2020 (2019: DKK 45.0 million) which are specified as follows:

DKKm	
Temporary differences between the carrying amount and the tax base of assets	19.6
Temporary differences between the carrying amount and the tax base of provisions and liabilities	1.4
Tax loss carryforwards	51.8
Deferred tax assets (before write-down)	**73.8**
Non-capitalised deferred tax assets (primarily deferred tax assets allowed for carryforward)	-50.5
Deferred tax assets at 31 December 2020	**22.3**

Based on the budget for 2021 and expectations of the coming years, group management has assessed the Group's deferred tax assets at 31 December 2020.

Group management finds it likely that deferred tax assets of DKK 22.3 million relating to the SBS Automotive division will be utilised within a foreseeable future, and they have therefore been recognised at 31 December 2020. The amount includes deferred tax assets regarding tax loss carryforwards of DKK 4.8 million relating to SBS France SAS.

Group management assesses that the deferred tax assets regarding the Parent Company and DPF Svendborg A/S will not be utilised within a foreseeable future, and therefore, they have been written off.

The Group's unrecognised tax assets then totalled DKK 50.5 million at 31 December 2020 compared to DKK 47.0 million at 31 December 2019.

Inventories
The estimation uncertainty regarding inventories primarily relates to write-downs to net realisable value and to the recognition of production costs included. The need for impairment write-down increases as the time during which the individual item is in stock increases as old inventory items are deemed to be subject to some level of obsolescence and to be characterised as slow-moving items. Inventories are written down based on the mathematical model for inventory write-downs where cost exceeds net realisable value. At 31 December 2020, inventory write-downs totalled DKK 10.1 million against DKK 8.6 million at 31 December 2019. Inventory write-downs are specified in note 16.

Impairment testing of non-current assets
In performing the annual impairment test of non-current assets or when there is indication of impairment, Management assesses whether the SBS Automotive division, to which the non-current assets relate, will be able to generate sufficient positive net cash flows in the future to support the value of the non-current assets. Due the nature of the Company, estimates are to be made of expected future cash flows many years ahead, which inherently involves some uncertainty. The discount rate applied reflects this uncertainty. The impairment test, the relating particularly sensitive factors and the sensitivity analysis are described in detail in note 12. The impairment test at 31 December 2020 is based on the annual impairment test based on the discounted cash flow model, which is supported by an external valuation report prepared for the SBS Group in connection with Management's exploration and examination of the interest in consolidation among the suppliers in the open aftermarket, see the Management commentary. The impairment test made shows that the recoverable amount is higher than the carrying amount of non-current assets.

Equity investments in subsidiaries in the parent company financial statements
The carrying amount of equity investments in subsidiaries is tested annually for indications of impairment. When there is an indication that assets may be impaired, the recoverable amount of the equity investment is determined. The recoverable amount is the higher of an equity investment's fair value less expected costs to sell and its value in use. The value in use is calculated as the present value of the expected future cash flows which the underlying activity is expected to generate. The Company has identified indications of impairment regarding the equity investments relating to the SBS Automotive division in the parent company financial statements in connection with Management's exploration and examination of the interest in consolidation among suppliers in the open aftermarket, see the Management commentary, which is why an impairment test has been prepared. An impairment loss of DKK 81 million has been recognised as an expense in the income statement in the parent company financial statements for 2020. The impairment loss is based on the annual impairment test based on a discounted cash flow model, which is supported by an external valuation report prepared for the SBS Group.

DKKm

NOTE 3 SEGMENT INFORMATION

Activities
After the sale of SBS Friction at the beginning of January 2021, the Group only has one reportable segment: SBS Automotive. The segment SBS Friction is recognised in profit/loss from discontinuing operations.

Geographical disclosures
The Group is primarily engaged in the European market.

Upon the presentation of information regarding geographical areas, information provided on the allocation of revenue on geographical markets is based on the customers' geographical siting, whereas information on the allocation of activities on geographical segments is based on the physical siting of the activities.

.	**Reportable segments Total**	
	2020	**2019**
Sales to external customers in Germany	28%	34%
Sales to external customers in rest of Europe	22%	22%
Sales to external customers in the Nordic countries	19%	19%
Sales to external customers in Russia	16%	13%
Sales to external customers in France	14%	12%
Sales to external customers in rest of the world	1%	1%
Revenue, see the income statement	**100%**	**100%**
Non-current segment assets in Denmark	35.1	114.7
Non-current segment assets in Europe	43.3	46.2
Non-current assets, see the statement of financial position **	**78.4**	**160.9**
Capital expenditure in Denmark	0.5	0.5
Capital expenditure in Europe	1.1	0.9
Capital expenditure, see the cash flow statement	**1.6**	**1.4**

** Non-current assets, see the statement of financial position, excl. investments, securities and deferred tax.

Significant customers
The Group has no customers for which revenue exceeds 10% of total consolidated revenue.

Reconciliation of reportable segments' revenue, results of operations, assets and liabilities
Revenue, results of operation, assets and liabilities can be derived directly from the income statement on page 28 and from the statement of financial position on pages 30-31.

GROUP

Scandinavian Brake Systems A/S
Kuopiovej 11 • 5700 Svendborg • Denmark
Tlf.: +45 63 21 15 15 • Fax +45 63 21 15 95
sbs-group@sbs.dk • sbs-group.dk