



GROUP

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COMPANY ANNOUNCEMENT NO. 03-2021

The SBS Group's preliminary announcement of financial statements

The Board of Directors recommends the 2020 annual report for approval by the Annual General Meeting to be held on Thursday, 29 April 2021.

The SBS Group's performance for 2020 was in line with the expectations most recently announced. The divested SBS Friction division posted record profits, while the continuing operations of SBS Automotive were affected by the Covid-19 pandemic despite a series of sound strategic and productivity-enhancing initiatives. The divestment of SBS Friction has strengthened the Group's financial structure, but equity remains negative, and the Group's focus is still on debt reduction.

- Calculated on a comparable basis, the SBS Group's performance was in line with expectations, with pro forma revenue of DKK 593 million and pro forma operating profit before depreciation, amortisation and impairment losses (EBITDA, recurring) of DKK 48 million. Results are calculated as if the divested SBS Friction division were still part of the SBS Group.
- Reported revenue, relating only to SBS Automotive, dropped by 14% to DKK 455 million, driven by Covid-19 lockdowns and less driving, intense competition and supply line pressure.
- SBS Automotive's operating profit before special items (EBITDA, recurring) totalled DKK 24 million, down from DKK 41 million in 2019, impacted by the Covid-19 pandemic and changing customer and product mixes.
- The SBS Group's operating profit before special items (EBITDA, recurring) amounted to DKK 10 million (DKK 29 million in 2019), reflecting higher Parent Company expenses following the divestment of SBS Friction.
- Profit from discontinuing operations after tax (SBS Friction) amounted to DKK 17 million, up from DKK 15 million in 2019.
- Profit/loss for the year was a loss of DKK -12 million (2019: profit of DKK 5 million.)
- Cash flows from operating activities were positive at DKK 38 million (2019: negative at DKK -74 million).

CAPITAL STRUCTURE

Following the divestment of SBS Friction and the production property located in Svendborg, Denmark, the capital structure was strengthened by DKK 300 million (enterprise value). Assets were transferred to the new owner, Brembo, on 7 January 2021:

- All proceeds from the divestment have used for Group's debt reduction. Net interest-bearing debt amounted to DKK 207 million in January 2021, down from DKK 467 million at end-2020 and DKK 472 million at end-2019.
- Following recognition of the gain on divestment, equity was negative by DKK -3 million in January 2021. At end-2020, equity was negative by DKK -155 million, and at end-2019, it was negative by DKK -145 million.
- The credit agreement with the Group's banks will continue unchanged until 1 April 2022, but all covenants have been temporarily suspended until 31 May 2021.

OUTLOOK FOR 2021

The outlook for revenue and operating profit in 2021 relates only to SBS Automotive and the Parent Company Scandinavian Brake Systems, collectively the SBS Group. Performance for H1 will continue to be affected by the Covid-19 pandemic until Europe gains better control of the pandemic. In H2, demand is expected to pick up, but the market is also expected to continue consolidating. So, we are exploring potential opportunities for SBS Automotive in this regard.

- Focus on major European customers and on boosting SBS Automotive's proportion of these customers' purchases.
- Growth in sales under the no-deposit concept for brake calipers.
- Further expansion in emerging markets in the Middle East and on the Balkans.
- Revenue is expected to be in the range of DKK 470-490 million.
- Operating profit (EBITDA, recurring) is expected to total DKK 20-25 million, including expenses payable to the Parent Company.
- The gain on the divestment of SBS Friction, totalling DKK 152 million, will be included as "Profit from discontinuing operations".

The annual report 2020 is available in Danish on www.sbs-group.dk

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