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COMPANY ANNOUNCEMENT

SBS divests its remanufacturing production of brake calipers to FTE Automotive at DKK 207 million. SBS and FTE continue to cooperate closely i.e. FTE manufactures calipers to SBS' international automotive business which includes a wide range of wear parts for the automotive aftermarket

Today, Scandinavian Brake Systems A/S (SBS) signed an agreement with the German company FTE Automotive GmbH (FTE). The agreement is an extension of the two companies' strategic cooperation and means that FTE acquires the entire remanufacturing production of brake calipers. The agreement also ensures SBS continued access to one of Europe's widest product ranges within brake calipers to the company's customer portfolio.

The sales price amounts to DKK 207 million and allows SBS to repay its subordinate loan to the company's banks.

The agreement is subject to a number of usual conditions, including approvals by relevant competition authorities. These are expected to be fulfilled.

Since 2010, SBS and FTE had a joint venture for remanufacturing production of brake calipers on a common production platform in Presov, Slovakia, with owner's shares of 51% (SBS) and 49% (FTE), respectively. With the signed agreement, FTE acquires the entire remanufacturing production of brake calipers, i.e. the remaining owner's share of the production in Presov and the remanufacturing production in Stoevring, Denmark. The agreement includes all employees in Stoevring associated with the caliper production. Employees associated with the distribution activities in Stoevring remain in SBS. It is expected that 117 employees will be transferred to FTE in consequence of the agreement.

With the transaction, the SBS Group obtains a pre-tax profit of approx. DKK 95 million, DKK 25 million hereof relates to profit by repayment of the subordinate loan compared to book debt. Profit after tax (EAT) will have a positive impact of approx. DKK 72 million. After the transaction, Group equity is expected to be positive and to amount to approx. DKK 0-10 million at 30 September 2014 subject to approvals by the relevant competition authorities.

For a long time, operation and cash basis of the SBS Group have been ensured by an agreement with SBS's banks consisting of a subordinate loan up to 31 July 2015. The subordinate loan with a book value of DKK 191 million at 31 December 2013 will be repaid upon completion of the transaction.

Hans Fuglgard, CEO: "The divestment can be seen as a natural consequence of the core skills that FTE and SBS until now have contributed with in the cooperation. FTE has industrial core skills and thus the opportunity to develop the production further. SBS has a thorough knowledge of the automotive aftermarket for calipers and other wear parts combined with an effective, international distribution network."

Tage Reinert, Chairman: "With the repayment of the subordinated loan, SBS takes the decisive step to normalize the company's financing. This will reinforce the foundation of the strategy, which is already being implemented successfully. The improved capital base allows for increased development of the core business areas of the SBS Group that all contain significant, strategic potential for growth and increased earnings."



SBS Automotive will continue to include the European distribution business with a wide range of wear parts for the automotive after-market with companies in Denmark, Germany, France and Russia and the brake disc business in Holstebro, Denmark. Brake calipers will remain part of the range which will be further extended. SBS's position will be strengthened in accordance with the plan that was determined in 2013 covering the period up to 2017. A number of initiatives such as strengthened branding and increased sales efforts have been launched.

Based on a leading European position within friction technology for i.e. motorcycles, SBS Friction has an unutilized global growth potential on both the OE and the aftermarket. With the latest manufacturing technology based on conductive sintering, further growth especially in the OE market is expected.

For 2014, the Group expects revenue of approx. DKK 940 – DKK 1,040 million against previously announced DKK 1,000 - DKK 1,100 million and EBITDA of DKK 140 – DKK 150 million, including profit from the transaction, against previously announced DKK 75 – DKK 85 million for continuing operations.

Based on continuing operations, i.e. exclusive the divested caliper business, the SBS Group expects for 2014 revenue of approx. DKK 830 – DKK 880 million and EBITDA of approx. DKK 53 – DKK 60 million.

Scandinavian Brake Systems A/S

Scandinavian Brake Systems A/S is a Danish listed company within development, production and distribution of brake parts and related wear parts for cars, motorcycles, wind turbines and other specialized areas with revenue of DKK 1,030 million in 2013. The company is headquartered in Svendborg, Denmark, with approx. 475 employees in Denmark, Germany, France and Russia. After the transaction SBS will have approx. 360 employees.

FTE Automotive GmbH

FTE Automotive GmbH is a leading, German manufacturer of hydraulic brake parts and clutches headquartered in Ebern north of Nuremberg, Germany, and with divisions in i.a. the US, Mexico, Brazil, China and India. The company has approx. 3,600 employees and revenue totaled approx. DKK 3,400 million in 2013.

Tage Reinert
Chairman

Hans Fuglgaard
CEO

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