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 2019.

Extract of

ANNUAL REPORT 2019

MAKING ROADS SAFE SINCE 1964

Scandinavian Brake Systems A/S,
Kuopiovej 11, 5700 Svendborg, Denmark
CVR no. DK 32 77 42 10; LEI code 529900DY2V39LC8FJ309

sbs GROUP

sbs GROUP

SBS AUTOMOTIVE

SBS FRICTION

CONTENTS

HIGHLIGHTS FOR 2019/20

SBS GROUP'S PERFORMANCE IN 2019

The SBS Group has established a robust platform for SBS Automotive, and this platform ensured sound performance for the division in very difficult markets in 2019. SBS Friction realised sound growth in its global niche in 2019 and is well-positioned to continue its growth in both the open aftermarket and the OEM market.

Revenue

The Group's revenue decreased by 3% compared to 2018, amounting to DKK 664 million, and revenue was thus in the high end of the most recently announced expected range of DKK 650-670 million (see company announcement no. 07-2019).

SBS Friction's revenue increased by 6% due to progress in both the aftermarket and the OEM market. SBS Automotive's revenue decreased by 5% due to pricing pressure and changes to the product mix, while volumes remained largely unchanged.

Operating profit

Operating profit before depreciation, amortisation, impairment losses and special items (EBITDA recurring) amounting to DKK 63 million remained unchanged relative to 2018. IFRS 16 had a positive effect of DKK 7 million on EBITDA in 2019.

Thus, the operating profit slightly exceeded the most recently announced expected range of DKK 55-60.

SBS Friction's earnings exceeded expectations, and the division realised its best operating profit to date, totalling DKK 29 million. SBS Automotive's earnings met expectations, totalling DKK 41 million, in markets that were characterised by continued transformation, consolidation and pricing pressure.

Kapitalforhold

In June 2019, the credit agreement with the Group's banks was extended by an additional 2 years and now covers the expected financing requirements up until April 2022.

Equity was negative by DKK 145 million at year end against negative equity of DKK 150 at the end of 2018.

Net interest-bearing debt increased to DKK 512 million. The increase is partly due to the introduction of IFRS 16 (new financial reporting standard regarding leases) and partly due to a temporary increase in funds tied up in inventories of easily marketable finished goods. The inventories are expected to be sold in 2020.

SBS AUTOMOTIVE

Sound operating profit considering the challenging market conditions.

- Successful tuning of marketing strategy in main markets
- Partnerships with the largest distributors, wholesalers and e-commerce platforms
- Customer segmentation with diversified solutions and quality
- Further optimisation of supply chain and sourcing platform
- Expansion of product range, including no-deposit concept on brake callipers
- Geographical expansion in Europe and the Middle East

SBS FRICTION

Record performance driven by growth in both the aftermarket and the OEM market.

- Improvement in all sales regions
- Strengthened position as absolute market leader in Europe
- Quality approvals from leading international OEM partners
- Sound progress in entering the OEM market with a considerable pipeline of projects
- Introduction of the world's most environmentally friendly brake lining in 2020
- Continued automation of production

OUTLOOK FOR 2020

The SBS Group has had a good start to 2020. Performance for the first two months was in line with expectations, and at present, the development appears to have continued in March with stable production, delivery and operations as well as a satisfactory order book.

Due to the global coronavirus outbreak, revenue and earnings for the period March to December 2020 are, however, subject to considerable uncertainty. The restrictions imposed on the markets mean that SBS cannot at present quantify the effect of the coronavirus outbreak on our performance. However, as soon as our suppliers' and customers' response to the outbreak can be quantified, the SBS Group will present its expectations of 2020.

FINANCIAL HIGHLIGHTS

664 MILLION DKK

REVENUE

The SBS Group's revenue decreased from DKK 682 million to DKK 664 million.

63 MILLION DKK

EBITDA (RECURRING)

The SBS Group's EBITDA (recurring) remained unchanged at DKK 63 million.
(DKK 7 million increase due to the introduction of IFRS 16)

9,5 %

EBITDA RECURRING MARGIN

The EBITDA recurring margin increased from 9.2% to 9.5%.
(1,1% increase due to the introduction of IFRS 16)

FINANCIAL HIGHLIGHTS

DKKm Key figures	2019	2018 [1]	2017 [1]	2016 [1]	2015 [1]
Revenue	664.1	682.4	735.0	769.7	766.2
Index (2015 = 100)	86.7	89.1	95.9	100.5	100.0
Operating profit before depreciation, amortisation, impairment losses and special items (EBITDA recurring)	62.8	62.5	61.2	49.5	54.8
Other special items (reorganisation, etc.)	-4.4	-5.3	-3.7	-10.9	-11.1
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	58.4	57.2	57.5	38.6	43.7
Depreciation, amortisation and impairment losses	-23.6	-15.8	-16.2	-19.2	-14.7
Operating profit/loss (EBIT)	34.8	41.4	41.3	19.4	29.0
Finance income and finance costs (net)	-26.6	-23.4	-21.5	-26.2	-17.6
Profit/loss from continuing operations before tax	8.2	18.0	19.8	-6.8	11.4
Profit/loss from continuing operations after tax	4.7	13.5	19.2	-3.7	5.3
Profit/loss from discontinuing operations after tax	-	-	0.5	10.0	-177.2
Profit/loss for the year (after tax)	4.7	13.5	19.7	6.3	-171.9
Non-current assets	206.0	170.8	170.5	160.2	164.2
Current assets	324.2	294.7	274.1	281.0	299.0
Total assets	530.2	465.5	444.6	441.2	463.2
Share capital	32.1	32.1	32.1	32.1	32.1
Equity	-145.2	-150.2	-165.9	-183.8	-196.8
Non-current liabilities	456.2	387.8	422.9	451.1	460.5
Current liabilities	219.2	227.9	187.6	173.9	199.5
Net working capital (NWC)	208.2	141.1	175.2	188.7	186.0
Net interest-bearing debt	511.8	403.4	429.3	468.9	484.4
Average number of employees	246	253	260	283	316
Revenue per employee	2.7	2.7	2.8	2.7	2.4
Cash flows from operating activities	-45.7	44.3	55.4	7.9	29.1
Net cash flows from investing activities	-24.1	-18.4	-15.8	-15.1	-14.4
Amount related to investments in property, plant and equipment	10.2	12.0	15.8	9.9	11.5
Cash flows from financing activities	69.8	-25.9	-39.6	21.3	9.4
Cash flows from discontinuing operations	-	-	-	-14.2	-24.0
Total cash flows for the year	-	-	-	-0.1	0.1

Financial ratios	2019	2018	2017	2016	2015
Operating profit before depreciation, amortisation, impairment losses and special items (EBITDA recurring) margin	9.5	9.2	8.3	6.4	7.2
EBITDA-margin	8.8	8.4	7.8	5.0	5.7
EBIT-margin	5.2	6.1	5.6	2.5	3.8
Return on invested capital, % (ROIC excl. GW)	11.1	21.2	20.3	8.6	11.7
Return on equity, % (ROE)	I/A	I/A	I/A	I/A	I/A
Solvency ratio, %	-27.4	-32.3	-37.3	-41.6	-42.5
Earnings per share, DKK (EPS Basic)	1.5	4.2	6.1	2.0	-53.6
Book value per share, DKK (BVPS)	-45.3	-46.8	-51.7	-57.3	-61.3
Price/book value	-0.4	-0.4	-0.5	-0.5	-0.5
Share price at year end	17.9	18.5	26.5	26.7	28.8

Earnings per share and diluted earnings per share have been calculated in accordance with IAS 33. 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 55.

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 55.

[1] Comparative figures have not been restated to reflect the effect of the implementation of IFRS 16.

SBS GROUP STRATEGIC DEVELOPMENT

In 2019, the SBS Group continued implementing its strategy, which has two main objectives: To develop both of the Group's companies based on their individual circumstances and market conditions. And to strengthen the Group's capital base by focusing efforts on earnings and working capital.

In 2019, SBS Friction saw the largest progress and realised record-high earnings and strengthened its position in both the global aftermarket and the OEM market.
SBS Automotive's earnings were pressured by substantial changes in the European aftermarket and decreasing demand; however, SBS Automotive's earnings were in line with expectations based on the difficult market conditions.

The strategic priorities of the two companies reflect their special position and the dynamics in their markets:

FOCUS IN SBS AUTOMOTIVE
SBS Automotive is primarily a distribution company with a comprehensive sourcing platform where products are sourced from manufacturers in i.a. China, transported to Europe, packaged, stocked and sold to a wide spectrum of distributors and purchasing groups. SBS Automotive creates value for its customers through high reliability of delivery and a broad product mix covering several price points and trademarks, including SBS' own brand NK and private labels.

Particular focus is given to the open aftermarket in Europe where consolidation among distributors and wholesalers is increasing, while minor wholesalers find it increasingly difficult to survive. The end users' behaviour has also changed; for instance, on-line spare part trade is growing. SBS Automotive's response to the development is primarily to focus on the largest and most robust distributors, wholesalers and e-commerce platforms in each market and align product range and services to the more complex needs of these customers.

Strategic focus areas:
- More partnerships with leading players in each market
- Market expansion, also in Europe's neighbouring regions
- Expansion of the product portfolio
- Optimisation of supply chain and sourcing to reduce complexity, costs and capital tied up in working capital

FOCUS IN SBS FRICTION
SBS Friction is a production company with its own technology platform. The company is one of the few large global suppliers in a niche market. In Europe, SBS Friction is the absolute market leader in the open aftermarket with its strong premium brand, SBS; and its position in Asia, North and South America is expanding. In the OEM market, SBS Friction has been approved by a number of potential customers, and it has a considerable pipeline of potential projects.

In the aftermarket, strategic focus areas include:
- Development of new brake products and related products
- Geographical expansion, particularly in Asia
- Continued strengthening of the SBS trademark
- High delivery performance and quality

In the OEM market, strategic focus areas include:
- Development of the friction technology
- Innovation in the form of new linings
- Quality control and reliability of delivery

OPTIMISATION
Optimisation is a key factor in both companies' strategies:

Supply chain: Optimisation of the supply chain plays an important role in SBS Automotive in particular in relation to optimising the comprehensive sourcing platform, improvements of internal inventory and logistics flow and improved delivery concepts i.a. based on digital trade.

Automation and lean: SBS Friction focuses on increased automation of production by introducing new technology, new processes and intensive use of lean. The efforts should lead to continued improvements to strengthen SBS Friction's competitiveness and meet the high-quality requirements of the customers.

Digitisation and IT: A new business system was implemented in SBS Friction and the Group's shared functions in 2019. The system supports operations, and a number of processes are being optimised to make the most of the system. Experience must be gained from the system before it is rolled out to the rest of the Group (the Automotive division). Both companies also use digital tools to handle product data, trade with customers and suppliers, etc.

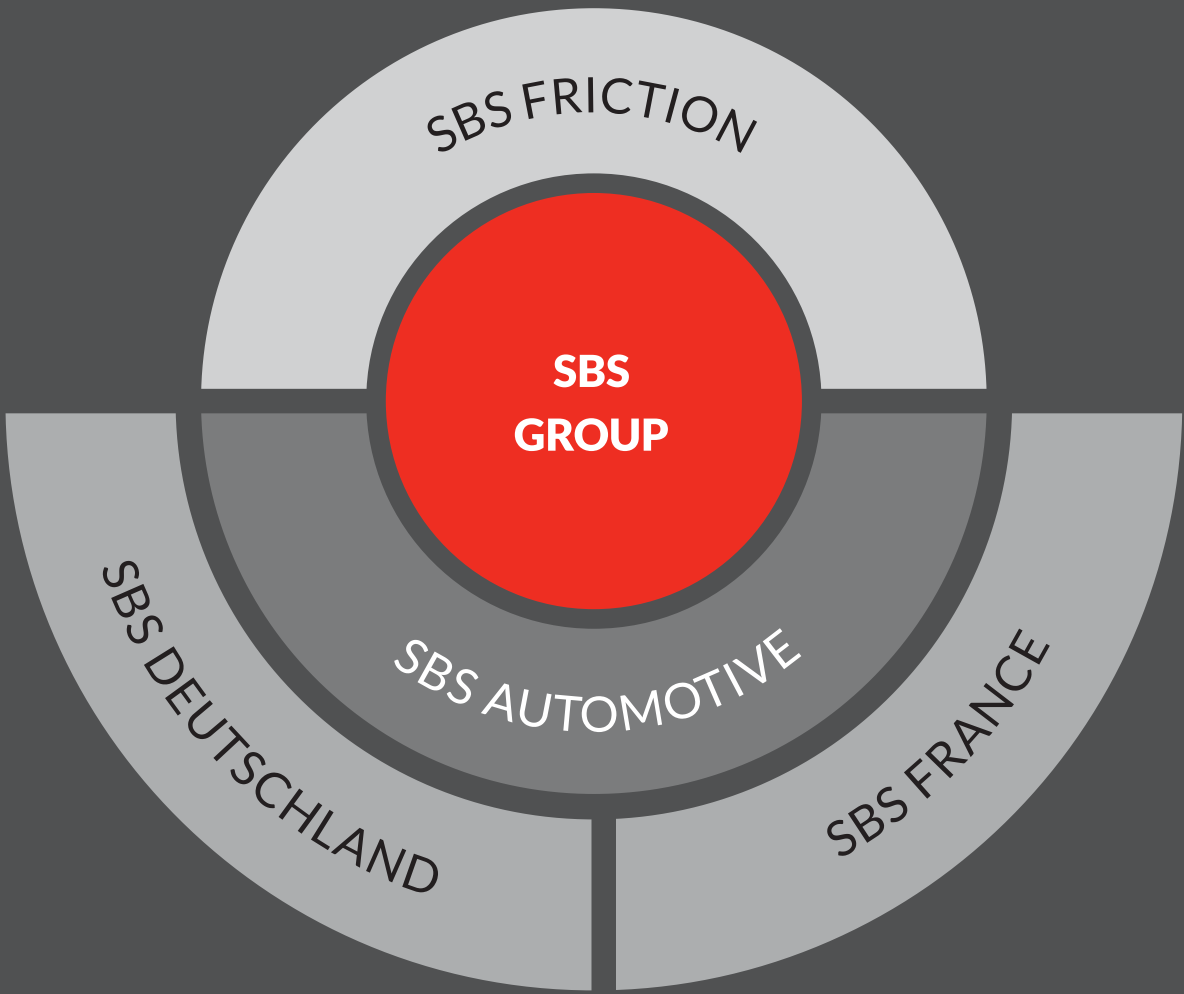
REDUCTION OF DEBT
It is still a strategic focus area to ensure a long-term, sustainable and stable financial basis for the SBS Group.

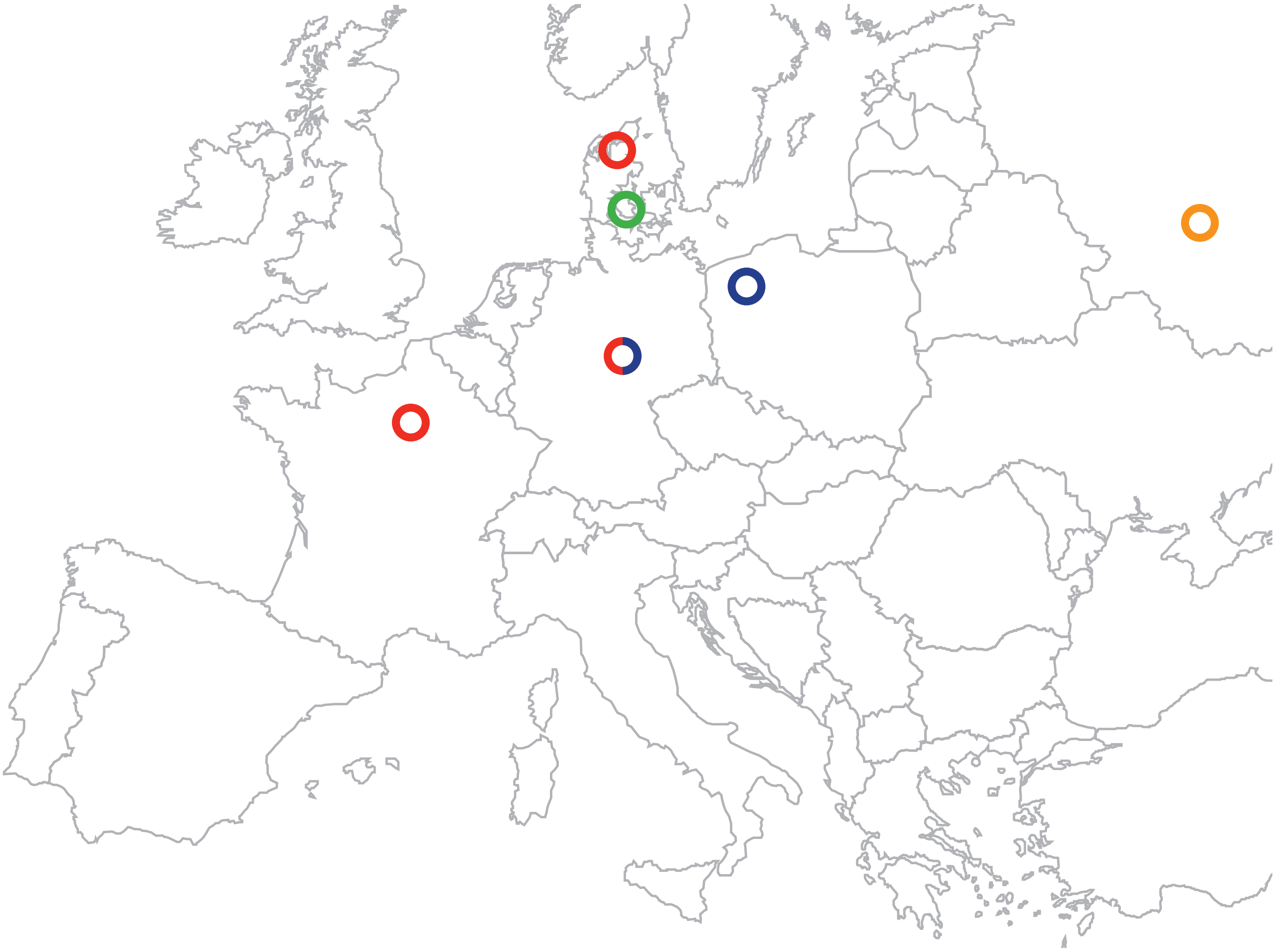
In 2017, the SBS Group entered into a credit agreement with the Group's banks. In June 2019, the agreement was extended by an additional two years so that it now covers the expected financing requirements for the Group's activities and plans up until April 2022.

Equity was still negative following the large write-downs on the Notox assets sold in 2009 and 2015. At year end, equity amounted to a negative DKK 145 million compared to a negative DKK 150 million in 2018. Operations and earnings according to the strategy plan are still expected to gradually contribute to strengthening the capital base.

At year end, net interest-bearing debt amounted to DKK 512 million against DKK 403 million in 2018. The increase is partially due to the implementation of the financial reporting standard IFRS 16, which increased the interest-bearing debt by DKK 38 million, and a large, short-term amount tied up in inventories of easily marketable finished goods. These inventories will be reduced on an ongoing basis in 2020 to reduce the debt. Despite the increase in 2019, the SBS Group has reduced the net interest-bearing debt, including subordinate loan capital, by 25% or DKK 172 million since 2012.

SBS GROUP STRUCTURE





SBS FRICTION

Production site:
Brake pads
Svendborg, DK

SBS AUTOMOTIVE

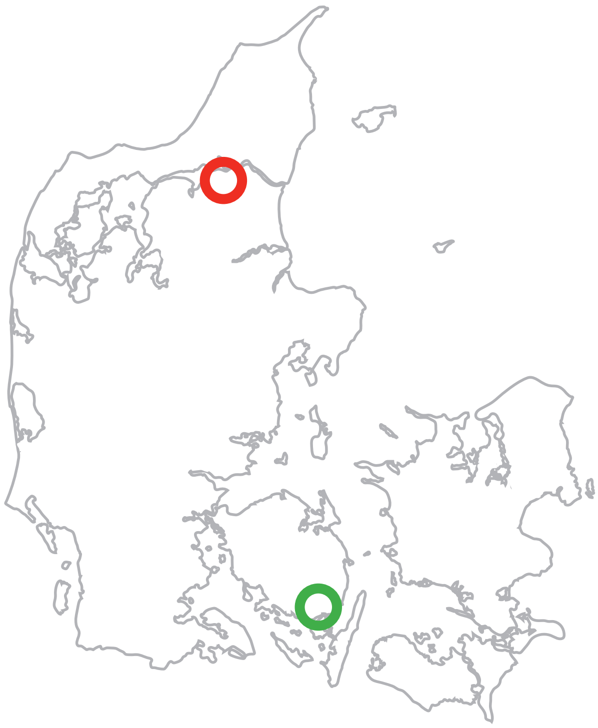
Packaging
operations:
Brake shoes
Eisenach, DE
Brake discs &
-drums
Stettin, PL*

SBS AUTOMOTIVE

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

SBS AUTOMOTIVE

Sales office:
Moscow, RU



* Logistics operations in cooperation with partner.

FINANCIAL REVIEW AND OUTLOOK FOR 2020

NEW FINANCIAL REPORTING REGULATION IN 2019

IFRS 16 Leases was implemented effective from 1 January 2019. The standard introduces one simple accounting model for lessees to be used when recognising leases. In the statement of financial position, it should be recognised as a lease commitment and a right-of-use asset. In the income statement, the lease cost is replaced by amortisation of the leased asset and an interest expense for the financial liability.

The effect of IFRS 16 on EBITDA for 2019 is a positive adjustment of DKK 7 million from lease costs.

Amortisation increased by DKK 6 million, and interest regarding leases of DKK 2 million was recognised in 2019. The effect on profit/loss before tax was thus negative by DKK 1 million.

At 31 December 2019, leased assets of DKK 29 were recognised in the statement of financial position (provisions of DKK 10 million at 31 December 2018 have been set off in leased assets). In addition, lease commitments of DKK 38 million were recognised.

DEVELOPMENT AND RESULTS OF OPERATION

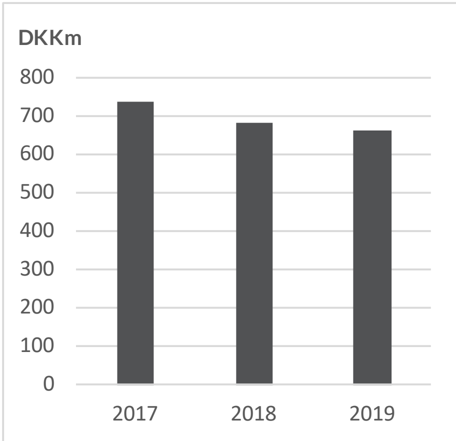
The SBS Group's revenue amounted to DKK 664 million against DKK 682 million in 2018

Revenue performance by division

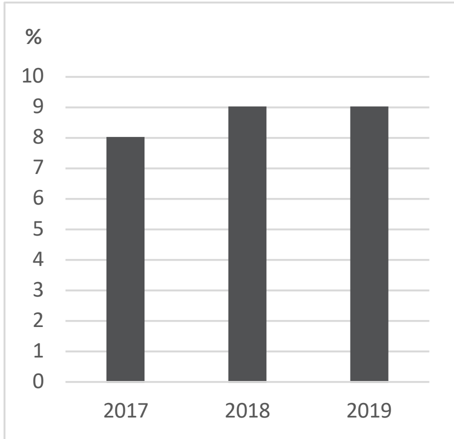
DKKm	**2019**	**2018**
SBS Automotive	531	557
SBS Friction	133	125
SBS Group	**664**	**682**

In SBS Automotive, the development in revenue reflects the weak market conditions resulting in declining demand in several important markets in Europe.

GROUP REVENUE



GROUP EBITDA RECURRING



SBS Friction saw growth in all sales regions in 2019. In Europe, the driving season for motorcycles started early due to the warm spring, which resulted in high activity for distributors and workshops as opposed to 2018 when the cold spring shortened the season. In 2019, SBS Friction realised strong growth in all key markets in Europe, particularly due to sales under the SBS trademark.

EBITDA performance by division

DKKm	**2019**	**2018**
SBS Automotive	41	46
SBS Friction	29	21
Group functions	-7	-4
EBITDA recurring	**63**	**63**
Other special items	-5	-6
EBITDA SBS Group	**58**	**57**

In SBS Automotive, the declining demand in several markets resulted in severe pricing competition and increased pressure on margins, partly because premium brands lowered their prices in an attempt to maintain market shares.

In addition, margins were also affected by sales restructuring in i.a. SBS Germany with increasing sales to large customers acquiring much larger volumes but at lower standard prices. EBITDA recurring amounted to DKK 41 million against DKK 46 million in the previous year, including a positive effect of DKK 6 million from the new financial reporting standard IFRS 16 in 2019.

In 2019, SBS Friction realised the best results (EBITDA recurring) in the company's history, and the progress was due to larger volumes, better margins and unchanged capacity costs. Optimisation of production continued with further automation and improvements of processes in the entire value chain. EBITDA recurring amounted to DKK 29 million against DKK 21 million in the previous year, including a positive effect of DKK 2 million from IFRS 16.

For further information on the development in the divisions, see pages 13-19 in the Management's review. The SBS Group's EBITDA recurring amounted to DKK 63 million against DKK 63 million in the previous year, including a positive effect of DKK 7 million from IFRS 16.

Special items amounted to DKK 4 million in 2019 against DKK 5 million in 2018 and primarily relate to costs for the strategic review of the SBS Automotive division, which was completed in the first half of 2019.

Depreciation, amortisation and

impairment losses amounted to a negative DKK 24 million in 2019 against a negative DKK 16 million in 2018, including a negative effect of DKK 6 million from IFRS 16.

EBIT then totalled DKK 35 million against DKK 41 million in 2018.

Finance income and finance costs, net, amounted to a negative DKK 27 million against a negative DKK 23 million in 2018, including a negative effect of DKK 2 million from IFRS 16 In 2019.

Profit/loss before tax then amounted to DKK 8 million against DKK 18 million in 2018, and profit/loss for the year amounted to DKK 5 million against DKK 14 million in 2018.

CHANGES IN STATEMENT OF FINANCIAL POSITION

DKKm	**2019**	**2018**
Non-current assets	206	171
Current assets	324	295
Non-current liabilities	456	388
Current liabilities	219	228
Equity	-145	-150

Total assets amounted to DKK 530 million at 31 December 2019 compared to DKK 466 million on the same date the year before.

Non-current assets amounted to DKK 206 million at year end 2019 against DKK 171 million at year end 2018, including an effect of DKK 29 million from IFRS 16.

Current assets amounted to DKK 324 million at year end 2019 compared to DKK 295 million at year end 2018. This includes a temporary amount tied up in inventories of easily marketable finished goods that are expected to be sold in 2020.

Non-current liabilities amounted to DKK 456 million at year end 2019 compared to DKK 388 million at year end 2018. This includes an effect of DKK 33 million from IFRS 16.

The SBS Group's net interest-bearing debt amounted to DKK 512 million at 31 December 2019 against DKK 403 million at 31 December 2018, primarily affected by IFRS 16 and a temporary amount tied up in inventories of finished goods.

Current liabilities remained largely unchanged amounting to DKK 219 million at 31 December 2019 against DKK 228 million at 31 December 2018.

Investments amounted to DKK 24 million in 2019 against DKK 18 million the year before.

Equity totalled a negative DKK 145 million at 31 December 2019 compared to a negative DKK 150 million at 31 December 2018.

CHANGES IN CASH FLOWS

DKKm	**2019**	**2018**
Cash flows from operating activities	-46	44
Cash flows from investing activities	-24	-18
Cash flows from financing activities	70	-26
Cash flows for the year	**-**	**-**

PARENT COMPANY

The Parent Company acts as shared service centre for the SBS Group and the subsidiaries. The Parent Company realised EBITDA recurring of a negative DKK 5 million in 2019 compared to a negative DKK 4 million in 2018.

Depreciation, amortisation and impairment losses totalled a negative DKK 4 million against a negative DKK 3 million in 2018.

EBIT then totalled a negative DKK 9 million against a negative DKK 7 million in 2018.

In 2019, the Parent Company carried out an intra-group restructuring where the Parent Company transferred 89% of the shares in the German subsidiary SBS Deutschland GmbH to the Danish subsidiary SBS Automotive A/S, and subsequently, SBS Deutschland GmbH became a subsidiary of SBS Automotive A/S (see company announcement no. 06-2019).

The transaction resulted in an income of DKK 91.7 million for the Parent Company.

Finance income and finance costs totalled a negative DKK 11 million against a negative DKK 13 million in 2018.

Profit/loss before tax amounted to DKK 90 million against a negative DKK 4 million in 2018.

Profit/loss for the year totalled DKK 96 million against DKK 3 million in 2018.

The Parent Company's equity totalled DKK 68 million at 31 December 2019 against a negative DKK 28 million at 31 December 2018.

OUTLOOK FOR 2020 AND EVENTS AFTER THE REPORTING PERIOD

The SBS Group has had a good start to 2020. Performance for the first two months was in line with expectations, and at present, the development appears to have continued in March with stable production, delivery and operations as well as a satisfactory order book. Due to the global coronavirus outbreak, revenue and earnings for the period March to December 2020 are, however, subject to considerable uncertainty. The restrictions imposed on the markets mean that SBS cannot at present quantify the effect of the coronavirus outbreak on our performance. However, as soon as our suppliers' and customers' response to the outbreak can be quantified, the SBS Group will present its expectations of 2020.

No other events have occurred that materially affect the assessment of the annual report and the SBS Group's financial position.

SBS AUTOMOTIVE

SBS AUTOMOTIVE

Strong operating profit/loss (EBITDA recurring) of DKK 41 million in very difficult markets in Europe

PROFILE

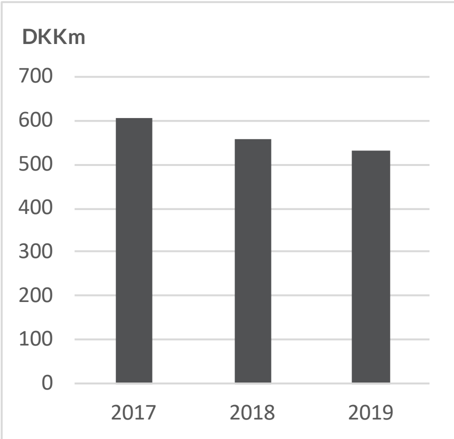
SBS Automotive is the SBS Group's largest business line. SBS Automotive sources, completes, stocks, markets and distributes spare parts for cars and vans up to 3,500 kg.

The product range includes wear parts, particularly within the categories brakes, steering controls, suspension, transmission, clutches and engine mounts.

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 important markets. Moreover, SBS Automotive's sales in the neighbouring regions Turkey and the Middle East are increasing.

Most of the markets are supplied and serviced from the distribution center in Eisenach (Germany), which also handles packaging of brake shoes. The satellite centres in Støvring (Denmark) and Chaumont (France) primarily focus on local markets. Moreover, SBS Automotive has a sales office in Moscow (Russia). Furthermore, SBS Automotive has logistics and packaging facilities for brake discs and drums in Stettin (Poland) in cooperation with an external partner.

REVENUE



The majority of volumes are sold under SBS' own brand, NK, and sales under own brand make up an increasing part of revenue. In Europe, the NK brand is 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.

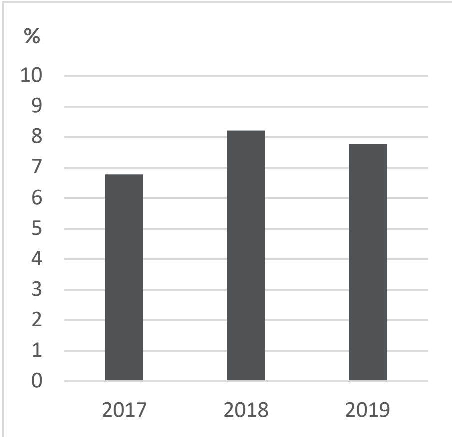
The remaining part of sales is primarily made as private labels within brake discs, brake drums and brake shoes.

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

MARKET CONDITIONS

The open automotive aftermarket in Europe is currently going through

EBITDA RECURRING



substantial changes with increasing consolidation where global operators, including private equity funds, source in the distributive trade and thus put pressure on small wholesalers. The consolidation continued in 2019, in particular in the large German market where demand also decreased.

The large chains also source more goods directly from e.g. China, and car manufacturers increasingly enter the open aftermarket with offers of service, spare parts, etc.

The end users' behaviour has also changed; for instance, on-line spare part trading is still growing.

SBS Automotive's response to the development is to increasingly focus on the largest distributors, wholesalers and e-commerce platforms in the individual markets because these customers are more robust and forward-looking in their behaviour, and their sales channels are also

SBS AUTOMOTIVE

SUCCESSFUL TUNING OF MARKETING STRATEGY IN MAIN MARKETS

EXPANSION OF PRODUCT RANGE

PARTNERSHIPS WITH THE LARGEST DISTRIBUTORS, WHOLESALERS AND E-COMMERCE PLAT-FORMS

FURTHER OPTIMISATION OF SUPPLY CHAIN AND SOURCING PLATFORM

stronger. To meet the complex needs of these customers, SBS is continuously expanding its product range and maintains its long-term focus on marked development, earnings and continued optimisation of operations.

KEY FIGURES

DKKm	**2019**	**2018**
Revenue	531	557
EBITDA recurring	41	46

PERFORMANCE IN 2019

SBS Automotive's performance in 2019 was as expected affected by the weak market conditions resulting in declining demand in several very important European markets.

The market decline took effect towards the end of the first HY1 where SBS Automotive's revenue decreased by 4%. Conditions weakened in HY2 during which SBS Automotive's sales decreased by 6% resulting in a total decrease in revenue of 5%. SBS Automotive is, however, considered to have performed better than the markets in Europe.

The declining demand in several markets resulted in severe pricing competition and increased pressure on margins, partly because premium brands lowered their prices in an attempt to maintain market shares. In addition, SBS Automotive's margins were also affected by sales restructuring in i.a. Germany with increasing sales to large customers acquiring much larger volumes but at lower standard prices.

SBS Automotive succeeded to some extent in mitigating the effect of declining sales by streamlining operations, trimming costs, expanding assortment and introducing new market initiatives. Operating earnings (EBITDA recurring) therefore came in at DKK 41 million as expected against DKK 46 million in 2018. This includes a positive effect of DKK 6 million from the new accounting standard IFRS 16. In Germany - SBS Automotive's largest single market and the largest free aftermarket - the market was changing with consolidation among distributors and wholesalers, declining demand and decreasing prices.

As far back as 2015, SBS Automotive redirected focus from small to large distributors to adjust its German marketing strategy to the changes in the market and customer behaviour. New resources have been added to the German sales organisation to support the new market approach.

Adjustments are made to the marketing strategy on an ongoing basis and so far, SBS Automotive has entered into several partnerships with large German distributors, who have included the NK programme as part of their portfolios. Development in 2019 proved that these measures are achieving their objective. Although SBS Automotive's sales in Germany decreased, the company performed better than the market, and the E-commerce sale has increased after the conclusion of an agreement with an important operator.

SBS Automotive's sale on the Danish market decreased as the level of activities was extraordinarily low. Sales on the other Nordic markets - Finland and Sweden - remained more or less unchanged.

SBS Automotive's sale increased in France despite a decline in the market. The free French aftermarket is today dominated by a few large distributors as against several hundred small distributors previously. During the market consolidation period, SBS Automotive has succeeded in redirecting focus to the large distributors.

Sales also increased in Great Britain.

In 2017, SBS Automotive entered

into a new cooperation agreement with a well-established, country-wide distributor, and sales increased in 2019 based on that cooperation as the distributor phased out private label products in favour of the NK programme and the product portfolio under the NK brand was expanded. Moreover, SBS Automotive established a partnership on the distribution of the EuroBrake brand to several small wholesalers, which also contributed to growth in Great Britain.

SBS also reported growth in markets such as Poland and Norway, which again was driven by large, nation-wide partners with primary focus on the NK programme. SBS Automotive is working on establishing the same position in Italy, in which the company concluded an agreement with a group of distributors in 2018 with approx. 40 regional members. In 2019, the agreement was introduced with the members of the group that focus on passenger cars. Sales in Italy are, however, negatively affected by weak domestic trading conditions.

Outside of Europe, sales in Russia remained almost the same, whereas sales in Turkey increased markedly, although from a modest level. SBS Automotive obtained its first order in the Middle East and efforts in that region will be strengthened in 2020.

INNOVATION

In 2019, SBS Automotive expanded its product range to allow the company to become a more attractive partner for the largest customers whose needs are more complex.

The range of shock absorbers and springs was expanded and now covers all requirements. Also within ABS sensors, which is a small category with growth potential, the range of products was strengthened.

Moreover, SBS Automotive continued its roll-out of the new category of engine mounts parts which was introduced in 2018 and was well received by the customers.

Last year, SBS Automotive launched a no-deposit concept for brake callipers - probably the broadest programme in Europe. The concept is rolled out to all markets and offered as private label.

STRATEGIC DEVELOPMENT

SBS Group's Management completed a strategic analysis in April 2019 of SBS Automotive's possibilities in light of the consolidation of the free aftermarket in Europe. Based on the analysis, Management concluded that SBS Automotive is well positioned to expand its position and ensure reasonable margins.

The analysis uncovered several possibilities to strengthen SBS Automotive's position on the markets, and the possibilities are now being pursued. Examples thereof are the changed market approach in Germany among others, projects launched to increase the turnover rate of inventories of finished goods and to better source products such a callipers and shock absorbers from 2020 onwards.

Generally, SBS Automotive maintains its long-term focus on market development, earnings, expansions of range and continued streamlining of operations. The company is continuously working on streamlining the value chain from sourcing to the supply of end products to reduce complexity, costs and tied up working capital. The total process flow and supplier agreements are optimised regularly.

In terms of markets, SBS Automotive continues to enter into partnerships with large, international customers on the important markets in Europe while also cultivating new markets in Europe. Focus is on Turkey and the Middle East in particular.

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 declining. The number of orders requiring delivery within 2-5 days and which meet the requirements of the large customers for stocking of NK products is, however, increasing. Adjustments have been made to the order handling accordingly.

SBS
FRICTION

SBS FRICTION

Record EBITDA recurring of DKK 29 million driven by growth on the aftermarket and the OEM market

PROFILE

SBS Friction develops, manufactures and distributes brake parts and friction technology for motorcycles, scooters and ATV/UTVs as well as for a number of specialised areas that apply friction technology.

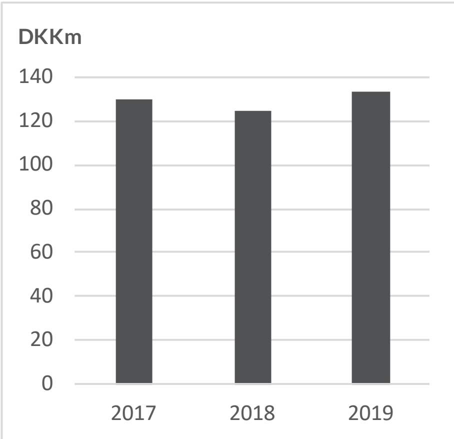
The product portfolio includes self-developed and self-produced brake lining as well as goods for resale in the form of brake discs, brake shoes, brake parts and coupling parts.

SBS Friction operates globally on the free spare parts market and within the OEM market. The company has customers on approx. 60 markets.

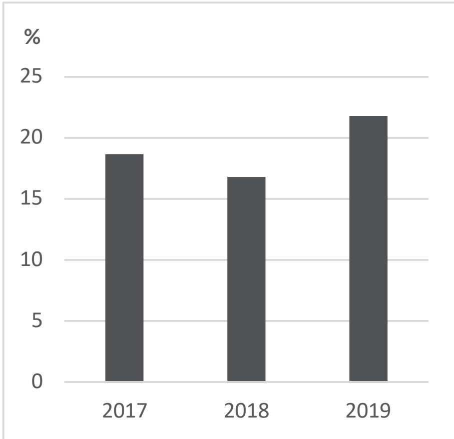
On the free aftermarket, SBS Friction is market leader within brake pads in Europe where the largest markets are Italy, Germany, France and Spain. In addition, the company has increasing sales in Asia, North and South America. Most of the volume in the aftermarket is sold under SBS Friction's own brand, SBS, and the rest as private label products.

On the OEM market, SBS Friction appeals to manufacturers of vehicles and brake systems for motorcycles, scooters, ATVs and other vehicles. The OEM market also includes manufacturers of wind turbines and other niches which use friction technology. SBS Friction's services on the OEM market mainly relate to developing solutions and products for factory assembly.

REVENUE



EBITDA RECURRING



SBS Friction controls the main part of the value chain and is in charge of its own development based on considerable know-how within friction technology, own production, sales, marketing and a product range which lives up to the highest performance requirements, safety and wearing properties. All functions, including packaging and distribution are located in Svendborg (Denmark).

MARKET CONDITIONS

SBS Friction's primary market - the free aftermarket for spare parts for motorcycles, etc. - is very different from the aftermarket for spare parts for vehicles and vans on which SBS Automotive operates.

It is a niche market where SBS Friction is one of the few large, global suppliers, which sells to a network of specialised distributors. Consolidation of distributors takes place in a way that does not disrupt the value chain. Moreover, SBS Friction is the absolute market leader in Europe with a product portfolio which cannot easily be substituted due to the technological nature and the approvals granted by customers and brands. Finally, the SBS brand is a premium brand and that position is supported by branding activities, e.g. sponsorships within motor sports.

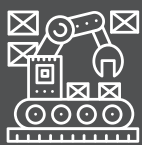
Its strong market position in the distribution chain was confirmed in 2019 by a customer satisfaction survey, which proved that customers were very satisfied with the brand and its positioning.

Direct internet sale of accessories for motorcycles to consumers is on the increase. Sale on the internet is, however, focused on equipment and expensive accessories, whereas consumers still tend to buy brake products, etc. in connection with regular services at workshops.

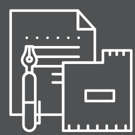
SBS FRICTION

IMPROVEMENT IN ALL SALES REGIONS

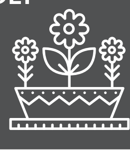
CONTINUED AUTOMATION OF PRODUCTION



OEM MARKET WITH A CONSIDERABLE PIPELINE OF PROJECTS



INTRODUCTION OF THE WORLD'S MOST ENVIRONMENTALLY FRIENDLY BRAKE LINING



KEY FIGURES

DKKm	**2019**	**2018**
Revenue	133	125
EBITDA recurring	29	21

PERFORMANCE IN 2019

In 2019, SBS Friction reported record-high results of operation. The Company is thereby back on its growth track after 2018 where earnings were affected by a slight decrease in sales and investments in new products.

Revenue increased by 3% in the first half year of 2019 and in the second half year the increase reached 11%. Thereby, revenue increased by 6% to DKK 133 million for the year.

Operating earnings (EBITDA recurring) also increased by 38% to DKK 29 million compared to DKK 21 million in 2018. The increase is attributable to larger volumes, increasing margins and unchanged capacity costs. Moreover, IFRS 16 had a positive effect of DKK 2 million. Optimisation of production continued with further automation and improvements of processes in the entire value chain. Growth was noted in all sales regions in 2019. In Europe, the driving season for motorcycles started early due to the warm spring, which resulted in high activity for distributors and workshops as opposed to 2018 when the cold spring shortened the season and caused stock building in the distribution chain, which weakened demand for SBS Friction's products in the second half of 2018. In 2019, SBS Friction realised strong growth in all key markets in Europe, particularly due to sales under the SBS brand.

Outside of Europe growth reached a two-digit figure in Asia, which reported growth in the modern markets such as Japan, Australia and South Korea as well as in the new south east Asian markets, where SBS Friction has established distribution. Also North America developed reasonably well and reported high growth in Canada and modest growth in the USA where SBS Friction closed down its sales office in Daytona and started serving the market directly from Denmark.

One of the growth drivers was the couplings programme launched by SBS Friction in November 2018. The introduction of couplings for motorcycles as a new aftermarket product was up on expectations and the customers embraced the programme.

Likewise, Dynamic Racing concept contributed to a sales increase and the concept, which combines two lining types, strengthened the company's position in the attractive racing segment.

Sales to OEM customers also generated growth, and the number of enquiries from potential customers was record high. SBS Friction obtained additional validations in 2019 and has now obtained quality approval and is prequalified by several of the most important OEM customers, and the solid growing pipeline opens up for a number of opportunities on the OEM market, where the time from project start-up to finished product is long due to complex development and decision-making processes with the customers.

INNOVATION

In 2019, SBS Friction strengthened its product platform for the OEM market notably through the development of five new brake linings, and the platform now includes six linings. New linings are also in the pipeline.

At the aftermarket, SBS Friction also strengthened its portfolio i.a. by introducing a specialised solution for the relatively large go-cart market and a new, environment-friendly portfolio of ceramic linings specifically for the competitive scooter segment.

STRATEGIC DEVELOPMENT

SBS Friction's goal is still continued growth at the aftermarket and the OEM market. The aftermarket focuses on range, supply capacity and branding, whereas the OEM market focuses on innovation, technology and quality assurance.

Although SBS Friction is already market leader on the European aftermarket and has a high market share within brake lining, there is still potential. Growth is to come from new products within the core brake lining segment, partly by expanding the range with related products which are sold under the strong SBS brand via a well-established distribution network. Expansion of the range of commodities will be a focal point in 2020.

The expansion outside of Europe continues with new distributor agreements on markets where SBS Friction is not yet represented and with increasing support for distributors on the new markets in Asia e.g. with activities under Asia Road racing. On these markets, SBS typically positions itself as supplier for large motorcycles where there is potential for high-end products.

In recent years, SBS Friction has made considerable investments in establishing a strong position on the OEM market in development, production and quality assurance. The company is now reaping the fruit in the form of an increasing number of projects and requests from the world's leading manufacturers of brake systems and vehicles. With a growing pipeline, SBS Friction is well positioned for expanding on the OEM market through the supply of brake lining for factory assembly and motorcycle manufacturers' aftermarket programmes.

In 2020, SBS Friction will close a multi annual development project in cooperating with Danish Technological Institute in Denmark and the German Fraunhofer-Institut für Fertigugstechnig und angewandte Materialforschung (IFAM). With an investment totalling DKK 15 million of which more than half stems from the national Innovation Fund Denmark and the rest from SBS, the purpose of the project is to develop and mature the world's most environment-friendly brake pad, GreenPad.

GreenPad will more or less eliminate the use of heavy metals such as nickel and copper, which are released in the dust from conventional brake pads. The launch of GreenPad is planned for 2021 and will give SBS Friction a head start within environment-friendly products for the free aftermarket and the OEM market.

CORPORATE GOVERNANCE AND OTHER ISSUES

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

SBS Group has prepared a statutory report on corporate governance, see section 107b of the Danish Financial Statements Act for the financial year 2019. An update thereof is published on the Company's webpage, http://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.

SBS Group Management continuously assesses and updates the strategy plan for the SBS Group and the individual business areas.

Organisational focus areas The SBS Group's entities operate internationally on areas that place great demands as to the organisation's efficiency and the employees' qualifications.

The entire SBS Group focuses on digitalisation, including the implementation of a new IT platform, and this year, a new ERP system has been implemented in the parent company and SBS Friction division. In connection with the implementation, it has become very clear that time and resources unfortunately are scarce in SBS Automotive at present, and therefore, it has been decided to postpone the implementation of D365 in SBS Automotive's Danish and foreign subsidiaries for a while. The fight about qualified future employees has intensified during the past years' of boom. Therefore, it is important that the SBS Group appears as 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 entities educate their own apprentices within e.g. inventory/logistics, purchasing and administration.

Knowledge resources and R&D activities
The SBS Group has specialised in business areas that each makes high specific demands as to knowledge and R&D resources. These areas are described under the divisions.

Environmental performance
The SBS Group does not engage in any business that causes environmental impact beyond what is expected from a production and logistics company.

Environmental considerations are parameters that are taken into account in line with braking ability, lasting quality and comfort when developing new brake lining. SBS Friction has thus launched particularly environment-friendly products within ceramic brake lining, and at present, the company participates in a product development project aimed at developing the market's most environment-friendly sintered brake lining 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 The Company's business activities include R&D, manufacturing, sourcing, distribution and sale of parts within brake technology and related areas. The business activities are placed in the divisions SBS Automotive A/S and SBS Friction A/S.

The SBS Group function as a logistics business and manufacturer and has a significant social impact on 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.

In the SBS Group's direct business, the 246 employees' occupational safety and general working conditions are top priority. 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 conditions and employee relations

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 employee relations relate to the Company's own employees and their general satisfaction and safety.
In particular the Company's

production and logistics 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 production safety. In 2019, 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 2019.

The SBS Group is continuously working on improving job satisfaction among its employees and on a regular basis, the Group makes surveys of the mental working environment (including employee satisfaction) based on which it was concluded that the level of job satisfaction was generally 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 centers, unions and other organisations i.a. on flex jobs and integration. In 2019, the Company continued its social work, which gave more vulnerable persons a new chance on the labour market.

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's entities cooperate only with transportation and logistics operators that comply with current requirements and legislation relating to transport-related environmental and climate impact.

In terms of product development, the SBS Group continuously works through the SBS Friction division on new lining types where the reduction of resources and environmental impact are considered just as are the demands on braking ability and lasting quality. SBS Friction is still working on sintering lining production that does not contain metals which have a documented negative environmental impact. The development of the new sintering lining is expected to be completed 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 2019, 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 has laid down the Company's target figures and policies for diversity, including the underrepresented gender on the Company's Board of Directors and other management levels of the SBS Group. They also apply to the subsidiaries SBS Automotive A/S and SBS Friction A/S, in which the members of the Board of Directors are the same as in Scandinavian Brake Systems A/S, the only difference being that this entities are under no obligation to have employee representatives.

The Board of Directors of Scandinavian Brake Systems A/S include four members appointed by the annual general meeting and three members appointed by the employees. One of the members appointed by the annual general meeting is female as is one of the members appointed by the employees. Thereby, the female representation appointed by the annual general meeting is 25% and up to one third of all members of the Board of Directors, which reflects the Board of Directors' goal.

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 number of female members at Board of Directors and functional management levels to 40%. At 31 December 2019, the number was 44 %.

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.

CORPORATE GOVERNANCE AND OTHER ISSUES

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 (currency risks, interest rate risks and risks relating to raw materials), 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.

The SBS Group's risk diversification or risk management have remained unchanged compared with preceding financial years.

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 free 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 free aftermarket also in future is guaranteed free and unlimited access to data from internet-connected cars, if the intentions of EU legislation of free competition for the benefit of consumers is to be maintained. Such interests are safeguarded by the international and national industry associations that represent the operators on the free 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. Through its development work, SBS Friction is at the forefront of this development and has launched its first "green" brake lining and more are to come.

In terms of product safety, international as well as national type approvals such as ECE R90 are significant to the SBS Group's products. The car parts as well as the motorcycles parts live up to legislative requirements.

It has been assessed that there is no planned legislation posing a risk to SBS Group's business opportunities and business development.

MARKET AND COMPETITIVE CONDITIONS

The SBS Group's primary markets are the free European spare parts market to vehicles; i.a. cars and vans for SBS Automotive and motorcycles and scooters for SBS Friction, respectively.

SBS' product ranges comprise 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. A small part of the total consolidated revenue relates to the OEM market at which demand is defined by the production of new vehicles, etc. which is why cyclical fluctuations may generally be considerable.

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.

CURRENCY RISK

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

The SBS Group hedges currency

exposure 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. DKK and EUR are considered as one currency due to Denmark's fixed exchange-rate policy towards EUR. The SBS Group's currency risks relate primarily to USD. Therefore, the Company uses derivative financial instruments to hedge its risks related to those currencies based on expected exchange rate developments.

Hedging is mainly achieved through forward exchange contracts and options for receivables and – based on an individual assessment – through currency swaps and liabilities.

The main part of the SBS Group's production takes place in Denmark. Export opportunities may therefore deteriorate in case of a strengthening of the Danish Krone against relevant foreign currencies.

However, a considerable part of the export goes to Euro countries, which is why the risk is assessed to be limited as DKK is closely linked to EUR.

The SBS Group's most significant currency exposure is deemed to relate to sales and purchases outside the Euro area.

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 Groups' 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 are specified as follows:

DKKm	2019	2018
Cash	0.1	0.1
Undrawn credit facilities	6.8	48.6
Cash resources at 31 December	**6.9**	**48.7**

Undrawn credit facilities comprise drawing facilities with the SBS Group's banking institutions (bank line) and are negatively affected by the temporary funds tied up in inventories of marketable finished goods, which are expected to be sold in 2020.
With respect to liquidity risks and going concern requirements, reference is made to notes 1and 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. The Company's trade receivables normally fall due no later than three months after the invoicing date.

Historically, and owing to systematic monitoring and follow-up, the SBS Group has incurred relatively small losses due to non-payment from customers. 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 wishes to maintain an open dialogue with shareholders, potential investors, analysts, media and other stakeholders on relevant matters, activities and measures regarding the Company.

ID CODE AND SHARE CAPITAL
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.

Scandinavian Brake Systems' shares are traded at NASDAQ Copenhagen A/S under the ID code DK 0060042612. All shares rank equally. There are no restrictions on the transferability and no restrictions on voting rights.

DIVIDEND
Scandinavian Brake Systems' dividend payments have been suspended as a consequence of the 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.

TREASURY SHARE POLICY
According to the general meeting's authorisation, Scandinavian Brake Systems can at the maximum acquire treasury shares at a nominal amount of DKK 3,208,500, equivalent to 10% of the share capital, until the general meeting in 2020. The Company's holding of treasury shares made up a nominal amount of DKK 13,130, equivalent to 0.04% of the share capital at the end of 2019. Additional acquisition of treasury shares is not possible until the share capital has been re-established. The development in the Company's share price is disclosed below.

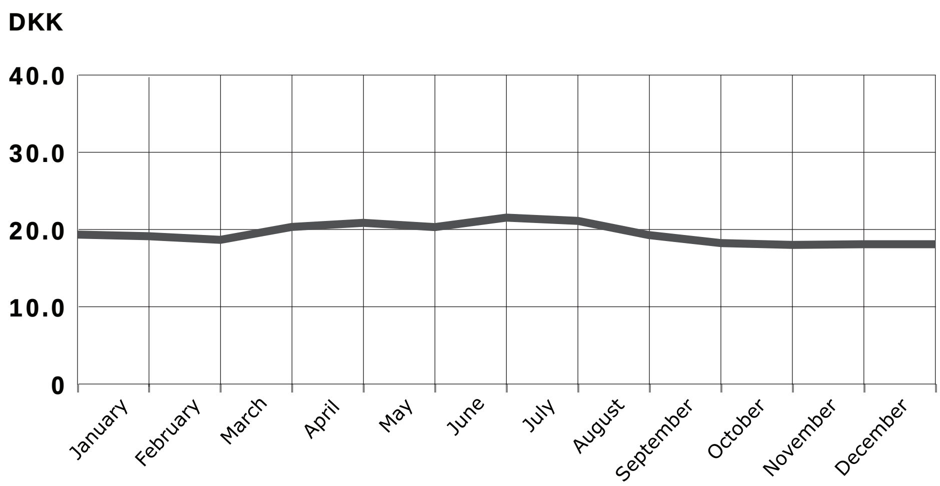
ARTICLES OF ASSOCIATION
The Company's articles of association may be amended by a simple majority at a general meeting if the proposed amendment is notified to the shareholders at the latest three weeks prior to holding an ordinary or extraordinary general meeting and if 66.7% of the issued shares are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

RULES FOR ELECTING AND REPLACING MEMBERS OF THE BOARD OF DIRECTORS
Scandinavian Brake Systems A/S has four board members elected by the general meeting and three board members elected by the employees. The board members elected by the general meeting are elected for one year at a time, while the members appointed by the employees are elected for a four-year period, latest in 2018. All board members elected by the general meeting, including chairman and vice chairman, are thus up for election each year.

MANAGEMENT COMPENSATION AGREEMENT IN CASE OF RESIGNATION/TAKEOVER BIDS
In connection with change of control, CEO Mads Bonde may, according to his executive service agreement, ask for his resignation and will in that case receive severance pay corresponding to twelve month's salary.

This "Change of control"-clause will, however, be suspended in case of any material reorganisations and any divestment of activities in the Group as time-limited agreements with the Executive Board on a prolonged term of notice of an additional 12 months compared with the normal term of notice should such a situation arise. No other agreements have been made with the Board of Directors and the Executive Board on financial compensation upon the change of control.

PHANTOM SHARE SCHEME
On 15 November 2017, a phantom share scheme was awarded to the Executive Board and other executive employees in the SBS Group. The scheme is a cash-settled bonus scheme based on the development in the Company's share price. Phantom shares are allocated to every participating employee for each month they have been employed and up to and including March 2020.



Exchange rate movements 2019

BOARD OF DIRECTORS

Peter Eriksen Jensen (1954)

Chairman
Elected in 2013 (chairman from 2016) Executive Management Director in B&P Rådgivning, B&P Holding Aps and International Management Advice ApS.
Professional board member

Shares: 550
(did not trade any SBS shares in 2019)

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

Managerial posts
Chairman of the Board of Directors in Broen LAB A/S, E-Vet A/S, Hornsyld Købmandsgaard A/S, MLD A/S, Summerbird A/S and 3L A/S. Vice chairman in East Metal A/S and Jørgen Kruuse A/S. Member of the board of directors at Ken A/S.

This member is considered independent.

John Staunsbjerg Dueholm (1951)

Vice Chairman
Elected in 2016, Master of Commerce
Professional board member

Shares: 0
(did not trade any SBS shares in 2019)

Primary qualifications
Strategy and business development Operations optimisation Management and organisation development
Finance and accounting

Managerial posts
Chairman of the Board of Directors in BWBP Fonden, Hydratech Industries A/S, InterMail A/S, Jetpak AB, SSG A/S, SSG Group A/S and SSG Partners A/S. Member of the board of directors in Globus Wine A/S.

This member is considered independent.

Lars Radoor Sørensen (1963)

Elected in 2013, Master of Commerce

Shares: 0
(did not trade any SBS shares in 2019)

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

Managerial posts
Member of the Board of Directors in Høyer Group A/S, Schleich and Skiold A/S.

This member is considered independent.

Pernille Wendel Mehl (1972)

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

Shares: 0
(did not trade any SBS shares in 2019)

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

Managerial posts
Chairman 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.

BOARD OF DIRECTORS

Jytte Petersen (1957)

Elected in 2012, Head of Payroll

Employee representative

Shares: 0
(did not trade any SBS shares in 2019)

Managerial posts
Chairman of the Board of Directors in Them47 ApS

Jan B. Pedersen (1959)

Elected in 2002, Test operator

Employee representative

Shares: 30
(did not trade any SBS shares in 2019)

Niels Christian Jørgensen (1957)

Elected in 2018, Inventory manager

Employee representative

Shares: 0
(did not trade any SBS shares in 2019)

EXECUTIVE BOARD

Mads Bonde (1967)

CEO
Employed since 2014, Product engineer, Bachelor of Commerce degree [organisation, Executive

Shares: 0
(did not trade any SBS shares in 2019)

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

Carsten Schmidt (1971)

CFO
Employed in 2002
Bachelor of Commerce degree management accounting, Executive MBA

Shares: 250
(did not trade any SBS shares in 2019)

Managerial posts
Member of the Board of Directors in Butik Karneval ApS and Gorm Larsen Nordic Holding A/S. Member of the Board of Directors in Roliba A/S

COMPANY DETAILS

AUDITORS
Ernst & Young P/S
Vestre Havnepromenade 1A
9000 Aalborg

LAYWERS
Kromann Reumert
Sundkrogsgade 5
DK-2100 Copenhagen

FINANCIAL INSTITUTIONS
Nordea Bank Danmark A/S
Danske Bank A/S

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

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

ULTIMATE PARENT COMPANY
Knudseje Holding ApS
Knudsejevej 4
9352 Dybvad

STOCK EXCHANGE ANNOUNCEMENT 2019
28.03. Announcement of the financial statements for 2018, including the annual report for 2018
02.04. Notification of annual general meeting
25.04. Strategic review of the SBS Automotive division completed
30.04. General meeting
29.08. Interim report – first half 2019
27.09. Intra-group restructuring
24.10. SBS Group adjusts its expectations for 2019 downwards
28.11. Financial calendar 2020

STOCK EXCHANGE ANNOUNCEMENT 2020
26.03. Change of financial calendar
31.03. Announcement of the financial statements for 2019, including the annual report for 2019

FINANCIAL CALENDAR 2020
16.03. Latest deadline for submitting proposals for the general meeting
27.08. Interim report – first half 2020
26.11. Financial calendar 2021

Given the current COVID-19 situation, the Board of Directors in Scandinavian Brake Systems A/S has decided to postpone the Company's annual general meeting, which was planned for 28 April 2020. The date for the annual general meeting has not yet been set, but will be announced at a later date.

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 2019.

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 financial position of the Group and the Parent Company at 31 December 2019 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 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations, and audit procedures that we have performed to assess the below issues provide the basis of our opinion on the financial statements.

Equity, cash resources and financing

The Group's equity was negative by DKK 145.2 million at 31 December 2019. 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 heading "Liquidity and financing", the credit agreement from 2017 was extended by another two years in June 2019 and now expires on 1 April 2022.

The credit agreement is subject to various financial as well as non-financial terms and conditions (covenants). Management estimates the cash requirements based on expectations of development in revenue, balance sheet and cash flow based on the 2020 budget and forecasts for the coming years compared with the credit facilities as well as conditions and covenants in the credit agreement with the Group's bankers. Reference is made to note 2 under the heading "Liquidity and financing" in the consolidated financial statements and the parent company financial statements.

In the course of our audit we verified assumptions and estimates used by Management regarding budget and forecast and whether Management's significant assumptions regarding revenue and costs as well as changes in working capital for the existing activities are in line with historic results of operations. Moreover, we assessed whether information on liquidity and financing lives up to the requirements in the accounting standards.

Svendborg, 31 March 2020

EXECUTIVE BOARD

Mads Bonde, CEO

Carsten Schmidt, CFO

BOARD OF DIRECTORS

Peter Eriksen Jensen,
Chairman

John Staunsbjerg Dueholm,
Vice Chairman

Lars Radoor Sørensen

Pernille Wendel Mehl

Jytte Petersen

Jan B. Pedersen

Niels Christian Jørgensen

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 2019, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group as well as the 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 financial position of the Group and the Parent Company at 31 December 2019 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 2019 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" section of our report.

(hereinafter collectively referred to as "the financial statements") 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 30 years up until the financial year 2019.

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 2019. 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.

Deferred tax assets
The Group has significant recognised and non-recognised deferred tax assets regarding temporary differences between the carrying amount and the tax base of assets and liabilities as well as tax loss carryforwards, etc.

Deferred tax assets in the Group totalled DKK 45.0 million and DKK 7.0 million in the Parent Company at 31 December 2019. Management estimates whether the deferred tax assets can be offset against the expected taxable profits within a foreseeable future.
This is decisive for the recognition or non-recognition of tax assets. As the assessment of deferred tax assets involves elements of estimates, we assess that the area is a key audit matter. Reference is made to note 2 under the heading "Recoverability of deferred tax assets" to the consolidated financial statements and the parent company financial statements.

Our audit included an evaluation of the assumptions and estimates applied by Management to assess the probability of generating sufficient future taxable profits based on the budget for 2020 and forecast for the coming year and discussions with Management. Moreover, we assessed whether information on deferred tax assets lives up to the requirements in the accounting standards.

Inventories
The Group's inventories totalled DKK 211.3 million at 31 December 2019, which corresponds to 40% of

the balance sheet 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 heading "Inventories" to the consolidated financial statements.

Our audit included a control on a test basis of the counting of physical inventories, test of business procedure regarding floating goods and obtaining of external confirmations of inventories held by third parties.

During the audit or inventories, we made a sample test of Management's calculations of cost-plus production overheads.

Furthermore, we considered the model for inventory write-down where cost exceeds net realisable value. During our audit, we tested the completeness of the basis for calculating and the mathematical accuracy of the calculation. Furthermore, we considered the reasonableness of the estimates applied by Management in the model and assessed the estimates made in the model just as we assessed the estimates made based on past history and estimates made in previous years. Moreover, we assessed whether information on inventories lives up to the requirements in the accounting standards.

Statement on the Management's review
Management is responsible for the Management's review. Our opinion on the financial statements does not cover the Management's review, 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's review and, in doing so, consider whether the Management's review 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's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review 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's review.

Management's responsibility 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 Moreover, Management is responsible 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 consolidated financial statements and the parent company 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 and 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, 31 Marts 2020

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR-nr. 30 70 02 28

Hans B. Vistisen
State Authorised Public Accountant
mne23254

Torben Ahle Pedersen
State Authorised Public Accountant
mne16611

INCOME STATEMENT

DKKm Notes		SBS GROUP 2019	SBS GROUP 2018 [1]	PARENT COMPANY 2019	PARENT COMPANY 2018 [1]
	Revenue	**664.1**	**682.4**	**18.0**	**23.2**
	Raw materials and consumables	-432.1	-436.8	-	-
	Changes in inventories of finished goods and work in progress	28.8	28.5	-	-
	Other external expenses	-89.9	-98.5	-6.6	-8.9
	Staff costs	-108.1	-113.1	-16.2	-18.6
	Operating profit before depreciation, amortisation, impairment losses and special items (EBITDA recurring	**62.8**	**62.5**	**-4.8**	**-4.3**
	Special items	-4.4	-5.3	-0.7	-
	Operating profit before depreciation, amortisation and impairment losses (EBITDA)	**58.4**	**57.2**	**-5.5**	**-4.3**
	Depreciation, amortisation and impairment losses	-23.6	-15.8	-3.6	-2.6
	Operating profit/loss (EBIT)	**34.8**	**41.4**	**-9.1**	**-6.9**
	Impairment write-down and reversal of write-down regarding investments and amounts owed by subsidiaries	-	-	-3.6	-9.2
	Profit/loss on intra-group sale of shares in subsidiaries	-	-	91.7	-
	Dividends from group entities	-	-	22.0	25.0
	Financial income	0.6	0.6	0.6	0.6
	Financial expenses	-27.2	-24.0	-11.5	-13.5
	Profit/loss before tax	**8.2**	**18.0**	**90.1**	**-4.0**
	Tax for the year	-3.5	-4.5	5.8	6.8
	Profit for the year	**4.7**	**13.5**	**95.9**	**2.8**
	Earnings per share (EPS)	1.5	4.2		
	Diluted earnings per share (EPS-D)	1.5	4.2		
	Proposed profit appropriation:				
	Dividends DKK 0 per share (2018: DKK 0 per share)			-	-
	Retained earnings			95.9	2.8
	Total			**95.9**	**2.8**

[1] Comparative figures have not been restated to reflect the effect of the implementation of IFRS 16.

STATEMENT OF COMPREHENSIVE INCOME

DKKm Notes		SBS GROUP 2019	SBS GROUP 2018 [1]	PARENT COMPANY 2019	PARENT COMPANY 2018 [1]
	Profit for the year	**4.7**	**13.5**	**95.9**	**2.8**
	Other comprehensive income				
	Items that can be reclassified to the income statement:				
	Foreign exchange translation adjustments of foreign subsidiaries	-0.1	0.2	-	-
	Value adjustments of hedging instruments:				
	Value adjustments for the year	1.1	3.2	1.1	1.6
	Value adjustment transferred to financial expenses	-0.6	-0.6	-0.6	-0.6
	Tax on other comprehensive income	-0.1	-0.6	-0.1	-0.2
	Other comprehensive income after tax	**0.3**	**2.2**	**0.4**	**0.8**
	Total comprehensive income	**5.0**	**15.7**	**96.3**	**3.6**
	Broken down as follows:				
	Shareholders of Scandinavian Brake Systems A/S			96.3	3.6
				96.3	3.6

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

[1] Comparative figures have not been restated to reflect the effect of the implementation of IFRS 16.

BALANCE SHEET - ASSETS

DKKm Notes		SBS GROUP 31.12.2019	SBS GROUP 31.12.2018 [1)]	PARENT COMPANY 31.12.2019	PARENT COMPANY 31.12.2018 [1)]
	NON-CURRENT ASSETS				
	Intangible assets				
	Goodwill	12.5	12.5	-	-
	Patents, rights and trademarks	1.5	1.5	-	-
	Development projects	12.3	11.3	-	-
	Software	15.2	8.0	14.8	7.3
		41.5	33.3	14.8	7.3
	Property, plant and equipment				
	Land and buildings	59.0	59.1	26.6	25.4
	Plant and machinery	25.3	25.4	-	-
	Fixtures and fittings, tools and equipment	6.4	7.7	1.1	1.0
	Leased assets	28.7	-	1.0	-
		119.4	92.2	28.7	26.4
	Other non-current assets				
	Equity investments in subsidiaries	-	-	227.8	236.1
	Securities	0.1	0.1	0.1	0.1
	Deferred tax	45.0	45.2	7.0	6.5
		45.1	45.3	234.9	242.7
	Total non-current assets	**206.0**	**170.8**	**278.4**	**276.4**
	CURRENT ASSETS				
	Inventories	211.3	182.5	-	-
	Receivables	111.8	112.1	9.7	15.5
	Corporation tax receivable	1.0	-	-	-
	Cash	0.1	0.1	-	-
	Total current assets	**324.2**	**294.7**	**9.7**	**15.5**
	TOTAL ASSETS	**530.2**	**465.5**	**288.1**	**291.9**

[1)] Comparative figures have not been restated to reflect the effect of the implementation of IFRS 16.

BALANCE SHEET - EQUITY AND LIABILITIES

DKKm		SBS GROUP		PARENT COMPANY	
Notes		31.12.2019	31.12.2018 [1]	31.12.2019	31.12.2018 [1]
	EQUITY				
	Share capital	32.1	32.1	32.1	32.1
	Hedging reserve	-2.3	-2.7	-2.0	-2.4
	Translation reserve	1.7	1.8	-	-
	Revaluation reserve	10.6	10.6	10.1	10.1
	Reserve for development costs	-	-	3.8	-
	Retained earnings	-187.3	-192.0	23.9	-68.2
	Total equity	**-145.2**	**-150.2**	**67.9**	**-28.4**
	LIABILITIES				
	Non-current liabilities				
	Provisions for bad debts, subsidiaries	-	-	102.3	98.7
	Provisions	-	8.7	-	-
	Credit institutions, etc	417.5	379.1	16.7	18.6
	Lease commitments	32.7	-	0.3	-
	Trade and other payables	6.0	-	0.5	25.0
	Total non-current liabilities	**456.2**	**387.8**	**119.8**	**142.3**
	Current liabilities				
	Credit institutions, etc.	56.0	24.4	2.3	2.3
	Lease commitments	5.7	-	0.7	-
	Trade and other payables	157.5	202.4	97.4	175.7
	Provisions	-	1.1	-	-
	Total current liabilities	**219.2**	**227.9**	**100.4**	**178.0**
	Total liabilities	**675.4**	**615.7**	**220.2**	**320.3**
	TOTAL EQUITY AND LIABILITIES	**530.2**	**465.5**	**288.1**	**291.9**

[1] Comparative figures have not been restated to reflect the effect of the implementation of IFRS 16.

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 1.1.2018	**32.1**	**-4.7**	**1.6**	**10.6**	**-205.5**	**-165.9**
Total comprehensive income 2018						
Profit for the year	-	-	-	-	13.5	13.5
Anden totalindkomst						
Foreign exchange adjustments on translation of foreign subsidiaries	-	-	0.2	-	-	0.2
Value adjustments of hedging instruments:						
Value adjustment for the period	-	3.2	-	-	-	3.2
Value adjustments transferred to finance income *	-	-0.6	-	-	-	-0.6
Tax on other comprehensive income	-	-0.6	-	-	-	-0.6
Total other comprehensive income	**-**	**2.0**	**0.2**	**-**	**-**	**2.2**
Comprehensive income for the period	**-**	**2.0**	**0.2**	**-**	**13.5**	**15.7**
Equity 31.12.2018 [1)]	**32.1**	**-2.7**	**1.8**	**10.6**	**-192.0**	**-150.2**
Equity 1.1.2019	**32.1**	**-2.7**	**1.8**	**10.6**	**-192.0**	**-150.2**
Total comprehensive income 2019						
Profit for the year	-	-	-	-	4.7	4.7
Anden totalindkomst						
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 31.12.2019	**32.1**	**-2.3**	**1.7**	**10.6**	**-187.3**	**-145.2**

[1)] Comparative figures have not been restated to reflect the effect of the implementation of IFRS 16.

*) The Group's interest swap of nominally EUR 5.4 million to hedge the floating interest on the Group's mortgage debt regarding the Danish properties had a fair value of DKK -9.0 million at 31 December 2019. SBS divested the Notox activity in 2016, inclusive of the properties. Accordingly, the mortgage debt regarding the properties in Notox was paid off. This implies that a part of the interest rate swap relates to excess hedging as the nominal value of the interest rate swap exceeds the nominal value of the remaining mortgage debt. The proportionate share of the interest swap's fair value that is no longer hedged (72% at 31 December 2019 against 70% at 31 December 2018), totalled DKK -6.5 million (DKK -5.,1 million after tax) at 31 December 2019 against DKK –7.1 million (DKK -5.5 million after tax) at 31 December 2018. This implies that DKK 0.6 million (DKK 0.5 million after tax) is recognised in the income statement as financial income and expenses in 2019. As to the remaining part of the interest rate swap (28% at 31 December 2019 against 30% at 31 December 2018) an analysis and an effectiveness test have been performed which show that the remaining part of the hedge is still in force at 31 December 2019. The remaining negative fair value of the interest rate swap of DKK 2.5 million before tax (DKK 1.9 million after tax) is thus still accounted for as hedging and recognised as other comprehensive income in a separate hedging reserve under equity until the hedged future cash flows affect the results of operations.

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

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 been realised.

Currency translation reserve
The translation reserve comprises foreign currency differences arising upon the translation of financial statements of foreign enterprises from their functional currency to the Group's presentation currency (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 revaluation reserve relates to the Group's properties in connection with the transition to IFRS at 1 January 2005 as the Group decided to apply IFRS 1 allowing for the revaluation at fair value of the opening statement of financial position.

STATEMENT OF CHANGES IN EQUITY

DKKm

PARENT COMPANY

	Share-capital	Reserve for hedging-trans-actions	Reserve for develop-ment cost	Reserve for revalua-tion	Retained earnings	Total
Equity 1.1.2018	**32.1**	**-3.2**	**-**	**10.1**	**-71.0**	**-32.0**
Total comprehensive income 2018						
Profit for the year	-	-	-	-	2.8	2.8
Other comprehensive income						
Value adjustments of hedging instruments:						
Value adjustment for the period	-	1.6	-	-	-	1.6
Value adjustments transferred to finance costs *	-	-0.6	-	-	-	-0.6
Tax on other comprehensive income	-	-0.2	-	-	-	-0.2
Total other comprehensive income	**-**	**0.8**	**-**	**-**	**-**	**0.8**
Comprehensive income for the period	**-**	**0.8**	**-**	**-**	**2.8**	**3.6**
Equity 31.12.2018 1)	**32.1**	**-2.4**	**-**	**10.1**	**-68.2**	**-28.4**
Equity 1.1.2019	**32.1**	**-2.4**	**-**	**10.1**	**-68.2**	**-28.4**
Total comprehensive income 2019						
Profit 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 costs *	-	-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 31.12.2019	**32.1**	**-2.0**	**3.8**	**10.1**	**23.9**	**67.9**

1) Comparative figures have not been restated to reflect the effect of the implementation of IFRS 16.

STATEMENT OF CHANGES IN EQUITY

The Parent Company's interest rate swap of EUR 5.4 million to hedge the floating interest on the Parent Company's mortgage debt regarding the Danish properties had a fair value of DKK -9.0 million at 31 December 2019. SBS divested the Notox activity in 2016, inclusive of the properties. Accordingly, the mortgage debt regarding the properties in Notox was paid off. This implies that a part of the interest rate swap relates to excess hedging as the nominal value of the interest rate swap exceeds the nominal value of the remaining mortgage debt. The proportionate share of the interest swap's fair value, which is no longer part of a hedging relationship (72% at 31 December 2019 against 70% at 31 December 2018), totalled DKK -6.,5 million (DKK -5.,1 million after tax) at 31 December 2019 against DKK –7.1 million (DKK -5.,5 million after tax) at 31 December 2018. This implies that DKK 0.6 million (DKK 0.5 million after tax) is recognised in the income statement as financial income and expenses in 2019. As for the remaining part of the interest rate swap (28% at 31 December 2019 against 30% at 31 December 2018) an analysis and an effectiveness test have been performed which show that the remaining part of the hedging relationship is still effective at 31 December 2019. The remaining negative fair value of the interest rate swap of DKK 2.5 million before tax (DKK 1.9 million after tax) is thus still accounted for as hedging and recognised as other comprehensive income in a separate hedging reserve under equity until the hedged future cash flows affect the results of operations.

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

* Moreover, the Group has entered into a swap agreement in the nominal amount of EUR 7.1 million to hedge the floating interest on the Group's mortgage debt regarding the Danish properties. Fair value of the interest swap represented a negative DKK 14.9 million at 31 December 2016.

SBS divested the Notox activity in 2016, inclusive of the properties. Accordingly, the mortgage debt regarding the properties in Aakirkeby and in Svendborg was paid off. In addition, the Group had put its property in Holstebro up for sale, and consequently, the mortgage debt relating to this property was expectedly also being paid off soon.

Based on the above, it was assessed that a part of the interest rate swap related to excess hedging as the nominal value of the interest rate swap exceeded the nominal value of the remaining mortgage debt. The proportionate share of fair value of the interest rate swap, which is no longer included in a hedge, totalled DKK 9.6 million before tax (DKK 7.5 million after tax) and was reclassified from other comprehensive income to the income statement as finance income and finance costs at 31 December 2016.

As to the remaining part of the interest rate swap, an analysis and an efficiency test have been made that show that the hedge is still in force until 31 December 2018. The remaining negative fair value of the interest rate swap of DKK 4.2 million before tax (DKK 3.3 million after tax) is thus still accounted for as hedging and recognised as other comprehensive income in a separate hedging reserve under equity until the hedged future cash flows affect the results of operations.

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 been realised.

Revaluation reserve
The revaluation reserve relates to the Group's properties in connection with the transition to IFRS at 1 January 2005 as the Group decided to apply IFRS 1 allowing for the revaluation at fair value of the opening statement of financial position.

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.

CASH FLOW STATEMENT

DKKm Notes		SBS GROUP 2019	SBS GROUP 2018 [1]	PARENT COMPANY 2019	PARENT COMPANY 2018 [1]
	Profit before tax	8.2	18.0	90.1	-4.0
	Depreciation, amortisation and impairment losses	23.6	15.8	3.6	2.6
1	Adjustments	26.6	23.4	-77.2	22.1
2	Changes in working capital	-73.0	14.0	28.6	23.9
	Cash generated from operations (operating activities)	-14.6	71.2	45.1	44.6
	Financial expenses incurred	-26.7	-23.4	-11.5	-13.5
	Corporation tax paid during the financial year (net)	-4.4	-3.5	5.2	-
	Cash flows from operating activities	**-45.7**	**44.3**	**38.8**	**31.1**
	Acquisition of intangible assets	-13.9	-6.7	-9.3	-3.3
	Acquisition of property, plant and equipment	-10.2	-12.0	-2.3	-0.6
	Disposal of property, plant and equipment	-	0.3	-	-
	Cash flows for investing activities	**-24.1**	**-18.4**	**-11.6**	**-3.9**
	Raising and repayment of non-current liabilities	76.0	-25.9	-1.4	-2.2
	Repayment of lease commitments	-6.2	-	-0.8	-
	Raising and repayment of intra-group debt	-	-	-25.0	-25.0
	Cash flows from financing activities	**69.8**	**-25.9**	**-27.2**	**-27.2**
	Cash flows for the year	**-**	**-**	**-**	**-**
	Cash and cash equivalents beginning of year	0.1	0.1	-	-
	Cash and cash equivalents at end of year	**0.1**	**0.1**	**-**	**-**
1	**Adjustments**				
	Financial income	-0.6	-0.6	-0.6	-0.6
	Financial expenses	27.2	24.0	11.5	13.5
	Impairment write-down of investments and receivables from subsidiaries	-	-	3.6	9.2
	Profit/loss on sale of shares in subsidiaries		-	-91.7	-
		26.6	**23.4**	**-77.2**	**22.1**
2	**Changes in working capital**				
	Changes in receivables, etc.	0.3	8.7	5.8	-0.9
	Changes in inventories	-28.8	-28.5	-	-
	Changes in trade and other payables, etc.	-44.5	33.8	22.8	24.8
		-73.0	**14.0**	**28.6**	**23.9**

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

[1] Comparative figures have not been restated to reflect the effect of the implementation of IFRS 16.

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 2019 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 parent company financial statements of Scandinavia Brake Systems A/S for 2019 are 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 31 March 2020, the Board of Directors and the Executive Board have discussed and approved the annual report of Scandinavian Brake Systems A/S for 2019. 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 balance sheet 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 balance sheet 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's review 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 2019. SBS first-time adopts "IFRS 16 Leases". The impact of this changes is described below. Several other changes and interpretations also apply for the first time in 2019. None of which have an impact on recognition and measurement in the consolidated financial statements and the parent company financial statements.

IFRS 16 Leases
As of 1 January 2019, the Group and the Parent Company have implemented "IFRS Leases" using the modified retrospective transitional method without restatement of comparative figures, which are thus still presented in accordance with IAS 17 and IFRIC 4.

As opposed to previously, the Group must now, with a few exceptions, recognise all leases in the balance sheet whereby the accounting treatment of leases, which were previously treated as operating leases, is changed significantly.

IFRS 16 implies that a lease commitment measured at the present value of the future lease commitments and a corresponding lease asset must be recognised. The yearly rental expense comprises of two elements - one amortisation element and an interest expense element - as opposed to previously where yearly costs regarding operating leases were recognised as operating expenses. Lease payments are recognised in the cash flow statement as cash flows from financing activities as opposed to previously, when they were recognised as cash flows from operating activities.

In accordance with the transitional provisions of IFRS 16, the Group does not recognise low-value leases when implementing the standard.

When assessing the future lease payments, the Group reviewed its operating leases and identified the lease payments related to a lease component that are fixed or variable but change in line with changes in an index or an interest rate. Moreover, the Group has decided not to recognise any service element in the leases concluded and other service agreements.

When assessing the expected lease term, the Group identified the non-cancellable lease term in the lease plus periods covered by an extension option that Management is reasonably likely to exercise and plus periods covered by a termination option that Management is reasonably unlikely to exercise.

NOTE 1 ACCOUNTING POLICIES – (CONTINUED)

For leases on equipment, the Group has assessed that the expected lease term is the non-cancellable lease term in the leases, as the Group has not historically exercised the extension options in similar leases.

When assessing the expected lease term for rental agreements on properties, the Group has assessed the expected term to be between 3-6 years or the non-cancellable lease term where this is longer.

When discounting to net present value the lease payments, the Group has used its alternative borrowing rate, which is determined based on the Group's existing credit facilities.

Effect of the implementation of IFRS 16
When implementing IFRS 16 on 1 January 2019, the Group recognised a lease asset of DKK 44.3 million and a lease commitment of DKK 44.3 million. The effect on equity is thus DKK 0. The provision for the property in Støvring has been set off against assets recognised. The lease asset thus totalled DKK 34.6 million at 1 January 2019.

The implementation of IFRS 16 has affected EBITDA recurring positively by DKK 6.9 million for the period 1 January - 31 December 2019, as lease and rental expenses totalling DKK 8.0 million as well as income from adjustments of the provision regarding the property in Støvring of DKK 1.0 million, compared with previous years, are no longer included in the statement of EBITDA. The effect on results of operation for the period 1 January - 31 December 2019 is negative and totals DKK 0.8 million. Cash flows from operating activities are positively affected by DKK 6.2 million, as the repayment on lease commitments is presented as cash flows from financing activities going forward.

Lease assets primarily comprise buildings and operating equipment. Lease assets totalled DKK 44.3 million at the date of transition. The Group has no finance leases. The lease assets are depreciated over the expected term of the lease of 3-10 years.

When measuring the lease commitment, the Group used an average incremental borrowing rate for discounting future lease payments of 4.5%.

Lease commitment recognised at 1 January 2019

	2019
Operating lease and rental commitments at 31 December 2018	**36.3**
Discounted with the alternative borrowing rate at 1 January 2019	28.3
Provisions are recognised in the financial statements for 2018	9.7
Lease payments for periods subject to extension options, which with fair certainty are expected to be exercised and lease payments for periods subject to extension options, which with fair certainty are not expected to be exercised	6.3
Lease commitment at 1 January 2019	**44.3**

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.

NOTE 1 ACCOUNTING POLICIES – (CONTINUED)

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.

In the 2019 and 2018 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.

Any excess of the consideration transferred, the value of non-controlling equity interests in the acquired enterprise and the fair value of any previously held equity interests over the fair value of the identifiable assets, liabilities and contingent liabilities acquired (goodwill) is recognised as goodwill under intangible assets. Goodwill is not amortised, but is tested annually for evidence of impairment. The first impairment test is made before the end of the year of acquisition.

Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for impairment testing. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency different from the presentation currency used in the Scandinavian Brake Systems A/S Group's financial statements are treated as assets and liabilities belonging to the foreign entity and upon initial recognition translated into the foreign entity's functional currency at the exchange rate at the transaction date.

The purchase consideration for an entity consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed, and equity instruments issued. If part of the consideration is contingent on future events or compliance with agreed terms, such part of the consideration is recognised at fair value at the date of acquisition.

Costs attributable to business combinations are recognised directly in profit or loss when incurred.

If uncertainties regarding the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the purchase consideration exist at the acquisition date, initial recognition will take place on the basis of provisional values. If it turns out subsequently that the identification or measurement of the purchase consideration, acquired assets, liabilities or contingent liabilities was incorrect on initial recognition, the statement will be adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures will be restated. Goodwill is not adjusted subsequently. Changes in estimates of contingent purchase considerations are recognised in profit or loss for the year.

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 financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated into the functional currency using the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet 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 financial income or financial expenses.

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 balance sheet 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. The exchange rate adjustment is allocated between the Parent Company's and the non-controlling interests' share of equity.

NOTE 1 ACCOUNTING POLICIES – (CONTINUED)

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.

Fair value hedge
Fair value adjustments of derivative financial instruments designated and qualifying as hedging of the fair value of a recognised asset or liability are recognised in the results together with value adjustments of the hedged asset or liability to the extent, they relate to the portion hedged.

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

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 financial income and expenses 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.

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 excl. 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

NOTE 1 ACCOUNTING POLICIES – (CONTINUED)

agreements with a credit period of more than 12 months. Accordingly, the Group does not adjust the agreed contract price with a finance charge.

Phantom share scheme (cash-settled bonus scheme)
The value of services received in exchange for awarded phantom share scheme (cash-settled bonus scheme) is measured at the fair value of the phantom share scheme. The fair value is measured on initial recognition at the grant date and is recognised in the income statement under staff costs over the period during which final right of cash bonus is earned.

On subsequent recognition, the fair value of the phantom shares is measured at each end of the reporting periods and at final settlement, and any changes in the value of the phantom shares are recognised in the income statement under staff costs in proportion to the lapsed part of the period during which the employee earns final right of cash bonus. The counter entry is recognised under liabilities.

On initial recognition of the phantom shares, an estimate is made of the cash bonus that the employee is expected to earn a right to according to the vesting conditions. That estimate is subsequently revised for changes in the number of phantom shares expected to vest so that the total recognition is based on the actual number of phantom shares.

Thereby, total costs in the income statement over the entire life of the phantom share scheme equals the actually settled cash bonus. The fair value of granted phantom shares is estimated using an option pricing model (Black-Scholes model) The calculation takes into consideration terms and conditions for granted phantom shares.

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.

Financial income and expenses
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.

ASSETS

Intangible assets

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

NOTE 1 ACCOUNTING POLICIES – (CONTINUED)

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.

Development projects
Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are demonstrated, and where the Group intends to complete and use the individual project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings or the net selling price can cover production costs, selling and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Recognised development costs are measured at cost less accumulated amortisation and impairment losses. Cost comprises wages and salaries, amortisation and other costs attributable to the Group's development activities as well as borrowing costs relating to specific and general borrowing directly attributable to the development of development projects.

On completion of the development work, development projects are depreciated on a straight-line basis over the estimated useful life from the date when the asset is ready for use. The amortisation period is usually 5-10 years. The basis of amortisation is calculated less any impairment.

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents and licenses are amortised on a straight-line basis over the lower of the remaining patent or contract period and useful life. The amortisation period is usually 5-10 years.

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.

NOTE 1 ACCOUNTING POLICIES – (CONTINUED)

Leases applicable from 1 January 2019
Leased assets and lease commitments are recognised in the balance sheet 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 and 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

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 the purchase option, extension option or termination option expectedly can be utilised with reasonable probability.

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. Leased assets are 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:

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

The Group presents the leased asset and the lease commitment separately in the balance sheet.

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

Leases applicable before 1 January 2019
Leases are classified as finance lease liabilities and operating lease liabilities.

A finance lease is classified as a lease which in all material respects transfers the risk and benefits associated with ownership of the leased asset to the lessee. All other leases are classified as operating leases.

The cost of assets held under finance leases is recognised at the lower of fair value of the assets and the present value of the future minimum lease payments. For the calculation of the net present value, the interest rate implicit in the lease or the Group's incremental borrowing rate is used as discount rate. Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

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.

NOTE 1 ACCOUNTING POLICIES – (CONTINUED)

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.

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 wages and salaries 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 balance sheet 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.

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 been realised.

Currency translation reserve
The translation reserve comprises foreign currency differences arising from the translation of financial statements of foreign

NOTE 1 ACCOUNTING POLICIES – (CONTINUED)

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.

Tax payable and deferred tax
Current tax payables and receivables are recognised in the balance sheet 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 balance sheet 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 balance sheet 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.

Provisions
Provisions are recognised when, as a result of past events, the Group has a legal or a constructive obligation and it is probable that there will be an outflow of resources embodying economic benefits to settle the obligation.

The amount recognised as a provision is Management's best estimate of the expenses required to settle the obligation.
On measurement of provisions, the costs required to settle the liability are discounted if the effect is material to the measurement of the liability. A pre-tax discount factor is used that reflects the current market interest rate level plus risks specific to the liability. Changes to the discount factor during the year are recognised as finance costs.

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 financial expenses over the term of the loan.

Other financial liabilities are measured at amortised cost.

NOTE 1 ACCOUNTING POLICIES – (CONTINUED)

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 transfer. 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
Segment information is provided in accordance with the Group's accounting policies and follows the internal management reporting.

Segment income and expenses as well as segment assets and liabilities comprise items which are directly attributable to the individual segment and the items which can be allocated to the individual segment on a reliable basis. Unallocated items primarily comprise assets and liabilities and income and costs related to the Group's administrative functions, investment activities, income taxes, etc.

Non-current assets in the segment comprise non-current assets used directly in the operation of the segment, including intangible assets and property, plant and equipment. Current segment assets comprise current assets used directly in the operating activities of the segment, including inventories, trade receivables, other receivables, prepayments and cash.

Segment liabilities comprise liabilities resulting from the operating activities of the segment, including trade payables and other payables.

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
CFPS =	Cash flows from operating activities
	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.

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 may 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 and in note 29 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 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 capital base is negatively affected by the impairment of goodwill and fixed assets etc. regarding the Notox activity in 2009 and 2015 and the disposal of the activities in 2016.
The Group's and the Parent Company's equity totals a negative DKK 145.2 million and DKK 67.9 million, respectively, at 31 December 2019.

Liquidity and financing
In 2017, the Group entered into a credit agreement with the Group's banks. In June 2019, the agreement was extended by an additional two years so that it now covers the expected financing requirements for the Group's activities and plans up until 1 April 2022 after which it must be renegotiated. 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.

The credit agreement with the Group's banking institutions is subject to financial as well as non-financial terms and conditions (covenants). The financial covenants are tied up on the Group's development in operations, balance sheet and cash flow and the business plan for the term of the agreement up to 1 April 2022. The performance thereof is material to the compliance with the credit agreement. Moreover, it has been agreed that no dividends are distributed for the three years during which the credit agreement is in force.

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 2019 regarding DPF Svendborg A/S in the amount of DKK 102.3 million at 31 December 2019.

Based on the group budget for 2020, 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 2020.

Based on the budget for 2020 and forecast for the coming year (see note 29), group management furthermore assesses that the Group and the Parent Company have adequate liquidity 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 2019 is specified as follows:

DKKm	**2019**	**2018**
Cash	0.1	0.1
Undrawn credit facilities	6.8	48.6
Capital resources at 31 December	**6.9**	**48.7**

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

DKK mio.

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 45.0 million at 31 December 2019 (2018: DKK 45.2 million) which are specified as follows:

DKKm	
Temporary differences between the carrying amount and the tax base of assets	37.1
Temporary differences between the carrying amount and the tax base of provisions and liabilities	1.2
Tax loss carryforwards	53.7
Deferred tax assets (before write-down)	**92.0**
Non-capitalised deferred tax assets (primarily deferred tax assets allowed for carryforward)	-47.0
Deferred tax assets at 31 December 2019	**45.0**

Based on the budget for 2020 and expectations of the coming years, group management has assessed the Group's deferred tax assets at 31 December 2019.

According to group management, the utilisation of the deferred tax asset of DKK 38.3 million at 31 December 2019 (2018: DKK 38.6 million) regarding the temporary difference between the carrying amount and the tax base of assets and liabilities primarily in SBS Automotive A/S and SBS Friction A/S is deemed likely within a foreseeable future. Accordingly, the deferred tax asset regarding the balances was recognised in full at 31 December 2019.

As to the deferred tax asset regarding tax losses allowed for carryforward, group management has assessed that a deferred tax asset of DKK 6.7 million can be recognised at 31 December 2019 (2018: DKK 6.6 million), based on the tax profits expected in the joint taxation unit within the coming 1-2 years.

The Group's deferred tax asset that relates to SBS France SAS amounted to DKK 4.8 million at 31 December 2019 (2018: DKK 4.8 million).

The Group's unrecognised tax assets then totalled DKK 47.0 million at 31 December 2019 compared to DKK 48.3 million at 31 December 2018.

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 2019, inventory write-downs totalled DKK 9.5 million against DKK 9.1 million at 31 December 2018.

DKKm

NOTE 3 SEGMENT INFORMATION

Activities

SBS GROUP

	SBS Automotive		SBS Friction		Other segments incl. eliminations *		Reportable segments Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Sale to external customers	531.1	557.4	133.0	125.0	-	-	**664.1**	**682.4**
EBITDA recurring	41.4	45.8	28.5	21.1	-7.1	-4.4	**62.8**	**62.5**
Depreciation and amortisation	-9.8	-4.3	-12.3	-8.9	-1.5	-2.6	**-23.6**	**-15.8**
Operating profit/loss	27.8	36.5	16.3	11.9	-9.3	-7.0	**34.8**	**41.4**
Financial income and expenses, net	-8.1	-3.2	-3.8	-2.7	-14.7	-17.5	**-26.6**	**-23.4**
Profit/loss before tax	19.7	33.3	12.4	9.2	-23.9	-24.5	**8.2**	**18.0**
Profit for the year	12.5	28.6	9.7	7.2	-17.5	-22.3	**4.7**	**13.5**
Segment assets	434.2	390.0	151.2	141.0	-55.2	-65.5	**530.2**	**465.5**
Capital investment activities	101.8	1.9	11.2	9.8	-102.8	0.3	**10.2**	**12.0**
Segment liabilities	428.8	402.9	80.6	75.0	166.0	137.8	**675.4**	**615.7**
Cash flows from operating activities	-38.6	49.2	22.5	21.4	-29.6	-26.3	**-45.7**	**44.3**
Cash flows from investing activities	-1.7	-2.0	-11.2	-12.8	-11.2	-3.6	**-24.1**	**-18.4**
Cash flows from financing activities	-29.3	-33.8	-15.6	-0.2	114.7	8.1	**69.8**	**-25.9**
Total cash flows for the year	**-69.6**	**13.4**	**-4.3**	**8.4**	**73.9**	**-21.8**	**-**	**-**

* The item comprises the Group's shared service function comprising group management, finance and other group-related specialist functions. Moreover, DPF Svendborg A/S is part thereof. The entity had no activities in 2019 and comprises only finance income and finance costs, tax and liabilities.

The figures relating to SBS Automotive and SBS Friction are recognised inclusive of additional values, etc. in connection with the transfer of the activities from Scandinavian Brake Systems A/S at 5 November 2012 in accordance with the Group's management reporting. See pages 7-8 in the 2012 annual report of the Management commentary for disclosures on the transfer.

Transactions between segments are conducted at an arm's length basis. Internal revenue between segments is limited. Revenue primarily relates to invoicing of shared services.

Reportable segments of the Group are made up of strategic business units which sell various products and services. Each unit is operated independently of the other units as each unit has different customers and end users and requires different technology and marketing strategy.

The Group has two reportable segments: SBS Automotive and SBS Friction.

SBS Automotive comprises activities within vehicles, primarily sourcing, completion and distribution of brake parts and related wearing parts for vehicles.

SBS Friction's activities comprise the development, manufacturing and sale of friction materials for motorcycles, wind turbines and for several specialised areas.

Each of the Group's two reportable segments make up a considerable part of the enterprise and their activities and cash flows are clearly separable both for operational and accounting purposes.

The reportable segments have been identified without the aggregation of operating segments.

DKKm

NOTE 3 SEGMENT INFORMATION – (CONTINUED)

Products and services
The Group's revenue primarily relates to the sale of friction materials, see presentation above. The Group has not defined and does not sell services.

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	
	2019	**2018**
Sale to external customers in Germany	33%	32%
Sale to external customers in rest of Europe	26%	28%
Sale to external customers in the Nordic countries	15%	16%
Sale to external customers in Russia	11%	11%
Sale to external customers in France	13%	11%
Sale to external customers in rest of the world	2%	2%
Revenue, see income statement	**100%**	**100%**
Non-current segment assets in Denmark	121.9	83.4
Non-current segment assets in Europe	39.0	42.1
Non-current assets, see the balance sheet **	**160.9**	**125.5**
Capital expenditure in Denmark	9.3	11.0
Capital expenditure in Europe	0.9	1.0
Capital expenditure, see the cash flow statement	**10.2**	**12.0**

** 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 34 and from the statement of financial position on pages 36-37.

GROUP

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