# SBS Friction A/S

**Kuopiovej 11, 5700 Svendborg**

**CVR-nr. 19 75 19 37**

# Annual report 2021

Approved at the Company's annual general meeting on 8/2 2022

Chairman:

Rasmus Laasby Eshøj

Rasmus Laasby Eshøj

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## Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of SBS Friction A/S for the financial year 1 January – 31 December 2021.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of its operations for the financial year 1 January – 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, the results for the year and the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Svendborg, 8 February 2022
Executive Board:

| | |
|---|---|
| Marco Moretti<br>CEO | Rasmus Laasby Eshøj |
| Hans Torben Madsen | Christel Munk Pedersen |
| Esben Juul Sørensen | |

Board of directors

| | |
|---|---|
| Sebastiano Rio<br>Chairman | Andrea Pazzi |
| Marco Moretti | Finn Møller |
| Christel Munk Pedersen | |

## Independent auditor's report

**To the shareholders of SBS Friction A/S**

**Opinion**

We have audited the financial statements of SBS Friction A/S for the financial year 1 January – 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021 in accordance with the Danish Financial Statements Act.

**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 financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Independence***

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

**Management's responsibilities for the financial statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the 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 financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 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.

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.

**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.

Aalborg, 8 February 2022
EY GODKENDT REVISIONSPARTNERSELSKAB
CVR-nr. 30 70 02 28

Hans B. Vistisen
statsaut. revisor
mne23254

Kasper Kortegaard
statsaut. revisor
mne47798

## Management's review

### Company information

| | |
|---|---|
| Name | SBS Friction A/S |
| Adress, postal code, city | Kuopiovej 11, 5700 Svendborg |
| CVR-no. | 19 75 19 37 |
| Founded | 1st of November 1996 |
| Hometown muncipality | Svendborg |
| Financial year | 1. januar – 31. december |
| Board of Directors | Sebastiano Rio, chairman<br>Andrea Pazzi<br>Marco Moretti<br>Finn Møller<br>Christel Munk Petersen |
| Management | Marco Moretti, CEO<br>Rasmus Laasby Eshøj<br>Hans Torben Madsen<br>Christel Munk Petersen<br>Esben Juul Sørensen |
| Auditors | EY Godkendt Revisionspartnerselskab<br>Vestre Havnepromenade 1A, Postboks 710, 9100 Aalborg |

## Management's review

### Financial highlights

| DKKm | 2021 | 2020 | 2019 | 2018[1)] | 2017[1)] |
|---|---|---|---|---|---|
| **Key figures** | | | | | |
| Gross profit/loss | 81.441 | 78.011 | 66.129 | 57.011 | 58.080 |
| Operating profit/loss | 9.450 | 19.825 | 13.124 | 3.478 | 8.647 |
| Net financials | -4.817 | -3.067 | -3.822 | -2.723 | -1.995 |
| Profit/loss for the year | 3.888 | 13.371 | 4.603 | 3.164 | 5.171 |
| Investments in tangible assets | 7.026 | 34.459 | 6.760 | 9.770 | 8.118 |
| Total assets | 191.130 | 156.357 | 137.984 | 109.527 | 132.291 |
| Equity | 58.352 | 54.464 | 30.336 | 25.733 | 32.569 |
| **Financial ratios** | | | | | |
| Liquidity ratio | 248% | 55,2% | 62,5 % | 52,9 % | 63,3 % |
| Solvency ratio | 30,5% | 34,8% | 22,0 % | 23,5 % | 26,4 % |
| Average number of full-time employees | 93 | 84 | 83 | 82 | 81 |

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

The financial ratios 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.

## Management's review

### Report

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

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

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 general industry quality properties.
All functions, including packaging and distribution are located in Svendborg (Denmark).

SBS Friction operates globally on the free spare parts market and within the OEM market. The OEM market also includes manufacturers of wind turbines and other niches which use friction technology.

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 Corporate own brands (SBS, AP Racing and Brembo) and the rest as private label products.

On the OEM market for motorcycles, scooters, UTVs, ATVs and other vehicles, SBS Friction serves vehicle manufacturers mainly through brake system specialists.

***Market Conditions***

SBS Friction's primary market is the free aftermarket for spare parts for motorcycles.

It is a niche market where SBS Friction is one of the few large and global suppliers, which sells to a network of specialised distributors. Consolidation of distributors takes place in a way that currently 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 customer and brand specific approvals held by SBS. Finally, the SBS brand is a premium brand and that position is supported by increased digitalization using Website, Newsletters & SoMe platforms as well as substantial sponsorships in international motorcycle racing.

Intercompany Aftermarket business with Brembo brand has increased the integration with the Italian organization of Brembo S.p.A. and now SBS Friction is the central logistic hub for the group by creating a dedicated stock and delivering Brembo customers directly from Denmark. Same global approach, centralized in Svendborg, applies to cataloguing activities.

Direct internet sale of accessories for motorcycles to consumers is increasing, although it is challenged by search engine issues on vehicle, model & make, that primary online e-tailers still have to solve. The absolute majority of brake parts are still sold through regular workshops in Europe, while in the US, online sales also for spare parts, is growing through dedicated motorcycle online dealerships.

# Management's review

## Report

### Development in activities and financial matters

***Profit/loss for the year***

Gross profit was realized at DKK 79 million and Operating profit was realized at DKK 10 million

SBS Friction A/S was acquired by Brembo Spa in January 2021.

Despite the corona virus SBS Friction succeeded in increasing turnover, however the positive impact from the increased sales was partly off-set by increasing prices on raw materials.

In addition, the necessity of building up a stand alone company fully separated from the previous owner resulted in increased staff costs which negatively impacted the profitability of the company.

Result of the year ended at DKK 4 million.

***Innovation***

During EICMA 2021 the Company officially announced the green strategy: thanks to the innovative product and production process designed and developed in SBS Friction and supported by a solid financial case study sustaining the related investments, over 95% of the Aftermarket pads range – in 3 years – will progressively turn into environmental friendly brake pads.
GreenPad will eliminate the use of heavy metals such as nickel and copper, which are released in the dust from conventional brake pads.

***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.

The integration with Brembo is going to give a boost to this strategic development in both channels; in the Aftermarket channel the combined strength of the two main brands and the mentioned launch of new green products will add opportunities to expand the business outside Europe, with key focus on North America.

In the OEM market, the leadership of Brembo with the majority of motorcycle manufacturers is expected to accelerate the expansion of SBS business in this channel. First important projects have been already assigned and will start in 2022; many other are realistically achievable within the next 3-5 years.

A massive investment plan has been designed and included in the 5-year business plan to support consequent capacity expansion and upgrade production processes.

# Management's review

## Report

### *General risks*

For a description of special risk reference is made to the annual report 2021 of Brembo Spa.

### Outlook 2022 and events after the balance sheet date

The company expects increased earnings in 2022 with operating profit of DKK 13-17 millions. No impact from Covid-19 is expected but uncertainty exist.

## Financial statements 1 January – 31 December

### Income statement

| Note | DKK'000 | 2021 | 2020 |
|---|---|---|---|
| 2 | **Gross profit** | **81.441** | **78.011** |
| 3 | Staff costs | -54.647 | -41.942 |
| | Depreciation, amortisation and impairment losses | -17.344 | -16.244 |
| | **Operating profit/loss** | **9.450** | **19.825** |
| 4 | Financial income | 0 | 623 |
| 5 | Financial expenses | -4.817 | -3.690 |
| | **Profit/loss before tax** | **4.633** | **16.758** |
| 6 | Tax for the year | -745 | -3.387 |
| | **Profit/loss for the year** | **3.888** | **13.371** |

## Financial statements 1 January – 31 December

### Balance sheet

| Note | DKK'000 | 2021 | 2020 |
|---|---|---|---|
| | **ASSETS** | | |
| | **Non-current assets** | | |
| 7 | **Intangible assets** | | |
| | Acquired intangible assets | 9.606 | 14.158 |
| | Goodwill | 469 | 1.031 |
| | Completed development projects | 12.918 | 12.684 |
| | | 22.993 | 27.873 |
| | **Material assets** | | |
| 8 | Land and building | 31.630 | 32.647 |
| 8 | Plant and machinery | 16.505 | 18.625 |
| 8 | Fixtures and fittings, tools and equipment | 1.425 | 1.834 |
| | Assets under construction | 2.817 | 0 |
| 9 | Leased assets | 685 | 23 |
| | | 53.062 | 53.129 |
| | **Other Non-current assets** | | |
| 10 | Tax assets | 20.674 | 21.418 |
| | **Total non-current assets** | **96.729** | **102.420** |
| | **Current assets** | | |
| | **Inventories** | | |
| | Raw materials and consumables | 15.293 | 9.789 |
| | Work in progress | 1.058 | 1.022 |
| | Finished goods and goods for resale | 24.722 | 16.131 |
| | | 41.073 | 26.942 |
| | **Receivables** | | |
| | Trade receivables | 10.840 | 26.049 |
| | Receivables from Group entities | 9.208 | 47 |
| | Other receivables | 1.610 | 668 |
| 11 | Prepayments | 1.042 | 231 |
| | | 22.700 | 26.995 |
| | Liquid funds | 30.628 | 0 |
| | **Total current assets** | **94.401** | **53.937** |
| | **TOTAL ASSETS** | **191.130** | **156.357** |

## Financial statements 1 January – 31 December

### Balance sheet

| Note | DKK'000 | 2021 | 2020 |
|---|---|---|---|
| | **EQUITY AND LIABILITIES** | | |
| | **Equity** | | |
| 12 | Share capital | 12.001 | 12.001 |
| | Reserve for development costs | 10.076 | 9.894 |
| | Retained earnings | 36.275 | 32.569 |
| | **Total equity** | **58.352** | **54.464** |
| | **Liabilities** | | |
| | **Non-current liabilities** | | |
| | Other payables | 4.315 | 4.246 |
| | Payables to group entities | 90.102 | 0 |
| | Lease commitments | 332 | 0 |
| **13** | **Total non-current liabilities** | 94.749 | 4.246 |
| | **Current liabilities** | | |
| | Credit institutions, etc. | 0 | 56.608 |
| 13 | Lease commitments | 355 | 23 |
| | Trade payables | 18.347 | 12.885 |
| | Payable contribution to former joint taxation | 6.294 | 6.294 |
| | Other payables | 13.033 | 21.837 |
| | **Total current liabilities** | 38.029 | 97.647 |
| | **Total liabilities** | **132.778** | **101.893** |
| | **TOTAL EQUITY AND LIABILITIES** | **191.130** | **156.357** |

1 Accounting policies
2 Speciel items
14 Contractual obligations and contingencies, etc.
15 Mortgages and collateral
16 Related parties
17 Distribution of profit/loss

## Financial statements 1 January – 31 December

### Statement of changes in equity

| DKK'000 | Share capital | Reserve for development costs | Retained earnings | Total |
|---|---|---|---|---|
| **Equity at 1 January 2021** | 12.001 | 9.894 | 32.569 | 54.464 |
| Transferred; see distribution of profit/loss | 0 | 182 | 3.706 | 3.888 |
| **Equity at 31 December 2021** | **12.001** | **10.076** | **36.275** | **58.352** |

## Financial statements 1 January – 31 December

### Notes

1 **Accounting policies**

The annual report of SBS Friction A/S for 2021 has been prepared in accordance with the provisions applying to medium-sized reporting class C entities under the Danish Financial Statements Act.

The annual report is prepared consistently with the accounting principles applied last year.

**Cash flow**

With reference to the Danish Financial Statements Act section 86 (4), cash flow is not prepared. The Company's cash flow is comprised in the group cash flow for the parent company Brembo Spa. See also note 16.

**Foreign currency translation**

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rate at the transaction date and the rate at the date of payment are recognized in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognized in the latest financial statements is recognized in the income statement as financial income or financial expenses.

## Financial statements 1 January – 31 December

### Notes

1 **Accounting policies (continued)**

### Income statement

**Gross profit**

Gross profit is the sum of Revenues, Cost of Goods Sold, other operating income and other external expenses with reference to the Danish Financial Statement Act (32).

**Revenue**

The Company has chosen IFRS 15 as interpretation for revenue recognition.

Revenue from the sales of finished goods and goods for resale is recognized when control of the goods has transferred, being when the goods are delivered to the customer, the customer has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the customers acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the company has objective evidence that all criteria for acceptance have been satisfied

**Other operating income/expenses**

Other operating income comprises items secondary to the Company's activities, including gains and losses on disposal of property, plant and equipment and government compensations related to Covid-19.

**Other external expenses**

Other external costs comprises costs relating to the Company's primary activity that are incurring during the year, including costs for distribution, sales and marketing, administration, premises and bad debts, etc.

**Staff costs**

Staff costs comprise wages and salaries, including holiday pay and pensions as well as expenses regarding social security etc. for the Company's staff. Compensations received from authorities are set off against these expenses.

**Depreciation and amortisation of intangible and tangible assets and leases**

Intangible assets

Depreciation is based on cost less any residual value and provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

| | |
|---|---|
| Acquired intangible assets | 3-10 years |
| Goodwill | 3-10 years |
| Completed development projects | 5 years |

The depreciation period for intangible assets exceeds 5 years based on assessment of the products long-term market potential.

### Notes

### 1 Accounting policies (continued)

Tangible assets

Depreciation is based on cost less any residual value and provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

| | |
|---|---|
| Land and buildings | 10-33 years |
| Plant and machinery | 3-10 years |
| Fixtures and fittings, tools and equipment | 3-10 years |

Lease

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

| | |
|---|---|
| Cars | 1-5 years |
| Building | 10 years |
| Plant and machinery | 3-5 years |

**Financial income and expenses**

Financial income and expenses comprise interest income and expense, charges in respect of finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Interest expense and other borrowing costs to finance intangible assets and property, plant and equipment and which relate to the production period are not recognized in cost of the assets.

**Tax for the year**

Tax for the year comprises current income tax and changes in deferred tax for the year due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognized in the income statement, and the tax expense relating to amounts recognized directly in equity is recognized directly in equity.

## Notes

### 1 Accounting policies (continued)

### Balance sheet

#### Intangible assets

Acquired intangible assets comprise knowhow, trademarks and software are measured at cost less accumulated depreciation and impairment losses.

Goodwill is measured at cost less accumulated depreciation and impairment losses.

Development costs comprise expenses, salaries and depreciation and amortisation directly attributable to the Company's development activities.

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

Development costs recognized in the balance sheet are measured at cost on initial recognition and subsequently at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are depreciated on a straight-line basis over the estimated useful life, which is usually 5 years and no longer than 10 years..

Gains and losses on the disposal of development projects, patents and licences are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognized in the income statement as other operating income or other operating expenses, respectively.

#### Tangible assets

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. The basis of depreciation is cost less any expected residual value at the end of the useful life.

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.

Individual components of property, plant and equipment that have different useful lives are accounted for as separate items, which are depreciated separately.

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognized.

In case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognized prospectively as a change in accounting estimates.

Gains and losses on the disposal of items of property, plant and equipment are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognized in the income statement as other operating income or other operating expenses, respectively.

## Notes

### 1 Accounting policies (continued)

#### Leases

The Company has chosen IFRS 16 as interpretation for classification and recognition of leases.

On initial recognition, leases for assets with a term of more than 12 months, that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of future lease payments. In calculating the present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for as the Company's other assets.

The capitalized residual lease commitment is recognized in the balance sheet as a liability, and the interest element of the lease payment is recognized in the income statement over the term of the lease.

All other leases are considered operating leases. Payments relating to operating leases and any other leases are recognized in the income statement over the term of the lease. The Company's total liabilities relating to operating leases and other leases are disclosed under contingencies, etc

#### Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment and equity investments in subsidiaries and associates is tested annually for indication of impairment other than the decrease in value reflected by amortisation/depreciation.

Impairment tests are conducted on individual assets or cash-generating units when there is indication of impairment. Write-down is made to the lower of the carrying amount and the recoverable amount.

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets.

Previously recognized impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

#### Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realizable value is lower than cost, inventories are written down to this lower value.

Goods for resale and 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 as well as indirect production overheads. 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. Borrowing costs are not recognized in the cost.

The net realizable 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.

## Notes

### 1 Accounting policies (continued)

**Receivables**

The company has chosen IAS 39 as interpretation. Receivables are measured at amortised cost.

Write-down for bad and doubtful debts is made when there is objective evidence that a receivable has been impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognized on an individual basis.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate of the individual receivable or portfolio is used as discount rate.

**Prepayments**

Prepayments comprise costs incurred concerning subsequent financial years.

***Equity***

***Reserve for development costs***

The reserve for development costs comprises recognized development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognized development costs are amortized or are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

***Dividend***

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

**Corporation tax and deferred tax**

Current tax payables and receivables are recognized in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on taxable income in previous years and tax paid on account.

Joint taxation contributions payable and receivable are recognized in the balance sheet as corporation tax receivable or corporation tax payable.

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. 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 recognized at the expected value of their utilization; 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 is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

## Notes

### 1 Accounting policies (continued)

**Liabilities other than provisions**

Financial liabilities are recognized at the date of borrowing at the proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortized cost, corresponding to the capitalized value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognized in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

**Key figures**

The financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios".

Explanations of financial ratios:

Liquidity ratio

$$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$$

Solvency ratio

$$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$$

## Financial statements 1 January – 31 December

### Notes

| DKK'000 | | 2021 | 2020 |
|---|---|---|---|
| 2 | **Special items** | | |
| | Other income and other expenses are included in Gross Profit. | | |
| | Compensation related to Covid-19 | -332 | 1.824 |
| | Gain / loss from sales of fixed assets | -118 | 1.000 |
| | | **-450** | **2.824** |
| 3 | **Staff costs** | | |
| | Wages and Salaries executive management | 9.673 | 0 |
| | Wages and Salaries other employees | 42.252 | 41.523 |
| | Pensions | 3.524 | 3.111 |
| | Other social security expenses | 1.166 | 820 |
| | Other staff costs | 1.573 | 1.066 |
| | | 58.188 | 46.520 |
| | Capitalized wages and salaries | -3.541 | -4.578 |
| | | **54.647** | **41.942** |
| | Average number of employees | 93 | 84 |
| 4 | **Financial income** | | |
| | Interest received from group enterprises | 0 | 623 |
| | | **0** | **623** |

## Financial statements 1 January – 31 December

### Notes

| DKK'000 | | 2021 | 2020 |
|---|---|---|---|
| 5 | **Financial expenses** | | |
| | Interest paid to group entities | 4.076 | 148 |
| | Other financial expenses | 727 | 2.714 |
| | Interest on lease | 5 | 824 |
| | Exchange loss | 9 | 5 |
| | | **4.817** | **3.691** |
| 6 | **Tax on profit/loss of the year** | | |
| | Current tax for the year | 0 | 6.294 |
| | Adjustment on deferred tax for the year | 745 | -2.907 |
| | | **745** | **3.387** |

7 **Intangible assets**

| DKK'000 | Acquired intangible assets | Goodwill | Completed development projects | Total |
|---|---|---|---|---|
| Cost at 1 January 2021 | 36.804 | 5.627 | 28.494 | 70.925 |
| Additions for the year | 0 | 0 | 4.357 | 4.357 |
| Cost at 31 December 2021 | 36.804 | 5.627 | 32.851 | 75.282 |
| Amortisations at 1 January 2021 | 22.646 | 4.596 | 15.810 | 43.052 |
| Amortizations | 4.552 | 562 | 4.123 | 9.237 |
| Amortisations at 31 December 2021 | 27.198 | 5.158 | 19.933 | 52.289 |
| **Carrying amount at 31 December 2021** | **9.606** | **469** | **12.918** | **22.993** |

**Completed development projects**

Completed development projects include development and test of new friction products. Completed development projects are amortized over 5 years.

The companys contribution margin on the sale of Frictions products is increased as a result of this development.

Management has high expectations of the use of Frictions products and has not identified any indication of impairment in relation to the carrying amount of the products.

## Notes

### 8 Tangible assets

| DKK'000 | Land and building | Plant and machinery | Fixtures and fittings, tools and equipment | Total |
|---|---|---|---|---|
| Cost at 1 January 2021 | 32.700 | 163.978 | 6.586 | 203.264 |
| Additions for the year | 0 | 3.854 | 355 | 4.209 |
| Disposals for the year | 0 | -678 | -0 | -678 |
| Cost at 31 December 2021 | 32.700 | 167.154 | 6.941 | 206.795 |
| Depreciations at 1 January 2021 | 53 | 145.354 | 4.752 | 150.159 |
| Depreciations | 1.017 | 5.973 | 764 | 7.754 |
| Reversed depreciations of disposals | 0 | -678 | -0 | -678 |
| Depreciations at 31 December 2021 | 1.070 | 150.649 | 5.516 | 157.235 |
| **Carrying amount at 31 December 2021** | **31.630** | **16.505** | **1.425** | **49.560** |

### 9 Leases

| DKK'000 | Leases | Total |
|---|---|---|
| Cost at 1 January 2021 | 134 | 134 |
| Additions for the year | 1.129 | 1.129 |
| Disposals for the year | -262 | -262 |
| Cost at 31 December 2021 | 1.001 | 1.001 |
| Depreciations at 1 January 2021 | 111 | 111 |
| Depreciations | 348 | 348 |
| Reversed depreciations of disposals | -143 | -143 |
| Depreciations at 31 December 2021 | 316 | 316 |
| **Carrying amount at 31 December 2021** | **685** | **685** |

**Lease liabilities**

| | |
|---|---|
| Maturity before 1 year | 355 |
| Maturity before 5 years | 332 |
| Maturity after 5 years | 0 |
| **Lease liabilities at 31 December 2021** | **687** |

## Financial statements 1 January – 31 December

### Notes

### 10 Deferred tax asset

| DKK'000 | 2021 | 2020 |
|---|---|---|
| Deferred tax at 1. januar | 21.418 | 18.513 |
| Deferred tax adjustment for the year | -744 | 2.907 |
| Deferred tax adjustment previous years | 2 | -2 |
| **Deferred tax at 31 December 2021** | **20.674** | **21.418** |

| | | |
|---|---|---|
| Deferred tax relates to: | | |
| Intangible assets | 2.848 | 4.027 |
| Tangible assets | 13.291 | 17.391 |
| Tax losses | 4.535 | 0 |
| **Deferred tax at 31 December 2021** | **20.674** | **21.418** |

The deferred tax assets is recognized on the basis of expectations to the result of the coming years and the full value is expected utilized within the next 5 years.

### 11 Prepayments

Prepayments comprise of prepaid software-licenses, subscriptions and insurance premiums.

### 12 Share capital

Movements in the share capital during the last 5 years can be specified as following:

| DKK'000 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Share capital at 1 January | 12.001 | 12.000 | 12.000 | 12.000 | 12.000 |
| Additions | 0 | 1 | 0 | 0 | 0 |
| **Share capital at 31 December** | **12.001** | **12.001** | **12.000** | **12.000** | **12.000** |

## Notes

### 13 Financial liabilities

| DKK'000 | Total liabilities at 31/12 2021 | Repayment first year | Outstanding debt after 5 ye-ars |
|---|---|---|---|
| Payables to group entities | 90.102 | 0 | 0 |
| Other payables | 4.315 | 0 | 4.315 |
| Lease commitments | 687 | 355 | 0 |
| **Total financial liabilities** | **95.104** | **355** | **4.315** |

### 14 Contractual obligations and contingencies, etc.

**Operating lease commitments**

The Company has no operating leases, that are not recognized in the balance sheet.

**Contractual obligations**

The Company has signed contracts for delivery of production machinery in 2022 for total DKK 8,8 million.

### 15 Mortgages and collateral

The company has no mortgages and collaterals.

## Notes

### 16 Related parties

SBS Friction A/S' related parties comprise the following:

**Control**

Brembo Spa and Brembo India.

The consolidated financial statements for Brembo Spa from the company or the webpage http://www.brembo.com.

**Related party transactions**

SBS Friction A/S was engaged in the below related party transactions.

| DKK'000 | 2021 | 2020 |
|---|---|---|
| Sale of goods to group entities | 41.172 | 0 |
| Sale of services to group entities | 713 | 605 |
| Purchase of goods from group entities | 4.638 | 0 |
| Lease payments to group entities | 0 | 4.326 |
| Purchase of services from group entities | 2.582 | 2.379 |

Payables and receivables with group entities are disclosed in the balance sheet and interests are disclosed in notes 4 and 5.

### 17 Distribution of profit/loss

| DKK'000 | 2021 | 2020 |
|---|---|---|
| Transferred to reserves for development costs | 182 | 1.032 |
| Transferred to equity reserves | 3.706 | 12.339 |
| | **3.888** | **13.371** |