

# SBS Friction A/S

Kuopiovej 11, 5700 Svendborg

CVR-nr. 19 75 19 37

## Annual report 2020

Approved at the Company's annual general meeting on 18/03 2021

Chairman:

  
.....  
Angelo Battistella

## Contents

<b>Statement by Management</b>	<b>2</b>
<b>Independent auditor's report</b>	<b>3</b>
<b>Management's review</b>	<b>5</b>
Company information	5
<b>Management's review</b>	<b>6</b>
Financial highlights	6
Report	7
<b>Financial statements 1 January – 31 December</b>	<b>10</b>
Income statement	10
Balance sheet	11
Balance sheet	12
Statement of changes in equity	13

### 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 January 1 – December 31 2020.

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 December 31 2020 and of the results of its operations for the financial year January 1 – December 31 2020.

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, 18 March 2021

Executive Board:

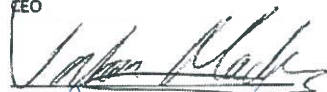


Marco Moretti

CEO



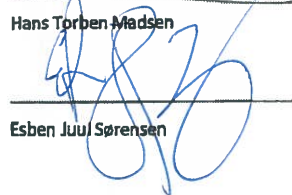
Angelo Battistella



Hans Torben Madsen



Christel Munk Pedersen



Esben Juul Sørensen

Board of Directors:



Sebastiano Rio

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 2020, 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 December 31 2020 and of the results of the Company's operations for the financial year 2020 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 rules and requirements.

### **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.

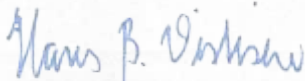
Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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, 18 March 2021  
EY GODKENDT REVISIONSPARTNERSELSKAB  
CVR-nr. 30 70 02 28



Hans B. Vistisen  
statsaut. revisor  
mne23254

## Management's review

### Company information

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

## Management's review

### Financial highlights

DKKm	2020	2019	2018 <sup>1)</sup>	2017 <sup>1)</sup>	2016 <sup>1)</sup>
<b>Key figures</b>					
Gross profit/loss	75.704	66.129	57.011	58.080	56.976
Operating profit/loss	19.825	13.124	3.478	8.647	8.013
Net financials	-3.067	-3.822	-2.723	-1.995	-1.543
Profit/loss for the year	13.371	4.603	3.164	5.171	5.079
<b>Investments in assets</b>					
	34.459	6.760	9.770	8.118	6.718
<b>Total assets</b>					
	156.357	137.984	109.527	123.291	119.011
<b>Equity</b>					
	54.464	30.336	25.733	32.569	32.398
<b>Financial ratios</b>					
Liquidity ratio	55,2%	62,5%	52,9 %	63,3 %	62,0 %
Solvency ratio	34,8%	22,0 %	23,5 %	26,4 %	27,2 %
<b>Average number of full-time employees</b>					
	84	83	82	81	82

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 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.

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 is the free aftermarket for spare parts for motorcycles.

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 2020 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.



## Management's review

### Report

#### Development in activities and financial matters

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

In 2020, SBS Friction reported record high results of operations.

The company has received DKK 1.824 in covid-19 compensation which is recognized in Gross Profit.

Gross profit increased 10% to record high DKK 73 million and earnings after tax increased DKK 8 million to DKK 13 million.

##### *Capital increase*

At 14 December 2020 a capital increase on nominal amount of DKK 1,000 at price 1,575,700, corresponding to a premium of DKK 15,756,000, was completed. The contribution of assets and liabilities comprised all activities as well as assets and liabilities related to the properties located at Kuopiovej 4 and Kuopiovej 11, Svendborg. The transfer was based on valuation reports and market prices for the mortgage debt and hedging of future cash flows (interest swap).

##### *Innovation*

In 2020, SBS Friction finalized a multi annual development project in cooperating with Danish Technological Institute in Denmark and the German Fraunhofer-Institut für Fertigungstechnik 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 was to develop and mature the world's most environment-friendly brake pad, GreenPad.

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.

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 the medium term.

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.

## **Management's review**

### **Report**

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.

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

### **General risks**

For a description of special risk reference is made to the annual report 2020 of Scandinavian Brake Systems A/S, CVR.nr. 32 77 42 10.

### **Corporate Social Responsibility**

For a description of Corporate Social Responsibility reference is made to the annual report 2020 of Scandinavian Brake Systems A/S, CVR.nr. 32 77 42 10.

### **Outlook 2021 and events after the balance sheet date**

The company expects to continue the positive development and expect an increase in turnover and earnings in 2021 without impact of Covid-19, but uncertainty exist.

Scandinavian Brake Systems A/S has with effect from 7 January 2021 sold all shares in SBS Friction A/S to Brembo S.p.A, Italy.

## Financial statements 1 January – 31 December

### Income statement

Note	DKK'000	2020	2019
	<b>Gross profit</b>	<b>75.704</b>	<b>66.129</b>
3	Staff costs	-39.635	-37.592
	Depreciation, amortisation and impairment losses	-16.244	-15.413
	<b>Operating profit/loss</b>	<b>19.825</b>	<b>13.124</b>
4	Financial income	623	149
5	Financial expenses	-3.690	-3.971
	<b>Profit/loss before tax</b>	<b>16.758</b>	<b>9.302</b>
6	Tax for the year	-3.387	-4.699
	<b>Profit/loss for the year</b>	<b>13.371</b>	<b>4.603</b>

## Financial statements 1 January – 31 December

### Balance sheet

Note	DKK'000	2020	2019
	<b>ASSETS</b>		
	<b>Non-current assets</b>		
7	<b>Intangible assets</b>		
	Acquired intangible assets	14.158	7.373
	Goodwill	1.031	1.594
	Completed development projects	12.684	12.246
		<u>27.873</u>	<u>21.213</u>
	<b>Material assets</b>		
8	Land and building	32.647	0
8	Plant and machinery	18.625	22.467
8	Fixtures and fittings, tools and equipment	1.834	1.985
9	Leased assets	23	18.332
		<u>53.129</u>	<u>42.784</u>
	<b>Other Non-current assets</b>		
10	Tax assets	21.418	18.513
	<b>Total non-current assets</b>	<u>102.420</u>	<u>82.510</u>
	<b>Current assets</b>		
	<b>Inventories</b>		
	Raw materials and consumables	9.789	7.366
	Work in progress	1.022	598
	Finished goods and goods for resale	16.131	14.820
		<u>26.942</u>	<u>22.784</u>
	<b>Receivables</b>		
	Trade receivables	26.049	17.251
	Receivables from associates	47	13.479
	Other receivables	668	670
11	Prepayments	231	1.290
		<u>26.995</u>	<u>32.690</u>
	<b>Total current assets</b>	<u>53.937</u>	<u>55.474</u>
	<b>TOTAL ASSETS</b>	<u>156.357</u>	<u>137.984</u>

## Financial statements 1 January – 31 December

### Balance sheet

Note	DKK'000	2020	2019
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
12	Share capital	12.001	12.000
	Reserve for development costs	9.894	8.862
	Retained earnings	42.405	4.474
	Proposed dividend	0	5.000
	<b>Total equity</b>	<b>54.464</b>	<b>30.336</b>
	<b>Liabilities</b>		
	<b>Non-current liabilities</b>		
	Other payables	4.246	1.419
9	Lease commitments	0	17.432
	<b>Total non-current liabilities</b>	<b>4.246</b>	<b>18.851</b>
	<b>Current liabilities</b>		
	Credit institutions, etc.	56.608	57.249
9	Lease commitments	23	1.543
	Trade payables	12.885	10.035
	Payables to group entities	0	5.652
	Payable contribution to joint taxation	6.294	4.891
	Other payables	21.837	9.427
	<b>Total current liabilities</b>	<b>97.647</b>	<b>88.797</b>
	<b>Total liabilities</b>	<b>101.893</b>	<b>107.648</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>156.357</b>	<b>137.984</b>

- 1 Accounting policies
- 2 Special items
- 13 Contractual obligations and contingencies, etc.
- 14 Mortgages and collateral
- 15 Related parties
- 16 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	Proposed dividend	Total
Equity at 1 January 2020	12.000	8.862	4.474	5.000	30.336
Distributed dividend	0	0	0	-5.000	-5.000
Capital increase	1	0	15.756	0	15.757
Transferred; see distribution of profit/loss	0	1.032	12.339	0	13.371
<b>Equity at 31 December 2020</b>	<b>12.001</b>	<b>9.894</b>	<b>32.569</b>	<b>0</b>	<b>54.464</b>

At 14 December 2020 a capital increase on nominal amount of DKK 1,000 at price 1,575,700, corresponding to a premium of DKK 15,756,000, was completed. The contribution of assets and liabilities comprised all activities as well as assets and liabilities related to the properties located at Kuopiovej 4 and Kuopiovej 11, Svendborg. The transfer was based on valuation reports and market prices for the mortgage debt and hedging of future cash flows (interest swap).

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

The annual report of SBS Friction A/S for 2020 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 Scandinavian Brake Systems A/S.

#### 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.

#### Derivative financial instruments

On initial recognition, derivative financial instruments are recognized in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are presented as other debt in the balance sheet.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognized in the income statement on an ongoing basis.

## 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 the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company. The time of transition of the most significant benefits and risks is based on standard delivery conditions according to Incoterms®.

Revenue from the sales of goods, where the customer has asked for a delayed delivery is recognized, when the property rights are transferred to the customer.

###### 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 comprise 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:

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

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

###### 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	33 years
Plant and machinery	3-10 years
Fixtures and fittings, tools and equipment	3-10 years



## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### 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, joint taxation contribution 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.

The Company is covered by the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries.

On payment of joint taxation contributions, the Danish corporation tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

## Financial statements 1 January – 31 December

### 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.

## Financial statements 1 January – 31 December

### 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.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Receivables

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.

## Financial statements 1 January – 31 December

### 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	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$

## Financial statements 1 January – 31 December

Notes		
DKK'000	2020	2019
<b>2 Special items</b>		
The company has received government compensation DKK 1.824 related to Covid-19. The compensation is recognized in Other income included in Gross Profit.		
<b>3 Staff costs</b>		
Wages and Salaries	34.639	32.737
Pensions	3.111	3.008
Other social security expenses	819	980
Other staff costs	1.066	867
	<b>39.635</b>	<b>37.592</b>
Average number of employees	84	83
Remuneration to the Companys management is not stated according to the Danish Financial Statement Act Section 98 (b) (3) (2).		
<b>4 Financial income</b>		
Interest received from group enterprises	623	149
	<b>623</b>	<b>149</b>

## Financial statements 1 January – 31 December

Notes					
DKK'000		2020	2019		
<b>5</b>	<b>Financial expenses</b>				
	Interest paid to group enterprises	148	235		
	Other financial expenses	2.714	2.635		
	Interest on lease	824	892		
	Exchange loss	5	209		
		<b>3.691</b>	<b>3.971</b>		
<b>6</b>	<b>Tax on profit/loss of the year</b>				
	Current tax for the year	6.294	4.891		
	Adjustment on deferred tax for the year	-2.907	-2.844		
	Adjustment of deferred tax concerning previous years	0	2.652		
		<b>3.387</b>	<b>4.699</b>		
<b>7</b>	<b>Intangible assets</b>				
		<b>Acquired in- tangible assets</b>	<b>Goodwill</b>	<b>Completed de- velopment projects</b>	<b>Total</b>
	DKK'000				
	Cost at 1 January 2020	27.613	5.627	24.123	57.363
	Additions for the year	9.534	0	4.604	14.138
	Disposals for the year	-343	0	-233	-576
	Cost at 31 December 2020	36.804	5.627	28.494	70.925
	Amortisations at 1 January 2020	20.240	4.033	11.877	36.150
	Amortizations	2.749	563	4.166	7.478
	Reversed amortisations of disposals	-343	0	-233	-576
	Amortisations at 31 December 2020	22.646	4.596	15.810	43.052
	<b>Carrying amount at 31 December 2020</b>	<b>14.158</b>	<b>1.031</b>	<b>12.684</b>	<b>27.873</b>

### Completed development projects

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

The company's 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.

## Financial statements 1 January – 31 December

### Notes

#### 8 Tangible assets

DKK'000	Land and building	Plant and machinery	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2020	0	76.976	5.768	82.744
Additions for the year	32.700	2.220	539	34.459
Disposals for the year	0	-21	-514	-535
Cost at 31 December 2020	32.700	79.175	5.793	117.668
Depreciations at 1 January 2020	0	54.509	3.783	58.292
Depreciations	53	6.062	690	6.805
Reversed depreciations of disposals	0	-21	-514	-535
Depreciations at 31 December 2020	53	50.550	3.959	64.562
Carrying amount at 31 December 2020	32.647	18.625	1.834	53.106

#### 9 Leases

DKK'000	Leases	Total
Cost at 1 January 2020	20.516	20.516
Additions for the year	73	73
Disposals for the year	-20.314	-20.314
Cost at 31 December 2020	275	275
Depreciations at 1 January 2020	2.183	2.183
Depreciations	1.961	100
Reversed depreciations of disposals	-3.892	-2.031
Depreciations at 31 December 2020	252	252
Carrying amount at 31 December 2020	23	23
<b>Lease liabilities</b>		
Maturity before 1 year	23	
Maturity before 5 years	0	
Maturity after 5 years	0	
Lease liabilities at 31 December 2020	23	



## Financial statements 1 January – 31 December

### Notes

<b>10</b>	<b>Deferred tax asset</b>		
	<b>DKK'000</b>	<b>2020</b>	<b>2019</b>
	Deferred tax at 1. januar	18.513	17.573
	Deferred tax adjustment for the year	2.907	2.844
	Deferred joint taxation contribution previous years	0	748
	Deferred tax adjustment previous years	-2	-2.652
	<b>Deferred tax at 31 December 2020</b>	<b>21.418</b>	<b>18.513</b>
	Deferred tax relates to:		
	Intangible assets	4.027	3.071
	Tangible assets	17.391	15.301
	Leases	0	141
	<b>Deferred tax at 31 December 2020</b>	<b>21.418</b>	<b>18.513</b>

### 11 Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

### 12 Share capital

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

<b>DKK'000</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Share capital at 1 January	12.000	12.000	12.000	12.000	12.000
Additions	1	0	0	0	0
<b>Share capital at 31 December</b>	<b>12.001</b>	<b>12.000</b>	<b>12.000</b>	<b>12.000</b>	<b>12.000</b>

## Financial statements 1 January – 31 December

### Notes

#### 13 Contractual obligations and contingencies, etc.

##### Contingent liabilities

The Company has guaranteed for credit facilities in the parent company Scandinavian Brake Systems A/S and sister companies. At 31 December 2020, the actual debt totaled DKK 432 million. The company has been released from the guarantee the 7 January 2021.

The Company is jointly taxed with all Danish companies in the Knudseje Holding ApS Group until 7 January 2021. As partial owned subsidiary, the company is limited liable in respect of danish corporation taxes for the joint taxation (since 2013).

##### Operating lease commitments

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

#### 14 Mortgages and collateral

Land and buildings with a carrying amount of DKK 32.647 thousand at 31 December 2020 have been provided as collateral for debt to credit institutions of DKK 8.685 thousand.

To secure credit facilities, a mortgage ban has been established covering all assets.

The company has issued a floating charge of DKK 49,5 million taking security in the booked values of inventory, trade receivables and fixed assets.

The company has been released from all mortgages and collaterals the 7 January 2021.

## Financial statements 1 January – 31 December

### Notes

#### 15 Related parties

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

##### Control

Scandinavian Brake Systems A/S, Kuopiovej 11, 5700 Svendborg, which exercised control until 7 January 2021.

The consolidated financial statements for Scandinavian Brake Systems A/S can be required from the company or the webpage <http://www.sbs-group.dk/>.

##### Related party transactions

Transaction with related parties has been made on an arm's length basis in accordance with section 98 (c) (7) of the Danish Financial Statement Act.

##### Information on the consolidated financial statements

Parent company	Hometown	Request for consolidated accounts
Scandinavian Brake Systems A/S, CVR-nr. 32 77 42 10	Svendborg, Denmark	CVR.DK

Scandinavian Brake Systems has with effect from 7 January 2021 sold all shares in SBS Friction A/S to Brembo S.p.A, Italy.

#### 16 Distribution of profit/loss

DKK'000

	2020	2019
Transferred to reserves for development costs	1.032	1.627
Proposed dividend	0	5.000
Transferred to equity reserves	12.339	-2.024
	<b>13.371</b>	<b>4.603</b>