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.dk – Danish version – Årsrapport 2015.

Extract of

ANNUAL REPORT 2015

Scandinavian Brake Systems A/S . CVR no. DK 32 77 42 10

CONTENTS

THE YEAR IN OUTLINE

DEVELOPMENT AND RESULTS

Summary

The Group's revenue came in at DKK 784 million as against DKK 786 million pro forma in 2014 (DKK 1,014 million inclusive of the brake calliper production facilities sold on 1 November 2014).

Revenue is broken down on the Group's divisions as follows:
- SBS Automotive: Revenue in line with 2014 - DKK 650 million as against DKK 659 million pro forma in 2014.
- SBS Friction: Revenue of DKK 117 million as against DKK 116 million in 2014.
- Notox: Revenue of DKK 17 million as against DKK 11 in 2014.

Despite fluctuating market conditions in 2015, SBS Automotive noted only a minor decrease in revenue of 2% and a 25% increase in EBITDA.

SBS Friction realises revenue and EBITDA slightly higher than last year which also sat record.

Results of the Group's core business in Automotive and Friction are thus considered satisfactory.

Operating profit of the Group before depreciation, amortisation and impairment losses (EBITDA recurring) totalled DKK 54 million as against pro forma DKK 46 million in 2014. EBITDA recurring includes the continuing SBS business, adjusted for the divestment of the brake calliper production facilities in 2014 (profit and operations in 2014), write-downs in connection with the close-down of Notox, EBITDA in Notox and other one-off items (special items).

Adjusted for special items, profit before tax totalled DKK 17 million in 2015 as against pro forma DKK 7 million in 2014.

It has been decided to close down the Notox activities, and in 2016 (events after the date of the statement of financial position) the activities were put up for sale, wholly or in part by selling Notox as one business or to sell the assets separately. In that connection, write-downs were made totalling DKK 160 million in 2015.

The profit before tax including special items is negatively affected by the considerable write-down in Notox. The continuing operations in SBS Automotive and SBS Friction made good progress.

After write-down of the Notox activities, equity made up a negative DKK 197 million at 31 December 2015 compared to a negative DKK 26 million at the same date in 2014. The Parent Company's equity made up a negative DKK 52.4 million. Management expects that, according to the Group's strategy plan up to the end of 2019, operations and earnings of the Group and the Parent Company will contribute to a gradual strengthening of the capital base, and the Parent Company's share capital is expected to be re-established through dividends from subsidiaries in the period. The Board of Directors intends to examine and assess the opportunity for a further strengthening of the capital base of the Group and the Parent Company via investors/sources of funding.

Outlook for 2016

The Group expects to generate revenue in 2016 in the range of DKK 770-800 million and EBITDA recurring of DKK 55-62 million. The close-down of Notox has not effect on EBITDA recurring.

Liquidity and financing

After several years showing a reduction of total interest-bearing debt, interest-bearing debt totalled DKK 484 million at the end of 2015 as against DKK 441 million at the end of 2014.

In the autumn of 2015 and in accordance with the company announcement no. 12, SBS initiated the transfer of the packaging operation from Holstebro to Poland. Inventories/net working capital increased during the period of transfer, among other things due to a doubling of inventories, which, for a short period, implied an increase in interest-bearing debt.

In December 2015, the Group entered into an agreement with the Group's banking institutions to prolong the existing financing agreement to the effect that it covers the expected financing requirements up to 30 April 2017. Mid 2016, Management will open a dialogue with the Group's banking institutions for the purpose of entering into a new and long-term financing agreement which will provide the Group with the required financial base to continue its activities and operations in the coming years. Based on the ongoing dialogue, Management expects that the Group's banking institutions will be favourably disposed towards entering into a new and long-term financing agreement.

FINANCIAL HIGHLIGHTS

DKK million

Key figures	**2015**	**2014**	**2013**	**2012**	**2011**
Revenue	783.5	1,013.9	1,037.1	959.5	1,034.6
Index (2011 = 100)	75.7	98.0	100.2	92.7	100.0
Operating profit before depreciation, amortisation, impairment losses and special items (EBITDA before special items)	45.3	65.7	75.3	57.9	78.2
Profit on the sale of activity	-	66.6	-	-	-
Close-down of Notox	-126.3	-	-	-	-
Other special items (reorganisation, etc.)	-11.1	-20.2	-4.1	-8.9	-
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	-92.1	112.1	71.2	49.0	78.2
Depreciation, amortisation and impairment losses	-23.7	-15.7	-16.0	-17.8	-18.5
Operating profit (EBIT)	-115.8	96.4	55.2	31.2	59.7
Finance income and finance costs (net)	-22.2	-3.9	-38.9	-49.4	-53.8
Profit/loss before tax	-138.0	88.2	14.4	-20.0	4.7
Profit/loss for the year (after tax)	-171.9	61.7	0.3	5.8	2.2
Non-current assets	164.2	331.7	374.0	392.2	360.2
Current assets	299.0	275.8	391.9	380.2	423.7
Total assets	463.2	607.5	765.9	772.4	783.9
Share capital	32.1	32.1	32.1	32.1	32.1
Equity	-196.8	-26.3	-89.3	-94.0	-98.3
Non-current liabilities	460.5	73.8	602.8	469.6	497.9
Current liabilities	199.5	560.0	252.5	191.2	169.8
Net working capital (NWC)	186.0	189.1	295.9	294.1	321.3
Net interest-bearing debt, including subordinate loan capital (2011-2013)	484.4	440.9	631.4	683.9	720.8
Average number of employees	334	443	450	497	539
Revenue per employee	2.3	2.3	2.3	1.9	1.9
Cash flow from operating activities	-29.2	-13.8	78.0	48.6	-21.9
Cash flow to investing activities, net	-14.4	188.9	-10.5	-11.8	-17.4
Hereof invested in property, plant and equipment	11.5	11.3	8.6	-11.4	-18.5
Cash flow from financing activities	43.7	-175.2	-67.6	-20.2	9.7
Total cash flows for the year	0.1	-	-	16.7	-29.6

Financial ratios	**2015**	**2014**	**2013**	**2012**	**2011**
Operating profit before depreciation, amortisation, impairment losses and special items, margin	5.8	6.5	7.3	6.0	7.6
EBITDA margin	-11.8	11.1	6.9	5.1	7.6
EBIT margin	-14.8	9.5	5.3	3.3	5.8
Return on invested capital (ROIC excl. GW)	-47.6	27.5	18.0	9.4	15.1
Return on equity in % (ROE)	I/A	I/A	I/A	I/A	I/A
Equity ratio	-42.5	-4.3	-11.7	-12.2	-12.5
Earnings per share in DKK (EPS Basic)	-53.6	19.2	0.1	1.8	0.7
Net asset value per share in DKK (BVPS)	-61.3	-8.2	-27.8	-29.3	-30.7
Price/net asset value	-0.5	-5.0	-1.0	-0.6	-1.2
Market price at year end	28.8	41.0	28.3	16.2	37.8

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 2015". For terms and definitions, please see the accounting policies.

BUSINESS FOUNDATION OF THE SBS GROUP

In 2015, the SBS Group included three divisions:

SBS AUTOMOTIVE
SBS Automotive is the Group's largest business area accounting for just under 85% of the Group's total revenue.

SBS Automotive's business foundation includes sourcing, completion, inventory management, branding and distribution of brake parts, steering components and other wear parts for the European fleet of cars.

The division has sales and distribution platforms in the UK, Germany, France and Denmark with daily deliveries to regional and local distributors. Moreover, the division handles major, continuous orders for national and international distributors all over Europe. The completion operations for brake discs and brake drums will during 2016 be transferred to third-party logistics operation in Poland, a transfer which is expected to have been completed within the first six months of 2016. Moreover, SBS Automotive has a sales office in Moscow.

SBS Automotive primarily sells its products on the free European aftermarket for spare parts for passenger cars and delivery vans. Germany represents the division's largest single market. In addition, France, Scandinavia and Great Britain and not least the Eastern European markets play an important role for the division's sales activities. The customer portfolio comprises a broad spectrum of distributors on the automotive aftermarket, including international groups, importers, capital chains, purchasing groups and independent, local wholesalers. Finally, SBS Automotive sells products to a number of operators specialised in the on-line sale of spare parts directed at the end user.

The product range comprises products which are subject to wear and tear and therefore are replaced as the vehicle is used. This is one of the parameters ensuring a market with relatively low sensitivity to market fluctuations.

The European market for automotive spare parts is characterised by being large, stable and fragmented. Acknowledged analysts still anticipate modest growth in the market up to 2020, primarily due to the continued expansion of the fleet of cars.

The market is divided into two primary segments: The authorised market (OE), controlled by the car manufacturers and their dealer network, and the free aftermarket which services all car brands. Traditionally, the authorised network services new cars, whereas the old car population is mainly serviced by the free aftermarket.

The traditional distribution channel is: from manufacturer to end user via importers, wholesalers and workshops/shops, but may take other forms. Streamlining of the set-up of the distribution channel is ongoing, both vertically and horizontally, tending towards large units. Capital chains are generally on the increase at the cost of free distributors, just as there is a trend towards increasing sale directly to the end user via the Internet.

SBS Automotive is positioning itself in the value chain as a sourcing and logistics specialist and provides services to distributors broadly speaking. Value creation materialises through global sourcing, completion, inventory management, branding and distribution.

SBS FRICTION
SBS Friction develops, manufactures and distributes brake parts, primarily brake pads and friction solutions for motorcycles, scooters and other vehicles as well as for a number of specialised areas that apply friction technology, including wind turbines.

SBS Friction holds a strong market position based on high-technology know-how, innovation, own production and high reliability of supply, and not least products which meet market demands for performance, security and wearability.

The division operates globally and has business activities within the OEM market and within the free aftermarket. The European aftermarket for motor cycle parts makes up the primary market at which SBS Friction is a leading supplier of brake pads. Italy, Germany and France make up the most important individual markets. In addition, SBS Friction sells its products in the US, Canada, Japan, Australia and in a number of other countries world-wide. At the OEM market, potentials are deemed to relate to brake systems developers, manufacturers of vehicles, brake turbines or other machines and plants using friction technology. The customer potential is global.

Activities of the division are located in Svendborg.

NOTOX
Notox comprises the manufacturing and sale of diesel particulate filters which aim at reducing emissions of detrimental particles from diesel motors. The products are delivered in various degrees of processing.

The particulate filters are primarily used for diesel-driven on/off road vehicles, vessels, diesel locomotives and diesel-driven industrial machines. Notox operates world-wide, and market opportunities and growth are based on legislative framework.as well as on a global, green, political agenda. It has still not been possible to turn the negative development in Notox,

Notox was subsequently closed down in March 2016.

BUSINESS FOUNDATION OF THE SBS GROUP

MISSION
The enterprises in the SBS Group offer products and solutions within friction and environment that contribute positively to our customers' profitability and requirements of our society of increased road safety and a cleaner environment.

VISION
Within the Group's business areas, SBS will
- strive at achieving a leading position based on the individual areas' product, market and customer-based premises,
- ensure a profit above average of the industries and markets, in which we operate,
- emerge as an attractive working place that attracts skilled and talented employees,
- be considered a reliable company with a leading and trendsetting position.

VALUES
SBS is:

Customer oriented
Management and employees are fully focused on the customer and customer earnings in all processes. Our customers' business success with our products and solutions is also our success.

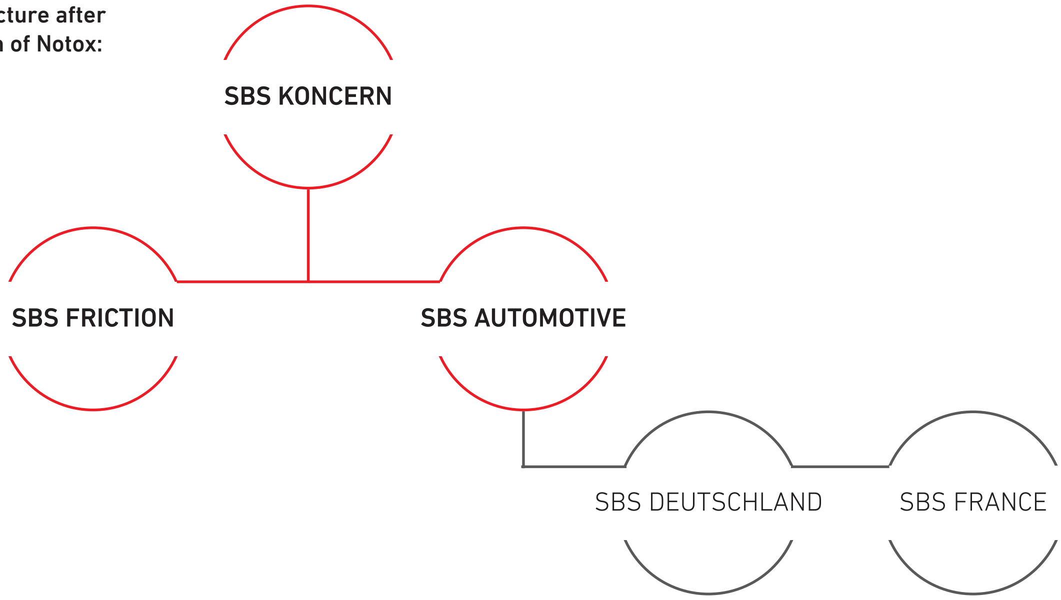
Result oriented
SBS focuses on continued business development and continuous improvements in order to achieve the best possible bottom line based on the terms applicable in our lines of business.

Reliable and fair
Management and employees are reliable and fair in relation to the enterprise's stakeholders such as customers, shareholders, suppliers and society in general. We say what we do and do what we say.

Ethically responsible
SBS operates globally with partners worldwide. We respect basic, ethic rules for fair business no matter where in the world we operate.

GROUP STRUCTURE

Group structure after close-down of Notox:

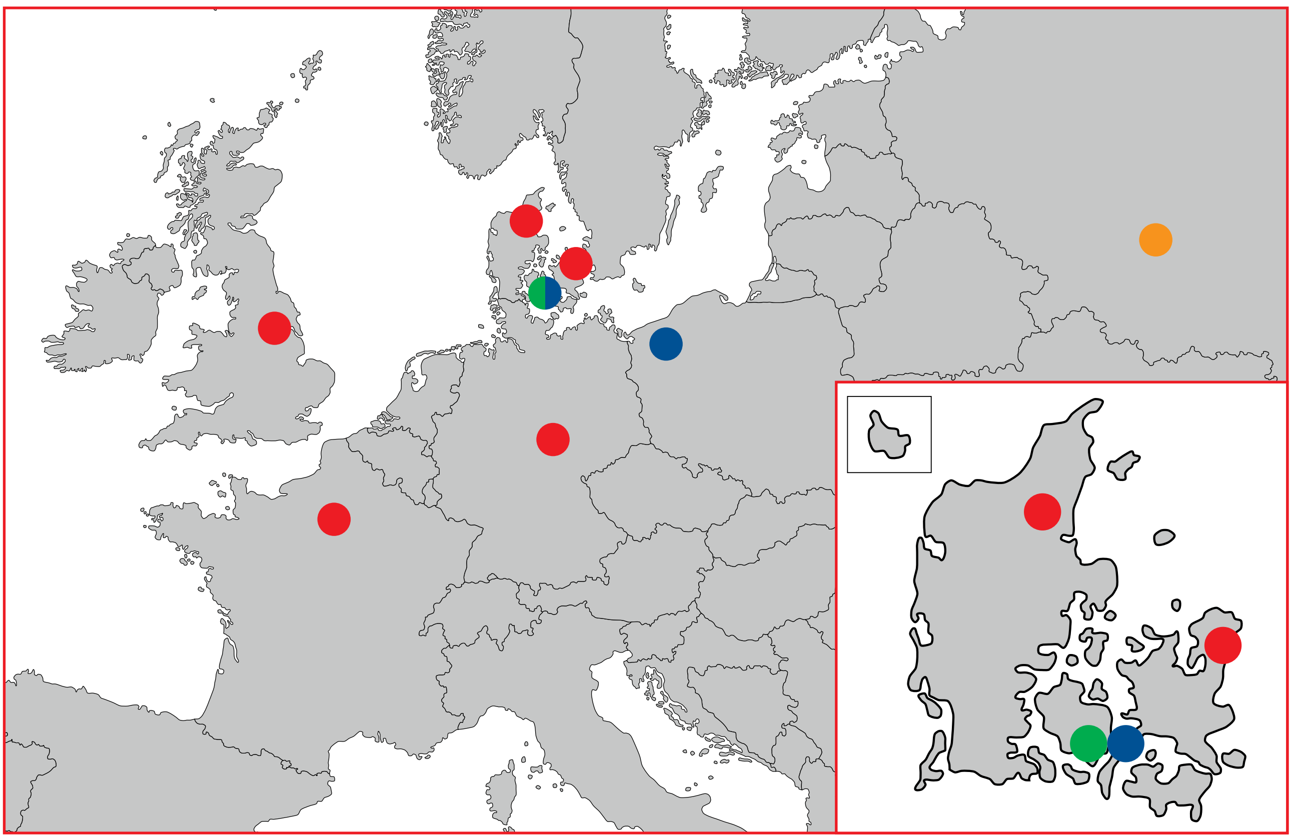


SBS FRICTION
Production site:
Brake pads
Svendborg, DK

SBS AUTOMOTIVE
Packaging operations:
Brake shoes
Svendborg, DK
Brake discs & drums
Stettin, PL*

SBS AUTOMOTIVE
Distribution centres:
Eisenach, DE
Chaumont, FR
Støvring, DK
Glostrup, DK
Doncaster, UK*

SBS AUTOMOTIVE
Sales office:
Moscow, RU



* Logistics operations in cooperation with partner

STRATEGIC FOUNDATION

Based on the Group's business areas (divisions), the Group's strategy plan describes the development scenario up to 2019. The plan is revised and prolonged on an ongoing basis. The plan is growth-oriented, and the main features of the individual business areas are:

SBS AUTOMOTIVE – Growth opportunities in a changing market
A number of strategic principal initiatives were identified to drive growth and development of the Group. The strategy plan is based on the structural changes characterising the market these years.

Implementation and development of a sales strategy based on two channels:

B-to-B: Strengthening and improving European positioning of the division's own brand "NK" as leading brand within the traditional sales channel, which is through importers, wholesalers and workshops.

B-to-C: Development of the entity's business model selling through operators who have specialised in on-line sale directly to the end user - including the further development of our own brand specifically directed at this sales channel.

Development of the customer portfolio, i.a. through the establishment of agreements with several major customers to address structural streamlining which is ongoing in the distributive trades. Including focus on the utilisation of the full sales potential in the existing customer portfolio.

Increased focus on growth in the European countries and regions in which SBS Automotive holds potential and relatively limited market shares, including France, Great Britain and a number of Eastern European markets.

Focus on the sourcing and distribution processes and continuous optimisation of the value chain.

SBS FRICTION – Growth with a global perspective
The strategy plan for SBS Friction defines the below main focus areas which are to form the basis of the enterprise's growth up to 2019.

As to the aftermarket, SBS Friction will focus on maintaining its market position and growth. Maintaining its leading position relates to the enterprise's leading position in Europe, whereas growth is primarily to derive from the USA as well as selected overseas markets.

As to the OEM market, the strategic initiatives will be directed at an expansion of the cooperation already established with existing customers and on the establishment of new customers and projects, primarily within the sinter technology The efforts will in particular be directed at brake systems developers and manufacturers of vehicles, but also at other industries such as the wind turbine industry.

Furthermore, SBS Friction will ensure continued global competitiveness through continuous investments and efficiency programmes in the enterprise's value-creating operations.

Successive development of the product range partly through the expansion of the brake pads programme, partly through new supplementary product lines.

BUSINESS DEVELOPMENT

In 2015, all three divisions of the SBS Group were engaged in initiatives that were to strengthen revenue and earnings in the divisions. Despite a minor decrease in revenue, the Automotive Division noted an increase in earnings of 25%. The Friction Division noted a minor increase in revenue and earnings and thereby once again sets a new record for the Division. The Notox Division raises revenue; however, reported once again an unsatisfactorily large loss.

The close-down of Notox allows the SBS Group and its management again to focus entirely on the core business and the special Automotive and Friction competencies that have characterised SBS ever since the start in 1964. Management is convinced that the increased focus will have a positive effect of the two core business areas going forward.

Management thereby expects that these two business areas will continue the positive trend in the coming years - a development which step-by-step will reduce interest-bearing debt and increase activity (revenue) and earnings (EBITDA) respectively. A development which also confirms the value of the tax asset and a positive development in the cash position and capital base.

SBS AUTOMOTIVE – Focus on market development and logistics

In 2015, the European market for automotive spare parts was characterised by unstable trading conditions. The first quarter saw moderate trading conditions whereas the second quarter improved. In the last half year, demand was again on the decrease clearly indicating general inventory reductions in the distributive trade. Geographically, the market developed unevenly as some European regions noted growth, whereas other markets were characterised by a slowdown or decline. In particular the German and Russian markets noted declining demand, whereas the activity level for the repair markets was higher e.g. in Scandinavia.

SBS Automotive reported revenue of DKK 650 million in 2015 as against a pro forma DKK 659 million in 2014. The decline is attributable to the German company which operates on the German market as well as on several Eastern European markets, including Russia, a market, which in general developed unfavourably.

It is important to note that the general decline was not a trend and that SBS Automotive strengthened its position on some of the enterprise's core markets. As to the important Danish market and the other Scandinavian markets, revenue increased based on sound trading conditions and an increasing share of total sales to wholesalers. Thus, on the Danish Market, SBS Automotive succeeded in taking advantage of the structural streamlining which arose as a major distributor decided to leave the market.

The Division has focused on earnings and cost control as well as on continuous streamlining. Based thereon, EBITDA increased by 25% from DKK 32 million in 2014 to DKK 40 million in 2015 despite a decrease in revenue.

In 2015, SBS Automotive focused in particular on market development and the streamlining of the enterprise's supply chain. Market development activities were primarily directed on maintenance and development. As to countries characterised by a downturn, such as Russia, the strategy aimed at maintaining the position in order to have a strong presence once the market again shows signs of growth. SBS Automotive succeeded in doing so and did not lose any customers. As to other markets, efforts were made to establish new customers and to obtain additional sales to existing customers. Thus, the year saw new, strategic customers offering considerable potential. To this counts a major on-line operator, who sells spare parts on the Internet to several of the major car markets as well as to a major German distributor. At the same time, the servicing of the existing customer portfolio was improved. The delivery performance by the distribution centres improved and the enterprise's digital trading platforms were improved meaning that the customers get a better experience when buying and a more effective ordering and order flow. Moreover, SBS Automotive focused on the implementation and development of the two-channel strategy based on strong brands directed at the traditional B-to-B sales channels as well as at the growing B-to-C on-line market for which SBS provides supply to the distributors who have specialised in this segment.

In order to strengthen the market position and competitiveness, SBS Automotive focused in particular on the enterprise's supply chain comprising sourcing, inventory management and distribution. Focus was in particular directed at the business area brake discs, involving the transfer of the packaging operation of brake discs and brake drums from the Holstebro business to Stettin in Poland. The new operation will be run as a third-party logistics solution in cooperation with a major European specialist within this area. Costs will be reduced which will then improve competitiveness. The transfer will be completed in the first half of 2016. The Group's EBITDA is negatively affected by the close-down costs/special items in the 2015 financial statements of DKK 9 million.

In Q4, SBS Automotive entered into an agreement on a logistics solution on the British market. Under the agreement, SBS Automotive is offered the opportunity to locally store and pack discs to British, private label customers as well as to store and distribute goods using the enterprise's own trademarks. The aim is thereby to ensure a better delivery profile to the British market and at the same time to support the possibility of selling own brands. The establishment will be effected in the first half of 2016.

The German company's organisation has been strengthened. At 1 November 2015, a new CEO, who is widely experienced within the supply-chain, joined the company in Eisenach, and combined with a strengthened sales organisation, he is expected to contribute to increased dynamism.

SBS FRICTION – OEM-sale increases – new products

The European after market for motorcycles, which is SBS Friction's primary market segment was characterised by fluctuating sales in the year under review. The first half year was characterised by sound and stable demand. However, over the summer, sales weakened, which in particular relates to inventory adjustments at several of the Division's major customers. The past months showed again a positive trend due to a long season for motor cyclists in most of Europe.

As to overseas markets, it is in particular notable that the Japanese market showed a considerable rise in sales. Sales on the US market reached the same level as last year. During the year, investments were made to strengthen the set-up in the US introducing a locally based sales function and to increase marketing. These measures are expected to impact revenue in 2016.

As to the OEM market, which comprises brake systems developers, vehicle manufacturers and the wind turbine industry, progress was noted, in particular in relation to sales to the wind turbine industry. The OEM market is generally project-oriented, which implies long implementation periods for new projects and products. SBS Friction has several OEM projects in pipeline, and in terms of technology and processes, the enterprise observes the plans to meet market requirements. Thus, the process technology conductive sintering was finally released in the first half of 2015, and we expect that SBS Friction thereby is in a strong position when it comes to winning OEM agreements within the sintering technology.

Towards the end of the year, SBS Friction launched two new products. A brake lining particularly directed at "Classic Road Racing", which is a popular sport that is growing in several countries and a "high-end" sinter lining for the largest street bikes.

Furthermore, a project was initiated for the establishment of a motorcycle brake discs programme. This is a supplement to the existing product range of brake pads and brake shoes and will at the same time broaden the SBS product range and make it more appealing. The programme will be introduced to the market in 2016.

Equity, cash resources and financing

The capital base of the Group and the Parent Company is in particular affected by write-downs of the Notox activities on 31 December 2015; see the paragraph "Close-down of Notox". The Group's and the Parent Company's equity then totals a negative DKK 196.8 million and a negative DKK 52.4 million, respectively.

The Parent Company falls under the provisions of Danish company legislation regarding capital losses. According to the provisions of the Act, the Board of Directors will address the capital loss identified at the general meeting on 26 April 2016. The Board of Directors considers the financial position adequately described in this annual report.

Management expects that the Group's and the Parent Company's operations and earnings, given the Group's strategy plan until the end of 2019, will contribute to a gradual strengthening of the capital base. Thus, Management believes that the Parent Company has re-established the share capital via dividends from subsidiaries within the Group's present strategy period, which expires at the end of 2019. Moreover, the Board of Directors intends to examine and assess the possibility of further strengthening the capital base of the Group and the Parent Company via investors/sources of funding.

In December 2015, the Group prolonged its financing agreement with the banking institutions, and the Group's financing requirements are therefore covered up to 30 April 2017. Based on the group budget for 2016, Management assesses that adequate room for manoeuvre is available to comply with the conditions and covenants agreed. 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. In the opinion of Management, the Group and the Parent Company have adequate liquidity to carry through the planned activities and operations according to the budget for 2016.

A strengthening of the Group's financial situation after the expiry of the existing financing agreement is considered on an ongoing basis together with the Group's bankers. Mid 2016, Management will open a dialogue with the Group's banking institutions for the purpose of entering into a new, long-term financing agreement which will provide the Group with the required financial base to continue its activities and operations in the coming years. Based on the ongoing dialogue, Management expects that the Group's banking institutions will be favourably disposed towards entering into a new, long-term financing agreement. The Group expects to further reduce interest-bearing debt within the strategy period up to the end of 2019.

Management has considered the Company's prospects based on the below:

- The Group's strategy plan until the end of 2019 (inclusive of the uncertainties identified and risks involved).
- 2016 budget, including expectations of development in cash flows
- Development in the capital base
- Existing credit facilities, including terms and conditions and the possibility of a prolongation of the financing agreement after April 2017 with the Group's banking institutions.

and concluded that the Group and the Parent Company can continue its operations according to the strategy plan up to the end of 2019.

Events after the balance sheet date
On 10 March 2016, the Board of Directors and the Executive Board of the SBS Group discussed the business foundation and the strategy plan for Notox, which are prepared in cooperation with an external advisory firm.

The Board of Directors and Management of the SBS Group do not consider it realistic any longer to bring Notox's earnings to a profitable level without taking on additional risks and without having to invest considerable funds and resources in Notox.

Against this background and in accordance with the recommendations of the external report, the Board of Directors decided to close down Notox. In 2016, the enterprise expects to incur special items in the form of close-down costs, etc. of DKK 5-10 million. This close-down and its effect on the financial statements are described on pages 11-12 and note 2 to the annual report.

No other significant events have occurred after the end of the period.

CLOSEDOWN OF NOTOX

In March 2016, the Management decided to close down Notox, which has been put up for a sale of all assets or a sale of the individual assets, see the stock exchange announcements dated 10 March 2016 and 15 March 2016. In that connection, Management made write-downs relating to Notox in the amount of DKK 160 million in the consolidated financial statements at 31 December 2015.

Business foundation
Notox comprises the manufacturing and sale of diesel particulate filters which aim at reducing emissions of detrimental particles from diesel motors. The products are delivered in various degrees of processing.

The particulate filters are primarily used for diesel-driven on/off road vehicles, vessels, diesel locomotives and diesel-driven industrial machines. Notox operates world-wide, and market opportunities and growth are based on legislative framework as well as on the global, green, political agenda.

Business development
Notox realised revenue of DKK 17 million in 2015 compared to DKK 11 million in 2014. The revenue increase relates to the existing customer portfolio and new projects. The increase relates to customers in Europe and in Asia, primarily within solutions to the marine industry, on/off road vehicles and the mining industry. An influx of new customers was noted, among others Chinese enterprises which are specialised in retrofit solutions for small trucks and buses in order to solve some of the massive air pollution problems in the Chinese cities.

Despite the increase in revenue, the company did not succeed in generating positive operating results. EBITDA totalled a negative DKK 9 million in 2015 compared to a negative DKK 5 million in 2014.

The unsatisfactory operating results are primarily attributable to Notox being a small production unit for which the establishment of a stable process flow is rendered difficult due to inconsistent order intake and wide variations in the production volume. This resulted in high production costs compared to the market level.

During 2015, a number of initiatives were taken to ensure a more efficient and continuous execution of the production orders in order to reduce costs. Unfortunately, these initiatives did not bring Notox in a situation by which the business model was strengthened.

At the end of 2015 and the beginning of 2016, the order intake was historically low and taking into consideration the unsatisfactory contribution to earnings, SBS would face yet another very disappointing financial performance result of the Notox activity in 2016. A continuation of Notox according to the strategy plan would require continued investments in the business area in coming years. Therefore, together with an external consultancy firm Management made a thorough evaluation of Notox and the business area. Based thereon, it was concluded that there is no market for the products which Notox can manufacture based on the existing technology.

At the meeting on 10 March 2016, the Board of Directors of SBS decided to initiate a process with the employees regarding the close-down of Notox A/S. Subsequently, it was decided to close down Notox, which has been put up for a sale of all assets or a sale of the assets individually.

At present, Management has already made some adjustments in Notox in 2016, which include the cessation of production in Svendborg and the discharge of Notox' employees of which some are now employed with SBS Friction.

Accounting issues
In connection with the presentation of the consolidated financial statements and the parent company financial statements for 2015, Management assessed the need for impairment write-down regarding Notox as of 31 December 2015. At present no indicative bid for Notox has been received from potential buyers/business partners. Consequently, Management has engaged an external advisory firm to make a valuation of Notox and recognised the assets at an estimated fair value upon close-down. The assets include development projects, factory buildings, production facilities, inventories, receivables and other working capital pertaining to the Notox Division.

In that connection, Management made write-downs relating to Notox in the amount of DKK 160 million in the consolidated financial statements at 31 December 2015. As the decision to close down Notox was not made in 2015, but in 2016, Notox has not been recognised and presented as a discontinuing operation and assets held for sale in the consolidated financial statements and the parent company financial statements for 2015, but recognised under the relevant items of the statement of the financial position inclusive of the write-downs made. According to Management's assessment, close-down costs in 2016 in the form of immediate release of employees, etc. account for DKK 5-10 million (estimate).

Management's estimates of fair values regarding assets relating to the Notox activity are subject to considerable uncertainty. In determining fair values, Management has assumed that Notox will be divested in full or in part under the present market conditions but in a controlled process.

CLOSEDOWN OF NOTOX

Impairment write-downs and the carrying amounts of assets less write-downs relating to Notox at 31 December 2015 are specified as follows:

DKK million	***Cost***	**Value at 31 Dec. 2015 before write-down**	**Write-down**	**Esti-mated value**
Goodwill	170.9	-	-	-
Trademarks and patents and development projects	35.0	0.3	-0.3	-
Land and buildings	60.8	45.1	-36.6	8.5
Production equipment	238.4	85.5	-74.3	11.2
Inventories	25.4	16.1	-14.2	1.9
Other current assets	19.7	3.3	-0.9	2.4
Total excl. tax asset	**550.2**	**150.3**	**-126.3**	**24.0**
Tax asset	92.5	33.5	-33.5	-
Total	**642.7**	**183.8**	**-159.8**	**24.0**

The write-down of the tax asset is recognised in the consolidated financial statements for 2015 as "Tax on profit for the year" in the amount of DKK 33.5 million, and the remaining write-down of DKK 126.3 million is recognised as "Special items".

The Parent Company has provided guarantee for bank and leasing debt in Notox, just as a comfort letter has been issued to Notox. Based thereon, a provision has been made in the parent company financial statements for 2015 regarding Notox in the amount of DKK 103.1 million at 31 December 2015.

Please note that the assessment of the need for impairment write-down regarding Notox in the consolidated financial statements, the bad debt provision regarding the guarantee provided for bank liabilities and lease liabilities and the comfort letter in the parent company financial statements under the existing conditions is still subject to significant estimates and uncertainties.

Management will therefore reassess the assets for indications of impairment.

RECOGNITION AND MEASUREMENT UNCERTAINTIES

In connection with the preparation of the annual report, Management made several estimates and judgements that have a significant influence on the annual report, including:

- Equity, cash resources and financing
- Close-down of Notox

Being estimates, they entail uncertainties with respect to the mentioned matters and items. Reference is made to the text below and note 2 for further information on these judgements and estimates as well as the uncertainties involved.

Equity, cash resources and financing
The capital base of the Group and the Parent Company is in particular affected by write-downs of the Notox activities on 31 December 2015; see the paragraph "Close-down of Notox". The Group's and the Parent Company's equity then totals a negative DKK 196.8 million and a negative DKK 52.4 million, respectively.

The Parent Company falls under the provision of Danish company legislation regarding capital losses. According to the provisions of the Act, the Board of Directors will address the capital loss identified at the general meeting on 26 April 2016. The Board of Directors considers the financial position adequately described in this annual report.

Management expects that the Group's and the Parent Company's operations and earnings, given the Group's strategy plan until the end of 2019, will contribute to a gradual strengthening of the capital base. Thus, Management believes that the Parent Company has re-established the share capital via dividends from subsidiaries within the Group's present strategy period, which expires at the end of 2019. Moreover, the Board of Directors intends to examine and assess the possibility of further strengthening the capital base of the Group and the Parent Company via investors/sources of funding.

In December 2015, the Group prolonged its financing agreement with the banking institutions, and the Group's financing requirements are therefore covered up to 30 April 2017. Based on the group budget for 2016, Management assesses that adequate room for manoeuvre is available to comply with the conditions and covenants agreed. 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. In the opinion of Management, the Group and the Parent Company have adequate liquidity to carry through the planned activities and operations according to the budget for 2016.

A strengthening of the Group's financial situation after the expiry of the existing financing agreement is considered on an ongoing basis together with the Group's bankers. Mid 2016, Management will open a dialogue with the Group's banking institutions for the purpose of entering into a new, long-term financing agreement which will provide the Group with the required financial base to continue its activities and operations in the coming years. Based on the ongoing dialogue, Management expects that the Group's banking institutions will be favourably disposed towards entering into a new, long-term financing agreement. The Group expects to further reduce interest-bearing debt within the strategy period up to the end of 2019.

Management has considered the prospects based on the below:

- The Group's strategy plan until the end of 2019 (inclusive of the uncertainties identified and risks involved).
- 2016 budget, including expectations of development in cash flows
- Development in the capital base
- Existing credit facilities, including terms and conditions and the possibility for a prolongation of the financing agreement after April 2017 with the Group's banking institutions.

and concluded that the Group and the Parent Company can continue their operations according to the strategy plan up to the end of 2019.

Close-down of Notox
For a description of the close-down of Notox, reference is made to separate section on the close-down of Notox, pages 11-12.

OPERATING REVIEW FOR 2015

DEVELOPMENT AND RESULTS

The Group's revenue came in at DKK 784 million as against DKK 786 million pro forma in 2014 (2014: DKK 1,014 million inclusive of the brake calliper production facilities sold on 1 November 2014).

Development of the divisions

Revenue DKK million

	2015	Pro-forma 2014 *	2014	Index 2015/ Pro-forma 2014
SBS Automotive	650	659	887	99
SBS Friction	117	116	116	101
Notox	17	11	11	155
Consolidated revenue	**784**	**786**	**1.014**	**100**

*) exclusive of the brake calliper factory sold at 1 November 2014.

SBS AUTOMOTIVE reported revenue of DKK 650 million in 2015 as against a pro forma DKK 659 million in 2014. The decline is attributable to the German company which operates on the German market as well as on several Eastern European markets, including Russia, a market, which in general developed unfavourably.

SBS FRICTION realised revenue of DKK 117 million in 2015 as against DKK 116 million in 2014. The first half year was characterised by sound and stable demand. However, over the summer, sales weakened, which in particular relates to inventory adjustments at several of the Division's major customers. The past months showed again a positive trend due to a long season for motor cyclists in most of Europe.

NOTOX reported revenue of DKK 17 million as against DKK 11 million in 2014. The revenue increase relates to the existing customer portfolio and new projects.

Development in consolidated EBITDA

DKK million	**2015**	**2014**
EBITDA reported	**-92**	**112**
Adjustments		
Gain on the disposal of brake calliper factory	-	-66
Special items	11	20
Close-down of Notox	126	-
EBITDA before special items	**45**	**66**
EBITDA brake calliper factory	-	-25
EBITDA Notox	9	5
EBITDA recurring	**54**	**46**

EBITDA recurring reflects the continuing SBS business, adjusted for the divestment of the brake calliper production facilities in 2014 (profit and operations in 2014), write-downs in connection with the close-down of Notox, EBITDA in Notox and other one-off items (special items). The Group's continued operations increased by 17% from 2014 to 2015, corresponding to DKK 8 million, and the EBIDTA (recurring) margin is 7%.

Consolidated EBITDA broken down on divisions

EBITDA DKK million

	2015	Pro-forma 2014*	2014	Index 2015/ Pro-forma 2014
SBS Automotive	40	32	57	125
SBS Friction	18	18	18	100
Group functions	-4	-4	-4	100
EBITDA recurring Group	**54**	**46**	**71**	**117**
EBITDA Notox	-9	-5	-5	
Close-down of Notox	-126	-	-	
Profit/loss on disposal of activity	-	-	66	
Other special items	-11	-	-20	
EBITDA Group	**-92**	**41**	**112**	

In 2015, **SBS AUTOMOTIVE** focused strongly on earnings and cost control as well as on continuous streamlining. Based thereon, EBITDA increased by 25%, despite a decrease in revenue, from DKK 32 million in 2014 to DKK 40 million in 2015.

Again in 2015, **SBS FRICTION** realised EBITDA at the record-high 2014 level.

Despite an increase in revenue, **NOTOX** did not succeed in generating positive operating results. EBITDA came in at a negative DKK 9 million as against a negative DKK 5 million in 2014.

Consolidated development in profit /loss before tax

DKK million	**2015**	**2014**
Profit before tax, reported	**-138**	**88**
Adjustments		
Gain on the disposal of brake calliper factory	-	-66
Special items	11	20
EBITDA brake calliper factory	-	-25
Depreciation/amortisation Notox non-current assets	9	-
EBITDA Notox	9	5
Share of profit/loss from joint venture	-	4
Gain on the redemption of subordinate loan	-	-27
Amortisation and roll-up interest regarding subordinate loan capital	-	8
Write-down regarding Notox	126	-
Profit/loss before tax, adjusted	**17**	**7**

Profit/loss before tax, adjusted show progress compared with 2014 and is made up of the continuing SBS business, meaning that it has been adjusted for the disposal of the brake calliper factory in 2014 (gain and operations in 2014, incl. profit share of joint venture), one-off items (special items) and items regarding subordinate loan capital as well as depreciation/amortisation and impairment losses and EBITDA regarding Notox.

OPERATING REVIEW FOR 2015

With respect to the business development and the financial development, reference is made to the section on "Business development", pages 8-10.

After the write-down of the Notox activities, equity totalled a negative DKK 197 million at 31 December 2015 compared to a negative DKK 26 million at the same date in 2014.

CHANGES IN STATEMENT OF FINANCIAL POSITION

DKK million	2015	2014
Non-current assets	164	332
Current assets	299	276
Non-current liabilities	461	74
Current liabilities	200	560
Equity	-197	-26

Total assets amounted to DKK 463 million at 31 December 2015 compared to DKK 608 million at 31 December 2014. The statement of financial position is affected by depreciation, amortisation and impairment losses regarding Notox.

Non-current assets totalled DKK 164 million at year-end 2015 compared to DKK 332 million at year-end 2014. The reduction is attributable to depreciation, amortisation and impairment losses made regarding the Notox activity, including tax asset and reclassification of property located in Holstebro from nun-current assets to assets held for sale as the property in Holstebro is put up for sale.

Current assets totalled DKK 299 million at year-end 2015 compared to DKK 276 million at year-end 2014. Current assets are affected by the ongoing transfer of the packaging operation from Holstebro to Poland due to increased inventories and the reclassified Holstebro property as well as write-downs made regarding the Notox activity.

The value of financial instruments after tax recognised directly in equity amounted to a negative DKK 10 million at 31 December 2015 compared to a negative DKK 11 million at 31 December 2014.

Non-current liabilities amounted to DKK 461 million at year end compared to DKK 74 million at year-end 2014. In December 2015, the Group entered into an agreement with the Group's banking institutions to prolong the existing financing agreement to the effect that it covers the expected financing requirements up to 30 April 2017. Consequently, liabilities to credit institutions are recognised as long-term liabilities in 2015.

Interest-bearing debt of the Group represented DKK 484 million at 31 December 2015 as against DKK 441 million at 31 December 2014. Due to among other things double inventories for a period during which the packaging operation was transferred from Holstebro to Poland, inventories/net working capital increased, which for a short period has increased interest-bearing debt.

Non-current liabilities totalled DKK 200 million at 31 December 2015 as against DKK 560 million at year-end 2014, which primarily relates to the above-mentioned classification of liabilities to credit institutions.
The investment in property, plant and equipment totalled DKK 11 million - in line with last year.

CHANGES IN CASH FLOWS

DKK million	2015	2014
Cash flows from operating activities	-29	-14
Cash flows from investing activities	-14	189
Cash flows from financing activities	43	-175
Cash flows for the year	**0**	**0**

Cash flows from operating activities are negatively affected by the ongoing transfer of the packaging operation from Holstebro to Poland and cash flows from operating activities per share (CFPS) total a negative DK 9.3 million as against a negative DKK 4.3 million in 2014.

PARENT COMPANY
The Parent Company acts as shared service centre for the group and the subsidiaries. The Parent Company realised EBITDA of a negative DKK 37 million in 2015 compared to a negative DKK 11 million in 2014.

The Parent Company's loss after tax totalled DKK 111 million compared to DKK 91 million in 2014. The equity of the Parent Company totalled a negative DKK 52 million at 31 December 2015 compared to DKK 57 million at 31 December 2014.

OUTLOOK FOR 2016
The Company expects consolidated revenue for 2016 in the amount of DKK 770-800 million and EBITDA recurring of DKK 55-62 million. Profit after tax will be negatively affected by close-down costs, etc. regarding Notox of DKK 5-10 million.

CORPORATE GOVERNANCE AND OTHER ISSUES

CORPORATE GOVERNANCE
SBS has prepared a statutory statement on corporate governance, cf. section 170b of the Danish Financial Statements Act, for the financial year 2015 and published this statement on the Company's website www.sbs.dk/investor/corporate-governance.aspx.

The statement includes an overview of how SBS complies with recommendations on corporate governance together with a description of the main elements of the group's internal control and risk management systems, and the composition of the Group's management bodies.

SBS Management adopted new strategy plans for the individual business areas in the autumn of 2014. The plan is reassessed on a regular basis and covers the period up to and including 2019.

The Company's Board of Directors comprises seven members thereof three employee representatives. Tim T. Albertsen was elected new member at the general meeting in 2015.

ORGANISATIONAL FOCUS AREAS
In 2015, SBS Automotive initiated a process to transform the company from being a production-intensive enterprise with bake calliper production to becoming a supply chain enterprise with sourcing, completion, inventory management, branding and distribution as value-creating operations. This process continues in 2016 during which the transfer of the packaging of brake discs and brake drums to a third party in Poland will be concluded. Organisation-wise, the changes were a considerable challenge, which however was handled professionally.

As regards SBS Friction, 2015 implied streamlining and adjustment of the organisation. High flexibility and prompt adaptation of the organisational structure to current market conditions are significant parameters in ensuring competitive production in a high-cost country such as Denmark. Lean is still the central element for the approach to efficiency measures, and during the year, we worked on projects that build on the basis already established.

The SBS Group enjoys great loyalty and stability both from Management and employees. Considering the rapidly changing surrounding world and organisation, it is necessary to develop management skills as well as special skills of the employees to fulfil the Group's growth targets. Therefore, those areas will continue to be a focal point in the coming period.

Attracting new talented individuals to ensure continuity in the organisation is also a high priority. In this connection, SBS participates actively in recruitment events at universities, colleges, etc.

KNOWLEDGE RESOURCES AND R&D ACTIVITIES
The SBS Group has specialised business areas that each makes high specific demands as to knowledge and R&D resources.

SBS Automotive will primarily focus on the cultivation of markets and on efficient logistics models to optimise the value chain. The ongoing project regarding the transfer of the packaging of brake discs and brake drums to a third party logistics solution in Poland and the establishment of solutions in the Great Britain in respect of inventories and distribution is just one example.

SBS Friction focuses mainly on the development and optimisation of brake lining as well as process optimisation to ensure competitiveness. Adjustment and development of products, processes and quality control that live up to the extremely high requirements from the OEM market, made up key action areas of SBS Friction also in 2015.

ENVIRONMENT
Within several areas, the SBS Group is involved in activities to the benefit of the environment, which among other things applies to diesel particulate filters, but also to the production of brake pads, among other things through a targeted effort to eliminate or reduce the use of material that can have a negative impact on the environment.

CSR – CORPORATE SOCIAL RESPONSIBILITY
SBS has not yet drawn up specific corporate social responsibility policies and strategies, and accordingly, has not prepared any CSR report in accordance with section 99a of the Danish Financial Statements Act. In its basic values, SBS has defined the general framework of how the Company wishes to act in relation to its surroundings.

GOALS AND POLICIES FOR THE GENDER QUOTATION ON THE MANAGEMENT BOARD OF SCANDINAVIAN BRAKE SYSTEMS A/S
Under section 139a of the Danish Companies Act, the Board of Directors of Scandinavian Brake Systems A/S has laid down goals and policies for how to increase the shares of the underrepresented gender in Scandinavian Brake Systems A/S and on Group Management in general.

In 2015, all members of the Board of Directors elected by the general meeting were men.

The Board of Directors aims at increasing the share of female members of the Board of Directors to at least 40% in 2020.

Scandinavian Brake Systems A/S will strive at a more equal representation of the sexes at management level, as Management acknowledges the advantages of having a broad spectrum of managers at all levels as regards experience, specialised knowledge, culture and sex, etc.

Managers of the Company should generally be elected/employed based on their overall qualifications, and it is essential that the managers have the right qualifications irrespective of their sex. In addition, the Company will strive at increasing the number of women in executive positions. This could be encouraged by making it more attractive for women to seek jobs in industries such as those in which SBS operates in that are characterised by male predominance and partly by identifying and developing female management talents among the Company's own employees.

CORPORATE GOVERNANCE AND OTHER ISSUES

The Board of Directors will regularly follow up on the issue and once a year examine the gender quotation on the Management Board, and in that connection consider any initiatives necessary in relation to the goals and policies laid down by the Board of Directors.

At the end of 2015, the Board of Directors had no female members elected by the general meeting. Employee representatives accounted for one woman. As to board level and divisional management level, one female manager was represented, whereas underlying functional management levels were represented by more female managers.

EMPLOYEE REPRESENTATIVES IN THE BOARD OF DIRECTORS

The Board of Directors of Scandinavian Brake Systems A/S comprises three members appointed by the employees of which one is a group representative.

RISKS

RISK POLICY
Prompted by its operations, investments and financing, the 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 Group's financial risk management is centralised. The general framework for financial risk management is laid down in the Group's financial policy, which is approved by the Board of Directors. It is the Group's policy not to engage in active speculation in financial risks. Thus, the Group's financial management is aimed at managing and reducing the financial risks directly attributable to the Group's operations, investments and financing. The 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's business foundation is affected by legislation: competitive conditions, environment and product safety.

As to competitive conditions, there has been a tendency for some years towards liberalisation among other things reflected by EU's general block exemption regulation for the automotive industry.

When it comes to the environment, particularly the limitations in the application of certain materials damaging to the environment, such as e.g. heavy metals, are emphasised; among other things in relation to the development of brake lining for motorcycles.

In terms of product safety, international as well as national type approvals such as ECE R90 and ABE are significant to the SBS Group's enterprises.

It has been assessed that there are no ongoing or planned legislation posing a risk to SBS' business opportunities and business development.

MARKET AND COMPETITIVE CONDITIONS
SBS' primary market is the European aftermarket for spare parts for cars and motorcycles. SBS' product ranges comprise wear parts, which are replaced one or several times during the lifetime of a vehicle. This means that SBS' market base is essentially stable and resilient to market fluctuations. A small part of the total revenue relates to the OEM market at which demand depends on new production of vehicles or machines and where cyclical fluctuations may generally be considerable.

Risks relate in particular to the general structural rationalisations and mergers in the industry, which may change the supply and demand situation, and which then again may affect the competitive environment.

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

The Group hedges currency exposure considering projected future cash flows and projected future exchange rate movements.

The 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 Group's currency risks relate primarily to USD and GBP. Therefore, derivative financial instruments are used as hedging for currency risks related to USD and GBP.

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 Group's production takes place in Denmark. The export opportunities may therefore diminish if the purchasing power on the export markets is diminished through a strengthening of the DKK against 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 Group's most significant commercial currency exposure is deemed to relate to sales and purchases outside the Euro area.

The sensitivity of the 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 RISKS
It is 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 variable-rate loans are rescheduled into fixed-rate counterparts. The Group's financing is based on variable-rate loans/credits and the Group is exposed to interest rate fluctuations.

LIQUIDITY RISKS
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 Group in a worst case scenario will not be able to provide sufficient liquidity for its operations and investments. SBS' liquidity reserve essentially consists of unutilised credit facilities at the Group's banks. The Group strives to hold sufficient liquid funds to ensure appropriate room for manoeuvre in case of unforeseen fluctuation in liquidity.

The Group's cash resources at 31 December 2015 are specified as follows:

DKK million	**2015**
Cash at bank and in hand	0,2
Undrawn credit facilities	21,6
Cash resources at 31 December 2015	**21,8**

RISKS

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

With respect to liquidity risks and going concern requirements, reference is made to note 2.

CREDIT RISKS

The 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 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 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.

SHAREHOLDERS

INVESTOR RELATIONS
Scandinavian Brake Systems A/S wants to maintain an open dialogue with its shareholders, potential investors, analysts, media and other stakeholders on all relevant matters, activities and measures relating to the Company.

ID CODE AND SHARE CAPITAL
The Company's nominal share capital amounts to DKK 32,085,000, corresponding to 3,208,500 shares at a nominal value of DKK 10 each. SBS' shares are traded on the OMX Nordic Exchange in Copenhagen under ID code DKK0060042612. All shares rank equally. There are no restrictions on the transferability and no restrictions on voting rights.

DIVIDENDS
Scandinavian Brake Systems A/S' dividend policy has been suspended as a consequence of the financing agreement entered into with the Group's bankers, etc. In connection with this, it has been agreed that no dividend will be distributed until this financing agreement expires, i.e. on 30 April 2017. After that date, the Board of Directors will assess the dividend policy.

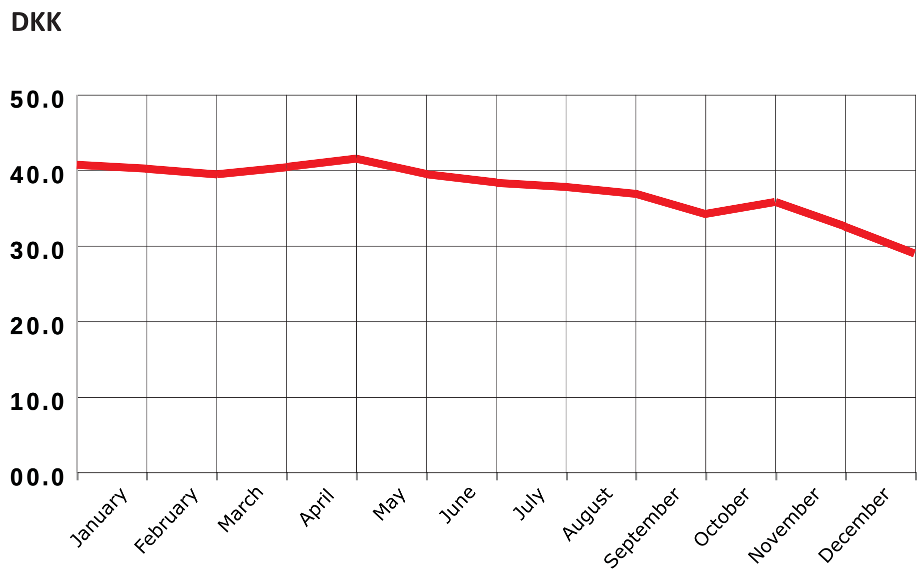
TREASURY SHARE POLICY
According to the general meeting's authorisation, SBS can at the maximum acquire treasury shares at a nominal amount of DKK 3,208,500, equivalent to 10% of the share capital, until the general meeting in 2016. The Company's holding of treasury shares made up a nominal amount of DKK 13,130, equivalent to 0.04% of the share capital at the end of 2015. 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 APPOINTING AND REPLACING MEMBERS OF THE BOARD OF DIRECTORS
SBS has four board members elected at the general meeting and three members elected by the employees of which one is a group representative. The board members elected by the general meeting are elected for one year, while the members elected by the employees are elected for a four-year period. Thus, all members elected by the general meeting must be re-elected every year, or new members must be elected to replace them. This also includes the chairman's and the deputy chairman's position.

MANAGEMENT COMPENSATION AGREEMENT IN CASE OF RESIGNATION/ACQUISITION
In connection with change of control, CEO Mads Bonde may ask for his resignation and will in that case receive severance pay corresponding to one year's salary.

No other agreements have been made with the Board of Directors, other executives or employees on financial compensation upon the change of control.



Exchange rate movements 2015

BOARD OF DIRECTORS

Tage Reinert (1957)

Chairman
Elected 2010
Master of Commerce, State Authorised Public Accountant

Primary qualifications
Financial control
International change management
Risk management and internal controls

Managerial posts
Chairman in Danpilot, Edlund A/S and Edlund Ejendomme A/S.

Member of the Board of Directors in Jet-Time A/S and CEO in Fyrrebakken 2009 ApS.

This member is considered independent.

Peter Eriksen Jensen (1954)

Vice Chairman
Elected 2013
IMD CH Senior Executive Management Program

Primary qualifications
Strategic development
International sale and marketing
Supply chain management

Managerial posts
Chairman of the Board of Directors in Cabinplant A/S, Herstal A/S, Icotera A/S, Jørgen Kruuse A/S, Summerbird A/S, Vitera A/S and 3L-Ludvigsen A/S.

Member of the Board of Directors in Broen LAB A/S, E-Vet A/S, Ima Ejendomme ApS, Ken A/S, Scan Global Logistics Holding ApS, Stiholt Holding A/S and CEO in Stiholt Holding A/S, International Management Advice ApS and B&P Holding ApS.

This member is not considered independent following his management posts in the principal shareholder company Stiholt Holding A/S.

Lars Radoor Sørensen (1963)

Elected 2013
Master of Commerce

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

Managerial posts
COO in Puma SE.

This member is considered independent.

Tim T. Albertsen (1963)

Elected 2015
HA, HD

Primary qualifications
Strategic management within the automotive industry
Paradigm shift and digitization
International financial conditions

Managerial posts
Deputy Group CEO, ALD International
Member of the Board of Directors in Kjaer Group A/S and Mil-Tek Americas Inc.

This member is considered independent.

BOARD OF DIRECTORS

Jytte Petersen (1957)

Elected 2012
Head of Payroll

Employee representative

Jan B. Pedersen (1959)

Elected 2002
Warehouse assistant

Employee representative

Henrik Bjørnbak (1971)

Elected 2012
Business consultant, ERP

Employee representative

EXECUTIVE BOARD

Mads Bonde (1967)

CEO
Employed in 2014
BSc production engineering
Bachelor of Commerce degree Organisation
Executive MBA

Carsten Schmidt (1971)

CFO
Employed in 2002
B. Com. Management Accounting, auditor

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

COMPANY DETAILS

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

LAWYERS
Danders & More
Frederiksgade 17
DK-1265 Copenhagen K

BANKERS
Nordea Bank Danmark A/S
Danske Bank A/S

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

HCS 82 APS
C/O Adv. Fa. F. Bruhn-Petersen
Toldbodgade 57, 2
DK-1253 Copenhagen K
Stake: 11.7 %

ULTIMATE PARENT COMPANY
EMPN Holding ApS
Knudsejevej 4
DK-9352 Dybvad

STOCK EXCHANGE ANNOUNCEMENTS 2015
26.02. New employee representative, board member
20.03. Announcement of the financial statements for 2014, including the annual report for 2014
25.03, Notification of annual general meeting
21.04. Change in the notification of annual general meeting
24.04. Interim report Q1 2015
24.04. General meeting
03.08. Revised financial calendar 2015
21.08. Interim report – first half 2015
25.08. Strengthening of supply chain regarding the brake disc business
10.09. Notox A/S – change in management
29.09. Strengthening of supply chain regarding the brake disc business
14.10. Strengthening of supply chain regarding the brake disc business
27.11. Interim report Q1 – Q3 2015
27.11. Financial calendar 2016

STOCK EXCHANGE ANNOUNCEMENTS 2016
10.03. Closedown of Notox A/S contemplated.
15.03. Closedown of Notox A/S
29.03. Announcement of the financial statements for 2015, including the annual report for 2015

FINANCIAL CALENDER 2016
04.04. Notification of annual general meeting
26.04. Annual general meeting
31.08. Interim report – first half 2016
22.11. Financial calendar 2017

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Scandinavian Brake Systems A/S for 2015.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2015 and of the results of the Group's and the Company's operations and cash flows for the financial year 1 January – 31 December 2015.

In our opinion, the Management commentary includes a fair review of the development in the Parent Company's and the Group's operations and financial conditions, results for the year, cash flows and financial position and a description of the more significant risks and uncertainty factors that the Group and the Parent Company face.

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

Svendborg, 29 March 2016

EXECUTIVE BOARD

Mads Bonde, CEO

Carsten Schmidt, CFO

BOARD OF DIRECTORS

Tage Reinert, Chairman

Peter Eriksen Jensen, Vice Chairman

Lars Radoor Sørensen

Tim T. Albertsen

Henrik Bjørnbak

Jytte Petersen

Jan B. Pedersen

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SCANDINAVIAN BRAKE SYSTEMS A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements
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 2015. The consolidated financial statements and the parent company financial statements comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, cash flow statement and notes, including accounting policies for the Group as well as for the Parent 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 Danish disclosure requirements for listed companies.

Management's responsibility for the consolidated financial statements and the parent company 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 Danish disclosure requirements for listed companies and for such internal control as Management considers necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit legislation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that provide a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion
In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2015 and of the results of the Group's and the Company's operations and cash flows for the financial year 1 January – 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Emphasis of matter regarding matters in the consolidated financial statements and the parent company financial statements
Without modifying our opinion we refer to note 2 in the paragraph "Close-down of Notox" in which Management accounts for significant assumptions and considerable uncertainty regarding the value of assets recognised at DKK 24.0 million regarding Notox in the consolidated statement of financial position at 31 December 2015 and for the provision for the negative balance in Notox regarding guarantee for bank loans and lease liabilities as well as letter of support of DKK 103.1 million in the Parent Company's statement of financial position at 31 December 2015.

Without modifying our opinion we refer to note 2 in the paragraph "Equity, cash resources and financing" in which Management accounts for the Group's and the Parent Company's financing agreement.

Statement on the Management commentary
Pursuant to the Danish Financial Statements Act, we have read the Management commentary. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Aalborg, 29 March 2016

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Niels David Nielsen
State Authorised Public Accountant

Torben Ahle Pedersen
State Authorised Public Accountant

INCOME STATEMENT

DKK million Notes		CONSOLIDATED 2015	CONSOLIDATED 2014	PARENT COMPANY 2015	PARENT COMPANY 2014
	Revenue	**783.5**	**1,013.9**	**25.7**	**29.3**
	Raw materials and consumables	-506.9	-598.7	-	-
	Changes in inventories of finished goods and work in progress	23.0	-37.8	-	-
	Other external costs	-108.4	-133.3	-6.6	-12.4
	Staff costs	-145.9	-178.4	-21.8	-20.9
	Operating profit before depreciation, amortisation, impairment losses and special items	**45.3**	**65.7**	**-2.7**	**-4.0**
	Special items:				
	Profit/loss on the sale of activity	-	66.6	-	-5.3
	Closedown of Notox	-126.3	-	-34.4	-
	Other special items (reorganisation, etc.)	-11.1	-20.2	-0.3	-2.1
	Operating profit/loss before depreciation, amortisation, impairment losses (EBITDA)	**-92.1**	**112.1**	**-37.4**	**-11.4**
	Depreciation, amortisation and impairment losses	-23.7	-15.7	-3.2	-3.2
	Operating profit (EBIT)	**-115.8**	**96.4**	**-40.6**	**-14.6**
	Impairment write-down of investments and amounts owed to subsidiaries	-	-	-147.8	-12.1
	Share of profit/loss from joint venture	-	-4.3		
	Dividend from group enterprise	-	-	79.9	102.5
	Finance income	0.1	27.7	3.7	28.4
	Finance costs	-22.3	-31.6	-11.3	-12.8
	Profit/loss before tax	**-138.0**	**88.2**	**-116.1**	**91.4**
	Tax on profit/loss for the year	-33.9	-26.5	5.6	-0.9
	Profit for the year	**-171.9**	**61.7**	**-110.5**	**90.5**
	Basic earnings per share (EPS)	-53.6	19.2		
	Diluted earnings per share (EPS-D)	-53.6	19.2		
	Proposed profit appropriation:				
	Dividends DKK 0 per share (2014: DKK 0 per share)			-	-
	Retained earnings			-110.5	90.5
	Total			**-110.5**	**90.5**

STATEMENT OF COMPREHENSIVE INCOME

DKK million		CONSOLIDATED		PARENT COMPANY	
Notes		2015	2014	2015	2014
	Profit/loss for the year	**-171.9**	**61.7**	**-110.5**	**90.5**
	Other comprehensive income				
	Items that can be reclassified to the income statement:				
	Price adjustment of securities	-	-	-	-
	Foreign exchange translation adjustments of foreign subsidiaries	0.2	-0.2	-	-
	Value adjustments of hedging instruments:				
	Value adjustments for the year	5.0	0.8	5.0	0.8
	Value adjustment transferred to cost of sales	-0.6	4.2	-	-
	Value adjustment transferred to finance costs	-2.9	-2.9	-2.9	-2.9
	Tax on other comprehensive income	-0.3	-0.6	-0.7	0.4
	Other comprehensive income after tax	**1.4**	**1.3**	**1.4**	**-1.7**
	Total comprehensive income	**-170.5**	**63.0**	**-109.1**	**88.8**
	Appropriation:				
	Shareholders of Scandinavian Brake Systems A/S			-109.1	88.8
				-109.1	**88.8**

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

STATEMENT OF FINANCIAL POSITION – ASSETS

DKK million	CONSOLIDATED		PARENT COMPANY	
Notes	31.12.2015	31.12.2014	31.12.2015	31.12.2014
NON-CURRENT ASSETS				
Intangible assets				
Goodwill	12.5	12.5	-	-
Patents, rights and trademarks	1.5	1.5	-	-
Development projects	6.4	3.4	-	-
Software	4.4	4.6	2.4	1.4
	24.8	**22.0**	**2.4**	**1.4**
Property, plant and equipment				
Land and buildings	66.9	122.5	35.8	87.2
Plant and machinery	30.7	113.5	-	0.1
Fixtures and fittings, other plant and equipment	10.0	9.7	0.8	0.7
Property, plant and equipment under construction	0.2	0.2	-	-
	107.8	**245.9**	**36.6**	**88.0**
Other non-current assets				
Investments in subsidiaries	-	-	236.1	236.1
Securities	0.1	0.1	0.1	0.1
Deferred tax	31.5	63.7		
	31.6	63.8	236.2	236.3
Total non-current assets	**164.2**	**331.7**	**275.2**	**325.7**
CURRENT ASSETS				
Inventories	179.8	172.7	-	-
Receivables	104.3	103.0	13.5	19.4
Corporation tax receivable	-	-	-	-
Cash at bank and in hand	0.2	0.1	-	-
	284.3	275.8	13.5	19.4
Assets held for sale	14.7	-	14.7	-
Total current assets	**299.0**	**275.8**	**28.2**	**19.4**
TOTAL ASSETS	**463.2**	**607.5**	**303.4**	**345.1**

STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

DKK million	CONSOLIDATED		PARENT COMPANY	
Notes	31.12.2015	31.12.2014	31.12.2015	31.12.2014
EQUITY				
Share capital	32.1	32.1	32.1	32.1
Hedging reserve	-9.7	-10.9	-11.6	-13.0
Translation reserve	1.7	1.5	-	-
Revaluation reserve	10.6	10.6	10.1	10.1
Other fair value adjustment reserve	-	-	-	-
Retained earnings	-231.5	-59.6	-83.0	27.5
Total equity	**-196.8**	**-26.3**	**-52.4**	**56.7**
LIABILITIES				
Non-current liabilities				
Deferred tax	-	-	11.3	11.9
Provisions for losses re. subsidiaries	-	-	103.1	-
Provisions	11.6	12.3	-	-
Credit institutions, etc.	448.9	61.5	40.0	43.5
Trade and other payables	-	-	100.0	175.0
Total non-current assets	**460.5**	**73.8**	**254.4**	**230.4**
Current liabilities				
Credit institutions, etc.	28.5	379.5	4.5	11.9
Trade and other payables	155.8	180.5	89.7	46.1
Corporation tax payable	-	-	-	-
Provisions	8.0			
	192.3	560.0	94.2	58.0
Liabilities re. assets held for sale	7.2	-	7.2	-
Total current liabilities	**199.5**	**560.0**	**101.4**	**58.0**
Total liabilities	**660.0**	**633.8**	**355.8**	**288.4**
TOTAL LIABILITIES	**463.2**	**607.5**	**303.4**	**345.1**

STATEMENT OF CHANGES IN EQUITY

DKK million

CONSOLIDATED

	Share-capital	Reserve for heading-trans-actions	Reserve for foreign exchang-rate adjust-ments	Reserve for other fair-value adjust-ments	Reserve for revalu-ation	Retained earning	Total
Equity 1 January 2014	**32.1**	**-12.4**	**1.7**	**4.3**	**10.6**	**-125.6**	**-89.3**
Total comprehensive income for 2014							
Profit for the year	-	-	-	-	-	61.7	61.7
Other comprehensive income							
Transfer from undistributable to distributable reserves	-	-	-	-4.3	-	4.3	-
Price adjustment of securities	-	-	-	-	-	-	-
Foreign exchange adjustments on translation of foreign subsidiaries	-	-	-0.2	-	-	-	-0.2
Value adjustments of hedging instruments:							
Value adjustment for the period	-	0.8	-	-	-	-	0.8
Value adjustments transferred to cost of sales	-	4.2	-	-	-	-	4.2
Value adjustments transferred to finance costs		-2.9	-	-	-	-	-2.9
Tax on other comprehensive income	-	-0.6	-		-	-	-0.6
Total other comprehensive income	**-**	**1.5**	**-0.2**	**-4.3**	**-**	**4.3**	**1.3**
Comprehensive income for the period	**-**	**1.5**	**-0.2**	**-4.3**	**-**	**66.0**	**63.0**
Equity at 31 December 2014	**32.1**	**-10.9**	**1.5**	**-**	**10.6**	**-59.6**	**26.3**

STATEMENT OF CHANGES IN EQUITY

DKK million

CONSOLIDATED

	Share-capital	Reserve for heading-trans-actions	Reserve for foreign exchang-rate adjust-ments	Reserve for other fair-value adjust-ments	Reserve for revalu-ation	Retained earning	Total
Equity at 1 January 2015	**32.1**	**-10.9**	**1.5**	**-**	**10.6**	**-59.6**	**26.3**
Total comprehensive income for 2015							
Profit for the year	-	-	-	-	-	-171.9	-171.9
Other comprehensive income							
Price adjustment of securities	-	-	-	-			
Foreign exchange adjustments on translation of foreign subsidiaries	-	-	0.2	-	-	-	0.2
Value adjustments of hedging instruments:							
Value adjustment for the period	-	5.0	-	-	-	-	5.0
Value adjustments transferred to cost of sales	-	-0.6	-	-	-	-	-0.6
Value adjustments transferred to finance costs		-2.9	-	-	-	-	-2.9
Tax on other comprehensive income	-	-0.3	-		-	-	-0.3
Total other comprehensive income	**-**	**1.2**	**0.2**	**-**	**-**		**1.4**
Comprehensive income for the period	**-**	**1.2**	**0.2**	**-**	**-**	**-171.9**	**-170.5**
Equity at 31 December 2015	**32.1**	**-9.7**	**1.7**	**-**	**10.6**	**-231.5**	**-196.8**

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.

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 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.

Reserve for equity instruments pertaining to subordinate capital and other fair value adjustments
The reserve comprises accumulated adjustments of the fair value of derivative financial instruments in relation to the subordinated loan capital as well as financial assets classified as available for sale. The reserves, which form part of the Company's distributable reserves, is eliminated and transferred to the income statement as the investment is sold or written down.

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

DKK million

PARENT COMPANY

	Reserve for heading-trans-actions	Reserve for foreign exchang-rate adjust-ments	Reserve for other fair-value adjust-ments	Reserve for revalu-ation	Retained earning	Total
Equity at 1 January 2014	**32.1**	**-11.3**	**4.3**	**10.1**	**-67.3**	**-32.1**
Total comprehensive income for 2014						
Profit for the year	-	-	-	-	90.5	90.5
Other comprehensive income						
Transfer from undistributable to distributable reserves	-	-	-4.3	-	4.3	-
Price adjustment of securities	-	-	-	-	-	-
Value adjustments of hedging instruments:						
Value adjustment for the period	-	0.8	-	-	-	0.8
Value adjustments transferred to cost of sales	-	-	-	-	-	-
Value adjustments transferred to finance costs	-	-2.9	-	-	-	-2.9
Tax on other comprehensive income	-	0.4	-	-	-	0.4
Total other comprehensive income	**-**	**-1.7**	**-4.3**	**-**	**4.3**	**-1.7**
Comprehensive income for the period	**-**	**-1.7**	**-4.3**	**-**	**94.8**	**88.8**
Equity at 31 December 2014	**32.1**	**-13.0**	**-**	**10.1**	**27.5**	**56.7**

STATEMENT OF CHANGES IN EQUITY

DKK million

PARENT COMPANY

	Reserve for heading-transactions	Reserve for foreign exchang-rate adjust-ments	Reserve for other fair-value adjust-ments	Reserve for revalu-ation	Retained earning	Total
Equity at 1 January 2015	**32.1**	**-13.0**	**-**	**10.1**	**27.5**	**56.7**
Total comprehensive income for 2015						
Profit for the year	-	-	-	-	-110.5	-110.5
Other comprehensive income						
Price adjustment of securities	-	-	-	-	-	-
Value adjustments of hedging instruments:						
Value adjustment for the period	-	5.0	-	-	-	5.0
Value adjustments transferred to cost of sales	-	-	-	-	-	-
Value adjustments transferred to finance costs	-	-2.9	-	-	-	-2.9
Tax on other comprehensive income	-	-0.7	-	-	-	-0.7
Total other comprehensive income	**-**	**1.4**	**-**	**-**	**-**	**1.4**
Comprehensive income for the period	**-**	**1.4**	**-**	**-**	**-110.5**	**-109.1**
Equity at 31 December 2015	**32.1**	**-11.6**	**-**	**10.1**	**-83.0**	**-52.4**

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.

Equity instrument reserve related to subordinate capital and other fair value adjustments
The reserve comprises accumulated adjustments of the fair value of derivative financial instruments in relation to the subordinated loan capital as well as financial assets classified as available for sale. The reserves, which form part of the Company's distributable reserves, is eliminated and transferred to the income statement as the investment is sold or written down.

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.

CASH FLOW STATEMENT

DKK million Notes		CONSOLIDATED 2015	CONSOLIDATED 2014	PARENT COMPANY 2015	PARENT COMPANY 2014
	Profit/loss before tax	-138.0	88.2	-116.1	91.4
	Depreciation, amortisation and impairment losses	23.7	15.7	3.2	3.2
1	Adjustments	152.2	-79.0	189.1	0.1
2	Change in working capital	-42.2	-13.1	12.1	-84.9
	Cash generated from operations (operating activities)	-4.3	11.8	88.3	9.8
	Finance income received	0.1	0.5	3.7	1.2
	Finance costs paid	-22.3	-23.4	-11.3	4.5
	Corporation tax paid during the financial year (net)	-2.7	-2.7	-	-
	Cash flow from operating activities	**-29.2**	**-13.8**	**80.7**	**6.5**
	Acquisition of intangible assets	-6.2	-3.7	-1.4	-0.5
	Acquisition of property, plant and equipment	-11.5	-11.3	-0.5	-1.6
	Sale of property, plant and equipment	3.3	5.7	-	-
	Sale of activities	-	198.2	-	-
	Cash flow from investing activities	**-14.4**	**188.9**	**-1.9**	**-2.1**
	Raising and repayment of non-current liabilities other than provisions	43.7	-175.2	-3.8	-179.4
	Raising and repayment of intra-group debt	-	-	-75.0	175.0
	Cash flow from financing activities	**43.7**	**-175.2**	**-78.8**	**-4.4**
	Cash flows for the year	**0.1**	**-**	**-**	**-**
	Liquid funds at the beginning of the period	0.1	0.1	-	-
	Liquid funds at the end of the period	**0.2**	**0.1**	**-**	**-**
1	**Adjustments**				
	Finance income	-0.1	-27.7	-3.7	-28.4
	Finance costs	22.3	31.6	11.3	12.8
	Profit /loss on the sale of activity	-	-66.6	-	5.3
	Non-cash special items	126.3	-20.2	34.4	
	Write-down on investments in and receivables from subsidiaries	-	-	147.8	12.1
	Other adjustments	3.7	3.8	-0.7	-1.7
		152.2	**-79.0**	**189.1**	**0.1**
2	**Changes in working capital**				
	Changes in receivables, etc.	30.9	56.5	-141.9	-0.6
	Intra-group remission of debt and Group contribution	-	-	110.4	-
	Changes in inventories	-7.1	82.6	-	-
	Hereof write-down re. Notox close-down	-48.6	-		-
	Changes in trade payables, etc.	-17.4	-31.0	43.6	-84.3
	Recognised under sale of activities	-	-121.2	-	-
		-42.2	**-13.1**	**12.1**	**-84.9**

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

NOTES

CONTENTS NOTES

NOTE 1 ACCOUNTING POLICIES

Scandinavian Brake Systems A/S is a public limited company domiciled in Denmark. The financial statements section of the annual report for the period 1 January – 31 December 2015 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 the parent company financial statements of Scandinavian Brake Systems A/S for 2015 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements for listed companies.

On 29 March 2016, the Board of Directors and the Executive Board have discussed and approved the annual report of Scandinavian Brake Systems A/S for 2015. The annual report will be presented to the shareholders of Scandinavian Brake Systems A/S for approval at the annual general meeting on 26 April 2016.

Basis of preparation
The consolidated financial statements and the parent company financial statements have been presented in Danish kroner, which is the functional currency of the Parent Company, rounded to the nearest DKK million.

The consolidated financial statements and the parent company financial statements are prepared applying the historical cost basis except for derivatives and securities which are measured at fair value.

Non-current assets and disposal groups classified as held for sale are measured at the lower of the carrying amount before the changed classification and fair value less costs to sell.

The accounting policies set out below have been used consistently in respect of the financial year and to comparative figures. For standards implemented prospectively, comparative information is 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. Based on their knowledge of the Group and the Parent Company, the estimated outlook and the identified uncertainties and risks in this respect as well as an examination of budgets, including the expected development in liquidity, capital base, etc., existing credit facilities, including contractual and expected maturity periods, as well as other conditions, the Board of Directors, the Audit Committee and the Executive Board concluded that the Group and the Company can and will continue its operations at least until the end of the next reporting date. Thus, it is deemed appropriate, reasonable and well-founded to base the financial reporting on the going concern assumption. Moreover, we refer to note 2.

Changes in accounting policies
Scandinavian Brake Systems A/S has implemented the standards and interpretations (IFRICs) in force for 2015.

The new standards and interpretations did not affect recognition and measurement in 2015, and consequently, they did not affect the results and diluted earnings per share.

Consolidated financial statements
The consolidated financial statements comprise the Parent Company, Scandinavian Brake Systems A/S, and subsidiaries over which Scandinavian Brake Systems A/S exercises control.

The Group exercises control over an enterprise if the Group is exposed to or has rights to variable returns arising from its involvement in the enterprise and may affect these returns through its power over the enterprise.

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.

Enterprises which Scandinavian Brake Systems A/S heads together with one or more other enterprises are considered joint ventures or associates. Investments in joint ventures and associates are measured according to the equity method in the consolidated financial statements.

The consolidated financial statements have been prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with joint ventures and associates are eliminated in proportion to the Group's ownership share of the enterprise. Unrealised losses are eliminated in the same way as unrealised gains to the extent that impairment has not taken place.

Business combinations
Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated financial statements up to the date of disposal. The comparative figures are not restated for acquisitions. Discontinued operations and assets held for sale are presented separately.

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 related to the 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 2015 and 2014 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

NOTE 1 ACCOUNTING POLICIES – (CONTINUED)

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 indications of impairment. The first impairment test is performed within the end of the acquisition year. Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for the impairment test. 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 consideration transferred by a business 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 conditions, this 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 identification or measurement of acquired assets, liabilities or contingent liabilities or determination of the consideration exist at the acquisition date, initial recognition will take place on the basis of provisional values. If subsequently it becomes apparent that the identification or measurement of the purchase consideration, acquired assets, liabilities or contingent liabilities was incorrect on initial recognition, the statement is adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures are restated. Subsequently, goodwill is not adjusted. Changes to estimates of contingent considerations are recognised in profit or loss for the year.

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, foreign currency transactions are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as finance income or finance costs.

Receivables and payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates at the date of the statement of financial position. The difference between the exchange rates at the date of the statement of financial position and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as finance income or finance costs.

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 end of the reporting period. 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.

Foreign exchange adjustments which are considered part of the total net investment in foreign operations with another functional currency than DKK are recognised in the consolidated financial statements in other comprehensive income under a separate translation reserve in equity.

On recognition in the consolidated financial statements of joint ventures with a different functional currency than DKK, the share of the profit/loss for the year is translated at average exchange rates, and the share of equity including goodwill is translated at the exchange rates at the date of the statement of the financial position. Foreign exchange differences arising on translation of the opening equity of foreign joint ventures and associates at the exchange rates at the date of the statement of financial position and on translation of the share of profit/loss for the year from average exchange rates to the exchange rates at the date of the statement of financial position are recognised as other comprehensive income in a separate translation reserve in equity.

On full or partial disposal of wholly-owned foreign operations resulting in a loss of control, the foreign currency translation adjustments that have been recognised in the Parent Company's share of other comprehensive income and that are attributable to the foreign operation are reclassified from other comprehensive income to profit or loss together with any gains or losses derived from the disposal.

On partial disposal of joint ventures, the proportionate share of the accumulated translation reserve recognised in other comprehensive income is transferred to profit or loss for the period together with gains or losses derived from the disposal.

Repayment of balances which constitute part of the net investment is not considered a partial disposal of the subsidiary.

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.

NOTE 1 ACCOUNTING POLICIES – (CONTINUED)

Fair value hedge
Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of recognised assets and liabilities are recognised in the income statement together with changes in the value of the hedged asset or liability as far as the hedged portion is concerned. Hedging of future cash flows according to agreement (firm commitment), except for foreign currency hedges, is treated as a fair value hedge.

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

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 financial items.

Other derivative financial instruments
For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in profit or loss as finance income or finance costs.

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
Revenue from the sale of goods for resale and finished goods is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured at fair value ex VAT, taxes and discounts in relation to the sale. All discounts granted are recognised in revenue.

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.

Profits/losses from investments in joint ventures
The proportionate share of profit/loss of joint ventures after tax is recognised in the consolidated income statement after elimination of the proportionate share of inter-company profits/losses.

Dividends from group enterprise
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.

Finance income and finance costs
Finance income and expenses comprise interest income and expenses, exchange gains and losses on transactions denominated in foreign currencies as well as impairment of securities. Furthermore, amortisation of financial assets and liabilities, including finance leases, as well as surcharges and refunds under the on-account tax scheme and changes in the fair value of derivative financial instruments which are not designated as hedging instruments are included.

Borrowing costs relating to general borrowing or loans directly relating to acquisition, construction or development of qualifying assets are allocated to the cost of such assets.

Tax on profit/loss for the year
Scandinavian Brake Systems A/S is jointly taxed with all Danish and foreign companies in the Knudseje Holding ApS Group, under the Danish rules on compulsory joint taxation of the Knudseje Holding ApS Group's Danish companies as well as voluntary adoption of international joint taxation. 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 corporation tax is allocated between the jointly taxed companies 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 in equity.

ASSETS

Intangible assets

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

NOTE 1 ACCOUNTING POLICIES – (CONTINUED)

combinations". 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.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life from the date when the asset is available for use. The amortisation period is usually five to ten years. The basis of amortisation is calculated less any impairment loss.

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents and licences are amortised on a straight-line basis over the lower of the remaining patent or contract period and the useful life. The amortisation period is usually five to ten 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 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, and wages and salaries as well as borrowing costs relating to specific and general borrowing directly attributable to the construction of the individual asset.

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.

Subsequent costs, e.g. in connection with replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for 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, other plant 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 useful life and 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.

Investments in subsidiaries and joint ventures are measured at cost in the parent company financial statements.
Investments in subsidiaries and joint ventures 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 and joint ventures 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 of joint ventures and subsidiaries, such obligation is recognised as liabilities. Any receivables from joint ventures and subsidiaries are written down if the amount owed is deemed irrecoverable.

Investments in joint ventures
Investments in joint ventures are measured in the consolidated financial statements at the proportionate share of the enterprises' net asset value according to consolidated accounting policies. Investments in joint ventures are tested for impairment when there is evidence of impairment.

Other securities
Other securities are measured at fair value, and changes in fair values are recognised in other comprehensive income on a regular basis.

NOTE 1 ACCOUNTING POLICIES – (CONTINUED)

Impairment testing of non-current assets
Goodwill and intangible assets with indefinite useful lives are subject to annual impairment tests, 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 over the income statement 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 goodwill is allocated.

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 of goodwill is not reversed. Impairment of other assets is reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation. 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 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 and indirect production overheads directly attributable to the production of the individual inventory. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory 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 is made for bad debt losses where there is an objective indication that a receivable has been impaired. Write-down is made on an individual basis. Write-downs are calculated as the difference between the carrying amount and the present value of expected cash flows, including the realisable value of any collateral received.

EQUITY

Dividends
Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting. The expected dividend payment for the year is disclosed as a separate item under 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.

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 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.

Equity instrument reserve related to fair value adjustments
The reserve relates to derivative financial instruments associated with the accumulated changes in fair value of financial assets available for sale. The reserve was transferred to distributable reserves in connection with the repayment of a subordinate loan.

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.

OBLIGATIONS

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.

NOTE 1 ACCOUNTING POLICIES – (CONTINUED)

Current and deferred tax
Current tax payable and receivable is recognised in the statement of financial position as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Joint taxation contributions payable and receivable are recognised in the statement of financial position under 'Balances with group entities'.

Deferred tax is measured using the statement of financial position liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition 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 applicable in the respective countries at the end of the reporting period when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the 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
Amounts owed to mortgage credit institutions, etc., are recognised at the date of borrowing at fair value less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalized value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement as finance costs over the term of the loan.
Financial liabilities also include the outstanding obligation under finance leases, which is measured at amortised cost.

Other financial liabilities are measured at amortised cost.

Leases
For accounting purposes lease obligations are divided into finance and operating leases.

Leases are classified as finance leases if they transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases.

The accounting treatment of assets held under finance leases and lease obligations is described under Property, plant and equipment and Financial liabilities, respectively.

Operating lease payments are recognised in the statement of income on a regular basis over the lease term.

Assets classified as held for sale
Assets held for sale comprises non-current assets and disposal groups held for sale. Disposal groups are defined as a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction. Liabilities associated with assets held for sale are those liabilities directly associated with the assets that will be transferred in the transaction. Assets are classified as held for sale if the carrying amount will be recovered principally through a sale within 12 months in accordance with a formal plan rather than through continuing use.

Assets or disposal groups held for sale are measured at the lower of carrying amount at the date of the reclassification as "held for sale" or fair value less costs to sell. Assets are not depreciated or amortised from the date when they are reclassified as held for sale.

Impairment losses on the initial classification as "held for sale" and gains and losses on subsequent remeasurement at the lower of the carrying amount and fair value less costs to sell are recognised in the income statement in the items to which they relate. Gains and losses are disclosed in the notes.

Assets and associated liabilities are presented as separate line items in the statement of financial position, and the main items are specified in the notes. Comparative figures are not restated.

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 enterprises is shown separately in cash flows from investing activities. Cash flows from acquisitions of enterprises are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of enterprises are recognised up until the date of disposal.

Cash flows from operating activities are calculated according to the indirect method as profit/loss before tax adjusted for non-cash operating items, changes in working capital, interest, payments, dividends and income taxes 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. Acquisitions of assets by means of finance leases are treated as non-cash transactions.

Cash flows from financing activities comprise changes in the share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, acquisition and disposal of treasury shares and payment of dividends to shareholders. Cash flows from assets held under finance leases are recognised as payment of interest and repayment of debt.

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less at the acquisition date which are subject to an insignificant risk of changes in value.

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 revenue and costs and 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 segment assets comprise non-current assets used directly in the operating activities of the segment, including intangible assets, property, plant and equipment, and investments in joint ventures and associates. Current segment assets comprise current assets used directly in the operating activities of the segment, including inventories, trade receivables, other receivables, prepayments and cash at bank and in hand.

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

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, end of year
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 value	Share price at year end
	BVPS

Earnings per share (EPS) 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 2015".

*EBITA = Earnings before interest, taxes, depreciation and amortisation.

Average invested capital = Net working capital and intangible assets and property, plant and equipment.

DKK million

NOTE 2 ACCOUNTING ESTIMATES AND JUDGEMENTS

Determination of the carrying amount of certain assets and liabilities requires judgements, 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. Specific risks for the Group and the Parent Company are discussed in the Management commentary, page 12.

It may be necessary to change previously made estimates due to changes in the facts on which these estimates were based or due to new knowledge or subsequent events.

Since the beginning of the financial crisis in 2008, development and in particular the Notox Division's markets and conditions for obtaining financing have changed significantly. Consequently, the uncertainty surrounding accounting estimates has increased considerably.

Uncertainties subject to estimates and assessments that have major impact on the Group and the Parent Company are disclosed below. These uncertainties comprise liquidity and financing, valuation of assets regarding the Notox Division, impairment test for goodwill and deferred tax assets.

Estimates and assessments made reflect Management's best estimate and assessment at the date of the statement of financial position.

Equity, cash resources and financing
The capital base of the Group and the Parent Company is in particular affected by write-downs of the Notox activities on 31 December 2015; see the paragraph "Close-down of Notox". The Group's and the Parent Company's equity then totals a negative DKK 196.8 million and a negative DKK 52.4 million, respectively.

The Parent Company falls under the provision of Danish company legislation regarding capital losses. According to the provisions of the Act, the Board of Directors will address the capital loss identified at the general meeting on 26 April 2016. The Board of Directors considers the financial position adequately described in this annual report.

Management expects that the Group's and the Parent Company's operations and earnings, given the Group's strategy plan until the end of 2019, will contribute to a gradual strengthening of the capital base. Thus, Management believes that the Parent Company has re-established the share capital via dividends from subsidiaries within the Group's present strategy period, which expires at the end of 2019. Moreover, the Board of Directors intends to examine and assess the possibility of further strengthening the capital base of the Group and the Parent Company via investors/sources of funding.

In December 2015, the Group prolonged its financing agreement with the banking institutions, and the Group's financing requirements are therefore covered up to 30 April 2017. Based on the group budget for 2016, Management assesses that adequate room for manoeuvre is available to comply with the conditions and covenants agreed. 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. In the opinion of Management, the Group and the Parent Company have adequate liquidity to carry through the planned activities and operations according to the budget for 2016.

A strengthening of the Group's financial situation after the expiry of the existing financing agreement is considered on an ongoing basis together with the Group's bankers. Mid 2016, Management will open a dialogue with the Group's banking institutions for the purpose of entering into a new, long-term financing agreement which will provide the Group with the required financial base to continue its activities and operations in the coming years. Based on the ongoing dialogue, Management expects that the Group's banking institutions will be favourably disposed towards entering into a new, long-term financing agreement. The Group expects to further reduce interest-bearing debt within the strategy period up to the end of 2019.

Management has considered the Company's prospects based on the below:
- The Group's strategy plan until the end of 2019 (inclusive of the identified uncertainties and risks involved)
- 2016 budget, including expectations of development in cash flows
- Development in the capital base
- Existing credit facilities, including terms and conditions and the possibility for a prolongation of the financing agreement after April 2017 with the Group's banking institutions.

and concluded that the Group and the Parent Company can continue its operations according to the strategy plan up to the end of 2019.

NOTE 2 ACCOUNTING ESTIMATES AND JUDGEMENTS – (CONTINUED)

Consolidated capital resources are specified as follows:

DKK million	2015	2014
Cash and cash equivalents	0.2	0.1
Undrawn credit facilities	21.6	28.0
Capital resources at 31 December	**21.8**	**28.1**

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

Closedown of Notox

In March 2016, the Management decided to close down Notox, which has been put up for a sale of assets or a sale of the assets individually, see the stock exchange announcements dated 10 March 2016 and 15 March 2016. In that connection, Management made write-downs relating to Notox in the amount of DKK 160 million in the consolidated financial statements of 31 December 2015.

Business foundation

Notox comprises the manufacturing and sale of diesel particulate filters which aim at reducing emissions of detrimental particles from diesel motors. The products are delivered in various degrees of processing.

The particulate filters are primarily used for diesel-driven on/off road vehicles, ships, diesel locomotives and diesel-driven industrial machines. Notox operates world-wide, and market opportunities and growth are based on legislative framework as well as on the global, green, political agenda.

Business development

Notox realised revenue of DKK 17 million in 2015 compared to DKK 11 million in 2014. The revenue increase relates to the existing customer portfolio and new projects. The increase relates to customers in Europe and in Asia, primarily within solutions to the marine industry, on/off road vehicles and the mining industry. An influx of new customers was noted, among others Chinese enterprises which are specialised in retrofit solutions for small trucks and buses in order to solve some of the massive air pollution problems in the Chinese cities.

Despite the increase in revenue, the company did not succeed in generating positive operating results. EBITDA totalled a negative DKK 9 million in 2015 compared to a negative DKK 5 million in 2014.

The unsatisfactory operating results are primarily attributable to Notox being a small production unit for which the establishment of a stable process flow is rendered difficult due to inconsistent order intake and wide variations in the production volume. This resulted in high production costs compared with the market level.

During 2015, a number of initiatives were taken to ensure a more efficient and continuous execution of the production orders in order to reduce costs. Unfortunately, these initiatives did not bring Notox in a situation by which the business model was strengthened.

At the end of 2015 and the beginning of 2016, the order intake was historically low and taking into consideration the unsatisfactory contribution to earnings, SBS would face yet another very disappointing financial performance result of the Notox activity in 2016. A continuation of Notox according to the strategy plan would furthermore require continued investments in the business area in coming years. Therefore, Management made a detailed assessment of Notox and the business area together with an external consultancy firm.

At the meeting on 10 March 2016, the Board of Directors of SBS decided to initiate a process with the employees regarding the close-down of Notox A/S. Subsequently, it was decided to close down Notox, which has been put up for a sale of all assets or a sale of the assets individually.

At present, Management has already made some adjustments in Notox in 2016, which include the cessation of production in Svendborg and the discharge of Notox' employees of which some are now employed with SBS Friction.

DKK million

NOTE 2 ACCOUNTING ESTIMATES AND JUDGEMENTS – (CONTINUED)

Accounting issues

In connection with the presentation of the consolidated financial statements and the parent company financial statements for 2015, Management assessed the need for impairment write-down regarding Notox as of 31 December 2015. At present no indicative bid for Notox has been received from potential buyers/business partners. Consequently, Management has engaged an external advisory firm to make a valuation of Notox and recognised the assets at an estimated fair value upon close-down. The assets include development projects, factory buildings, production facilities, inventories, receivables and other working capital pertaining to the Notox Division.

In that connection, Management made write-downs relating to Notox in the amount of DKK 160 million in the consolidated financial statements of 31 December 2015. As the decision to close down Notox was not made in 2015, but in 2016, Notox has not been recognised and presented as a discontinuing operation and assets held for sale in the consolidated financial statements and the parent company financial statements for 2015, but recognised under the relevant items of the statement of the financial position inclusive of the write-downs made. According to Management's assessment, close-down costs in 2016 in the form of immediate release of employees, etc. account for DKK 5-10 million (estimate).

Management's estimates of fair values regarding assets relating to the Notox activity are subject to considerable uncertainty. In determining fair value, Management has assumed that Notox will be divested in full or in part under the present market conditions but in a controlled process. Impairment write-downs and the carrying amounts of assets less write-downs relating to Notox at 31 December 2015 are specified as follows:

DKK million	***Cost***	**Value at 31 Dec. 2015 before write-down**	**Write-down**	**Esti-mated value**
Goodwill	170.9	-	-	-
Trademarks and patents and development projects	35.0	0.3	-0.3	-
Land and buildings	60.8	45.1	-36.6	8.5
Production equipment	238.4	85.5	-74.3	11.2
Inventories	25.4	16.1	-14.2	1.9
Other current assets	19.7	3.3	-0.9	2.4
Total excl. tax asset	**550.2**	**150.3**	**-126.3**	**24.0**
Tax asset	92.5	33.5	-33.5	-
Total	**642.7**	**183.8**	**-159.8**	**24.0**

The write-down of the tax asset is recognised in the consolidated financial statements for 2015 as "Tax on profit for the year" in the amount of DKK 33.5 million, and the remaining write-down of DKK 126.3 million is recognised as "Special items".
The Parent Company has provided guarantee for bank and leasing debt in Notox, just as a comfort letter has been issued to Notox. Based thereon, a provision for bad debts regarding Notox has been made in the parent company financial statements for 2015 regarding Notox in the amount of DKK 103.1 million at 31 December 2015.

Please note that the assessment of the need for impairment write-down regarding Notox in the consolidated financial statements and the bad debt provision regarding the guarantee provided for bank liabilities and lease liabilities and the comfort letter in the parent company financial statements under the existing conditions is still subject to significant estimates and uncertainties.

Management will therefore reassess the assets for indications of impairment.

DKK million

NOTE 2 ACCOUNTING ESTIMATES AND JUDGEMENTS – (CONTINUED)

Deferred tax assets
The statement of financial position includes deferred tax assets in the amount of DKK 31.5 million at 31 December 2015 (2014: DKK 63.7 million) which are specified as follows:

DKK million	
Tax loss allowed for carryforward	23.3
Temporary difference on assets	54.1
Temporary differences on liabilities and provisions	15.3
Deferred tax before write-down	**92.7**
Write-down of tax asset regarding Notox	-33.5
Non-capitalised tax asset relating to write-downs made for the year on Notox assets	-27.7
Deferred tax at 31 December 2015	**31.5**

The computation of deferred tax assets has been based on Management's expectations of future results for the coming 3-5 years and the consequential use of tax losses within the joint taxation unit.

At 31 December 2015, the Group has not capitalised tax assets in full due to the write-down of the Notox activities in 2015. The value of non-capitalised tax assets totals DKK 61.2 million.

Impairment test, goodwill
In connection with the annual impairment test of goodwill or when there is an indication of impairment, it is assessed whether the parts of the enterprise (cash-generating units) to which goodwill can be allocated will be able to generate adequate positive net cash flows in future to support the value of goodwill and other net assets in the respective part of the enterprise.

Following the nature of the business, estimates are to be made of expected future cash flows many years ahead which, of course, involves some uncertainty. The discount rate applied reflects this uncertainty.

DKK million

NOTE 3 SEGMENT INFORMATION

Activities

CONSOLIDATED

	SBS Automotive		SBS Friction		Notox		Other segments incl. eliminations *		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Revenue, external customers	649.6	887.2	116.7	115.8	17.2	10.8	-	0.1	**783.5**	**1.013.9**
EBITDA recurring before special items	40.5	57.0	18.1	17.6	-9.1	-5.0	-4.2	-3.9	**45.3**	**65.7**
Depreciation and amortisation	-5.2	-6.1	-6.3	-6.3	-9.0	-0.1	-3.2	-3.2	**-23.7**	**-15.7**
Operating profit/loss	23.7	35.4	11.5	11.3	-110.5	-6.0	-40.5	55.7	**-115.8**	**96.4**
Share of profit/loss from joint venture	-	-4.3	-	-	-	-	-	-	**-**	**-4.3**
Net financials	-3.6	-8.4	-1.7	-2.1	-9.3	-9.1	-7.6	15.7	**-22.2**	**-3.9**
Profit/loss before tax	20.2	22.8	9.8	9.3	-119.8	-15.1	-48.2	71.3	**-138.0**	**88.2**
Profit/loss for the year	14.2	15.2	7.9	7.0	-147.5	-12.3	-46.5	51.8	**-171.9**	**61.7**
Segment assets	389.7	362.3	117.9	112.9	15.5	148.7	-59.9	-16.4	**463.2**	**607.5**
Capital expenditure	5.0	3.9	5.2	3.8	0.6	2.0	0.7	1.6	**11.5**	**11.3**
Segment liabilities	391.7	359.4	82.5	72.4	118.5	190.8	67.3	11.2	**660.0**	**633.8**
Cash flows from operating activities	-17.2	100.6	19.2	16.5	-16.3	-8.3	-14.9	-122.6	**-29.2**	**-13.8**
Cash flows from investing activities	-2.5	5.3	-8.9	-6.4	-0.9	2.3	-2.1	187.7	**-14.4**	**188.9**
Cash flows from financing activities	-19.4	-187.3	-24.0	-10.8	13.7	10.2	73.4	12.7	**43.7**	**-175.2**
Total free cash flows	**-39.1**	**-81.4**	**-13.7**	**-0.7**	**-3.5**	**4.2**	**56.4**	**77.9**	**0.1**	**-**

* The item comprises the Group's shared service function comprising group management, finance and other group-related specialist departments.

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 SBS 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 SBS Group has three reportable segments: SBS Automotive and SBS Friction as well as Notox. SBS Automotive comprises activities within vehicles, primarily the remanufacture of brake callipers as well as 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. Notox comprises the manufacturing and sale of diesel particulate filters.

Each of the SBS Group's three 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.

DKK million

NOTE 3 SEGMENT INFORMATION – (CONTINUED)

Products and services

Revenue of the SBS Group primarily relates to the sale of friction materials and diesel particulate filters, see presentation above. The SBS Group has not defined and does not sell any services.

Geographical disclosures

The SBS 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. Geographical information is disclosed for continuing operations as well as assets classified as held for sale.

	Europe		Other world		Consolidated total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Revenue, external customers in Denmark	77.9	88.7	-	-	**77.9**	**88.7**
Revenue, external customers abroad	622.7	842.7	82.9	82.5	**705.6**	**925.2**
Revenue, see income statement					**783.5**	**1.013.9**
Non-current segment assets in Denmark	90.2	221.4	-	-	**90.2**	**221.4**
Non-current segment assets abroad	42.4	46.5	-	-	**42.4**	**46.5**
Non-current assets, see the statement of financial position**					**132.6**	**267.9**
Capital expenditure	11.5	11.3	-	-	**11.5**	**11.3**

** Non-current assets, see the statement of financial position, excl. investments, securities and deferred tax.

Significant customers

The SBS Group has no customers for which revenue exceeds 10% of total consolidated revenue.

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