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COPENHAGEN STOCK EXCHANGE

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STOCK EXCHANGE ANNOUNCEMENT NO. 04-2007

Preliminary announcement of the annual accounts

- Consolidated turnover of DKK 785.2 million against DKK 687.7 million in 2005 – an increase of 14.2%.
- EBIT of DKK 72.2 million against DKK 51.2 million in 2005 – an increase of 41.0%.
- A profit before tax, excl. Notox A/S, of DKK 59.9 million against DKK 43.8 million in 2005.
A profit before tax, incl. Notox A/S, of DKK 42.3 million against DKK 43.3 million in 2005.
The profit for the year is satisfactory and is in accordance with the announced expectations.
- The profit before tax for 2007, excl. Notox A/S, is projected to be DKK 72-77 million, and, incl. Notox A/S, it is projected to be on a level with the profit for 2006.
- The Board of Directors recommends the distribution of a dividend of DKK 2.60 per share for the year against a dividend of DKK 3.20 for the previous year.

STOCK EXCHANGE ANNOUNCEMENT NO. 04-2007**The Management's Financial Review**

The net consolidated turnover for the Group was DKK 785.2 million against DKK 687.7 million in 2005, which is an increase of 14.2%. The increase in turnover has solely been generated through organic growth.

The operating profit (EBIT) amounted to DKK 72.2 million against DKK 51.2 million in 2005, corresponding to an increase of 41.0%.

The profit before tax is DKK 42.3 million, which is on a level with the profit for 2005. The profit for the year is at the projected level, incl. the effect of the high level of activities in building up Notox during the year.

A comparison of the profit before tax and special profit-affecting factors in the Group shows the following:

MDKK	2006	2005
Profit before tax	42.3	43.3
Gains on real property	-1.3	-
Extraordinary bonus and employee shares, etc.	2.5	-
Establishment costs for the Notox Group	17.5	0.5
Comparable profit for the year	61.0	43.8

As the above table shows, the profit for 2006 has been negatively affected by the payment of bonus and planned establishment costs for Notox and positively affected by gains on real property. The development in the consolidated profit before tax and after correction for special profit-affecting factors shows an increase of DKK 17.2 million, or 39.3%, from 2005 to 2006.

Taxes for the year

The total taxes for 2006 amount to DKK 17.8 million, corresponding to an effective tax rate of 42.0%.

Net profit for the year

The net profit for the year is DKK 24.5 million against DKK 29.4 million in 2005.

The balance sheet

The balance sheet total amounts to DKK 799.7 million as at the end of 2006 against DKK 488.2 million as at the end of 2005. Fixed assets have increased by DKK 256.9 million to DKK 437.8 million.

Current assets have increased by DKK 54.6 million to DKK 361.9 million. Of this figure, the increase in accounts receivable from trade debtors and in stocks amounts to DKK 8.7 million and DKK 45.2 million respectively. The increases can primarily be attributed to increased activities and sourcing.

On the liabilities side, the interest-bearing debt has increased by DKK 143.2 million to DKK 324.9 million. Trade creditors have increased by DKK 5.7 million as a result of a continued high level of activities as at the end of 2006.

All balance sheet figures have been affected by the acquisition of the remaining 50% of Notox Holding A/S, which has been consolidated line for line in the consolidated accounts as at 31 December 2006.

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Investments in tangible fixed assets amount to DKK 40.7 million. The main investments comprise an extension of our premises in Støvring and Eisenach as well as the establishment of a filter factory and the acquisition of the Notox Group.

The equity capital amounts to DKK 323.7 million as at the year-end. The equity ratio has increased from 33.4% as at the end of 2005 to 40.5% as at the end of 2006.

Free cash flows

Cash flows for 2005 and 2006, stated in principal items, are as follows:

MDKK	2006	2005
Cash flow from operating activities	-24.3	16.0
Cash flow from investment activities	-32.1	45.0
Cash flow from financing activities	-17.5	-8.0
Cash flow for the year	-73.9	-36.9

The Group's cash flows from operating activities have been reduced by DKK 40.3 million to DKK -24.3 million. The free cash flows have been affected by the large investments made, partly in 2005, but especially in 2006.

The cash flow per share (CFPS) amounts to DKK -8.7 against DKK 5.7 in 2005.

The parent company

The parent company realised a profit from ordinary activities of DKK 61.6 million against DKK 38.9 million in 2005 and a profit before tax of DKK 56.8 million against DKK 31.3 million in 2005.

The parent company's turnover amounted to DKK 614.8 million, which is an increase of 12.0% compared with last year.

The gross profit margin has been maintained at an unchanged level in the parent company despite increasingly sharp competition and increasing pressure on prices. Net financial income and expenses are increasing due to the large amounts drawn on the company's credit facilities.

Increase in capital

In connection with the takeover of the remaining 50% of the shares in Notox Holding A/S, Scandinavian Brake Systems A/S implemented a private placing aimed at the other shareholders, through which the share capital was increased by nom. DKK 4,185,000, corresponding to 418,500 shares at DKK 10, in December 2006. Following the increase in capital, the total share capital amounts to DKK 32,085,000.

Significant post-balance sheet events

With effect as from 1 January 2007, Scandinavian Brake Systems A/S has taken over the activities in Roulunds Braking S.A's distribution centre in France for the secondary market activities in Spain, France and Italy. There have been no other significant post-balance sheet events following the end of the accounting year.

A stock exchange prospectus has been sent out regarding the exchange of shares in connection with the share issue.

Expectations for 2007**Notox**

The Notox Group is developing rapidly and is fully engaged in the implementation of the highly aggressive growth plan adopted.

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There has been an extensive reorganisation in Notox with the establishment of an effective, lean administration and management, which ensures the development in the three Divisions: Sales, Development and Production.

Since the summer, the organisation has been strengthened with the appointment of a new General Manager, a Controller, an HR Manager, a Production Manager for Svendborg and a new Technical Manager. The focus is on building up an effective infrastructure and efficient financial management concurrently with maximum utilisation of the synergies with the parent company SBS.

Sales

The business strategy will be developed in line with the market development. New legislation offers new opportunities, especially in the passenger car sector in Europe. In the USA, a filter requirement has already been introduced for heavy-duty vehicles, and there is an ongoing development in other areas, which is particularly favourable in the off-road market. In Korea, there is focus on a state-subsidised programme, and the first medium-sized orders have been received. The overall focus is on working the most flexibility-requiring and profitable part of the segments.

We are of the general opinion that the market is showing much greater potential than first assumed. Especially the off-road market, i.e. contractor's machinery and equipment, etc., offers greater opportunities than expected in both Europe and the USA.

Notox expects to enter into contracts on filter deliveries to, primarily, existing customers, but also to a number of new customers, equal to the planned production scale-up. As at the beginning of the year, the total quotations correspond to 3-5 times the planned capacity. The intake of orders remains moderate, but continues to grow.

Production

Effective, high-technology filter production will be established in Svendborg in 2007. The production is expected to be up and running from the end of the third quarter, and it will be doubled from 500,000 litres of filters per annum to 1,000,000 litres per annum during the fourth quarter. The project is on schedule, and the first machines will be installed from early March 2007. The organisation will be built up in parallel with the establishment of the factory, and the project will be managed by Notox's Plant Manager in Svendborg and COWI. The recruitment of production and planning managers will be implemented in March, and hourly employees will be appointed with effect from June.

The efficiency of the production in Aakirkeby will be improved on a continuous basis. The focus is on meeting customer quality requirements while enhancing efficiency. Both these objectives will involve increased automation. The project in Svendborg produces a fair amount of spin-off, which makes it realistic to develop advanced production equipment, also for the lower capacity in Aakirkeby.

Notox's products are, to a great extent, based on patented methods and principles. It is important that the Development Division will be able to generate new ideas and solutions in both product and process development also in the future, and plans have been made to ensure this. With the strengthening of the Division's management, we have taken a big step towards integrated market-driven product development. Several patent applications are expected to be submitted in 2007.

As the business plan is based on heavy growth and on a relatively extensive capacity increase, with resulting large investments, there is some uncertainty about the result for 2007. The objective is to achieve a balance in the existing production and to establish the new factory in Svendborg without significantly affecting the operating result. The total result for 2007 for Notox A/S is expected to be a loss before tax of around DKK 35 million.

SBS

For the rest of the SBS Group, i.e. the traditional areas in friction technology, an increase in turnover is expected to around DKK 930-980 million, an EBIT of DKK 85-92 million and a profit before tax of DKK 72-77 million. The development will be generated through organic growth and via SBS's investments and acquisitions in 2006.

A considerable increase in turnover is especially expected in SBS's distribution centres for auto parts. The company in Germany is expected to continue the highly positive development from the previous years. New customer groups such as auto dealers and Internet-based distribution companies are expected to contribute to the growth, and a new warehouse in 2007 will make it possible to improve logistics further.

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A distribution centre was established on the UK market in 2005, and the investments made in sales and logistics are expected really to have a positive effect in 2007. The activities involve several new customers, which is a direct result of the establishment on the near market.

Finally, the takeover of a distribution company in France will contribute to the increase in turnover. The takeover has opened up the French auto wholesale market, which has, so far, not been very accessible for SBS. Through an implementation of SBS's wider and more in-depth product portfolio and logistics concepts, the French market will offer good opportunities for growth.

Added to this is that SBS has entered into agreements also for important key accounts, which will ensure increased turnover in 2007.

The Group

The SBS Group expects overall continued growth in 2007.

The total consolidated accounts for the SBS Group will be negatively affected by Notox being a wholly-owned subsidiary in the accounting year, which means that the planned investments and costs for building up the necessary capacity and organisation will be fully felt in SBS's accounts. Overall, this means that the SBS Group expects a profit, incl. Notox, that is on a level with the profit realised in 2006.

Profile, objectives, targets and strategy

In 2006, SBS's Board of Directors adopted a new strategic plan for the Group until 2010.

The object of the strategic plan is to make SBS an attractive company for relevant stakeholders such as shareholders, employees and customers.

The strategic plan is growth oriented, and the overall growth target is a trebling of the Group's turnover in 2010 compared with 2006.

The overall business activities are based on a commitment to environmentally-friendly products and safety products. Within this basis, the following four focus areas have been targeted:

- Manufacture of brake linings and brake pads for motorcycles and for a number of niche areas in which special requirements are made for friction technology knowhow.
- Renovation production of relevant auto products based on production and renovation of brake callipers and clutches.
- Development of the most effective supply chain management systems in the industry with global purchasing, logistics and distribution as the central parameters. Establishment and development of own distribution centres on the main European markets, which can ensure day-to-day deliveries to a wide customer portfolio, will constitute a central part of this strategy together with the development of an effective export organisation for servicing the other priority markets and customers.
- Development and production of diesel particle filters.

In addition, SBS has defined four basic competencies, which will be fundamental elements in the development of the focus areas:

Innovation

Innovation is a key word for SBS: new knowledge and knowhow, competent employees, development of new products and innovative processes.

Innovation in braking technology means the ability to offer products that provide an optimal combination of safety, performance and useful life and that are based on environmentally-friendly materials and processes.

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Innovation in the area of particle filters primarily concerns flexibility and the ability to adapt to the requirements of the automotive industry.

Innovation also entails systematic development of the product range. Use of IT tools for registration and cataloguing of new models and products ensures that SBS quickly introduces new items and can offer product programmes that meet market requirements.

Productivity

Continuous implementation of new process technology and use of Lean and IT as tools are to contribute to continued optimisation of work processes and business models. The objective is partly to ensure continued high international competitiveness and partly to achieve maximum flexibility.

Logistics

The objective is to ensure an efficient flow of goods from raw material to end user through optimisation of logistics. The supplier portfolio must meet our requirements, including for quality, price and ability to supply, and our distribution models are to be tailored and customised to suit the customer structure. They meet both the major customers' requirements for close business relations and the wholesale market's requirements for day-to-day deliveries.

Market orientation

High service level, credibility, commitment and stability are key words for SBS in relation to its customers. SBS operates locally on the European markets with its own sales and distribution centres, which means that SBS can optimise its ability to adapt to the requirements of the individual market. Large customers have key account status and are serviced directly via individual partnership models.

Market description

SBS operates on four main markets:

AUTO

This market area comprises brake components and other wearing parts for the European fleet of cars. The market area primarily comprises Europe and the SNG countries. The main markets are the large Western European countries, in which SBS is represented with its own distribution centres. A customer portfolio has been established on all the new growth markets in Eastern Europe, and the turnover on these markets is increasing.

The main part of the turnover is for the free spare parts market through the established distribution channels, but new market segments are developing, including authorised auto dealers, which increasingly buy spare parts on the free market, as well as Internet distributors.

SBS's market share varies greatly within the individual product areas and geographical regions.

MC

This product and market area comprises brake pads and other related brake parts for motorcycles and scooters. Compared with the auto market, this is a niche market on which rigorous requirements are made for friction technology knowhow. SBS is one of the world's largest producers of brake pads for these areas, and SBS holds a position as a market leader on the free spare parts market, on which the products are sold to distributors worldwide. The largest markets are Germany, France, Spain, Italy and the USA.

SBS increasingly develops, produces and delivers products to the OE market. The customers on this market are motor vehicle or brake system producers. Part of SBS's strategic plan until 2010 is to increase this market share further.

Special products

Special products comprise friction products for, for example, energy plants and industrial plants. This is a relatively new business area, which is based on the transfer of SBS's friction technology knowhow to areas outside its traditional markets.

The largest segment is the windmill industry, to which SBS supplies rotor system brake components.

STOCK EXCHANGE ANNOUNCEMENT NO. 04-2007***Diesel particle filters***

Through Notox, SBS has established itself in the development and production of diesel particle filters for passenger cars, heavy-duty vehicles, buses and contractor's machinery and equipment.

With a marked increase in the number of diesel-driven cars in Europe, the USA and Asia, combined with the coming introduction of more rigorous environmental protection legislation in the industrialised part of the world, this area offers a significant global market potential.

A quadrupling of the global market to a level of DKK 12-15 billion is expected in the period until 2010, with the primary geographical regions being the EU, the USA, Japan and Korea.

The market consists of three main areas: the OE market for passenger cars, OE for heavy-duty vehicles and off-road vehicles as well as "retrofit". SBS's strategy is to target all these three areas.

An extensive investment plan has been initiated. This investment plan aims to make SBS a leading supplier of filter units to the automotive industry and off-road equipment producers as well as their sub-suppliers in the coming years. A new, flexibly designed factory, which can make quick production switches, and a modular product concept, which can be adjusted to all types and sizes of particle filters, are central elements in this development process.

Group and management structure***Organisational areas of commitment***

SBS's management has pinpointed three organisational development areas that will be the object of particular focus in 2007 and that will consequently contribute to further improvements of SBS's operations. These areas of commitment are Lean, application of information technology and cross-organisational co-operation.

Lean was introduced in parts of SBS's production in 2006. The key concepts have been "Simple and rapid order lead times", "Commitment to improvements and motivational co-operation" and "Projects, teamwork and results". Based on the positive experiences gained from this, Lean will be implemented throughout the Group, including in the administrative areas.

IT tools must increasingly be incorporated in the work processes and business models, where they can contribute to rationalisations and efficiency enhancement gains. This applies both internally and in relation to SBS's business concepts vis-à-vis its suppliers and customers.

SBS has departments and employees at a number of geographical destinations and is therefore highly dependent on efficient co-operation and procedures across organisational boundaries. The establishment of group functions in some function areas, combined with constant focus on teamwork and co-operation, is to ensure that human resources are used optimally and that SBS's employees take pride in their work and have a high level of job satisfaction.

SBS wants to employ the best qualified employees for the tasks and challenges that the company is facing. We operate at a global level, which makes it important that our employees think and act internationally, based on an understanding of and a respect for other cultures in an age characterised by constant change.

Supplementary and further training is given high priority. Annual employee performance reviews form the basis of individual employee training plans.

In addition to vocational and professional qualifications, SBS attaches importance to determination, diligence, commitment, co-operation and team spirit.

STOCK EXCHANGE ANNOUNCEMENT NO. 04-2007**Risk factors*****Political and regulatory conditions***

For its friction products, SBS primarily operates on markets that are regulated by EU legislation or legislation harmonised with EU legislation.

The legislative tendency has been towards increased market liberalisation, increased focus on limitation of environmentally hazardous materials as well as the introduction of quality standards that are to ensure consumers of an adequate product quality regardless of the country of origin of the product. The implemented legislation has been more advantageous than detrimental to SBS, and there are no coming legislative initiatives that constitute a threat to SBS.

Particle filters are a product for which growth is primarily driven by environmental protection legislation. As it is very unlikely that less rigorous environmental requirements will be introduced in the foreseeable future, there are no potential legislative threats to SBS's business activities.

Market and competitive conditions

SBS's friction parts are wearing parts, for which the demand is only moderately sensitive to economic and market fluctuations.

However, at the distribution stage, the free secondary market is characterised by marked structural rationalisations and concentrations. Most often, the mergers result in a reassessment of the supplier portfolio, and there is always an actual risk of losing customers and turnover in this connection.

The demand for particle filters is driven partly by environmental policy and partly by the number of diesel cars. The number of diesel cars is increasing heavily throughout the western world as the best short-term environmental alternative to petrol-driven cars. There are no indications that this development will not continue during the strategy period.

Globally, the number of producers of diesel particle filters is currently relatively modest. It can be expected that more enterprises will establish themselves in this business area in the coming years, but, firstly, Notox has the edge in terms of technology and processes, and, secondly, the demand is expected to exceed the production capacity for a number of years.

Currency exposure

A significant part of the company's trade with both customers and suppliers is denominated in EUR.

For trade denominated in other currencies, primarily USD and GBP, there is a risk of exchange rate fluctuations, which may have a negative effect on the company's result. The risk of loss on trade denominated in GBP is, however, limited to a certain extent by the company making both purchases and sales in GBP.

Forward exchange contracts and options are used for net positions held in other currencies than EUR.

Corporate Governance***The shareholders' role and interaction with the company's management***

The company's management is of the opinion that the shareholders are to be motivated to exercise their rights and influence, and new special co-operation has therefore been initiated in this area. The company's Articles of Association stipulate that there is no differentiation between the voting rights in the company, and the Articles of Association also stipulate that the General Meeting must be convened at maximum 4 weeks' and minimum 14 days' notice.

Stiholt Holding A/S, which is the majority shareholder in the company, is closely involved in the company and is committed to its development.

To ensure a close dialogue between the Board of Directors/Management Board and the majority shareholder, a number of annual meetings are held with participation of the Chairman of the Board of Directors, one Board member (by turns) and the Management Board. The meetings are held shortly after the company's preliminary announcements of the annual accounts and the interim accounts and in compliance with the Stock Exchange's Code of Ethics.

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The Board of Directors is of the opinion that, in the period since the majority shareholder became involved in the company, Scandinavian Brake Systems A/S has benefited from the majority shareholder's great commitment to the company, and that this will remain the case in the future.

The stakeholders' role and importance to the company

The company has prepared a vision and mission, which have been published in the annual report and in the company profile brochure. The Management Board strives constantly to conduct an active dialogue with the company's stakeholders in order to develop and strengthen the company.

Openness and transparency

It must be ensured that all significant information of importance to the shareholders is published immediately. These reports and communications are currently only published in Danish.

A General Meeting is held each year, and the General Meeting is also used as an investors' meeting. No other investors' meetings are held. The annual report is presented in accordance with IFRS (International Financial Reporting Standards).

Scandinavian Brake Systems A/S's policy is:

- To publish all significant information without delay
- To publish all information in Danish and to communicate the information immediately at the company's website
- To present the annual report in accordance with IFRS
- To publish interim reports
- To incorporate and disclose in the annual report any non-financial information that may significantly increase the understanding of the company's situation, its future and its external relations.

The Board of Directors' tasks, duties and responsibilities

The Board of Directors is responsible for the overall strategic management, financial management and managerial control of the company. The Board of Directors is also responsible for continuously assessing the Management Board's work and, on this basis, appointing a qualified Management Board. The Board of Directors also lays down the terms of employment for the members of the Management Board, including the preparation of guidelines for the selection and composition of the Management Board.

The Board of Directors' tasks, duties and responsibilities are, moreover, laid down in the Board of Directors' Rules of Procedure, the full version of which is found at the company's website, to which reference is made.

The Board of Directors' composition

The Board of Directors ensures that the Board member candidates nominated by the Board of Directors constantly have the relevant necessary knowledge and professional experience required in relation to the company's needs, including the necessary international background and experience.

This is also ensured by having an overall composition of the Board of Directors that provides the competencies that are necessary for the Board of Directors to perform its tasks and duties as efficiently as possible. It is important that the Board of Directors is of a size that ensures a constructive debate and an effective decision-making process in which all Board members have an opportunity to participate actively.

The Board of Directors has been composed based on the above requirements, however, with due consideration being made for the company's current majority shareholder. The Board of Directors meets at regular intervals in accordance with a meeting and work schedule fixed in advance, and four annual Board meetings as well as one ordinary strategy meeting every second year are currently regarded as sufficient to ensure the proper performance of the Board of Directors' tasks, duties and responsibilities.

There are currently no written evaluation procedures for continuous and systematic evaluation of the Board of Directors' and the individual Board members', including the Chairman's, work, results and composition in order to improve its work, nor have written evaluation procedures been prepared for the Management Board.

STOCK EXCHANGE ANNOUNCEMENT NO. 04-2007***Remuneration for the Board of Directors and the Management Board***

The Board of Directors lays down principles and guidelines for the preparation of any incentives programmes for the company's Management Board and Board of Directors. For the latter, such programmes require approval by the General Meeting. An evaluation is made of whether the overall remuneration is at a competitive and reasonable level at any given time and of whether it reflects the Management Board's and the Board of Directors' independent work and value creation for the company.

The Board of Directors finds it irrelevant to disclose the management's remuneration at an individual level.

Auditing

- The Board of Directors evaluates the auditor's independence and competence and nominates the auditor, in consultation with the Management Board, for election at the General Meeting. The Board of Directors subsequently enters into an audit agreement and agrees the auditor's fee with the auditor.
- Non-auditing services essentially comprise consultancy on tax matters and assistance in connection with business takeovers. Any other non-auditing services are agreed between the Management Board and the Board of Directors in each individual case before the provision of such services is commenced.
- The Board of Directors evaluates the internal control systems on the basis of auditor's records and ad hoc reviews of significant risk elements, including insurance cover and procedures for debtors, stocks and investments.
- At the Board meeting at which the draft annual report is discussed, the auditor and the Board of Directors discuss the accounting policies applied and the material accounting estimates made. In addition, the auditor's conclusions and the auditor's records are reviewed.

The Board of Directors' contact with the auditor is handled by the Chairman of the Board of Directors, as the company does not have an audit committee.

Shareholders***Investor relations***

Based on a high continuous flow of information, Scandinavian Brake Systems A/S wants to maintain an open dialogue with shareholders, potential investors, analysts, media and other stakeholders on all relevant conditions, affairs, activities and measures that concern the company.

IR Manager

Hans Fuglgaard
General Manager
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ID code and share capital

The company's share capital consists of 3,208,500 shares at nom. DKK 10, equal to a total share capital of DKK 32,085,000. SBS's shares are traded on the Copenhagen Stock Exchange under ID code DKK006004261.

General Meeting

The company will hold its ordinary General Meeting on 19 April 2007 at 14.00 at the address: Kuopiovej 11, 5700 Svendborg, Denmark.

The Board of Directors will submit the following motions:

- a. Approval of the Board of Director's resolution adopted on 22 December 2006 to allot to General Manager Hans Fuglgaard a subscription right to 27,900 shares at DKK 10 in the company at a price that is up to 15% lower than the current market price on 22 December 2006, cf. S. 40 a of the Danish Companies Act, and to amend the company's Articles of Association accordingly, as well as of a resolution on an increase in the company's share capital by nom. DKK 279,000 to the extent to which the subscription right is exercised.

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- b. Authority for the Board of Directors to make a decision on the issue of share options to the company's executives – fixed by the Board of Directors – for up to 50,000 shares in the company at a price that is up to 15% lower than the current market price on the date on which the Board of Directors exercises its authority, cf. S. 40 b of the Danish Companies Act, and to amend the company's Articles of Association accordingly, as well as authority for the Board of Directors to increase the company's share capital by up to nom. DKK 500,000 if the options are exercised and to amend the company's Articles of Association accordingly.
- c. Renewal of the existing authority for the Board of Directors to acquire up to 10% own shares.
- d. Amendment to Article 4 (1) of the company's Articles of Association to the effect that the company's register of shareholders will be kept by VP Investor Services A/S, Helgeshøj Allé 61, P.O. Box 20, 2630 Taastrup, Denmark.

Endorsement of the annual report by the management

We have, this date, presented the annual report for 1 January – 31 December 2006 for Scandinavian Brake Systems A/S.

The annual report is presented in accordance with International Financial Reporting Standards, as approved by the EU, as well as in accordance with further Danish disclosure requirements for the annual reports of listed companies. We regard the accounting policies applied as sound, and, in our opinion, the annual report gives a true and fair view of the Group's and the parent company's assets, liabilities, financial position, cash flows and result.

The annual report is recommended for approval by the General Meeting.

Svendborg, 22 March 2007

On the Management Board:

Hans Fuglgaard Hans
General Manager

Jørn Sørensen
Manager

Carsten Schmidt
Controller

Jesper Kraft Jensen
Purchasing & Logistics Manager

On the Board of Directors:

Leif Stiholt Hans
Chairman

Jørgen Kaptain
Deputy Chairman

Knud Andersen

Lars Radoor Sørensen

Jan B. Pedersen *

Anders Bach *

* employee elected

Appendices:

Key Figures and Financial Ratios for the Group

Profit and Loss Account

Balance Sheet – Assets

Balance Sheet – Liabilities

Statement of Changes in Equity Capital

Cash Flow Statement



PRINCIPAL FIGURES AND FINANCIAL RATIOS

DKK 1,000	2006	2005	2004	2003	2002
Net turnover	785,192	687,735	594,384	525,074	498,622
Index	157	138	119	105	100
Operating profit (EBIT)	72,186	51,162	36,593	22,141	22,693
Financial items (net)	29,875	7,855	9,411	6,775	7,606
Profit before tax	42,311	43,307	27,181	15,366	15,087
Tax on profit for the year	17,777	13,929	8,711	5,143	4,627
Net profit for the year	24,534	29,378	18,470	10,223	10,460
Equity capital	323,679	163,078	137,444	130,809	127,154
Total assets	799,714	488,230	413,172	384,029	400,767
Number of employees	510	482	448	444	478
Turnover per employee	1,540	1,427	1,327	1,182	1,043
Cash flow from operations	-24,567	16,042	38,661	35,265	36,703
Cash flow for the year	-73,934	-36,958	30,427	8,264	9,613
Investments in tangible fixed assets (excl. business acquisitions)	40,651	18,213	16,666	9,658	17,385
Depreciation and writedowns	15,162	17,677	14,968	18,855	18,954
Financial ratios	2006	2005	2004	2003	2002
Profit margin in % (EBIT margin)	9.2	7.4	6.2	4.2	4.6
Return on invested capital in % (ROIC excl. GW)	11.6	15.5	12.4	8.4	8.4
Return on equity in % (ROE)	10.1	19.6	13.8	7.9	8.4
Equity ratio in %	40.5	33.4	33.3	34.1	31.7
P/E ratio	38.0	15.0	9.2	8.6	8.3
Price/Cash flow (P/CF)	-3.8	27.4	4.4	2.5	2.4
Earnings per share in DKK (Basic EPS)	8.8	10.5	6.0	3.2	3.1
Cash flow per share in DKK (CFPS)	-8.7	5.7	13.9	11.2	10.8
Dividend per share in DKK (DPS)	2.6	3.2	1.7	1.1	2.3
Book value per share in DKK (BVPS)	100.9	58.5	49.3	42.2	37.4
Price/book value	2.9	2.7	1.1	0.7	0.7
Market price, year-end	333.0	157.5	55.0	27.5	25.4

The key figures and financial ratios for 2004-2006 have been prepared in accordance with IFRS, which have been approved by the EU.

In accordance with IFRS1, the comparative figures for 2002-2003 have not been adjusted to the changed accounting policies, but have been prepared in accordance with the previous accounting policies based on the provisions in the Danish Company Accounts Act and Danish Accounting Standards.

Basic EPS/diluted EPS have been calculated in accordance with IAS 33. Other financial ratios have been calculated in accordance with the Danish Association of Financial Analysts' "Recommendations & Financial Ratios 2005". Reference is, moreover, made to definitions and concepts under Accounting Policies Applied.



PROFIT AND LOSS ACCOUNT

	GROUP		PARENT COMPANY	
DKK 1,000	2006	2005	2006	2005
Net turnover	785,192	687,735	614,842	548,806
Costs of raw materials and consumables	449,743	386,402	340,389	301,938
Change in stocks of finished goods and work in progress	-6,352	-3,392	-6,352	-3,392
Other external costs	91,329	85,593	66,303	65,640
Staff costs	163,124	150,293	139,779	129,995
Depreciation and writedowns	15,162	17,677	13,124	15,755
Profit from ordinary activities	72,186	51,162	61,599	38,870
Writedown of accounts receivable in subsidiaries	-	-	710	-5,797
Result after tax of interests in associated enterprises	-17,557	-511	-	-
Financial income	1,658	3,028	4,329	5,420
Financial costs	-13,976	-10,372	-9,866	-7,215
Profit before tax	42,311	43,307	56,772	31,278
Tax on profit for the year	17,777	13,929	12,476	7,429
Net profit for the year	24,534	29,378	44,296	23,849
Basic EPS/diluted EPS DKK	8.76	10.53		
which the Board of Directors recommends be allocated as follows:				
Dividend DKK 2.60 per share (2005: DKK 3.20 per share)			8,342	8,928
Profit brought forward			35,954	14,921
Total			44,296	23,849



BALANCE SHEET - ASSETS

	GROUP		PARENT COMPANY	
DKK 1,000	31.12.2006	31.12.2005	31.12.2006	31.12.2005
FIXED ASSETS				
Intangible fixed assets				
Goodwill	180,542	9,881	9,881	9,881
Patents and rights	2,126	188	48	188
Development projects	10,000	-	-	-
Trademarks and brands	10,000	-	-	-
Software	10,919	9,791	8,482	9,014
Prepayments for intangible assets	3,962	-	-	-
	217,549	19,860	18,411	19,083
Tangible fixed assets				
Land and buildings	89,276	91,222	65,324	76,984
Production plant and machinery	56,886	32,129	31,530	31,700
Other plant, equipment, fixtures and fittings	7,935	7,676	3,368	4,478
Tangible assets under construction	42,643	5,519	27,135	4,808
	196,740	136,546	127,357	117,970
Other fixed assets				
Interests in subsidiaries	-	-	169,744	12,139
Interests in associated enterprises	-	16,220	-	16,731
Securities	451	384	443	384
Subordinated loans made	-	7,969	7,969	7,969
Deferred tax	23,105	-	-	-
	23,556	24,573	178,156	37,223
Total fixed assets	437,845	180,979	323,924	174,276
CURRENT ASSETS				
Stocks	219,069	173,891	159,308	135,525
Accounts receivable	141,172	132,481	179,916	124,718
Cash at bank and in hand	1,628	879	596	547
Total current assets	361,869	307,251	339,820	260,790
TOTAL ASSETS	799,714	488,230	663,744	435,066



BALANCE SHEET - LIABILITIES

GROUP PARENT COMPANY

DKK 1,000

	31.12.2006	31.12.2005	31.12.2006	31.12.2005
EQUITY CAPITAL				
Share capital	32,085	27,900	32,085	27,900
Reserve for hedging transactions	-	938	-	938
Reserve for exchange adjustments	-17	9	-	-
Revaluation reserve	18,751	7,852	12,206	7,068
Profit brought forward	264,518	117,451	266,653	99,824
Recommended dividend	8,342	8,928	8,342	8,928
Total equity capital	323,679	163,078	319,286	144,658
LIABILITIES				
Long-term liabilities				
Deferred tax	20,309	19,481	13,936	17,540
Pension liabilities	4,008	4,128	-	-
Provision for subsidiaries	-	-	484	1,194
Subordinated loan capital	8,369	-	-	-
Credit institutions, etc.	61,154	60,550	52,819	60,550
	93,840	84,159	67,239	79,284
Short-term liabilities				
Credit institutions	3,071	3,792	2,917	3,792
Bank debt	252,361	117,405	189,367	114,481
Trade creditors	72,162	66,455	45,811	50,418
Other debt liabilities	54,601	53,341	39,124	42,433
	382,195	240,993	277,219	211,124
TOTAL LIABILITIES	476,035	325,152	344,458	290,408
TOTAL LIABILITIES AND EQUITY CAPITAL	799,714	488,230	663,744	435,066



STATEMENT OF CHANGES IN EQUITY CAPITAL

DKK 1,000

GROUP

	Share capital	Reserve for hedging transactions	Reserve for exchange adjustments	Revaluation reserve	Profit brought forward	Recommended dividend	Total
01.01.2005	31,000		- 88	7,852	93,389	5,115	137,444
Changes in equity capital in 2005							
Exchange adjustment of foreign subsidiaries	-	-	-79	-	-	-	-79
Value adjustment of hedging instruments	-	1,302	-	-	-	-	1,302
Tax on changes in equity capital	-364	-	-	-	-	-	364
Net profit for the year	-	-	-	-	20,450	8,928	29,378
Total income	-	938	-79	-	20,450	8,928	30,237
Distributed dividend	-	-	-	-	-	-5,115	-5,115
Dividend, own shares	-	-	-	-	512	-	512
Cancellation of own shares	-3,100	-	-	-	3,100	-	-
Total changes in equity capital in 2005	-3,100	938	-79	-	24,062	3,813	25,634
31.12.2005	27,900	938	9	7,852	117,451	8,928	163,078
Prior-year corrections	-	-	-	5,138	-5,138	-	-
01.01.2006	27,900	938	9	12,990	112,313	8,928	163,078
Changes in equity capital in 2006							
Write-up on acquisition of subsidiary	-	-	-	5,761	-	-	5,761
Exchange adjustment of foreign subsidiaries	-	-	-26	-	-	-	-26
Value adjustment of hedging instruments	-	-1,302	-	-	-	-	-1,302
Tax on changes in equity capital	- 364	-	-	-	-	364	
Net profit for the year	-	-	-	-	16,192	8,342	24,534
Total income	-	-938	-26	5,761	16,192	8,342	29,331
Distributed dividend	-	-	-	-	-	-8,928	-8,928
Increase in capital	4,185	-	-	-	136,013	-	140,198
Total changes in equity capital in 2006	4,185	-938	-26	5,761	152,205	-586	160,601
31.12.2006	32,085	-	-17	18,751	264,518	8,342	323,679

The share capital consists of 3,208,500 shares at DKK 10. There are no shares with any special voting rights attached to them.

Reserve for hedging transactions

The reserve for hedging transactions contains the accumulated net change in the fair value of hedging transactions that meets the criteria for hedging of future payment flows and where the hedged transaction has not yet been realised.

Reserve for exchange adjustments

The reserve for exchange adjustments contains all exchange adjustments that occur in connection with the translation of accounts for entities with another functional currency than DKK, exchange adjustments for assets and liabilities that constitute part of the Group's net investments in such entities and exchange adjustments for hedging transactions that hedge the Group's net investments in such entities.

Prior-year corrections comprise errors regarding revaluation reserve allocations.

CASH FLOW STATEMENT

DKK 1,000	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
Profit before tax	42,311	43,307	56,772	31,278
Depreciation and writedowns	15,162	17,677	13,124	15,755
Adjustments	29,044	7,855	4,827	1,795
Change in net working capital	-77,375	-33,146	-87,801	-26,477
Cash flow from ordinary activities	9,142	35,693	-13,078	22,351
Financial income received	1,658	2,504	4,329	4,896
Financial costs paid	-13,976	-10,372	-9,866	-7,215
Corporation tax paid in the accounting year (net)	-21,124	-11,783	-16,174	-8,552
Cash flow from operations	-24,300	16,042	-34,789	11,480
Purchases of intangible assets	-5,448	-1,596	-838	-803
Purchases of tangible assets	-40,651	-18,213	-35,506	-15,632
Sales of tangible assets	14,559	-559	14,506	646
Acquisitions of subsidiaries and activities	-559	-	-676	-
Acquisitions of associated enterprises	-	-16,625	-	-16,625
Subordinated loans made	-	-7,969	-	-7,969
Cash flow from investments	-32,099	-44,962	-22,514	-40,383
Instalments on long-term debt liabilities	-8,606	-3,502	-8,606	-3,502
Dividend paid	-8,928	-5,115	-8,928	-5,115
Value adjustments	-	67	-	67
Dividend for own shares	-	512	-	512
Cash flow from financing activities	-17,534	-8,038	-17,534	-8,038
Cash flow for the year from operations, investments and financing activities	-73,934	-36,958	-74,837	-36,941
Liquid funds and bank debt (net), beginning of the year	-116,526	-79,568	-113,934	-76,993
Bank debt for acquisition of subsidiary	-60,274	-	-	-
Liquid funds and bank debt (net), year-end	-250,733	-116,526	-188,771	-113,934
Cash at bank and in hand	1,628	879	596	547
Bank debt	-252,361	-117,405	-189,367	-114,481
Liquid funds and bank debt (net), year-end	-250,733	-116,526	-188,771	-113,934
Adjustments				
Non-distributed result of interests in subsidiaries and associated enterprises	17,556	511	-	-
Financial liabilities	-830	-	-710	-
Financial income	-1,658	-3,028	-4,329	-5,420
Financial costs	13,976	10,372	9,866	7,215
	29,044	7,855	4,827	1,795
Change in net working capital				
Changes in accounts receivable	-20,872	-30,261	-55,199	-32,677
Changes in stocks	-31,495	-18,633	-23,783	-12,193
Changes in trade creditors, etc.	-25,008	15,748	-8,819	18,393
	-77,375	-33,146	-87,801	-26,477

The cash flow statement cannot be derived directly from the accounts.