

OMX Nordic Exchange Copenhagen A/S

STOCK EXCHANGE ANNOUNCEMENT NO. 11-2008

INTERIM REPORT FOR THE PERIOD 1 JANUARY – 30 JUNE 2008

Summary:

The board of directors of Scandinavian Brake Systems A/S (SBS) has today considered and approved the financial statements for the first half year of 2008.

The most important events during this period have been:

- The revenue of the period amounted to DKK 444.1 million against DKK 450.7 million during the same period of 2007.
- Pre-tax profit including property sales of DKK 9.0 million against DKK 10.2 million during the first half year of 2007.
- General slowdown on the European automotive spare parts market.
- Continuing growth on the MC market.
- Notox has achieved the first technical OE approvals and expects to receive the first OE orders before the end of 2008.
- Revenue in diesel particulate filters for retrofitting has increased, however lower than expected.
- The SBS division expects revenue of between DKK 860-880 million as against DKK 930-960 million, which was previously expected, and an operating profit or loss (EBIT) of DKK 62-72 million as against DKK 75-85 million as was previously expected and a pre-tax profit of DKK 40-50 million as against DKK 60-70 million as previously expected. The Notox division expects revenue of between DKK 50-60 million as against DKK 80-100 million as previously expected and a pre-tax loss of DKK 65-75 million as against a loss of DKK 60-70 million as previously expected. The SBS group expects a total pre-tax profit including property sales of DKK 40-50 million as against DKK 70-80 million as previously expected.

Further information:

For further information concerning this announcement, please contact Managing Director Hans Fuglgaard on +45 63 21 15 15 (www.sbs.dk).

About Scandinavian Brake Systems: SBS develops, manufactures and distributes brakes and friction parts for cars, motorcycles and for energy and industrial systems including wind turbines. SBS works globally, but the main markets are constituted by Europe and North America. SBS' products are sold respectively to manufacturers of vehicles and machinery/plant – the OE market - and to the free spare parts market. The SBS group's revenue was approx. DKK 840 million in 2007 and the group has 675 employees.

FINANCIAL HIGHLIGHTS

DKK 1,000	Incl. Notox			Excl. Notox		
	1st half year 2008*	1st half year 2007*	2007	1st half year 2008*	1st half year 2007*	2007
Revenue	444,070	450,704	842,268	431,199	447,073	832,723
Operating profit or loss excluding special items	4,316	20,129	22,773	33,613	39,249	59,433
Special items (Property sales)	21,927	-	-	21,927	-	-
Operating profit or loss (EBIT)	26,243	20,129	22,773	55,540	39,249	59,433
Financial items (net)	-17,273	-9,923	-26,569	-10,454	-7,443	-20,976
Pre-tax profit	8,970	10,206	-3,796	45,086	31,806	38,457
Tax on net profit or loss for the year	-3,202	-3,202	-2,894	-12,231	-9,525	-11,581
Net profit or loss for the year	5,768	7,161	-6,690	32,855	22,281	26,876
Equity	316,885	322,463	311,469	178,813	125,223	342,867
Total assets	1,223,419	992,321	1,123,579	717,826	623,753	878,739
Cash flow from operations	-17,820	-63,953	-86,642	19,245	3,598	-48,309
Net change in cash and cash equivalents	-56,558	-	-211,654	-56,899	-	-
		133,403			102,287	151,580
Investments in property, plant and equipment (excl. acquisitions)	11,637	106,713	213,865	14,738	19,041	70,187
Write downs and depreciation	-14,404	-11,518	-21,715	-7,134	-8,661	-16,108
Financial ratios						
Profit margin in % (EBIT margin)	5.9	4.5	2.7	12.9	8.8	7.1
Return on investment in % (ROIC excl. GW)	3.3	3.0	3.3	9.9	7.8	18.0
Return on equity in % (ROE)	1.8	2.2	-1.4	13.4	35.6	10.9
Equity ratio in %	25.9	32.5	27.8	24.9	20.1	24.4
P/E ratio	108.5	120.1	-184.4	19.0	38.6	28.3
Price/Cash flow (P/CF)	Neg.	Neg.	Neg.	3.2	32.9	Neg.
Earnings per share in DKK (Basic EPS)	1.8	2.2	-1.4	10.2	6.9	9.2
Cash flow per share in DKK (CFPS)	-0.1	-0.2	-27.0	0.1	0.0	-15.1
Dividend per share in DKK (DPS)	0	0	0	0	0	0
Book value per share in DKK (BVPS)	98.8	100.5	97.1	55.7	39.0	68.0
Price/book value	2.0	3.7	2.7	3.5	9.4	3.8
Share price, at the end of the year	195	268	260	195	268	260

The 2004-2007 financial highlights have been prepared in accordance with The International Financial Reporting Standards as adopted by the EU.

In accordance with IFRS1, the comparative figures for 2003 have been prepared in accordance with the previous accounting policies based on the provisions in the Danish Financial Statements 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 Society of Financial Analysts' "Financial Ratios & Key Figures 2005". Reference is, moreover, made to definitions and concepts under accounting policies in the 2007 annual report.

* The interim report has not been audited and no review has been conducted.

FINANCIAL TRENDS

Earnings performance

The SBS division

The revenue for the period amounted to DKK 431.2 million against DKK 447.1 million during the same period of 2007, equivalent to a decline of 3.6%.

The decline may be related to continuing weak market conditions for automotive spare parts in Western Europe, which comprises SBS' main markets. The weak market conditions are primarily related to stagnating/falling new car sales as well as increasing fuel prices negatively affecting the number of driven kilometres. The market slowdown has meant increased pressure on prices, which in general means falling unit prices.

The above named market development has affected the operating result. The SBS division realised an operating profit or loss (EBIT) of DKK 33.6 million against DKK 39.2 million for the equivalent period in 2007.

During the period a sale of one of the SBS division's properties was realised, which has positively affected the profit by DKK 21.9 million.

The pre-tax profit or loss for the period amounted to DKK 45.1 million against DKK 31.8 million during the same period of 2007.

Notox

The revenue for the period amounted to DKK 12.9 million against DKK 3.6 million during the same period of 2007. This represents a lower revenue growth than expected as customers' decision-making processes have turned out to take longer than originally expected.

Notox achieved an operating profit or loss (EBIT) of DKK -29.3 million against DKK -19.1 million during the same period of 2007.

The pre-tax profit or loss for the period amounted to DKK -36.1 million against DKK -22.7 million during the same period of 2007.

The SBS group

The revenue for the period amounted to DKK 444.1 million against DKK 450.7 million during the same period of 2007.

Operating profit or loss (EBIT) amounted to DKK 26.2 million including the property sale, which resulted in non-recurring income of DKK 21.9 million against DKK 20.1 million during the first half year of 2007.

The pre-tax profit is therefore positively affected by DKK 21.9 million as a result of the property sale while it is negatively affected by the increased financial expenses – from DKK 9.9 million to DKK 17.3 million – which can be related to the major investments in business development.

Pre-tax profit including property sales were DKK 9.0 million against DKK 10.2 million the previous year.

Balance sheet development

As of 30 June 2008 the group's total assets amounted to DKK 1,223.4 million against DKK 992.3 million at the same time last year.

Equity as of 30 June 2008 amounted to DKK 316.9 million against DKK 322.5 million at the same time in 2007. The equity interest was as 25.9 % as of 30 June 2008.

MANAGEMENT'S REVIEW FOR THE FIRST HALF YEAR OF 2008

IN GENERAL

The SBS group's activities are divided into 2 business units. SBS, which operates within friction products for the automotive and motorcycle markets, together with the distribution of automotive parts; and Notox, which develops, produces and markets diesel particulate filters.

THE FRICTION AREA

Brake callipers

Brake callipers are part of the automotive product portfolio. The production is partly based on the renovation of used callipers at the factory in Støvring, partly on the recasting of callipers at SBS' partner in Vietnam. The objective of this production strategy is to ensure the optimal programme range and delivery reliability.

Revenue increased in the first half of 2008 compared to the same period of 2007, underlining the strength of SBS' production concept that combines sourcing and in-house production.

Brake pads for motorcycles and other specialised areas

The area includes development and production of brake pads for motorcycles, wind turbines and other specialised areas.

The aftermarket for motorcycles and scooters comprises the largest market segment and SBS is a market leader. Revenue increased by approx. 5% in the first half year thus further improving SBS' strong market position. Motorcycles are a lifestyle product, which are significantly influenced by the general economic development. The first half year of 2008 showed signs that the economic slowdown has begun to be felt in the motor cycle sector, which has resulted in fewer sold vehicles, fewer driven kilometres and longer intervals between replacements and repairs.

Within OE SBS cooperates with the leading brake system suppliers for MC. Deliveries for this area have been affected by falling demand for new motorcycles and ended on the same level as for the same period last year.

Within wind turbine brake linings revenue increased significantly. Furthermore, approval of a new brake system with SBS brake pads has been secured during the half year. The system is part of the very widespread 2 MW wind turbine types from one of Europe's leading suppliers. Further, a new project is underway with a prominent European producer. The project is currently in the test and validation phase and can at best lead to production orders in the current year.

Innovation and productivity improvements are fundamental elements within this business area.

During the period the product development area has been strengthened by the employment of a new development manager who will begin during the second half year; similarly, an increase of the R&D department within the chemical competence area is planned.

The production of brake pads is characterised by a high degree of automation together with LEAN inspired work processes. In the first half year a new grinding plant has been implemented, which will partly improve quality and partly ensure continued rationalisation gains.

Distribution – Supply Chain

In SBS' main markets in Western Europe market conditions have generally been weak.

The reasons for the slowdown are, as indicated above, stagnating car sales and general rising costs for motorists, resulting in fewer driven kilometres and fewer repairs. Added to which comes an unusually mild winter with reduced wear on brake parts and other related wearing parts.

A number of the company's key accounts, which weigh heavily particularly within the brake disc and brake shoe production areas, have had difficulty meeting their sales budgets.

SBS has compensated for the declining market with an aggressive sales strategy adapted to the more difficult market conditions. This has resulted in growth in other key accounts, together with medium-sized customers such as procurement groups, chains and national importers.

SBS has restructured its sales strategy for the British market at the end of the period. In future, focus will be on an expanded cooperation with direct deliveries to the large, leading distributors with the strongest trademarks. As a consequence of this, SBS' locally based British market sales function was rendered superfluous.

In Eastern Europe new import stipulations have been brought in for the Russian market. This has caused difficulties in connection with the delivery of goods for a period of time.

The German distribution company has been significantly affected by the market slowdown and, to a degree, by the introduction of a new IT and inventory control system. New initiatives designed to compensate for the slowdown, including an intensified sales effort towards automotive sales groups have been initiated. The expansion of inventory facilities has been completed and this will strengthen logistics in the future.

In the French distribution company revenue increased when compared to the same period in 2007. New products such as callipers and brake drums have been implemented and from the second half year also steering parts, which are expected to further strengthen the sales base.

The weaker market conditions are expected to continue to cause a certain amount of unrest in the distribution chain with inventory adjustment and intensified sector consolidation as a result. SBS will continue goal-directed work to utilise new opportunities for gaining market shares under the more turbulent market conditions.

DIESEL PARTICULATE FILTERS – NOTOX

Market development

The market for particulate filters for diesel engines currently consists of a retrofit market for existing engines and an original equipment market (OE). The market is further divided into segments such as passenger cars, commercial vehicles and lorries, busses and construction machines together with ships and trains.

The market for diesel particulate filters increases in step with the implementation of legislation for the different types of vehicle – legislation that encompasses the EU, USA, and Korea together with Japan and to a greater or lesser extent newly industrialised countries such as China.

A conservative estimate from SBS is that the global market for diesel particulate filters excluding ships will increase from approx. DKK 8.6 billion in 2009 to DKK 20 billion in 2015.

Notox' market position

With the ultramodern production factory in Svendborg together with the production facilities in Aakirkeby, Notox is able to produce for both the retrofit market and the OE market. Focus on the OE market is initially directed toward the slightly larger filters for large diesel engines as Notox has chosen to prioritise customers who require medium-sized series of large filters via the OE market for passenger cars during the start-up phase, where small filters in very large production series are typically required.

The retrofit market

Revenue on the retrofit market is developing slower than was expected thus far. It has been seen that customers' decision-making processes are slower than originally assumed, but Notox has not experienced loss of orders to competitors.

During the first half year of 2008 Notox has expanded an existing framework agreement for the Korean market so this covers a further two products. Notox' revenue from the Korean market is expected to exceed DKK 30 million in 2008. The framework agreement is expected to provide a three-figure million revenue over a 3-5 year period. Furthermore, Notox has secured approval for a new particulate filter product, also for the Korean market. Overall Notox' current market share of the Korean retrofit market is approx. 40 %.

Via a Korean customer, Notox has also managed to break into the Chinese market, where the first filters have been delivered. The order is considered to be strategically important, because the Chinese market for diesel particulate filters is expected to grow significantly in the coming years.

Further, Notox has initiated the start-up of a partnership with a range of new European retrofit customers. In the US, CARB approval agreements have been entered with both direct customers and through the American distributor ESW. The approvals are expected to be obtained during the fourth quarter, thereby opening for sales to the growing Californian retrofit market.

The OE market

During the first half year of 2008 Notox has obtained the first OE approvals and can therefore now be taken into consideration as an OE supplier. The OE contracts are typically contracts based upon a minimum of 4 year supply agreements with an annual revenue volume that is equivalent to a three-figure million amount.

With the first OE approvals Notox has taken a very significant step from being a technological development company to being a commercial growth company. Based upon this, Notox expects to be invited to tender for a range of OE contracts in the future, typically in connection with orders for filters for slightly larger diesel engines.

As an important stage of the preparation for the OE market, Notox has concentrated on building-up a strong R&D department throughout 2007 and 2008. The OE contracts will demand continuing product development and increased efficiency equivalent to 5-8% of the contract sum with the individual customer. In connection with this, agreements have been entered into with leading universities on research and documentation cooperation.

A future replacement market

Notox expects that in the diesel particulate filter area a secondary market for filter replacement will also arise during the next few years. It is however pleasing that Notox has already received the first enquiries for filters to the aftermarket – a market that is expected to end up being similar to SBS' current market for friction and brake parts.

RELATED PARTY TRANSACTIONS

During the period, no transactions with related parties to Scandinavian Brake Systems A/S have been carried out.

OTHER EVENTS

Incentives programmes

In May 2008 a further 9,000 shares with exercise date 1 July 2011 – 30 June 2012 were granted to management and employees. Reference is made to Stock Exchange Announcement no. 09-2008 of 27 May 2008 and note 5.

Events after the end of the interim period

No significant events have occurred after the end of the period

EXPECTATIONS FOR DEVELOPMENTS AND PROFIT OR LOSS

For the SBS division, expected revenue is between DKK 860-880 million as against DKK 930-960 million as previously expected. The altered expectations in regard to previous announcements can primarily be attributed to slowdown on the automotive spare parts market, which during the summer turned out to be stronger than expected. This has been reinforced by a longer running-in phase for the new IT and inventory control system in the German company. As a consequence of this, the operating profit or loss (EBIT) is expected to be DKK 62-72 million against the previous expectation of DKK 75-85 million. Pre-tax profit is expected to be in the region of DKK 40-50 million against the previous expectation of DKK 60-70 million, excluding sale of property.

The Notox division expects revenue of between DKK 50-60 million as against DKK 80-100 million as previously expected and a pre-tax loss of DKK 65-75 million as against a loss of DKK 60-70 million as previously expected. The altered expectations can be related to the fact that customers' decision-making processes have shown themselves to be slower than previously assumed, as is stated above.

In the preliminary announcement of financial statements for 2007 it was stated that the group's property had been put up for sale and that a profit in the range of DKK 70-80 million could be reckoned on; already at the current time a profit of DKK 22 million has been realised.

Based upon this and together with the fact that the group expects increased finance costs, expectations are therefore for a total pre-tax profit including the property sale of DKK 40-50 million as against the previous expectation of DKK 70-80 million.

OTHER INFORMATION

Financial calendar

20 November 2008 Quarterly report, 1st – 3rd quarter 2008

Overview of issued stock exchange announcements in 2008

2 June 2008 Notox reaches an important milestone (No. 10)
27 May 2008 Options programme (No. 09)
8 May 2008 Reporting of leading employees and their related parties' transactions with Scandinavian Brake Systems A/S shares (No. 08)
24 April 2008 Minutes of the annual general meeting held on 24 April 2008 (No. 07)
24 April 2008 Interim announcement (No. 06)
15 April 2008 General meeting, proxies – Scandinavian Brake Systems A/S (No. 05)
8 April 2008 Notification of annual general meeting (No. 04)
2 April 2008 Reporting of leading employees and their related parties' transactions with Scandinavian Brake Systems A/S shares (No. 03)
27 March 2008 Preliminary announcement of the annual accounts 2007 (No. 02)
3 January 2008 Financial calendar (No. 01)

STATEMENT BY THE BOARD OF DIRECTORS AND EXECUTIVE BOARD

The board of directors and the executive board have today considered and approved the interim financial report for the period 1 January – 30 June 2008 for Scandinavian Brake Systems A/S.

The interim financial report, which has not been audited or reviewed by the company's auditor, is presented in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union and additional Danish disclosure requirements regarding interim financial reports for listed companies.

In our opinion the interim financial report gives a true and fair view of the group's assets, liabilities and financial position as at 30 June 2008, and of the results of the group's activities and cash flows for the period 1 January – 30 June 2008.

It is furthermore our opinion that the management's review contains a fair statement of the development of the group's activities and financial affairs, the net profit or loss for the period and of the group's financial position as a whole, as well as a description of the most significant risks and elements of uncertainty facing the group.

Executive Board:

Hans Fuglgaard

Hans Jørn Sørensen

Board of Directors:

Leif Stiholt

Hans Jørgen Kaptain

Knud Andersen

Lars Radoor Sørensen

Jan B. Pedersen *

Anders Bach *

Income statement

DKK 1,000	1st half year 2008	1st half year 2007
Revenue	444,070	450,704
Costs of raw materials and consumables	-260,714	-253,369
Change in inventories of finished goods and work in progress	2,802	-7,673
Other external expenses	-64,833	-59,008
Staff costs	-102,605	-99,007
Write downs and depreciation	-14,404	-11,518
Operating profit or loss excluding special items	4,316	20,129
Special items	21,927	-
Operating profit or loss	26,243	20,129
Financial income	26	78
Financial expenses	-17,299	-10,000
Pre-tax profit	8,970	10,207
Tax on net profit or loss for the year	-3,202	-3,046
Net profit or loss for the year	5,768	7,161
Earnings per share (EPS)	1.80	2.23
Diluted earnings per share (EPS-D)	1.77	2.21

BALANCE SHEET – ASSETS
DKK 1,000

Notes	30/6 2008	31/12 2007	30/6 2007
LONG TERM ASSETS			
Intangible assets			
4 Goodwill	183,401	183,401	183,396
4 Patents and rights	2,056	2,078	2,104
4 Development projects	19,455	8,675	9,722
4 Trademarks	11,491	11,491	11,488
Software	17,477	9,971	9,829
Prepayments for intangible assets	167	10,284	4,743
	234,047	225,900	221,282
Property, plant and equipment			
Land and buildings	58,923	17,469	95,585
Plant and machinery	214,371	56,780	59,280
Other plant, operating equipment and inventory	20,696	13,341	15,707
Property, plant and equipment in progress	25,557	220,490	122,340
	319,547	308,080	292,912
Other long term assets			
Securities	165	165	170
Deferred tax	17,593	20,008	23,105
	17,758	20,173	23,275
Total long term assets	571,352	554,153	537,469
Short term assets			
Inventory	283,143	307,215	248,564
Receivables	275,996	161,691	197,561
Receivables, corporation tax	17,958	15,832	5,584
Cash at bank and in hand	912	833	3,141
	578,009	485,571	454,850
3 Assets destined for sale	74,058	83,855	-
Total short term assets	652,067	569,426	454,850
TOTAL ASSETS	1,223,419	1,123,579	992,319

BALANCE SHEET – LIABILITIES

DKK 1,000

Notes	30/6 2008	31/12 2007	30/6 2007
EQUITY			
Share capital	32,085	32,085	32,085
Hedging reserve	-50	-1,340	0
Reserve for foreign currency translation adjustment	-105	325	39
Revaluation reserve	16,364	16,364	16,364
Retained earnings	268,592	264,035	273,975
Proposed dividend	0	0	0
Total equity	316,886	311,469	322,463
Liabilities			
Long-term liabilities			
Deferred tax	17,808	14,050	20,306
Pension obligations	3,891	3,891	4,008
Credit institutions, etc.	92,929	85,378	115,119
	114,628	103,319	139,433
Short term liabilities			
Credit institutions	2,286	5,937	3,240
Bank loan	516,759	460,123	387,280
Trade payables	87,924	91,251	89,779
Other liabilities	75,312	53,074	50,124
	682,281	610,385	530,423
3 Liabilities relating to assets destined for sale	109,624	98,406	0
	791,905	708,791	530,423
Total liabilities	906,533	812,110	669,856
TOTAL LIABILITIES	1,223,419	1,123,579	992,319

STATEMENT OF CHANGES IN EQUITY

DKK 1,000

	Share capital	Hedging reserve	Reserve for foreign currency translation adjustment	Revaluation reserve	Retained earnings	Proposed dividend	Total
Equity as at 1 January 2007	32,085	0	-17	16,364	266,905	8,342	323,679
Changes in equity 1st half year 2007							
Foreign currency translation adjustment, subsidiaries	0	0	56	0	0	0	56
Net profit or loss for the year	0	0	0	0	7,161	0	7,161
Total income	0	0	56	0	7,161	0	7,217
Distributed dividend	0	0	0	0	0	-8,342	-8,342
Purchase of treasury shares	0	0	0	0	-584	0	-584
Used in connection with granting of free shares	0	0	0	0	493	0	493
Total changes in equity 1st half year 2007	0	0	56	0	7,070	-8,342	-1,216
Equity as at 30 June 2007	32,085	0	39	16,364	273,975	0	322,463
Changes in equity 2nd half year							
Foreign currency translation adjustment, subsidiaries	0	0	286	0	0	0	286
Value adjustment of hedging instruments	0	-1,786	0	0	0	0	-1,786
Tax on changes in equity	0	446	0	0	0	0	446
Net profit or loss for the year	0	0	0	0	-11,684	0	-11,684
Total income	0	-1,340	286	0	-11,684	0	-12,738
Share-based payment	0	0	0	0	1,744	0	1,744
Total changes in equity 2nd half year	0	-1,340	286	0	-9,940	0	-10,994
Equity as at 31 December 2007	32,085	-1,340	325	16,364	264,035	0	311,469
Changes in equity 1st half year 2008							
Foreign currency translation adjustment, subsidiaries	0	0	-430	0	0	0	-430
Value adjustment of hedging instruments	0	1,720	0	0	0	0	1,720
Tax on changes in equity	0	-430	0	0	0	0	-430
Net profit or loss for the year	0	0	0	0	5,768	0	5,768
Total income	0	1,290	-430	0	5,768	0	6,628
Purchase of treasury shares	0	0	0	0	-1,661	0	-1,661
Share-based payment	0	0	0	0	450	0	450
Total changes in equity 1st half year 2008	0	1,290	-430	0	4,557	0	5,417
Equity as at 30 June 2008	32,085	-50	-105	16,364	268,592	0	316,886

CASH FLOW STATEMENT

DKK 1,000	1st half year 2008	1st half year 2007
Pre-tax profit	8,970	10,207
Write downs and depreciation	14,404	11,518
Adjustments	17,271	9,999
Change in working capital	-39,533	-78,460
Cash flows from operating profit or loss	1,112	-46,736
Financial income received	28	78
Financial expenses paid	-17,299	-10,077
Corporation tax paid	0	-6,000
Cash flow from operations	-16,159	-62,735
Purchase of intangible assets	-10,680	-5,125
Purchase of property, plant and equipment	-46,547	-106,713
Sale of property, plant and equipment	893	120
Cash flow for investing activities	-56,334	-111,718
Proceeds from raising of long term liabilities	19,986	55,417
Instalments on long-term liabilities	-2,390	-5,442
Purchase of treasury shares	-1,661	-584
Dividend paid	0	-8,342
Cash flow from financing activities	15,935	41,049
Cash flow for the year from operations, investments and financing activities	-56,558	-133,404
Cash, cash equivalents and bank loan (net), beginning of the year	-459,289	-250,735
Cash, cash equivalents and bank loan (net), end of the year	-515,847	-384,139
Cash at bank and in hand	912	3,141
Bank loan	-516,759	-387,280
Cash, cash equivalents and bank loan (net), end of the year	-515,847	-384,139

DKK 1,000

Note 1 – ACCOUNTING POLICIES

The interim financial report is presented in accordance with IAS 34 “Interim Financial Reporting” as adopted by the European Union and additional Danish disclosure requirements regarding interim financial reports for listed companies.

Accounting policies are unaltered in relation to the 2007 annual report, to which reference is made.

The 2007 annual report contains a full description of the accounting policies.

Note 2 – ESTIMATES AND ASSESSMENTS

The drawing-up of interim financial reports require that the management makes accounting estimates and assessments, which influence the use of accounting policies and recognised assets, liabilities, income and expenses. Actual results may deviate from these estimates.

The most significant estimates carried out by the management in connection with the use of the group’s accounting policies and the most significant uncertainty related to said estimates, are the same in connection with the drawing-up of the summaries presented in the interim financial accounts as with the drawing-up of the annual report as at 31 December.

Note 3 – ASSETS DESTINED FOR SALE

At the end of 2007 and during 2008, Scandinavian Brake Systems A/S has been involved in negotiations with purchasers of selected properties in the group. In the first half year of 2008 a property has been sold which has positively influenced the financial statements to the tune of DKK 21.9 million. During the first half year it was decided to add a further property to assets destined for sale.

The group is engaged in ongoing negotiations with purchasers of the other selected properties in the group. The sale of the other selected properties is expected to affect the profit or loss for 2008 by DKK 70 - 80 million if final sales contracts are entered into for the selected properties.

Recognition of assets destined for sale can be specified thus:

	1st half year	31. December	1st half year
	2008	2007	2007
Property, plant and equipment	74,058	83,855	-
Total assets destined for sale	74,058	83,855	-
Long term liabilities	101,736	88,548	-
Other liabilities	511	1,785	-
Deferred tax	7,377	8,073	-
Total liabilities	109,624	98,406	-

DKK 1,000

Note 4 – IMPAIRMENT TEST

Goodwill and trademarks

As of 30 June 2008 the management has carried out an impairment test of the carrying amount of goodwill and trademarks. With a view to so doing, the carrying amount of goodwill and trademarks as of 31 December 2007 is distributed among the cash-generating units to which the goodwill and trademarks belong. The recoverable amount is based upon the value in use, which is determined by the use of the expected net cash flow based on budgets for 2008 and forecasts for 2009-2012 as approved by the management.

Based on the prepared impairment tests, no basis has been found to amortise goodwill and trademarks as at 30 June 2008.

Development projects

Ongoing development projects are related to the Notox division. The carrying amount as at 30 June 2008 amounts to DKK 19.5 million. The development projects consist of both product development and process development. The development projects in the Notox division should help to ensure that the Notox division attains the expected market shares. All ongoing projects are proceeding as planned and no information from customers or competitors exists that indicates that Notox products will not achieve the expected scope of sales.

Based on this, management has made an estimate of the current activated development projects' recoverable amount in the form of expected future net cash flow including completion costs.

Management has also estimated that, for the completed development projects depreciated over 3-8 years of useful lives, there is no indication of impairment over and above the depreciation applied. Therefore, impairment tests have not been carried out concerning completed development projects.

Note 5 – SHARE-BASED PAYMENT

In 2006 Scandinavian Brake Systems A/S established a share option scheme for the executive board. The scheme is described in the annual report 2007. In the first half year of 2008 the board of directors granted selected directors in the group subscription rights for a total of 9,000 shares in the company to a price that was 15 % lower than the market price on the day of granting.

The options are entered into under the following terms and conditions:

Exercise period	2011-2012
Expected volatility	35
Expected term	3 years
Risk free interest rate	5,5%