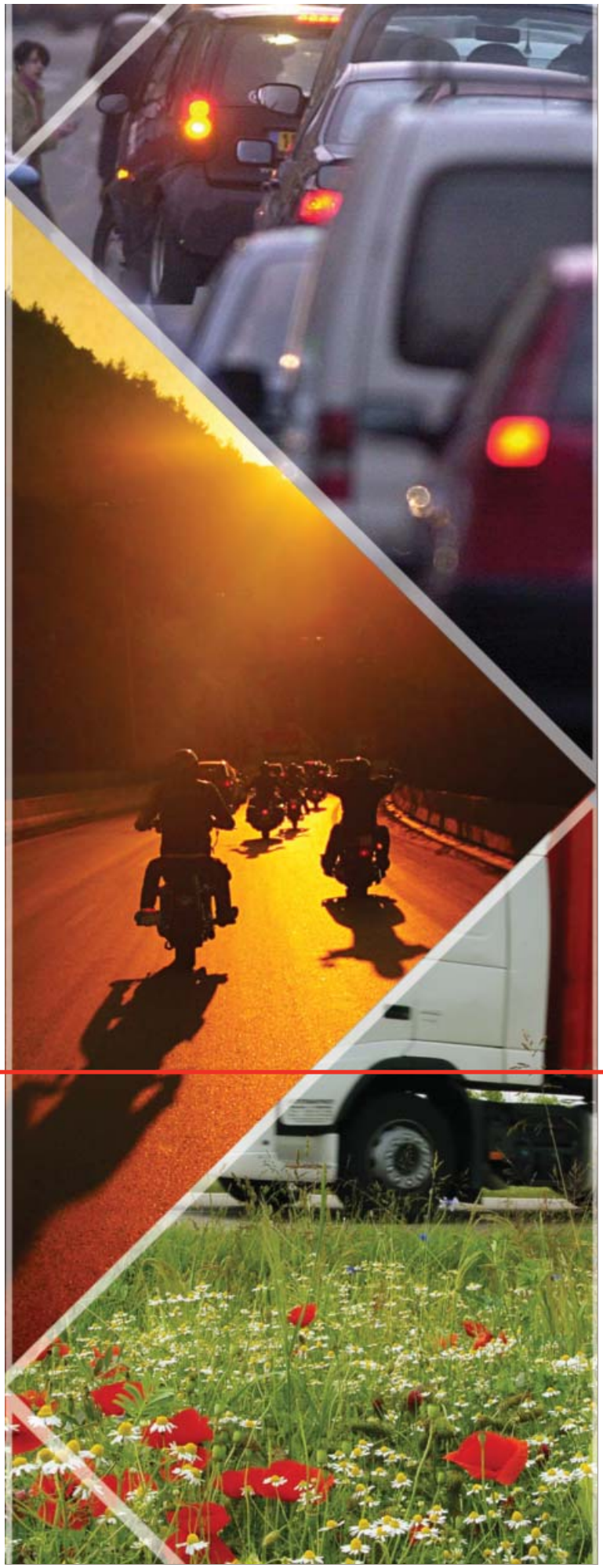


The following is a translation of an original Danish document.

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 2012.

EXTRACT OF
ANNUAL REPORT 2012

Automotive
Friction
Notox

Scandinavian Brake Systems A/S
CVR-nr. DK 32 77 42 10

CONTENTS

THE YEAR IN OUTLINE

The SBS Group

- Revenue totalled DKK 946 million compared to DKK 1,022 million in 2011; an 8% decline, corresponding to the general market decline.
- Operating profit before depreciation, amortisation and reorganisation (EBITDA Recurring) for continuing operations totalled DKK 61 million compared to DKK 83 million in 2011.
- Profit after tax and discontinuing operations totalled DKK 6 million compared to DKK 2 million in 2011.
- At 31 December 2012, equity amounted to DKK -94 million compared to DKK -98 million at 31 December 2011. The equity is supplemented by the subordinate loan capital. Equity and subordinated loan capital total 14.5% of the balance sheet total.
- In November 2012, the SBS Group was split up into legal entities and divisions; and now comprises three business areas: SBS Automotive, SBS Friction and Notox (activity classified as held for sale).
- Pre-joint taxation losses previously written down of DKK 18 million were recapitalised (deferred tax asset) as a result of the reorganisation.

Outlook for 2013

For 2013, the Company expects consolidated revenue of DKK 980 million to DKK 1,020 million and EBITDA of DKK 60 million to DKK 80 million for continuing operations. This is based on a stable market in growth and SBS' market position.

Liquidity and financing

In December 2012, SBS entered into an agreement with the Group's bankers to renew the existing financing agreement, including extension of the agreed subordinate loan so that the financing agreement now covers anticipated financing requirements up to 30 June 2014.

Group Management has started negotiations with the Group's bankers regarding a new and long-term financing agreement. The Group's bankers have informed us that they are favourably disposed towards a new financing agreement that provides the Group with the required financial base to continue its operations in the coming years. The negotiations are expected to be concluded in the course of 2013.

FINANCIAL HIGHLIGHTS

DKK 1,000	2012	2011	2010	2009	2008
Revenue	946,138	1,021,860	969,029	862,348	806,832
Index	117	127	120	107	100
Operating profit before depreciation, amortisation and reorganisation, etc. (EBITDA recurring)	60,843	83,022	82,273	62,162	55,483
Reorganisation, etc.	-8,866	-	-	-	25,937
Operating profit before depreciation and amortisation (EBITDA)	51,977	83,022	82,273	62,162	81,420
Depreciation and impairment losses, continuing operations	-17,824	-18,452	-18,326	-19,015	-20,127
Operating profit (EBIT)	34,153	64,570	63,947	43,147	61,293
Finance income and costs (net)	-39,270	-40,737	-32,789	-21,791	-19,766
Profit from continuing operations after tax	5,551	14,844	21,672	15,211	29,379
Profit/loss from discontinued operations after tax	206	-12,679	-21,045	-373,796	-76,383
Profit for the year (after tax)	5,757	2,165	627	-358,585	-47,004
Non-current assets	288,282	262,171	260,157	255,919	627,268
Current assets including assets classified as held for sale	482,003	512,072	517,039	495,071	551,119
Total assets	770,285	774,243	777,196	750,990	1,178,387
Share capital	32,085	32,085	32,085	32,085	32,085
Equity	-94,014	-98,308	-93,435	-96,371	262,054
Subordinate loan capital	205,636	214,539	187,880	-	-
Total subordinate loan capital	111,622	116,231	94,445	-96,371	262,054
Non-current liabilities	526,346	550,411	449,507	83,695	206,154
Current liabilities including assets classified as held for sale	337,953	322,140	371,124	763,666	691,020
Net interest-bearing debt incl. subordinate loan capital	683,586	720,442	675,448	687,927	687,939
Average number of employees (continuing operations)	492	534	522	487	521
Revenue per employee	1,923	1,914	1,856	1,771	1,549
Cash flows from operating activities, continuing operations	74,266	2,567	30,669	82,809	60,009
Net cash flows from investing activities	-11,672	-25,616	-8,906	-3,619	26,832
Portion relating to investment in property, plant and equipment	11,256	19,505	7,573	4,679	26,450
Cash flows from financing activities	-63,532	18,074	-17,166	486	-4,629
Cash flows from discontinuing operations	504	1,014	-594	-78,867	-90,596
Total cash flows for the year	-434	-3,961	4,003	-809	-8,384

Financial ratios	2012	2011	2010	2009	2008
Operating profit before depreciation, amortisation and reorganisation (EBITDA recurring) - margin	6.4	8.1	8.5	7.2	6.9
EBITDA margin	5.5	8.1	8.5	7.2	10.1
EBIT margin	3.6	6.3	6.6	5.0	7.6
Return on invested capital in % (ROIC excl. GW)	9.4	15.1	16.3	10.6	12.0
Return on equity in % (ROE)	I/A	I/A	I/A	I/A	I/A
Solvency ratio (%)	-12.2	-12.7	-12.0	-12.8	22.2
Earnings per share in DKK (EPS basic)	1.8	0.7	0.2	-111.8	-14.6
Book value per share (BVPS), DKK	-29.3	-30.7	-29.1	-30.0	81.7
Share price/book value	-0.6	-1.2	-1.4	-1.5	0.5
Share price at year end	16.2	37.8	39.7	32.9	44.0

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 Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2010". For terms and definitions, please see the accounting policies.

BUSINESS FOUNDATION OF THE SBS GROUP

Business concept

SBS develops, manufactures and distributes brakes and friction parts for cars, motorcycles and for energy and industrial systems, including wind turbines.

Mission

SBS offers friction products and related products that contribute positively to our customers' earnings and end users' safety.

Vision

SBS vision is to:

- Achieve a leading European market position combined with a growing business on the global market within our business areas.
- Ensure a profit above average of our industry.
- Offer working conditions that attract skilled and talented employees.
- Be considered as a reliable company with a leading and trendsetting position in our industry.

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 line of business.

Reliable and fair

Management and employees are reliable and fair in relation to customers, shareholders, suppliers and society in general. We say what we do and do what we say.

Ethically responsible

SBS operates globally and with partners worldwide. We respect basic, social and ethic rules for fair business wherever we operate around the world.

STRATEGIC FOUNDATION

In the autumn of 2012, the SBS Group adopted the strategic basis for its continuing operations up to and including 2017.

SBS Automotive
The business area comprises:

- Remanufacturing and manufacturing of brake callipers for cars.

  SBS is one of Europe's leading manufacturers within this area. The business model is based on a production concept featuring remanufacturing in Støvring, Denmark, and Presov, Slovakia, as well as the manufacturing of new cast callipers in the Far East, thus ensuring a competitive concept with strong delivery performance.

- Sourcing, completion and distribution of brake discs and brake drums.

  SBS has a long-standing cooperation with China's leading manufacturer within casting and processing of brake discs. Combined with SBS' Danish-based operation for the completion, packaging and customisation as well as systematic assortment management and quality control, this cooperation provides a unique and flexible platform for deliveries of brake discs and drums for the European market.

- Supply chain: Sourcing and distribution of a number of brake parts and related wear parts such as steering components, suspension parts and clutch sets for cars.

  With a large, modern logistics centre located in Eisenach, Germany, and minor centres in Denmark and France, SBS has an efficient base for meeting wholesale needs for day-to-day deliveries almost everywhere in Europe.

SBS Automotive's primary focus areas during the strategy period will be growth based on:

- Further strengthening of the calliper business areas through the development of the three-thronged production concept and increased sale of calliper parts to support the sale of complete callipers.

- Increasing sales to the OES segment, i.e. car manufacturers' spare part programmes. Competition between car manufacturers' service organisations and the free market is expected to be intensified in the coming years, particularly for cars that are between 4 and 8 years old. Therefore, car manufacturers need strong quality spare part programmes but at a price level below OE parts. With its calliper and disc concepts, SBS offers products customised to this concept.

- Increasing sales to East European markets, primarily Russia and Poland. Car population in Eastern Europe is in heavy growth. By means of its new delivery concepts based in the distribution centre in Eisenach, Germany, SBS will experience growth in the region. The central point will be sale of the entire product palette using own trademarks for large and medium-sized distributors. Moreover, the successful German overnight delivery concept will be expanded successively to German neighbouring countries such as Austria, Switzerland and the Netherlands.

- Streamlining of the calliper production and completion processes on brake discs through automation and implementation of LEAN as the leading production concept.

SBS Friction

This business area comprises development and manufacturing of friction materials and brake pads for motorcycles, scooters, motorsport and a number of special applications, including wind turbines.

SBS holds a strong position within this area based on wide technological know-how, innovation, own production and high reliability of supply.

Within the aftermarket, SBS is a leading supplier of brake pads for motorcycles, primarily on the European market.

SBS has set the following principal strategic goals to ensure substantial revenue growth within the strategy period:

- Globalisation of the aftermarket, primarily focusing on the USA, South America and parts of Asia and by maintaining its core business in Europe.
- Increasing activities within OE brake parts.
- Process innovation and LEAN, including the implementation of a pioneering sintering method providing higher quality.
- Product innovation through optimisation of existing and development of new brake pads setting new standards for the area.
- Focus on special applications such as brake pads for the wind turbine sector, also including the service market.

Particular focal areas for fulfilling the strategic plan

SBS has defined the following areas as fundamental for the fulfilment of the Company's strategic plan:

Customer focus

Customer growth and profit performance will be the recurring feature of all SBS' activities. SBS' very existence is based on contributing positively to customer business development through its products and concepts.

LEAN/productivity

Increased productivity is to ensure sustainable global competitiveness. Accordingly, there will be special focus on the implementation of new process technology and on improving the efficiency of work processes, i.a. through LEAN methods involving the employees with a view to optimising the interaction of product, process and employee.

Innovation

Innovation includes continuous development of new products and materials as well as process optimisation to ensure SBS' continued leading position in friction technology. Innovation also means developing the Company's ranges to ensure that they are in sync with market demands at all times.

Supply chain

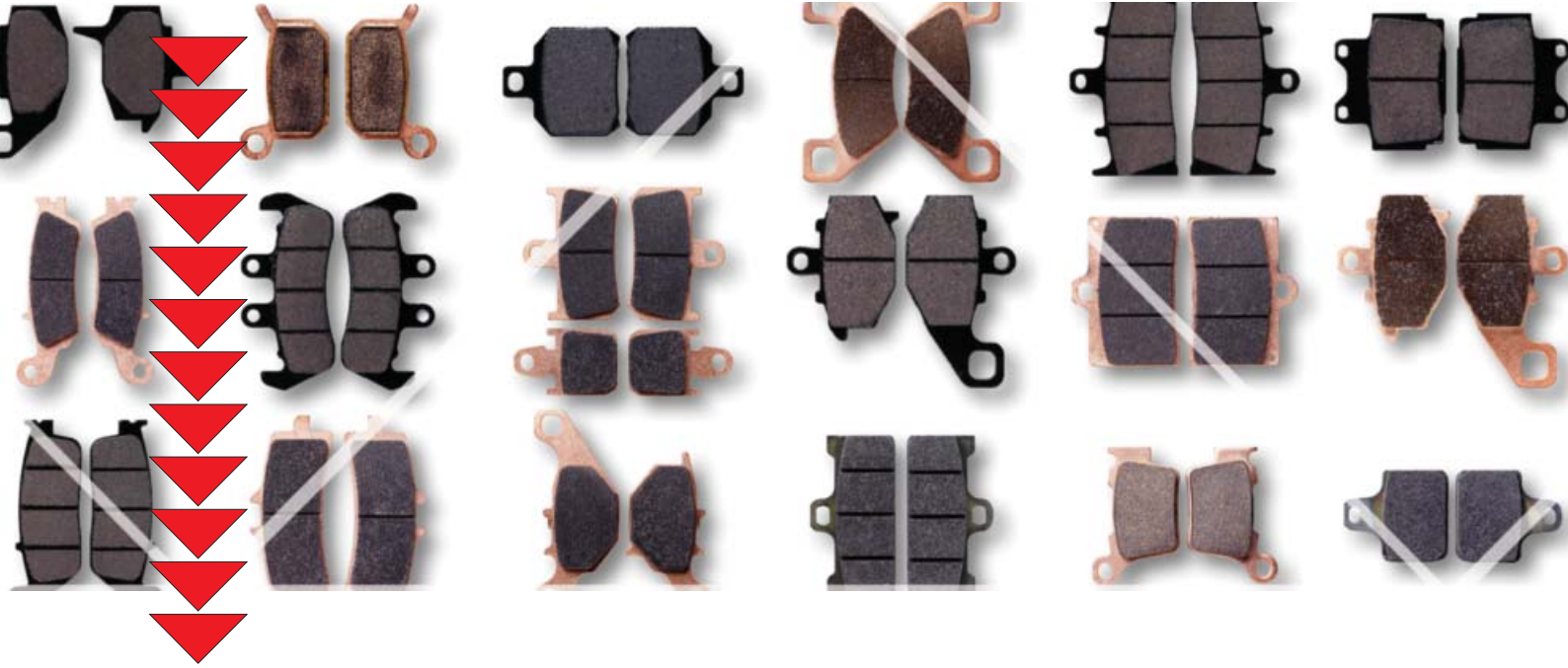
The right goods in the right quantity at the right time and at the right price. In the spare parts industry, logistics is the difference between "winning and losing". SBS' supply chain concepts are being developed continually to ensure best-in-class logistics concepts for the European spare part market.

Quality

Quality throughout all phases: Product, handling, customer service, etc. supported by quality control systems based on ISO and TS standards.

Talent

Intensified global competition makes the ability to attract and develop competent employees within all functions a vital prerequisite for growth. SBS is committed to ensuring the development of talents and qualifications, defined as professional competences, originality, insight, commitment, decisiveness, vision, team player and social skills.



REORGANISATION

In November 2012, Management decided to split up the SBS Group into legal entities and divisions; accordingly, the Group now comprises three business areas.

The decision was made based on forecast market and development scenarios. The coming years are expected to pose considerable uncertainty and major changes in the global economy. The financial crisis and the general development in world economies in the USA, China and Europe are expected to affect the general business climate for the SBS Group. Some of the consequences will be keener competition due to over-capacity, changed distribution structures based on the need for faster distribution, and reduction of the distributors' working capital as well as accelerating structure rationalisations and consolidations among both customers and suppliers due to acquisitions and mergers.

In Management's opinion, the market development will require further focusing and optimisation of the Group's individual business areas, i.a. through increased focus on innovation and development, optimisation of the balance between own production and outsourcing as well as development of the most efficient logistic solutions. This will allow the company to exploit the growth potential of the individual areas.

In addition to corporate management, finance and other specialised group-related functions, which will remain in the company Scandinavian Brake Systems A/S, the SBS Group will consist of three business areas in the future:

1. SBS Automotive
The Group's automotive activities, primarily re-manufacturing of brake callipers, sourcing, completion and distribution of brake parts and related wear parts for cars. The division's activities are based in Støvring, Denmark, Holstebro, Denmark, and Presov, Slovakia, as well as on locations in Germany, France and Russia.

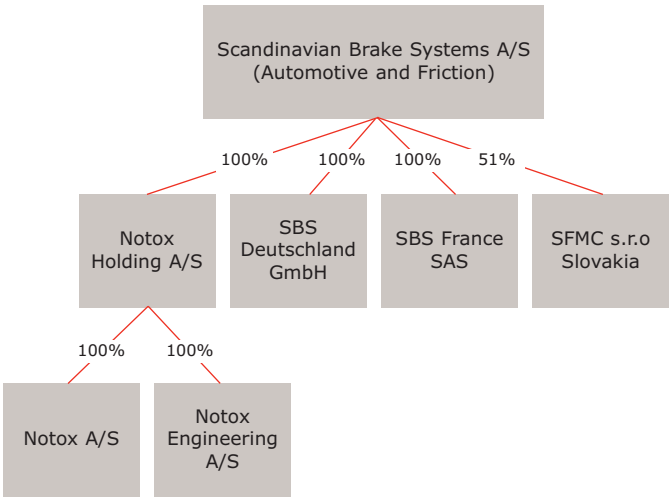
2. SBS Friction
Comprises the Group's activities within development, production and sale of products based on friction technology for motorcycles, wind turbines and a number of specialised areas. The division's activities are located in Svendborg, Denmark.

3. Notox (activity classified as held for sale)
Production of diesel particulate filters, on a subsupplier basis mainly, with production in Svendborg, Denmark

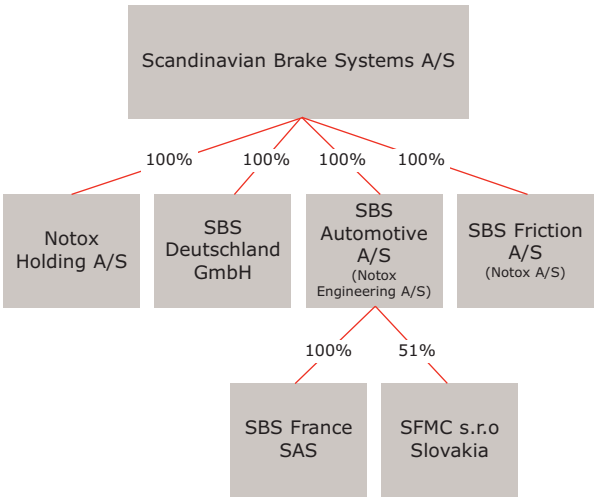
Brief description of the transaction
The existing companies, SBS Automotive A/S (formerly Notox Engineering A/S) and SBS Friction A/S (formerly Notox A/S), were transferred from Notox Holding A/S to Scandinavian Brake Systems A/S. Subsequently, assets and liabilities were transferred at fair values regarding the activities "SBS Automotive" and "SBS Friction" from Scandinavian Brake Systems A/S to SBS Automotive A/S and SBS Friction A/S, respectively. The transactions were made as two non-cash contributions by increasing the capital in SBS Automotive A/S and SBS Friction A/S.

The structure before and after can be illustrated as follows:

Before



After



Valuation

The transfer of the activities "SBS Automotive" and "SBS Friction" from Scandinavian Brake Systems A/S to SBS Automotive A/S and SBS Friction A/S was made at fair value.

Management estimated the activity "SBS Automotive" (excluding SBS Deutschland GmbH) at an enterprise value (debt free value) of at least DKK 375 million, corresponding to an added value (goodwill, know-how, brands, etc.) of at least DKK 149 million. The "SBS Friction" activity is estimated at an enterprise value (debt free value) of at least DKK 100 million, corresponding to an added value (goodwill, know-how, brands, etc.) of at least DKK 50 million. The valuation is based on an valuation report prepared by a recognised corporate finance firm.

Accounting implications

Consolidated financial statements

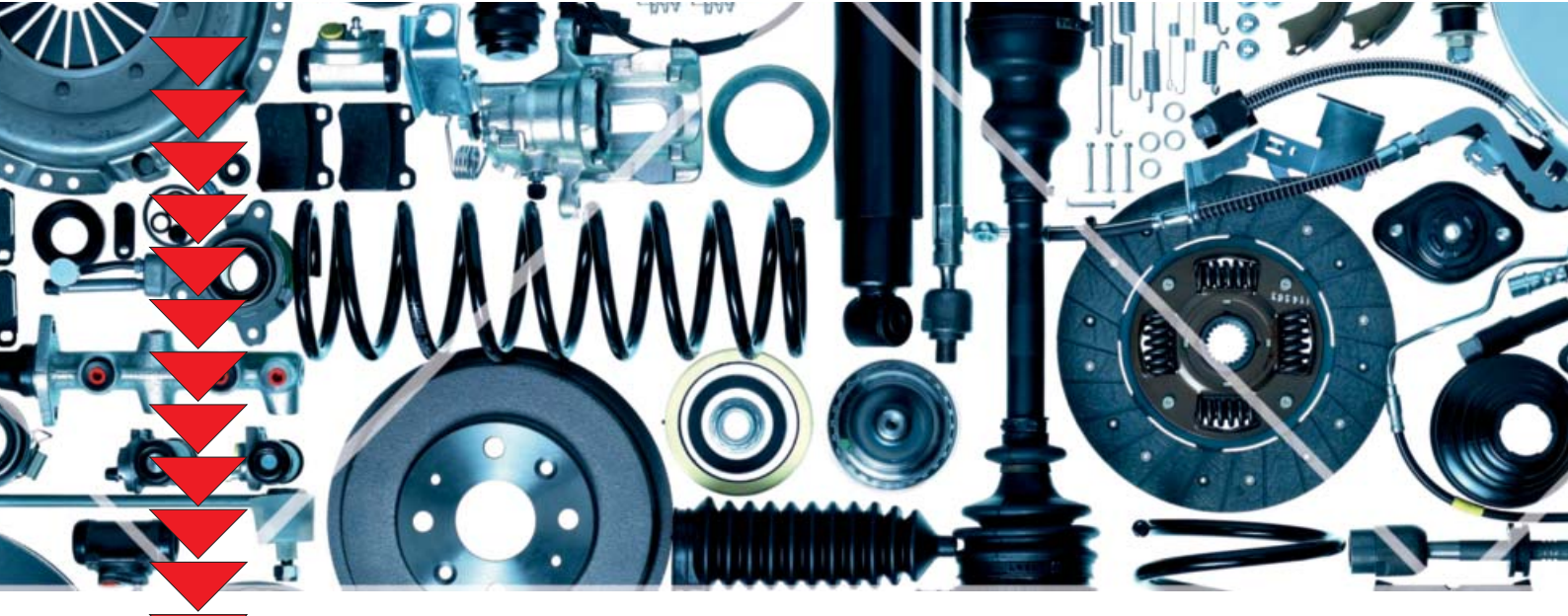
In general, the consolidated financial statements of Scandinavian Brake Systems A/S are not affected by the intra-group transaction with the exception of re-capitalisation of pre-joint taxation losses previously written off.

The pre-joint taxation losses previously written off regarding SBS Automotive A/S, SBS Friction A/S and the Notox Division were re-capitalised for accounting purposes as a deferred tax asset, as the tax losses are expected to be utilised as a set-off against positive income over the next 3-5 years. The deferred tax asset amounts to approx. DKK 18 million and is recognised in the consolidated financial statements at 31 December 2012. Recognition of the deferred tax asset in the consolidated financial statements resulted in an improvement of approx. DKK 18 million in the profit after tax in 2012 and the equity at 31 December 2012.

Parent company financial statements

As a result of the transaction, Scandinavian Brake Systems A/S (Parent Csompany) realised an accounting profit settled in assets of DKK 189 million before tax through the transfer of assets and liabilities to SBS Automotive A/S and SBS Frictions A/S. The profit is recognised under "Reorganisation" in the income statement.

The majority of the Parent Company's activities were transferred to SBS Automotive A/S and SBS Friction A/S at 5 November 2012, meaning that on the whole the income statement of the Parent Company is presented as "discontinuing operations". As nearly all activities in the Parent Company were transferred, the comparative figures are unchanged. The activities remaining in the Parent Company primarily include leasing out properties and group administration.



BUSINESS DEVELOPMENT

The SBS Division (continuing operations)

SBS Automotive

This business area comprises production/remanufacturing of brake callipers for cars, sourcing, completion, customisation and distribution of brake discs and brake drums as well as supply chain with sourcing and distribution of brake parts and related wear parts for cars.

The European automotive aftermarket, which represents SBS Automotive's market base, is large, stable and fragmented, as demonstrated by surveys performed by Boston Consulting Group. Projections of the development up to 2020 also show that the market will be increasing slightly with generally stagnating markets in Western Europe and growth in Eastern Europe and Russia, where the car population will continue its relatively strong growth throughout this period. As for brake callipers, where SBS is market leader, an increase in the market is expected mainly because callipers are being replaced instead of repaired in more and more markets. Within brake discs and other automotive product areas, a more or less unchanged market volume is expected throughout this period.

Roughly speaking, the automotive aftermarket is supplied through two channels: The authorised distributors and workshops controlled by the car industry and the independent free aftermarket including manufacturers, distributors and workshops that operate independently of the car industry. The concepts are more or less equal – each having their strengths and weaknesses. The competition between the two channels on the repair market is tough and will continue; not least when it comes to cars that are between 4-8 years old. The free after-market, which is SBS' primary market platform, is expected to increase its share of the total market slightly.

Basically, the market outlook supports the validity and strength in SBS Automotive's business concepts. During the period up to 2020, there will also be a solid sales platform for the company's products.

In 2012, the automotive aftermarket has been characterised by declining sales and recession. This relates primarily to a negative development in the EU region. Both the OE market, i.e. the car industry and its distribution network, and the free aftermarket have been affected by the recession.

In 2012, registration of new cars in Europe declined considerably both for passenger cars and vans, however, with large regional differences. For passenger cars, the decline was approx. 8%, whereas vans up to 3.5 t showed a decline of nearly 11%. The lower registration of new cars has affected the derived sale of used cars, which typically leads to replacement of wear parts.

The repair market in general was also affected by the

decline. Despite an overall stable market platform, a decline was documented for 2012 on the aftermarket of up to 10-15% compared to 2011. In the industry, this is explained primarily by reluctance with respect to and postponement of repairs due to the financial crisis and inventory adjustments in the distribution chain.

The generally difficult market conditions have put pressure on the price level of the market. At the same time, the Chinese currency was strengthened, which combined with unstable freight rates has affected the sourcing processes, as a very large portion of the spare parts sold on the European spare part markets are manufactured in China.

Brake callipers
SBS is one of Europe's leading providers of remanufacturing of brake callipers. The re-man production takes place in Støvring, Denmark, and Presov, Slovakia, respectively. The latter as a joint venture with the German company, FTE Automotive GmbH. Since its establishment, the production in this company has developed as planned and an extra production line was added in 2012. The re-man production is supplemented by newly cast callipres from SBS' long-standing business partner in Vietnam. The combination of remanufacturing and production of new products is contributing to ensuring high delivery performance and to reducing the dependency on the access to raw materials for remanufacturing.

To supplement the sale of complete callipres, SBS intensified its efforts in 2012 with respect to sale of callipre parts that are predominantly manufactured by the company itself. The target group for these are customers in countries where repairs are still preferred to replacement as well as to customers who specialise in remanufacturing.

Brake discs
Brake discs are one of the most frequent wear parts in the car's brake system. SBS offers one of the market's widest and most up-to-date product ranges that is sold through the company's own distribution channels as well as private label goods for some of Europe's largest suppliers of spare parts. SBS' flexible concept based on casting and processing in the Far East combined with assortment management, completion, packaging and customization as in-house functions in Denmark is unique in the market and provides a wide sales platform for various types of customers.

The sale of brake discs was affected by the general market recession in 2012. However, the sale of coated brake discs experienced an increase as they are gaining a foothold in the market. Coated brake discs are expected to gradually replace traditional oiled discs, partly because of better resistance to rust and partly because of simpler mounting processes in the workshops.

In 2012, SBS worked systematically on penetrating the OES market, i.e. the aftermarket controlled by the car factories. Regional agreements were established in this area and systematic efforts are made to establish further agreements, primarily targeted against the aftermarket programmes of the German and French car industries.

Furthermore, new and important aftermarket customers are established in Switzerland and Austria, among others.

Supply chain business
This area includes sourcing and distribution of a wide range of brake parts and related wear parts that are sold as own brands through the distribution centres in Germany, France and Denmark.

The supply chain business has been affected to varying degrees by the general decline in the market.

Sales in the German company, SBS Deutschland GmbH, based in Eisenach, were affected by the adverse sales conditions. This affected both the national German sale as well as exports from the distribution centre in Eisenach, However, the export markets showed large regional differences. On the Russian market, SBS Deutschland enjoyed a good increase in sales. This is a reflection of the growth that also characterised this market in 2012 and a result of a new, more aggressive marketing strategy introduced by SBS in the middle of the year placing increased focus on sale of SBS' own brands. In Poland, however, sales declined which is attributable to fewer purchases made by a single customer. In 2012, the German company made systematic efforts to promote the overnight delivery concept to the neighbouring countries of Austria, Switzerland and the Netherlands. All markets displayed positive trends although the level is still low. The sale to these countries is, among other things, supported by transparency in local catalogue systems and through participation in local trade exhibitions.

The French company, SBS France SAS, experienced a small sales increase in 2012 despite a difficult market. The implementation of a new distribution and marketing strategy involving a streamlining of the organisation has had a positive effect.

The Scandinavian market, which is characterised by strong

concentration of wholesalers with a few dominating capital chains and purchasing groups, was affected by market decline, primarily in Denmark and Sweden. The declining market also affected SBS, who supplies all major market players.

Sourcing and logistics
SBS Automotive's business models are to a wide extent based on efficient global sourcing and logistics. In general, deliveries were stable in 2012. However, highly fluctuating freight rates as well as a stronger Chinese currency (including USD) put pressure on the contribution margins of the company. Due to the keen competition caused by the recession, it has been difficult to fully compensate for this pressure within sales.

Legislation
In 2012, a new ECE Regulation 90 (ECE R90) comprising brake discs was completed. The regulation requires that in the future new brake discs must be approved by an independent authority before they are released on the market.

SBS believes that the regulation will benefit the good products on the market. The required measures have been taken to ensure that SBS fully complies with the legal requirements in time.

SBS Friction
This business area comprises development and manufacturing of friction materials and brake pads for motorcycles, scooters, motorsport and a number of special applications, including wind turbines.

SBS Friction primarily seles its products on the motorcycle spare parts market. The majority of products are sold in Europe, whereas a smaller share is sold to markets outside Europe, including the US, Canada, Australia, Japan and South Africa.

Furthermore, business within the OE segment is increasing; primarily brake systems and vehicle producers as well as deliveries for special applications such as the wind turbine industry.

In 2012, SBS' revenue from friction products levelled that of 2011. Due to systematic price increases combined with efficiency gains in the production in the form of automation and LEAN implementation, the contribution margin increased.

As part of its strategic plan, SBS will be targeting market opportunities outside Europe to a wide extent. A distribution network is being established in the US and a warehouse servicing distributors was established in Houston, Texas, at the beginning of the year. To support the sales process, SBS launched a large marketing campaign during the summer. Through various media platforms, the strategy is to reach the American end-users and to support the branding of the global distribution network and marketing of the SBS range.

In the strategic plan for the friction activities, SBS has identified the OE market as a particularly important focus area. Over the recent years, the company has strengthened its position among manufactures of motorcycles and brake systems as a competent and innovative business partner. This has led to an increasing number of projects. At the beginning of 2012, SBS started deliveries to one of the world's leading manufacturers of off-road motorcycles. Furthermore, there are various ongoing deliveries and development projects for leading manufacturers of brake systems as well as projects in connection with friction solutions for the wind turbine industry. At the end of the year, SBS was audited by the company's largest OE customer in connection with future cooperation opportunities. The outcome was highly satisfactory and emphasised that SBS is now reaping the benefits of several years of process optimisation and quality improvements.

The business area of friction technology is based on development and production in Denmark. To ensure long-term competitiveness, rationalisations are made on a

continual basis in the production and the related functions. The key words are automation and LEAN. In 2012, a new robot-controlled inventory system was implemented and investments were made in optimisation of the production of sintered brake pads.

A specialised field of development in the production involves the implementation of a new sintering method, conductive sintering. The dual purpose is to ensure a product complying with the high quality requirements of the OE area and to achieve further rationalisation benefits. The first process line was installed in 2012 and is now being run in. The capacity for conductive sintering will be increased successively over the coming years.

For several years, SBS Friction has worked systematically with LEAN and today the company is enjoying high recognition in the Danish industry within this field. The implementation started in the production. In 2012, one of the main tasks was to spread the LEAN concepts to other functions in the company, and to introduce meeting structures that contribute to improved efficiency.

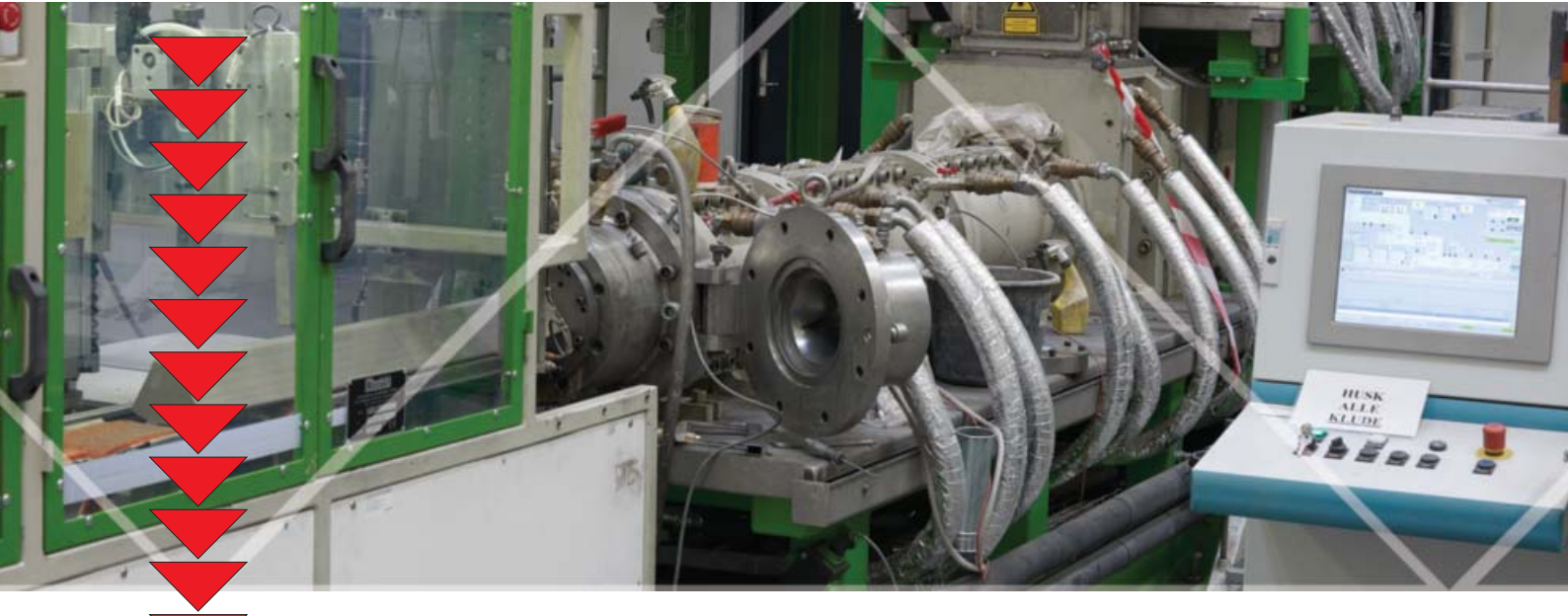
The product development activities are essential for the development of the business area. Focus on innovation projects within friction materials securing optimum functionalities and process optimisation of the products. As an important part of the development activities, SBS cooperates with leading race teams that test and provide feedback on new pads. Accordingly, SBS introduced a new top race brake pad in 2012, which achieved high ratings in the world's toughest tests. Process optimisation is a successive task aiming, among other things, at reducing the use of expensive and difficultly obtainable raw materials from the pads.

The Notox Division (discontinuing operations)

The market for diesel particulate filters includes a retrofit market for existing engines and an OE market. The market for diesel particulate filters increases in step with the implementation of legislation for the various types of vehicles in different parts of the world.

The management of the SBS Group decided in 2009 to scale down the Notox Division. At the Svendborg factory, the production line has been kept running through subcontractors for manufacturers of complete exhaust and filter systems. Since then the production has increased steadily, which was also the case in 2012. Efforts are being made to increase the customer portfolio within new market segments.

SBS' management is still actively striving at establishing a sustainable, future business foundation for the diesel particulate activities. This may involve complete or partial sale and the Notox Division is therefore still classified a discontinuing operation.



UNCERTAINTIES RELATING TO RECOGNITION AND MEASUREMENTS

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

- Capital resources and financing
- Assets relating to the Notox Division
- Investments in Notox Holding A/S (the parent company financial statements)

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

Cash resources and financing

The cash resources of Scandinavian Brake Systems A/S are highly dependent on the cash resources of the other SBS Group companies; moreover, the Danish companies have issued mutual guaranties to the Group's bankers. In December 2012, the Group entered into an agreement with its bankers about renewing the existing financing agreement, including an extension of the agreed subordinate loan so that the financing agreement now covers anticipated financing requirements up to 30 June 2014.

The financing agreement includes a number of financial and non-financial conditions and covenants, where the financial covenants are tied to the Group's development in operations, balance sheet as well as cash and cash equivalents during the term of the agreement up to 30 June 2014. Based on the Group's budget for 2013 and forecast up to 30 June 2014, the Group management believes that there is sufficient free scope to comply with the agreed conditions and covenants.

Based on the above, it is Group Management's assessment that the Group's cash resources are sufficient to realise the activities and operations planned up to 30 June 2014 with the existing credit facilities.

With respect to a solution to the Group's financial situation after 30 June 2014, Group Management has started negotiations with the Group's bankers regarding a new and long-term financing agreement. The Group's bankers have informed us that they are favourably disposed towards a new financing agreement that will provide the Group with the required financial base to continue its operations in the coming years. The negotiations are expected to be concluded in the course of 2013.

If – contrary to exceptions – an agreement is not reached regarding renewal of the financing agreement or another solution to the Group's financial situation, the subordinate loans will become payable, including compound interest and premium at 30 June 2014. At present, the Group does not expect to be able to repay the subordinate loan in full at 30 June 2014.

Furthermore, it is uncertain whether the Group's equity will be positive before calculation of premium at 30 June 2014. If the Group's equity is negative due solely to

recognition of the premium at 30 June 2014, the Group will have to pay the sum of the subordinate loan capital (excluding premium) and the equity. At 30 June 2015, the Group has to repay any remaining part of the subordinate loans, premium and compound interest. If the Group's equity at 30 June 2014 is negative before calculation of the premium, the Group's bankers will have the right to request a reduction in the share capital to cover losses as well as a partial or full conversion of the subordinate loan including compound interest and premium to share capital at par.

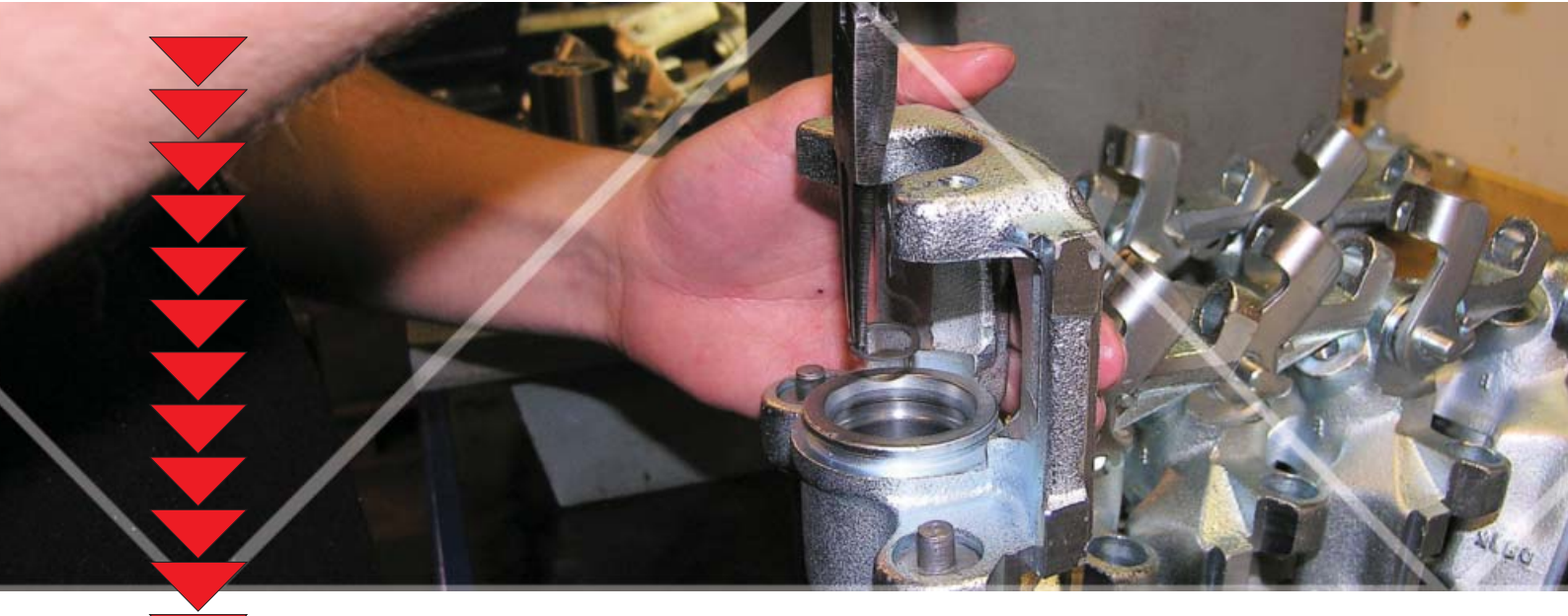
Assets relating to the Notox Division (consolidated) and investments in Notox Holding A/S (parent company financial statements)

Due to the scaling down, significant write-downs were made at 31 December 2009 regarding the assets of the Notox Division and the assets were recognised at their estimated fair value. The assets include goodwill, development projects, trademarks, patents, factory buildings, production facilities, inventories, receivables and other working capital. Management has estimated the accounting values at 31 December 2011 and estimated the fair value of the assets at DKK 199.2 million; see note 2.

Due to the current market situation and the difficulties in finding experts to carry out external market valuations, Management's fair value estimates are subject to a high degree of uncertainty. When determining the fair value, the Management assumed that a complete or partial divestment of Notox would take place under the current market conditions and in a controlled process.

As a result, the shares in Notox Holding A/S were written off to DKK 0 in the parent company financial statements at 31 December 2009. The accounting value of the shares was still DKK 0 at 31 December 2012. The Parent Company acts as guarantor for bank loans and lease liabilities in the Notox Division and, therefore, the amount of DKK 40.2 million receivable by Parent Company at 31 December 2012 was written down regarding Notox Holding A/S.

Please note that the assessment of the need for write-downs regarding assets of the Notox Division in the consolidated financial statements and write-down of the receivables from Notox Holding A/S regarding guarantee provided for bank loans and lease liabilities in the financial statements of the Parent Company is subject to a considerable amount of estimate and uncertainty in the present situation both upwards and downwards. Accordingly, the management will be re-assessing the assets on a continuous basis when there are indications of value changes in 2013.



OPERATING REVIEW FOR 2012

Results compared to expectations

The Group's realised revenues amounted to DKK 946 million, EBITDA amounted to DKK 52 million and a profit after tax came out at DKK 6 million, which equals the expectations previously announced in the stock exchange announcement dated 29 November 2012.

Development in profit

DKK million	2012	2011
Revenue	946	1.022
Operating profit before depreciation, amortisation and reorganisation (EBITDA Recurring)	61	83
EBITDA	52	83
Profit after tax, continuing operations	6	15
Profit after tax, discontinuing operations	0	-13
Profit for the year	**6**	**2**

SBS Automotive's revenue amounted to DKK 837 million in 2012 compared to DKK 909 million in 2011. The reduction is attributable to a general decease in the market due to the financial crisis. EBITDA amounted to DKK 54 million in 2012 compared to DKK 73 million in 2011.

SBS Friction's revenue amounted to DKK 112 million in 2012 compared to DKK 113 million in 2011. EBITDA amounted to DKK 14 million in 2012 compared to DKK 15 million in 2011.

Notox's revenue amounted to DKK 11 million in 2012 compared to DKK 10 million in 2011. EBITDA amounted to DKK -4 million in 2012 compared to DKK -8 million in 2011.

Consolidated revenue (continuing operations) amounted to DKK 946 million in 2012 compared to DKK 1,022 million in 2011, corresponding to an 8% reduction.

EBITDA for continuing operations before reorganisation costs totalled DKK 61 million compared to DKK 83 million in 2011. The reorganisation of the Group amounts to DKK 9 million, mainly regarding advisers, etc.

With respect to business and financial development, reference is also made to the section on "Business development" on pages 9-12.

Amortisation and compound interest regarding subordinate loan capital amounted to DKK 21 million (2011: DKK 26 million). Profit after tax and discontinuing operations totalled DKK 6 million compared to DKK 2 million in 2011.

Tax on profit for the year for the continuing operations amounts to DKK 13 million for 2012.

The pre-joint taxation losses previously written off regarding SBS Automotive A/S, SBS Friction A/S and the Notox Division are re-capitalised for accounting purposes as a deferred tax asset as a result of the reorganisation (see pages 7-8), as the tax losses are expected to be utilised as a set-off against positive income over the next 3-5 years. The deferred tax asset amounts to approx. DKK 18 million and is recognised in the consolidated financial statements at 31 December 2012. Recognition of the deferred tax asset in the consolidated financial statements resulted in an improvement of approx. DKK 18 million in the profit after tax in 2012 and the equity at 31 December 2012.

Balance sheet development

DKK million	2012	2011
Non-current assets	288	262
Current assets	482	512
Long-term liabilities	526	550
hereof subordinate loan	206	215
Short-term liabilities	338	322
Equity	-94	-98
Equity including subordinate loan	112	117

The balance sheet totalled DKK 770 million at 31 December 2012 compared to DKK 774 million at 31 December 2011.

Non-current assets increased by DKK 26 million in 2012. At year-end 2012, non-current assets amounted to DKK 288 million compared to DKK 262 million at year-end 2011. The increase is mainly attributable to re-capitalised tax losses; see the section on reorganisation.

Current assets, including assets held for sale, amounted to DKK 482 million compared to DKK 512 million at year-end 2011. During the year, the Group has had strong focus on reduction of inventories and has succeeded in reducing inventories by 10%, corresponding to a reduction in current assets of DKK 26 million. Reduction in receivables of DKK 14 million is due to lower activities in the Group.

The value of financial instruments after tax recognised directly in equity amounts to DKK -17 million at 31 December 2012 compared to DKK -15 million at 31 December 2011.

Long-term liabilities amount to DKK 526 million compared to DKK 550 million at year-end 2011. Long-term liabilities were reduced during the year by DKK 24 million. In this connection, repayment of DKK 30 million on subordinate loan capital was made as agreed with the Group's bankers.

DKK million	2012	2011
Interest bearing debt (NIBD) including subordinate loan, continuing operations	552	566
Interest bearing debt (NIBD) – discontinued operations	132	154
Total	**684**	**720**

All in all, the Group reduced NIBD, excluding compound interest and amortisation, by DKK 57 million in 2012.

Compound interest and amortisation amount to DKK 61 million at year-end 2012 compared to DKK 40 at year-end 2011.

Short-term liabilities, including liabilities regarding assets held for sale, amounted to DKK 338 million compared to DKK 322 million at year-end 2011.

Investment in property, plant and equipment amounted to DKK 11 million compared to DKK 20 million in 2011.

Equity, excluding subordinate loan capital, totalled DKK -94 million at 31 December 2012 compared to DKK -98 million at 31 December 2011. The total equity, including subordinated loan capital, amounted to 14.5% of the balance sheet total at 31 December 2012.

Changes in cash flows

DKK million	2012	2011
Cash flows from operating activities (continuing operations)	74	3
Cash flows from investing activities (continuing operations)	-12	-26
Cash flows from financing activities (continuing operations)	-63	18
Cash flow from discontinued operations	1	1
Net cash flows for the year	0	-4

Cash flows for the year are primarily affected by reduction in the working capital.

Cash flows from operating activities per share (CFPS) amounted to DKK 23.1 compared to DKK 0.80 in 2011.

With respect to cash resources, reference is made to note 2.

Parent company

The Parent Company realised an EBITDA of DKK 229 million compared to DKK 68 million in 2011 and profit after tax of DKK 132 million compared to DKK 16 million in 2011.

The reorganisation (see pages 7-8) means that the Parent Company has realised an accounting profit settled in assets of DKK 189 million before tax through the transfer of assets and liabilities to SBS Automotive A/S and SBS Frictions A/S, which is recognised in a separate items of the income statement.

The equity of the Parent Company totalled DKK 3 million at 31 December 2012 compared to DKK -127 million at 31 December 2011.

Outlook for 2013

For 2013, the Company expects consolidated revenue of DKK 980 million to DKK 1,020 million and EBITDA of DKK 60 million to DKK 80 million for continuing operations. This is based on a stable market in growth and SBS' market position.

CORPORATE GOVERNANCE, ETC.

Corporate governance

SBS has prepared a statutory statement on corporate governance, cf. Section 170b of the Danish Financial Statements Act, for the financial year 2012 and published this statement on the group'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 prepared a new strategic plan in 2012 covering the company's development up to 2017. The plan is based on the potential for development within each of the newly established divisions. Reference is made to pages 5-6.

Organisational focus areas

All production units in the company have intensified their process optimisation through automation as well as LEAN-based working methods making as substantial contribution to both the short-term and long-term competitiveness.

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 Friction focuses mainly on development and optimisation of brake pads as well as process optimisation to ensure competitiveness. In 2012, product development was made on a completely new type of pad, i.e. a new top race brake pad setting new standards for road racing, and there was focus on optimisation of existing pads. With respect to processes, the friction production has special focus on implementation of a new sintering method, conductive sintering, aimed primarily at the new market opportunities with the OE market.

In SBS Automotive, the R&D activities were mainly aimed at process optimisation and technical process improvements in the factories in Støvring, Presov and Holstebro.

CSR – corporate social responsibility

SBS does not currently have any actual policies or strategies for CSR, and for this reason, no statement will be made concerning CSR with reference to Section 99a of the Danish Financial Statements Act. In its values, SBS has defined the general framework of how the company wishes to act in relation to its surroundings.

Employee representatives in the Board of Directors

In connection with the split-up into divisions, new employee representatives were elected for the Board of Directors of Scandinavian Brake Systems A/S. Jytte Petersen, Svendborg, and Henrik Bjørnbak, Støvring were elected.

In this connection, it was decided to increase the number of employee representatives by one group representative. Jan Børge Pedersen, Svendborg, was elected.

The management of SBS hereby thanks the retiring employee representatives for their effort.

RISKS

Based on 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. The Group's policy is not to engage in active speculation in financial risks. The Group's risk management aims solely at managing and reducing the financial risks arising directly from the Group's operations, investments and financing.
There are no changes in the Group's risk exposure or risk management compared to 2011.

Legislation

The SBS Group primarily operates in markets governed by EU legislation or similar national legislation. In recent years, there has been a tendency in the legislation towards increased liberalisation, most recently demonstrated by general block exemption regulation for the automotive industry from 2010, increased focus on environmentally-unfriendly materials and introduction of quality standards for products sold on the spare parts market, i.a. the so-called ECE Regulative 90.

Market and competitive conditions

SBS' primary market is the European market 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' primary market base is relatively stable and resilient to market fluctuations. A small part of the total revenue relates to the OE production, where economic conditions are generally less stable.

Risks also relates to the general structural rationalisations and mergers in the industry, which may change the supply and demand situation, which then again affects the competition.

Valutarisici

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 – currency swaps for 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 exports go to Euro countries, which is why the risk is assessed to be limited since DKK is closely linked to EUR.

The most significant commercial currency exposure of the Group is assessed as being related to purchases and sales 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 the Group's loans when interest payments can be hedged at a satisfactory level. Hedging is usually made by interest swaps where variable interest loans are rescheduled to fixed interest loans.

The Group's financing is based on a subordinate loan and variable interest loans/credits.

The nominal subordinate loan capital of DKK 145 million will remain until maturity until 30 June 2014 and carries a fixed interest of 4% p.a. Depending on the financial development of the Group, the redemption price at the repayment of the loan will be between 100 and 145.

With respect to variable-rate loan/credits, the Group is exposed to interest rate fluctuations. As at the balance sheet date, the interest rate level regarding a loan of DKK 547 million has been secured which means that a large part of the interest rate risk has been hedged.

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 achieve sufficient liquidity for its operations and investments. SBS' liquidity reserve essentially consists of unutilised credit facilities at the group's banks. It is the Group's aim to have enough cash resources to react appropriately in case of unforeseen changes in liquidity.

The Group's cash resources at 31 December 2012 can be specified as follows:

DKK million

Cash at bank and in hand	0
Unutilised credit facilities	11
Cash resources at 31 December 2012	**11**

Unutilised credit facilities consist of drawing rights in the Group's banks (overdraft facilities).

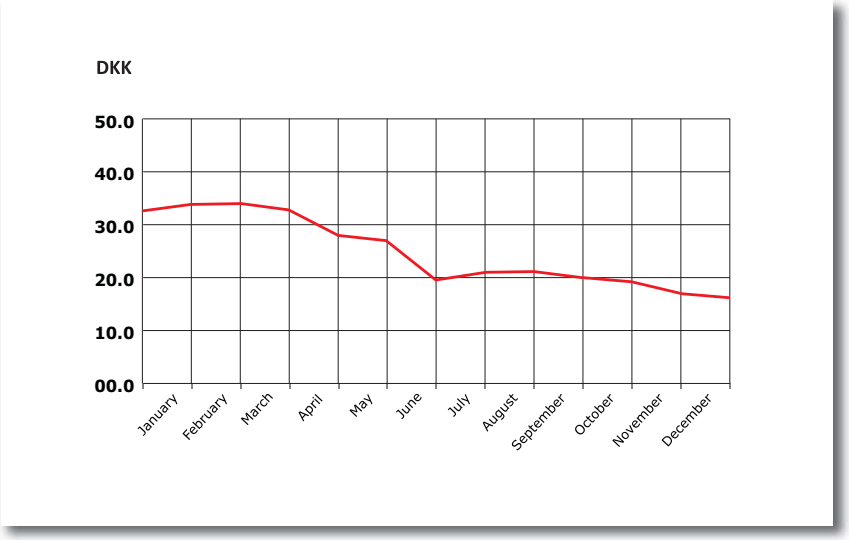
With respect to liquidity risks and ongoing concern requirements, reference is also made to note 2.

Credit risks

The Group's credit risks primarily relate to trade receivables. The maximum credit risk attributable to financial assets correspond to the values recognised in the balance sheet. Efforts are made to minimise risks related to lending by effective credit management and credit ratings as well as establishment of credit insurance or alternative collateral in the event of large receivables. The Group's policy for recognition of credit risks entails that all major customers and other partners are subject to regular credit ratings. 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.

Dividends

SBS' dividend policy has been suspended as a consequence of the financing agreement entered into with the Group's bankers, etc., regarding subordinated loan capital. In connection with this, it has been agreed that no dividend will be distributed during the life of the subordinated loan, i.e. until 30 June 2014. After that date, the Board of Directors will re-assess the dividend policy.



Exchange rate movements 2012

SHAREHOLDERS

Investor relations

Based on a high continuous flow of information, 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 DKK006004261. All shares rank equally. There are no restrictions on the transferability and no restrictions on voting rights.

Dividends

The dividend policy of SBS A/S is suspended as a consequence of the financing agreement made with the Group's primary financial creditors regarding subordinated loan capital, etc. In connection with this, it has been agreed that no dividend will be distributed as long as the subordinate loan runs, i.e. until 30 June 2014. After that date, the Board of Directors will assess the dividend policy.

Treasury share policy

According to the general meeting's authorisation, SBS can acquire a maximum of nominal DKK 3,208,500, equivalent to 10% of the share capital, until the general meeting in 2015. SBS' holding of treasury shares amounted to nominal DKK 13,130, equivalent to 0.04% of the share capital, at the end of 2012. 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 above.

Articles of association

The Company's articles of association can 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 four years. Accordingly, all members elected by the general meeting are elected/re-elected every year. This also includes the Chairman and the Deputy Chairman.

Management compensation agreement in case of resignation/acquisition

SBS has no agreement with the Board of Directors, Executive Board or other employees concerning financial compensation in the case of resignation or potential acquisition offers from a new owner.

IR Manager

Hans Fuglgaard
CEO
Tel: +45 63 21 15 15
hf@sbs.dk

COMPANY INFORMATION

The Board of Directors

Tage Reinert, Chairman
(Elected 2010, expiration of term 2013)
CEO in Fyrrebakken 2009 ApS

Member of the board of directors
DSB S-tog A/S

Johannes Huus Bogh, Deputy Chairman
(Elected 2009, expiration of term 2013)
CEO in Contigo ApS

Chairman of the board of directors
DanTruck A/S
Dynaudio A/S
Dynaudio Holding A/S
Dynaudio Invest A/S
Gram & Nybøl Godser A/S
Gram & Nybøl Godser Holding A/S
Ribe Jernindustri A/S
Sanita Footwear A/S

Member of the board of directors
DanCorn A/S
Ejd. Selskabet HI Park 301 A/S
Footwear Holding A/S
GPV International A/S
JMM Group Holding A/S
Johs. Møllers Maskiner A/S
LM Corn A/S

Hans Jørn Sørensen
(Elected 2010, expiration of term 2013)

Søren Jansen
(Elected 2009, expiration of term 2013)
CEO in Søren Jansen Holding Aps

Chairman of the board of directors
Cimo A/S
Grathwol A/S
Kryta A/S

Member of the board of directors
Alsiano A/S
Im. Stiholt A/S
Palfinger Danmark A/S
Stiholt Hydraulic A/S
TCA Lift A/S

Jytte Petersen *
(Elected 2012, expiration of term 2014)
Head of Payroll

Henrik Bjørnbak *
(Elected 2012, expiration of term 2014)
Business Consultant, ERP

Jan Børge Pedersen *
(Elected 2002, expiration of term 2014)
Warehouse Assistent

*Elected by the employees

The Executive Board

Hans Fuglgaard
CEO
(Employed 2002

Chairman of the board of directors
Scangrip A/S

Member of the board of directors
exodraft a/s
FJ Industries A/S
Klokkerholm Karosseridele A/S

Carsten Schmidt
CFO
(Employed 2002

Member of the board of directors
Gorm Larsen Nordic A/S
Twine & Rope / Brommann A/S

Auditors

KPMG
State-Authorised
Public Accountants
Vestre Havnepromenade 1 A
9100 Aalborg

Attorney at Law

Danders & More
Lautrupsgade 7
2100 København

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
9300 Sæby
Ownership: 56.5%

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

Ultimate parent company

Knudseje Holding ApS
Knudsejevej 4
9352 Dybvad

Stock Exchange Announcements 2012

26.03. Preliminary announcement for the annual accounts 2011
26.03. Annual report 2011
27.03. Revised financial calendar 2012
30.03. Notification of annual general meeting in Scandinavian Brake Systems A/S
25.04. Quarterly report Q1 2012
25.04. Annual general meeting
30.08. Half-year report 2012
02.11. Split-up of the SBS group into three divisions
29.11. Interim financial report Q1-Q3 2012
29.11. Finance calendar 2013

Stock Exchange Announcements 2013

21.03. Preliminary announcement for the annual accounts 2012
21.03. Annual report 2012

Financial calendar 2013

13.03. Deadline for proposals for the annual general meeting
21.03: Preliminary announcement of financial statements 2012 including annual report 2012
03.04: Notification of ordinary annual general meeting
25.04: Interim financial report Q1 2013
25.04: Annual general meeting
29.08: Half-year report 2013
29.11: Interim financial report Q1-Q3 2013
29.11: Financial calendar 2014

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 2012.

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 2012 and of the results of the Group's and the Company's operations and cash flows for the financial year 1 January – 31 December 2012.

Svendborg, 21 March 2013

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

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

The Executive Board

Hans Fuglgaard, CEO

Carsten Schmidt, CFO

The Board of Directors

Tage Reinert, Chairman

Johannes Huus Bogh, Deputy Chairman

Søren Jansen

Hans Jørn Sørensen

Jytte Petersen

Henrik Bjørnbak

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 2012. The consolidated financial statements and the parent company financial statements comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant 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 additional disclosure requirements in the Danish Financial Statements Act.

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 additional disclosure requirements in the Danish Financial Statements Act. Management is also responsible for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company 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 regulation. 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. The purpose thereof is 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 2012 and of the results of the Group's and the Company's operations and cash flows for the financial year 1 January – 31 December 2012 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 Section "Assets relating to the Notox Division" in which Management accounts for significant assumptions and considerable uncertainty regarding the value of assets recognised at DKK 199.2 million regarding the Notox Division in the consolidated balance sheet at 31 December 2012 and for the write-down of receivables from Notox Holding A/S regarding guarantee for bank loans and lease liabilities of DKK 40.2 million in the Parent Company balance sheet at 31 December 2012.

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

Statement on Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. 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 given in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Aalborg, 21 March 2013

KPMG
State-Authorised Public Accountants

Niels David Nielsen
State-Authorised Public Accountants

Hans B. Vistisen
State-Authorised Public Accountants

INCOME STATEMENT

DKK 1,000 Notes	Consolidated 2012	Consolidated 2011	Parent company 2012	Parent company 2011
Revenue	**946,138**	**1,021,860**	**598,728**	**732,038**
Raw materials and consumables	-553,178	-616,991	-333,070	-435,934
Changes in inventories of finished goods and work in progress	-26,047	8,245	-23,867	11,136
Other external costs	-126,979	-127,793	-70,407	-77,174
Staff costs	-179,091	-202,299	-122,887	-162,296
Operating profit before depreciation, amortisation and reorganisation (EBITDA recurring)	**60,843**	**83,022**	**48,497**	**67,770**
Reorganisation	-8,866	-	180,345	-
Operating profit before depreciation and amortisation (EBITDA)	**51,977**	**83,022**	**228,842**	**67,770**
Depreciation, amortisation and impairment losses	-17,824	-18,452	-12,300	-14,602
Operating profit (EBIT)	**34,153**	**64,570**	**216,542**	**53,168**
Impairment write-down of investments and amounts owed by subsidiaries	-	-	-13,586	-7,898
Dividends from group enterprise	-	-	-	26,075
Share of profit/loss from joint venture	-1,837	-1,190	-	-
Finance income	625	660	4,546	4,591
Finance costs	-39,895	-41,397	-38,287	-41,911
Profit/loss from continuing operations before tax	**-6,954**	**22,643**	**169,215**	**34,025**
Income tax expense	12,505	-7,799	-45,217	-4,922
Profit from continuing operations	**5,551**	**14,844**	**123,998**	**29,103**
Profit/loss from discontinuing operations after tax	206	-12,679	8,172	-12,677
Profit for the year	**5,757**	**2,165**	**132,170**	**16,426**
Basic earnings per share (EPS)	1.79	0.67		
Diluted earnings per share (EPS-D)	1.79	0.67		
Earnings per share for continuing operations (EPS)	1.73	4.63		
Diluted earnings per share for continuing operations (EPS-D)	1.73	4.63		
Proposed profit appropriation:				
Dividends DKK 0 per share (2011: DKK 0 per share)			-	-
Retained earnings			132,170	16,426
Total			**132,170**	**16,426**

STATEMENT OF COMPREHENSIVE INCOME

DKK 1,000	Consolidated		Parent company	
Notes	2012	2011	2012	2011
Profit for the year	**5,757**	**2,165**	**132,170**	**16,426**
Price adjustment of securities	19	-31	19	-31
Foreign exchange adjustment on translation of subsidiaries	196	-74	-	-
Value adjustments of hedging instruments:				
Value adjustments for the period	-1,542	-9,294	-1,542	-9,294
Value adjustments transferred to cost of sales	2,188	-1,775	2,188	-1,775
Value adjustments transferred to finance costs	-2,861	1,790	-2,861	1,790
Tax on other comprehensive income	537	2,346	537	2,327
Other comprehensive income after tax	**-1,463**	**-7,038**	**-1,659**	**-6,983**
Total comprehensive income	**4,294**	**-4,873**	**130,511**	**9,443**

Appropriation:		
Shareholders of Scandinavian Brake Systems A/S	130,511	9,443
	130,511	**9,443**

BALANCE SHEET - ASSETS

DKK 1,000	Consolidated		Parent company	
Notes	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Non-current assets				
Intangible assets				
Goodwill	12,492	12,483	-	9,881
Patents, rights and trademarks	1,492	1,487	-	-
Software	5,159	7,082	994	2,620
	19,143	21,052	994	12,501
Property, plant and equipment				
Land and buildings	127,838	129,105	91,942	93,110
Plant and machinery	25,843	28,651	-	27,849
Fixtures and fittings, other plant and equipment	14,212	14,473	408	5,278
Property, plant and equipment under construction	207	97	-	-
	168,100	172,326	92,350	126,237
Other non-current assets				
Investments in subsidiaries	-	-	236,140	18,512
Investments in joint ventures	6,189	4,528	-	5,718
Securities	100	81	100	81
Deferred tax	94,750	64,184	-	-
	101,039	68,793	236,240	24,311
Total non-current assets	**288,282**	**262,171**	**329,584**	**163,049**
Current assets				
Inventories	242,160	268,371	-	194,429
Receivables	123,222	125,216	69,110	163,505
Corporation tax receivable and joint taxation contribution	5,713	4,833	-	-
Cash at bank and in hand	133	567	58	439
	371,228	398,987	69,168	358,373
Assets held for sale	110,775	113,085	-	-
Total current assets	**482,003**	**512,072**	**69,168**	**358,373**
Total assets	**770,285**	**774,243**	**398,752**	**521,422**

BALANCE SHEET - EQUITY AND LIABILITIES

DKK 1,000	Consolidated		Parent company	
Notes	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Equity				
Share capital	32,085	32,085	32,085	32,085
Hedging reserve	-16,844	-15,173	-16,844	-15,173
Translation reserve	1,640	1,444	-	-
Revaluation reserve	16,364	16,364	10,086	10,086
Equity instrument reserve related to subordinate loan capital as well as other fair value adjustments	4,308	4,296	4,308	4,296
Retained earnings	-131,567	-137,324	-26,606	-158,776
Total equity	**-94,014**	**-98,308**	**3,029**	**-127,482**
Liabilities				
Non-current liabilities				
Subordinate loan capital	205,636	214,539	205,636	214,539
Deferred tax	-	-	5,927	2,271
Provisions for bad debts, subsidiaries	-	-	-	1,851
Credit institutions, etc.	320,710	335,872	57,739	298,457
	526,346	550,411	269,302	517,118
Current liabilities				
Credit institutions, etc.	25,805	16,467	4,371	4,295
Trade and other payables	177,150	148,020	81,205	119,101
Corporation tax payable and joint taxation contribution	-	-	40,845	8,390
	202,955	164,487	126,421	131,786
Liabilities directly associated with assets held for sale	134,998	157,653	-	-
	337,953	322,140	126,421	131,786
Total liabilities	**864,299**	**872,551**	**395,723**	**648,904**
Total equity and liabilities	**770,285**	**774,243**	**398,752**	**521,422**

1 Accounting policies
2 Accounting estimates and judgements
3 Segment information

STATEMENT OF CHANGES IN EQUITY

DKK 1,000

CONSOLIDATED

	Share capital	Hedging reserve	Translation reserve	Reserve for equity instruments related to subordinated capital and other fair value adjustments	Revaluation reserve	Retained earnings	Total
Equity at 1 January 2011	**32,085**	**-8,211**	**1,499**	**4,317**	**16,364**	**-139,489**	**-93,435**
Total comprehensive income for 2011							
Profit/loss for the year	-	-	-	-	-	2,165	2,165
Other comprehensive income							
Price adjustment of securities	-	-	-	-31	-	-	-31
Foreign exchange adjustment on translation of foreign subsidiaries	-	-	-74	-	-	-	-74
Value adjustments of hedging instruments:							
Value adjustments for the period	-	-9,294	-	-	-	-	-9,294
Value adjustments transferred to cost of sales	-	-1,775	-	-	-	-	-1,775
Value adjustments transferred to finance costs	-	1,790	-	-	-	-	1,790
Tax on other comprehensive income	-	2,317	19	10	-	-	2,346
Total other comprehensive income	**-**	**-6,962**	**-55**	**-21**	**-**	**-**	**-7,038**
Comprehensive income for the period	**-**	**-6,962**	**-55**	**-21**	**-**	**2,165**	**-4,873**
Equity at 31 December 2011	**32,085**	**-15,173**	**1,444**	**4,296**	**16,364**	**-137,324**	**-98,308**

STATEMENT OF CHANGES IN EQUITY

DKK 1,000

CONSOLIDATED

	Share capital	Hedging reserve	Trans-lation reserve	Reserve for equity instru-ments related to subordi-nated capital and other fair value adjust-ments	Revalua-tion reserve	Retained earnings	Total
Equity at 1 January 2012	**32,085**	**-15,173**	**1,444**	**4,296**	**16,364**	**-137,324**	**-98,308**
Total comprehensive income for 2012							
Profit for the year	-	-	-	-	-	5,757	5,757
Other comprehensive income							
Price adjustment of securities	-	-	-	19	-	-	19
Foreign exchange adjustment on translation of foreign subsidiaries	-	-	196	-	-	-	196
Value adjustments of hedging instruments:							
Value adjustments for the period	-	-1,542	-	-	-	-	-1,542
Value adjustments transferred to cost of sales	-	2,188	-	-	-	-	2,188
Value adjustments transferred to finance costs	-	-2,861	-	-	-	-	-2,861
Tax on other comprehensive income	-	544	-	-7	-	-	537
Total other comprehensive income	**-**	**-1,671**	**196**	**12**	**-**	**-**	**-1,463**
Comprehensive income for the period	**-**	**-1,671**	**196**	**12**	**-**	**5,757**	**4,294**
Equity at 31 December 2012	**32,085**	**-16,844**	**1,640**	**4,308**	**16,364**	**-131,567**	**-94,014**

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
Reserve regarding adjustment of exchange rate adjustment comprises exchange rate differences upon the translation of financial statements of foreign operations from their functional currency to the presentation currency of the Scandinavian Brake Systems A/S Group (Danish Kroner). On full or partial realisation of the net investment, the foreign exchange adjustments are recognised in the income statement.

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.

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, are eliminated and transferred to the income statement in line with realisation or write-down.

STATEMENT OF CHANGES IN EQUITY

DKK 1,000

PARENT COMPANY

	Share capital	Hedging reserve	Reserve for equity instruments related to subordinated capital and other fair value adjustments	Revaluation reserve	Retained earnings	Total
Equity at 1 January 2011	**32,085**	**-8,211**	**4,317**	**10,086**	**-175,202**	**-136,925**
Total comprehensive income for 2011						
Profit for the year	-	-	-	-	16,426	16,426
Other comprehensive income						
Price adjustment of securities	-	-	-31	-	-	-31
Value adjustments of hedging instruments:						
Value adjustments for the period	-	-9,294	-	-	-	-9,294
Value adjustments transferred to cost of sales	-	-1,775	-	-	-	-1,775
Value adjustments transferred to finance costs	-	1,790	-	-	-	1,790
Tax on other comprehensive income	-	2,317	10	-	-	2,327
Total other comprehensive income	**-**	**-6,962**	**-21**	**-**	**-**	**-6,983**
Comprehensive income for the period	**-**	**-6,962**	**-21**	**-**	**16,426**	**9,443**
Equity at 31 December 2011	**32,085**	**-15,173**	**4,296**	**10,086**	**-158,776**	**-127,482**

STATEMENT OF CHANGES IN EQUITY

DKK 1,000

PARENT COMPANY

	Share capital	Hedging reserve	Reserve for equity instru-ments related to subordi-nated capital and other fair value adjust-ments	Revalua-tion reserve	Retained earnings	Total
Equity at 1 January 2012	**32,085**	**-15,173**	**4,296**	**10,086**	**-158,776**	**-127,482**
Total comprehensive income for 2012						
Profit for the year	-	-	-	-	132,170	132,170
Other comprehensive income						
Price adjustment of securities	-	-	19	-	-	19
Value adjustments of hedging instruments:						
Value adjustments for the period	-	-1,542	-	-	-	-1,542
Value adjustment stransferred to cost of sales	-	2,188	-	-	-	2,188
Value adjustments transferred to finance costs	-	-2,861	-	-	-	-2,861
Tax on other comprehensive income	-	544	-7	-	-	537
Total other comprehensive income	**-**	**-1,671**	**12**	**-**	**-**	**-1,659**
Comprehensive income for the period	**-**	**-1,671**	**12**	**-**	**132,170**	**130,511**
Equity at 31 December 2012	**32,085**	**-16,844**	**4,308**	**10,086**	**-26,606**	**3,029**

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.

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.

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, are eliminated and transferred to the income statement in line with realisation and write-down.

CASH FLOW STATEMENT

DKK 1,000		Consolidated		Parent company	
		2012	2011	2012	2011
	Profit/loss from continuing operations before tax	-6,954	22,643	123,998	34,025
	Depreciation, amortisation and impairment losses	17,824	18,452	12,860	14,60
1	Adjustments	33,311	40,737	-147,113	37,320
2	Change in working capital	57,473	-48,206	248,729	-66,561
	Cash generated from operations (operating activities)	101,654	33,626	238,474	19,386
	Finance income received	625	1,987	4,546	5,918
	Finance costs paid	-18,798	-17,824	-17,109	-15,17
	Corporation tax paid during the financial year (net)	-9,215	-15,222	-	-
	Cash flows from operating activities	**74,266**	**2,567**	**225,911**	**10,133**
	Acquisition of intangible assets	-1,006	-1,197	-708	-940
	Acquisition of property, plant and equipment	-11,256	-19,505	-7,549	-17,691
	Disposal of intangible assets	-	-	10,508	-
	Disposal of property, plant and equipment	590	804	30,462	445
	Capital injections into and loan to joint venture	-	-5,718	-	-5,718
	Disposal of investments	-	-	11,718	-
	Cash flows for investing activities	**-11,672**	**-25,616**	**44,431**	**-23,904**
	Raising and repayment of non-current liabilities other than provisions	-63,532	18,074	-270,723	10,847
	Cash flows from financing activities	**-63,532**	**18,074**	**-270,723**	**10,847**
	Cash flows from discontinuing operations	504	1,014	-	-
	Cash flows for the year	**-434**	**-3,961**	**-381**	**-2,924**
	Liquid funds at the beginning of the period	567	4,528	439	3,363
	Liquid funds at the end of the period	**133**	**567**	**58**	**439**
1	**Adjustments**				
	Finance income	-625	-660	-4,546	-4,591
	Finance costs	39,895	41,397	38,287	41,911
	Reorganisation	-	-	-188,820	-
	Write-down of investments in and receivables from subsidiaries	-	-	7,966	-
	Other adjustments	-5,959	-	-	-
		33,311	**40,737**	**-147,113**	**37,320**
2	**Change in working capital**				
	Change in receivables, etc.	17,899	5,436	94,354	-35,114
	Change in inventories	26,243	-9,965	194,429	-14,162
	Change in trade payables, etc.	13,331	-43,677	-40,054	-17,285
		57,473	**-48,206**	**248,729**	**-66,561**

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

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 2012 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 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

On 21 March 2013, the Board of Directors and the Executive Board have discussed and approved the annual report of Scandinavian Brake Systems A/S for 2012. The annual report will be presented to the shareholders of Scandinavian Brake Systems A/S for approval at the annual general meeting on 25 April 2013.

Basis of preparation
The consolidated financial statements and the parent company financial statements have been presented in Danish kroner, rounded to the nearest thousand.

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. As the implemented standards and interpretations have not affected the statement of financial position at 1 January 2011 and related notes, the opening balance sheet, including notes, has been omitted.

Going concern statement
In connection with the financial reporting, the Board of Directors and the Executive Board assessed whether it is well-founded that the annual report is presented under the going concern assumption. 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 and the Executive Board concluded that the Group and the Company can and will continue its operation 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.

Changes in accounting policies
Effective from 1 January 2012, Scandinavian Brake Systems A/S implemented:
- Amendments to IFRS 7 Disclosures – Transfers of Financial Assets
- Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets

The new standards and interpretations did not affect recognition and measurement in 2012, and consequently, they did not affect the results and diluted earnings per share.

Presentation of discontinuing operations
The Notox Division is defined as a discontinuing operation/assets put up for sale in the consolidated financial statements and the parent company financial statements for 2012. The definition was maintained in 2012 as negotiations are still ongoing with potential buyers.

Discontinuing operations comprise a considerable part of the business whose activities and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the other business areas and where the unit either has been disposed of or is held for sale and where the sale is expected to be carried out within twelve months in accordance with a formal plan.

The profit/loss after tax of discontinuing operations and value adjustments after tax of related assets and liabilities and gains and losses on disposal are presented as a separate line item in the income statement and comparative figures are restated. Revenue, costs, value adjustments and tax of discontinuing operations are disclosed in the notes. Assets and liabilities for discontinuing operations are presented in separate lines in the statement of financial position without restatement of comparative figures, see Assets held for sale, and the major classes of assets and liabilities are disclosed in the notes. Net cash flows from operating, investing and financing activities of the discontinuing operations are disclosed in a note.

Presentation of discontinued operations in the Parent Company
Under IFRS 5, discontinued operations are to be presented in the income statement in a separate line item as an aggregated amount. As the discontinued operations basically comprise the entire activity of the Parent Company, the general rule of IFRS 5 has been deviated from. Consequently, the income statement reflects "Profit/loss from discontinued operations". The comparative figures are unchanged as theses activities basically represent the entire activity of the Parent Company. The cash flow statement has also remained unchanged and reflects "Cash flows from discontinued operations".

Consolidated financial statements
The consolidated financial statements comprise the Parent Company, Scandinavian Brake Systems A/S, and subsidiaries in which Scandinavian Brake Systems A/S has control, i.e. the power to govern the financial and operating policies so as to obtain benefits, etc. from its activities. Control is obtained when the Company directly or indirectly holds more than 50% of the voting rights in the subsidiary or which it, in some other way, controls.

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

When assessing whether Scandinavian Brake Systems A/S exercises control or significant influence, potential voting rights which are exercisable at the end of the reporting period are taken into account.

The consolidated financial statements have been prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements prepared in accordance with the Group 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

Note

1 Accounting policies (continued)

restated for acquisitions. Discontinued operations and assets held for sale are presented separately, see above.

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 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 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. Negative differences (negative goodwill) are recognised in profit or loss at the acquisition 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 transaction date and at the date of payment are recognised in profit or loss 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 balance sheet date. The difference between the exchange rates at the end of the reporting period and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in profit or loss 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 balance of equity of such foreign operations at the exchange rates at the end of the reporting period and on translation of the statements of comprehensive income from the exchange rates at the transaction date to the exchange rates at the end of the reporting period are recognised in other comprehensive income under a separate translation reserve under equity. Foreign exchange adjustments of loans or payables 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.

Foreign exchange adjustments of loans or payables 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 and associates with another functional currency than DKK, the share of 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 end of the reporting period. Foreign exchange differences arising on translation of the opening equity of foreign associates at the exchange rates at the end of the reporting period and on translation of the share of profit/loss for the year from average exchange rates to the exchange rates at the end of the reporting period 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 and associates, 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. Fair values of derivative financial instruments are computed on the basis of current market data and generally accepted valuation methods.

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 statement of comprehensive income 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.

If the hedged cash flows are no longer expected to be realised, the accumulated change in value is reclassified to profit or loss immediately.

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, etc. as well as major gains and losses upon the transfer of subsidiaries.

Share of profit/loss after tax of joint ventures and associates
The proportionate share of the results of joint ventures and associates after tax and non-controlling interests less directly attributable costs is recognised in the income statement of the consolidated financial statements after elimination of the proportionate share of intra-group profits/losses.

Finance income and finance costs
Finance income and finance costs comprise interest income and expense, gains and losses and impairment of securities, payables, amortisation of financial assets and liabilities, including finance leases, surcharges and refunds under the tax prepayment scheme as well as 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 comprises current tax and changes in deferred tax for the year due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Statement of financial position

Intangible assets

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

Note

1 Accounting policies (continued)

is available for use. The amortisation period is usually five to ten years. The basis of amortisation is calculated less any impairment.

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, subsuppliers, 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 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	3-10 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, joint ventures and associates in the parent company financial statements
Investments in subsidiaries, joint ventures and associates 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.

Investments in joint ventures and associates
Investments in joint ventures and associates 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 and associates are tested for impairment when impairment indicators are identified.

Joint ventures and associates with negative net asset values are measured at DKK 0 (nil). If Scandinavian Brake Systems A/S has a legal or a constructive obligation to cover any negative balances of joint ventures and associates, such obligation is recognised as liabilities. Any receivables from joint ventures and associates are written down if the amount owed is deemed irrecoverable.

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

Impairment 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 annual impairment test.

The carrying amount of goodwill is tested for impairment together with the other non-current assets of the cash-generating unit to which goodwill is allocated. The assets of the CGU are written down to the recoverable amount over the income statement if the carrying amount is higher. The recoverable amount of a CGU 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 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 as well as borrowing costs relating to specific and general borrowing 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

Note

1 Accounting policies (continued)

production machinery, buildings and equipment as well as factory administration and management.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in 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 the expected cash flows, including the realisable value of any received collateral.

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).

On full or partial realisation of the net investment, the foreign exchange adjustments are recognised in the income statement.

Equity instrument reserve related to subordinate capital and other fair value adjustments
The reserve relates to derivative financial instruments associated with the subordinated loan capital as well as accumulated changes in fair value of financial assets available for sale. The reserve, which forms part of the Company’s distributable reserves, is eliminated and transferred to the income statement as the distributable reserve is sold or written down.

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.

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.

Corporation tax and deferred tax
Under the joint taxation rules, Knudseje Holding ApS as administrative company is liable to pay the subsidiaries' corporation tax to the tax authorities as the subsidiaries pay joint taxation contributions.

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.

Payable and receivable joint taxation contributions are recognised in the statement of financial position under balances with group companies.

Deferred tax is measured using the balance sheet 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.

Deferred tax is recognised related to elimination of unrealised intra-group profits and losses on consolidation.

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.

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 using the "effective interest method". Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement under financial expenses 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 income statement on a regular basis over the lease term.

Note

1 ACCOUNTING POLICIES (CONTINUED)

Assets 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 initial recognition as "held for sale" and gains and losses on subsequent remeasurement at the lower of 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 held for sale and associated liabilities are presented as separate line items in the statement of financial position. Comparative figures are not restated.

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 freely negotiable into cash and 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

EBITDA margin =	Operating profit or loss before depreciations (EBITDA)
	Revenue
EBIT margin =	Operating profit (EBIT)
	Revenue
ROIC ekcl. GW =	* EBITA excl. goodwill amortization
	Average invested capital excl. goodwill
ROE =	Profit or loss
	Equity average
Equity-andel =	Equity at the end of the year
	Balance sheet total at the end of the year
EPS Basic =	Profit or loss
	Average number of shares
CFPS =	Cash flow from operating activities
	Average number of shares
BVPS =	Equity
	Number of shares at the end of the year
Proportion of equity =	Share price at the end of the year
	BVPS

Earnings per share (EPS) and diluted earnings per share (EPS-D) are calculated in accordance with IAS 33.

Other financial ratios have been calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2010".

*EBITA = Earnings before interest, taxes, depreciation and amortisation.
Average invested capital = net working capital and intangible assets and property, plant and equipment.

DKK 1.000

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 i.a. 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. Following the risks and uncertainties which apply to the Group, actual outcomes may deviate from estimates made. Specific risks for the Group and the Parent Company are discussed in the Management commentary, pages 13-14.

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 i.a. comprise liquidity and financing, valuation of assets regarding the Notox Division, impairment test for goodwill, inventories and trade receivables.

Estimates and assessments made reflect Management's best estimate and assessment at the balance sheet date.

Liquidity and financing
Scandinavian Brake Systems A/S' cash resources are highly dependent on the cash resources of the other companies within the SBS Group. The Danish companies have i.a. provided reciprocal guarantee to the Group's bankers.

In December 2012, the Group entered into an agreement with the Group's bankers to prolong the existing financing agreement, including the prolongation of the agreement on subordinate loan to the effect that the financing agreement now covers the expected financing needs up to 30 June 2014.

The financing agreement is based on several financial and non-financial conditions and covenants for which the financial covenants are tied up on the Group's operations, statement of financial position and cash flow development for the term of the agreement up to 30 June 2014. Based on consolidated budget for 2013 and forecast up to 30 June 2014, Group Management assesses that adequate room for manoeuvre is available to comply with the conditions and covenants agreed.

Based on the above, Group Management finds the capital resources adequate to cover planned activities and continued operations up to 30 June 2014 based on existing credit facilities.

Consolidated capital resources are specified as follows:

DKK million	2012	2011
Cash and cash equivalents	0	1
Undrawn credit facilities	11	16
Capital resources at 31 December	**11**	**17**

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

In order to solve the Group's financial conditions after 30 June 2014, Group Management has taken up negotiations with the Group's banking institutions regarding a new and long-term financing agreement. The Group's banking institutions have informed the Group that they look positively at a new financing agreement which will provide the funding necessary for the continued operations of the Group in years ahead. Negotiations are expected to be concluded in the course of 2013.

If, contrary to expectations, no agreement on additional prolongation of the financing agreement or another solution to the Group's financial conditions, the subordinate loans will fall due for payment, including roll-up interest and premium, at 30 June 2014. At present, the Group assesses that they will not be able to fully repay the subordinate loan at 30 June 2014.

DKK 1.000

Note

2 ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Subordinate loan capital
The following conditions and assumptions apply:

- Subordinate loan capital at a nominal amount of DKK 145 million is a bullet loan until 30 June 2014 carrying a fixed rate of 4% p.a.
- Depending on consolidated financial development, the redemption price will be in the range of 100 and 145 upon the repayment of the loan.
- The Group made a repayment of DKK 15 million in January 2012, DKK 15 million in December 2012 and can repay DKK 30 million in December 2013 at par.
- Lease liabilities to the principal financing creditors run until June 2014 without instalments.

In addition to normal loan conditions, the subordinated loan capital comprises a compulsory premature redemption in full or in part as well as a conversion right upon expiry. The compulsory premature redemption applies upon any sale of part of the Group's activities. The redemption amount depends on the equity value of the activity sold.

At present, it is uncertain whether or not consolidated equity will be positive before the premium is calculated at 30 June 2014. In the event that consolidated equity is negative following the recognition at 30 June 2014, the Group is to pay the sum of the subordinated loan capital (excl. premium) and equity. At 30 June 2015, the Group is to repay any outstanding amounts regarding the subordinate loans, the premium and roll-up interest. In the event that consolidated equity is negative at 30 June 2014 before any premium is calculated, the Group's banking institutions are entitled to request a reduction of the share capital to cover losses as well as a conversion in full or in part of the subordinate loan including roll-up interest and premium into share capital at par.

Assets associated with the Notox Division – (discontinuing operations)
The market for diesel particulate filters includes a retrofit market and an OE market. The market for diesel particulate filters increases in step with the implementation of legislation for the various types of vehicles in different parts of the world.

As a result of the difficult market conditions, the strategy of the Notox Holding A/S Group (Notox Division) was adjusted in 2009, implying an adjustment of the organisation and production standstill following the scaling-back of the activity. At the Svendborg factory, the production line is still on stand-by allowing prompt action should the enterprise enter into an agreement with strategic cooperation partners and/or should market develop faster than anticipated. In order to keep the production plant of Notox Products A/S (operating company) operational and to utilise capacity to the widest extent possible, the enterprise has since 2009 performed subcontracted work for manufacturers of complete exhaust and filter systems as a market for such services has emerged. This is due in part to the fact that implementation of new environmental legislation is beginning to take effect and also to the fact that total global production capacity has been reduced during the crisis, as some manufacturers have chosen to pull out of this market.

The Notox Division is still in contact with several potential strategic partners, and Management is continuing to work actively towards selling off the Notox Division in full or in part, and consequently, the classification of the Notox Division as a discontinuing operation was maintained in 2012.

DKK million	Acquisition costs	Impairment write-downs year end 2009	Carrying amount 31.12. 2009	Impairment sale and consumption 2010-11	Carrying amount 31.12. 2011	Impairment sale and consumption 2012	Carrying amount 31.12. 2012
Goodwill	170,9	170,9	-	-	-	-	-
Development projects, trademarks and patents	35,0	32,2	2,8	-2,8	-	-	-
Factory building (Aakirkeby)	7,6	4,5	3,1	-0,1	3,0	-	3,0
Production facilities	238,4	135,5	102,9	-7,8	95,1	-	95,1
Inventories	25,4	6,0	19,4	-12,4	7,0	1,1	8,1
Other current assets	19,7	-	19,7	-11,7	8,0	-3,5	4,5
Deferred tax asset (extraordinary loss in Notox)	20,0	20,0	-	-	-	-	-
Discontinuing operations	517,0	369,1	147,9	-34,8	113,1	-2,4	110,7
Factory building (Svendborg) (SBS Division)	53,2	2,6	50,6	-2,6	48,0	-1,4	46,6
Deferred tax asset (Notox)	72,5	-	72,5	-12,6	59,9	-18,0	41,9
Continuing operations	125,7	2,6	123,1	-15,2	107,9	-19,4	88,5
Total	**642,7**	**371,7**	**271,0**	**-50,0**	**221,0**	**-21,8**	**199,2**

DKK 1.000

Note

2 ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Valuation of assets
Based on the above, Management assessed the need for impairment write-down in connection with the financial reporting at 31 December 2009. As a result, Management instigated considerable write-downs in 2009 and recognised the assets at estimated fair values. The assets include goodwill, development projects, trademarks, factory buildings, production facilities, inventories, receivables and other working capital pertaining to the Notox Division. Management assessed the carrying amounts at 31 December 2012 and assessed the fair market value of the assets at DKK 199.2 million.

Due to the current market situation and the lack of options for identifying experts to undertake external assessments of the values in the market, Management's estimates and assessments of fair value 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 and in a controlled process.

The above also implied a write-off of the shares in Notox Holding A/S in the parent company financial statements at 31 December 2009. At 31 December 2012, the carrying amount of the shares still amounted to DKK 0. In addition, the Parent Company has provided guarantee for bank and lease liabilities for the Notox Division and consequently, the Parent Company's receivable from Notox Holding A/S has been written down by DKK 40.2 million at 31 December 2012.

The property is expectedly maintained in the SBS Division and consequently not classified as "Assets held for sale". The layout of the production facility (placed in SBS A/S) is special and the facilities are therefore related to the production plant.

Conclusion
Please note that the assessment of the need for impairment write-down regarding the assets pertaining to the Notox Division in the consolidated financial statements and impairment write-down of receivable from Notox Holding A/S regarding the guarantee provided for bank and lease liabilities in the parent company financial statements under the existing conditions are still subject to significant estimates and uncertainties, both upwards and downwards. Management will therefore reassess the assets for indications of impairment in 2013.

Deferred tax assets
Deferred tax assets are recognised in the statement of financial position totalling DKK 94.8 million at 31 December 2012 (2011: DKK 64.2 million) allocated on tax loss carryforwards of DKK 29.6 million and temporary differences primarily relating to intangible assets and property, plant and equipment of DKK 65.2 million. In November 2012, the Group made a legal split and subdivisioning of SBS A/S by means of a transfer of the net assets regarding the activity "Automotive" and the activity "Friction" to Notox Engineering A/S (now SBS Automotive A/S) and Notox A/S (now SBS Friction A/S). Management has subsequently reactivated the tax loss of DKK 17.9 million regarding the tax loss carryforwards written down in 2009 in the former joint taxation between the companies in the Notox Division as these separate losses can be utilised by SBS Automotive A/S and SBS Friction A/S in future. 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.

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.

Inventories
The estimation uncertainty surrounding inventories relates to the write-down to net realisable value.

The need for impairment write-down increases concomitant with the length of time the individual goods are in inventory, as a certain degree of obsolescence is deemed to exist in old inventories.

Inventories are written down in accordance with the policies of the Group, comprising an individual assessment of inventories for any losses due to obsolescence, poor quality as well as economic downturns.

In 2012, write-down of inventories totalled DKK 0 million.

Trade receivables
The estimation uncertainty surrounding trade receivables relates to the write-down for bad debt losses. Write-down is based on payment default. The need for impairment write-down is assessed less the credit-insured portion of receivables.

The assessment also relies on historical information on payment patterns of the customers as well as on political, national and economic circumstances in the home country of the customer. In the event that the payment ability of the customers deteriorate, additional impairment write-downs may be needed in future accounting periods.

In 2012, impairment write-downs were made of trade receivables of DKK 2.5 million.

DKK 1.000

Note

3 SEGMENT INFORMATION

Activities

Consolidated

	SBS Automotive		SBS Friction incl.		Other segments pligtige eliminations *		Total reportable segments	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Revenue, external customers	836,650	908,977	112,012	112,883	-2,524	-	**946,138**	**1,021,860**
EBITDA	54,342	73,112	13,629	14,683	-15,994	-4,773	**51,977**	**83,022**
Amortisation and depreciation	-8,634	-10,263	-6,741	-5,813	-2,449	-2,376	**-17,824**	**-18,452**
Operating profit/loss	41,918	57,867	6,888	8,870	-14,653	-2,167	**34,153**	**64,570**
Share of profit/loss from joint venture	-1,837	-1,190	-	-	-	-	**-1,837**	**-1,190**
Finance income and costs, net	-13,657	-10,016	-3,617	-2,633	-21,996	-28,088	**-39,270**	**-40,737**
Profit/loss before tax	26,425	46,660	3,270	6,237	-36,649	-30,254	**-6,954**	**22,643**
Profit/loss for the year	19,818	34,995	2,453	4,678	-16,720	-24,829	**5,551**	**14,844**
Segment assets	578,074	602,966	112,727	122,729	-31,291	-64,537	**659,510**	**661,158**
Capital expenditure	5,298	8,263	6,648	10,327	-690	915	**11,256**	**19,505**
Investment in joint venture	6,189	4,528	-	-	-	-	**6,189**	**4,528**
Segment liabilities	351,882	396,592	70,715	69,881	306,704	248,425	**729,301**	**714,898**
Cash flows from operating activities	14,639	30,366	41,277	8,632	18,350	-36,431	**74,266**	**2,567**
Cash flows from investing activities	-316	-214	-70,616	-	59,260	-25,402	**-11,672**	**-25,616**
Cash flows from financing activities	-21,629	-37,508	-191	-267	-41,712	29,860	**-63,532**	**-18,074**
Total free cash flows	**-7,306**	**-7,356**	**-29,530**	**8,365**	**35,898**	**-31,973**	**-938**	**-4,975**

* The item comprises the Group's shared service functions 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 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 (continuing operations) and the Notox Division (activities classified as held for sale). SBS Automotive comprises activities within vehicles primarily the remanufacturing 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. The Notox Division comprises the production and sale of diesel particulate filters and acts primarily as sub-supplier.

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.

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.

DKK 1.000

Note

3 Segment information (continued)

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 assets on geographical segments is based on the physical siting of the assets. Geographical information is broken down on continuing operations and on assets classified as held for sale.

	Europe		Rest of world		Assets held for sale		Consolidated, total	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Revenue, external customers in Denmark	77,129	81,708	-	-	11,463	9,805	**88,592**	**91,513**
Revenue, external customers abroad	795,145	877,517	73,864	62,635	-	-	**871,611**	**940,152**
Non-current segment aseets in Denmark	132,899	143,348	-	-	98,191	98,143	**231,090**	**241,491**
Non-current segment assets abroad	60,632	54,640	-	-	-	-	**60,632**	**54,640**
Capital expenditure	11,256	19,505	-	-	103	159	**11,359**	**19,664**

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

Reconciliation of reportable segments' revenue, profit/loss, assets and liabilities
Revenue, profit/loss, assets and liabilities of SBS Automotive and SBS Friction's (continuing operations) can be directly derived from the income statement on page 24 and the statement of financial position on pages 26-27.

Assets	**2012**	**2011**
Total assets for reportable segments, see note 3	659,510	661,158
TTotal assets for discontinuing operations	110,775	113,085
Total assets, see the statement of financial position	**770,285**	**774,243**

Liabilities	**2012**	**2011**
Total liabilities for reportable segments, see note 3	729,301	714,898
Total liabilities for discontinuing operations	134,998	157,653
Total assets, see the statement of financial position	**864,299**	**872,551**

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