

COPENHAGEN STOCK EXCHANGE

STOCK EXCHANGE ANNOUNCEMENT NO. 11-2007

INTERIM REPORT FOR THE FIRST HALF OF 2007

The Board of Directors has examined the non-audited interim financial statements for the SBS Group for the period 01.01.-30.06.2007.

Key figures

	<u>1st half of</u>		<u>2nd quarter</u>		<u>31.12.2006</u>
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	
MDKK					
<i>SBS Group excl. Notox</i>					
Net turnover	449.2	413.1	228.6	227.1	
Operating profit	40.1	42.1	17.3	26.1	
Result of financial items (net)	<u>-8.3</u>	<u>-6.3</u>	<u>-5.3</u>	<u>-3.3</u>	
Profit before tax	<u>31.8</u>	<u>35.9</u>	<u>12.0</u>	<u>22.8</u>	
Profit margin in % (EBIT margin)	8.9	10.2	7.5	11.5	
<i>SBS Group incl. Notox</i>					
Net turnover	452.8	413.1	230.3	227.1	
Operating profit	22.2	42.1	9.2	26.1	
Result of interests in subsidiaries	<u>0.0</u>	<u>-7.8</u>	<u>0.0</u>	<u>-4.8</u>	
Profit before financial items	<u>22.2</u>	<u>34.3</u>	<u>9.2</u>	<u>21.3</u>	
Result of financial items (net)	<u>11.9</u>	<u>6.3</u>	<u>7.2</u>	<u>3.3</u>	
Profit before tax	<u>10.2</u>	<u>28.1</u>	<u>2.0</u>	<u>18.0</u>	
Investments in tangible fixed assets	109.0	10.4	55.7	4.5	
Total assets	<u>963.6</u>	<u>518.9</u>			<u>799.7</u>
Equity capital	<u>322.5</u>	<u>172.5</u>			<u>323.7</u>

SBS only had an interest of 50% in Notox in 2006. In order to facilitate a comparison between the figures for 2006 and 2007, figures for the operations have been prepared below based on SBS having had a 100% interest in Notox throughout the year:

***SBS Group incl. Notox
(If 100% interest in Notox in 2006)***

Net turnover	452.8	417.1	230.3	229.1
Operating profit	22.2	22.0	9.2	13.8
Result of financial items (net)	<u>11.9</u>	<u>7.8</u>	<u>7.2</u>	<u>4.4</u>
Profit before tax	<u>10.2</u>	<u>14.2</u>	<u>2.0</u>	<u>9.4</u>

Financial ratios

	<u>1st half of</u>		<u>2nd quarter</u>		<u>Full year 2006</u>
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	
EBIT margin	4.9	10.2	4.0	11.5	9.2
Equity ratio	33.5	33.2	33.5	33.2	40.5
Earnings per share in DKK (basic EPS)	2.2	7.0	0.4	4.5	8.8
Cash flow per share in DKK (CFPS)	-19.9	2.5	-12.7	2.4	-8.7
Book value per share in DKK (BVPS)	100.5	61.8	100.5	61.8	100.9
Price/book value	3.7	4.2	3.7	4.2	2.9
Market capitalisation, year-end	368.5	260.0	368.5	260.0	333.0

The accounting policies applied are unchanged compared with the annual report for 2006.

FINANCIAL HIGHLIGHTS OF THE YEAR TO DATE

Interim Profit

The consolidated turnover excl. Notox amounted to DKK 449.2 million in the first half of 2007 against DKK 413.1 million in the same period last year. The increase in turnover of 9.6% compared with the same period last year is lower than expected as a result of a lower level of activities on the German market for auto spare parts as well as a later start-up of an extended product range for a major OEM customer.

The SBS Group excl. Notox realised an operating profit (EBIT) of DKK 40.1 million against DKK 42.1 million in the same period in 2006. Profit before tax excl. Notox amounted to DKK 31.8 million against DKK 35.8 million last year.

Profit before tax incl. Notox amounted to DKK 10.2 million against DKK 28.1 million in 2006 when the interest in the subsidiary was only 50% against the current interest of 100%.

Heavy increases in prices of raw materials and freight rates have had a negative impact on earnings. For example, the price of zinc has increased markedly, but it is currently decreasing again. Furthermore, market competition, especially on the German market, has become increasingly sharp in line with the general decline in the level of activities on the market and with a particularly marked reduction in sales of new cars.

Balance Sheet

The Group's consolidated total assets amounted to DKK 963.6 million as at 30.06.2007 against DKK 518.9 million as at 30.06.2006. The principal reasons for the difference are that Notox is now fully consolidated and that a new building has been taken into use in Støvring.

The equity capital amounted to DKK 322.5 million as at 30.06.2007 against DKK 172.5 million as at 30.06.2006. The equity ratio was 33.5% as at 30.06.2007.

Expectations for the Future

As a result of the lower level of activities in Germany, SBS's turnover for 2007 is estimated to amount to DKK 870-900 million (excl. Notox) against a previously projected turnover in the range of DKK 930-980 million (excl. Notox).

Based on the above, the projected profit before tax (excl. Notox) for 2007 is adjusted downwards to DKK 55-60 million against a previously projected profit before tax (excl. Notox) of DKK 72-77 million.

The OE market, which comprises the major car manufacturers, is the largest market segment in the filter business area. Because the testing and approval period for new OE customers is longer than for other customer types, the projected sales development has been adjusted, which means that sales estimates for the factory have been pushed back by approximately 9-12 months. This results in a decrease of approximately DKK 15-20 million in Notox's profit before tax for 2007 compared with the previous projections.

Profit before tax incl. Notox for 2007 is thus projected to amount to DKK 8-10 million against DKK 42 million in 2006, in which the interest in Notox amounted to 50% against the current interest of 100%.

As a consequence of the postponed sales estimates for Notox, the long-term targets for a trebling of the Group's consolidated total turnover are also expected to be pushed back by 9-12 months. This means that the target is expected to be met in 2011.

DEVELOPMENT IN BUSINESS AREAS

Diesel Particulate Filters - Notox

SBS's wholly owned subsidiary Notox A/S has now come so far in the establishment and start-up of the new factory in Svendborg for production of diesel particulate filters that a situation report can be made.

The first sod was cut in November 2006. The factory has been constructed in accordance with the original plans. No significant technical or constructional problems were ascertained during the construction phase.

Test Production

During the establishment phase, Notox entered into the necessary contracts with suppliers of raw materials, and the subsidiary commenced the first test production in July 2007. The test production is in progress, and the individual processes are being run in successively.

The course of the establishment has been completely satisfactory, and Notox is pleased to ascertain that the quality is excellent and that the production processes are running as expected. This means that, in the near future, Notox A/S will have at its disposal a modular, ultramodern and highly competitive factory that will be able to increase its production volume more quickly than its competitors in line with the growth of the market for diesel particulate filters.

Market Development

The introduction of diesel particulate filters is based on legislation, with a large number of countries already having adopted rules, or being in the process of introducing rules, for when cars and other diesel-run machines are to have a particulate filter mounted.

Notox can today ascertain that the market for particulate filters seems to be growing more rapidly than originally assumed. Based on the existing legislation and announcements, the expectation is now that the global market will really open up in 2008 and that the market will represent a value of more than DKK 15 billion in 2010. In 2015, SBS expects that the market will have grown to more than DKK 20 billion. Notox is expected to capture a market share of minimum 10% during this period.

Sales Development and Negotiations

Notox is pleased to ascertain that the first major contract has been entered into with a Korean customer regarding current deliveries from the second half of 2007 and in 2008. The company continues to work customers in Korea and the USA intensively, and the company is also cultivating the European market. The customer response is very positive.

On this basis and seen in the light of the successful establishment of the factory, Notox has strategically decided to focus on negotiations with very large potential OE customers (the largest car manufacturers in the world).

However, with global sales of cars that run into millions, these OE customers have a relatively long approval process for new products. Deliveries to this type of customer must be made from approved production lines, and Notox will deliver the first test products from such a production line in the second half of 2007. This means that the testing and approval period for new customers will be longer than the originally budgeted period. The projected development in sales has consequently been adjusted, which means that sales estimates for the factory will be pushed back by approximately 9-12 months. In turn, Notox is expected quickly to be able to utilise its full production capacity once the final approvals from the OE customers have been received. The production capacity will constitute 750,000 litres per annum as at the end of 2007. The capacity will be increased significantly in 2008.

The Friction Area

Brake Calipers

This business area comprises the production of brake calipers, and it consists partly of renovation production in Støvring based on cores, i.e. second-hand calipers, which are purchased primarily in Europe, and partly of newly produced calipers, which are sourced from the Far East.

Traditionally, Germany and Scandinavia constitute the largest markets for brake calipers. However, the German market for spare parts has been somewhat stagnant in the first half of 2007 and especially towards the end of the period.

Strategically, the focus has been on efficiency improvements in the production processes and in internal logistics as well as on the introduction of a new stock management system. The commenced sourcing of caliper production to Vietnam is proceeding satisfactorily and will be increased further in the coming period. Sourcing increases competitiveness and ensures that the necessary production capacity is available for meeting the company's growth targets. Calipers with simple constructions are primarily those calipers that are relevant for sourcing.

Brake Pads for MC and Other Special Product Areas

This business area comprises development and production of brake pads for MC and other special product areas in which a high level of flexibility and special competencies are required.

The first half of 2007 showed a fine increase in sales. Sales to the secondary market increased significantly and underlined SBS's leading position on the world market. In addition, the co-operation that has been established in the windmill area with brake pads for braking of the rotor system has developed in a positive direction.

As part of its strategy, SBS has worked determinedly to increase sales to the OE market. In 2006, an actual OE sales function was established in connection with the development department, and goal-oriented development of new products has subsequently been carried on. As a result hereof, in June SBS obtained final approval as an OE supplier for one of the largest brake system producers in Europe. This means that SBS has secured access to make deliveries for future projects.

In the second half of the year, the implementation of further Lean Management projects is to compensate for the heavy increases in prices of raw materials. Nickel, for which prices increased by 300% in one year, is now showing a declining price trend again, but prices remain at a very high level. In the long term, a general evaluation will be made of the materials that are included as basic constituents in the individual linings in order to reduce the level of costs.

Distribution – Supply Chain

This business area comprises sourcing, production and distribution of brake parts and other related parts, primarily to the automotive secondary market in Europe. The distribution takes place partly through direct sales to key accounts, primarily large multinational distributors, and partly through SBS's own distribution centres in Denmark, Germany, France and the UK.

The export sales function has been strengthened during the first half of 2007 with the appointment of a new export manager as well as an upgrading of the sales organisation. This has resulted in increased sales of brake discs, among other products, to existing key accounts as well as the establishment of closer contacts with potential customers in the same segment. Concurrently, there has been a positive development on the export markets in Eastern Europe, on which SBS is experiencing a significant increase in turnover.

As described above, the German market for spare parts has developed at a slower rate than expected in the first half of 2007, one reason being that sales of passenger cars have decreased by approximately 9% in Germany compared with the previous year, which affects the whole replacement pattern and consequently also the repairs market. Added to this are the declining price level resulting from sharper competition and the continuing increase in sourcing of products from the Far East. The market decline is expected to be temporary, and the planned investments in new warehouse capacity in Eisenach will continue unchanged. At the same time, new brand strategies will give access to further distribution segments, which are, to a certain extent, to compensate for lower growth on the market.

In the newly established French distribution company, the first half of 2007 has been characterised by the running in of the SBS name and by new product areas, which means that the company today has a

much stronger product range. Concurrently, the company's sales capacity was strengthened through the takeover of the French distributor Automotor's customer portfolio and sales organisation in April. The company's performance has been satisfactory with an operating profit for the first six months.

The running in of the SBS brand and the new product areas will continue during the autumn, and this will further strengthen the basis of the business activities.

The English distribution company, which was set up in 2005, has had a positive development in turnover, and the intensive sales work done in 2006 and 2007 is now beginning to produce results. However, there is still a large unexploited potential.

The new distribution facilities in Støvring are now functioning well after a running-in phase in connection with the relocation from Aalborg, and efficiency improvement gains can be achieved based on the new stock management concept.

The business basis for the distribution centres will be strengthened further towards the end of the year with the implementation of new related product areas, which are to ensure further growth in 2008.

FINANCIAL CALENDAR FOR 2007

20 November 2007: Publication of quarterly report for 3rd quarter of 2007

DEVELOPMENT IN EQUITY CAPITAL

<u>MDKK</u>	<u>01.01.- 30.06.2007</u>	<u>01.01.- 30.06.2006</u>
Equity capital as at 01.01.	323.7	163.1
Exchange rate adjustment of interests in subsidiaries	0.0	0.0
Profit for the period	7.2	19.6
Value adjustment of financial contracts	0.0	-1.3
Distributed dividend	-8.3	-8.9
Dividend for own shares	-0.1	0.0
Equity capital as at 30.06.	<u>322.5</u>	<u>172.5</u>

ENDORSEMENT OF THE INTERIM REPORT BY THE MANAGEMENT

The Board of Directors and the Management Board have, this date, discussed and approved the interim report for the period 1 January – 30 June 2007 for Scandinavian Brake Systems A/S.

The interim report for the first half of the year has been presented in accordance with International Financial Reporting Standards (IFRS) as approved by the EU and further Danish disclosure requirements for the presentation of interim reports for listed companies.

We regard the accounting policies applied as proper, and we are consequently of the opinion that the interim report for the first half of the year gives a true and fair view of the Group's assets, liabilities and financial position as at 30 June 2007 and of the result of the Group's activities and cash flows in the period 1 January - 30 June 2007.

Svendborg, 23 August 2007

The Management Board:

Hans Fuglgaard

Hans Jørn Sørensen

The Board of Directors:

Leif Stiholt

Hans Jørgen Kaptain

Knud Andersen

Lars Radoor Sørensen

Jan B. Pedersen

Anders Bach