



VBG AB in Vänersborg is the parent company of an international engineering Group with production facilities in Sweden and Germany and sales companies in Norway, Denmark and the USA. The business is concentrated on Truck Equipment and an additional business area of Machine Element. The VBG B-share has been registered on the Stockholm Stock Exchange since 1987.

## Interim Report 1/1 – 31/12 2003

- **Stable Group turnover of MSEK 530,4 (532,8).**
- **Income before restructure costs (MSEK –8,7) increased by 23,4% to MSEK 41,1 ( 33,3).**
- **Group income after financial items amounted to MSEK 31,3 (MSEK 31,6).**
- **Group net margin 5,9% (5,9%).**
- **Group income after tax increased to MSEK 23,3 (15,8).**
- **Earnings per share 7:44 (4:83).**

### MARKETS AND SALES

The Group's accounted turnover decreased somewhat during 2003 to MSEK 530,4 (532,8) but the actual volume change was an increase of nearly 2 %.

	2003	4/03	3/03	2/03	1/03	2002	4/02	3/02	2/02	1/02
<b>Truck Equipment</b>	<b>414,2</b>	<b>108,3</b>	97,8	97,5	110,6	<b>418,2</b>	<b>109,6</b>	91,4	105,6	111,6
<b>Machine Element</b>	<b>116,2</b>	<b>26,8</b>	29,4	29,4	30,6	<b>114,6</b>	<b>28,3</b>	29,2	27,7	29,4
<b>Total</b>	<b>530,4</b>	<b>135,1</b>	<b>127,2</b>	<b>126,9</b>	<b>141,2</b>	<b>532,8</b>	<b>137,9</b>	<b>120,6</b>	<b>133,3</b>	<b>141,0</b>

#### Truck Equipment:

Business Area Truck Equipment covered 78,1% (78,5%) of the Group's turnover for 2003 and operates in several product groups; coupling equipment (brands VBG and RINGFEDER), automatic tyre chains (Onspot), drop side pillars (Armaton), fifth wheels with additional equipment for semi trailers and other truck equipment.

Total turnover for the business area amounted to MSEK 414,2 (418,2), a decrease with 1%, but considering currency and price changes this is more or less equal to an unchanged volume. Thus the Group consolidated its position as the world's leading supplier of coupling equipment for heavy goods vehicles.

	2003	4/03	3/03	2/03	1/03	2002	4/02	3/02	2/02	1/02
Coupling Equipment	<b>364,5</b>	<b>90,1</b>	85,9	88,5	100,0	<b>370,5</b>	<b>93,9</b>	80,4	95,1	101,1
Fifth wheels	<b>7,1</b>	<b>1,6</b>	1,9	1,8	1,8	<b>8,3</b>	<b>1,9</b>	1,9	2,1	2,4
Automatic Tyre Chain	<b>25,0</b>	<b>11,6</b>	5,9	2,9	4,6	<b>22,8</b>	<b>9,9</b>	5,2	3,6	4,1
Dropside Pillars	<b>6,8</b>	<b>2,2</b>	1,6	1,2	1,8	<b>7,7</b>	<b>1,7</b>	1,6	2,3	2,1
Other Equipment	<b>10,8</b>	<b>2,8</b>	2,5	3,1	2,4	<b>8,9</b>	<b>2,2</b>	2,3	2,5	1,9
<b>Truck Equipment</b>	<b>414,2</b>	<b>108,3</b>	<b>97,8</b>	<b>97,5</b>	<b>110,6</b>	<b>418,2</b>	<b>109,6</b>	<b>91,4</b>	<b>105,6</b>	<b>111,6</b>

The VBG brand has for more than 50 years through its strong 57 mm coupling developed a standard adapted to demanding conditions, a standard which totally dominates the Swedish and Norwegian coupling markets. Therefore, VBG with its complete product programme is the market leader in the Nordic countries. These important markets stood for 53 % of the total turnover for the business area. During the first nine months the market in Sweden was strong but but showed a slackening during the fourth quarter. The German market, where the RINGFEDER brand is market leader, had a very weak start of the year but the fourth quarter showed a strong recovery here that compensated for the slowing down in Sweden. The German market covered 19% of the year's total turnover. In October, the Group founded a new subsidiary in France.

	2003	4/03	3/03	2/03	1/03	2002	4/02	3/02	2/02	1/02
Truck Equipment:										
Sweden	<b>122,8</b>	<b>28,8</b>	28,3	30,5	35,2	<b>121,5</b>	<b>32,0</b>	25,7	32,0	31,8
Other Nordic Countr	<b>96,5</b>	<b>24,6</b>	20,3	24,1	27,5	<b>97,6</b>	<b>25,4</b>	20,9	25,0	26,3
Rest of Europe	<b>165,9</b>	<b>48,2</b>	39,4	37,4	40,9	<b>170,5</b>	<b>42,3</b>	38,5	43,3	46,4
Rest of the world	<b>29,0</b>	<b>6,7</b>	9,8	5,5	7,0	<b>28,6</b>	<b>9,9</b>	6,3	5,3	7,1



**Total Truck Equipm** 414,2 108,3 97,8 97,5 110,6 418,2 109,6 91,4 105,6 111,6

Machine Element:

Sales volumes for the business area Machine Element have shown a positive development during 2003. The increase in local currency amounted to 10,5% compared to last year, but due to the strong weakening of the dollar, the accounted turnover increase translated into SEK was only 1,2%, MSEK 116,2 (114,6).

RFC-products are only sold on the US market and the increase in dollar for this product group was 10%, whilst the accounted turnover was -7,5 %. RINGFEDER is one of the largest players in the market for the segments in which one operates and in the product group Friction Springs RINGFEDER is the dominating one worldwide.

	2003	4/03	3/03	2/03	1/03	2002	4/02	3/02	2/02	1/02
Shaft-hub Connect	55,1	12,9	14,0	13,5	14,7	53,3	13,5	13,9	12,7	13,2
RFC-Products	37,1	8,5	8,6	9,5	10,5	40,1	10,0	8,6	10,7	10,8
Friction Springs	24,0	5,4	6,8	6,4	5,4	21,2	4,8	6,7	4,3	5,4
<b>Machine Element</b>	<b>116,2</b>	<b>26,8</b>	<b>29,4</b>	<b>29,4</b>	<b>30,6</b>	<b>114,6</b>	<b>28,3</b>	<b>29,2</b>	<b>27,7</b>	<b>29,4</b>

The US market stood for 45% of the total turnover and the second largest is the German market with 28% of the turnover. The market climate improved considerably during 2003, which resulted in an increased turnover on more or less all markets.

	2003	4/03	3/03	2/03	1/03	2002	4/02	3/02	2/02	1/02
Sweden	1,4	0,3	0,6	0,1	0,4	1,3	0,3	0,3	0,3	0,4
Other Nordic Countr	1,5	0,1	0,5	0,5	0,4	1,6	0,4	0,3	0,4	0,5
Rest of Europe	47,0	12,5	10,8	11,8	11,9	44,6	10,0	13,0	10,5	11,1
USA/Canada	52,4	10,6	13,8	13,5	14,5	55,7	13,6	12,5	14,3	15,3
Rest of world	13,9	3,3	3,7	3,5	3,4	11,4	4,0	3,0	2,3	2,1
<b>Total Mach Element</b>	<b>116,2</b>	<b>26,8</b>	<b>29,4</b>	<b>29,4</b>	<b>30,6</b>	<b>114,6</b>	<b>28,3</b>	<b>29,2</b>	<b>27,7</b>	<b>29,4</b>

**INCOME**

Truck Equipment

Income for the core business Truck Equipment increased somewhat and amounted to MSEK 40,5 (40,1) with an operating income increasing to 9,8% (9,6%).

Machine Element

January 2003 a decision was taken to make a thorough re-structure work of the business area situated in the rman company in Krefeld covering production, purchasing and logistics. Large parts of the production will be placed at new external sourcing partners whilst all technical development, purchasing/ logistics and marketing recourses will remain to be further developed in the company. The restructure programme is running for 24 months to be finished at turn of the year 2004/2005. Totally approx 20 persons are concerned and will leave the company during 2004. Costs for the restructure will be taken continuously as settled and confirmed by the board. During 2003 these costs amounted to totally MSEK 8,7 and are separately accounted for in the table below. Remaining costs are estimated to MSEK 12 and the income will be charged accordingly. The operating income for the business area considerably improved to MSEK 5,2 (0,7). Operating income increased to 4,4% (0,6%).

Group-wide item

Group-wide items amounted to MSEK -4,6 (-7,5).

Group income for the 4<sup>th</sup> quarter of MSEK 5,0 was charged by re-structure costs of MSEK 3,9 that mainly explains the large difference compared to last year, MSEK 11,8.

Group operating income excluding restructure costs increased by slightly more than 23 % to MSEK 41,1, corresponding to an operating margin of 7,8%. Considering the restructure costs in Machine Element taken during the year of MSEK 8,7, the disclosed operating income of the Group was somewhat lower than last year MSEK 32,4 (33,3) with an operating margin of 6,1% (6,3%). The Group's income after financial items amounted to MSEK 31,3 (31,6).

Return on capital employed was 11,1% (10,2%) and return on equity 9,1% (5,8%).

The net margin for 2003 was the same as last year 5,9% (5,9%).

	2003	4/03	3/03	2/03	1/03	2002	4/02	3/02	2/02	1/02
<i>Income:</i>										
<b>Truck Equipment</b>	<b>40,5</b>	<b>8,4</b>	13,0	6,1	13,0	<b>40,1</b>	<b>11,8</b>	7,1	8,9	12,3
<b>Machine Element</b>	<b>5,2</b>	<b>1,6</b>	0,3	1,3	2,0	<b>0,7</b>	<b>1,2</b>	0,9	-1,3	-0,1
<b>Re-Structure Mach Element</b>	<b>-8,7</b>	<b>-3,9</b>	-2,7	-1,5	-0,6	<b>0,0</b>	<b>0,0</b>	0,0	0,0	0,0
<b>Group-wide Item</b>	<b>-4,6</b>	<b>-1,3</b>	0,0	-1,7	-1,6	<b>-7,5</b>	<b>-1,4</b>	-0,5	-3,4	-2,2
<b>Operating Income</b>	<b>32,4</b>	<b>4,8</b>	<b>10,6</b>	<b>4,2</b>	<b>12,8</b>	<b>33,3</b>	<b>11,6</b>	<b>7,5</b>	<b>4,2</b>	<b>10,0</b>



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Operating Margin	6,1%	3,6%	8,3%	3,3%	9,1%	6,3%	8,4%	6,2%	3,2%	7,1%	
Income after Financial Item	31,3	5,0	10,2	4,2	11,9	31,6	11,8	6,6	3,8	9,4	
Net Margin %	5,9%	3,7%	8,0%	3,3%	8,4%	5,9%	8,6%	5,5%	2,9%	6,6%	

## TAX EXPENSE

The tax expense amounted to MSEK 7,9 ( 15,8), of which tax paid consisted of MSEK 6,8 (9,2). The lower tax rate during 2003 of 25,3% (50,0%) mainly depends on changed conditions to use deduction of loss in foreign subsidiary.

## INVESTMENTS

The Group's new investments during 2003 amounted to MSEK 15,4 ( 13,9).

## CASH FLOW AND FINANCIAL SITUATION

The cash flow from current business amounted to MSEK 52,0 (63,1). New investments paid during the year amounted to MSEK 15,3 (13,8). Cash flow after investments amounted to MSEK 36,7 (49,3) and has been used to amortise loan debts in foreign subsidiaries MSEK 40,2 and to pay dividend MSEK 9,4, which all in all resulted in reduced cash in hand with MSEK -12,9.

The Group's liquid assets was also influenced by a translation difference of MSEK -1,4 and amounted thereafter to MSEK 71,9 (86,2).

The Group's interest-bearing debts decreased during the year with MSEK 13,5 and amounted on December 31 to MSEK 4,5 (18,0).

The equity was slightly reduced to MSEK 255,1 (255,6) and has during the year been negatively influenced by a translation difference in foreign subsidiaries of MSEK -7,5 and a change in principle for estimating pension provision according to RR29 of MSEK -7,0.

The ratio of interest-bearing debt to equity at the year-end was 0,02 (0,07).

The equity ratio was improved during the year to 60,8% (56,8%).

## PERSONNEL

At the end of year 2003 VBG Group employed 292 persons (302) , of which 136 persons (140) were in Sweden. The average number of employed full-time was 301 persons (309). Of these, 145 (145) were employed in Sweden. Costs for wages and salaries and social security contributions amounted to MSEK 158,6 (164,8).

## THE VBG SHARE

During the second quarter of 2002 a re-buy programme of VBG shares was implemented and 297 994 shares of Series B were re-bought at a fixed rate of SEK 125:-- per share. The re-bought shares correspond to 4,8% of the votes and 8,7 % of the capital in the company. The board has a prolonged authorization from the AGM 2003 at one or several occasions to decide upon transfer of acquired own shares, e.g. at acquisitions of additional business. The authorization is valid until the AGM in April 2004.

## PER SHARE DATA

Profit per share after full tax amounted for the year to SEK 7:44 (4:83). The shareholders' equity at the end of the year amounted to 81:97 compared to 81:78 last year-end.

## DIVIDEND PROPOSAL

The board proposes a dividend per share of SEK 3:00 (3:00) for the financial year 2003, which is equivalent to 3,7% of shareholders equity at the year-end and 40% of the profit for the year.

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held in Vänernsborg on April 26 at 17.00 pm.

## FORECAST 2004

A forecast will be announced at the Annual General Meeting.

## THE PARENT COMPANY

The business of VBG AB (publ) is directed to overall manage, develop and co-ordinate the Group and the assets mainly consist of shareholding in the subsidiaries. The company also owns the industrial building in Vänernsborg rented by the subsidiary VBG Produkter AB and further some machinery and equipment also rented by the subsidiary.



During 2003 it was decided to gather up the Group's total intangible assets in the form of trademarks and other rights in the parent company. The parent company shall focus to maintain and develop all the Group's trademarks and rights. As a consequence to this decision, VBG AB in December acquired all the rights to the trademark RINGFEDER from the German subsidiary Ringfeder VBG GmbH. The purchase price amounted to MSEK 25,2 and from year 2004 the parent company will take out an annual license fee of 1% from Ringfeder VBG GmbH for all RINGFEDER related turnover.

The company's net turnover for 2003 comprises invoicing of Group internal services and rents amounted to MSEK 9,7 (11,01). Income after financial items amounted to MSEK 24,0 (-6,4). Liquid assets of the parent company at the end of the year amounted to MSEK 27,4 (40,6) and the company had no short or long-term borrowing.

#### **CHANGED ACCOUNTING PRINCIPLES**

The VBG Group as at 31<sup>st</sup> December 2003 has adapted principles for estimation of the Group's pension provision to RR29, which has led to an increased pension provision after deduction of deferred tax of MSEK 7,0 that directly charged the equity. The change in principle has not influenced the Group's profit and loss account for 2003. For the rest the VBG Group has adapted to the new recommendations, which have been issued by Redovisningsrådet during the year. The application of these has not shown any affect on income or equity.

Vänersborg 2004-02-13

**VBG AB (publ)**  
**The Board**

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**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
IN BRIEF**

(MSEK)

	Quarter 4 Oct-Dec 2003	Quarter 4 Oct-Dec 2002	Full year 2003	Full year 2002
<b>Net sales</b>	<b>135,1</b>	<b>137,9</b>	<b>530,4</b>	<b>532,8</b>
Cost of sales	-92,4	-86,5	-351,0	-349,6
Sales expenses	-26,8	-28,8	-100,2	-104,5
Administrative expenses	-8,0	-9,9	-34,5	-38,9
R & D expenses	-2,9	-3,2	-10,8	-11,2
Other operating income/expenses	-0,2	2,1	-1,5	4,7
<b>Operating income</b>	<b>4,8</b>	<b>11,6</b>	<b>32,4</b>	<b>33,3</b>
Financial items, net	0,2	0,2	-1,1	-1,7
<b>Income after financial items</b>	<b>5,0</b>	<b>11,8</b>	<b>31,3</b>	<b>31,6</b>
Tax	0,0	-9,4	-8,0	-15,8
<b>Net profit</b>	<b>5,0</b>	<b>2,4</b>	<b>23,3</b>	<b>15,8</b>
Depreciation in the above	-8,1	-6,3	-30,8	-30,3
Income per share after tax (SEK)	<b>1:58</b>	<b>0:77</b>	<b>7:44</b>	<b>4:83</b>
Number of shares at end of December ('000)	3125,5	3 125,5	3125,5	3 125,5
Average number of shares during the period ('000)	3125,5	3 125,5	3125,5	3 274,5

**CONSOLIDATED BALANCE SHEET IN BRIEF**

(MSEK)

	03-12-31	02-12-31
Intangible fixed assets	31,8	39,5
Tangible fixed assets	106,8	117,7
Financial fixed assets	6,4	6,8
<b>Total Fixed Assets</b>	<b>145,0</b>	<b>164,0</b>
Inventories	116,2	115,9
Receivables	86,3	84,1
Liquid assets	71,9	86,2
<b>Total Current Assets</b>	<b>274,4</b>	<b>286,2</b>
<b>TOTAL ASSETS</b>	<b>419,4</b>	<b>450,2</b>
<b>Equity</b>	<b>255,1</b>	<b>255,6</b>
Interest-bearing debts and provisions	76,4	104,3
Non interest-bearing debts and provisions	87,9	90,3
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>419,4</b>	<b>450,2</b>

**CHANGE IN EQUITY**

(MSEK)

	Full year 2003	Full year 2002
<b>Equity according to balance sheet December 31</b>	<b>255,6</b>	<b>293,2</b>
Adaption to RR29 ( pension provision)	-7,0	-
Re-purchase of own shares	-7,4	-5,2
Exchange rate differences	23,3	15,8
Net profit	-9,4	-10,3
Dividend	-	-37,9
<b>Equity according to balance sheet Sep 30</b>	<b>255,1</b>	<b>255,6</b>

**CONSOLIDATED CASH FLOW STATEMENT IN BRIEF (MSEK)**

**Funds generated by operations before changes in working capital**

	Full year 2003	Full year 2002
Change in working capital	-6,2	6,8
<b>Cash flow from operations</b>	<b>52,0</b>	<b>63,1</b>
Cash flow from investments	-15,3	-13,7
Cash flow from financial activities	-49,6	-59,0
<b>Cash flow for the period</b>	<b>-12,9</b>	<b>-9,6</b>
Liquid assets beginning of year	86,2	96,0
Translation difference liquid assets	-1,4	-0,2
<b>Liquid assets end of period</b>	<b>71,9</b>	<b>86,2</b>
Unutilised bank overdraft facility	34,6	38,2
<b>Total of disposable liquid assets</b>	<b>106,5</b>	<b>124,4</b>

**GROUP KEY RATIOS**

	Full year 2003	Full Year 2002
Net margin – ROS (%)	5,9	5,9
Return on equity (%)	9,1	5,8
Return on capital employed (%)	11,1	10,2
Equity ratio (%)	60,8	56,8
Equity per share (SEK) (before changes in working capital)	<b>81:62</b>	81:78

**VBG AB (publ) Box 1216 SE-462 28 Vänersborg Sweden Reg No 556069-0751**  
Cash flow per share (SEK)  
Market value end of December  
Average full-time employed



<b>18:63</b>	17:19
<b>100:00</b>	90:00
<b>301</b>	309