



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 – 30/6 2003

- **Strong market position in a weak business cycle, turnover MSEK 268,1 (274,3).**
- **Income after financial items increased by 22% to MSEK 16,1 (13,2).**
- **Increased net margin to 6,0% (4,8).**
- **Increased return on capital employed to 11,1% (8,9).**
- **Income after tax increased by 26 % to MSEK 11,2 (8,9).**
- **Earnings per share increased to 3:57 (2:60).**
- **Continued strong cash flow after investments MSEK 14,7 (26,4)**

### MARKETS AND SALES

The Group's turnover during Jan – June amounted to MSEK 268,1 (274,3), and is considered to be equivalent to an unchanged volume.

<i>Business Areas:</i>	<b>6 mon</b>	<b>3 mon</b>	<b>3 mon</b>	12 mon	3 mon	3 mon	<b>6 mon</b>	3 mon	3 mon
	<b>Jan-Jun</b>	<b>Apr-Jun</b>	<b>Jan-Mar</b>	Jan-Dec	Oct-Dec	Jul-Sep	<b>Jan-Jun</b>	Apr-Jun	Jan-Mar
	<b>2003</b>	<b>2003</b>	<b>2003</b>	2002	2002	2002	<b>2002</b>	2002	2002
Truck Equipment	<b>208,1</b>	<b>97,5</b>	<b>110,6</b>	418,2	109,6	91,4	<b>217,2</b>	105,6	111,6
Machine Element	<b>60,0</b>	<b>29,4</b>	<b>30,6</b>	114,6	28,3	29,2	<b>57,1</b>	27,7	29,4
Total	<b>268,1</b>	<b>126,9</b>	<b>141,2</b>	532,8	137,9	120,6	<b>274,3</b>	133,3	141,0

#### Truck Equipment:

Truck Equipment is the Group's core business and the dominating business area with 77,6 % (79,2%) of the turnover for Jan – June. The business area comprises of several product groups; coupling equipment, automatic tyre chains, drop side pillars, fifth wheels with additional equipment for semi trailers and other truck equipment. During the second quarter there was a volume decrease of just below 8% compared to the same period last year and above all on the German market, where the general weak business cycle resulted in low sale.

Turnover for the first six months of the year amounted to MSEK 208,1 (217,2), a decrease of 4,2%.

However, the Group consolidates the world leading position in the product areas coupling equipment and automatic tyre chains.

<i>Product Groups:</i>	<b>6 mon</b>	<b>3 mon</b>	<b>3 mon</b>	12 mon	3 mon	3 mon	<b>6 mon</b>	3 mon	3 mon
	<b>Jan-Jun</b>	<b>Apr-Jun</b>	<b>Jan-Mar</b>	Jan-Dec	Oct-Dec	Jul-Sep	<b>Jan-Jun</b>	Apr-Jun	Jan-Mar
	<b>2003</b>	<b>2003</b>	<b>2003</b>	2002	2002	2002	<b>2002</b>	2002	2002
Coupling Equipment	<b>188,5</b>	<b>88,5</b>	<b>100,0</b>	370,5	93,9	80,4	<b>196,2</b>	95,1	101,1
Fifth Wheels	<b>3,6</b>	<b>1,8</b>	<b>1,8</b>	8,3	1,9	1,9	<b>4,5</b>	2,1	2,4
Automatic Tyre Chain	<b>7,5</b>	<b>2,9</b>	<b>4,6</b>	22,8	9,9	5,2	<b>7,7</b>	3,6	4,1
Drop side pillars	<b>3,0</b>	<b>1,2</b>	<b>1,8</b>	7,7	1,7	1,6	<b>4,4</b>	2,3	2,1
Other truck equipm.	<b>5,5</b>	<b>3,1</b>	<b>2,4</b>	8,9	2,2	2,3	<b>4,4</b>	2,5	1,9

<i>Geographic Markets:</i>	<b>6 mon</b>	<b>3 mon</b>	<b>3 mon</b>	12 mon	3 mon	3 mon	<b>6 mon</b>	3 mon	3 mon
	<b>Jan-Jun</b>	<b>Apr-Jun</b>	<b>Jan-Mar</b>	Jan-Dec	Oct-Dec	Jul-Sep	<b>Jan-Jun</b>	Apr-Jun	Jan-Mar
	<b>2003</b>	<b>2003</b>	<b>2003</b>	2002	2002	2002	<b>2002</b>	2002	2002
Sweden	<b>65,7</b>	<b>30,5</b>	<b>35,2</b>	121,6	32,3	25,7	<b>63,7</b>	31,9	31,8
Other Nordic countries	<b>51,6</b>	<b>24,1</b>	<b>27,5</b>	97,6	25,3	20,9	<b>51,3</b>	25,0	26,3
Rest of Europe	<b>78,3</b>	<b>37,4</b>	<b>40,9</b>	169,5	41,4	38,5	<b>89,7</b>	43,3	46,4
USA / Canada	<b>0,1</b>	<b>0,0</b>	<b>0,1</b>	0,4	0,0	0,2	<b>0,2</b>	0,1	0,1
Rest of the world	<b>12,4</b>	<b>5,5</b>	<b>6,9</b>	29,0	10,6	6,1	<b>12,2</b>	5,2	7,0



**Machine Element:**

The sale's trend for the business area during the first 6 months has been positive and a possible recovery might be on its way for a since long weak world market. The turnover was MSEK 60,0 (57,1) which was 5,1% higher than same period last year. Half the turnover was invoiced in USD to the american market. Excluding the weak dollar rate the actual volume increase is estimated to be 16,5%. Most of the geographic markets and product areas have shown a positive trend during the period.

<i>Product Areas:</i>	<b>6 mon</b>	<b>3 mon</b>	<b>3 mon</b>	12 mon	3 mon	3 mon	<b>6 mon</b>	3 mon	3 mon
	Jan-Jun	Apr-Jun	Jan-Mar	Jan-Dec	Oct-Dec	Jul-Sep	Jan-Jun	Apr-Jun	Jan-Mar
	2003	2003	2003	2002	2002	2002	2002	2002	2002
Shaft-hub connections	<b>28,2</b>	<b>13,5</b>	<b>14,7</b>	53,3	13,5	13,9	<b>25,9</b>	12,7	13,2
RFC-products	<b>20,0</b>	<b>9,5</b>	<b>10,5</b>	40,1	10,0	8,6	<b>21,5</b>	10,7	10,8
Friction springs	<b>11,8</b>	<b>6,4</b>	<b>5,4</b>	21,2	4,8	6,7	<b>9,7</b>	4,3	5,4
<i>Geographical Markets:</i>	<b>6 mon</b>	<b>3 mon</b>	<b>3 mon</b>	12 mon	3 mon	3 mon	<b>6 mon</b>	3 mon	3 mon
	Jan-Jun	Apr-Jun	Jan-Mar	Jan-Dec	Oct-Dec	Jul-Sep	Jan-Jun	Apr-Jun	Jan-Mar
	2003	2003	2003	2002	2002	2002	2002	2002	2002
Sweden	<b>0,5</b>	<b>0,1</b>	<b>0,4</b>	1,3	0,3	0,3	<b>0,7</b>	0,3	0,4
Other Nordic countries	<b>0,9</b>	<b>0,5</b>	<b>0,4</b>	1,6	0,4	0,3	<b>0,9</b>	0,4	0,5
Rest of Europe	<b>23,7</b>	<b>11,8</b>	<b>11,9</b>	44,4	9,7	13,0	<b>21,6</b>	10,5	11,1
USA / Canada	<b>28,0</b>	<b>13,5</b>	<b>14,5</b>	55,6	13,4	12,5	<b>29,6</b>	14,3	15,3
Rest of the world	<b>6,9</b>	<b>3,5</b>	<b>3,4</b>	11,7	4,3	3,0	<b>4,4</b>	2,3	2,1

**INCOME**

Group income after financial items for the second quarter was better than last year, MSEK 4,2 (3,8). Total income for the first six months amounted to MSEK 16,1 ( 13,2), an increase by 22 %. Group key ratios for the first half year were better compared to same period last year. Return on capital employed increased to 11,1% (8,9 ) and return on equity also increased to 8,8 % (6,6). Net margin increased to 6,0% (4,8%).

Truck Equipment:

Lower turnover during the second quarter resulted in an operating income for the quarter of MSEK 6,1 (8,9). For the first six months the operating income amounted to MSEK 19,1 (21,2), a decrease with 10%. Net margin decreased to 9,2 % (9,7%).

Machine Element:

Operating income amounted to MSEK 1,2 (-1,5) with a net margin of 1,9% (-2,5%). Compared to same period last year the weakened US dollar has effected the half year income with MSEK -0,4. The large re-structure programme in the German production unit continues and is expected to go on during this and next year. The operating income during Apr – June has been charged with costs amounting to MSEK 2,1 for this re-structure work.

Others:

Group-wide items for the period amounted to MSEK -3,3 (-5,6).

<i>Income:</i>	<b>6 mon</b>	<b>3 mon</b>	<b>3 mon</b>	12 mon	3 mon	3 mon	<b>6 mon</b>	3 mon	3 mon
	Jan-Jun	Apr-Jun	Jan-Mar	Jan-Dec	Oct-Dec	Jul-Sep	Jan-Jun	Apr-Jun	Jan-Mar
	2003	2003	2003	2002	2002	2002	2002	2002	2002
Truck Equipment (LV)	<b>19,1</b>	<b>6,1</b>	<b>13,0</b>	40,1	11,8	7,1	<b>21,2</b>	8,9	12,3
Machine Element (ME)	<b>1,2</b>	<b>-0,2</b>	<b>1,4</b>	0,7	1,2	0,9	<b>-1,4</b>	-1,3	-0,1
Group Expenses	<b>-3,3</b>	<b>-1,7</b>	<b>-1,6</b>	-7,5	-1,4	-0,5	<b>-5,6</b>	-3,4	-2,2
Operating Income	<b>17,0</b>	<b>4,2</b>	<b>12,8</b>	33,3	11,6	7,5	<b>14,2</b>	4,2	10,0
Operating margin	<b>6,3%</b>	<b>3,3%</b>	<b>9,1%</b>	6,3%	8,4%	6,2%	<b>5,2%</b>	3,2%	7,1%
Income after financials	<b>16,1</b>	<b>4,2</b>	<b>11,9</b>	31,6	11,8	6,6	<b>13,2</b>	3,8	9,4
Net Margin %	<b>6,0%</b>	<b>3,3%</b>	<b>8,4%</b>	5,9%	8,6%	5,5%	<b>4,8%</b>	2,9%	6,6%



## INVESTMENTS

The Group's new investments during the first six months amounted to MSEK 10,3 (3,6).

## CASH FLOW AND FINANCIAL SITUATION

The cash flow from current business was MSEK 25,2 (29,9). New investments paid during the period amounted to MSEK 10,5 (3,5). Cash flow after investments amounted to MSEK 14,7 (26,4). Further, loan debts have been amortised with MSEK 18,3 (10,9) and dividend to shareholders have been paid with MSEK 9,4 (10,3). The influence on cash in hand was MSEK -13,0 (-32,6) and the Group's liquid assets at the end of the period amounted to MSEK 72,3 (63,2).

The Group's interest-bearing debts decreased during the period with MSEK 3,7 and amounted on June 30 to MSEK 14,3 (18,0 at the year end).

The equity decreased to MSEK 253,8 (255,6). The ratio of interest-bearing debt to equity at the end of June was 0,06 (0,07 at the year end). The equity ratio was improved during the period and amounted on June 30 to 58,2 % (56,8).

## PERSONNEL

On June 30 the VBG Group employed 296 persons (302 at the year end), of which 138 persons (140) were in Sweden. The average number of employed full-time was 299 persons (315 same period last year). Of these, 144 (150) were employed in Sweden.

## PER SHARE DATA

Profit per share after full tax for the period amounted to SEK 3:57 (2:60). The shareholders' equity was slightly reduced and at the end of June amounted to SEK 81:20 compared to SEK 81:78 at the end of last year.

## FORECAST 2003

For the business area Truck Equipment there are still no signs indicating growth of the important truck market for the rest of the year. The development during the second quarter of the first half year result in a somewhat more cautious judgement of the full year than the forecast given in April. Group turnover is estimated to be lower than last year ( MSEK 533) with an income estimated to be on the same level as last year ( MSEK 31,6).

## THE PARENT COMPANY

The business of VBG AB (publ) covers co-ordination of Group activities and the assets mainly consist of shareholding in the subsidiaries. The company also owns the industrial building in Vänersborg rented by the subsidiary VBG Produkter AB and further some machinery and equipment also rented by the subsidiary. The company's net turnover comprises invoicing of Group internal services and rents amounting to MSEK 5,3 (5,1). Income after financial items but before dividend from subsidiaries amounted to MSEK -4,4 (-4,6). During the second quarter of the year the parent company received dividend from subsidiaries amounting to MSEK 25.

Liquid assets of the parent company at the end of June amounted to MSEK 45,2 (40,6 at the year end) and the company had no short or long-term borrowing.

## ACCOUNTING PRINCIPLES

The interim report has been made according to RR 20 Interim Reporting and same accounting principles have been used as in the latest annual report.

Vänersborg 2003-08-07

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**Next report:** Interim report 9 months on October 23, 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT





IN BRIEF	(MSEK)	3 mon 2003 April-June	3 mon 2002 April-June	6 mon 2003	6 mon 2002	Helår 2002
<b>Net sales</b>		126,9	133,3	268,1	274,3	532,8
Cost of sales		-84,5	-90,7	-176,0	-181,2	-349,6
Sales expenses		-24,5	-26,2	-49,6	-53,0	-100,9
Administrative expenses		-10,6	-11,1	-19,6	-22,0	-42,5
R & D expenses		-2,5	-2,8	-5,3	-5,4	-11,2
Other operating income/expenses		-0,6	1,7	-0,6	1,5	4,7
<b>Operating income</b>		<b>4,2</b>	<b>4,2</b>	<b>17,0</b>	<b>14,2</b>	<b>33,3</b>
Financial items, net		0,0	-0,4	-0,9	-1,0	-1,7
<b>Income after financial items</b>		<b>4,2</b>	<b>3,8</b>	<b>16,1</b>	<b>13,2</b>	<b>31,6</b>
Tax		-1,1	-1,0	-4,9	-4,3	-15,8
<b>Net profit</b>		<b>3,1</b>	<b>2,8</b>	<b>11,2</b>	<b>8,9</b>	<b>15,8</b>
Depreciation in the above		-7,5	-8,0	-15,2	-16,0	-30,3
Income per share after tax (SEK)		<b>0:97</b>	<b>0:81</b>	<b>3:57</b>	<b>2:60</b>	<b>4:83</b>
Number of shares at end of June ('000)		3125,5	3125,5	3 125,5	3125,5	3 125,5
Average number of shares during the period ('000)		3125,5	3423,5	3 125,5	3423,5	3 274,5

CONSOLIDATED BALANCE SHEET IN BRIEF	(MSEK)	03-06-30	02-06-30	02-12-31
Intangible fixed assets		35,8	42,7	39,5
Tangible fixed assets		115,6	118,1	117,7
Financial fixed assets		6,4	13,2	6,8
<b>Total Fixed Assets</b>		<b>157,8</b>	<b>174,0</b>	<b>164,0</b>
Inventories		116,8	116,0	115,9
Receivables		89,3	92,0	84,1
Liquid assets		72,3	63,2	86,2
<b>Total Current Assets</b>		<b>278,4</b>	<b>271,2</b>	<b>286,2</b>
<b>TOTAL ASSETS</b>		<b>436,2</b>	<b>445,2</b>	<b>450,2</b>
<b>Equity</b>		<b>253,8</b>	<b>249,1</b>	<b>255,6</b>
Interest-bearing debts and provisions		86,5	101,3	104,3
Non interest-bearing debts and provisions		95,9	94,8	90,3
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>436,2</b>	<b>445,2</b>	<b>450,2</b>

CHANGE IN EQUITY	(MSEK)	6 mon 2003	6 mon 2002	2002
<b>Equity according to balance sheet December 31</b>		<b>255,6</b>	<b>293,2</b>	<b>293,2</b>
e-purchase of own shares			-37,9	-37,9
Exchange rate differences		-3,6	-4,8	-5,2
Net profit		11,2	8,9	15,8
Dividend		-9,4	-10,3	-10,3
<b>Equity according to balance sheet June 30</b>		<b>253,8</b>	<b>249,1</b>	<b>255,6</b>

CONSOLIDATED CASH FLOW STATEMENT IN BRIEF (MSEK)	6 mon 2003	6 mon 2002	2002
<b>Funds generated by operations before changes in working capital</b>	<b>26,2</b>	<b>25,9</b>	<b>56,3</b>
Change in working capital	-1,0	4,0	6,8
<b>Cash flow from operations</b>	<b>25,2</b>	<b>29,9</b>	<b>63,1</b>
Cash flow from investments	-10,5	-3,5	-13,7
Cash flow from financial activities	-27,7	-59,0	-59,0
<b>Cash flow for the period</b>	<b>-13,0</b>	<b>-32,6</b>	<b>-9,6</b>
Liquid assets beginning of year	86,2	96,0	96,0
Translation difference liquid assets	-0,9	-0,2	-0,2
<b>Liquid assets end of period</b>	<b>72,3</b>	<b>63,2</b>	<b>86,2</b>
Unutilised bank overdraft facility	34,5	53,4	38,2
<b>Total of disposable liquid assets</b>	<b>106,8</b>	<b>116,6</b>	<b>124,4</b>

GROUP KEY RATIOS	6 mon 2003	6 mon 2002	2002
Net margin – ROS (%)	6,0	4,8	5,9
Return on equity (%)	8,8	6,6	5,8
Return on capital employed (%)	11,1	8,9	10,2
Equity ratio (%)	58,2	56,0	56,8
Equity per share (SEK) (before changes in working capital)	81:20	72:77	81:78
Cash flow per share (SEK)	8:39	7:55	17:19
Market value end of June	91:00	88:00	90:00
Average full-time employed	299	313	309

This interim report has not been subject to special examination by the Company's auditors.