



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, France 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 2004

- **Group turnover increased by 13 % to MSEK 303,9 (268,1).**
- **Group operating income before restructuring costs increased by 55% to MSEK 29,6 (19,1).**
- **Group income after financial items increased by 21% to MSEK 19,5 (16,1).**
- **Group income after tax increased to MSEK 13,8 (11,2).**
- **Earnings per share increased by 24% to 4:41 (3:57).**

COMMENTS FROM THE MANAGING DIRECTOR

After a long period with low growth the Groups two business areas have enjoyed a considerably strengthened organic growth. Demand has increased on almost all markets. The market of heavy vehicles in Europe, the main market for the Group's coupling equipment, is expected to increase with approx 10% during 2004. The increased capacity utilization due to higher volumes has given an improved operating margin for Truck Equipment.

The Group's net margin was also improved during the first six months, which is good considering the comprehensive costs entailed so far for the restructure programme of Machine Element. Rising commodity and production goods prices have partly been compensated by higher efficiency. Executed price increases on the Groups products will come into effect first during the second half of the year. All in all this will give conditions for a continued positive profitability development.

VBG Multi XF – a new generation of drawbars based on our successful module strategy – was introduced during the second quarter. During the last years the business area Truck Equipment thus has renewed its product programme for coupling equipment.

The development during the first half year shows that we further strengthen our strong market position. The Group is today well established in its respective niches and shows a very strong balance sheet. All this means that we are well prepared to enter our next phase which means a structural growth through acquisition.

In conclusion, we are pleased with the good liquidity of the VBG share during the second quarter. We have now approx 5.000 new shareholders due to the fact that Hexagon has now distributed its VBG holding to their shareholders.

MARKETS AND SALES

The Group accounted a continued strong turnover for the second quarter of 2004 amounting to MSEK 149,4, which was 18 % better than last year. The total turnover for the first 6 months was MSEK 303,9 (268,1), an increase of 13%. The actual volume change was 15 %.

	6 mån	2/04	1/04	2003	4/03	3/03	6 mån	2/03	1/03
	2004						2003		
Truck Equipment	239,4	117,2	122,2	414,2	108,3	97,8	208,1	97,5	110,6
Machine Element	64,5	32,2	32,3	116,2	26,8	29,4	60,0	29,4	30,6
Total	303,9	149,4	154,5	530,4	135,1	127,2	268,1	126,9	141,2

Truck Equipment:

Normally the second quarter shows a lower turnover than the first quarter but this year the period April – June reported a continued high sale. The turnover amounted to MSEK 117,2 which was 20% better than last year. Total turnover for the first half year amounted to MSEK 239,4 (208,1), an increase by 15%.

The Group is the world's leading supplier of coupling equipment for heavy goods vehicles covering 90% of the business area's turnover.



	6mon 2004	2/04	1/04	2003	4/03	3/03	6 mon 2003	2/03	1/03
Coupling Equipment	214,2	105,9	108,3	364,5	90,1	85,9	188,5	88,5	100,0
Fifth wheels	4,6	2,4	2,2	7,1	1,6	1,9	3,6	1,8	1,8
Automatic Tyre Chain	12,2	4,7	7,5	25,0	11,6	5,9	7,5	2,9	4,6
Dropside Pillars	2,5	1,3	1,2	6,8	2,2	1,6	3,0	1,2	1,8
Other Equipment	5,9	2,9	3,0	10,8	2,8	2,5	5,5	3,1	2,4
Truck Equipment	239,4	117,2	122,2	414,2	108,3	97,8	208,1	97,5	110,6

Most geographic markets have shown a positive trend during 2004. The Nordic countries with the dominating brand name VBG has a turnover of MSEK 125,9, an increase by 7 % compared to the strong opening of 2003 (117,3). The German market, where the RINGFEDER brand is market leader, showed a very strong start with a volume increase of 19%. The German market covered 18% of the total turnover of the business area.

	6 mon 2004	2/04	1/04	2003	4/03	3/03	6 mon 2003	2/03	1/03
Truck Equipment:									
Sweden	67,6	31,3	36,3	122,8	28,8	28,3	65,7	30,5	35,2
Other Nordic Countr	58,3	30,7	27,6	96,5	24,6	20,3	51,6	24,1	27,5
Rest of Europe	96,4	46,2	50,2	165,9	48,2	39,4	78,3	37,4	40,9
Rest of the world	17,1	9,0	8,1	29,0	6,7	9,8	12,5	5,5	7,0
Total Truck Equipm	239,4	117,2	122,2	414,2	108,3	97,8	208,1	97,5	110,6

Machine Element:

The market has for some time been weak but during 2004 sales volumes have shown a positive development. During the second quarter same positive sale trend has been reported as for the first quarter with a turnover of MSEK 32,2 (29,4), an increase by 10%. Total turnover for the first six months amounted to MSEK 64,5 (60,0), an increase by 7,5%. Considering the strong weakening of the dollar since the same period 2003, the actual volume increase was slightly more than 13%.

The business area is operating with the brand name RINGFEDER and has a strong position in the world market as one of the largest and most reputed players in the segments in which one operates.

	6mon 2004	2/04	1/04	2003	4/03	3/03	6 mon 2003	2/03	1/03
Shaft-hub Connect	31,1	15,0	16,1	55,1	12,9	14,0	28,2	13,5	14,7
RFC-Products	22,0	11,5	10,5	37,1	8,5	8,6	20,0	9,5	10,5
Friction Springs	11,4	5,7	5,7	24,0	5,4	6,8	11,8	6,4	5,4
Machine Element	64,5	32,2	32,3	116,2	26,8	29,4	60,0	29,4	30,6

The US market stood for 46,5% of the total turnover and then came the German market with 26% of the turnover. The market in Australia/Asia had a turnover of MSEK 8,8, an increase by 40% compared to last year.

	6 mon 2004	2/04	1/04	2003	4/03	3/03	6 mon 2003	2/03	1/03
Sweden	0,5	0,1	0,4	1,4	0,3	0,6	0,5	0,1	0,4
Other Nordic Countr	0,8	0,3	0,5	1,5	0,1	0,5	0,9	0,5	0,4
Rest of Europe	23,9	11,0	12,9	47,0	12,5	10,8	23,7	11,8	11,9
USA/Canada	30,0	16,0	14,0	52,4	10,6	13,8	28,0	13,5	14,5
Rest of world	9,3	4,8	4,5	13,9	3,3	3,7	6,9	3,5	3,4
Total Mach Element	64,5	32,2	32,3	116,2	26,8	29,4	60,0	29,4	30,6



INCOME

Truck Equipment

Operating income for the business area Truck Equipment for the second quarter amounted to MSEK 9,8 (6,1), an increase by 61%. Operating margin was 8,4% compared to 6,3% last year.

For the first half year the operating income increased by 37% to MSEK 26,2 (19,1) with an operating margin that increased to 10,9% (9,2%).

Machine Element

During the second quarter the re-structure costs amounted to MSEK 5,2 (1,5) and for the first six months the total costs were MSEK 9,2 (2,1).

The operating income for the business area (excluding re-structure costs) for the second quarter amounted to MSEK 3,2 (1,3) and for the first half year MSEK 7,2 (3,3), which is more than a doubling. Operating margin for the first half year thus markedly increased to 11,1% (5,4%).

Group-wide item

Group-wide items amounted to MSEK -3,8 (-3,3).

Total Group

Operating income excluding re-structure costs for the first half year increased by 55% to MSEK 29,6 which correspond to a margin of 9,7%. Including re-structure costs in business area Machine Element, the reported operating income for total Group was 20% better than last year MSEK 20,4 (17,0) with an operating margin of 6,7% (6,0%). The Group income after financial items amounted to MSEK 19,5 (16,1), an increase by 21%.

Return on capital employed was 14,4% (11,1%) and return on equity 10,7% (8,8 %).

Net margin for the first half year increased to 6,4% (6,0%).

	6 mon 2004	2/04	1/04	2003	4/03	3/03	6 mon 2003	2/03	1/03
<i>Income:</i>									
Truck Equipment	26,2	9,8	16,4	40,5	8,4	13,0	19,1	6,1	13,0
Machine Element	7,2	3,2	4,0	5,2	1,6	0,3	3,3	1,3	2,0
Re-Structure Mach Element	-9,2	-5,2	-4,0	-8,7	-3,9	-2,7	-2,1	-1,5	-0,6
Group-wide Item	-3,8	-2,2	-1,6	-4,6	-1,3	0,0	-3,3	-1,7	-1,6
Operating Income	20,4	5,6	14,8	32,4	4,8	10,6	17,0	4,2	12,8
Operating Margin	6,7%	3,8%	9,6%	6,1%	3,6%	8,3%	6,3%	3,3%	9,1%
Income after Financial Item	19,5	5,1	14,4	31,3	5,0	10,2	16,1	4,2	11,9
Net Margin %	6,4%	3,5%	9,3%	5,9%	3,7%	8,0%	6,0%	3,3%	8,4%

INVESTMENTS

The Group's new investments during the first six months amounted to MSEK 11,3 (10,3).

CASH FLOW AND FINANCIAL SITUATION

The cash flow from current business amounted to MSEK 23,6 (25,2). New investments paid amounted to MSEK 11,3 (10,5). Cash flow after investments amounted to MSEK 12,3 (14,7). Loan debts amortised in foreign subsidiaries amounted to MSEK 13,3 (18,3) and dividend paid to shareholders amounted to MSEK 9,4 (9,4). This resulted in reduced cash in hand with MSEK -10,3 (-13,0).

The Group's liquid assets were also influenced by a translation difference of MSEK 0,1 and amounted thereafter to MSEK 61,7 (71,9 at year-end).

The Group's interest-bearing net loan debt at year end was MSEK 4,5 and at end of the first half year it amounted to MSEK 3,1, a positive change of MSEK 1,4.

At end of June 2004 the equity amounted to MSEK 260,5 (255,1), including a positive translation difference of MSEK 0,9.

The ratio of interest-bearing net loan debt/receivable (-) to equity was at the end of June -0,01 (0,02 at year-end). The equity ratio at end of June was 59,9% (60,8%).

PERSONNEL



VBG AB (publ) Box 1216 SE-462 28 Vänersborg Sweden Reg No 556069-0751

At the end of June 2004 VBG Group employed 298 persons (292 at year end) , of which 137 persons (136) were in Sweden. During the first half year of 2004 the average number of employed full-time was 307 persons (299 during same period last year). Of these, 149 (144) were employed in Sweden.

PER SHARE DATA

Profit per share after full tax for the second quarter amounted to SEK 1:26 (0:97) and for the period of six months 4:41 (3:57). Shareholders' equity at the end of June amounted to SEK 83:36 compared to SEK 81:62 at the year end.

FORECAST 2004

Group turnover is estimated to approx. MSEK 575 with a better income than last year.

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 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, rents and licencing revenues plus external royalties and amounted totally to MSEK 6,2 (5,3). Income after financial items before dividend from subsidiaries amounted to MSEK -5,3, (-4,4). During the second quarter the parent company received dividend from subsidiaries in the amount of MSEK 20.

Liquid assets in parent company at the June 30 2004 amounted to MSEK 25,9 (27,4 at year end) and the company had no short or long-term borrowing.

ACCOUNTING PRINCIPLES

The VBG Group as at 31st of December 2003 has adapted principles for estimation of the Group's pension provision to RR29. The VBG Group has for the rest from the annual accounts of 2003 adapted to the new recommendations issued by Redovisningsrådet during 2003.

Vänersborg 2004-08-06

VBG AB (publ)

Anders Birgersson
Managing director

Contact person:

Anders Birgersson, Managing Director & CEO
Telephone +46 521 277767 +46 702 277778
E-post abi@vbgab.com

Next report:

9 months: 2004-10-26


**CONSOLIDATED PROFIT AND LOSS ACCOUNT
IN BRIEF (MSEK)**

	3 mon Apr-Jun 2004	3 mon Apr-Jun 2003	6 mon Jan-jun 2004	6 mon Jan-Jun 2003	Full year 2003
Net sales	149,4	126,9	303,9	268,1	530,4
Cost of sales	-100,6	-84,5	-201,0	-176,0	-351,0
Sales expenses	-28,6	-24,5	-55,2	-49,6	-100,2
Administrative expenses	-11,5	-10,6	-22,3	-19,6	-34,5
R & D expenses	-2,5	-2,5	-4,9	-5,3	-10,8
Other operating income/expenses	-0,6	-0,6	-0,1	-0,6	-1,5
Operating income	5,6	4,2	20,4	17,0	32,4
Financial items, net	-0,5	0,0	-0,9	-0,9	-1,1
Income after financial items	5,1	4,2	19,5	16,1	31,3
Tax	-1,2	-1,1	-5,7	-4,9	-8,0
Net profit	3,9	3,1	13,8	11,2	23,3
Depreciation in the above	-7,1	-7,5	-13,7	-15,2	-30,8
Income per share after tax (SEK)	1:26	0:97	4:41	3:57	7:44
Number of shares at end of period ('000)	3 125,5	3 125,5	3 125,5	3 125,5	3 125,5
Average number of shares during the period ('000)	3 125,5	3 125,5	3 125,5	3 125,5	3 125,5

CONSOLIDATED BALANCE SHEET IN BRIEF (MSEK)

	04-06-30	03-12-31
Intangible fixed assets	30,8	32,6
Tangible fixed assets	106,6	106,0
Financial fixed assets	5,3	6,4
Total Fixed Assets	142,7	145,0
Inventories	118,4	116,2
Receivables	112,4	86,3
Liquid assets	61,7	71,9
Total Current Assets	292,5	274,4
TOTAL ASSETS	435,2	419,4
Equity	260,5	255,1
Interest-bearing debts and provisions	64,8	76,4
Non interest-bearing debts and provisions	109,9	87,9
TOTAL EQUITY AND LIABILITIES	435,2	419,4

CHANGE IN EQUITY (MSEK)

	6 mon 2004	6 mon 2003	Full year 2003
Equity according to balance sheet January 1	255,1	255,6	255,6
Adaption to RR29 (pension provision)			-7,0
Exchange rate differences	1,0	-3,6	-7,4
Net profit	13,8	11,2	23,3
Dividend	-9,4	-9,4	-9,4
Equity according to balance sheet at end of period	260,5	253,8	255,1

CONSOLIDATED CASH FLOW STATEMENT IN BRIEF (MSEK)

	6 mon 2004	6 mon 2003	Full year 2003
Funds generated by operations before changes in working capital	28,8	26,2	58,2
Change in working capital	-5,2	-1,0	-6,2
Cash flow from operations	23,6	25,2	52,0
Cash flow from investments	-11,3	-10,5	-15,3
Cash flow from financial activities	-22,6	-27,7	-49,6
Cash flow for the period	-10,3	-13,0	-12,9
Liquid assets beginning of year	71,9	86,2	86,2
Translation difference liquid assets	0,1	-0,9	-1,4
Liquid assets end of period	61,7	72,3	71,9
Unutilised bank overdraft facility	28,3	34,5	34,6
Total of disposable liquid assets	90,0	106,8	106,5

GROUP KEY RATIOS

	6 mon 2004	6 mon 2003	Full year 2003
Net margin – ROS (%)	6,4	6,0	5,9
Return on equity (%)	10,7	8,8	9,1
Return on capital employed (%)	14,4	11,1	11,1
Equity ratio (%)	59,9	58,2	60,8
Equity per share (SEK) (before changes in working capital)	83:36	81:20	81:62
Cash flow per share (SEK)	9:20	8:39	18:63
Market value end of period	105:50	91:00	100:00
Average full-time employed	307	299	301

VBG AB (publ) Box 1216 SE-462 28 Vänersborg Sweden Reg No 556069-0751



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