



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 – 31/3 2004

- **VBG will get a large number of new shareholders when Hexagon will distribute their holding in VBG**
- **Group turnover increased by 9,5% to MSEK 154,5 (141,2).**
- **Group income after financial items increased by 21% to MSEK 14,4 (11,9).**
- **Group net margin rose to 9,3% (8,4%).**
- **Group income after tax increased to MSEK 9,9 (8,1).**
- **Earnings per share increased by 22% to 3:16 (2:60).**

COMMENTS FROM THE MANAGING DIRECTOR

The interim report for the first quarter of year 2004 is the best one for more than three years and the reason behind this is a positive market trend in combination with a positive effect of the underlying operating income due to rationalizations carried through. The process to accomplish acquisitions is intensified. A larger spreading of our share will have a positive effect on VBG AB and its present shareholders. It will increase the liquidity of the share and facilitates its evaluation, thus also increase our possibilities to realize our acquisition strategy.

MARKETS AND SALES

The Group accounted a strong turnover for the first quarter of 2004 amounting to MSEK 154,5 (141,2), equivalent to an increase of 9,5%. The actual volume change was 12 %.

	<i>1/04</i>	2003	<i>4/03</i>	<i>3/03</i>	<i>2/03</i>	<i>1/03</i>
Truck Equipment	122,2	414,2	108,3	97,8	97,5	110,6
Machine Element	32,3	116,2	26,8	29,4	29,4	30,6
Total	154,5	530,4	135,1	127,2	126,9	141,2

Truck Equipment:

Business Area Truck Equipment covered 79,1% (78,3%) of Group turnover for the first three months. The product groups coupling equipment and automatic tyre chains had an increased turnover of 8,3% resp 63% compared to same period last year.

Total turnover for the business area increased by 10,5% to MSEK 122,2 (110,6), but the volume increase was 11,8%. The Group is the world's leading supplier of coupling equipment for heavy goods vehicles.

	<i>1/04</i>	2003	<i>4/03</i>	<i>3/03</i>	<i>2/03</i>	<i>1/03</i>
Coupling Equipment	108,3	364,5	90,1	85,9	88,5	100,0
Fifth wheels	2,2	7,1	1,6	1,9	1,8	1,8
Automatic Tyre Chain	7,5	25,0	11,6	5,9	2,9	4,6
Dropside Pillars	1,2	6,8	2,2	1,6	1,2	1,8
Other Equipment	3,0	10,8	2,8	2,5	3,1	2,4
Truck Equipment	122,2	414,2	108,3	97,8	97,5	110,6

The Nordic countries with the dominating brand name VBG opened as strongly as last year and the first quarter even meant an increase by 2 %. The German market, where the RINGFEDER brand is market leader showed a very strong start with a volume increase of 20%. The German market covered 18% of the total turnover for the period.

	<i>1/04</i>	2003	<i>4/03</i>	<i>3/03</i>	<i>2/03</i>	<i>1/03</i>
Truck Equipment:						
Sweden	36,3	122,8	28,8	28,3	30,5	35,2
Other Nordic Countr	27,6	96,5	24,6	20,3	24,1	27,5
Rest of Europe	50,2	165,9	48,2	39,4	37,4	40,9
Rest of the world	8,1	29,0	6,7	9,8	5,5	7,0



Machine Element:

Sales volumes for the business area Machine Element have shown a positive development during the first quarter 2004 and increased by 5,5% compared to last year to MSEK 32,3 (30,6). Considering the strong weakening of the dollar since the first quarter 2003, the actual volume increase was slightly more than 13%.

RFC-products are only sold on the US market and in dollar this product group increased the volume by 16%. RINGFEDER has a strong position in the world market and is one of the largest players in the segments in which one operates.

In the beginning of this year a new business area manager was recruited. He has a large experience of the trade and will take office on July 1st, 2004.

	1/04	2003	4/03	3/03	2/03	1/03
Shaft-hub Connect	16,1	55,1	12,9	14,0	13,5	14,7
RFC-Products	10,5	37,1	8,5	8,6	9,5	10,5
Friction Springs	5,7	24,0	5,4	6,8	6,4	5,4
Machine Element	32,3	116,2	26,8	29,4	29,4	30,6

The US market stood for 43% of the total turnover and then came the German market with 27% of the turnover. The increased demand noted already at the end of 2003 has continued and the next coming months look promising.

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

INCOME

Truck Equipment

Income for core business Truck Equipment increased by 26% to MSEK 16,4 (13,0) with an operating margin increasing to 13,5% (11,8%).

Machine Element

The large re-structure program is running according to plan although the increased sale has required certain adaption of the production in Krefeld which is subject-matter of out-sourcing. During the first quarter the re-structure costs amounted to MSEK 4,0 (0,6).

The operating income for the business area (excluding re-structure costs) was doubled compared to the same period last year and amounted to MSEK 4,0 (2,0) with an increased operating margin of 12,2% (6,7%).

Group-wide item

Group-wide items amounted to MSEK -1,6 (-1,6).

Group income for the first quarter excluding re-structure costs increased by 40% to MSEK 18,8, which correspond to a margin of 12,2 %. Including re-structure costs in Machine Element, the reported operating income for the Group was 15,6% better than last year amounting o MSEK 14,8 (12,8) and the operating margin 9,6% (9,1%). The Group income after financial items amounted to MSEK 14,4 (11,9), an increase by 21%.

Return on capital employed was 20,5% (16,0%) and return on equity 15,1% (12,6 %).

Net margin for the first quarter increased to 9,3% (8,4%).

	1/04	2003	4/03	3/03	2/03	1/03
<i>Income:</i>						
Truck Equipment	16,4	40,5	8,4	13,0	6,1	13,0
Machine Element	4,0	5,2	1,6	0,3	1,3	2,0
Re-Structure Mach Element	-4,0	-8,7	-3,9	-2,7	-1,5	-0,6
Group-wide Item	-1,6	-4,6	-1,3	0,0	-1,7	-1,6
Operating Income	14,8	32,4	4,8	10,6	4,2	12,8
Operating Margin	9,6%	6,1%	3,6%	8,3%	3,3%	9,1%



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Income after Financial Item	14,4	31,3	5,0	10,2	4,2	11,9	
Net Margin %	9,3%	5,9%	3,7%	8,0%	3,3%	8,4%	

INVESTMENTS

The Group's new investments during the first three months amounted to MSEK 1,8 (5,1).

CASH FLOW AND FINANCIAL SITUATION

The cash flow from current business amounted to MSEK 9,9 (14,3). New investments paid during the quarter amounted to MSEK 1,8 (5,4). Cash flow after investments amounted to MSEK 8,1 (8,9) and has been used to amortise loan debts in foreign subsidiaries with MSEK 11,3, which resulted in reduced cash in hand with MSEK -3,2.

The Group's liquid assets was also influenced by a translation difference of MSEK 0,3 and amounted thereafter to MSEK 69,0 (71,9 at year-end).

The Group's interest-bearing net loan debt at year end was MSEK 4,5 but during the first quarter of 2004 it has passed to a net receivable of MSEK 2,5, a positive change of MSEK 6,0.

The equity increased to MSEK 267,3 (255,1), including a positive translation difference of MSEK 2,3.

The ratio of interest-bearing net loan debt/receivable (-) to equity was at the end of March -0,01 (0,02 at year-end). The equity ratio was improved during the period to 61,7% (60,8%).

PERSONNEL

At the end of March 2004 VBG Group employed 294 persons (292 at year end) , of which 137 persons (136) were in Sweden. During the first three months of 2004 the average number of employed full-time was 301 persons (298 during same period last year). Of these, 148 (143) were employed in Sweden.

PER SHARE DATA

Profit per share after full tax for the first three months amounted to SEK 3:16 (2:60). The shareholders' equity at the end of March amounted to SEK 85:51 compared to SEK 81:62 at the year end.

The Hexagon Board has decided to propose its AGM to distribute the shareholding in VBG AB to its owners. The holding correspond to 41% of the equity and 23,9% of the votes.

FORECAST 2004

The income is estimated to be somewhat better 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 and rents and amounted totally to MSEK 3,1 (2,6). Income after financial items amounted to MSEK -2,4 (-1,8).

Liquid assets of the parent company at the end of March 31 2004 amounted to MSEK 25,3 (27,4 at year end) and the company had no short or long-term borrowing.

ACCOUNTING PRINCIPLES

The VBG Group as at 31st 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 2003 adapted to the new recommendations issued by Redovisningsrådet during 2003.

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

