



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, England, 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 2005

- Group net turnover increased by 15% to MSEK 350,9 (303,9)
- Group income increased by 85% to MSEK 41,3 (22,3)
- Group income before tax increased by 92% to MSEK 41,0 (21,4).
- Group net margin increased to 11,7% (7,1%).
- Group income after tax increased to MSEK 28,6 (15,0).
- Earnings per share increased to 9:16 (4:79).

### COMMENTS FROM THE MANAGING DIRECTOR

The good income during the first six months is a clear receipt that the internal focus on changes and cost-effectiveness in recent years has been successful. Besides, the consistent work of renewing and updating our product portfolio has made it possible to further strengthen our already strong position in the market for truck equipment. In combination with an upward economic trend generating a high demand for truck equipment in Europe this has resulted in a very good capacity utilization.

Establishing a sales company in England is an important step in our strategy to work closer with the customers in our key markets. It has been a successful change welcomed by our customers.

### MARKETS AND SALES

Group net turnover during the second quarter amounted to MSEK 176,1, the strongest quarter ever and almost 18% higher than same quarter last year.

During the first six months the Group turnover amounted to MSEK 350,9 which was about 15% more than last year. A continued strong economic situation together with a strong market position for the Group's both business areas has been decisive for the positive development.

The core business Truck Equipment covered 79% (79%) of the net turnover.

	<b>6 mon 2005</b>	<b>2/05</b>	<b>1/05</b>	<b>2004</b>	<b>4/04</b>	<b>3/04</b>	<b>6 mon 2004</b>	<b>2/04</b>	<b>1/04</b>
Truck Equipment	<b>277,0</b>	<b>140,0</b>	137,0	471,8	126,9	105,5	<b>239,4</b>	<b>117,2</b>	122,2
Machine Element	<b>73,9</b>	<b>36,1</b>	37,8	132,7	31,4	36,8	<b>64,5</b>	<b>32,2</b>	32,3
<b>Total</b>	<b>350,9</b>	<b>176,1</b>	174,8	604,5	158,3	142,3	<b>303,9</b>	<b>149,4</b>	154,5

#### Truck Equipment:

Turnover for the second quarter amounted to 140,9 MSEK (117,2), which was almost 20% higher than last year and for the first six months the turnover amounted to MSEK 277,9 (239,4), an increase of 15,7%. Coupling Equipment for connecting truck and trailer with the VBG and RINGFEDER brands is the dominating product area with a turnover for the first six months of MSEK 246,1 (214,2) and covers 88,8% of the business area Truck Equipment's turnover. General Truck Equipment ( fifth wheels, automatic tyre chains and dropside pillars) increased its turnover by 22,6% to MSEK 30,9 (25,2).

	<b>6 mon 2005</b>	<b>2/05</b>	<b>1/05</b>	<b>2004</b>	<b>4/04</b>	<b>3/04</b>	<b>6 mon 2004</b>	<b>2/04</b>	<b>1/04</b>
Coupling Equipment	<b>246,1</b>	<b>125,3</b>	120,8	413,2	105,6	93,4	<b>214,2</b>	<b>105,9</b>	108,3
General Truck Equip	<b>30,9</b>	<b>14,7</b>	16,2	58,6	21,3	12,1	<b>25,2</b>	<b>11,3</b>	13,9
<b>Truck Equipment</b>	<b>277,0</b>	<b>140,0</b>	137,0	471,8	126,9	105,5	<b>239,4</b>	<b>117,2</b>	122,2



All geographical markets have shown a continued positive trend during the second quarter and above all the Swedish market with a turnover increase of 30.7% compared to last year. During the second quarter a wholly-owned subsidiary in England, VBG Limited, was re-established. From July 1, VBG Limited will take over all business on the British market from the earlier distributor.

	<b>6 mon 2005</b>	<b>2/05</b>	<b>1/05</b>	<b>2004</b>	<b>4/04</b>	<b>3/04</b>	<b>6 mon 2004</b>	<b>2/04</b>	<b>1/04</b>
Truck Equipment:									
Sweden	<b>81,5</b>	<b>40,9</b>	40,6	131,8	37,2	27,0	<b>67,6</b>	<b>31,3</b>	36,3
Rest of the Nordic region	<b>65,0</b>	<b>35,0</b>	30,0	105,2	27,7	19,2	<b>58,3</b>	<b>30,7</b>	27,6
Rest of Europe	<b>111,3</b>	<b>53,2</b>	58,1	194,2	50,2	47,6	<b>96,4</b>	<b>46,2</b>	50,2
Rest of the world	<b>19,2</b>	<b>10,9</b>	8,3	40,6	11,8	11,7	<b>17,1</b>	<b>9,0</b>	8,1
<b>Total Truck Equipment</b>	<b>277,0</b>	<b>140,0</b>	137,0	471,8	126,9	105,5	<b>239,4</b>	<b>117,2</b>	122,2

#### Machine Element:

The business area Machine Element reported a continued stable turnover in almost all product areas and markets although the turnover increase for the first quarter of about 17% was somewhat damped to an increase of about 12% to MSEK 36,1 (32,2).

For the first six months the turnover increased by 14,5% to MSEK 73,9 (64,5).

	<b>6 mon 2005</b>	<b>2/05</b>	<b>1/05</b>	<b>2004</b>	<b>4/04</b>	<b>3/04</b>	<b>6 mon 2004</b>	<b>2/04</b>	<b>1/04</b>
Friction springs	<b>14,9</b>	<b>7,2</b>	7,7	26,1	6,5	8,2	<b>11,4</b>	<b>5,7</b>	5,7
Shaft-hub connection	<b>33,3</b>	<b>15,5</b>	17,8	63,0	14,9	17,0	<b>31,1</b>	<b>15,0</b>	16,1
Special products	<b>25,7</b>	<b>13,4</b>	12,3	43,6	10,0	11,6	<b>22,0</b>	<b>11,5</b>	10,5
<b>Machine Element</b>	<b>73,9</b>	<b>36,1</b>	37,8	132,7	31,4	36,8	<b>64,5</b>	<b>32,2</b>	32,3

The sales trend on the US market continued to be strong and during the second quarter showed an increase by 19% covering 52,6% of the business area Machine Element's total turnover.

	<b>6 mon 2005</b>	<b>2/05</b>	<b>1/05</b>	<b>2004</b>	<b>4/04</b>	<b>3/04</b>	<b>6 mon 2004</b>	<b>2/04</b>	<b>1/04</b>
Europe	<b>26,2</b>	<b>12,3</b>	13,9	51,5	11,8	14,5	<b>25,2</b>	<b>11,4</b>	13,8
North America	<b>36,6</b>	<b>19,0</b>	17,6	59,6	13,5	16,1	<b>30,0</b>	<b>16,0</b>	14,0
Rest of the world	<b>11,1</b>	<b>4,8</b>	6,3	21,6	6,1	6,2	<b>9,3</b>	<b>4,8</b>	4,5
<b>Total Machine Element</b>	<b>73,9</b>	<b>36,1</b>	37,8	132,7	31,4	36,8	<b>64,5</b>	<b>32,2</b>	32,3

## **INCOME**

### Truck Equipment

The second quarter was a record quarter with an operating income of MSEK 22,9 (10,4), which has more than doubled the income from the second quarter last year.

For the first six months the business area reported an operating income of MSEK 42,3 (27,6), an increase by 53% and the operating margin increased to 15,3% (11,5).

### Machine Element

The operating income for Machine Element for the second quarter amounted to merely MSEK 1,7 (3,2) in spite of a higher sale. The reason for the lower income was mainly temporarily higher sales prices and increased marketing activities.

For the first six months the operating income amounted to MSEK 3,7(6,4) with an operating margin of 5,1% (11,1). The assessment is still that the operating margin successively will increase during the rest of the year although the target of a margin of approx 8-10% will not be reached during 2005.



The Group as a whole

Costs for the Group as a whole amounted to MSEK -4,7 (-3,8).

Group income for the second quarter was MSEK 21,6 (6,6) with an increase of the operating margin to 12,3% (4,4). The Group's income for the first six months amounted o MSEK 41,3 (22,3), an increase by 85% and operating magin increased to 11,8% ( 7,3).

Group income after financial items improved during the first six months by 92% to MSEK 41,0 (21,4).

Return on capital employed increased to 26,3% (15,7%) and return on equity to 20,2% (11,6%).

Also net margin for the first six months increased considerably to 11,7% (7,1%).

	<b>6 mon 2005</b>	<b>2/05</b>	<b>1/05</b>	<b>2004</b>	<b>4/04</b>	<b>3/04</b>	<b>6 mon 2004</b>	<b>2/04</b>	<b>1/04</b>
<i>Income:</i>									
<b>Truck Equipment ( LV)</b>	<b>42,3</b>	<b>22,9</b>	19,4	55,6	17,1	10,9	<b>27,6</b>	<b>10,4</b>	17,2
<b>Machine Elements (ME)</b>	<b>3,7</b>	<b>1,7</b>	2,0	13,1	3,4	3,3	<b>6,4</b>	<b>3,2</b>	3,2
<b>Restructuring (ME)</b>	-	-	-	-15,7	-6,2	-1,6	<b>-7,9</b>	<b>-4,9</b>	-3,0
<b>Group-wide items</b>	<b>-4,7</b>	<b>-3,0</b>	-1,7	-7,3	-2,3	-1,2	<b>-3,8</b>	<b>-2,1</b>	-1,7
<b>Operating income</b>	<b>41,3</b>	<b>21,6</b>	19,7	45,7	12,0	11,4	<b>22,3</b>	<b>6,6</b>	15,7
Operating margin	<b>11,8%</b>	<b>12,3%</b>	11,3%	7,6%	7,6%	8,0%	<b>7,3%</b>	<b>4,4%</b>	10,2%
<b>Income after financial item</b>	<b>41,0</b>	<b>21,5</b>	19,5	44,3	11,7	11,2	<b>21,4</b>	<b>6,1</b>	15,3
<b>Net margin %</b>	<b>11,7%</b>	<b>12,2%</b>	11,2%	7,3%	7,4%	7,9%	<b>7,1%</b>	<b>4,0%</b>	9,9%

## INVESTMENTS

The Group's new investments during the first six months of 2005 amounted to MSEK 9,4 (11,3).

## CASH FLOW AND FINANCIAL POSITION

The cash flow generated from current operations amounted to MSEK 38,2 (23,6). New investments paid for during the first six months totalled MSEK 9,4 (11,3). Dividend paid to shareholders amounted to MSEK 12,5 (9,4). Cash holding increased by MSEK 21,5 (-10,3).

The Group's liquid assets were also affected by a translation difference of MSEK 1,4 and thereafter amounted to MSEK 101,3 (78,4 at year-end).

The Group had no interest bearing net debts at year-end as the liquid assets exceeded the interest-bearing debts with MSEK 7,0. During the first six months the ratio increased and resulted in a positive balance of MSEK 22,1 at the end of June.

Equity increased to MSEK 297,4 ( 270,2 at year-end) and was positively affected during the first six months by translation differences in foreign subsidiaries of MSEK 11,1.

The ratio of interest-bearing net debts to equity at end of June was -0,07 (-0,03). The equity ratio still was high but fell slightly to 59,8% (61,8%).

## PERSONNEL

At the end of June 2005 VBG Group employed 306 persons (307 at year end) , of which 149 persons (145) were in Sweden. During the first six months of 2005 the average number of employed full-time was 309 persons (308 during same period last year). Of these, 156 (149) were employed in Sweden.

## PER SHARE DATA

Profit per share after full tax for the first six months amounted to SEK 9:21 (4:80). The shareholders' equity at the end of June amounted to SEK 95:19 compared to SEK 86:45 at year-end.

At the end of June 2005 VBG had approx 5 000 shareholders. Liquidity as well as trend in market prices have shown a continued positive development during the second quarter. The share price at end of June was SEK 133 compared to SEK 117:50 at year-end.



## ACCOUNTING PRINCIPLES

From 1 January 2005, the company has been applying the new international accounting standard – International Financial Reporting Standards (IFRS) – as approved by the EU Commission. Prior, the Swedish Financial Accounting Standards Council’s recommendations were applied. In this interim report, VBG has adjusted its prior year information as of 1 January 2004. The difference between the old and new principles is limited to IFRS3 (Business Combinations) according to which goodwill may no longer be amortised. Instead, a review shall be made each year to determine the need, if any, to write-down the value of goodwill. Nor may a transfer to Structuring reserve be made in the acquisition balance sheet; instead, the costs associated with restructuring measures that are a result of the acquisition are to be taken direct against the result. VBG has decided, in accordance with IFRS1, not to re-compute acquisitions completed before 1 January 2004. Goodwill relating to acquisitions prior to that date has been stated on the basis of the residual goodwill value stated in the balance sheet as at 31 December 2003. No effect on the balance sheet arises as of 1 January 2004 as a result of the new regulations since the transfer and adaptation to RR29 Reporting of Pensions were made as of 31 December 2003. The tables below show how the comparative figures have been converted from the previously applied Swedish accounting principles ( Swedish Accounting Standards Council’s recommendations) to the now applicable international financial reporting standards ( IFRS).

### Reconciliation of balance sheet at 30 June 2004

	<u>GAAP</u>	IFRS 3 <u>Goodwill-depreciation</u>	<u>IFRS</u>
Intangible fixed assets	30,8	1,9	32,7
Financial fixed assets	5,3	- 0,5	4,8
<u>Other assets</u>	<u>399,1</u>		<u>399,1</u>
Total assets	435,2	1,4	435,2
Equity	260,5	1,2	261,7
Long-term non-interest-bearing liabilities	23,3	0,2	23,5
<u>Other liabilities</u>	<u>151,5</u>		<u>151,5</u>
Total equity and liabilities	435,2	1,4	433,5

### Reconciliation of balance sheet at 31 December 2004 and new opening balance 1 January 2005

	<u>GAAP</u>	IFRS 3 <u>Goodwil-depreciation</u>	<u>IFRS</u>
Intangible fixed assets	27,4	3,8	31,2
Financial fixed assets	4,9	- 1,1	3,8
<u>Other assets</u>	<u>409,1</u>		<u>409,1</u>
Total assets	441,4	2,7	444,1
Equity	267,9	2,3	270,2
Long-term non-interest-bearing liabilities	26,2	0,4	26,6
<u>Other liabilities</u>	<u>148,8</u>		<u>147,3</u>
Total equity and liabilities	441,4	2,7	444,1



Reconciliation of income statement for the period January – June 2004

	GAAP	IFRS 3 Goodwill-depreciation	IFRS
Net sales	303,9		303,9
Cost of goods sold	-201,0		-201,0
Selling expenses	-55,2	1,9	-53,3
Administrative expenses	-22,3		-22,3
R & D costs	-4,9		-4,9
Other operating income/expenses	-0,1		-0,1
Operating income	20,4	1,9	22,3
Financial items, net	-0,9		-0,9
Income after financial items	19,5	1,9	21,4
Tax	-5,7	-0,7	-6,4
Net profit	13,8	1,2	15,0

Reconciliation of income statement 2004

	GAAP	IFRS 3 Goodwill-depreciation	IFRS
Net sales	604,5		154,5
Cost of goods sold	-389,2		-100,4
Selling expenses	-115,5	3,8	-111,7
Administrative expenses	-39,1		-39,1
R & D costs	-10,4		-10,4
Other operating income/expenses	-8,4		-8,4
Operating income	41,9	3,8	45,7
Financial items, net	-1,4		-1,4
Income after financial items	40,5	3,8	44,3
Tax	-14,7	-1,5	-16,2
Net profit	25,8	2,3	28,1

## FORECAST 2005

The conditions on the markets are estimated to be continued strong during the rest of the year. Given these conditions the Group income before tax is expected to be considerably better than last year.

## THE PARENT COMPANY

The operations of VBG AB (publ) focus on generally managing, developing and co-ordinating the Group, and its assets mainly comprise shares in subsidiaries. Among other things the parent company will focus on maintaining and developing all the Group's brands and rights.

The company's net turnover pertains to intra-Group services, rentals, licensing revenues and external royalties, which for the first six months amounted to MSEK 6,2 (6,2). Income after financial items before dividends from subsidiaries amounted to MSEK -4,4 (-5,3). During the second quarter the parent company received dividends from the subsidiaries of MSEK 30 ( 20). At June 30 the parent company's liquid assets amounted to MSEK 50,0 (37,3 at year-end), and the company had no short or long-term borrowing.

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

Vänersborg 2005-08-18

**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](mailto:abi@vbgab.com)

**Next report:**

9 months: 2005-10-25



**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
IN BRIEF**

(MSEK)

	3 mon April-June 2005	3 mon April-June 2004	6 mon Jan-June 2005	6 mon Jan-June 2004
<b>Net turnover</b>	<b>176,1</b>	<b>149,4</b>	<b>350,9</b>	<b>303,9</b>
Cost of goods sold	-112,1	-100,6	-223,4	-201,0
Sales expenses	-31,6	-27,6	-61,1	-53,3
Administrative expenses	-12,2	-11,6	-22,9	-22,3
R & D expenses	-2,6	-2,5	-6,1	-4,9
Other operating income/expenses	4,0	-0,5	3,9	-0,1
<b>Operating income</b>	<b>21,6</b>	<b>6,6</b>	<b>41,3</b>	<b>22,3</b>
Financial items, net	-0,1	-0,5	-0,3	-0,9
<b>Income after financial items</b>	<b>21,5</b>	<b>6,1</b>	<b>41,0</b>	<b>21,4</b>
Tax	-6,5	-1,5	-12,4	-6,4
<b>Net profit</b>	<b>15,0</b>	<b>4,6</b>	<b>28,6</b>	<b>15,0</b>
Depreciation in the above	-5,7	-6,1	-11,3	-11,8
Earnings per share after tax (SEK)	<b>4:82</b>	<b>1:46</b>	<b>9:16</b>	<b>4:79</b>
Number of shares at end of period ('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	3 125,5

**CONSOLIDATED BALANCE SHEET IN BRIEF**

(MSEK)

	2005-06-30	2004-06-30
Intangible fixed assets	34,6	32,7
Tangible fixed assets	95,1	106,6
Financial fixed assets	0,2	4,8
<b>Total Fixed Assets</b>	<b>129,9</b>	<b>144,1</b>
Inventories	137,3	118,4
Receivables	129,3	112,4
Liquid assets	101,3	61,7
<b>Total Current Assets</b>	<b>367,9</b>	<b>292,5</b>
<b>TOTAL ASSETS</b>	<b>497,8</b>	<b>435,2</b>
<b>Equity</b>	<b>297,4</b>	<b>261,7</b>
Long-term interest-bearing debts and provisions	67,2	63,5
Long-term non interest-bearing debts and provisions	26,5	23,5
Short-term interest-bearing debts and provisions	12,0	1,3
Short-term non interest-bearing debts and provisions	94,7	85,2
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>497,8</b>	<b>435,2</b>

**CHANGE IN EQUITY**

(MSEK)

	6 mon 2005	6 mon 2004
<b>Equity according to balance sheet January 1</b>	<b>270,2</b>	<b>255,1</b>
Translation differences	11,1	1,0
Changed accounting principles		
Net profit	28,6	15,0
Dividend	-12,5	-9,4
<b>Equity according to balance sheet June 30</b>	<b>297,4</b>	<b>261,7</b>

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

	6 mon 2005	6 mon 2004
<b>Funds generated by operations before changes in working capital</b>	<b>47,2</b>	<b>28,8</b>
Change in working capital	-9,0	-5,2
<b>Cash flow from on-going activities</b>	<b>38,2</b>	<b>23,6</b>
Cash flow from investing activities	-8,1	-11,3
Cash flow from financial activities	-8,6	-22,6
<b>Cash flow for the period</b>	<b>21,5</b>	<b>-10,3</b>
Liquid assets Jan 1	78,4	71,9
Translation difference liquid assets	1,4	0,1
<b>Liquid assets end of period</b>	<b>101,3</b>	<b>61,7</b>
Unutilised bank overdraft facilities	18,6	28,3
<b>Total liquid assets available</b>	<b>119,9</b>	<b>90,0</b>

**GROUP KEY RATIOS**

	6 mon 2005	6 mon 2004
Net margin - (ROS) (%)	11,7	7,1
Return on equity (%)	20,2	11,6
Return on capital employed (ROCE) (%)	26,3	15,7
Equity ratio (%)	59,8	59,9
Equity per share (SEK)	95:15	83:73
Cash flow per share (before change in working capital) (SEK)	15:09	9:20
Market value end of period (SEK)	133:00	105:50
Average full-time employed	309	307