



VBG AB in Vänersborg is the parent company of an International Engineering Group with production facilities in Sweden, Germany, the Czech Republic and Belgium 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 – 30/9 2005

- **Group net turnover rose by 14,5% to MSEK 511 (446).**
- **Group income before tax doubled to MSEK 65,6 (32,6).**
- **Group net margin increased to 12,8% (7,3%).**
- **Group income after tax increased to MSEK 45,3 (22,3).**
- **Earnings per share improved to 14:49 (7:14).**
- **Strengthening position on the trailer/bodybuilding market through acquisition of a leading German manufacturer of sliding roof systems.**

### COMMENTS FROM THE MANAGING DIRECTOR

With the acquisition of the Edscha's Sliding Roofs Division we have realized the first decisive step of the Group's long-term growth strategy. The completion of this large acquisition, when the Group core business clearly has strengthened in the market for truck equipment permits the Group management to focus on integrating the new business as well as using any spare capacity to carry out further acquisitions.

The new product area complements the earlier core business, where the Coupling equipment has dominated the business for many years. Through the acquisition of this new product area the Group is strengthening its presence on important markets in Europe e.g. Germany, Benelux and France. The product area is also adding a new type of customer segment to the Group permitting access to a large target group (trailer manufacturers) in the European heavy goods vehicle business.

### ACQUISITION OF NEW PRODUCT AREA

The acquisition of the Division Sliding Roofs from the German car component Edscha Group was finalized on September 30. Sliding Roofs for trucks /trailers will be incorporated as a completely new product within the business area Truck Equipment. Its main focus area will be within the trailer manufacturing industry. This business has an annual turnover of approx MSEK 370. The acquisition comprises totally four companies, situated in Germany, the Czech Republic and Belgium (2). The purchase price for all shares in the companies and for the brand names amounts to approx MSEK 357 and the acquisition has been included in the consolidated balance sheet as at September 30, 2005. The business will be incorporated in the consolidated profit and loss account as from October 1 and is expected to have a positive impact on Group income already from the fourth quarter of 2005. The acquisition has been financed through an acquisition loan from the bank (MEURO 20) and through utilization of existing liquid assets combined with an increased bank overdraft. In the preliminary acquisition balance of the companies the equity capital amounts to approx. MSEK 109, which results in a surplus value of approx. MSEK 248. The surplus value has been allocated to:

Brand names ( EDSCHA, SESAM, FOCUS)	MSEK 99
Goodwill	MSEK 171
Surplus value in property	MSEK 12
Deferred tax	MSEK - 34

Group equity ratio was approx 63% the day before the acquisition and after 37%. The new product area has approx. 115 employees.

### MARKETS AND SALES

Group net turnover during the third quarter amounted to MSEK 160,0 (142,3), an increase by 12,4% compared to same quarter last year.

During the first nine months the Group turnover amounted to MSEK 510,9 which was 14,5% more than last year. The core business Truck Equipment covered 78% (77%) of the net turnover.



	9 mon 2005	3/05	2/05	1/05	2004	4/04	9 mon 2004	3/04	2/04	1/04
<b>Truck Equipment</b>	<b>398,4</b>	<b>121,4</b>	140,0	137,0	471,8	126,9	<b>344,9</b>	<b>105,5</b>	117,2	122,2
<b>Machine Element</b>	<b>112,5</b>	<b>38,6</b>	36,1	37,8	132,7	31,4	<b>101,3</b>	<b>36,8</b>	32,2	32,3
<b>Total</b>	<b>510,9</b>	<b>160,0</b>	176,1	174,8	604,5	158,3	<b>446,2</b>	<b>142,3</b>	149,4	154,5

#### Truck Equipment:

Turnover for the third quarter amounted to 121,4 MSEK (105,5), which was 15% higher than last year and for the first nine months the turnover amounted to MSEK 398,4 ( 344,9), an increase of 15,5%.

All geographical markets showed a continued good trend but above all the Swedish market and the rest of the Nordic region strongly exceeded last year's sales.

#### Machine Element:

The business area Machine Element reported a continued stable turnover on all markets during the third quarter. For the first nine months the turnover increased by 11% to MSEK 112,5 (101,3).

### **INCOME**

#### Truck Equipment

The third quarter was very strong with an operating income of MSEK 22,1 (10,9), which has more than doubled the income compared with the third quarter of last year. For the first nine months the business area reported an operating income of MSEK 64,4 (38,5), an increase by 67% and the operating margin increased to 16,2% (11,2).

#### Machine Element

The operating income for Machine Element for the third quarter amounted to MSEK 3,2 (3,3) with an operating margin of 8,3 %. For the first nine months the operating income amounted to MSEK 6,9 (9,7) with an operating margin of 6,2% (9,6). The operating margin will successively increase during the rest of the year.

#### The Group as a whole

Costs for the Group as a whole amounted to MSEK -5,3 (-5,0). Group income for the third quarter was MSEK 24,7 (11,4) with an increase of the operating margin to 15,4% (8,0). The Group's income for the first nine months amounted to MSEK 66,0 (33,7), an increase by 85% that almost doubled the income. The operating margin increased to 12,9% ( 7,6). Group income after financial items was doubled during the first nine months and amounted to MSEK 65,6 ( 32,6).

Return on capital employed increased to 27,8% (15,6%) and return on equity to 20,7% (11,3%). Also net margin for the first nine months increased considerably to 12,8% (7,3%).

	9 mon 2005	3/05	2/05	1/05	2004	4/04	9 mon 2004	3/04	2/04	1/04
<i>Income:</i>										
<b>Truck Equipm ( LV)</b>	<b>64,4</b>	<b>22,1</b>	22,9	19,4	55,6	17,1	<b>38,5</b>	<b>10,9</b>	10,4	17,2
<b>Machine Elem (ME)</b>	<b>6,9</b>	<b>3,2</b>	1,7	2,0	13,1	3,4	<b>9,7</b>	<b>3,3</b>	3,2	3,2
<b>Restructuring (ME)</b>	<b>-</b>	<b>-</b>	-	-	-15,7	-6,2	<b>-9,5</b>	<b>-1,6</b>	-4,9	-3,0
<b>Group-wide items</b>	<b>-5,3</b>	<b>-0,6</b>	-3,0	-1,7	-7,3	-2,3	<b>-5,0</b>	<b>-1,2</b>	-2,1	-1,7
<b>Operating income</b>	<b>66,0</b>	<b>24,7</b>	21,6	19,7	45,7	12,0	<b>33,7</b>	<b>11,4</b>	6,6	15,7
Operating margin	<b>12,9%</b>	<b>15,4%</b>	12,3%	11,3%	7,6%	7,6%	<b>7,6%</b>	<b>8,0%</b>	4,4%	10,2%
<b>Income after finance</b>	<b>65,6</b>	<b>24,6</b>	21,5	19,5	44,3	11,7	<b>32,6</b>	<b>11,2</b>	6,1	15,3
<b>Net margin %</b>	<b>12,8%</b>	<b>15,4%</b>	12,2%	11,2%	7,3%	7,4%	<b>7,3%</b>	<b>7,9%</b>	4,0%	9,9%



## INVESTMENTS

The Group's new investments during the first nine months of 2005 amounted to MSEK 311,5 (12,9), whereof MSEK 299,7 is related to acquired subsidiaries.

## CASH FLOW AND FINANCIAL POSITION

The cash flow generated from current operations amounted to MSEK 55,3 (31,7). New investments paid for during the first nine months totalled MSEK 311,5 (12,9). An acquisition bank loan equivalent to MSEK 186,8 (MEURO 20) has been taken and the utilization of the Group's liquid assets has increased by MSEK 37,8. Further, dividend has been paid to shareholders with MSEK 12,5 (9,4). Cash holding therefore decreased during the nine months period with MSEK 44,1 (2,7).

The Group's liquid assets were also affected by a translation difference of MSEK 1,2 and thereafter amounted to MSEK 35,5 (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 nine months the ratio increased but on the last day of the period related to the acquisition the situation was changed, which resulted in a net loan debt as of September 30 of MSEK 271,4.

Equity increased to MSEK 312,6 ( 270,2 at year-end) and was positively affected during the first nine months by translation differences in foreign subsidiaries of MSEK 9,6.

The ratio of interest-bearing net debts to equity at end of September was 0,87 (-0,01). Due to the acquisition, the equity ratio was reduced to 37,1% (61,8%).

## PERSONNEL

At the end of September 2005 VBG Group employed 416 persons (307 at year end) , of which 146 persons (145) were in Sweden. The increase is due to the acquired companies with 115 employees. During the first nine months of 2005 the average number of employed full-time was 307 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 nine months amounted to SEK 14:49 (7:14). The shareholders' equity at the end of September amounted to SEK 100:00 compared to SEK 86:45 at year-end.

At the end of September 2005 VBG had approx 5 000 shareholders. Liquidity as well as trend in market prices has shown a continued very positive development during the third quarter. The share price at end of September was SEK 217 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 September 2004

	<u>GAAP</u>	IFRS 3 <u>Goodwill-depreciation</u>	<u>IFRS</u>
Intangible fixed assets	29,1	2,9	32,0
Financial fixed assets	3,2	- 0,8	2,4
Other assets	402,7		402,7
Total assets	435,0	2,1	437,1
Equity	266,0	1,8	267,8
Long-term non-interest-bearing liabilities	23,3	0,3	23,6
Other liabilities	145,7		145,7
Total equity and liabilities	435,0	2,1	437,1

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

	<u>GAAP</u>	IFRS 3 <u>Goodwill-depreciation</u>	<u>IFRS</u>
Intangible fixed assets	27,4	3,8	31,2
Financial fixed assets	4,9	- 1,1	3,8
Other assets	409,1		409,1
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
Other liabilities	148,8		147,3
Total equity and liabilities	441,4	2,7	444,1

Reconciliation of income statement for the period January – September 2004

	<u>GAAP</u>	IFRS 3 <u>Goodwill-depreciation</u>	<u>IFRS</u>
Net sales	446,2		446,2
Cost of goods sold	-291,9		-291,9
Selling expenses	-84,6	2,9	-81,7
Administrative expenses	-30,8		-30,8
R & D costs	-7,2		-7,2
Other operating income/expenses	-0,9		-0,9
Operating income	30,8	2,9	33,7
Financial items, net	-1,1		-1,1
Income after financial items	29,7	2,9	32,6
Tax	-9,2	-1,1	-10,3
Net profit	20,5	1,8	22,3

Reconciliation of income statement 2004

	<u>GAAP</u>	IFRS 3 <u>Goodwill-depreciation</u>	<u>IFRS</u>
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 estimation in the foregoing forecast, is still valid and it is predicted that the Group income before tax will 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 nine months amounted to MSEK 9,2 (9,3). Income after financial items before dividends from subsidiaries amounted to MSEK -4,7 (-7,5). During the year, the parent company received dividends from the subsidiaries of MSEK 30 ( 20). At September 30 the parent company's liquid assets amounted to MSEK 3,2 (37,3 at year-end).

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

Vänersborg 2005-10-25

**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:**

Financial Statement 2005: February 16, 2006  
Interim Report 3 mon 2006: May 11, 2006  
Annual General Meeting: May 11, 2006 at 17.00 pm in Vänersborg



**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
IN BRIEF**

	(MSEK)
<b>Net turnover</b>	<b>160,0</b>
Cost of goods sold	-93,7
Sales expenses	-29,5
Administrative expenses	-7,1
R & D expenses	-2,6
Other operating income/expenses	-2,4
<b>Operating income</b>	<b>24,7</b>
Financial items, net	-0,1
<b>Income after financial items</b>	<b>24,6</b>
Tax	-7,9
<b>Net profit</b>	<b>16,7</b>
Depreciation in the above	-5,5
Earnings per share after tax (SEK)	<b>5:33</b>
Number of shares at end of period ('000)	3125,5
Average number of shares during the period ('000)	3125,5

	3 mon July-Sep 2005	3 mon July-Sep 2004	9 mon Jan-Sep 2005	9 mon Jan-Sep 2004
<b>Net turnover</b>	<b>160,0</b>	<b>142,3</b>	<b>510,9</b>	<b>446,2</b>
Cost of goods sold	-93,7	-90,9	-317,1	-291,9
Sales expenses	-29,5	-28,4	-90,6	-81,7
Administrative expenses	-7,1	-8,5	-30,0	-30,8
R & D expenses	-2,6	-2,3	-8,7	-7,2
Other operating income/expenses	-2,4	-0,8	1,5	-0,9
<b>Operating income</b>	<b>24,7</b>	<b>11,4</b>	<b>66,0</b>	<b>33,7</b>
Financial items, net	-0,1	-0,2	-0,4	-1,1
<b>Income after financial items</b>	<b>24,6</b>	<b>11,2</b>	<b>65,6</b>	<b>32,6</b>
Tax	-7,9	-3,9	-20,3	-10,3
<b>Net profit</b>	<b>16,7</b>	<b>7,3</b>	<b>45,3</b>	<b>22,3</b>
Depreciation in the above	-5,5	-5,9	-16,8	-17,7
Earnings per share after tax (SEK)	<b>5:33</b>	<b>2:35</b>	<b>14:49</b>	<b>7:14</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)

Intangible fixed assets	305,3	32,0
Tangible fixed assets	126,0	102,2
Financial fixed assets	0,5	2,4
<b>Total Fixed Assets</b>	<b>431,8</b>	<b>136,6</b>
Inventories	188,7	119,6
Receivables	187,1	111,6
Liquid assets	35,5	69,3
<b>Total Current Assets</b>	<b>411,3</b>	<b>300,5</b>
<b>TOTAL ASSETS</b>	<b>843,1</b>	<b>437,1</b>
<b>Equity</b>	<b>312,6</b>	<b>267,8</b>
Long-term interest-bearing debts and provisions	261,0	64,1
Long-term non interest-bearing debts and provisions	63,4	23,6
Short-term interest-bearing debts and provisions	45,8	2,4
Short-term non interest-bearing debts and provisions	160,3	79,2
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>843,1</b>	<b>437,1</b>

	2005-09-30	2004-09-30
Intangible fixed assets	305,3	32,0
Tangible fixed assets	126,0	102,2
Financial fixed assets	0,5	2,4
<b>Total Fixed Assets</b>	<b>431,8</b>	<b>136,6</b>
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Short-term non interest-bearing debts and provisions	160,3	79,2
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>843,1</b>	<b>437,1</b>

**CHANGE IN EQUITY** (MSEK)

<b>Equity according to balance sheet January 1</b>	<b>270,2</b>	<b>255,1</b>
Translation differences	9,6	-0,2
Changed accounting principles		
Net profit	45,3	22,3
Dividend	-12,5	-9,4
<b>Equity according to balance sheet September 30</b>	<b>312,6</b>	<b>267,8</b>

	9 mon 2005	9 mon 2004
<b>Equity according to balance sheet January 1</b>	<b>270,2</b>	<b>255,1</b>
Translation differences	9,6	-0,2
Changed accounting principles		
Net profit	45,3	22,3
Dividend	-12,5	-9,4
<b>Equity according to balance sheet September 30</b>	<b>312,6</b>	<b>267,8</b>

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

<b>Funds generated by operations before changes in working capital</b>	<b>71,4</b>	<b>43,8</b>
Change in working capital	-16,1	-12,1
<b>Cash flow from on-going activities</b>	<b>55,3</b>	<b>31,7</b>
Cash flow from investing activities	-311,5	-12,9
Cash flow from financial activities	212,1	-21,4
<b>Cash flow for the period</b>	<b>-44,1</b>	<b>-2,7</b>
Liquid assets Jan 1	78,4	71,9
Translation difference liquid assets	1,2	0,0
<b>Liquid assets end of period</b>	<b>35,5</b>	<b>69,3</b>
Unutilised bank overdraft facilities	94,2	26,9
<b>Total liquid assets available</b>	<b>129,7</b>	<b>96,2</b>

	9 mon 2005	9 mon 2004
<b>Funds generated by operations before changes in working capital</b>	<b>71,4</b>	<b>43,8</b>
Change in working capital	-16,1	-12,1
<b>Cash flow from on-going activities</b>	<b>55,3</b>	<b>31,7</b>
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Unutilised bank overdraft facilities	94,2	26,9
<b>Total liquid assets available</b>	<b>129,7</b>	<b>96,2</b>

**GROUP KEY RATIOS**

Net margin - (ROS)	(%)	<b>12,8</b>	<b>7,3</b>
Return on equity	(%)	<b>20,7</b>	<b>11,3</b>
Return on capital employed (ROCE)	(%)	<b>27,8</b>	<b>15,6</b>
Equity ratio	(%)	<b>37,1</b>	<b>61,2</b>
Equity per share	(SEK)	<b>100:00</b>	<b>85:68</b>
Cash flow per share (before change in working capital)	(SEK)	<b>22:84</b>	<b>13:99</b>
Market value end of period	(SEK)	<b>217:00</b>	<b>108:00</b>
Average full-time employed		<b>307</b>	<b>308</b>

	9 mon 2005	9 mon 2004	
Net margin - (ROS)	(%)	<b>12,8</b>	<b>7,3</b>
Return on equity	(%)	<b>20,7</b>	<b>11,3</b>
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Equity ratio	(%)	<b>37,1</b>	<b>61,2</b>
Equity per share	(SEK)	<b>100:00</b>	<b>85:68</b>
Cash flow per share (before change in working capital)	(SEK)	<b>22:84</b>	<b>13:99</b>
Market value end of period	(SEK)	<b>217:00</b>	<b>108:00</b>
Average full-time employed		<b>307</b>	<b>308</b>