



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 – 31/3 2005

- Group turnover increased by 13% to MSEK 174,8 (154,5).
- Group income after financial items increased by 25% to MSEK 19,7 (15,7).
- Group income before tax increased by 27% to MSEK 19,4 (15,3).
- Group net margin increased to 11,2% (9,9%).
- Group income after tax increased to MSEK 13,6 (10,4).
- Earnings per share increased to 4:34 (3:33).

COMMENTS FROM THE MANAGING DIRECTOR

Group turnover and income for the first quarter of the year 2005 was the best one ever and achieved through a combination of a good business cycle and our strong market position. The last years' consistent work of updating and renewing the product programme in the business area Truck Equipment now falls together with a high market demand for these products. Increased costs for goods and components have been compensated for through a combination of price increases and internal rationalizations. The rate of growth for truck equipment in Europe is expected to fall, but a stable demand is estimated for the coming next quarters of the year.

MARKETS AND SALES

A strong ending last year continued as a strong start for the first three months and resulted in the highest turnover ever for the Group. The factors behind are a strong economic situation along with our important position on the market for the two business areas in the Group. Group total turnover amounted to MSEK 174,8 which is 13% better than same period last year (154,5). The core business Truck Equipment covered 78% (79%) of the turnover.

	1/05	2004	4/04	3/04	2/04	1/04
Truck Equipment	137,0	471,8	126,9	105,5	117,2	122,2
Machine Element	37,8	132,7	31,4	36,8	32,2	32,3
Total	174,8	604,5	158,3	142,3	149,4	154,5

Truck Equipment:

The strong first quarter of the year reported a turnover increase of 12% to MSEK 137,0 (122,2). Coupling equipment had a turnover of MSEK 120,8 (108,3) and covered 88,2% of the business area Truck Equipment's turnover. Other truck equipment (fifth wheels, automatic tyre chains and dropside pillars) increased its turnover by 16,5% to MSEK 16,2 (13,9).

	1/05	2004	4/04	3/04	2/04	1/04
Coupling Equipment	120,8	413,2	105,6	93,4	105,9	108,3
General Truck Equipm	16,2	58,6	21,3	12,1	11,3	13,9
Truck Equipment	137,0	471,8	126,9	105,5	117,2	122,2

All geographical markets have shown a positive development, though Rest of the World only slightly increased. The German market with the RINGFEDER brand as the market leader increased by 23% and stood for 19% of the business area's turnover. The Swedish market, Rest of the Nordic Region, Great Britain and certain parts of Benelux, where the VBG brand is the dominating one, increased by 9%.

	1/05	2004	4/04	3/04	2/04	1/04
Truck Equipment:						
Sweden	40,6	131,8	37,2	27,0	31,3	36,3
Rest of the Nordic region	30,0	105,2	27,7	19,2	30,7	27,6
Rest of Europe	58,1	194,2	50,2	47,6	46,2	50,2
Rest of the world	8,3	40,6	11,8	11,7	9,0	8,1
Total Truck Equipment	137,0	471,8	126,9	105,5	117,2	122,2



Machine Element:

The business area Machine Element had a very strong start and reported a sales increase during the first three months by 17% to MSEK 37,8 (32,3). All product areas have reported a positive trend. The business area has strengthened its positions on the machine industry market that during the period has experienced a general growth.

	1/05	2004	4/04	3/04	2/04	1/04
Friction springs	7,7	26,1	6,5	8,2	5,7	5,7
Shaft-hub connections	17,8	63,0	14,9	17,0	15,0	16,1
Special products	12,3	43,6	10,0	11,6	11,5	10,5
Machine Element	37,8	132,7	31,4	36,8	32,2	32,3

The US market increased by 25% and stood for 47% of the total turnover of the business area. The German market as the second largest increased by 7,5% and stood for 25% of the turnover. Another strong geographical market is Asia representing 15% of the total turnover and reported an increase of 28%.

	1/05	2004	4/04	3/04	2/04	1/04
Europe	13,9	51,5	11,8	14,5	11,4	13,8
North America	17,6	59,6	13,5	16,1	16,0	14,0
Rest of the world	6,3	21,6	6,1	6,2	4,8	4,5
Total Machine Elements	37,8	132,7	31,4	36,8	32,2	32,3

INCOME

Truck Equipment

The operating income for Truck Equipment during the first three months increased by 13 % to MSEK 19,4 (17,2) and the operating margin slightly increased to 14,2% (14,0).

Machine Element

The operating income for Machine Element amounted to MSEK 2,0 (3,2), which was considerably lower than expected considering the high turnover during the first three months. The reason is above all increased costs in connection with extra production resources at one of the new sub-contractors and a some influence from the weak dollar rate in the beginning of the year. Also material price increases, not yet compensated for through price increases, have affected the profitability negatively during the first months. The operating margin ended at 5,2% (10,2). The operating margin is estimated to successively increase during the rest of the year 2005.

The Group as a whole

Costs for the Group as a whole amounted to MSEK -1,7 (-1,7).

Group income for the first quarter was 25% better than previous year, MSEK 19,7 (15,7) with an operating margin of 11,3% (10,2%). The Group's income after financial items improved by 27% to MSEK 19,4 (15,3).

Return on capital employed increased to 25,8% (21,7%) and return on equity to 19,6% (15,9%).

Net margin increased to 11,2% (9,9%).

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



INVESTMENTS

The Group's new investments during the first three months 2005 amounted to MSEK 2,2 (1,8).

CASH FLOW AND FINANCIAL POSITION

The cash flow generated from current operations amounted to MSEK 23,2 (9,9). New investments paid for during the quarter totalled MSEK 3,9 (1,8). The cash flow after investments was MSEK 19,3 (8,1). Cash holding increased by MSEK 19,1.

The Group's liquid assets were also affected by a translation difference of MSEK 0,4 and thereafter amounted to MSEK 97,9 (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 quarter of 2005 the ratio further increased and resulted in a positive balance of MSEK 25,6 at the end of March.

Equity increased to MSEK 287,9 (270,2 at year-end) and was positively affected during the first three months by translation differences in foreign subsidiaries of MSEK 4,1.

The ratio of interest-bearing net debts to equity at year-end was -0,09 (-0,03). The equity ratio still was high but fell slightly to 60,0% (61,8%).

PERSONNEL

At the end of March 2005 VBG Group employed 299 persons (307 at year end) , of which 146 persons (145) were in Sweden. During the first three months of 2005 the average number of employed full-time was 309 persons (301 during same period last year). Of these, 154 (148) were employed in Sweden.

PER SHARE DATA

Profit per share after full tax for the first three months amounted to SEK 4:34 (3:33). The shareholders' equity at the end of March amounted to SEK 92:10 compared to SEK 86:45 at year-end.

At the end of March 2005 VBG had approx 5 200 shareholders. Liquidity as well as trend in market prices have showed a positive development. The share price at end of March was SEK 137 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 31 March 2004

	<u>GAAP</u>	IFRS 3 <u>Goodwill-depreciation</u>	<u>IFRS</u>
Intangible fixed assets	32,2	0,9	33,1
Financial fixed assets	5,0	- 0,3	4,7
<u>Other assets</u>	<u>395,7</u>		<u>395,7</u>
Total assets	432,9	0,6	433,5
Equity	267,3	0,5	267,8
Long-term non-interest-bearing liabilities	23,5	0,1	23,6
<u>Other liabilities</u>	<u>142,1</u>		<u>142,1</u>
Total equity and liabilities	432,9	0,6	433,5

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
<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 – March 2004

	<u>GAAP</u>	IFRS 3 <u>Goodwill-depreciation</u>	<u>IFRS</u>
Net sales	154,5		154,5
Cost of goods sold	-100,4		-100,4
Selling expenses	-26,6	0,9	-25,5
Administrative expenses	-10,8		-10,8
R & D costs	-2,4		-2,4
<u>Other operating income/expenses</u>	<u>0,5</u>		<u>0,5</u>
Operating income	14,8	0,9	15,7
<u>Financial items, net</u>	<u>-0,4</u>		<u>-0,4</u>
Income after financial items	14,4	0,9	15,3
Tax	-4,5	-0,4	-4,9
Net profit	9,9	0,5	10,4

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
<u>Other operating income/expenses</u>	<u>-8,4</u>		<u>-8,4</u>
Operating income	41,9	3,8	45,7
<u>Financial items, net</u>	<u>-1,4</u>		<u>-1,4</u>
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 is expected to be 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. The company also owns the industrial property in Vänersborg, which is rented by the subsidiary VBG Produkter AB. Some machines and equipment are also rented by the subsidiary. 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 quarter of year 2005 amounted to MSEK 3,1 (3,1). Income after financial items amounted to MSEK -1,5 (-2,4). At March 31 the parent company's liquid assets amounted to MSEK 45,2 (37,3 at year-end), and the company had no short or long-term borrowing.

Vänersborg 2005-05-11

VBG AB (publ)

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Next report:

6 months: 2005-08-18



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

Net sales	
Cost of sales	
Sales expenses	
Administrative expenses	
R & D expenses	
Other operating income/expenses	
Operating income	
Financial items, net	
Income after financial items	
Tax	
Net profit	
Depreciation in the above	
Income per share after tax (SEK)	
Number of shares at end of period ('000)	
Average number of shares during the period ('000)	

3 mon Jan-Mar 2005	3 mon Jan-Mar 2004
174,8	154,5
-111,3	-100,4
-29,5	-25,7
-10,7	-10,7
-3,5	-2,4
-0,1	0,4
19,7	15,7
-0,2	-0,4
19,5	15,3
-5,9	-4,9
13,6	10,4
-5,6	-5,7
4:34	3:33
3125,5	3 125,5
3125,5	3 125,5

CONSOLIDATED BALANCE SHEET IN BRIEF (MSEK)

Intangible fixed assets	
Tangible fixed assets	
Financial fixed assets	
Total Fixed Assets	
Inventories	
Receivables	
Liquid assets	
Total Current Assets	
TOTAL ASSETS	
Equity	
Long-term interest-bearing debts and provisions	
Long-term non interest-bearing debts and provisions	
Short-term interest-bearing debts and provisions	
Short-term non interest-bearing debts and provisions	
TOTAL EQUITY AND LIABILITIES	

2005-03-31	2004-03-31
31,9	33,1
92,8	103,3
1,4	4,7
126,1	141,1
128,5	114,4
125,5	109,0
97,9	69,0
351,9	292,4
478,0	433,5
287,9	267,8
64,7	63,1
26,6	23,6
7,6	3,4
91,2	75,6
478,0	433,5

CHANGE IN EQUITY (MSEK)

Equity according to balance sheet January 1	
Exchange rate differences	
Change in accounting principles	
Net profit	
Dividend	
Equity according to balance sheet March 31	

3 mon 2005	3 mon 2004
270,2	255,1
4,1	2,3
13,6	10,4
-	-
287,9	267,8

CONSOLIDATED CASH FLOW STATEMENT IN BRIEF (MSEK)

Funds generated by operations before changes in working capital	
Change in working capital	
Cash flow from operations	
Cash flow from investments	
Cash flow from financial activities	
Cash flow for the period	
Liquid assets beginning of year	
Translation difference liquid assets	
Liquid assets end of period	
Unutilised bank overdraft facility	
Total of disposable liquid assets	

3 mon 2005	3 mon 2004
26,1	17,6
-2,9	-7,7
23,2	9,9
-3,9	-1,8
-0,2	-11,3
19,1	-3,2
78,4	71,9
0,4	0,3
97,9	69,0
21,6	47,3
119,5	116,3

GROUP KEY RATIOS

Net margin - (ROS)	(%)	11,2	9,9
Return on equity	(%)	19,4	15,9
Return on capital employed (ROCE)	(%)	25,6	21,7
Equity ratio	(%)	60,2	61,8
Equity per share	(SEK)	92:10	85:68
Cash flow per share (before change in working capital)	(SEK)	8:35	5:62
Market value end of period	(SEK)	137:00	101:00
Average full-time employed		309	301

3 mon 2005	3 mon 2004
11,2	9,9
19,4	15,9
25,6	21,7
60,2	61,8
92:10	85:68
8:35	5:62
137:00	101:00
309	301

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